



Annual report The Triglav Group and Zavarovalnica Triglav d.d. 2016



The team of experts for the introduction of requirements of Solvency II Directive to the Triglav Group and the capital adequacy assesment

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Chief Executive
Director of Triglav INT,
holdinška družba, d.d.

Our goals. Our passion.

We are a close-knit Group, committed to its objectives.

In its vision, the Triglav Group combines financial stability and dynamic business development of the financial/insurance group, which firmly remains the leader both in Slovenia and the wider region. The Group constantly introduces modern, client-tailored approaches to doing business and manages risks in a responsible manner.

We make progress as individuals and win as a **well-tuned team.**

The Triglav Group and
Zavarovalnica Triglav d.d.

Audited annual report for the year
ended 31 December 2016

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Risk Management

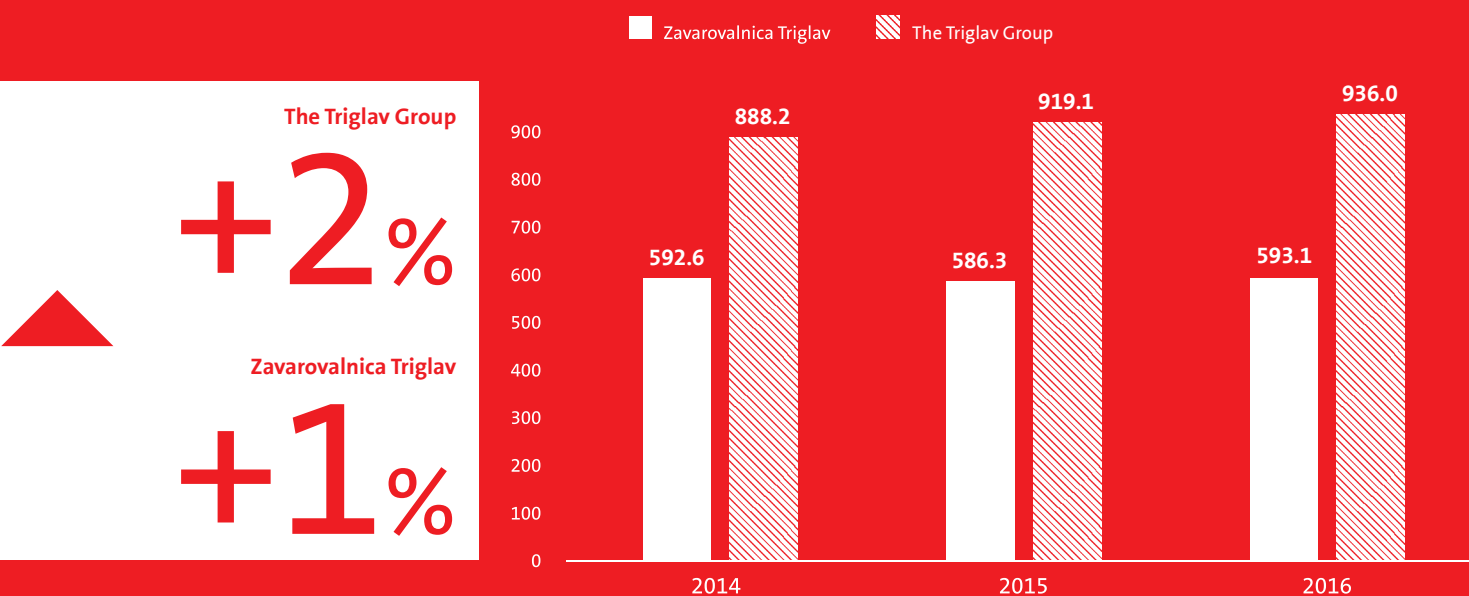
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Accounting Report

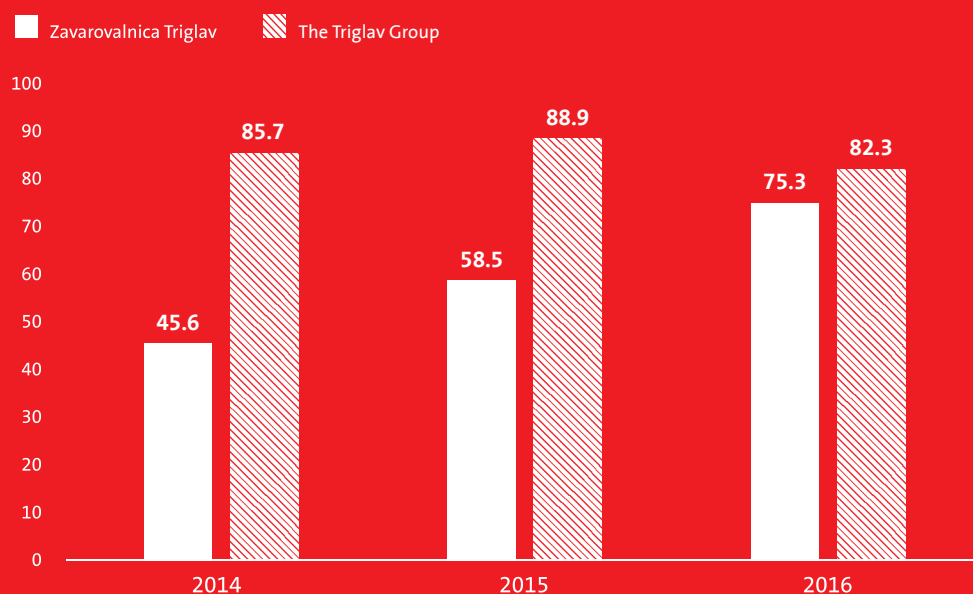
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The Triglav Group and Zavarovalnica Triglav in 2016

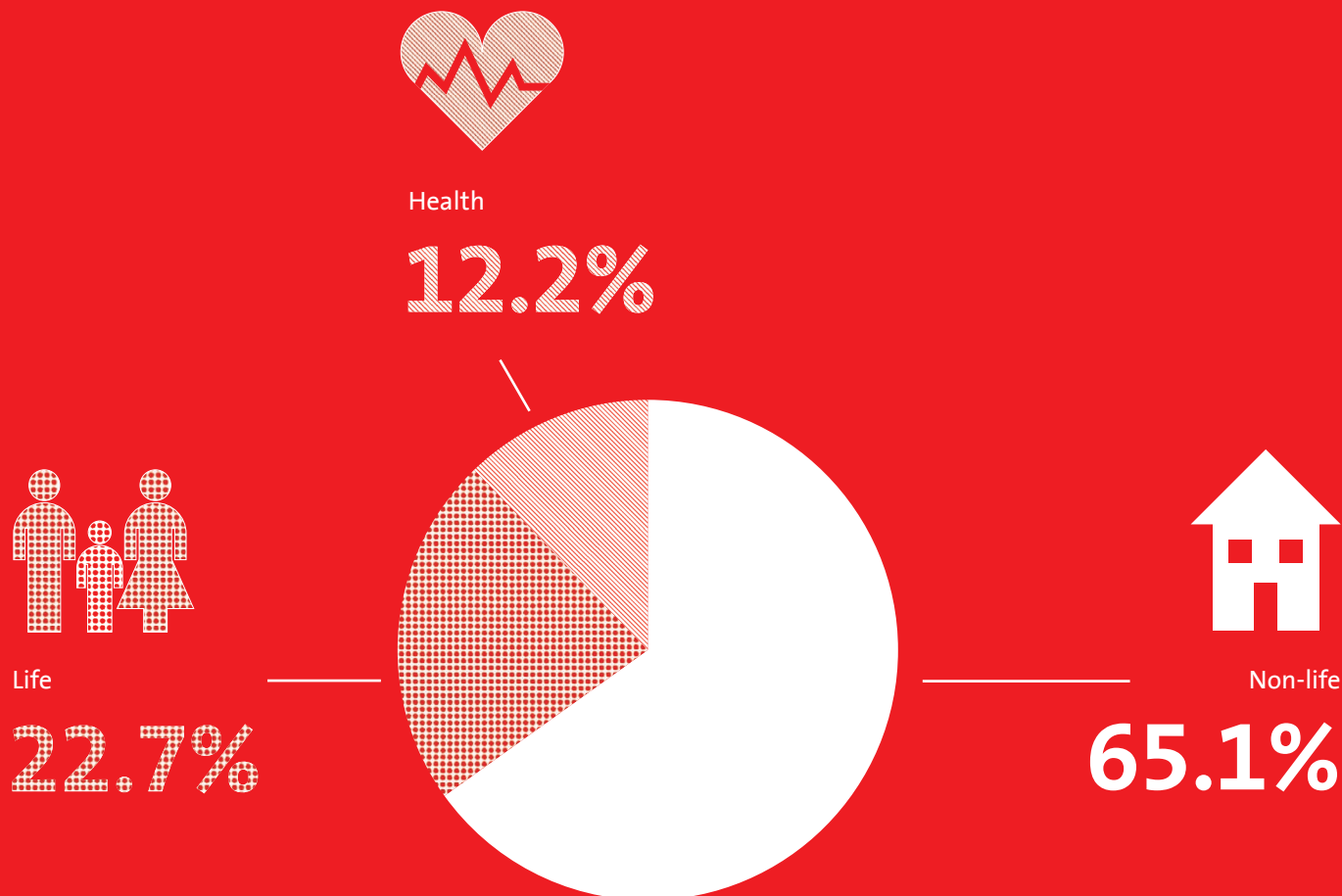
Consolidated gross written premium from insurance and
co-insurance contracts in EUR million



Net profit in EUR million



Consolidated gross written premiums of the Triglav Group by segment



82.7%

The share of written premium
on the Slovene market

»A«

Credit rating of
Zavarovalnica
Triglav,
the Slovene
company with
the highest
credit ratings
in the country.

Combined ratio in non-life and health
insurance for the Triglav Group

92.9%

Net earnings per share ZVTG* (in EUR)

2.01

2014

2.57

2015

3.31

2016

* Net profit/loss of Zavarovalnica Triglav and the weighted average number of shares were taken into account.

1 The Triglav Group and Zavarovalnica Triglav in 2016

- The Triglav Group and Zavarovalnica Triglav d.d. (hereinafter: Zavarovalnica Triglav) operated well in the reporting period and surpassed the planned business results.
- The Triglav Group adopted the new Strategy for the 2017-2020 period.
- The Triglav Group and Zavarovalnica Triglav maintained a high level of financial stability and profitability.
- The Triglav Group maintained its leading position in Slovenia and the Adria region and ranked sixth in Central Europe.
- The Triglav Group's credit rating was upgraded from »A-« to »A«, with a stable medium-term outlook.
- Subsidiary ownership consolidation and disinvestment of shareholdings in the companies whose business is incompatible with the Group's strategic guidelines continued.

Financial highlights of the Triglav Group¹

	in EUR million				
	2016	2015	2014	Index	
				2016/2015	2015/2014
Gross written premium from insurance and co-insurance contracts	936.0	919.1	888.2	102	103
Net premium income	849.6	839.2	819.9	101	102
Gross claims paid	606.0	594.8	615.7	102	97
Net claims incurred	577.1	570.3	594.7	101	96
Gross operating expenses	277.1	297.6	295.9	93	101
Profit before tax	95.1	102.5	100.4	93	102
Net profit	82.3	88.9	85.7	93	104
Net profit attributable to the controlling company	81.9	88.8	85.4	92	104
Insurance technical provisions as at 31 December	2,660.8	2,600.4	2,333.7	102	111
Equity as at 31 December	744.3	704.0	688.1	106	102
Equity attributable to the controlling company as at 31 December	734.0	692.9	681.4	106	102
Return on equity	11.37%	12.77%	13.40%	89	95
Return on equity attributable to the controlling company	11.48%	12.93%	13.49%	89	96
Number of employees as at 31 December	5,046	5,379	5,406	94	100
Net earnings per share (in EUR)	3.62	3.91	3.77	93	104

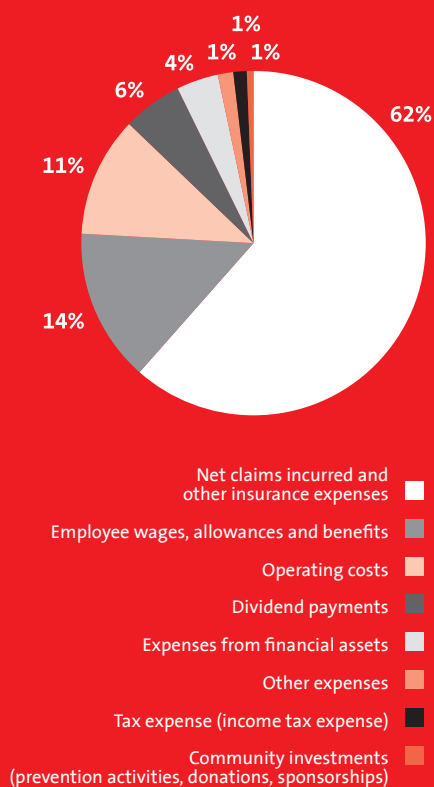
Financial highlights of Zavarovalnica Triglav²

	in EUR million				
	2016	2015	2014	Index	
				2016/2015	2015/2014
Gross written premium from insurance and co-insurance contracts	593.1	586.3	592.6	101	99
Net premium income	509.8	517.0	529.7	99	98
Gross claims paid	391.2	390.6	421.1	100	93
Net claims incurred	350.7	349.6	392.0	100	89
Gross operating expenses	164.5	161.0	162.7	102	99
Profit before tax	83.4	68.4	57.5	122	119
Net profit	75.3	58.5	45.6	129	128
Insurance technical provisions as at 31 December	2,076.3	2,053.9	2,060.0	101	100
Equity as at 31 December	563.4	530.6	544.0	106	98
Number of employees as at 31 December	2,335	2,341	2,365	100	99
Return on equity	13.77%	10.89%	8.74%	126	125
Book value per share (in EUR)	24.78	23.34	23.93	106	98
Net earnings per share (in EUR)	3.31	2.57	2.01	129	128

1 GRI G5 102-7

2 GRI G5 102-7

Economic value distributed



+38%
Growth in the number of
insurance policies sold online

+8%
Growth in the average number of
training hours per employee

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

	2016	2015	2014	Index	
				2016/2015	2015/2014
1. Other economic impacts (in million EUR)					
Economic value generated*	1,054.5	1,224.8	1,149.2	86	107
Economic value distributed	1,016.0	1,176.8	1,084.0	86	109
- Net claims incurred and other insurance expenses	624.8	627.8	678.8	100	92
- Expenses from financial assets	39.9	176.8	56.2	23	315
- Other expenses	14.7	16.9	15.4	87	110
- Operating costs**	114.6	129.8	127.2	88	102
- Dividend payments	56.8	56.8	38.6	100	147
- Tax expense (income tax expense)	12.8	13.6	14.7	94	92
- Community investments (prevention activities, donations, sponsorships)	6.3	6.7	6.0	95	112
- Employee wages, allowances and benefits	145.9	148.4	147.2	98	101
Economic value retained	38.6	48.0	65.2	80	74
2. Social impact (Zavarovalnica Triglav)					
Average training hours per employee	28	26	22	108	118
Number of insurance policies (products, services) sold online	18	13	12	138	108
Number of insurance products encouraging preventive actions	62	62	69	100	90
Personal data protection (number of fines received - target is zero***)	1	0	0	0	0
Fair business practices (share of investigated fraud cases in %)	91	92	93	99	99
3. Impact on the environment					
Electricity consumption in MWh (Zavarovalnica Triglav)	5,475	5,092	5,347	108	95
Carbon footprint****:					
- Zavarovalnica Triglav (tons of CO ₂ equivalent)	5,117	4,944	5,107	103	97
- Triglav Osiguranje, Sarajevo (tons of CO ₂ equivalent)	165	174	169	95	103
- Triglav Osiguranje, Belgrade (tons of CO ₂ equivalent)	668	471	421	142	112
- Lovćen Osiguranje, Podgorica (tons of CO ₂ equivalent)	252	195	165	129	118
- Triglav Osiguranje, Skopje (tons of CO ₂ equivalent)	179	372	159	48	234
- Triglav Osiguranje, Zagreb (tons of CO ₂ equivalent)	709	-	-	-	-
- Triglav Osiguranje, Banja Luka (tons of CO ₂ equivalent)	71	-	-	-	-
- Zavarovalnica Triglav (tons of CO ₂ equivalent per employee)	2.2	2.1	2.2	104	95
Waste sorting (share of employees participating in Zavarovalnica Triglav in %)	91	91	91	100	100

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

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

*** See Section 12.5 Fair business practice for more details.

**** In 2016, the manner of data capture was changed; therefore the 2016 data is not entirely comparable to the previous years.

For additional information please contact:³

Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
Tomaž Žust,

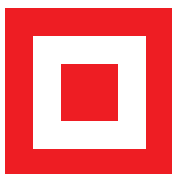
Director of Strategic Planning and Controlling Department

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E-mail: tomaz.zust@triglav.si

Major business events and achievements in 2016



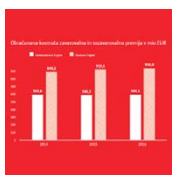
New strategy

The Triglav Group adopted a new Strategy for the 2017–2020 period. Through its mission, the revised vision, values and strategic objectives, the Group has set out on a path to become a modern, innovative and dynamic insurance/financial group, which will remain the leader both in Slovenia and the wider region. [→ See Section 4. Strategy and plans of The Triglav Group] for more details.



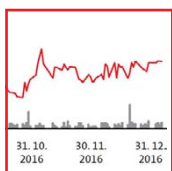
Upgraded credit ratings

The credit rating agencies S&P and A.M. Best upgraded the Group's credit rating from »A–« to »A«. Both ratings have a stable medium-term outlook. [→ See Section 6.6 Credit rating] for more details.



Good business results

The Triglav Group again operated at a profit and surpassed the budgeted business results. The Group's premium growth was recorded in all insurance markets.



Dividend payment

As much as 64% of net profit of the Triglav Group for 2015 or 87% of accumulated profit of Zavarovalnica Triglav for 2015 was allocated to dividend payments as at 31 December 2015. [→ See Section 6.4 Dividend policy] for more details.



Inside the Triglav Group

Subsidiary ownership consolidation within the Group continued and consequently the sale of shareholdings in the companies whose activity is incompatible with the Group's strategic guidelines (the sale of Avrigo, Izletnik Celje, Slovenijales trgovina, sale of a land plot on the BTC site in Ljubljana to IKEA and liquidation of Pista).



Changes made to the Supervisory Board and its committees

The shareholders of Zavarovalnica Triglav appointed Igor Stebernak a new Supervisory Board member. The Supervisory Board appointed him as a new Chairman. [→ See Section 5.3.3 Supervisory Board] for more details.



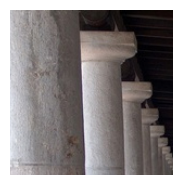
Renewal of the term of office of the Management Board Member, Employee Representative

Based on the proposal of the Worker's Council of Zavarovalnica Triglav, the Supervisory Board reappointed Marica Makoter to the Management Board as Employee Representative for a new five-year term of office, commencing on December 2016. [→ See Section 5.3.2 Management Board] for more details.



Re-establishment of the suspended voting rights based on the Securities Market Agency Decision

Following the Securities Market Agency Decision the suspended voting rights of Zavarovalnica Triglav d.d were re-established to the following shareholders: Zavod za pokojninsko in invalidsko zavarovanje d.d., Slovenski državni holding d.d., Telekom Slovenije d.d., Eles d.o.o., PS za avto d.o.o., Savske elektrarne Ljubljana d.o.o., Pošta Slovenije d.o.o., Elektro Celje d.d., ECE d.o.o., Elektro Ljubljana d.d., Elektro Primorska d.d. and the Republic of Slovenia.



Solvency II

Successful business operations in the Solvency II system indicate high capital adequacy and financial stability of the parent company and the Triglav Group. [→ See Section Risk Management] for more details.



Challenging conditions on financial markets

The Group's return on investment was significantly influenced by the situation on financial markets with low and/or zero interest rates and the high volatility on stock markets. [→ See Section 7.2 Environmental impact on the performance of the Triglav Group and Zavarovalnica Triglav] for more details.



Mass loss events

The storms with hail and the April frost and local flooding in Slovenia affected the Group's operations. [→ See 7.2 Section Environmental impact on the performance of the Triglav Group and Zavarovalnica Triglav] for more details.

Calendar of financial announcements for 2017

Planned date of announcement*	Type of announcement	Silent period**
Monday, 6 March 2017	Assessment of the performance of Zavarovalnica Triglav d.d. and the Triglav Group in 2016	From Monday, 13 February 2017
Wednesday, 5 April 2017	Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016 Proposed dividend amount Statement of compliance with the Corporate Governance Code	From Wednesday, 22 March 2017
Friday, 21 April 2017	Notice convening the General Meeting of Shareholders of Zavarovalnica Triglav d.d. which will decide on the distribution of accumulated profit	
Friday, 19 May 2017	Interim Report for the period from 31 January to 31 March 2017	From Friday, 5 May 2017
Tuesday, 30 May 2017	Resolutions of the General Meeting of Shareholders of Zavarovalnica Triglav d.d. deciding on the distribution of accumulated profit Information about the ex-dividend date and date of payment	
Friday, 18 August 2017	Semi-annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for the period from 1 January to 30 June 2017	From Friday, 4 August 2017
Friday, 17 November 2017	Interim Report for the period from 31 January to 30 September 2017	From Friday, 3 November 2017

* Announcement dates as planned. The actual dates may differ from the above stated planned dates.

** 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.

The financial calendar, as well as any amendments to the provisional dates of publication will be published on the Ljubljana Stock Exchange's website via the SEOnet system at <http://seonet.ljse.si> and on the Company's website at www.triglav.eu.

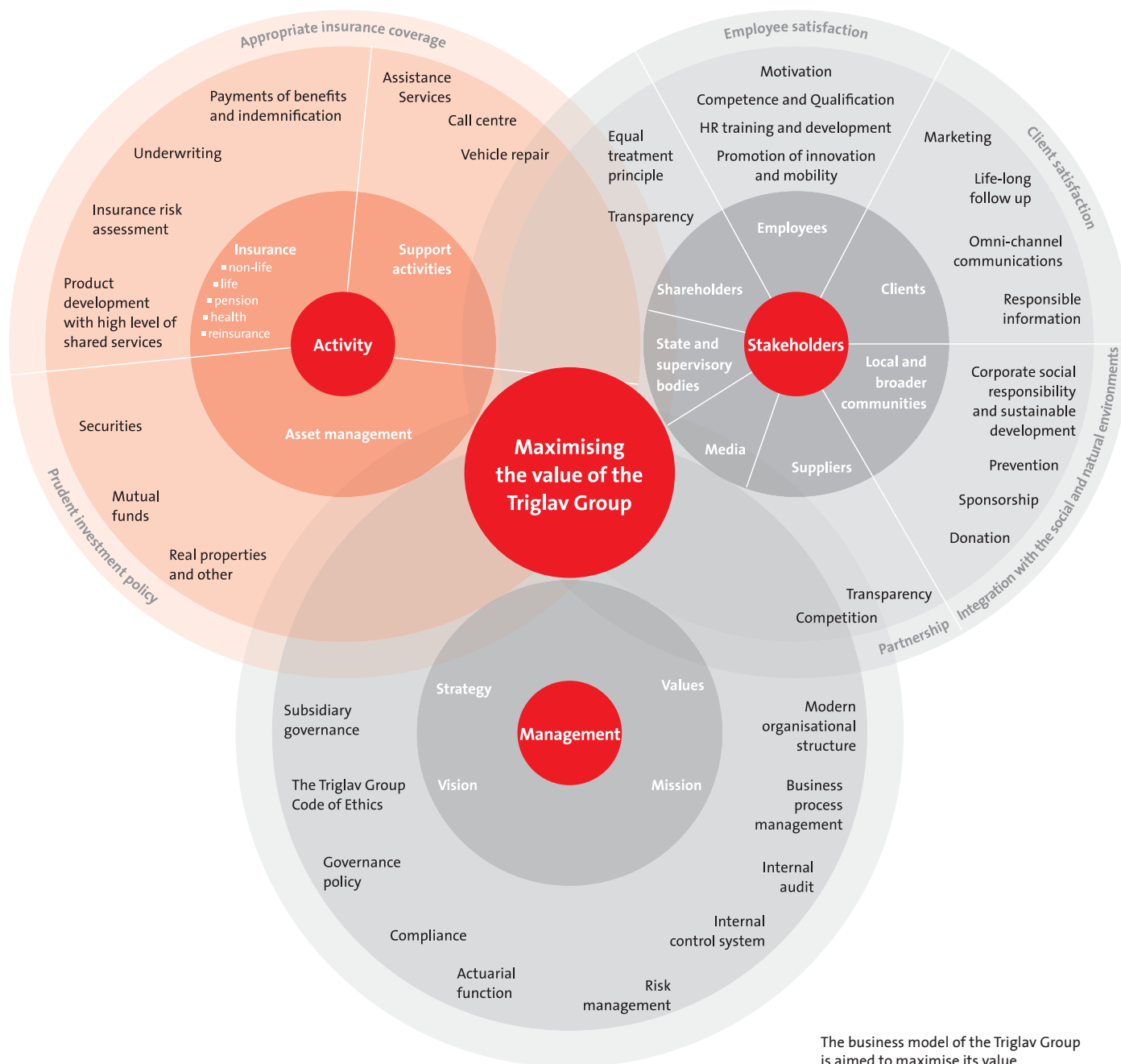
Activities, markets and position of the Triglav Group⁴

The Triglav Group operates on seven markets in six countries and is the leading insurance/financial group in Slovenia and the Adria region and one of the leading groups in South-East Europe.

The key business pillars:



The business model of the Triglav Group



Economic

- Uncertain economic and financial impacts
- Household purchasing power
- Company solvency
- Price competition
- Situation on capital markets
- Increased regulatory requirements for insurance companies
- Legal environment

Social

- Changing consumer behaviour
- Local communities
- Technological changes

Environmental

- Climatic conditions
- Extraordinary loss events

Insurance

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

The insurance-oriented part of the Group encompasses:

- **in Slovenia:** Zavarovalnica Triglav d.d., Triglav, Zdravstvena zavarovalnica d.d., Pozavarovalnica Triglav Re d.d. and Skupna pokojninska družba d.d.;
- **abroad:** insurance undertakings in Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia.

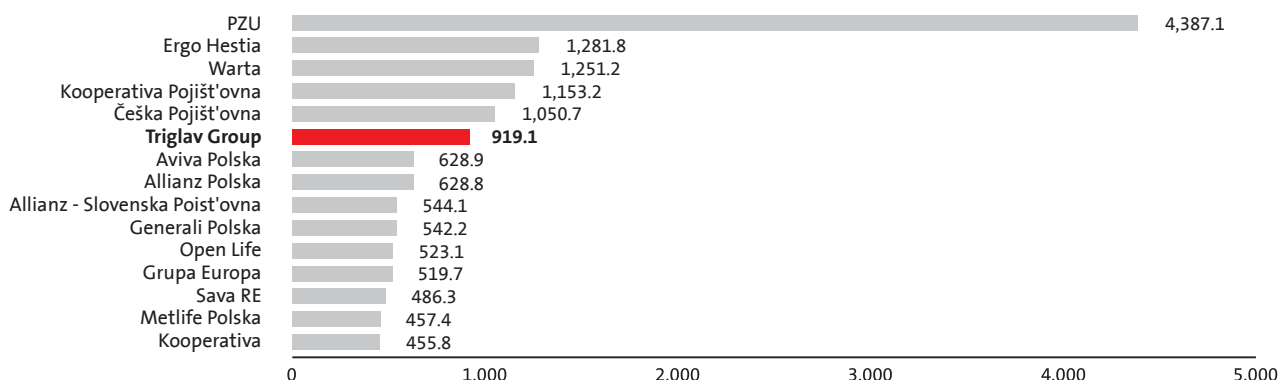
Position in the regional insurance market

In 2015, on the list of the largest insurance groups in Central Europe, the Triglav Group maintained sixth rank in terms of gross written premium. It remained the market leader in the Adria region which includes Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, and Macedonia.

With EUR 4,387.1 million, the Polish PZU remains the largest insurance company in Central Europe in terms of written premium. In total, 16 of the first 50 insurance companies in the region are Polish-owned, followed by 10 Czech-owned insurers, followed by 9 insurers of the Adria region. First amongst them ranked 6th is the Triglav Group, followed by the Slovene group Sava RE ranked 13th, the Croatian Croatia Osiguranje ranked 21st and the Slovene Adriatic Slovenica ranked 28th.

Source: Deloitte, September 2016

Largest insurance companies in Central Europe by written premium in 2015 (in million EUR)

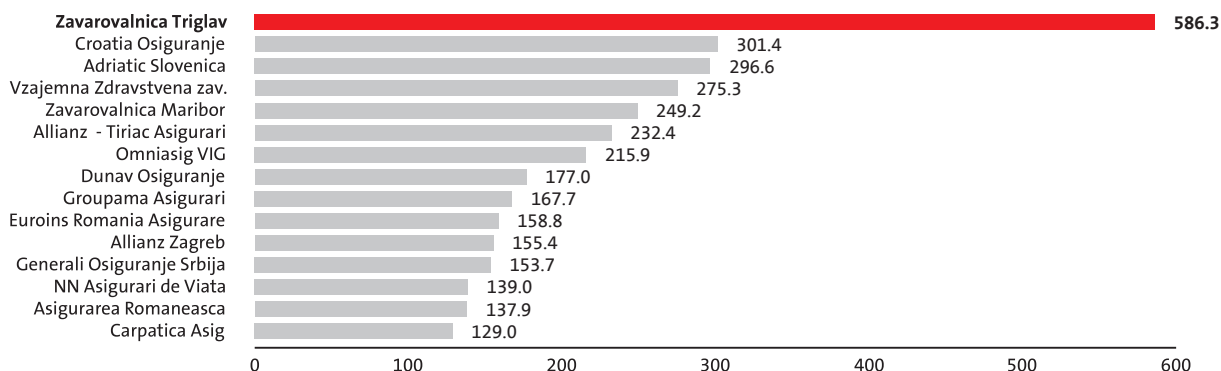


According to the SeeNews survey, of the 100 largest insurers of the South-East Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldavia, Montenegro, Romania, Serbia and Slovenia) 13 were Slovene insurers and 7

Triglav Group insurance companies in terms of gross written premium in 2015. Zavarovalnica Triglav is the largest insurer in South-East Europe, 1.9 times larger than the second ranked Croatian insurance company Croatia Osiguranje.

Source: SeeNews 2016

Largest insurance companies in South-East Europe by written premium in 2015 (in million EUR)



Asset management

Asset management is performed for the clients who save via the Group's insurance services and for investors who invest in the Group's mutual funds. This activity is performed by the life insurers of the Group, Triglav Skladi d.o.o. and Triglav, Upravljanje nepremičnin d.d.

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, Upravljanje nepremičnin d.d. 	<ul style="list-style-type: none"> ■ Triglav INT d.d. ■ Triglav Svetovanje d.o.o. ■ Triglav Avtoservis d.o.o. ■ TriglavKo d.o.o.
Croatia	<ul style="list-style-type: none"> ■ Triglav Osiguranje d.d., Zagreb 		<ul style="list-style-type: none"> ■ TRI-LIFE d.o.o.
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"> ■ Triglav Savjetovanje 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"> ■ Triglav Savetovanje d.o.o.
Montenegro	<ul style="list-style-type: none"> ■ Lovćen Osiguranje a.d., Podgorica ■ Lovćen životna osiguranja a.d., Podgorica 		<ul style="list-style-type: none"> ■ Lovćen Auto a.d.
Macedonia	<ul style="list-style-type: none"> ■ Triglav Osiguruvanje a.d., Skopje 		

Structure of the Triglav Group

Slovenia

36.2 % market share*

1st place

Croatia

4.2 % market share

9th place

Serbia

4.8 % market share**

5th place

Montenegro

38.9 % market share***

1st place

Bosnia and Herzegovina

7.8 % market share****

4th place

Macedonia

17.9 % market share (non-life insurance)

1st place

* the market share of Zavarovalnica Triglav, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba
** Q1–3 2016
*** the market share of Lovćen Osiguranje and Lovćen životna osiguranja
**** the market share of Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Banja Luka

The Triglav Group as at 31 December 2016:

Controlling company:

- Zavarovalnica Triglav d.d.

Subsidiaries of the Triglav Group:

- Pozavarovalnica Triglav Re d.d.,
- Triglav, Zdravstvena zavarovalnica d.d.,
- Skupna pokojninska družba d.d.,
- 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.,
 - 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.,
- Salnal d.o.o.,
- Triglav Svetovanje, zavarovalno zastopanje d.o.o.,
 - Triglav Savjetovanje d.o.o., Sarajevo,
 - TRI-LIFE d.o.o., Zagreb,
 - Triglav Savetovanje d.o.o., Belgrade,
- Triglav Avtoservis, družba za storitve in trgovino d.o.o.,
- Triglav, Upravljanje nepremičnin d.d.,
 - Golf Arboretum d.o.o.,
 - AKM nepremičnine d.o.o.,
 - Triglav, upravljanje nekretninama d.o.o., Zagreb,
 - Triglav, upravljanje nekretninama d.o.o., Podgorica,
 - Hotel Grad Podvin d.d.,
- Vse bo v redu, Zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti.

Associated companies of the Triglav Group:

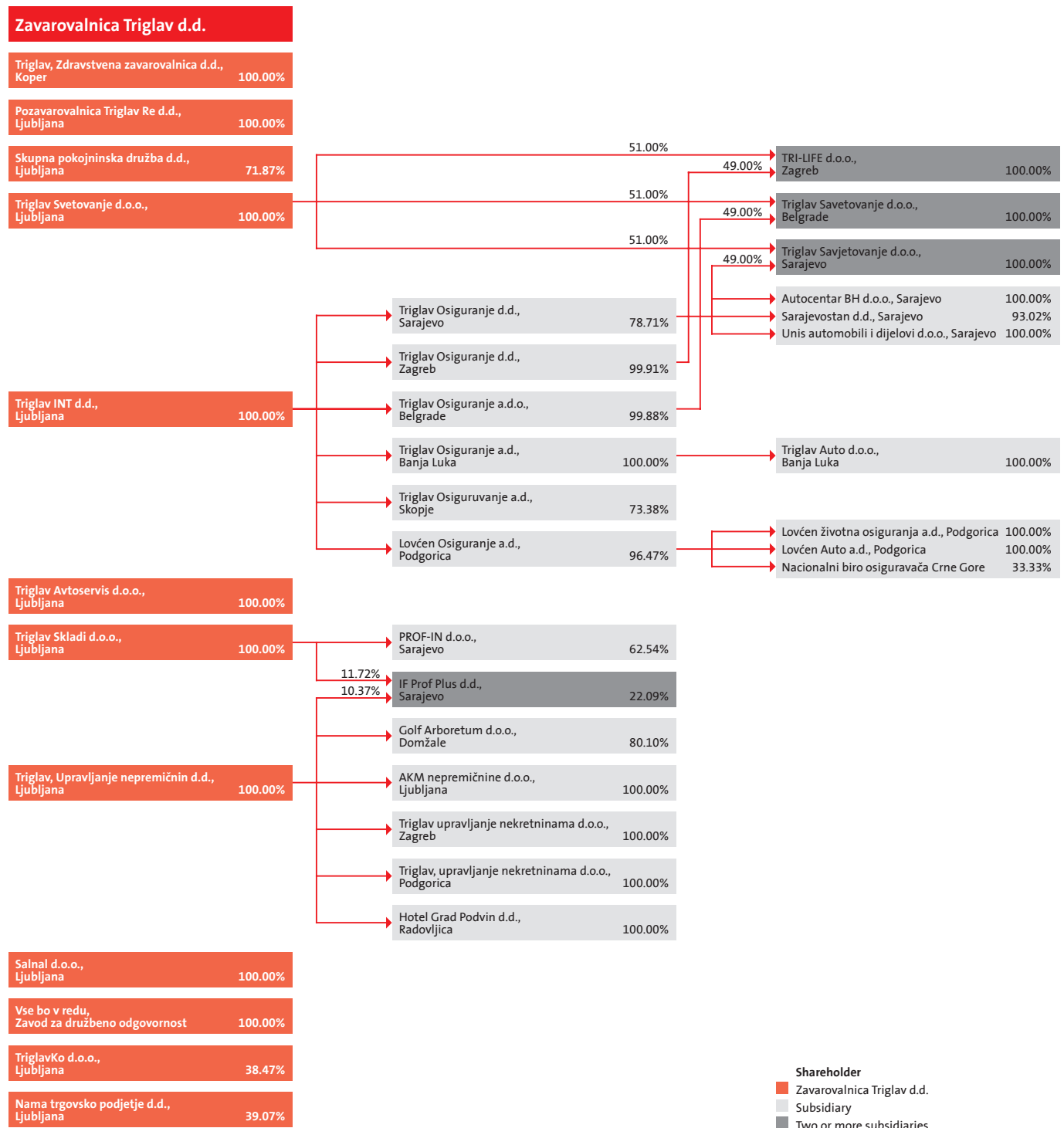
- TriglavKo, zavarovalno zastopniška družba d.o.o.,
- Nama trgovsko podjetje d.d.,
- IF Prof Plus,
- Nacionalni biro osiguravača Crne Gore.

Changes to the Triglav Group composition in 2016⁵

- Zavarovalnica Triglav, following the fulfilment of regulative and other conditions arising from the agreement on sale of 97.31% stake in Avrigo d.o.o., Nova Gorica, completed the sale of the above-mentioned company on 5 February 2016.
- In February 2016, Slovenijales trgovina d.o.o. decreased its share capital by EUR 3.6 million and at the same time sold its 100% stake in Slovenijales trgovina nepremičnine d.o.o. to Triglav, Upravljanje nepremičnin d.d.
- On 26 January 2016, a capital increase of Lovćen Osiguranje a.d., Podgorica was carried out by issuing 1,501,081 new shares at a nominal value of EUR 5 each. Triglav INT paid in 1,500,000 shares in the total value of EUR 7.5 million, the remainder of 1,081 shares totalling EUR 5,405 was paid in by minor shareholders. Following the capital raise, the equity stake of Triglav INT in Lovćen Osiguranje increased by 1.52 percentage points and stood at 96.47% as at the reporting date.
- Triglav Osiguranje d.d., Zagreb established a new real property company – Triglav upravljanje nekretninama d.o.o. Its share capital of HRK 20,000 was paid in by Triglav Osiguranje d.d., Zagreb. As of 5 May 2016, the newly established company is entered into the Companies Register and included into the consolidated financial statements of the Triglav Group. On 2 June 2016, Triglav Osiguranje, Zagreb provided additional capital to the said company through the in-kind contribution of real property in the amount of HRK 24,868,200. In December 2016, the 100% equity stake in Triglav upravljanje nekretninama d.o.o., Zagreb was transferred to Triglav, Upravljanje Nepremičnin d.d., Ljubljana.
- On 29 July 2016, Triglav, Upravljanje nepremičnin d.d. sold its 100% stake in its subsidiary Slovenijales trgovina d.o.o.
- Lovćen Osiguranje, Podgorica founded the real property company Triglav upravljanje nekretninama d.o.o., Podgorica, which was entered into the Companies Register on 16 August 2016. The share capital of the company amounts to EUR 3,313,381, of which EUR 5,000 were paid in cash by the sole member and EUR 3,308,381 through the in-kind contribution by transferring real properties to the newly-established company. On 22 September 2016, Lovćen Osiguranje sold its equity stake to Triglav, Upravljanje nepremičnin d.d.
- Triglav INT acquired a 0.05% equity stake from non-controlling interest holders of Triglav Osiguranje, Zagreb thereby becoming an 99.91% owner of the company.
- The liquidation procedure of Pista d.o.o. started in January 2016. The company was deleted from the Companies Register on 5 September 2016.
- Slovenijales trgovina nepremičnine d.o.o. changed its name to AKM NEPREMIČNINE, družba za upravljanje z nepremičninami d.o.o. (abbreviated to AKM nepremičnine d.o.o.), whilst TRI-PRO BH d.o.o., Sarajevo to Triglav Savjetovanje d.o.o.
- On 12 July 2016, the additional capital was provided to Triglav, Upravljanje Nepremičnin d.d. by issuing 423,245 new registered no-par value shares at a nominal value of EUR 4.17 each. The capital raise in the total amount of EUR 1,764,934 was made by the sole shareholder Zavarovalnica Triglav with an in-kind contribution, specifically through debt-to-equity swap – by converting the loan given to Hotel Grad Podvin d.d. Following the capital increase, Zavarovalnica Triglav remains the 100% owner of Triglav, Upravljanje nepremičnine d.d.
- Triglav Osiguranje d.d., Sarajevo acquired a 29.75% equity stake in Sarajevostan d.d. from non-controlling interest holders, thereby becoming its 93.02% owner. The acquisition price was BAM 1,721,292.
- In Q3 2016, a capital increase of Lovćen Auto, a.d. was provided to its subsidiary Lovćen Osiguranje, a.d. For this capital raise, the company issued 70,000 new shares at a nominal value of EUR 10 each, fully paid in by the sole shareholder Lovćen Osiguranje a.d.

[→ Changes in the Triglav Group are discussed in greater detail in Section 2.7 of the Accounting Report].

Subsidiaries and associated companies of the Triglav Group as at 31 December 2016 and the corresponding share of voting rights



The management of Zavarovalnica Triglav

In 2016, there were no changes to the Management Board of Zavarovalnica Triglav. As at the end of 2016, the Management Board of the Company was composed of the following members:



■
Tadej Čoroli,
Member

■
Andrej Slapar,
President

■
Uroš Ivanc,
Member

■
Marica Makoter,
Member and Employee
Representative

■
Benjamin Jošar,
Member

[→ For the competences of individual Management Board members see Section 5.3.2.2.].

2 Adress by the President of the Management Board⁶

“The existing and future success of the Triglav Group is built on its continuous transformation by introducing modern and innovative approaches.”



Andrej Slapar, President of the Management Board of Zavarovalnica Triglav, assesses the 2016 business results and comments on the highlights on the latest Triglav Group Strategy for the 2017-2020 period

The fiscal year 2016 was the last in this four-year strategy period which focused on the operations of the Triglav Group, its profitability, safety of operations and continued financial stability. How do you assess it?

Our operations were certainly in line with the set strategic guidelines. We are pleased with the level of profitability. The Group generated EUR 95 million in profit before tax against the planned level of between EUR 80 million and EUR 90 million. Our credit ratings confirm not only our financial stability but also our capital adequacy. The two credit rating agencies upgraded both our ratings to »A« with a stable medium-term outlook.

The good performance of the Triglav Group is primarily based on good core insurance business results, where relatively high premium growth was achieved. Importantly, and in line with the Group's development and growth strategy, our market shares of the major markets increased in Slovenia and the share of premium income went up in foreign markets.

On the assets side, it was impossible to shield our business from unfavourable conditions in financial markets that continued and resulted in lower returns on financial investments. This decrease, however, was actually lower than expected. On the basis of total achieved results we were able to pay our shareholders high dividends for 2016 and we are satisfied with that.

How did you do in insurance business?

Our insurance business was successful. The Triglav Group booked a total of EUR 936 million in consolidated gross insurance and co-insurance premiums against the planned figure of around EUR 900 million. For the second year in a row we had premium growth. It was 2% in 2016 and even 3% if we account for the sale of the Czech subsidiary in 2015.

The biggest portion of premium that comes from non-life insurance last year grew by 2% and by 4% considering the sale of the Czech subsidiary. Also health insurance premium grew by 5%. Despite the high sums paid out on the maturity of life insurance policies our life premium income remained at the same level as in 2015.

Regarding insurance claims, the volume of individual mass loss events in the Triglav Group remained on average compared to the several-year-trend, but higher compared to 2015 which was exceptionally favourable in this respect. Mass loss events totalled EUR 19 million. The largest such events were summer storms with hail, April frosts and local flooding in Slovenia. The Group's gross claims in total grew by 2% over 2015. The Groups' gross operating expenses also went up by 2%, mostly due to higher acquisition costs.

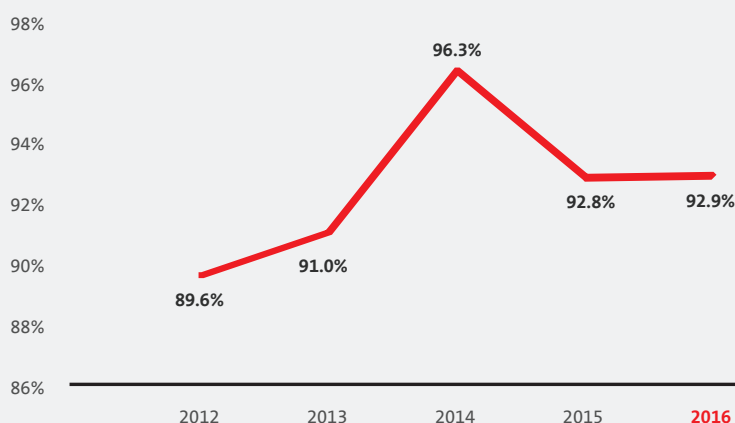
A combined ratio of 92.9% is a good indicator of solid performance in the core business of the Triglav Group which is non-life and health insurance. This was also better than the planned 95%.

we already feel their first positive effects. The Group assesses the present market conditions as still highly competitive and demanding. We consider them separately, by market, and adjust our business to the different levels of development and needs of individual markets. Our results achieved in the region show that we carefully chartered our path.



Compared to 2015, consolidated gross written premium recorded a **9%** growth on the international markets if the sale of the Czech subsidiary is taken into account.

The combined ratio in non-life and health insurance in the Triglav Group



Good results in the insurance business are reflected in a 92.9% combined ratio of the Triglav Group.

What premium trends were observed in insurance markets, mostly outside Slovenia?

Written premium increased in all the markets covered by the Triglav Group. In Slovenia, our largest market, written premium growth was 2%, which means above the national insurance market average of 1.5%. All three insurance undertakings in Slovenia recorded premium growth: the parent company, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba. The Group was equally successful also in foreign markets, where written premium increased by 2% and 9% if the sale of the Czech subsidiary is accounted for.

We can see that the macroeconomic situation in the region is gradually improving. These trends, however, will become obvious in the insurance market only in the coming years, but

Social changes influence the development of insurance products and services. What was in the focus of development in 2016?

We accommodate the needs of our clients by developing new products and opening up various channels for them to access our services. The Group wants to become easily accessible and, therefore, expands its sales channels with useful mobile applications and on-line web services. The same broadening of modern sales channels and client-friendliness will be continued in all markets.

In Slovenia we paid special attention to supplemental voluntary pension insurance. This primarily meant building the awareness of younger generations about the importance of insurance and financial protection and winning over new clients. We consolidated the range of life-insurance products and simplified the procedures for taking up and renewing insurance policies.

Last year we increasingly emphasised health insurance. On the Slovene market we launched a product – additional insurance cover for dental services and materials and continued developing supplemental health insurance products.

Our range of products and services offered in foreign market was widened. There, we launched supplemental health insurance products. After the success of the mobile application that encourages safe driving and links premium policy with driving risk factors in Slovenia, we offered the same product in Croatia. Moreover, we further widened our range by adding new car and home assistance services.

As already said, in parallel we are systematically developing our sales channels in all markets. Our own sales network is being consolidated and built on with alternative forms of selling, such as bancassurance.

What are your business and market positioning plans internationally?

Strategically speaking, we have long-term interest in foreign markets in the region, as we believe them to be promising. We want to achieve organic growth there, and if an opportunity arises we don't rule out any acquisition possibilities. In our assessment, the markets we cover outside Slovenia will grow in the long run and, consequently, so will the share of written premium earned abroad – in 2016 it reached 17.3% of the Group's total.

We will continue to actively develop insurance markets in the region. Plans are to invest more in life, health and pension insurance, where highest growth rates are expected. We will constantly centre our activities around the needs and requirements of our clients. It is because and for them that we are developing new products, adding adequate assistance services and opening up new sales channels.

The new 2020 strategy was adopted. What key elements does it include?

The Triglav Group creates a safer future for all of its stakeholders – that remains our mission. Therefore, our activities will continue to be based on financial stability, profitability of operations and increased value of the Group as well as effective management of the assets owned by the company and clients. In the next strategy

period major focus will be on development. As an insurance/financial group, we will further develop with even greater intensity to become a truly modern, innovative and dynamic group. It will transform into a group that develops new methods of business as the basis of its responsible and long-term development, and in parallel keep profitability and safety of operations.

The new strategy is more than ever centred around the client as the focal point of all our activities. Our business accommodates both client shopping habits and technological development. Traditional business methods are, therefore, combined with technological solutions. We believe that our present and future success lies in our constant transformation towards modern and innovative.

In the next strategy period of the Triglav Group good and profitable will be at the forefront. How concrete strategy objectives look like?

As before, planned higher value of the Group and more profitable operations will continue to be based on our obvious comparative advantages. Triglav is a strong and trusted brand name, backed by a large size and capital strength, big client portfolio, and expanded and developed sales channels. We are famous for the quality range of products and services and quick loss adjustment. Our market approach significantly differs from those of our regional competitors. As a long-term minded group we actively and responsibly invest in markets and relationships with stakeholders in the region.

In concrete targets for 2020 these means an average combined ratio in non-life insurance of around 95% and a return on equity (ROE) of the Triglav Group above 10%, as the Group will have good risk management and will be cost efficient. We will keep our good credit ratings around A level. Though, the dividend policy criteria and capital adequacy guidelines of the Triglav Group will remain the same as set in 2016.

The focus will be on development direction, new solutions. What do you actually plan to do?

Insurance business is the epitome of stability. At the same time we do business in a modern environment that requires adjustments and changes. Our clients expect us to treat them

“Our long-term focus on the markets in the Adria region requires the Group to both actively and responsibly invest in the market and its relations with the stakeholders.”



Introduction of digital solutions, integration with other branches and a responsible use of various information open up new possibilities for even more effective performance of operations.

holistically and to be able to decide and give them information in real time. New needs require new products or insurance policies, which we want to accompany with assistance services and bundle or combine them with our partners from other industries. As we want our services to be as user-friendly and accessible as possible, we are gradually introducing a multi-channel approach with the right mix of traditional and digital channels.

Our clients do not classify their needs in accordance with our organisational set-up and assess us as a whole. It is important to offer them simple, inter-related services and actively service them throughout their lives. We will therefore use inter-connected digital channels to comprehensively manage all product groups: non-life, life, health and pensions insurance as well as asset management.

We adjust our business to changes brought about by technological development. The breakthrough of digital solutions, connections with other industries and responsible use of diverse data open up new possibilities of even better performance.

The Triglav Group will keep its business on two pillars, but in the new strategy period you will focus on further developing the second pillar of asset management.

Insurance and asset management remain the core business lines of the Triglav Group, but the latter is given additional importance. We want to become a key asset management player in the Adria region. The synergies within the Group and possibilities to connect with partners from other business ecosystems will be used to maximise the assets under the management of the Triglav Group and the volume of assets under management by client.

In the coming period you plan to change the organisational set-up and corporate culture of the Group. Which direction will that take?

The Triglav Group is proud of its long tradition, knowledge and experience. All that makes us the leading insurance/financial group in Slovenia and the region. As I said, development brings new ways of doing business and it is essential for the Group to adapt to that in terms of organisation. Therefore, we are establishing a very flexible organisational set-up and a balance between stability and dynamisms. Since our success is based on joint achievements, we will place greater emphasis on developing highly-competent and proficient human resources.

We are lead and bonded by common values that make part of our corporate culture, which significantly sets us apart. To our existing values of security, responsibility, professionalism and simplicity, the new strategy added a new one – modernity. This is the signal that we are open to new ideas, that we understand diversity and that we can overcome challenges of modern times by probing the needs of all generations.

By adopting a new strategy, pursuit of the modernity as the new value has been added to safety, professionalism, responsibility and simplicity. This confirms not only that the Triglav Group is open to new ideas and understands diversity but also that it overcomes business challenges of modern times through cooperation and by being attentive to the needs of all generations.

3 Report of the Supervisory Board

- Report of the Supervisory Board of Zavarovalnica Triglav d.d. on the Verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016 and
- Opinion of the Supervisory Board on the Annual Internal Audit Report by the Internal Audit Department of Zavarovalnica Triglav d.d. for 2016

The Supervisory Board of Zavarovalnica Triglav in 2016 responsibly supervised the operations of Zavarovalnica Triglav d.d. and the Triglav Group. It regularly discussed the various aspects of their business and on that basis adopted appropriate resolutions and followed up their implementation. Special attention was paid to the transition of operations of Zavarovalnica Triglav d.d. and the Triglav Group to the new Solvency II governance system, which came into effect in 2016 and drafting the Triglav Group Strategy for the 2017–2020 period. Individual issues were first discussed within the framework of the Supervisory Board's committees and on the basis of their findings and careful assessment the Supervisory Board passed appropriate resolutions. The Supervisory Board performed its work within the scope of its powers and competences set out by law, the Articles of Association and its own Rules of Procedure.

3.1 Introduction

Pursuant to Article 282 of the Companies Act and the Article 69 (1) of the Insurance Act, the Supervisory Board hereby presents its Report on the Verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016 (hereinafter: the Report) and its Opinion on the Annual Internal Audit Report for 2016.

The findings are based on the supervision of the operations of Zavarovalnica Triglav d.d. (hereinafter: the Company, the controlling company or the parent company) in 2016 and on the verification of the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016,

which includes the reports by the chief actuarial officers for non-life and life insurance categories for 2016.

The Opinion of the Supervisory Board on the work of the Internal Audit Department in 2016 and the Annual Internal Audit Report by the Internal Audit Department of Zavarovalnica Triglav are also integral parts of the Report.

3.2 General Information

Supervisory Board in 2016

In 2016, the Supervisory Board was made up of:

- the Supervisory Board members – the shareholder representatives:
 - Matej Runjak (member and Chairman until 31 May 2016 when due to resignation his term office was terminated), Igor Stebernak (member since 2 June 2016, Chairman since 18 August 2016), Gregor Kastelic (Vice Chairman), Mario Gobbo, Dubravko Štimac, Rajko Stanković and Matija Blažič;
- Supervisory Board members – the employee representatives:
 - Boštjan Molan, Peter Celar and Ivan Sotošek.

In 2016, the Supervisory Board held nine sessions and had four committees: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

The Audit Committee

The members of the Audit Committee were as follows in 2016: Mario Gobbo (Chairman), Rajko Stanković, Ivan Sotošek and Barbara Nose (independent expert). The committee held eleven meetings. Since 21 April 2016, the Audit Committee in the area of IT auditing used the professional assistance provided by the outsourced expert Jure Vehovec.

The duties and competences of the Audit Committee are set out in the Companies Act, the Rules of Procedure of the Supervisory Board, the Rules of Procedure of the Audit Committee and the Supervisory Board's resolutions. Among others, the Audit Committee:

- monitored and discussed financial reporting procedures, the functioning of internal controls, the Internal Audit Department's reports, recommendations and annual work programme, including the procedure for selecting an outsourced quality auditor of the Department, risk management systems and external audits of annual non-consolidated and consolidated financial statements;
- carried out the procedure for selecting a mandatory external auditor of the parent company, its subsidiaries and the Triglav Group, proposed to the Supervisory Board the appointment of an auditor of the Company's Annual Report for 2016, 2017 and 2018 and discussed the audit agreement with the certified auditor for 2016, 2017 and 2018;
- monitored the contracting of audit firms, the type and scope of non-auditing services provided by audit firms and the independence of the certified auditor; approved the Policy of Monitoring the Contracting of Statutory Auditors of the Triglav Group Aimed at Providing Their Independence;
- assessed the compilation of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2015;
- discussed the annual report of the Compliance Office for 2015 and its annual plan for 2017;
- discussed reports on risks, the up-to-date state of entries in the Land Register and the Real Property Register of the Triglav Group, investments, progress of major development and IT projects.

The Audit Committee conducted a performance self-assessment with the aim of ensuring continued improvement and quality of its work.

Appointments and Compensation Committee

In 2016, the members of the Appointments and Compensation Committee were as follows: Matej Runjak (member and Chairman until 31 May 2016), Igor Stebernak (member and Chairman from 18 August 2016) and Dubravko Štimac and Boštjan Molan its members. The Committee held nine meetings in 2016.

In accordance with its duties and competences set out in the Rules of Procedure of the Supervisory Board, the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d., and in the Supervisory Board's resolutions:

- drafted assessment proposals on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. and the two bodies as a whole;
- discussed the proposal to appoint a Management Board member – employee representative;
- discussed the report on the development of Key Promising Staff in Zavarovalnica Triglav d.d.; and
- discussed the employment agreements of Management Board members and the methodology for calculation of the Triglav Group's performance factor and the calculated factor, on which the performance-related remuneration of the Management Board depends.

Strategy Committee

In 2016, the members of the Strategy Committee were as follows: Gregor Kastelic (Chairman), Mario Gobbo and Peter Celar. The Committee held one meeting in 2016.

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 primarily include monitoring the implementation of the Triglav Group Strategy, its formulation and any related opinions, drafting of resolutions for the Supervisory Board and ensuring their implementation. The Strategy Committee in particular focused on formulating the Triglav Group Strategy for the 2017–2020 period.

Nominations Committee

The Nominations Committee is an ad-hoc committee of the Supervisory Board, established to carry out a nomination procedure for members of the Supervisory Board – shareholder representatives. The Committee sets the selection criteria unless the Supervisory Board decides otherwise. It makes a list of the candidates for Supervisory Board members and asks the Appointments and Compensation Committee to draw up an assessment of their professional competence and adequacy. The Nominations Committee then submits to the Supervisory Board a nomination proposal for one or several candidates for members of the Supervisory Board, shareholder representatives, including a draft assessment of candidates for Supervisory Board members, shareholder representatives.

Due to the resignation of Matej Runjak, a Member and Chairman of the Supervisory Board, on 10 March 2016 the Supervisory Board established the Nominations Committee to carry out the nomination procedure for a Supervisory Board member – shareholder representative until 31 May 2016 and had the following composition: Gregor Kastelic, Chairman, Matej Runjak, Peter Celar its members and Mitja Svoljšak as external member. The Committee held three sessions. The Nominations Committee was established by the Supervisory Board also on 18 November 2016, as the four-year term of office of five Supervisory Board members – shareholder representatives will expire on 12 June 2017. The Nominations Committee was established for the period until their appointment but not later than 12 June 2017. Pursuant to a relevant resolution of the Supervisory Board candidates have to meet statutory requirements for serving on supervisory boards as members as well as the criteria set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. The statutory selection criteria include the range of skills and experience as well as other circumstances such as gender, age and education. Along the education, personal competence and motivation, professional and strategic competences are of key importance. The Chairman of the Committee was Igor Stebernak and members were Gregor Kastelic, Peter Celar, Mitja Svoljšak and Milena Pervanje, the latter two external members. The Committee met three times in 2016.

3.3 Operations of the Supervisory Board and the Scope of Supervision over the Company's Governance in 2016

The description of the Supervisory Board's operations and the scope of monitoring and supervision over the governance of the Company and the Triglav Group in 2016 are based on the supervision of the Company's and the Group's operations performed by the Supervisory Board in 2016, acting within its powers.

The Supervisory Board's duty is to supervise how the Company conducts its business and to perform other tasks in accordance with the Companies Act, the Insurance Act, the Articles of Association, the Rules of Procedure of the Supervisory Board and the Corporate Governance Code. The methods and organisation of its work are set out by the Rules of Procedure of the Supervisory Board, which are published on the Company's website.

a) With regard to its core competences, in 2016 the Supervisory Board:

- adopted the Strategy of the Triglav Group for the 2017–2020 period;
- adopted the Business policy and the business plan of the Triglav Group for 2017;
- adopted the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2015, the Report by the Supervisory Board of Zavarovalnica Triglav d.d. on the Verification of the Annual Report of Zavarovalnica Triglav d.d. and the Triglav Group and Zavarovalnica Triglav d.d. for 2015 and the Opinion of the Supervisory Board of Zavarovalnica Triglav d.d. on the Annual Internal Audit Report for 2015 by the Internal Audit Department of Zavarovalnica Triglav d.d.;
- approved the Internal Audit Department's work plan for 2017 and the guidelines of the Internal Audit Department for the 2017–2019 period;
- discussed the Annual Internal Audit Report of the Internal Audit Department for 2015;

- proposed to the General Meeting of Shareholders of Zavarovalnica Triglav d.d. the external auditor for 2016, 2017, 2018; the granting of a discharge to the Management Board for its work in 2015 and the appointment of a new Supervisory Board member. It approved the resolution of the General Meeting of Shareholders on the distribution of accumulated profits as at 31 December 2015; approved the amendments to the Articles of Association and approved the amount of remuneration payable to Supervisory Board members;
 - reappointed Marica Makoter as Management Board member – employee representative for a new five-year term;
 - considered the findings of the Insurance Supervision Agency, Tax Authority and other supervisory bodies involved in supervision procedures as well as followed up procedures that resulted from the findings and requirements of the above stated;
 - adopted the amendments to the Management Board Rules; and
 - approved the amendments to the governance system and policy of Zavarovalnica Triglav d.d. as well as to the internal documents of the Company related to internal auditing, risk management and compliance.
- b) With regard to the supervision of the Company's conduct of business in 2016, the Supervisory Board:**
- was briefed on and approved reports on the performance of Zavarovalnica Triglav d.d., the Triglav Group and the subsidiaries of Zavarovalnica Triglav d.d.;
 - was briefed on the implementation of the Strategy of the Triglav Group;
 - was briefed on the assessed performance indicators of the Company in each period;
 - was briefed on reports on risks, capital adequacy, the matching of assets and liabilities in the guarantee fund and in assets backing liabilities and assessments of the sensitivity of assets in individual funds;
 - took note of the implementation of the Solvency II project;
 - oversaw the work of the Internal Audit Department and was briefed on internal audit reports by the Internal Audit Department and the Annual Report of the Compliance Office for 2015 and its work plan for 2017;
 - was briefed on the Letter to the Management following audit of financial statements for 2015;
 - took note on the insurance products;
 - was briefed on the report on the operations of the Marketing Department and the reports on key activities and projects of the Corporate Communication Department;
 - was briefed on the self-assessment of Zavarovalnica Triglav d.d. under the EFQM model;
 - discussed the reports of the Audit Committee, the Appointments and Compensation Committee and the Strategy Committee and the Nominations Committee;
 - was briefed on other information regarding Zavarovalnica Triglav d.d., the Triglav Group and its subsidiaries.
- c) Other major actions, requirements, recommendations and warnings of the Supervisory Board in 2016:**
- approved the assessments of the professional competence and adequacy of candidates for the Management and Supervisory Board and the two bodies as a whole;
 - approved the Capital Management Policy of Zavarovalnica Triglav d.d. and the Triglav Group, and the Risk Assumption and Management Policy of Zavarovalnica Triglav d.d. and the Triglav Group;
 - discussed and approved the proposals of the Appointments and Compensation Committee with regard to employment agreements of Management Board members;
 - discussed approved modifications concerning a recommended reform of the system for anonymous complaints and fraud detection;
 - took note of the activities for creating a special-purpose vehicle for managing alternative investments;

- upon the initiative of the Audit Committee approved to include an outsourced expert to assist the Audit Committee in IT audits;
- performed other activities related to the supervision or work of the Supervisory Board or its committees.

Operating costs of the Supervisory Board other than the remuneration paid to its members and committees (disclosed in the section Management and supervisory bodies and their remuneration in the Annual Report for 2016) mostly included the costs of translation of material for Supervisory Board's and committees sessions, costs of interpreting at sessions and the rental costs of interpretation equipment, costs of training of Supervisory Board's and committees members and outsourced IT services for the Audit Committee. In 2016, these costs amounted to EUR 95 thousand.

3.4 Performance Self-Assessment

The Supervisory Board's Committees drafted resolutions to be adopted by the Supervisory Board, followed up their implementation and carried out other tasks. The committee chairmen regularly reported on their work at sessions of the Supervisory Board, which discussed the adopted decisions, submitted recommendations and opinions and passed appropriate resolutions after due consideration.

All members were involved in the Supervisory Board's work. With their attendance at sessions and active participation in discussions and decision-making, they contributed to the effective discharge of the Supervisory Board's duties. The work of the Supervisory Board is well managed and supported, whilst the frequency of its sessions is adequate. The Rules of Procedure of the Supervisory Board include the rules regulating potential conflicts of interest. The Supervisory Board amended these rules by incorporating the relevant provisions of the Rules of Zavarovalnica Triglav d.d. on managing conflict of interest pertaining to the Supervisory Board and its members. The members of the Supervisory Board signed and submitted statements of independence and loyalty in accordance with the Corporate Governance Code, which the Company published on its website. To avoid conflicts of interest, already in 2009 the Supervisory Board adopted the recommendation that its members not sit on the supervisory and management

boards of other companies in the Triglav Group.

The Supervisory Board is of the opinion that its cooperation with the Management Board was adequate, in accordance with the applicable legislation and good practice. To its best knowledge, the Supervisory Board was informed of all events of material significance to the assessment of the situation and its consequences, and to the supervision of the Company's operations. Documents provided as material for Supervisory Board's session are of good quality. The Supervisory Board regularly followed the implementation of its resolutions. The Governance System and Policy of Zavarovalnica Triglav d.d. sets out the main corporate governance guidelines, taking into account the set long-term objectives and the defined role and functioning of the Supervisory Board and its committees.

In 2016, the professional competence and adequacy criteria set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. started to apply to both the Supervisory Board as a collective body and to its members as individuals. Professional competence and adequacy are assessed before the appointment, periodically, extraordinarily or after the appointment of any individual member. The Supervisory Board as a collective body was assessed as professionally competent and adequate, taking into account the range of qualifications, skills and experience in view of the circumstance in which the Company operates.

The Supervisory Board implemented the action plan adopted in 2015 for the improvement of its performance based on the self-assessment of its work, as well as performed a self-assessment for 2016 with the help of an external contractor. Based on the findings of the self-assessment, it adopted an action plan containing a series of proposals and measures aimed at improving its future performance. The implementation of the action plan is monitored regularly.

The Supervisory Board is of the opinion that its composition in 2016 was proportionate to the Company's size, business activities and set objectives and that an appropriate level of independence or dependence of its members in the sense of the Corporate Governance Code is ensured, which allowed the Supervisory Board to make quality decisions.

In view of the above, the Supervisory Board is of the opinion that its work and the work of its committees in 2016 were successful.

3.5 Opinion of the Annual Internal Audit Report for 2016

In accordance with the third paragraph of Article 165 of the Insurance Act (ZZavar-1), the Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2016 was submitted to the Supervisory Board, containing a report on the implementation of the Internal Audit Department's Annual Plan (Programme) and a summary of material audit findings, including an assessment of the adequacy and effectiveness of internal control and risk management systems in audited areas, an assessment of the adequacy of the Internal Audit Department's funding and the statement of independence and impartiality of the Internal Audit Department and its employees and an assessment of its compliance with International Standards for the Professional Practice of Internal Auditing, submitted by the independent outsourced auditor.

On its session on 4 April 2017, the Supervisory Board took note of the Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2016. Based on the submitted Annual Internal Audit Report and on monitoring the work of the Internal Audit Department, the Supervisory Board finds that the Internal Audit Department performed its duties in accordance with the Annual Work Programme for 2016, adopted by the Management Board and approved by the Supervisory Board in accordance with its expectations. In 2016, the Internal Audit Department performed planned internal audits in the Company and other companies of the Triglav Group and other internal audit activities (informal consultations; follow-up of the implementation of recommendations given by internal and external auditors; reporting to the Management Board, the Supervisory Board and the Audit Committee; quality assurance and improvements in the Internal Audit Department; etc.). The Internal Audit Department presented its internal audit findings to the relevant persons in charge and made recommendations for improving the internal control and risk management systems. The Internal Audit Department reported on the implementation of its work programme, material audit findings and the implementation of recommendations on a

quarterly basis to the Audit Committee and on a semi-annual basis to the Supervisory Board.

In 2016, the Internal Audit Department continued with quality assurance and improvement activities related to its own functioning and that of the internal audit departments of the Triglav Group's subsidiaries. Within this framework, the Internal Audit Department produced a metrics of strategic operations of the Audit Department for the 2017–2020 period, continued with the further development of internal audit working methods used in the Triglav Group, provided professional training for its own employees, performed an internal quality assessment of its performance and provided assistance to internal audit departments of other Triglav Group companies when they performed internal quality assessments and had an independent outsourced auditor carry out an external quality assessment of the Department. The Supervisory Board expects the Internal Audit Department to continue with such activities in the future, with the aim of continually improving the quality of its work in both the Company and the Triglav Group.

In view of the above, the Supervisory Board is of the opinion that the Internal Audit Department operated in line with its Annual Work Programme for 2016 and that its work made an important contribution to the better functioning of the internal control system and improved risk management at both the Company and the Group level. The Supervisory Board has no objection to the Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2016.

3.6 Findings of the Supervisory Board Regarding the Operations of Zavarovalnica Triglav d.d. in 2016

On the basis of its monitoring and supervision of the Company's performance in 2016 and its examination and verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016, the Supervisory Board hereby establishes that the Company performed well and firmly adhered to its strategic objectives.

The Triglav Group generated a net profit of EUR 82.3 million and recorded a return on equity of 11.4%. The parent company's net profit amounted to EUR 75.3 million. The main factor in good performance was the absence of mass loss events and the good results in the core insurance business, as indicated by the favourable combined ratios of 92.2% for the Triglav Group and 87.9% for the parent company, whereas the unfavourable situation in financial markets had a negative impact on the performance.

Insurance subsidiaries of the Triglav Group generated insurance and co-insurance premiums of EUR 936.0 million in 2016 (index 102), of which EUR 593.1 million (index 101), was earned by the parent company. Premium growth was recorded on all insurance markets, where the Group operates.

The Triglav Group recorded gross claims paid of EUR 606.0 million in 2016, which was 2% more than in 2015. Gross claims paid by the parent company amounted to EUR 391.2 million (index 100).

Total consolidated gross operating expenses of the Triglav Group decreased by 7% to EUR 277.1 million nominally, while those of the parent company grew by 2% to EUR 164.5 million.

The Triglav Group further strengthened its capital position in 2016. The Group's total equity capital amounted to EUR 744.3 million as at the 2016 year-end and was 6% higher than the year before.

The Triglav Group maintained its strong financial stability, high capital adequacy and high profitability, as confirmed by the two rating agencies S&P Global Ratings in A.M. Best, which upgraded the Group's rating from "A-" to "A" in 2016. Both ratings have a stable medium-term outlook.

The findings of the Supervisory Board are also based on the following:

- report from a chartered actuary for the non-life insurance category for 2016;
- report from a chartered actuary for the life insurance category for 2016;
- the Annual Internal Audit Report of the Internal Audit Department for 2016.

The Supervisory Board has no objection to the aforementioned reports.

3.7 Annual Report

On 14 March 2017, the Management Board submitted the audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016 (hereinafter: the Annual Report) to the Supervisory Board.

The Supervisory Board hereby ascertains that the Annual Report was compiled within the legally prescribed period and submitted to the appointed auditor. The Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016 was audited by the audit firm Ernst & Young Revizija, poslovno svetovanje d.o.o., Ljubljana, which on 14 March 2017 issued a positive opinion on the stand-alone and consolidated financial statements of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016. In their report as an independent auditor they took stance on key audit issues regarding insurance technical provisions and expressed their opinion on other information contained in the Annual Report as to their consistency with the stand-alone and consolidated financial statements and their compliance with the primary and secondary legislation in force.

The certified auditor who signed the Annual Report attended the session of the Supervisory Board and the Audit Committee during the items when the Annual Report was discussed and provided the required additional explanations to the Audit Committee and the Supervisory Board. The Audit Committee discussed the Report after the preliminary audit, the annual audit and the Letter to the Management after the audit, which was also discussed by the Supervisory Board.

On the basis of a detailed verification, the Supervisory Board established that the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016, which was prepared by the Management Board and verified by a certified auditor, was compiled in a clear and transparent manner and that it was a true and fair view of the assets, liabilities, financial position and profit or loss of the Triglav Group and Zavarovalnica Triglav d.d.

In accordance with the aforementioned findings, the Supervisory Board expresses no objection to the positive opinion of the certified audit firm Ernst & Young Revizija, poslovno svetovanje d.o.o., Ljubljana, which found that in all material

respects, the consolidated and stand-alone financial statements presented a true and fair view of the financial position of the Triglav Group and Zavarovalnica Triglav d.d. as at 31 December 2016, their profit or loss, comprehensive income and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as approved by the EU.

In view of the above, the Supervisory Board hereby approves the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for the Year Ended 31 December 2016.

3.8 Proposal for the Distribution of Accumulated Profits

The Supervisory Board examined the Management Board's proposal for the distribution of accumulated profits as at 31 December 2016, subject to a final decision by the General Meeting of Shareholders of Zavarovalnica Triglav d.d., and approved the following draft resolution on the distribution of accumulated profits proposed by the Management Board to the General Meeting of Shareholders:

"The accumulated profits, which amounted to EUR 82,421,880.73 as at 31 December 2016, shall be distributed as follows:

- a part of the accumulated profits in the amount EUR 56,837,870.00 shall be allocated for dividend payments. The gross dividend per share of EUR 2.50 shall be paid to the shareholders entered in the Shareholders' Register as at 15 June 2017. The dividends shall be paid on 16 June 2017;
- the distribution of the remaining accumulated profits of 25,584,010.73 EUR shall be decided on in subsequent years."

The Supervisory Board hereby proposes to the General Meeting of Shareholders to grant a discharge to the Management Board for its work in 2016.



Igor Stebernak,
Chairman of the Supervisory Board

Ljubljana, 4 April 2017

4 Strategy and Plans of the Triglav Group

- In December 2016, the Triglav Group adopted a new, development-oriented strategy for the 2017–2020 period.
- Not only the insurance business but also asset management is strengthened.
- In addition to the profitability and safety of operations, the key part of strategic objectives focuses on the development of new ways of doing business.
- In 2016, both the Triglav Group and Zavarovalnica Triglav surpassed their planned profit level.
- In 2017, a profit before tax of the Triglav Group is planned between EUR 70–80 million.

Modernity is
a new value,
which was added to
professionalism,
safety, simplicity
and responsibility.



The Strategy of the Triglav Group for the 2017–2020 period addresses the changes that will impact the insurance industry in the future. Through its mission, the revised vision, values and strategic objectives, the Group has set out on a path to become a modern, innovative and dynamic insurance/financial group, which will remain the leader both in Slovenia and the wider region. The set objectives are aimed at achieving financial stability, profitability, responsibility, digitisation and modern operations.

4.1 Mission, values and vision of the Triglav Group

Mission

We are building a safer future. Triglav is building a safer future for all its stakeholders, while being committed to responsible and sustainable development. The cornerstone of the Group is its team of over five thousand employees, who achieve the Group's mission through their commitment, expertise and dedication.

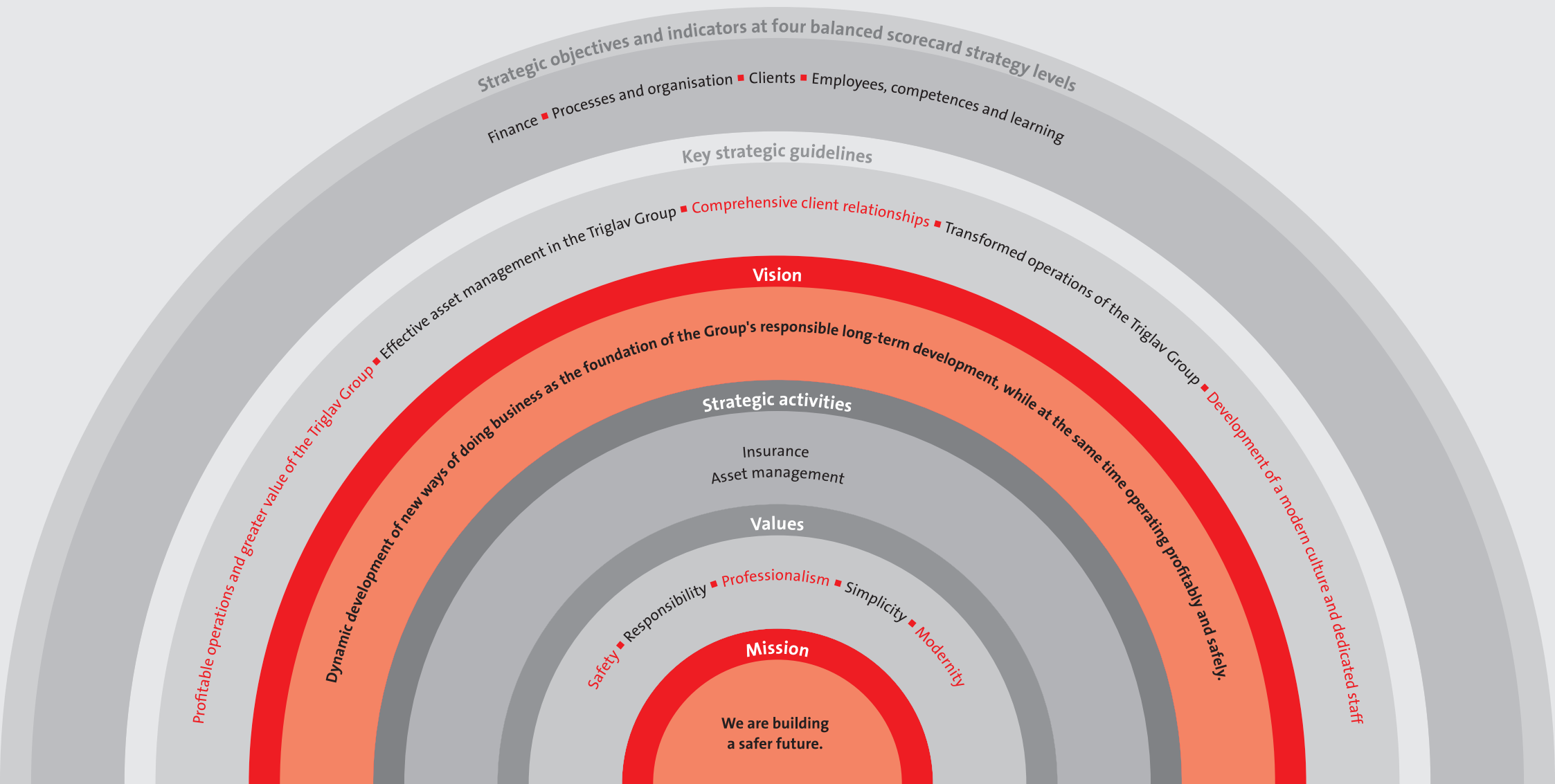
Values

The values of the Triglav Group are part of the corporate culture, which are realised through personal relations and relations with the environment on a daily basis. They not only guide and connect the Group but are also an important part of the Group's distinctiveness.

Modernity is a new value, which was added to professionalism, safety, simplicity and responsibility.

- **Safety.** We take care of our clients and their loved ones. By providing high-quality insurance products and services as well as asset management services, we are increasing their financial security. Safe operations are guaranteed by efficient risk management.
- **Responsibility.** We take responsibility and we expect the same from our partners. We are responsible to the people, the natural and social environment and to the shareholders. We are reliable and available in due time. We act as if we were the clients.
- **Professionalism.** Highly qualified employees are the pillars of developing quality and comprehensive insurance and financial services.
- **Simplicity.** We believe that simplicity is an advantage, therefore we strive to achieve it.
- **Modernity.** Client orientation and technological development encourage us to introduce modern business approaches. By being open to internal and external ideas, understanding diversity, cooperating and listening to the needs of different generations, the Group overcomes the business challenges of modern times. We are developing and testing innovative solutions in a responsible manner. We accept failures by acting responsibly and in the spirit of progress towards new solutions.

The New Strategy of the Triglav Group and Zavarovalnica Triglav for 2017–2020



New vision of the Triglav Group

Vision of the Triglav Group

To dynamically develop new ways of doing business as the foundation of the Group's responsible long-term development, while at the same time operating profitably and safely.

- In South-East Europe, the Triglav Group is recognised as the leading provider of innovative and comprehensive insurance-service products and asset management services.
- The Group is the largest in terms of income and the best in terms of client satisfaction.
- Clients perceive the Group's multi-channel products and services as simple and desirable.
- The Group dynamically develops new ways of doing business, which are among the top trends of digitisation.
- The Group is well-positioned in dynamic networks of business ecosystems.
- The Group effectively manages the risks and ensures its financial stability. Return on equity (ROE) will surpass 10% in 2020. The standalone »A« credit rating assigned by a renowned rating agency is being maintained.
- An efficient governance and management system of the Group has been established.
- The Group's processes are lean, simple, technologically advanced and cost-effective.
- Dedicated and highly skilled employees are the cornerstone of the Group's culture of openness and cooperation, as well as its sustainable development and a responsible attitude to all its stakeholders.

Key strategic guidelines by 2020

- Profitable operations and greater value of the Triglav Group.
- Efficient asset management of the Triglav Group.
- Comprehensive client relationships.
- Transformed operations of the Triglav Group.
- Development of a modern culture and dedicated staff.

Sound and profitable performance while strengthening the competitive advantages of the Triglav Group:

The performance of the Triglav Group will be profitable and aimed at increasing its value. In the long-term the core insurance business will be profitable, whilst the average target combined ratio in non-life insurance will be around 95%. In 2020, the return on equity (ROE) of the Group will surpass 10%. The Group will ensure effective and comprehensive management of risks, cost-effectiveness, its financial stability and appropriate capital adequacy. The Group will maintain its »A« credit ratings. The criteria of the dividend policy and the capital management guidelines will remain unchanged (see [→ [Section 6.4 Dividend policy](#)] for further details). In its operations, the Group will not only exploit but also enhance its competitive advantages. The Triglav Group has a strong, trustworthy brand, a large client portfolio – users of its services and products, and extensive and developed sales channels, in addition to being known for its range of quality products and services and quick settlement of claims. Furthermore, the Group is set apart from its competitors by its attitude towards the market. Its long-term focus on the markets in the region requires the Group to both actively and responsibly invest in the market and its relations with the stakeholders.



4.2 The Triglav Group Strategy for the 2017–2020 period

The core strategic activities of the Group are insurance and asset management:

Insurance

- Non-life insurance
- Life insurance
- Pension insurance
- Health insurance
- Reinsurance

Asset management

The Triglav Group markets: The Group will continue to operate in six countries of South-East Europe, where it will grow organically, however potential takeovers are not ruled out should an appropriate opportunity arise. In the region where the Group operates, a long-term accelerated growth of insurance markets is expected, resulting in a higher share of total written premium on the markets outside Slovenia. The Group will continue to develop the markets in the region, primarily investing in those insurance segments where the highest growth rates are expected (life, health and pension insurance). Digital business models will be developed, which will enable the Group to enter new markets. The Group will build

strategic partnerships with the companies whose activities complement its business model.

Asset management: The strategic objective of the Group will be to increase the volume of assets under management or the share of assets managed for a particular client.

Client orientation: All of the Group's activities are centred around its clients, who are monitored individually and throughout their whole lifelong path as users. The Group's increasingly digitised processes will be adapted thereto, in addition to developing innovative products, which will be both simple and known for their multi-channel availability through a mix of traditional and digital sales approaches.

Modern, innovative insurance/financial group: In the strategic period, the Triglav Group will implement and dynamically upgrade its digital strategy. The goal is that at the end of the strategic period, i.e. in 2020, the Group will be the leading provider of innovative and comprehensive

insurance-service products and asset management services in South-East Europe. The Group will implement strategic projects aimed at developing sales channels and the multi-channel sale, as well as upgrade its insurance products with assistance services.

Optimal organisational structure of the Triglav Group: The Group is implementing an increasingly flexible organisational structure so as to ensure an effective balance between the stability and dynamics of organisation, thereby reducing strategic and other risks. Synergies will continue to be exploited and operating expenses optimised at the Group level, in addition to the establishment of a comprehensive innovation system. In its activities and objectives, the Group remains committed to the principles of corporate social responsibility and sustainable development.

Strategic objectives

Strategic objectives at four balanced scorecard strategy levels:

1. Employees, competences and learning level

- Renewed organisational culture (openness, acceptance of changes and promotion of diversity, orientation to internal and external clients, ensuring cooperation outside the formal organisational forms, respect for diversity and dignity and taking responsibility)
- An appropriate number, structure and commitment of employees to renewed and optimised processes
- Adequate competences and digital skills of employees
- Stability and appropriate structure of key promising employees
- Employee mobility

2. Process and organisation level

- A high degree of automation, optimisation and cost-effectiveness of business processes
- The digital way of doing business and new business processes
- Developed multi-matrix organisation and business productivity growth
- Efficient use of data (internal and external) so as to make the right business decisions
- Innovation
- Exploitation of synergies within the Group
- Simplicity of business processes and cost efficiency

3. Client level

- Comprehensive and responsible client relationship management and multi-channel communication with clients
- Satisfied and loyal clients
- Growth in the number of active clients, their understanding of the Group's services and higher insurance coverage of individual clients
- Insurance products with a high degree of related services
- New business models

4. Finance level

- Profitable operations
- Growth in the volume of operations (in terms of written premium the Triglav Group remains the largest insurance company in South-East Europe)
- Maintaining the »A« credit ratings
- Capital adequacy and optimal capital allocation by segment/subsidiary of the Group
- Comprehensive risk management

For monitoring and measuring the implementation of strategic objectives, a balanced scorecard with projections by 2020 has been developed.



4.3 Objectives achieved by the Triglav Group in 2016⁷

Planned objectives achieved in 2016 (in EUR million)

	Plan for 2016	Realisation in 2016	in EUR million
Profit/loss before tax	80–90	95.1	PLAN SURPASSED
Gross written premiums from insurance and co-insurance contracts	around 900	936.0	PLAN SURPASSED
Combined ratio in non-life insurance	around 95%	92.9%	PLAN SURPASSED

Despite the challenging situation on financial markets and demanding market conditions, the Triglav Group performed well and implemented its set strategic objectives, placing focus on the core insurance business, profitability and safety of operations. The Group's **profit before tax** reached **EUR 95.1 million** and thus surpassed the budgeted net profit (see [→ *Section 8. Financial result*] for more details).

The Triglav Group **maintained its financial strength and stability, capital adequacy and profitability of its operations**. As reflected by the reaffirmed high credit rating a agencies S&P Global Ratings and A.M. Best with an **upgrade of credit ratings from the »A-« to »A«**, both ratings with a **stable medium-term outlooks**. The high credit rating of »A« is in line with the Group's strategy, thus enabling the Group an appropriate competitive position in insurance, reinsurance and financial markets and consolidating its financial strength and solid performance. See [→ *Section 6.6 Credit rating*] for more details.

The combined ratio in non-life insurance of the Triglav Group was **92.9%, exceeding the budgeted level** (the combined ratio is a measure of profitability in core insurance operations excluding investment return). The combined ratio of most of its insurance companies improved despite the occurrence of major mass loss events (see [→ *Section 8. Financial result and Section 7.2 Environmental impact on the performance of the Triglav Group and Zavarovalnica Triglav*] for more details).

Compared to 2015, **total written premium** of the Triglav Group was **higher than planned** despite challenging market conditions and fierce competition. The premium growth was recorded in all insurance markets. In the Slovene insurance market, 1% less in written premium was charged

by the parent company, whereas Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba recorded 6% and 3% higher written premium respectively. Triglav Osiguranje, Belgrade recorded as much as 22% premium growth, Lovćen životna osiguranja 12%. Written premiums were higher in Triglav Osiguranje, Sarajevo (10%), Triglav Osiguranje, Zagreb (8%), Triglav Osiguruvanje, Skopje (6%) and Lovćen Osiguranje, Podgorica (2%). The premiums by Triglav Osiguranje, Banja Luka remained at the same level as the year before. Insurance premium is discussed in greater detail (see [→ *Section 7.5*]).

4.4 Plans of the Triglav Group for 2017

The strategic starting points and objectives of the Triglav Group for the 2017–2020 period, the market potential and competition conditions of the Slovene and other insurance markets in which the Group operates, and the current forecasts of macroeconomic trends and development of financial markets for 2017 represent the basis for drafting the Triglav Group Business Plan for 2017.

The situation in the insurance markets: In 2017, the macroeconomic environment will be relatively favourable for the business of the Triglav Group, taking into account the moderate probability of a negative scenario. Nevertheless, extremely aggressive competition among insurance companies is expected. As in previous years, the Group's insurance companies will be exposed to the risks of lower demand for insurance products and services, policyholders defaulting on the payment of premiums and the risks related to the selection of underwritten risks. Approximately the same development, number and extent of individual loss events (flood, hail, storm) as in past years is foreseen.

The Group's operations will continue to be financially sound and profitable.

On the Slovene insurance market, the Group's performance in the life insurance segment will be affected by a high number of maturities due to the aging of the portfolio and surrenders. The non-life insurance premium will be affected by the measures for retaining solid and loyal clients with client loyalty programmes, repricing to match competition and measures to improve insurance technical results in individual non-life insurance classes.

Macroeconomic and financial environment:

Steady growth of the developed economies will be accompanied by political insecurity and the rise in protectionist tendencies, as well as by high macroeconomic imbalances in the countries of South-East Europe. Considering the existing trends in the euro area and the ECB's relatively stimulative policy, the return on Bund is expected to remain low. Following the anticipated reduction in the ECB's purchases, the movement of spreads on bonds of peripheral countries will much more depend on economic and political factors within a particular country. Given the current unchanged global economic growth outlook, spreads on corporate bonds are not expected to significantly change. They will remain at historical lows, similarly as government bonds. As the ECB's purchases decline, major fluctuations in spreads on cyclical bonds or bonds with a poor credit rating will be possible. All of this will have an impact on the return on bond investments of the Triglav Group.

Business plan for 2017:

Financial stability. The Group's operations will continue to be financially sound and profitable, while maintaining the Group's financial stability and capital adequacy, which is the basis for the dividend payment for 2016 as set out in the adopted dividend policy.

Insurance business. The Group plans to book approximately the same volume of consolidated gross written premium as in 2016 and record similar trends in claims experience as in previous years. In accordance with its strategic guidelines, the Group will strengthen and consolidate its position on the existing insurance markets.

Financial investments. A lower investment return as the result of extremely low interest rates is planned. Adequate levels of investment security and liquidity remain at the forefront of the Group's investment guidelines, followed by the criterion of profitability. There have been no significant changes in the investment policy of the Triglav Group.

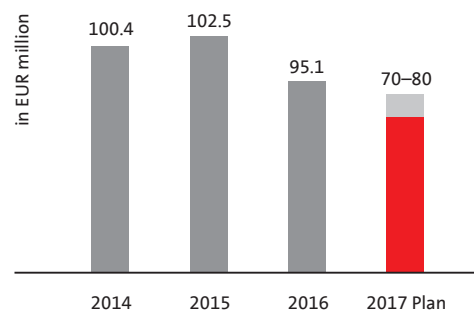
Risk management. The comprehensive risk management system will continue to be upgraded at the level of both the parent company and the Triglav Group. This will primarily include consistent inclusion of risk assessment in day-to-day business decisions and their monitoring based on regulatory and especially additional internal approaches. The purpose is to spread the risk management culture to all business segments and Group members.

By setting and actively pursuing very ambitious goals for 2017, the Group will make progress towards the realisation of the strategic objectives defined in the Triglav Group's new Strategy. Moreover, the Group will strive to remain the market leader in Slovenia and consolidate its position in the target markets of the region.

Financial highlights of the Triglav Group business plan for 2017

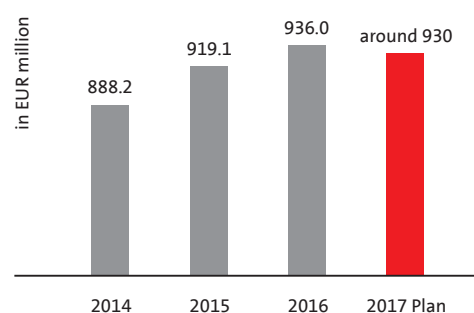
	2014	2015	2016	in EUR million 2017 plan
Profit/loss before tax	100.4	102.5	95.1	70–80
Gross written premiums from insurance and co-insurance contracts	888.2	919.1	936.0	Around 930
Combined ratio in non-life insurance	96.3%	92.8%	92.9%	Around 95%

Budgeted net profit/loss before tax of the Triglav Group for 2017

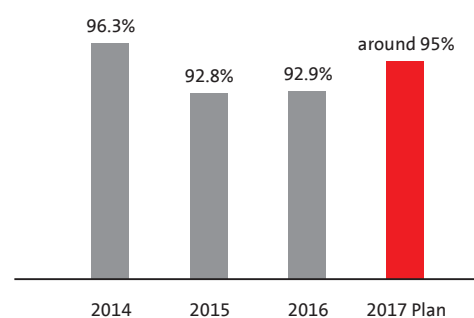


The planned
key performance indicators
of the Triglav Group
for 2017.

Budgeted gross written premium for insurance and co-insurance contracts of the Triglav Group for 2017



Budgeted combined ratio in non-life insurance of the Triglav Group for 2017



5 Corporate Governance Statement

- The Triglav Group finished the subsidiary governance and management model.
- Changes were made to the Supervisory Board and its committees.
- A new term of office of Marica Makoter, a Management Board Member and Employee Representative, began.
- The Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. has become effective as of 1 January 2016.



5.1 Governance policy

The Governance System and Policy of Zavarovalnica Triglav, adopted by the Management and Supervisory Boards, define the main guidelines for the governance of the Company, taking into account the set long-term strategic objectives and values. They are the foundation for setting up and implementing a reliable governance system, which is based on an efficient risk management system and enables the implementation of the business strategy of the Company. 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.

As of 1 January 2017, the Company has operated in line with the new Corporate Governance Code adopted on 27 October 2016; the Company's compliance with the new Code or any deviations therefrom will be explained in the Statement of Compliance with the Corporate Governance Code for 2017.

In its operations, the Company abides to the Insurance Code, available on the website of the Slovenian Insurance Association at (<http://www.zav-zdruzenje.si>).

Moreover, Zavarovalnica Triglav has its own code, available at the Company's official web pages (<http://www.triglav.eu>). This code presents Zavarovalnica Triglav's fundamental values and principles of operation in order to achieve its business goals, strategic guidelines and competitive advantages in transparent and fair manner and in compliance with the law and ethics.

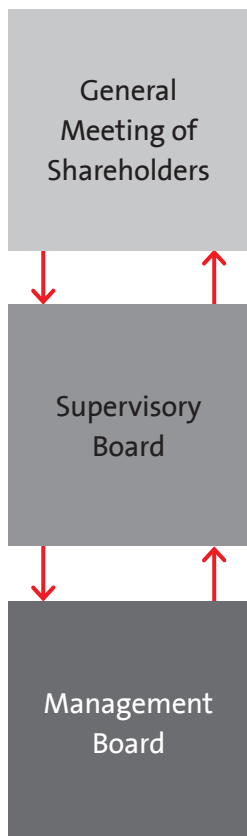
5.2 Statement of Compliance with the Corporate Governance Code⁸

In its operations, Zavarovalnica Triglav abides by the Corporate Governance 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>). Zavarovalnica Triglav adheres to all the provisions of the Code.

Zavarovalnica Triglav took a position on the provisions of the Corporate Governance Code for Companies with State Capital Investments and recommendations and expectations of Slovenski državni holding d.d. (all documents are available on the webpage of Slovenski državni holding d.d. <http://www.sdh.si> and on the webpage of www.triglav.eu).

The Statement is available on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav d.d. www.triglav.eu.

Two tier governance of Zavarovalnica Triglav



5.3 Management bodies of Zavarovalnica Triglav⁹

The Company uses a two-tier management system, its management bodies are **General Meeting of Shareholders**, **Management Board** and **Supervisory Board**. The management bodies operate in compliance with the primary and secondary legislation, the Articles of Association and their own rules of procedure. The Articles of Association are available on www.triglav.eu.

5.3.1 General Meeting of Shareholder

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 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 Articles of Association. The Articles of Association do not set out any specific provisions regarding their amendments and supplements.

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 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, and notes on reaching a qualifying holding and the restriction on transfer of shares are described in detail in [→ Sections 6.1 and 6.2]. See the Insurance Act for further details.

In accordance with the Financial Instruments Market Act, the following three shareholders own a qualifying holding in Zavarovalnica Triglav:

- 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. Its share in 2016 remained unchanged. On behalf of and for the account of ZPIZ, the shareholder's rights attached to the shares were managed by Slovenski državni holding d.d. (hereinafter: SDH).
- SDH was the direct holder of 6,386,644 shares or 28.09% of the share capital of Zavarovalnica Triglav. Its share in 2016 remained unchanged.
- Addiko Bank, d.d., Zagreb (fiduciary account) held 1,467,458 shares or 6.45% of the share capital of Zavarovalnica Triglav, representing an increase of 31,937 shares over the 2015 year-end.

As at the reporting date, Zavarovalnica Triglav had no other shareholders whose holdings exceeded 5.00% of the share capital, nor any issued securities that would grant their holders special control rights.

General Meeting of Shareholders in 2016

The shareholders of Zavarovalnica Triglav had one general meeting in the reporting period. The 41st General Meeting of Shareholders was held on 31 May 2016. The total number of shares and voting rights represented at the General Meeting of Shareholders was 17,462,467 or 76.81% of all shares to which voting rights are attached.

- The shareholders took note of the Annual Report of the Triglav Group and Zavarovalnica Triglav for 2015, including the opinions given by the audit firms, and the Annual Internal Audit Report for 2015.
- Furthermore, they took note of the Supervisory Board's report on the verification of the Annual Report for 2015 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2015.

A fit and proper
assessment of individual
Management Board
members and
the Management Board
as a collective.

- The shareholders adopted a resolution on the following distribution of the accumulated profit of EUR 65,028,271.76 as at 31 December 2015:
 - a part of accumulated profit in the amount of EUR 56,837,870.00 shall be allocated for dividend payments amounting to EUR 2.50 gross per share payable to the shareholders appearing in the Share Register two days following the date of the General Meeting of Shareholders. The dividends shall be paid from 25 to 30 days of the date this resolution is passed.
 - The distribution of the remaining accumulated profit of EUR 8,190,401.76 shall be decided in the next few years.
- The Shareholders granted a discharge for the business year 2015 to both the Management Board and the Supervisory Board of Zavarovalnica Triglav.
- Moreover, the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. was appointed as the auditors of Zavarovalnica Triglav for the 2016, 2017 and 2018 business years.
- The General Meeting of Shareholders adopted several amendments to the Articles of Association, including the authorised capital and the authorisation given to the Management Board to increase the share capital of the Company for maximum EUR 14,740,278.36 over the next five years.
- The General Meeting of Shareholders took note of the resignation letter of Matej Runjak, Member of the Supervisory Board, which was effective as of 31 May 2016, and appointed Igor Stebernak a new member of the Supervisory Board for a four-year term.
- The General Meeting of Shareholders passed a resolution on the amount of remuneration payable to Supervisory Board members.

At the General Meeting of Shareholders no action of voidness was announced.

5.3.2 Management Board

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.

Any person fulfilling the requirements stipulated by the Insurance Act, the Companies Act and the applicable documents of the Company may be appointed to the Management Board as its President or member. The professional competence and adequacy criteria, which the Management Board members and other individuals are required to meet, are clearly defined in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. The Policy has applied from 1 January 2016, precisely defining the professional competence and adequacy assessment procedure for the Management Board members, which has to be performed before the appointment, periodically, extraordinarily or after the appointment of an individual Management Board member. The Policy also determines the professional competence and adequacy assessment criteria and procedures for the Management Board as a collective body. In assessing the competence of the Management Board as a collective body, the Supervisory Board takes into account the diversity of knowledge and competences which not only allow comprehensive functioning of the Management Board but also contribute to an appropriate variety of skills, knowledge and experience for professional management of Zavarovalnica Triglav. All members should collectively possess the relevant knowledge and experience relating to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates.

In February 2016, before her appointment, the professional competence and adequacy assessment procedure was carried out for Marica Makoter, a Management Board Member and Employee Representative. It was assessed that Marica Makoter was appropriately qualified

and a suitable candidate for a Management Board Member and Employee Representative. In November 2016, the periodic assessment of all the other members of the Management Board and the Management Board as a collective body was performed. It was assessed that the Management Board as a collective body was suitably qualified and appropriate.

Composition and appointment of the Management Board

According to the Articles of Association, the Management Board has no less than three and no more than six members, of whom one is the President. 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 Management Board is appointed by the Supervisory Board. The term of office of an individual Management Board member is up to five years, with the possibility of reappointment. 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. Any individual member or President of the Management Board may be dismissed by the Supervisory Board if legal grounds for their dismissal have been established.

5.3.2.1 Management Board competence to increase the share capital

In accordance with the Company's Articles of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 14,740,278.36 through new shares issued for cash contributions within five years as of 2 June 2016. The issue of new shares, the amount of capital increase, 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 Articles of Association.

5.3.2.2 Presentation of the Management Board, its functioning and powers

As at the 2016 year-end, 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 a Management Board member. On 10 November 2009, Andrej Slapar became a member of the Management Board of Zavarovalnica Triglav with a five-year term of office. He took the position of President of the Management Board for the first time on 22 May 2013 for the term of office ending on 10 November 2014, followed by another five-year term of office as the President of the Management Board, starting on 11 November 2014.
- As the President of the Management, he manages and directs the work of the Management Board and the headquarters departments (the Management Board Office, the Legal Office, the Internal Audit Department, the Corporate Communication Department, the Compliance Office) as well as the Life Insurance Development and Actuarial Department and the Non-Life Insurance Development and Actuarial Department. He is in charge of the Life Insurance Division, the Corporate Accounts Division, senior management staffing, Arbitration, Nuclear Pool GIZ and Supplemental Health Insurance functional area.

Benjamin Jošar, member of the Management Board

- Born in 1973. Master of Science in Business Administration.
- He took a position as the Authorised Officer of the Management Board in 2012 thanks to his work experience in banking and finance,

which he gained in managerial and executive positions. From 2008 to 2009, he was President of the Management Board of KD borznoposredniška družba. He was positioned first as its Executive Director and later as an Executive Member of the Board of Directors of KD Banka. 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, he became a member of the Management Board of Zavarovalnica Triglav.

- His five-year term of office commenced on 2 November 2012.
- He is at the helm of the Risk Management Department, the Strategic Planning and Controlling Department and the Subsidiary Management Department. He is in charge of Triglav INT d.d.

Uroš Ivanc, member of the Management Board

- Born in 1975. Master of Science in Business Administration. Chartered Financial Analyst (CFA).
- He has been employed in Zavarovalnica Triglav since 2001 as a stock market analyst. He held managerial and executive positions up to 2004, when he became Head of Corporate Finance Department. In December 2005, he was appointed Executive Director of the Finance Division. Between March and August 2008 he was also General Manager of Slovenijales d.d., and from September 2007 to December 2012 he worked as Portfolio Manager in DUPF Triglav penzija a.d., Belgrade, Serbia. Since 2005 he has served as a member on several supervisory bodies of companies within and outside the Triglav Group.
- His five-year term of office commenced on 14 July 2014.
- He is responsible for Accounting and Finance Division.

Tadej Čoroli, member of the Management Board

- Born in 1975. Bachelor of Laws.
- Tadej Čoroli was first employed in Zavarovalnica Triglav in 2001 as Insurance Law Specialist.

He gained managerial experience in insurance as the Executive Director of Life Insurance Division and Executive Director of Non-Life Insurance Division. Since 2005, he participated in management and supervisory bodies in the Triglav Group subsidiaries. In addition, he was a Supervisory Body member of Skupna pokojninska družba d.d., Ljubljana. In July 2014, he was appointed a member of the Management Board of Zavarovalnica Triglav.

- His five-year term of office commenced on 29 July 2014.
- He is responsible for the Client Contact Unit, the Marketing Department, the Non-Life Insurance Division, the Non-Life Insurance Claims Division, the Non-Life Insurance Sales Division and the Non-Life Insurance Marketing and Distribution Division.

Marica Makoter, member of the Management Board and employee representative

- Born in 1972. Bachelor of Laws.
- From 1996 to 2000, 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. She was Head of the Subrogation Department in Novo Mesto from 2003 to 2006, and until 2011 Head of the Legal Claims Department and Deputy Head of the Regional Claim Centre in the Novo Mesto Regional Unit.
- She took office on 21 December 2011, the new five-year term of office started on 22 December 2016.
- As an employee representative, she represents workers' interests in compliance with the Worker Participation in Management Act. She is in charge of the Organisation Development and Business Process Management Department, the Fraud Prevention, Detection and Investigation Department and the Change and Project Portfolio Management Department. Moreover, she is responsible for the IT Division, the Back Office Division and the Human Resource Management Division, excluding senior management staffing.

Data on the earnings of the Management Board members are disclosed in [[→ Section 5.5 of the accounting part of the Annual Report](#)]. The basis for the remuneration of the Management Board is the Remuneration Policy of Zavarovalnica Triglav d.d., which is based on the Solvency II Directive 2009/138/EC, as amended by Directive 212/23/EU, and Commission Delegated Regulation (EU) 2015/35 supplementing Directive 138/EC.

The Policy is designed to ensure the maintenance of adequate capital strength of the Company, to encourage reliable and effective risk management, not to promote the assumption of risks exceeding the allowed risk limits of the Company, and to enable the acquisition and retention of competent, responsible and committed employees with suitable professional competences. The Policy serves as a foundation for implementing a robust and reliable governance system and provides integrity and transparency of operations.

Membership of the Management Board members of Zavarovalnica Triglav in the Supervisory Boards or Management Boards of other companies as at 31 December 2016:

Name and surname	Membership in the Supervisory (Management) Boards of the companies
Andrej Slapar President of the Management Board	<ul style="list-style-type: none"> ■ Pozavarovalnica Triglav Re d.d. ■ Krka d.d.
Benjamin Jošar Member of the Management Board	<ul style="list-style-type: none"> ■ Triglav INT d.d. ■ Triglav Skladi d.o.o.
Uroš Ivanc Member of the Management Board	<ul style="list-style-type: none"> ■ NLB d.d. ■ Adriatic Fund B.V., in liquidation ■ Triglav INT d.d.
Tadej Čoroli Member of the Management Board	<ul style="list-style-type: none"> ■ Triglav, Zdravstvena zavarovalnica d.d. ■ Triglav INT d.d. ■ Skupna pokojninska družba d.d.
Marica Makoter Member of the Management Board, Employee Representative	<ul style="list-style-type: none"> ■ Triglav INT d.d.

5.3.3 Supervisory Board

The Supervisory Board is composed of six representatives of the shareholders and three representatives of employees, The Supervisory Board as a supervisory body supervises the Company's business conduct with full responsibility.

The former are elected by the General Meeting of Shareholders and the latter by the Works Council. The Chairman and Vice Chairman of the Supervisory Board are elected from among its members

representing shareholders. Their appointment and recall are made in accordance with the law and the applicable documents of the Company. Members of the Supervisory Board are given a four-year mandate and may be re-elected without limitation. The professional competence and adequacy criteria as set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. also applies to both the Supervisory Board as a collective body and to Supervisory Board members as individuals.

**Emphasis on the
fit and proper assessment
of the members of
the Management and
Supervisory Boards.**

Professional competence and adequacy are assessed before the appointment, periodically, extraordinarily or after the appointment of an individual Supervisory Board member. In assessing the competence of the Supervisory Board as a collective body, the Supervisory Board takes into account diversity in such a manner that all members must collectively possess the relevant knowledge and experience relating to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates.

In April 2016, before his appointment, the professional competence and adequacy assessment procedure was carried out for Igor Stebernak as a candidate for a member of the Supervisory Board and shareholder representative. In addition, the assessment procedure of the Supervisory Board as a collective body was performed, taking into account the previously mentioned candidate. It was assessed that Igor Stebernak was appropriately qualified and a suitable candidate for a member of the Supervisory Board; moreover, the Supervisory Board as a collective body, taking into account the previously mentioned candidate, was assessed to be suitably qualified and appropriate. In November 2016, the periodic assessment of other members of the Supervisory Board and the Supervisory Board as a collective body was performed, which was assessed to be suitably qualified and appropriate.

The General Meeting of Shareholders may dismiss the members of the Supervisory Board before the expiry of their term of office, while each member of the Supervisory Board may resign from the position under the conditions and in the manner laid down by the Articles of Association.

5.3.3.1 Competences of the Supervisory Board

The competences and decision-making rules of the Supervisory board are set out by law, the Articles of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board (available at www.triglav.eu). 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 Zavarovalnica Triglav's 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 investment property of Zavarovalnica Triglav.

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.

5.3.3.2 Supervisory Board in 2016

On 12 June 2013, the new members of the Supervisory Board-employee representatives started their four-year term of office, while that of Igor Stebernak started on 2 June 2016. On 31 May 2016, the four-year term of office of Matej Runjak, Member and Chairman of the Supervisory Board and shareholder representative ended following his submission of the resignation letter, and as of 31 May 2015 Boštjan Molan, Peter Celar and Ivan Sotošek started serving their four-year term of office as the new members of the Supervisory Board/employee representatives.

At its session on 1 July 2013, the Supervisory Body appointed Matej Runjak its Chairman and Gregor Kastelic as its Vice-Chairman. The Supervisory Board appointed Igor Stebernak a new Chairman of the Supervisory Board at its session on 18 August 2016 due to the expiry of the term of office of Matej Runjak on 31 May 2016.

Composition of the Supervisory Board as at 31 December 2016

Name and surname	Education	Employed in	Membership in Supervisory Boards of other companies
Shareholder representatives			
Igor Stebernak Chairman	Bachelor of Mechanical Engineering, MBA	Petrol d.d., Member of the Management Board	/
Gregor Kastelic Deputy 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	PhD in Economics	PBZ Croatia Osiguranje d.d., President of the Management Board	Podravka d.d. Zagrebška borza d.d
Rajko Stanković Member	Senior administrative worker	Društvo Mali delničarji Slovenije, Chairman	Žito d.d.
Matija Blažič Member	Bachelor of Science in Administrative Organisation	Retired	Petrol d.d.
Employee representatives			
Boštjan Molan Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
Peter Celar Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
Ivan Sotošek Member	Bachelor of Science in Administrative Sciences	Zavarovalnica Triglav d.d.	/

By signing the Statement of Independence and Loyalty (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 5.5 of the accounting part of the Annual Report*]. Remuneration of the Supervisory Board members was in line with the resolution passed by the 35th General Meeting of Shareholders held on 21 June 2011, and from 31 May 2016 it is in line with the resolution passed by 41st General Meeting of Shareholders.

5.3.3.3 Composition of Supervisory Board committees and their activities in 2016

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks.

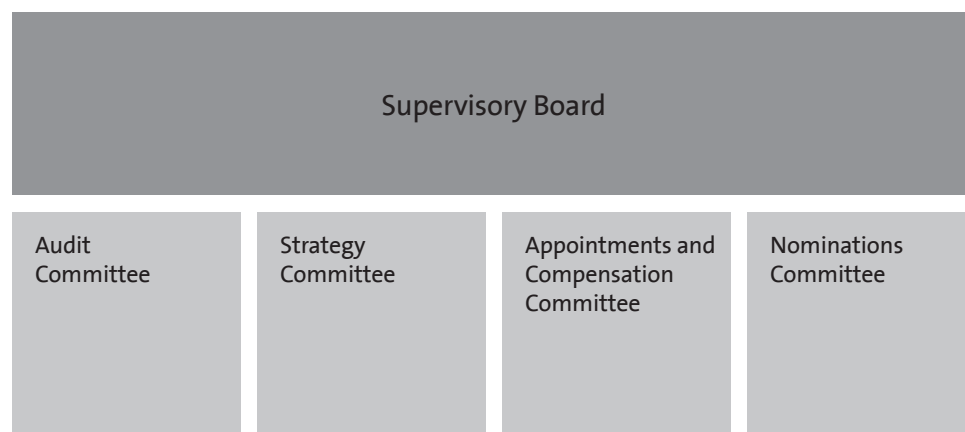
In 2016, the Supervisory Board committees were the following: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee as an ad-hoc committee.

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. The most important tasks include:

- monitoring the accounting reporting process, creating reports and drafting proposals for ensuring its comprehensiveness;
- monitoring the efficiency and effectiveness of internal controls, internal audit and risk management systems;
- monitoring the mandatory audit of annual and consolidated accounting statements and reporting on the audit findings to the Supervisory Board;
- being in charge of the auditor selection procedure and proposing a candidate to the Supervisory Board to audit the Company's annual report and participating in the drafting of an agreement between the auditor and the Company;
- supervising the integrity of financial information provided by the Company; evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board;

Supervisory Board committees



- cooperation with the Internal Audit Department, monitoring their interim reports, examination of the internal documents of the Internal Audit Department, the Rules of Operation of the Internal Audit Department and the annual plan of the Internal Audit Department;
- examination of decisions on the appointment, dismissal and remuneration of the Head of the Internal Audit Department.

The Audit Committee was composed of: dr. Mario Gobbo as Chairman, Rajko Stanković and Ivan Sotošek as members; and Barbara Nose as outsourced independent expert.

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 regarding the criteria for membership in the Management Board;
- drafting proposals regarding the policy of remuneration, compensation and other benefits for the Management Board members;
- preliminary consideration of proposals made by the President of the Management Board related to the management of the Company, pursuant to the third paragraph of Article 13 of the Articles of Association;
- performance of the professional competence and adequacy assessment for the Management and Supervisory Board members in line with the

Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d.;

- support and making proposals on matters that concern the Supervisory Board (e.g. conflicts of interest, design and implementation of a remuneration system for Supervisory Board members, assessment of the Supervisory Board's work against the Code of Corporate Governance).

The Appointments and Compensation Committee had the following composition: Matej Runjak, Chairman (until 31 May 2016) and/or Igor Stebernak, Chairman (since 18 August 2016); and Dubravko Štimac and Boštjan Molan 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. The main areas of its operation include discussing and preparing proposals related to strategic development and planning of the Triglav Group and the realisation of its strategic plans.

The Strategy Committee was composed of Gregor Kastelic as its Chairman and Mario Gobbo and Peter Celar its members.

Nominations Committee

The Nominations Committee is an ad-hoc committee of the Supervisory Board, established to carry out a nomination procedure for members of the Supervisory Board – shareholder representatives. The Committee sets the selection criteria unless the Supervisory Board decides otherwise. It makes a list of the candidates for Supervisory Board members and asks the Appointments and Compensation Committee to draw up an assessment of their professional competence and adequacy. The Nominations Committee then submits to the Supervisory Board a nomination proposal for one or several candidates for members of the Supervisory Board, shareholder representatives, including a draft assessment of candidates for Supervisory Board members, shareholder representatives.

Due to the resignation of Matej Runjak, a Member and Chairman of the Supervisory Board, on 10 March 2016 the Supervisory Board established the Nominations Committee to carry out the nomination procedure for a Supervisory Board member – shareholder representative. The Committee operated until 31 May 2016 in the following composition: Gregor Kastelic as its Chairman and Matej Runjak, Peter Celar and Mitja Svoljšak its external members.

The Nominations Committee was established by the Supervisory Board also on 18 November 2016, as the four-year term of office of five Supervisory Board members – shareholder representatives will expire on 12 June 2017. The Nominations Committee was established for the period until their appointment but not later than 12 June 2017 in the following composition: Igor Stebernak as its Chairman, Gregor Kastelic and Peter Celar as its members, and Mitja Svoljšak and Milena Pervanje as its external members.

5.4 Governance and management of subsidiaries¹⁰

The completion of the corporate governance system within the Triglav Group will be of key importance in 2016 for the governance and management of the Group's subsidiaries.

The Subsidiary Management Department of Zavarovalnica Triglav continued with the corporate governance and supervision of subsidiaries in Slovenia. Apart from that, the activities of the Subsidiary Management Department focused on standardising and harmonising the operations of subsidiaries as well as on implementing the common business practice rules.

By establishing a modern and effective corporate governance system, Triglav INT d.d. (hereinafter: TINT) fully manages and supervises the operation of insurance subsidiaries outside of Slovenia. TINT not only improved the management and supervision of foreign subsidiaries but also further strengthened business management and the use of synergies. Moreover, the role of TINT regional managers was enhanced, as they are responsible for every subsidiary and provide for direct connection between a subsidiary, its supervisory bodies and TINT.

TINT is managed in accordance with the Governance Policy of Zavarovalnica Triglav's Subsidiaries, laying down the fundamental principles, while its subsidiaries are managed in line with the Governance Policy of Triglav INT's Subsidiaries.

In the following years, the focus will mainly be on upgrading the IT systems and their management, which will be the basis for strengthening business management (the development of new products, sales, underwriting, claims). At the same time, it is important to continuously invest in human resources.

The key goals of TINT and the new business model for the governance of insurance subsidiaries abroad are primarily:

- further development of business management of the TINT Group subsidiaries;
- a clearer governance structure and centralised management, strategic and business planning;

Triglav INT
established a modern
and efficient corporate
governance system of
insurance subsidiaries
outside Slovenia.

- a faster and more efficient flow of information and decision-making;
- more efficient operational risk management and introduction of new business processes;
- optional specialisation of functions as an added value, tailored to the specificities of markets, and improved access to these functions centralised in one organisational unit;
- more effective identification of staff potential in insurance subsidiaries and improved job rotation among insurance subsidiaries;
- monitoring of opportunities and realisation of potential acquisitions in the region;
- centralisation of joint functions, primarily in IT;
- completion of activities related to minority shareholders;
- expanding the health, pension and life insurance product range on the existing markets.

The composition of governance and management bodies as at 31 December 2016

Subsidiary	Management	Supervisory function
Slovenia		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gregor Stražar – President, Tomaž Rotar, Stanislav Vrtunski	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, Blaž Jakič, Tomaž Krevatin
Skupna pokojninska družba d.d., Ljubljana	Aljoša Uršič – President, Peter Krassnig	Supervisory Board: Tadej Čoroli – Chairman, Miha Grilec, Aleš Vahčič, Primož Plantarič, Jaka Kirn, Miran Kalčič, Lotti Natalija Zupančič, Vesna Vodopivec, Branko Miklavčič, Rok Pivk, Aleš Aberšek
Triglav Skladi, družba za upravljanje d.o.o., Ljubljana	Igor Kušar – President, Andrej Petek	Supervisory Board: Benjamin Jošar – Chairman, Simona Kozjek, Meta Berk Skok
Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale	Edvard Kranjčič – Director, Tedo Djekanović – Authorised Officer	Supervisory Board: Primož Plantarič – Chairman, Matjaž Novak, Lidija Breznik
Triglav INT, holdinška družba d.d., Ljubljana	David Benedek – Executive Director, Tedo Djekanović – Executive Director	Board of Directors: Benjamin Jošar – Chairman, Marica Makoter, Uroš Ivanc, Tadej Čoroli, David Benedek, Tedo Djekanović
Triglav Avtoservis d.o.o., Ljubljana	Edvard Zabukovnik – Director, Boris Kuhelj – Director	Supervisory Board: Matej Ferlan – Chairman, Nataša Novak Priveršek, Aleš Klement
Triglav, Upravljanje nepremičnin d.d., Ljubljana	Mitja Selan – President, Aleš Vahčič	Supervisory Board: Rok Pivk – Chairman, Ksenja Zajc, Polona Peterle, Nataša Novak Priveršek
Croatia		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca – President, Bernhard Melischnig, Denis Burmaz, Mišo Čepelak – Authorised Officer	Supervisory Board: David Benedek – Chairman, Tomaž Žust, Gorazd Jenko, Darko Popovski, Željko Duralija
Montenegro		
Lovćen Osiguranje a.d., Podgorica	Matjaž Božič – Executive Director	Board of Directors: David Benedek – Chairman, Tomaž Žust, Darko Popovski
Bosnia and Herzegovina		
Triglav Osiguranje d.d., Sarajevo	Edib Galijatović – President, Edin Muftić	Supervisory Board: mag. Tedo Djekanović – Chairman, Gorazd Jenko, Bakir Pilav
Triglav Osiguranje a.d., Banja Luka	Matej Žlajpah – Director	Board of Directors: David Benedek – Chairman, Blaž Jakič, Iztok Šekoranja, Draško Milinović
Serbia		
Triglav Osiguranje a.d.o., Belgrade	Dragan Marković – General Manager, Blaž Jakič – Member of the Board of Directors	Supervisory Board: Tedo Djekanović – Chairman, Radenko Purić, Blaž Kmetec, Vuk Šušić
Macedonia		
Triglav Osiguruvanje a.d., Skopje	Gjorge Vojnović – Chief Executive Officer, Sanja Tančevska – Executive Director	Board of Directors: Tedo Djekanović – Chairman, Darko Popovski, Matej Ferlan, Blaž Kmetec, Maja Gazvoda

5.5 Internal and external audit

On 31 May 2016, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2016, 2017 and 2018 business years.

The report on the work of the Internal Audit Department is included in [[→ Section 2.1 Risk Management](#)].

5.6 Internal controls and risk management in relation to accounting reporting¹¹

The Triglav Group has an efficiently designed and integrated internal control and risk management system, which is promptly adapted to the development of the Group, organisational changes and best practices. 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.

The internal control system was set up in all organisational levels, units and processes of the Triglav Group and includes:

- a clear organisational structure with a precisely defined and transparent system of authorities and competences;
- efficient procedures for an ongoing control, error prevention, and identification, evaluation, management and monitoring of risks the insurance undertakings are or may be exposed to in the course of their operations;
- an adequate internal control system that includes appropriate administrative and accounting procedures (reporting, working procedures, risk exposure limits and physical controls);
- compliance with legislation and regulatory requirements.

The Internal Audit Department is an independent organisational unit, set up in compliance with the law regularly runs efficiency checks of the internal control and risk management system and offers upgrade proposals as well as reports to the Management Board, the Audit Committee and the Supervisory Board.

The characteristics and operation of the risk management system are discussed in detail in first part of the [[→ Risk Management Section](#)].

In relation to accounting reporting, internal controls are guidelines and procedures established by Zavarovalnica Triglav as the parent company of the Group and implemented at all levels in order to manage the risks related to accounting reporting. The purpose of internal control is to ensure reliability of accounting reporting and compliance with the applicable laws and other external and internal regulations.

The accounting control system is based on the principles of truthfulness and appropriate sharing of responsibilities, checking the performance of transactions, keeping of up-to-date records, compliance of books of account with the actual situation, separation of the records from the performance of transactions, professionalism of accountants and their independence. Accounting controls are closely linked to IT controls, which, inter alia, restrict and control access to the data and applications and ensure completeness and accuracy of data capturing and processing.

5.7 Notes on the takeover legislation

The Takeover Act (hereinafter: ZPre-1) applies 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 6. Share capital and shareholders of Zavarovalnica Triglav](#)].

5.8 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 by the general Meeting of Shareholders to buy its own shares. The Management Board's competence to increase the share capital is described under [[→ Section 5.3.2.1](#)]. The issue of new shares, the amount of capital increase, 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 Takeover Act (ZPre-1).

Zavarovalnica Triglav has not entered into any agreements with members of its management or supervisory bodies or employees that would provide for remuneration if a takeover bid in line with the Takeover Act caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.

6 The Share and Shareholders of Zavarovalnica Triglav

- In terms of liquidity and market capitalisation, the ZVTG share was the third one on the Ljubljana Stock Exchange.
- The ZVTG share was one of the best dividend yielding stocks on the domestic stock exchange.
- With credit ratings improved from »A-« to »A«, Zavarovalnica Triglav is the highest rated Slovene company.

6.1 The share of Zavarovalnica Triglav

In 2016, the share of Zavarovalnica Triglav (with the ISIN code SI0021111651 and the ZVTG ticker symbol) was the third most traded share on the Ljubljana Stock Exchange and ranked third in terms of market capitalisation.

Key figures for the share of Zavarovalnica Triglav

Items	31 December 2016	31 December 2015	31 December 2014
No. of shares	22,735,148	22,735,148	22,735,148
Book value per share* (in EUR)	24.78	23.34	23.93
Net earnings per share** (in EUR)	3.31	2.57	2.01
Dividend per share (in EUR) - for the previous business year	to be defined	2.50	2.50
Share market value - closing price (in EUR)	23.20	23.50	23.60
Market capitalisation - closing price (in EUR)	527,455,434	534,275,978	536,549,493
Traded on	Ljubljana Stock Exchange - LJSE		
Ticker symbol	ZVTG		
ISIN	SI0021111651		
Credit rating	<ul style="list-style-type: none"> ■ S&P Global ratings; »A«, stable medium term outlook ■ AM Best; »A«, stable medium term outlook 	<ul style="list-style-type: none"> ■ Standard & Poor's; »A-«, positive medium term outlook ■ AM Best; »A-«, positive medium term outlook 	<ul style="list-style-type: none"> ■ Standard & Poor's; »A-«, stable medium term outlook ■ AM Best; »A-«, positive medium term outlook
Bloomberg	ZVTG SV		
Reuters	ZVTG.LJ		

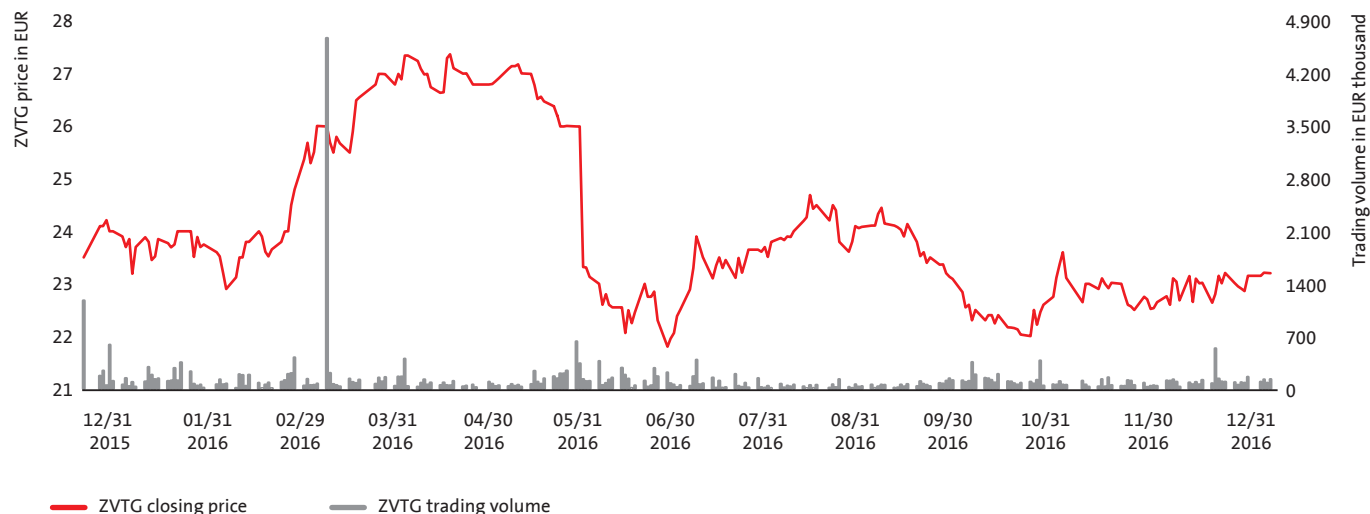
* In calculating the book value per share, the equity of Zavarovalnica Triglav and the number of shares as at the reporting date were taken into account.

** In calculating net earnings/loss per share, net profit or loss of Zavarovalnica Triglav and the weighted average number of shares were taken into account.

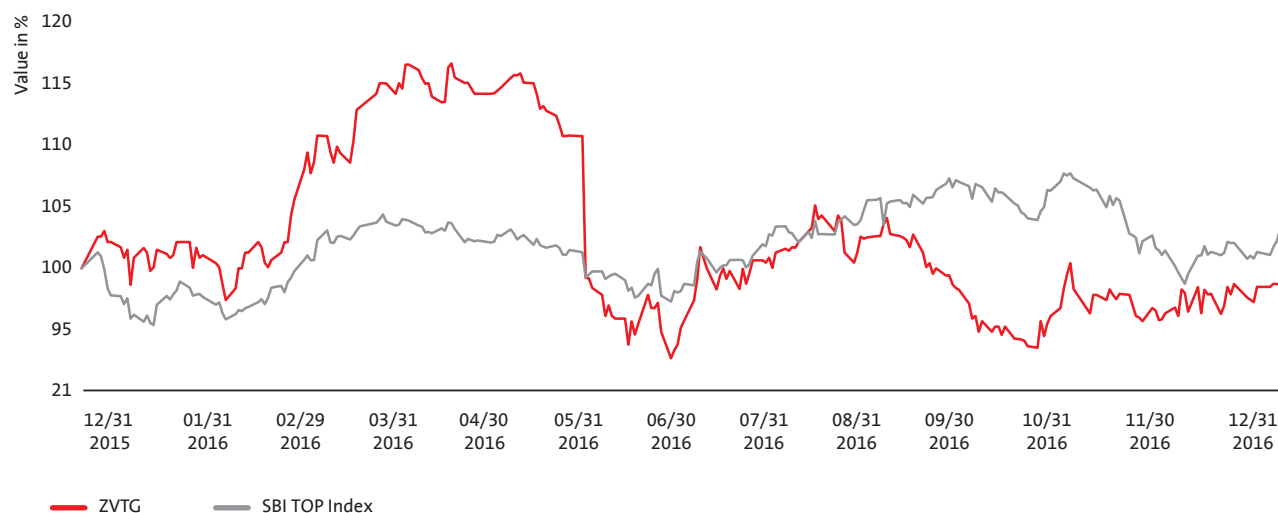
In 2016, the closing price of the share decreased by 1.3% and equalled EUR 23.20 as at the 2016 year-end. Starting at EUR 23.50, the share peaked to its highest price of EUR 27.38 on 21 April 2016. The cut-off date for the dividend payment of EUR 2.50 per share was 2 June 2016. The ZVTG share was one of the best dividend yielding stocks on the Ljubljana Stock Exchange.

The day before, i.e. 1 June 2016, when holding the share no longer meant being entitled to the dividend payment, the share price expectedly began to decrease. As much as 9% of the share turnover on the Ljubljana Stock Exchange was accounted for by the ZVTG share, its average daily trading volume being EUR 115 thousand.

Movements in the closing price (left axis) and trading volume (right axis) of the ZVTG share



Comparison of movements in the average daily price of the ZVTG share and movements in the value of the SBI TOP Index in 2016 as compared to 31 December 2015



ZVTG share trading data by individual month of 2016 (in EUR)

Month	Maximum closing price	Minimum closing price	Average daily trading volume
January	24.21	23.19	160,475
February	24.00	22.90	78,729
March	27.00	24.00	331,303
April	27.38	26.64	85,854
May	27.19	26.00	137,610
June	23.32	21.80	119,897
July	23.90	22.51	74,710
August	24.69	23.61	33,559
September	24.45	22.30	83,299
October	23.60	22.00	101,354
November	23.10	22.50	66,736
December	23.21	22.64	108,177

6.2 Equity

As at the 2016 year-end, the share capital of Zavarovalnica Triglav remained at the same level with EUR 73,701,391.79 and was divided into 22,735,148 ordinary registered no-par value shares. All the ZVTG shares are of the same class, freely transferable and issued in a dematerialised form. Each represents the same stake and a corresponding amount in the share capital. All have been fully paid in. Each ZVTG share 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 estate after the payoff of priority shareholders in the case of bankruptcy or liquidation.

In acquiring shares, the existing and potential shareholders of Zavarovalnica Triglav are required to observe the provisions of the Insurance Act. Prior authorisation of the Insurance Supervision Agency is a prerequisite for:

- the acquisition of shares of an insurance company by which a person directly or indirectly acquires or exceeds a qualifying holding (the qualifying holding is a direct or indirect holding of shares or other rights that gives the holder a minimum 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). In the operative part of its decision on issuing an authorisation to acquire a qualifying holding, the Insurance Supervision Agency lays down the amount of participation in the voting rights or participation in the insurance undertaking's capital for which the authorisation is issued as the ceiling for one of these thresholds:
 - participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than the qualifying holding and lower than 20%;
 - participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 20% and lower than 1/3;

- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 1/3 and lower than 50%;
- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 50%;
- participation based on which a future qualifying holder becomes the parent entity of the insurance undertaking;
- before any further acquisition of shares by which a qualified holder would surpass the threshold for which an authorisation for the acquisition of a qualifying holding had been issued;
- for the entities that agree to a concerted acquisition of the shares of the insurance undertaking or a concerted exercising of management rights arising from the shares (joint qualifying holders) and intend to acquire a holding by which they would jointly reach or exceed a qualifying holding of the undertaking;
- before any further acquisition of shares of the joint qualifying holders, by which their joint holding would surpass the threshold for which an authorisation to acquire a qualifying holding had already been issued.

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

6.3 Shareholder structure¹²

In 2016, there was no significant change in the shareholder structure of Zavarovalnica Triglav. The number of shareholders, primarily domestic natural persons holding a small number of shares, went down due to the abolition of free registry accounts kept by KDD – Centralno klirinška depotna družba d.d. (hereinafter: KDD). These accounts mostly originate from the end of the 1990s as the result of ownership transformation of Slovene companies. The accounts were abolished due to the process of European integration and implementation of common standards regarding the performance of corporate actions

There were
no significant changes in
the shareholder structure of
Zavarovalnica Triglav.

¹² GRI GS 102-5,
GS 102-10

on securities. The natural persons who had securities on the registry accounts were required to transfer them to the accounts held with KDD members or the Ljubljana Stock Exchange by 1 January 2017, while the deadline for the legal entities was 30 September 2016.

Compared to 2015, the total number of shareholders went down by 35% to 18,334. As expected, particularly the number of natural persons decreased, i.e. by 9,590 to 17,815 shareholders as at the 2016 year-end. Their equity stake went up by 0.9 percentage point and reached 10.5% of total shares. As at the 2016 year-end, the legal entities accounted for 519 shareholders (108 less than the year before), holding 89.5% of all shares of Zavarovalnica Triglav.

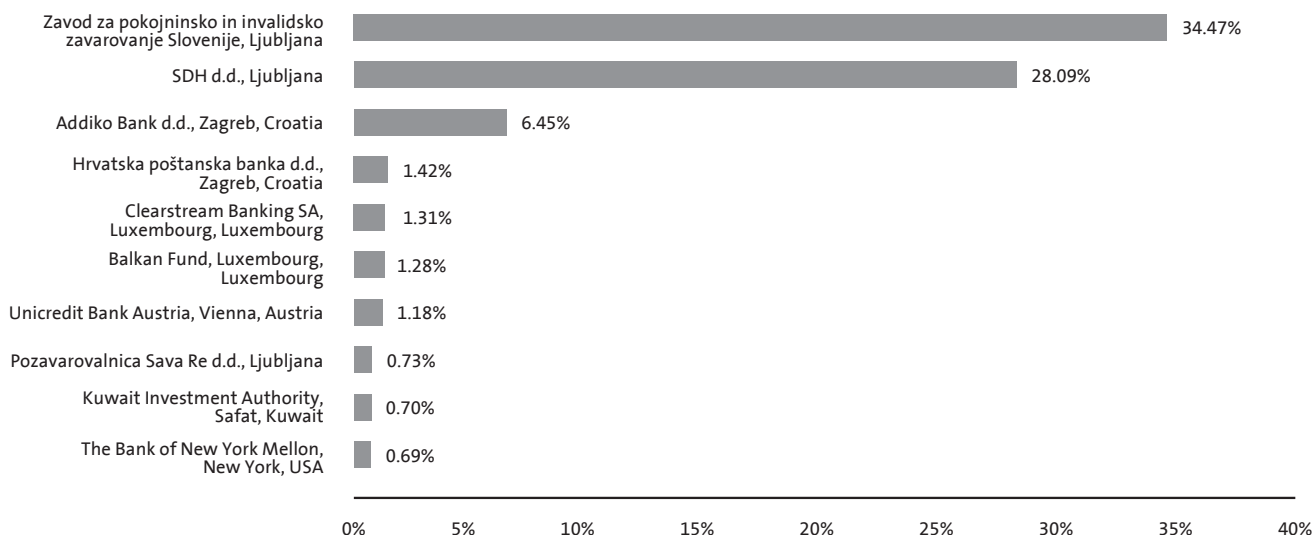
With the share of 97.5%, the shareholder structure of Zavarovalnica Triglav was dominated by domestic shareholders (98.3% as at the 2015 year-end). International shareholders held a 2.5% share, which is 0.8 percentage point more over the preceding year. The growth of their stake over several years came to a halt in 2015 but continued in 2016. Their equity stake accounted for 17.1% as at the reporting date, having increased by 0.03 percentage point over the 2015 year-end.

In the reporting period, ownership concentration measured by equity stakes of the top ten shareholders increased by 0.7 percentage point and accounted for 76.3% of total shares. The top two shareholders maintained their stakes, whereas Addiko bank d.d. – fiduciary account (the former Hypo Alpe-Adria Bank), the third top shareholder, increased its stake by 0.2 percentage point. Among the top ten shareholders, Unicredit Bank Austria – fiduciary account increased its stake the most, i.e. by 0.8 percentage point.

Shareholder structure of Zavarovalnica Triglav as at 31 December 2016

	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	18,844,958	3,890,190	20,355,597	2,379,551
Number of shareholders	18,334	17,876	458	519	17,815
Number of shares - percentage	100.00%	82.89%	17.11%	89.53%	10.47%
Number of shareholders - percentage	100.00%	97.50%	2.50%	2.83%	97.17%

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2016 (ownership in %)



Top ten shareholders of Zavarovalnica Triglav as at 31 December 2016 and 31 December 2015

Shareholder	Number of shares		Ownership (in %)	
	2016	2015	2016	2015
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	7,836,628	7,836,628	34.47	34.47
SDH d.d., Ljubljana	6,386,644	6,386,644	28.09	28.09
Addiko Bank d.d., Zagreb, Croatia	1,467,458	1,435,521	6.45	6.31
Hrvatska poštanska banka d.d., Zagreb, Croatia	322,004	322,557	1.42	1.42
Clearstream Banking SA, Luxembourg, Luxembourg	297,152	273,152	1.31	1.20
Balkan Fund, Luxembourg, Luxembourg	290,278	326,278	1.28	1.44
Unicredit Bank Austria, Vienna, Austria	267,356	88,987	1.18	0.39
Pozavarovalnica Sava Re d.d., Ljubljana	166,678	166,678	0.73	0.73
Kuwait Investment Authority, Safat, Kuwait	158,571	154,771	0.70	0.68
The Bank of New York Mellon, New York, USA	157,157	100,214	0.69	0.44

The total number of shares held by the Management and Supervisory Boards equalled 480, thus remaining unchanged as at the 2016 year-end.

The number of shares owned by members of the Management and Supervisory Boards as at 31 December 2016

Name and surname	Post	No. of shares	Equity stake
Management Board		80	0.00%
Andrej Slapar	President of the Management Board	-	-
Benjamin Jošar	Member	-	-
Uroš Ivanc	Member	80	0.00%
Tadej Čoroli	Member	-	-
Marica Makoter	Member, Employee Representative	-	-
Supervisory Board		400	0.00%
Shareholder representatives		-	-
Igor Stebernak	Chairman	-	-
Gregor Kastelic	Deputy Chairman	-	-
Rajko Stanković	Member	-	-
Mario Gobbo	Member	-	-
Dubravko Štimac	Member	-	-
Matija Blažič	Member	-	-
Employee representatives		400	0.00%
Boštjan Molan	Member	-	-
Peter Celar	Member	400	0.00%
Ivan Sotošek	Member	-	-
Management and Supervisory Boards combined		480	0.00%

**Zavarovalnica Triglav
paid dividends for 2015
in the amount of
EUR 56,837,870 or
EUR 2.50 per share.**

6.4 Dividend policy

The dividend policy of Zavarovalnica Triglav is based on the Triglav Group's target capital adequacy, which is the foundation of safety of its operations and is adapted to the Solvency II system. The policy takes into account not only the planned volume of business and the related foreseen capital needs in the Slovene and other strategic markets but also the guidelines and good practices of the insurance sector. The basis for the dividend payment is a sufficient amount of accumulated profit of Zavarovalnica Triglav for the year.

In accordance with the solvency capital requirement (SCR), the target capital adequacy of the Group varies between 250% and 300%. Should the Company achieve the target capital adequacy, the Management Board and the Supervisory Board will, as a rule, propose a dividend payment in the amount of 30–50% of consolidated net profit of the Triglav Group.

Should the capital adequacy of the Triglav Group be less than 250%, the Management Board and the Supervisory Board will, as a rule, propose a payment of a lower proportion of dividend or non-payment of dividends. The capital adequacy of the Group exceeding the target level allows the Management Board and the Supervisory Board to draw up a proposal for a larger share of dividend payment.

The detailed guidelines for the dividend payment in relation to the capital adequacy level are shown in the figure under [[→ Section 1.3 Capital and capital adequacy management in Section Risk Management](#)].

The Company paid dividends for 2015 in the amount of EUR 56,837,870 or EUR 2.50 per share. As much as 64% of net profit of the Triglav Group for 2015 or 87% of accumulated profit of Zavarovalnica Triglav for 2015 was allocated to dividend payments as at 31 December 2015.

Overview of dividend payments for the business years 2013–2016

Items	2016	2015	2014	2013
Total dividends (in EUR)	to be defined	56,837,870	56,837,870	38,649,753
Dividends per share (in EUR)	to be defined	2.50	2.50	1.70
General Meetings of Shareholders	30 May 2017	31 May 2016	9 June 2015	10 June 2014
Earnings per share (in EUR)	3.31	2.57	2.01	2.12

* In calculating earnings/loss per share, net profit or loss of Zavarovalnica Triglav and the weighted average number of shares were taken into account.

6.5 Investor relations management

The main goal of transparent operations and open communication with investors, shareholders and the expert financial public is not only to promote the attractiveness of the Company's securities but also to achieve their fair value and the expected liquidity. As the company whose shares are listed on the Ljubljana Stock Exchange Prime Market Zavarovalnica Triglav fulfils the additional disclosure standards of this market segment and actively co-creates them.

The Company's publications regarding its strategy, plans, performance and other material information are announced in the financial calendar for the coming year. All publications are published in both Slovene and English and are available on the Company's website www.triglav.eu, the SEOnet information system of the Ljubljana Stock Exchange and the INFO HRAMBA system.

The Company proactively cooperates with analysts, institutional investors and shareholders and is available to them:

- at investment conferences in Slovenia and abroad,
- at presentation meetings in financial centres around the world,
- at individual meetings or via conference calls and
- by e-mail.

In 2016, Triglav participated in nine meetings with institutional investors and analysts in Slovenia as well as the financial centres across Europe and the USA. The calendar of past conferences, including the presentation material, and the calendar of future conferences in the current year is available on the Company's website.

Special attention is devoted to small shareholders. The Investor Relations subpage at www.triglav.eu contains a special section devoted to small shareholders, providing daily trading information about the ZVTG share and all key information on the Company's business operations and financial standing.

The contacts for further information for investors and existing shareholders are listed below.

Information for shareholders:

Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
Investor Relations, Helena Ulaga Kitek
Phone: ++386 (1) 47 47 331
E-mail: investor.relations@triglav.si

6.6 Credit rating of the Triglav Group and Zavarovalnica Triglav

The Group's credit rating upgraded to "A" is in line with its strategy, thus enabling the Group to maintain an appropriate competitive position in insurance, reinsurance and financial markets.

With the improved credit ratings of »A« by both credit rating agencies S&P Global Ratings (hereinafter: S&PGR) and A.M. Best, the Triglav Group is the Slovene company with the highest credit ratings in the country. Both credit ratings have a stable medium-term outlook. The high credit rating of »A« is in line with the Group's strategy (also see [→ Section 4.2]) thus enabling the Group an appropriate competitive position in insurance, reinsurance and financial markets and consolidating its financial strength and solid performance.

In 2016, S&PGR upgraded the Group's long-term credit rating and the financial strength credit rating from »A-« to »A«. S&PGR improved the Group's business risk profile to strong due to the lower sovereign risk and improved conditions on the Slovene insurance market. An even higher rating, i.e. very strong, was assigned to the Group's financial risk profile, primarily thanks to the Group's diversified investment portfolio. S&PGR emphasised in its report that the Group has a comprehensive reinsurance protection.

Furthermore, S&PGR pointed out that the »A« credit rating exclusively reflects the Group's standalone credit profile and does not include any uplift from the insurer's status as a government-related

entity. The Group passed the hypothetical stress test for the exposure to sovereign risk, and should the latter be realised the Group's rating would be higher than the sovereign rating of the Republic of Slovenia.

The A.M. Best credit rating agency upgraded the financial strength rating of »A-« to »A« (Excellent) and the issuer credit rating of »a-« to »a« (Excellent) of both Zavarovalnica Triglav and Poza-zavarovalnica Triglav Re. The credit ratings reflect the Company's consistently excellent performance over the past five years, its leading position on the Slovene market and strong Triglav brand recognition in the region. According to A.M. Best, the Company's performance on the domestic market is affected by the improved but still challenging situation and fierce competition in the market. Nevertheless, the Company performed well in the pension and health insurance markets. The Company has established a comprehensive risk management and underwriting system, which is expected to improve even further. A.M. Best raised the credit ratings of the parent company also as the result of strong and risk-adjusted capital level of the Company. It is expected that the Company will maintain its prudent capital management and the adopted dividend policy, which will support the target capital adequacy of the Group. Furthermore, the credit rating agency upgraded the financial strength rating and the long-term credit rating of the Company's subsidiary Pozavarovalnica Triglav Re to »A« and »a« respectively, thereby confirming its key role as the reinsurer of all Triglav Group members.

6.7 Bonds of Zavarovalnica Triglav

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

Since 30 June 2010, the bonds bearing the ZT02 ticker symbol and the ISIN Code SI0022103038 have been traded on the bond market of the Ljubljana Stock Exchange.

7 Performance of the Triglav Group and Zavarovalnica Triglav

- In 2016, the challenging competitive conditions on the insurance markets of the Triglav Group continued.
- The premium growth was recorded in all insurance markets.
- The Triglav Group maintained its leading market position in Slovenia, Montenegro and Macedonia. Furthermore, the Group improved its position in Bosnia and Herzegovina and in Serbia and maintained its market position in Croatia.
- Exceptionally low interest rates no longer enable high returns on investment.

7.1 The general economic environment worldwide and in Slovenia

Slovenia's real
GDP growth
was 2.3%.

The global economic recovery was slow and uncertain at just over 3% growth rate. Due to the relatively low growth rate, a significant rise in political polarisation and protectionist-oriented policies was seen in the developed economies, while the emerging markets witnessed a gradual slowdown in economic growth, in many countries under the influence of international trends and movements in the prices of raw materials. The economy of the euro area experienced moderate growth at nearly 2%, mainly fuelled by private consumption resulting from the improved labour market situation, while investment consumption recovered only modestly.

Despite many uncertainties in the international environment, Slovenia recorded strong economic growth for the third consecutive year. According to the autumn forecast of the Institute of Macroeconomic Analysis and Development (hereinafter: IMAD), in 2016 the **growth rate of Slovene GDP in real terms** remained at the 2015 level, i.e. **2.3%**, which was considerably higher than in the euro area. Recovery is primarily driven

by vigorous international trade, even though its contribution has been declining over the years. A marked improvement in labour market conditions and a high level of consumer confidence boosted household consumption; in addition, higher growth was seen in government consumption. Investment strongly decreased as the result of low government investment due to a low absorption of EU funds, while private investment recovered slowly despite the more favourable situation in financial markets.

The favourable trends in the labour market continued. The employment rate considerably increased, and the unemployment rate dropped. According to IMAD's forecasts, the number of unemployed decreased to 103.4 thousand and the registered unemployment rate to 11.2%. The purchasing power of population strengthened as a noticeable increase was seen primarily in the wages in the public sector, whereas the wages in the private sector will follow slowly. Lower energy prices continued to have a decisive impact on the inflation rate in 2016, which was slightly negative on average. Slovenia officially exited the excessive deficit procedure of the European Commission. According to the EC autumn forecast, Slovenia ended 2016 with a relatively low 2.4% budget deficit, reducing its general government gross debt to 80.2% of GDP.

Unlike the year before,
the reporting year was
less favourable
in terms of
mass loss events.

In addition to the uncertain outcome of Brexit and the US presidential elections, the capital markets were influenced by the continued expansionary monetary policies of central banks throughout the year. In early 2016, the European Central Bank increased bond purchases, while the American FED raised its key interest rate only once, i.e. at the year-end. Thus, the value of the dollar against the euro strengthened by over 3%. In parallel with higher uncertainty, the return on government bonds again reached historically low, even negative levels. In mid-2016, credit spreads on Slovene government bonds witnessed a stronger decline, mainly reflecting improved country risk assessment of major rating agencies. At the year-end, return on 10-year German government bond stood at only 0.21% and that of Slovene at only 0.85%. Therefore return on both bonds again fell at an annual level, i.e. by 0.42 percentage point and 0.82 percentage point respectively. Towards the end of 2016, a positive sentiment was observed in world stock indexes, recording a relatively high annual growth.

Global economic growth forecasts for 2017 are slightly more favourable compared to 2016. The developing markets will once again contribute the most to the growth of over 3%, while the developed economies will be recovering relatively successfully. Forecasts are characterised by a high level of uncertainty, mainly due to the rise in protectionism. At 2.9%, economic growth forecast for Slovenia is slightly more favourable. The favourable trends in the labour market will considerably boost household consumption. A lively international trade will continue, which however will be the largest uncertainty factor for the Slovene economy in the coming year.

Due to an increase in positive sentiment, 2017 is expected to be successful for stock markets, whereas for bond markets it will probably be unfavourable. The FED will continue to raise key interest rates due to inflationary pressures, while as the situation in the euro area normalises the ECB will announce its decision on slowing down the pace of its quantitative easing programme at the end of the year. Following higher inflationary expectations and improved economic growth forecasts, return on government bonds is expected to noticeably increase.

7.2 Environmental impact on the performance of the Triglav Group and Zavarovalnica Triglav¹³

Despite the economic recovery and the premium growth on the insurance markets, where the Triglav Group operates, the conditions of these markets remained challenging. Total written premium was affected by further aggressive price competition among insurers. The downward pressure of policyholders on the premium is high as the policyholders increasingly respond to the cheapest insurance products available. The Company and its subsidiaries respond to the demanding market conditions by adapting their marketing and sales policies, launching new products and redesigning the existing ones, and taking measures to improve the insurance technical result in non-life insurance. See [→ *Section 11. Development and sales activities*] for more details.

The Group's business results were influenced by the changed situation on capital markets, which no longer resulted in high investment returns mainly due to exceptionally low interest rates.

Unlike the preceding year, the reporting year was less favourable in terms of mass loss events. Moreover, the reporting year saw several mass loss events in the amount of EUR 19.0 million, which impacted the Group's performance. At the end of April, frost and several minor local floods across Slovenia caused a damage of EUR 5.8 million, mostly on crops. Summer storms with hail (4 mass loss events) resulted in claims of EUR 9.9 million, foremost in Eastern Slovenia. At the end of April, frost in Croatia caused damage on crops of EUR 1.9 million. In May in Macedonia, hail caused damage on crops in the amount of EUR 617 thousand, whilst due to the August floods claims totalled EUR 127 thousand. At the end of June, storms with hail caused claims of EUR 365 thousand in Croatia, EUR 207 thousand in Serbia and EUR 118 thousand in Montenegro (crops, motor vehicles and real property).

7.3 Insurance markets in 2016¹⁴

According to the most recent official data published by Swiss RE, the global insurance market recorded a 4% growth in 2015 (approximately the same as one year earlier). There was a change in the leading position because America (North America and South America combined) increased its share by 1.5 percentage points to 34.9% of global insurance premium. With a 32.3% share of global written premium, Europe's leading market lasting position weakened, having decreased by 3.3 percentage points compared to the year before. Among all continents, Asia recorded the highest growth rate of 8% and again increased its share, to 29.7% this time (an increase of 2.1

percentage points compared to 2015). Africa maintained its share in the global insurance market (1.4%), whilst Oceania decreased its share to 1.8% (2.1% in the previous year).

In 2015, the Slovene insurance market was ranked 57th in the global insurance market, having dropped by two ranks over 2014. Although the Slovene market is 146 times smaller than the British market, which is the largest European insurance market, it is nonetheless well developed, accounting for only 0.05% of the global insurance market. Its development is shown by relative indicators. On the world scale, Slovenia is ranked 31st by premium per capita and 33rd by insurance penetration (premium share in GDP), two ranks lower compared to the previous year.

Premium per capita and market penetration in Slovenia and certain European countries in 2015

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(% of GDP)	World rank
Slovenia*	1,063	31	5.1%	33
Austria	2,261	23	5.2%	29
Croatia	299	52	2.6%	50
Czech Republic	592	37	3.3%	43
Great Britain	4,359	8	10.0%	9
Switzerland	7,370	2	9.2%	12
Turkey	141	62	1.6%	71
Greece	381	43	2.1%	60
Serbia	105	67	2.1%	61
Europe	1,634	-	6.9%	-
EU	2,412	-	7.6%	-

Source: Swiss RE, SIGMA 3/2016

* Data on premium for Slovenia obtained from the Slovenian Insurance Association

In 2015, premium share in GDP accounted for 5.1% (the latest published data by the Slovenian Insurance Association), which is the lowest share in the last ten years. At EUR 958, the average premium per capita slightly increased compared to the year before, reaching approximately the same level as in 2013 (the highest average premium per capita in Slovenia was recorded in 2010 at EUR 1,023).

In 2016, the Slovene insurance market recorded a 1.5% premium growth. Insurance companies, members of the Slovenian Insurance Association, charged a total of EUR 2,033.4 million in premium written. After a few years of decline, non-life insurance (excluding health insurance) experienced growth. Health insurance premiums increased, whilst life insurance premiums decreased. Motor vehicle insurance, which is characterised by the highest degree of price competitiveness, grew by 4%, i.e. both motor vehicle liability insurance (after several years of decline) and comprehensive car insurance (after the fall in 2015). This premium increase was primarily generated by real property insurance, general liability insurance and assistance insurance. Life insurance premium dropped due to a decrease in unit-linked life insurance and traditional life insurance. On contrast, supplemental voluntary pension insurance (SVPI) recorded a 10% growth.

Insurance market development in Slovenia

Premium per capita (2015 data)	EUR 958
Premium as a percentage of GDP (2015 data)	5.1%
Insurance market growth index in 2016	101.5

Source: Slovenian Insurance Association

Slovene insurance market growth by segments in 2013–2016

Insurance class	Insurance premium (in EUR million)				Nominal change in growth (in %)		
	2016	2015	2014	2013	2016/2015	2015/2014	2014/2013
Non-life insurance	967.8	926.4	930.5	942.6	4.5%	−0.4%	−1.3%
Life insurance	576.0	594.2	535.4	553.0	−3.1%	11.0%*	−3.2%
Health insurance	489.6	483.0	471.7	482.0	1.4%	2.4%	−2.1%
Total	2,033.4	2,003.6	1,937.6	1,977.5	1.5%	3.4%	−2.0%

* An 11.0% life insurance premium growth in 2015 resulted also from the premium posted by Skupna pokojninska družba as the new member of the Slovenian Insurance Association; excluding Skupna pokojninska družba, life insurance premium growth would have been 5.7%.

There were 14 insurance companies, 4 foreign branch offices and 2 reinsurance companies active in the Slovene insurance market, all members of the Slovenian Insurance Association. In May 2016, Skupna pokojninska družba (member of the Triglav Group) joined the Slovenian Insurance Association. As of November, the new insurance company Sava has operated on the market. It was established through the merger of Zavarovalnica Maribor, Tilia and two Velebit insurance companies (operating in Croatia).

There were 10 composite and 8 specialised insurance companies (life, health and non-life insurance) insurance companies. **Non-life insurance**, accounting for 72% of total premium, experienced a 3.4% growth, (non-life insurance premium excluding health insurance premium was higher by 4.5%), whilst **health insurance premium** was 1.4% higher. The **life insurance premium** was 3.1% lower compared to 2015, whilst one year earlier it recorded a 5.7% growth (taking the premium of Skupna pokojninska into account, the growth would have been 11%). The data do not include insurance transactions concluded in Slovenia directly by foreign-owned subsidiaries (FOS). Their share is growing but, it is still negligible. Zavarovalnica Triglav directly operates in all 28 EU Member States.

The Slovene insurance market continues to be characterised by a high degree of concentration as the four major insurers controlled 74.5% of the market. Despite a lower market share of 29.1%, **Zavarovalnica Triglav** remained the market leader (2015: 29.2%). The second largest market share was held by a new insurer Zavarovalnica Sava, a company 1.7 times smaller. With a 36.2% market share on the Slovene insurance market, **the Triglav Group** (parent company, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba) increased its share by 0.2 percentage point over the preceding year. The Triglav Group's market shares by segments were the following:

- non-life insurance: 43.6% (44.3% in 2015);
- life insurance: 34.6% (34.2% in 2015); and
- health insurance: 23.5% (22.5% in 2015).

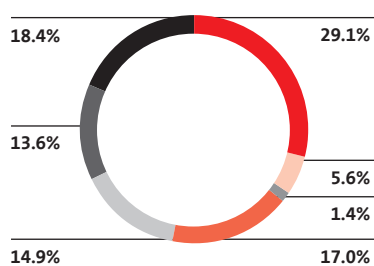
Zavarovalnica Triglav's **life insurance** market share was 29.6%, which is 0.2 percentage points more compared to the previous year, whilst the **non-life insurance** market share stood at 28.9% (0.2 percentage points less than in 2015).

Triglav, Zdravstvena zavarovalnica increased its market share by 0.9 percentage point to 23.4%, consolidating its 2nd rank among the health insurance providers. Among the top three **health insurance providers** (accounting for 99.4% of the health insurance market), it recorded a premium growth of 5.4%.

Skupna pokojninska družba ranked first on the **supplemental voluntary pension insurance** market in terms of accumulated assets, holding an 18.9% market share (data for Q1–3 2016).

The aggressive price competition is intensifying and therefore maintaining the leading position remains quite a challenge. In a market characterised by a high concentration, the competition targets the existing policyholders. Therefore, maintaining its market position will greatly depend on the Company's speed of responses to market changes.

The 2016 market share of insurance companies in Slovenia



- Zavarovalnica Triglav
- Triglav, Zdravstvena zavarovalnica
- Skupna pokojninska družba
- Zavarovalnica Sava
- Adriatic Slovenica
- Vzajemna
- Other insurance companies

Source: Slovenian Insurance Association

7.4 Triglav Group's operations in other markets¹⁵

7.4.1 South-East Europe

The Triglav Group operates on the insurance markets in Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia. In most of these countries, life and non-life insurance products are sold, while in Macedonia only non-life insurance products are offered.

In 2016, the countries of South-East Europe witnessed moderate economic growth. Their insurance markets remain relatively undeveloped, thus it is estimated that they have major development potential. Positive trends and premium growth were seen on all the insurance markets in which the Group operates.

Written premium maintains its structure. In total written premium, the largest segment remained non-life insurance with motor vehicle insurance accounting for the bulk. The life insurance market has continued to increase gradually.

Main macroeconomic indicators for 2016 by insurance market of the Triglav Group

Macroeconomic indicators	Slovenia	Croatia	Bosnia and Herzegovina	Montenegro	Serbia	Macedonia
Population (in million)	2.1	4.2	3.9	0.6	7.1	2.1
GDP growth (estimate in %)	2.3	1.9	3.0	5.1	2.5	2.2
2016 GDP (estimate in USD billion)	44.1	49.9	16.5	4.2	37.8	10.5
2016 GDP per capita (estimate in USD)	21,370	11,858	4,289	6,809	5,294	5,060
2016 inflation rate (estimate in %)	-0.3	-1.0	-0.7	0.5	1.3	0.1
2016 unemployment rate (estimate in %)	8.2	16.4	25.4	16.9*	18.6	25.4

Source: IMF, World Economic Outlook, October 2016, *Agency for Statistics of Montenegro

The Triglav Group increased its market share in Slovenia, Croatia, Serbia and the Federation of BiH, while maintaining its leading position in Slovenia, Montenegro and Macedonia. Furthermore,

the Group improved its position in Serbia and Bosnia and Herzegovina and maintained its market position in Croatia.

Market share trends in the insurance subsidiaries of the Triglav Group in 2016

Market	2016 market share	Market share trend	Ranked in 2016	Ranked in 2015
Croatia	4.2%	↑	9	9
Bosnia and Herzegovina	7.8%	■	4	5
- Federation of BiH	9.0%	↑	6	5
- Republic of Serbia**	5.2%	↓	9	9
Montenegro	38.9%	↓	1	1
Serbia*	4.8%	↑	5	6
Macedonia (non-life insurance)	17.9%	↓	1	1

* Date from January to September 2016

** The market share of Republika Srpska included market shares of Triglav Osiguranje, Banja Luka and Triglav Osiguranje, Sarajevo.

In the markets where the Group holds a high market share and a leading position, the **consolidation strategy** was pursued, whilst on the remaining markets, where the Group's presence is still being built, focus was on **strengthening the Group's position**. The Group will strive to ensure long-term profitability and increased

productivity through its recognisable Triglav brand and competitive advantages, while taking into account local legislation and risks.

Below are presented the characteristics of individual markets and the market position of the Group's subsidiaries.



7.4.2 Croatia

In 2016, the Croatian economy was marked by significantly faster economic growth than expected, the record-high tourist season and the decline in general government debt after many years despite political instability in the first half of the year. GDP continued to steadily grow, having increased by 2.9% (the IMF estimate: 1.9%) to the highest level since 2008. The main contributing factors were considerable growth in private consumption and the record-high tourist season, which had a strong impact on other sectors such as production, construction and transport.

The favourable international environment with low interest rates also contributed to a dynamic domestic economic activity. The continued significant growth in private consumption reflects the reduction in income tax in early 2015 and deflation.

Further positive effects resulting from the tax reform adopted in the last quarter of 2016 are expected in 2017. The tax reform aims at establishing a stable, simple and robust tax system and lower taxes for both enterprises and households. The decrease in budget revenue should be replaced by higher consumption and investment. A serious problem is the accelerated emigration of the working age population; if emigration continues, it may result in many negative consequences, reducing the potential for growth in the medium and the long term.

The Croatian insurance market continues to be highly concentrated, as the first five insurers hold almost 62% of the market. The largest insurance company, Croatia osiguranje, had a 25.9% market share and continued to hold a leading position in non-life insurance market, a drop of 0.6 percentage point compared to 2015. With an 18.5% market share, Allianz maintained its leading position in the life insurance segment (0.2 percentage point more than in the preceding year). With a 4.2% market share, having increased by 0.3 percentage point, **Triglav Osiguranje, Zagreb** maintained its ninth rank. Its growth was higher than the Croatian insurance market growth by almost 7 percentage points.

Insurance market

Insurance market development in Croatia

Premium per capita (2015 data)	EUR 269
Premium as a percentage of GDP (2015 data)	2.6%
Insurance market growth index in 2016	100.4

Source: Swiss RE, SIGMA 3/2016, Croatian Insurance Bureau

4.2% market share of Triglav Osiguranje d.d., Zagreb

In 2016, as many as 23 insurance companies operated in the Croatian insurance market (9 composite, 9 non-life and 5 life), which was one fewer than in 2015, since KD Life was merged to Adriatic Slovenica. Together the insurance companies recorded written premium in the total amount of HRK 8.8 billion (EUR 1.2 billion), which was approximately the same as the 2015 figure (index 100.4). Non-life insurance premium increased by 0.9%, whilst life insurance premium was down 0.5%. In the structure of written premium, non-life insurance accounted for 67% (2015: 66%) and life insurance for the rest.



9.0% market share of
Triglav Osiguranje, Sarajevo

5.0% market share of
Triglav Osiguranje,
Banja Luka

7.4.3 Bosnia and Herzegovina

The key economic challenge facing Bosnia and Herzegovina is the imbalance in the economic model of the country. The public policy and incentives are targeted at the public and not the private sector, stimulating consumption instead of investment and import instead of export. The Government should release the potential of the private sector and reduce the impact of a strong and inefficient public sector.

Due to the high budget deficit, the political and economic stability in the country is maintained by the loan tranches, approved by the IMF in 2012 in the total amount of EUR 670 million. The support of the IMF is also the key component of the new EU initiative for Bosnia and Herzegovina, which gave the green light to continue to implement the Stabilisation and Association Agreement. The condition for the Agreement is adopted structural and economic reforms with an emphasis on the labour market, healthcare and the pension scheme. In February 2016, Bosnia and Herzegovina submitted its application for EU membership and in December received the questionnaire, which has to be completed within 6 months. On the basis thereof, the European Commission will decide on the status of Bosnia and Herzegovina.

The planned economic growth, which is expected to reach 3% in the medium term, is largely based on higher consumption. The country will continue to receive support. Together with lower oil prices and the continued progress of the necessary reforms, it will facilitate increased consumption, which remains the cornerstone of growth. Investment in the energy industry, construction and tourism will contribute to greater economic growth and the creation of new jobs in these sectors. All these changes, along with the recent improvements in employment in agriculture, trade and the food industry, are expected to increase the employment rate to 40%. Considering these trends, a gradual rise in GDP is expected in the period up to 2020.

Insurance market

As at the 2016 year-end, 27 insurance companies operated in the Bosnian insurance market, 3 more over 2015, of which 13 were domiciled in the Federation of Bosnia and Herzegovina and the 14 in the Republic of Srpska. For such a small insurance market, the number of insurance companies is quite high, resulting in fierce competition. Insurance companies operating in the insurance market of the Federation of BiH collected BAM 435.9 million (EUR 222.9 million) and BAM 198.1 million in the Republic of Srpska (EUR 101.3 million). An increase was recorded in Bosnia and Herzegovina (7.7%), in the Federation of Bosnia and Herzegovina (by 7.4%) as well as in the Republic of Srpska (by 8.4%). In total written premium, the largest segment remained non-life insurance with a 79.6% share.

In the Federation of Bosnia and Herzegovina, the Agram Group (Bosna Sunce Osiguranje and Euroherc) is the market leader with a 21.7% market share. By increasing its market share by 0.1 percentage point to 9.0%, **Triglav Osiguranje, Sarajevo** ranked sixth in the market (vs. fifth in the previous year).

In 2016, in the Republic of Srpska Wiener osiguranje increased its market share to 10.0% (2015: 9.5%). With the market share of 5.0% (0.4 percentage point less than the year before), **Triglav Osiguranje, Banja Luka** maintained the ninth ranked. In 2016, in the Republic of Srpska the subsidiary Triglav Osiguranja, Sarajevo (sells only life insurance) increased its market share to 0.3% (2015: 0.1%).

In the insurance market of Bosnia and Herzegovina as a whole, the **two insurance companies of the Triglav Group** taken together ranked fourth (one rank higher than one year earlier) and maintained a 7.8% market share.

Insurance market development in Bosnia and Herzegovina

Premium per capita (2015 data)	EUR 85
Premium as a percentage of GDP (2015 data)	2.1%
Insurance market growth index in 2016	107.7

Source: Swiss RE, SIGMA 3/2016, FBIH Insurance Supervision Agency, RS Insurance Agency



7.4.4 Montenegro

In Q3 2016, the GDP growth was 2.4%. This was a result of successful performance in all sectors, particularly construction (construction of the Bar–Boljare motorway), tourism, industry and consumption. The average annual inflation rate of –0.2% was negative. According to the data of the Ministry of Finance, general government gross debt at the end of September stood at 61.9% of GDP, while deficit was 13% higher than in 2015. In the last two years, a rise in the unemployment rate was observed, which reached 16.9% in 2016, whereas the average net salaries went up by 4%.

According to the World Bank estimates, the anticipated economic growth for 2016 is 3.4% (the IMF estimate: 5.1%). It is expected to increase in 2017, mainly as a result of intensive construction of motorways. Furthermore, favourable developments in tourism are expected to result from new hotel capacities. Montenegro's development and economic growth largely depend on its fiscal policy, which should be aimed at achieving the public debt lower than 60% of GDP in the medium term.

Insurance market

Insurance market development in Montenegro

Premium per capita (2015 data)	EUR 124
Premium as a percentage of GDP (2015 data)	2.1%
Insurance market growth index in 2016	104.2

Source: Insurance Supervision Agency of Montenegro

38.9% market share of Lovćen osiguranje and Lovćen životna osiguranja

On the Montenegrin insurance market, 11 insurance companies (5 selling non-life and 6 life insurance) collected EUR 80.1 million in written premiums, i.e. 4.2% more compared to the previous year. Non-life insurance and life insurance premiums both increased compared to 2015 – by 3.8% and 5.8% respectively. In total written premium, the largest segment remained non-life insurance with an 82.9% market share.

The insurance companies of the Triglav Group **Lovćen Osiguranje** and its subsidiary **Lovćen životna osiguranja** together reached the market share of 38.9% (0.6 percentage point less than in 2015), maintaining the leading position. Lovćen Osiguranje is followed by Uniqa (a 15.4% market share in non-life and life insurance together) and Sava Montenegro (a 14.5% market share).



7.4.5 Serbia

Agriculture, industry and service sector contributed to a higher GDP growth, which was 2.7%. Fiscal consolidation continued and government budget was balanced in the first half of 2016. The improved budgetary situation is primarily the result of higher revenue, public debt fell to 74.9% of GDP in the first half of 2016. Lower food prices and reduced demand caused the inflation rate to decline, which was 1% on average and well below the expectations of the National Bank of Serbia.

The unemployment rate continued to decline from 17.7% in 2015 to 15.2% in 2016. Net salaries climbed by 2%.

In the medium term, the expected economic growth will increase to around 3.5%, mainly fuelled by higher investment, as in 2016, while the effect of the growing consumption will only be visible in later periods.

Compared to the corresponding period of 2015, **Triglav Osiguranje, Belgrade** recorded a 24.1% rise in the volume of written premium in the first nine months of 2016 which was 14.1 percentage points above the growth rate of the Serbian insurance market as a whole. Compared to 2015, Triglav Osiguranje, Belgrade increased its market share to 4.8% (vs. 4.2% in the previous year) and was ranked fifth, a rank higher than the year before.

Insurance market

Insurance market development in Serbia

Premium per capita (2015 data)	EUR 95
Premium as a percentage of GDP (2015 data)	2.1%
Insurance market growth index in 2016 (Q1-3)	110.0

Source: Swiss RE, SIGMA 3/2016, National Bank of Serbia.

4.8% market share of Triglav Osiguranje, Belgrade

As many as 19 insurance companies were active in the Serbian market (6 composite, 8 non-life and 5 life insurers), one fewer than in 2015 as AS osiguranje was merged with Sava osiguranje. The majority of insurance companies were foreign-owned, while the largest insurance company Dunav (a 26.6% market share) is state-owned. The market is highly concentrated, as the first three insurers hold almost 61% of the market (Dunav, Delta Generali and DDOR).

Total written premium was 10% higher in the first nine months of 2016 and amounted to nearly RSD 66.7 billion (EUR 543.0 million). Life insurance products recorded a high 18.9% growth rate, whilst non-life insurance products grew by 7.6%. In total written premium, by far the largest segment remained non-life insurance with a 77% market share, although non-life insurance premium is increasing.



7.4.6 Macedonia

The growth of GDP from 2015 continued, reaching 2.3% in the third quarter. The data from the last quarter show the same intensive growth, with export and private consumption contributing the most. In contrast, gross investment decreased, while public consumption remained at the same level. A sectoral analysis showed that the highest contribution to growth came from the service sector, followed by construction and information and communication.

GDP growth in 2016 was lower than expected according to the forecasts of the National Bank of Macedonia. The main reasons were not of economic nature but political developments in the country, which continue to increase the economic uncertainty.

According to the World Bank forecast, the public debt of Macedonia is expected to rise to 50% of GDP, in addition to higher government guarantees and general government deficit. The public debt will continue to increase in the medium term, primarily because of the Government's large-scale investment activities. In response to these developments, in August 2016 the credit rating agency Fitch reduced the rating of Macedonia from »BB+« to »BB« with a negative outlook.

The five largest insurers operating in the concentrated insurance market booked 53% of total premium. The market concentration was particularly high in the life insurance segment, with Croatia život and Grawe controlling 79% of the market.

With a 15.2% market share, **Triglav Osiguranje, Skopje** continues to hold the leading market position in the Macedonian insurance market. The insurer only sells non-life insurance, holding 17.9% of the non-life insurance market (vs. 18.0% in 2015). The subsidiary is followed by Makedonija Osiguranje with 10.7% and Eurolink holding a 9.7% market share.

Insurance market

Insurance market development in Macedonia

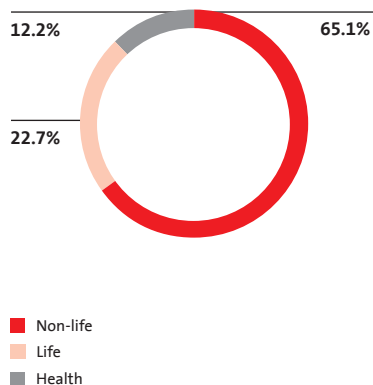
Premium per capita (2015 data)	EUR 65
Premium as a percentage of GDP (2015 data)	1.5%
Insurance market growth index in 2016	105.3

Source: Insurance Supervision Agency of Macedonia

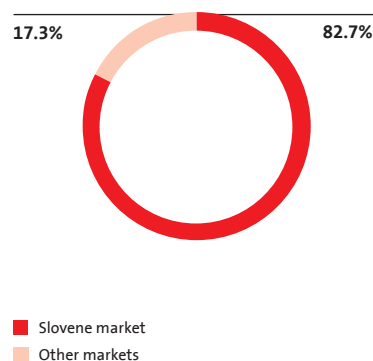
17.9% market share in Triglav osiguranje, Skopje (non-life insurance)

There are 15 insurers in the insurance market of Macedonia (11 in the non-life insurance segment and 4 in the life insurance segment). Makedonija Osiguranje also holds a reinsurance licence. In 2016, the written premium totalled MKD 8.7 billion (EUR 120.6 million) or 5.3% more than in the year before. The non-life insurance premium accounted for as much as 85.2% of total premium in the market. Life insurance products recorded a high 17.3% growth rate, whilst non-life insurance products grew by 3.5%.

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



Consolidated gross written premiums
from insurance and co-insurance
contracts of the Triglav Group
by market



+2%
Growth in consolidated
written premiums
from insurance and
co-insurance contracts of
the Triglav Group

7.5 Gross written premiums from insurance and co-insurance contracts

In the reporting period, the Triglav Group posted a total of EUR 936.0 million in gross written premiums from insurance and co-insurance contracts or 2% more than one year earlier. Thus, the positive trend of the previous year continued as premiums increased by 3%. Premium growth was recorded in non-life and health insurance segments, whereas the life insurance premium remained at a level approximately equal to the previous year.

- **Non-life insurance:**
EUR 609.3 million, index 102;
- **Health insurance:**
EUR 114.2 million, index 105;
- **Life insurance:**
EUR 212.6 million, index 100.

Consolidated written premium had a similar structure as in the year before:

- non-life insurance accounted for 65.1% (the same in 2015);
- life insurance 22.7% (in 2015 23.1%); and
- health insurance for 12.2% (in 2015 11.8%).

Their share in gross written premium on the markets outside Slovenia slightly increased. A total of 82.7% of consolidated gross written premiums was charged in the Slovene insurance market, representing a 0.1 percentage point less than in 2015.

The premium growth was recorded in all insurance markets. Insurance subsidiaries of the Triglav Group (excluding Pozavarovalnica Triglav Re) booked EUR 898.9 million in non-consolidated gross insurance and co-insurance premiums, or 2% more than the year before.

In the Slovene insurance market, 1% more in written premium was charged by the parent company, whereas Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba recorded 6% and 3% higher written premium respectively. Triglav Osiguranje, Belgrade recorded as much as 22% premium growth, Lovćen životna osiguranja 12%. Written premiums were higher in Triglav Osiguranje, Sarajevo (10%), Triglav Osiguranje, Zagreb (8%), Triglav Osiguruvanje, Skopje and Lovćen Osiguranje, Podgorica (2%). The premiums by Triglav Osiguranje, Banja Luka remained at the same level as the year before (index 100).

Gross written premiums from insurance and co-insurance contracts in 2016 by insurance company of the Triglav Group

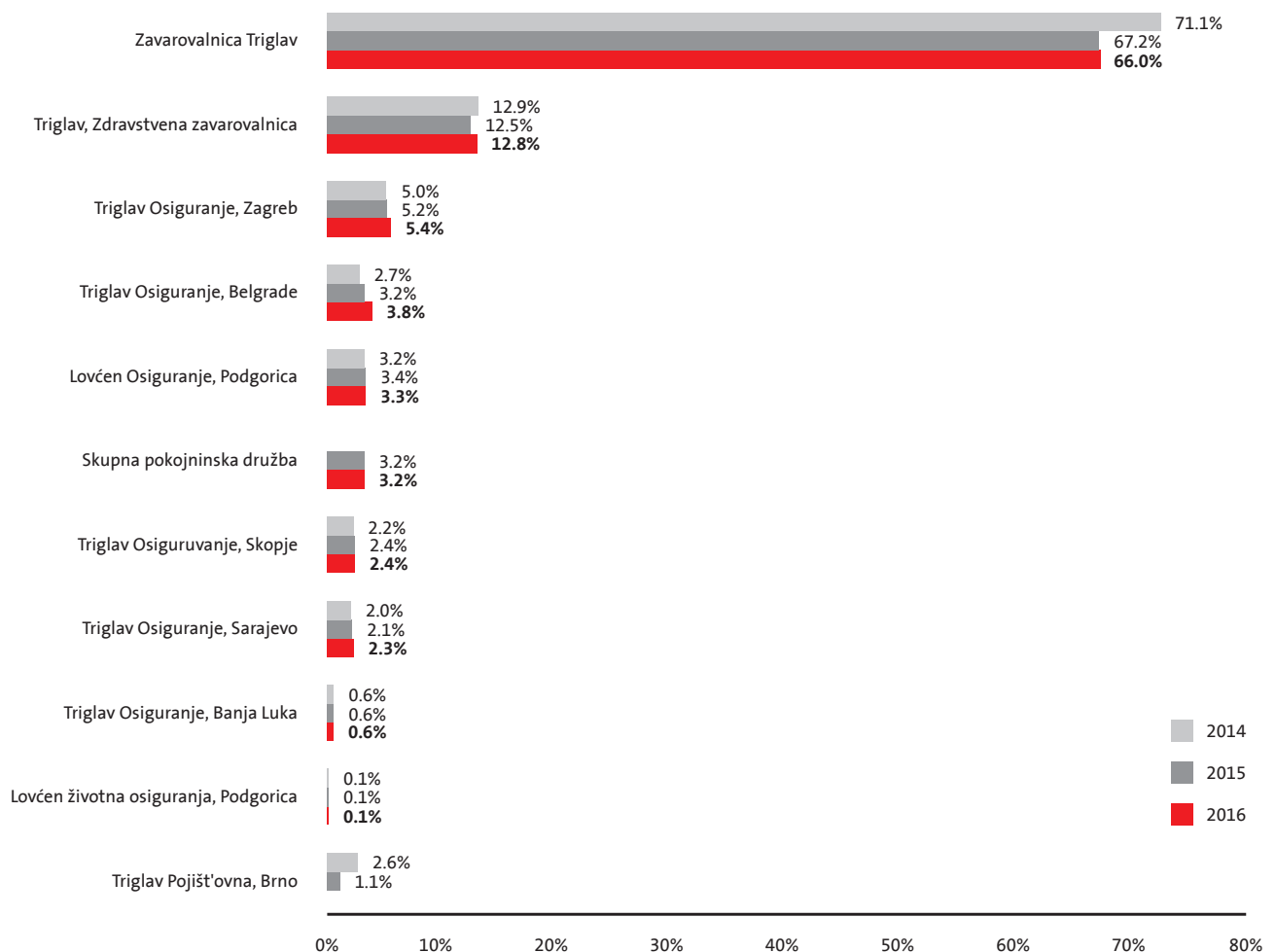
Insurance company	Gross written premium			Index**			Structure
	Non-life	Life	Total	Non-life	Life	Total	2016
Zavarovalnica Triglav*	422,851,923	170,270,342	593,122,265	103	97	101	66.0%
Triglav, Zdravstvena zavarovalnica	114,996,565		114,996,565	106	0	106	12.8%
Skupna pokojninska družba		29,180,077	29,180,077	0	103	103	3.2%
Triglav Osiguranje, Zagreb	41,047,544	7,889,734	48,937,278	110	102	108	5.4%
Triglav Osiguranje, Sarajevo	15,429,688	5,059,860	20,489,548	106	125	110	2.3%
Lovćen Osiguranje, Podgorica	29,915,556		29,915,556	102	0	102	3.3%
Triglav Osiguranje, Belgrade	32,247,323	2,161,929	34,409,252	117	332	122	3.8%
Triglav Osiguranje, Banja Luka	5,027,712		5,027,712	100	0	100	0.6%
Triglav Osiguruvanje, Skopje	21,555,079		21,555,079	102	0	102	2.4%
Lovćen životna osiguranja, Podgorica		1,254,360	1,254,360	0	112	112	0.1%
Total	683,071,390	215,816,302	898,887,692	103	100	102	100.0%
Pozavarovalnica Triglav Re	117,417,689		117,417,689	100	0	100	
Consolidation eliminations	-77,047,589	-3,253,977	-80,301,566	102	81	101	
Total consolidated	723,441,490	212,562,325	936,003,815	102	100	102	

Note:

* The insurance companies' data already include the pre-consolidation adjustments.

** In calculating growth, premium of the Czech insurer Triglav Pojišťovna in the period from 1 January 2015 to the date the insurer was sold were taken into account.

The structure of gross written premiums from insurance and co-insurance contracts in the period from 2014–2016 by insurance company of the Triglav Group



7.5.1 Non-life insurance

In total, Triglav Group insurance companies charged EUR 683.1 million of non-consolidated insurance and co-insurance premiums from non-life insurance contracts, which represented a 3% increase compared to the year before.

+3 %

Growth in non-consolidated
non-life insurance premium of
the Triglav Group

In total written premium, **motor vehicle insurance**, the largest insurance class accounted for 29.9% (2015: 30.3%). The Triglav Group insurance subsidiaries collected EUR 116.5 million in **comprehensive car insurance** premium or 3% more compared to 2015. Premium growth in this insurance class was seen in all insurance companies, excluding Lovćen Osiguranje, (loss of premium from a major client). The highest premium growth rates were posted by Triglav Osiguranje, Zagreb (index 121), Triglav Osiguranje, Belgrade (index 118) and Triglav Osiguruvanje, Skopje (index 114). Zavarovalnica Triglav, accounting for 84% of total premium, recorded a 4% growth in written premium.

The Group collected EUR 151.7 million in **motor liability insurance** premiums, which was 2% less than in the preceding year. This insurance class continues to play the most important part on the developing markets outside Slovenia, on which all insurance companies of the Group experienced premium growth. The largest premium increase of 20% was experienced by Triglav Osiguranje, followed by Triglav Osiguranje, Belgrade with 11%. In insurance subsidiaries, premium growth resulted from:

- successful sales campaigns;
- higher insurance density; and
- strengthened activities of sales networks.

The parent company, accounting for 58% of the motor vehicle liability insurance premium total, saw a 2% drop in premium. The total premium was mostly impacted by:

- a persisting aggressive price competition among insurance companies;
- increased requirements of policyholders to reduce premiums due to their increasingly higher susceptibility to the cheapest offerings (commercial and other discounts) and subsequently the willingness to change their insurer;
- several sales promotion activities and continued inclusion of policyholders in the "Triglav komplet" bonus programme.

In the **real property insurance class** (fire and natural disaster insurance and other damage to property insurance) a premium of EUR 158.3 million was booked, having increased by 2%. In fire and natural disaster insurance, a premium growth of 1% was recorded, while in other damage to property insurance a 3% premium growth was seen. The premium in the real property insurance booked by the parent company accounted for 80% of the Group's total premium, up by 3% compared to the year before. Premium growth was the result of the increased number of new business partnerships with domestic business entities, the gradual revival of private and public infrastructure investment and growth in international insurance. The strongest increase in written premium was observed in Triglav Osiguranje, Belgrade of 35% as a result of attracting new policyholders, increased scope of insurance coverage of some existing policyholders, increased sales volume through insurance brokers and acquired public invitations to tenders. Premium written increased in Triglav Osiguranje, Sarajevo (index 107), while other insurance companies recorded a drop in premium. The highest decrease in premium written was observed in Triglav Osiguranje, Banja Luka (index 83) and Triglav Osiguranje, Zagreb (index 93). In Triglav Osiguranje, Banja Luka, insurance policies of some major policyholders were not renewed, while in Triglav Osiguranje, Zagreb, the main reason for the premium decrease were the revised agricultural insurance subsidies, which affected its renewal.

A growth of 7% was seen in **health insurance**, where the Triglav Group wrote EUR 116.7 million in premiums. Triglav, Zdravstvena zavarovalnica generated the largest portion of the premium amounting to EUR 115.0 million, having increased by 6%, foremost due to successful marketing of supplemental health insurance products (accounting for the bulk of premium) and of other insurance classes. A high increase in premiums was also recorded in Triglav Osiguruvanje, Skopje, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Belgrade. In 2016, the parent company also started selling health insurance products (rehabilitation insurance after a road accident), which booked a premium of EUR 442 thousand.

Accident insurance accounted for 4.6% of total written premium or EUR 41.7 million in nominal terms, which was 1% lower than one year earlier. Most insurance companies recorded a premium decrease; in contrast premium growth was recorded by Triglav Osiguranje, Zagreb and Lovćen

+7 %

Growth in non-consolidated
health insurance premium of
the Triglav Group

EUR 215.8 million Non-consolidated gross life insurance premium

Osiguranje. The reasons for lower premiums in accident insurance (index 98) in Zavarovalnica Triglav could be ascribed to the situation in the motor vehicle insurance market. Almost half of accident insurance premiums comes from two insurance sub-classes taken out simultaneously with car insurance (driver and passenger accident insurance and the driver's bodily injury insurance or AO-plus insurance). A 2% decrease in group accident insurance premium as the largest insurance subclass of accident insurance class (40%) of the parent company was primarily the consequence of reduced operating expenses of companies. Premium drop was experienced by Triglav Osiguranje, Belgrade (index 93) mostly due to the revised Insurance Act as it does not allow for taking out the accident insurance of persons against death due to illness. In Triglav Osiguruvanje, Skopje and Triglav Osiguranje, Zagreb premium written decreased by 2%. Premium drop was experienced by the Macedonian insurer, owing mostly to the premium non-renewal of two large, whilst a premium decrease in Triglav Osiguranje, Sarajevo stemmed from the lower premium of some major policyholders in group accident insurance and car accident insurance.

In **general liability insurance**, the Triglav Group recorded a 13% premium growth or EUR 40.8 million in nominal terms, representing 4.5% of total premium. Zavarovalnica Triglav, accounting for 81% of total premium, saw a 14% growth in written premium compared to the preceding year. A high premium growth is predominantly a result of a 25% growth in product liability insurance and a 9% increase in general liability insurance, the largest subclass. The parent company achieved premium growth by attracting new policyholders and increasing the scope of insurance coverage with certain existing policyholders. The strongest increase in premiums written was observed in Triglav Osiguranje, Belgrade (index 149) and Triglav Osiguruvanje, Skopje (index 113), due to acquiring new policyholders and increasing the scope of insurance coverage with certain existing policyholders. The Croatian insurer experienced a higher demand in general liability insurance due to Croatia's EU membership.

Credit insurance totalled EUR 24.8 million and accounted for 2.8% of total premium, which was 3% higher than the year before. Zavarovalnica Triglav (accounting for 99.4% of total premium) recorded a 3% growth in written premium. Good sales results were achieved in trade receivables insurance (covering the insolvency risk or the buyers default), insurance in the event of

unemployment, disability and death (sold by banks as an additional product taken out simultaneously with consumer and housing loans), payment card claims insurance and overdraft insurance. The premium of consumer loan insurance, the largest credit insurance subclass (63%), was 2% lower than one year earlier. The consumer loan insurance premium depends on the retail lending volume in banks.

In **other non-life insurance**, the Triglav Group collected EUR 32.7 million in premium or 6% more than at the 2015 year-end, which represented a 3.6% share of total premium. Most of the Group's insurance companies recorded premium growth, the highest rates in Triglav Osiguranje, Zagreb, Triglav Osiguranje, Sarajevo, Triglav Osiguranje, Banja Luka due to acquiring new policyholders and increasing the scope of policies of certain existing customers. Zavarovalnica Triglav, accounting for 74% of total premium, saw a 7% growth in written premium compared to the preceding year. This rise was primarily generated by business interruption insurance as a part of fire insurance and machinery breakdown insurance (an increased scope of insurance coverage of a large policyholder), aircraft insurance (premium growth internationally) and assistance insurance (roadside assistance premium growth). A lower premium was booked only by Triglav Osiguruvanje, Skopje (caused by a drop in premium from miscellaneous financial loss insurance resulting from non-renewal of insurance of certain major policyholders) and Lovćen Osiguranje, Podgorica (reduced premium of aircraft insurance due to the delay in the tendering procedure of a major policyholder).

7.5.2 Life insurance

In total, Triglav Group members charged EUR 215.8 million in non-consolidated gross written premium from **life insurance** contracts, which was approximately the same as in the previous year (index 100). This accounted for 24.0% of total gross written premiums, which was 0.6 percentage point lower than as at the 2015 year-end.

Premiums from **life insurance** (traditional life insurance, pension insurance, annuity pension insurance and voluntary pension insurance) amounted to EUR 96.9 million or 44.9% of the life insurance class total. The parent company recorded a 1% premium decrease mainly resulting from reduced premiums paid-in and lower retained sums paid out on the maturity (index 96). Significant growth in premium was

achieved by Triglav Osiguranje, Sarajevo (as a result of good sales via agencies and banking sales channels) and Triglav Osiguranje, Belgrade (as a result of good sales via internal sales network and banking sales channels). An increase in premiums was also recorded in Lovćen životna osiguranja and Triglav Osiguranje, Zagreb.

The premiums generated by **unit-linked life insurance** (life insurance linked to the units of investment funds) fell by 1% compared to the preceding year. With EUR 103.9 million, they represented 48.1% of the total life insurance premium. Unit-linked life insurance are available from Zavarovalnica Triglav (index 98), Triglav

Osiguranje, Zagreb (index 98) and Skupna pokojninska družba (index 103). The parent company recorded a premium increase predominantly resulting from lower retained sums paid out on the maturity and reduced premiums paid-in. The premium growth of Skupna pokojninska družba was mainly due to increased volume of premiums paid-in.

Supplemental voluntary pension insurance (capital redemption insurance) generated EUR 15.0 million or 7.0% of total life insurance premium. The 3% premium growth stemmed from higher regular premium payments and additional payments.

Non-consolidated gross written premiums from insurance and co-insurance contracts of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class

Insurance class	Gross written premium			Index		Structure
	2016	2015	2014	2016/2015	2015/2014	2016
Accident insurance	41,671,957	42,045,659	42,470,287	99	99	4.6%
Health insurance	116,659,358	109,390,773	107,880,205	107	101	13.0%
Comprehensive car insurance	116,458,632	113,048,703	114,929,563	103	98	13.0%
Real property insurance	158,341,649	155,229,680	152,509,430	102	102	17.6%
Motor liability insurance	151,681,723	154,163,463	161,182,482	98	96	16.9%
General liability insurance	40,817,326	36,243,245	35,985,090	113	101	4.5%
Credit insurance	24,773,871	24,058,309	23,229,509	103	104	2.8%
Other non-life insurance	32,666,874	30,893,444	29,650,389	106	104	3.6%
Non-life insurance	683,071,390	665,073,276	667,836,955	103	100	76.0%
Life insurance	96,907,948	97,522,262	95,811,793	99	102	10.8%
Unit-linked life insurance	103,867,238	104,447,729	77,007,498	99	136	11.6%
Capital redemption insurance	15,041,116	14,613,360	14,281,171	103	102	1.7%
Life insurance	215,816,302	216,583,351	187,100,462	100	116	24.0%
Total	898,887,692	881,656,627	854,937,417	102	103	100.0%

Note: *According to the definition of the Insurance Supervision Agency, premiums of Skupna pokojninska družba are included in unit-linked life insurance.

Gross written premiums from insurance and co-insurance contracts of Zavarovalnica Triglav by insurance class

Insurance class	Gross written premium			Index		Structure
	2016	2015	2014	2016/2015	2015/2014	2016
Accident insurance	28,798,922	29,255,847	30,520,339	98	96	4.9%
Health insurance	422,483	0	0	0	0	0.1%
Comprehensive car insurance	97,783,724	94,164,471	96,906,182	104	97	16.5%
Real property insurance	126,533,514	123,365,087	122,947,764	103	100	21.3%
Motor liability insurance	87,328,336	88,847,814	94,244,935	98	94	14.7%
General liability insurance	33,196,250	29,247,535	28,987,963	114	101	5.6%
Credit insurance	24,622,038	24,009,921	23,152,992	103	104	4.2%
Other non-life insurance	24,174,785	22,645,494	22,029,648	107	103	4.1%
Non-life insurance	422,860,052	411,536,168	418,789,823	103	98	71.3%
Life insurance	83,319,257	86,778,846	85,640,550	96	101	14.0%
Unit-linked life insurance	71,908,586	73,332,570	73,907,907	98	99	12.1%
Capital redemption insurance	15,041,116	14,613,360	14,281,171	103	102	2.5%
Life insurance	170,268,959	174,724,777	173,829,628	97	101	28.7%
Total	593,129,011	586,260,945	592,619,451	101	99	100.0%

7.5.3 Gross reinsurance written premiums of Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re booked a total of EUR 117.4 million of gross reinsurance written premiums, which was approximately the same level as the year before (index 100). In operations outside the Triglav Group, the reinsurance premiums experienced growth of 8%, whilst reinsurance premium earned with the Triglav Group decreased by 4%. The highest growth was recorded by Pozavarovalnica Triglav Re in other damage to property insurance and motor liability insurance, resulting primarily from the increase in transactions with ceding companies outside the Group. High increase in premiums from aircraft liability insurance, goods in transit insurance and aircraft insurance was recorded. The reinsurer increased its number of active reinsurance contracts made with cedents, mainly in the South-Asian markets, in China, Hong Kong, in the Czech Republic and in Germany.

+2%
Growth in consolidated
gross claims paid

7.6 Gross claims paid

In 2016, the consolidated gross claims of the Triglav Group were 2% higher over the previous year (including claim handling costs and subrogation receivables), totalling EUR 606.0 million. Gross claims paid in **non-life insurance** in the amount of EUR 329.5 million and stayed approximately at the same level as the year before (index 100). Gross claims paid experienced growth in **life insurance**, equalling EUR 182.2 million (index 102) and in **health insurance**, totalling EUR 94.2 million (index 109).

The Triglav Group insurance companies (excluding Pozavarovalnica Triglav Re) posted a total of EUR 580.0 million in non-consolidated gross claims, 2% higher compared to the preceding year. A high growth in gross claims paid was observed in most insurance companies: Triglav Osiguranje, Banja Luka (index 137), Triglav Osiguranje, Belgrade (index 125), Lovćen Osiguranje, Podgorica (index 120) and Triglav Osiguranje, Zagreb (index 114). The highest decrease in gross claims paid was recorded by Lovćen životna osiguranja (19%) and Triglav Osiguranje, Sarajevo (14%).

Gross claims paid in 2016 by insurance company of the Triglav Group

Insurance company	Gross claims paid			Index**			Structure
	Non-life	Life	Total	Non-life	Life	Total	2016
Zavarovalnica Triglav*	227,622,164	163,615,157	391,237,321	99	102	100	67.5%
Triglav, Zdravstvena zavarovalnica	94,247,696		94,247,696	109	0	109	16.3%
Skupna pokojninska družba		13,787,686	13,787,686	0	99	99	2.4%
Triglav Osiguranje, Zagreb	25,321,051	4,732,558	30,053,609	116	106	114	5.2%
Triglav Osiguranje, Sarajevo	7,838,525	1,399,766	9,238,291	90	71	86	1.6%
Lovćen Osiguranje, Podgorica	17,420,914		17,420,914	120	0	120	3.0%
Triglav Osiguranje, Belgrade	11,506,258	542,722	12,048,980	123	203	125	2.1%
Triglav Osiguranje, Banja Luka	1,843,236		1,843,236	137	0	137	0.3%
Triglav Osiguruvanje, Skopje	9,224,393		9,224,393	95	0	95	1.6%
Lovćen životna osiguranja, Podgorica		871,866	871,866	0	81	81	0.2%
Total	395,024,237	184,949,755	579,973,992	102	102	102	100.0%
Pozavarovalnica Triglav Re	54,273,094		54,273,094	95	0	95	
Consolidation eliminations	-25,515,697	-2,711,820	-28,227,517	87	79	86	
Total - consolidated	423,781,634	182,237,935	606,019,569	102	102	102	

Note:

* The insurance companies' data already include the pre-consolidation adjustments.

** In calculating growth, gross claims paid of the Czech insurer Triglav Pojišťovna in the period from 1 January 2015 to the date the insurer was sold were taken into account.

EUR 395.0 million
Non-consolidated
gross claims paid in
non-life insurance of
the Triglav Group.

7.6.1 Non-life insurance

Non-consolidated **non-life insurance** gross claims paid amounted to EUR 395.0 million or 2% more than the year before. The comparison of growth rates between claims and insurance premiums in non-life insurance shows that insurance premiums grew at a rate of 1.1 index point higher than claims. The profit level in the reporting period 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 and Zavarovalnica Triglav](#)].

In **health insurance** gross claims increased by 9% to EUR 94.7 million, accounting for 16.3% of total gross claims. The increase in the number of policyholders and their changed age structure, which is nearing the Slovene average, resulted in higher average claims paid; in addition, the increase was affected by medical inflation. Equalisation scheme expenses decreased by 7% and totalled EUR 7.0 million.

Claims related to **comprehensive car insurance** grew by 2%. They represented 14.7% of total gross claims settled by the Triglav Group, amounting to EUR 85.4 million. The highest growth rates in gross claims paid were posted by Triglav Osiguranje, Belgrade (index 180) and Triglav Osiguranje, Zagreb (index 131). Both insurance subsidiaries recorded growth in gross claims paid mainly due to a larger portfolio and to a higher number of reported claims (the Croatian subsidiary also paid out 10 substantial individual claims). In Zavarovalnica Triglav, which accounted for 84% of the total, gross claims settled experienced a 2% growth. A decrease in claims was recorded only in Triglav Osiguranje, Sarajevo (index 88).

A decrease of 4% in gross claims paid was recorded in the **motor liability insurance class**. Gross claims paid amounted to EUR 79.5 million, which was 13.7% of all claims settled. This decrease resulted foremost from lower gross claims settled by the parent company, which accounted for 66% of total gross claims. Gross claims paid by the parent company decreased by 5% compared to 2015 mainly due to fewer reported claims. Other insurance subsidiaries recorded an increase in gross claims paid resulting from a higher number of reported claims due to larger portfolio. Several old and substantial claims as the result of the court ruling were paid out by Triglav Osiguranje, Zagreb and Lovćen Osiguranje.

In **real property insurance**, total claims paid amounted to EUR 73.8 million or 2% less than the

year before, accounting for 12.7% of total gross claims paid. In fire and natural disaster insurance, a 15% decrease in gross claims was recorded, whilst other damage to property insurance were 5% higher. The highest growth rates in gross claims paid were posted by Triglav Osiguranje, Banja Luka (payment of a substantial individual claim due to fire) and Triglav Osiguranje, Belgrade (payment of a substantial individual claim due to flood and damage on crops and buildings caused by storm with hail). Higher gross claims paid were posted by Triglav Osiguranje, Zagreb (fruit and crop claims caused by spring frost and storm with hail and settlement of some substantial individual claims) and by Lovćen Osiguranje, Podgorica (settlement of some substantial individual claims). Zavarovalnica Triglav's gross claims paid (79% share of the Group's total claims) remained at approximately the same level as in 2015 (index 100), in spite of high fruit and crop claims paid caused by spring frost and summer storms with hail. A high drop in claims paid was seen in fire insurance of civil risks, as the result of a large claim settlement made in 2015.

Gross claims paid in **accident insurance** equalled EUR 22.6 million and were 2% lower compared to the previous year. The decrease in claims in this insurance class was due to the drop in gross claims paid in the parent company and Lovćen Osiguranje (fewer reported claims from accident insurance for pensioners, occupational accident insurance and accident insurance for children, secondary school pupils and students). In accident insurance, 58% of total is accounted for by the parent company. Gross claims paid in accident insurance were down 1%, which is primarily a result of lower claims from the driver's bodily injury insurance or AO-plus insurance. In contrast, high growth in gross claims was posted by Triglav Osiguranje, Zagreb, Triglav Osiguranje, Belgrade and Triglav Osiguranje, Banja Luka due to a higher number of reported claims and settlement of some substantial individual claims.

Gross claims paid in **general liability insurance** amounted to EUR 14.7 million or 11% less than the year before. Gross claims paid by the parent company, accounting for the majority of total claims in this insurance class (86%), went down by 9%. The main reason for a decrease in gross claims paid was the payment of two substantial claims in the largest insurance subclass – general liability insurance in 2015. Due to fewer reported claims, a significant decrease in gross claims paid was observed in Triglav Osiguranje, Zagreb, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Sarajevo.

EUR 184.9 million
Non-consolidated
gross claims paid in
life insurance of
the Triglav Group.

Gross claims paid in **credit insurance** amounted to EUR 3.6 million and remained approximately at the same level as the year before (index 100). With 99.4%, gross claims paid by the parent company accounted for the bulk of total claims in this insurance class, having decreased by 1%. A significant growth in claims was recorded in Triglav Osiguranje, Sarajevo as a result of claim settlements to two policyholders.

Gross claims paid from **other non-life insurance** increased by 18% to EUR 20.7 million. High growth in gross claims was posted by majority of insurance subsidiaries, the highest by Lovćen Osiguranje, Triglav Osiguranje, Zagreb and Triglav Osiguruvanje, Skopje. In Lovćen Osiguranje high growth in gross claims resulted from substantial claim for aircraft insurance, in Triglav Osiguranje, Zagreb due to higher reported claims and payments arising from miscellaneous financial loss insurance, marine insurance and suretyship insurance. A high increase in claims in Triglav Osiguruvanje, Skopje was a result of settlement of a substantial claim aircraft liability insurance (claim occurred in 2008). The 2% growth in the parent company (75% share) primarily resulted from higher gross claims paid in goods in transit insurance (payment of a substantial claim in international transport insurance) and assistance insurance (roadside assistance).

7.6.2 Life insurance

Non-consolidated gross claims paid in **life insurance** totalled EUR 184.9 million. Despite a 2% increase in claims, their portion in total gross claims settled remained unchanged compared to 2015 and stood at 31.9%.

The bulk of all claims paid was accounted for by **life insurance** (traditional life, pension, annuity pension and voluntary pension insurance), having decreased by 2% to EUR 92.9 million compared to the 2015 year-end. Most insurance companies of the Group selling life insurance products recorded a decrease in gross claims paid. The highest decrease in gross claims paid was recorded by Triglav Osiguranje, Sarajevo (index 71) and Lovćen životna osiguranja (index 81) due to a decrease in sums paid out on the maturity and fewer surrenders. A decrease in claims of 2% was recorded by the parent company due to a lower number of surrenders and a decrease in sums paid out on the maturity.

Claims paid in **unit-linked life insurance** recorded an increase of 8%, amounting to EUR 83.9 million. Higher gross claims paid resulted primarily from an increase in sums paid out on the maturity in Zavarovalnica Triglav (index 110) and Triglav Osiguranje, Zagreb (index 146). In the reporting period, gross claims paid by Skupna pokojninska družba were down 1%.

Gross claims paid in **supplemental voluntary pension insurance** decreased by 11%. This decrease in Zavarovalnica Triglav, the only insurer offering this insurance type was primarily due to reduced payments arising from the transfers and withdrawals from insurance contracts.

Non-consolidated gross claims paid by insurance companies of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class

Insurance class	Gross claims paid			Index		Structure
	2016	2015	2014	2016/2015	2015/2014	2016
Accident insurance	22,639,484	23,064,153	23,237,163	98	99	3.9%
Health insurance	94,651,607	86,682,236	80,637,406	109	107	16.3%
Comprehensive car insurance	85,351,958	83,274,316	86,380,096	102	96	14.7%
Real property insurance	73,796,966	75,167,036	101,320,873	98	74	12.7%
Motor liability insurance	79,535,216	82,791,181	88,309,906	96	94	13.7%
General liability insurance	14,712,114	16,560,500	16,289,316	89	102	2.5%
Credit insurance	3,646,000	3,632,285	4,094,322	100	89	0.6%
Other non-life insurance	20,690,894	17,535,492	17,332,517	118	101	3.6%
Non-life insurance	395,024,239	388,707,199	417,601,599	102	93	68.1%
Life insurance	92,946,327	95,215,388	96,417,739	98	99	16.0%
Unit-linked life insurance	83,944,181	77,621,450	69,749,831	108	111	14.5%
Capital redemption insurance	8,059,245	9,050,793	10,243,569	89	88	1.4%
Life insurance	184,949,753	181,887,631	176,411,139	102	103	31.9%
Total	579,973,992	570,594,830	594,012,738	102	96	100.0%

* According to the definition of the Insurance Supervision Agency, gross claims paid by Skupna pokojninska družba are included in unit-linked life insurance.

Gross claims paid of Zavarovalnica Triglav by insurance class

Insurance class	Gross claims paid			Index		Structure
	2016	2015	2014	2016/2015	2015/2014	2016
Accident insurance	13,065,160	13,221,459	14,040,118	99	94	3.3%
Health insurance	1,679	0	0	0	0	0.0%
Comprehensive car insurance	71,787,832	70,653,044	72,370,300	102	98	18.3%
Real property insurance	58,346,493	58,171,331	77,776,342	100	75	14.9%
Motor liability insurance	52,673,278	55,687,886	55,984,098	95	99	13.5%
General liability insurance	12,714,091	13,984,074	14,116,832	91	99	3.2%
Credit insurance	3,623,689	3,666,758	3,909,616	99	94	0.9%
Other non-life insurance	15,408,940	15,088,156	14,419,871	102	105	3.9%
Non-life insurance	227,621,163	230,472,707	252,617,177	99	91	58.2%
Life insurance	86,948,253	88,473,479	89,900,409	98	98	22.2%
Unit-linked life insurance	68,607,658	62,570,579	68,360,419	110	92	17.5%
Capital redemption insurance	8,059,245	9,050,793	10,243,569	89	88	2.1%
Life insurance	163,615,157	160,094,850	168,504,398	102	95	41.8%
Total	391,236,320	390,567,557	421,121,575	100	93	100.0%

7.6.3 Gross claims paid by Pozavarovalnica Triglav Re

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 54.3 million, or 5% less compared to the previous year. This decrease was primarily a result of reduced operations within the Triglav Group (index 83) due to a drop of gross claims in motor vehicle liability insurance, fire and natural disaster insurance. Gross claims paid in operations outside the Triglav Group were 9% higher primarily due to higher gross claims paid in motor vehicle liability insurance (larger number of claims paid arising from a Czech insurance policy) and other damage to property insurance (extensive damage due to an explosion in China).

7.7 Gross operating expenses

7.7.1 The Triglav Group

-7%
Lower consolidated
gross operating expenses of
the Triglav Group
compared to 2015.

Total consolidated gross operating expenses of the Triglav Group equalled EUR 277.1 million, decreasing 7% compared to the preceding year. **Insurance business expenses** grew by 2% to EUR 237.0 million. On contrast, **non-insurance business expenses** were down 39%, reaching EUR 40.0 million, mainly due to the sale of the stake of the Avrigo Group and of Slovenijales Trgovina, d.o.o. as their costs are no more included in the consolidated financial statements of the Triglav Group.

The growth of **insurance business** operating expenses was 0.5 index points higher than the growth of gross written premium. Operating expenses of insurance business accounted for 25.3% of consolidated gross written premium, which was 0.1 percentage point more than the year before. Operating expenses in **non-life insurance** increased by 2% (EUR 190.3 million), in the **life-insurance** segment they were up 1% (EUR 35.6 million) and in **health insurance** they climbed by 11% (EUR 11.1 million).

Acquisition costs (fees and commissions) totalled EUR 42.7 million and were 5% higher than in the preceding year mostly due to higher acquisition costs in the parent company (see [→ Section 7.7.2] for more details) and in Triglav Osiguranje, Zagreb. The costs of goods sold were down 41% to EUR 10.3 million, primarily as a result of the sale of the stake of Slovenijales Trgovina. An 18% decrease of depreciation costs amounting to EUR 13.0 million was mainly a consequence of the sale of the stake of the Avrigo Group. With 47.9%, labour costs continued to account for the largest portion of total expenses. They dropped by 2% to EUR 140.5 million. Costs of services provided by natural persons other than sole proprietors were significantly lower (as much as 52%) and equalled EUR 1.1 million. This decrease is mainly a result of lower costs related to student work and costs related to work contracts in the parent company. Other operating expenses decreased by 10%, reaching EUR 86.0 million. Among other operating expenses, the highest decrease was

seen in costs of material and energy, costs of transport and communications services, costs of insurance premiums and other costs of services.

In total gross operating expenses broken down by functional group, an increase was seen in acquisition costs, accounting for 59.5% (vs. 58.8% in 2015) and in other operating expenses representing 28.5% (vs. 28.3% in 2015). Claim handling costs went down, representing a 10.9% share of total expenses (vs. 11.3% in 2015) and asset management costs, with a share of 1.1% (vs. 1.5% in 2015).

Gross operating expenses of the Triglav Group by nature

Operating expenses by nature	Gross operating expenses			Index		Structure
	2016	2015	2014	2016/2015	2015/2014	2016
Acquisition cost (fees and charges)	42,724,005	40,864,484	39,525,723	105	103	14.5%
Costs of goods sold	10,273,611	17,384,659	17,373,878	59	100	3.5%
Depreciation of operating assets	13,015,136	15,878,927	18,102,742	82	88	4.4%
Labour costs	140,524,957	142,787,896	141,877,561	98	101	47.9%
- wages and salaries	97,854,815	100,917,730	100,845,025	97	100	33.3%
- social securities and pension insurance costs	22,618,667	22,909,828	22,739,874	99	101	7.7%
- other labour costs	20,051,475	18,960,338	18,292,662	106	104	6.8%
Costs of services provided by natural persons other than SPs together with pertaining taxes	1,141,593	2,399,810	2,540,639	48	94	0.4%
Other operating expenses	85,963,556	95,340,130	91,161,982	90	105	29.3%
- costs of entertainment, advertising, trade shows	18,359,495	16,797,446	14,431,286	109	116	6.3%
- costs of material and energy	8,398,156	12,850,806	13,522,244	65	95	2.9%
- maintenance costs	13,351,914	12,897,999	12,063,080	104	107	4.5%
- reimbursement of labour-related costs	5,397,007	5,587,929	5,276,433	97	106	1.8%
- costs of intellectual and personal services	5,091,816	6,132,729	5,065,774	83	121	1.7%
- non-income related costs, excluding insurance	3,273,907	3,436,861	4,443,993	95	77	1.1%
- costs of transport and communication services	5,018,286	6,737,430	6,673,403	74	101	1.7%
- costs of insurance premiums	1,764,757	2,552,013	2,458,350	69	104	0.6%
- payment transaction costs and banking services	6,998,942	7,318,672	6,502,926	96	113	2.4%
- rents	7,086,596	7,896,577	7,153,485	90	110	2.4%
- costs of services of professional training	783,577	774,024	923,632	101	84	0.3%
- other costs of services	10,438,107	12,343,117	12,596,778	85	98	3.6%
- long-term employee benefits	996	14,527	50,598	7	29	0.0%
Total	293,642,858	314,655,906	310,582,525	93	101	100.0%
Consolidation eliminations	-16,584,818	-17,041,530	-14,648,828	97	116	
Total consolidated	277,058,040	297,614,376	295,933,697	93	101	

7.7.2 Zavarovalnica Triglav

Gross operating expenses amounted to EUR 164.5 million, presenting an increase of 2% compared to the previous year. The operating expenses growth was 1.1 index points higher than the growth of gross written premiums. Operating expenses accounted for 27.7% of gross written premiums, representing an increase of 0.2 percentage point compared to 2015.

Acquisition costs (fees and charges) totalled EUR 24.2 million and increased by 7% over the preceding year. They rose mainly as a result of higher underwriting commissions, fronting operations and higher fees and commissions of insurance brokers, due to increased sales volume through these sales channels. Increased acquisition costs were caused by higher acquisition costs in indirect insurance operations abroad (Group

With 56.7%,
labour costs accounted
for the largest proportion
of total expenses of
Zavarovalnica Triglav.

subsidiaries) due to premium growth. Depreciation costs of EUR 8.2 million were slightly higher by 1%, mainly as a result of activation of IT software and higher depreciation due to acquisition of a commercial building in Ljubljana.

With 56.7%, labour costs accounted for the largest portion of total expenses. They amounted to EUR 93.2 million, increasing by 5% compared to 2015 mainly as a result of the planned higher pay for annual leave in accordance with the applicable collective agreement. Costs of services provided by natural persons other than sole proprietors were significantly lower. They dropped by 87% to EUR 201 thousand, mainly due to lower costs related to student work and costs related to work contracts. Other operating expenses were down. They amounted to EUR 38.7 million or 3% less compared to the previous year. Among other operating expenses, the highest decrease was seen in costs of entertainment, advertising and trade shows, intellectual and personal services and costs insurance premiums.

Gross operating expenses in non-life insurance increased by 2% to EUR 131.0 million. This accounted for 31.0% of total gross written premium, which was 0.1 percentage point less than the year before. Gross operating expenses in life insurance were up by 2%, totalling EUR 33.5 million. Their share in gross written premiums accounted for 19.7% (vs. 18.8% in 2015).

In total gross operating expenses broken down by functional group, acquisition costs accounted for 62.3%, representing an increase of 0.5 percentage point. The share of other operating expenses increased from 23.8% to 24.1% compared to 2015, whilst shares of claim handling costs and asset management costs fell. Claim handling costs accounted for 12.3% (12.5% in 2015) and asset management costs for 1.3% (1.9% in 2015).

Gross operating expenses of Zavarovalnica Triglav by nature in 2016

Operating expenses by nature	Gross operating expenses			Index		Structure
	2016	2015	2014	2016/2015	2015/2014	2016
Acquisition costs (fees and charges)	24,173,928	22,549,933	21,781,324	107	104	14.7%
Depreciation of operating assets	8,212,728	8,147,107	9,848,554	101	83	5.0%
Labour costs	93,223,603	88,671,593	91,702,311	105	97	56.7%
- wages and salaries	66,756,303	64,844,070	67,330,797	103	96	40.6%
- social securities and pension insurance costs	11,289,521	10,746,275	10,995,938	105	98	6.9%
- other labour costs	15,177,779	13,081,249	13,375,576	116	98	9.2%
Costs of services provided by natural persons other than SPs together with pertaining taxes	201,268	1,597,139	1,756,810	13	91	0.1%
Other operating expenses	38,735,692	40,000,394	37,603,919	97	106	23.5%
- costs of entertainment, advertising, trade shows	8,516,499	9,802,785	8,287,612	87	118	5.2%
- costs of material and energy	3,595,580	3,886,577	4,320,485	93	90	2.2%
- maintenance costs	8,833,689	8,268,625	7,456,486	107	111	5.4%
- reimbursement of labour-related costs	3,189,444	3,196,121	3,380,605	100	95	1.9%
- costs of intellectual and personal services	1,928,839	2,480,439	1,927,551	78	129	1.2%
- non-income-related costs, excluding insurance	1,599,091	1,759,763	1,655,259	91	106	1.0%
- costs of transport and communication services	2,869,566	3,000,063	2,839,107	96	106	1.7%
- costs of insurance premiums	924,170	1,234,844	1,277,350	75	97	0.6%
- payment transaction costs and banking services	1,751,264	1,734,967	1,796,461	101	97	1.1%
- rents	2,585,576	2,378,308	2,355,084	109	101	1.6%
- costs of services of professional training	447,540	377,539	464,495	119	81	0.3%
- other costs of services	2,494,436	1,880,362	1,843,424	133	102	1.5%
Total	164,547,219	160,966,165	162,692,918	102	99	100.0%

Gross operating expenses of Zavarovalnica Triglav by insurance class in 2016

Insurance class	Gross operating expenses			Index		Structure
	2016	2015	2014	2016/2015	2015/2014	2016
Accident insurance	9,538,828	9,740,942	9,994,928	98	97	5.8%
Health insurance	102,055	0	0	0	0	0.1%
Comprehensive car insurance	26,384,762	26,187,256	26,555,561	101	99	16.0%
Real property insurance	42,486,574	40,355,478	40,899,259	105	99	25.8%
Motor liability insurance	26,224,681	26,663,654	27,556,030	98	97	15.9%
General liability insurance	10,653,014	9,660,560	9,507,686	110	102	6.5%
Credit insurance	5,750,339	5,526,264	5,184,989	104	107	3.5%
Other non-life insurance	9,879,847	9,917,996	8,782,582	100	113	6.0%
Non-life insurance	131,020,099	128,052,148	128,481,037	102	100	79.6%
Life insurance	17,198,224	17,489,329	17,496,849	98	100	10.5%
Unit-linked life insurance	14,335,541	13,414,318	14,752,209	107	91	8.7%
Capital redemption insurance	1,993,355	2,010,371	1,962,824	99	102	1.2%
Life insurance	33,527,120	32,914,018	34,211,881	102	96	20.4%
Total	164,547,219	160,966,165	162,692,918	102	99	100.0%

7.8 Risk equalisation

7.8.1 The Triglav Group

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 capacities by reinsurance and, to a lesser extent, by co-insurance arrangements. Within the Company's equalisation capacities, losses were covered by the current inflow of technical premium by insurance class and allocated insurance contract provisions.

Insurance technical provisions

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured persons. As at the reporting date, the Group allocated EUR 2,660.8 million to gross insurance technical provisions, which in total represented an increase of 2% compared to the preceding year. In **life** (index 103) and **health insurance** (index 108), the amount of gross insurance technical provisions increased, whilst in **non-life** (index 100) it remained at a level approximately equal to the 2015 year-end.

Provisions by type as at 31 December 2016 compared to the same day of the preceding year:

- **Gross provisions for unearned premium** were 5% higher and amounted to EUR 263.6 million. Unearned premium from non-life insurance amounted to EUR 260.9 million (index 104), unearned premium from life insurance totalled EUR 450 thousand (index 102) and unearned premium from health insurance reached EUR 2.3 million (index 119).

- **Gross claims provisions** were down 1%, reaching EUR 635.2 million. Claims provisions from non-life insurance totalled EUR 607.2 million (index 99), those from the life-insurance segment stood at EUR 18.9 million (index 94) and those from health insurance amounted to EUR 9.1 million (index 97).
- **Mathematical provisions** were up 3% and reached EUR 1,731.2 million. Of the total amount of mathematical provisions, EUR 788.4 million originated in the guarantee fund backing **life insurance** and EUR 457.7 million in the guarantee fund backing **unit-linked life insurance** and EUR 449.7 million in the guarantee fund backing **SVPI**, and EUR 35.4 million in the guarantee fund backing **SVPI during the annuity payout period**. Mathematical provisions were up mostly due to higher mathematical provisions in the parent company (see [→ Section 7.8.2] for more details) and in Skupna pokojninska družba.
- **Provisions for bonuses and discounts** increased by 10% to EUR 19.1 million.
- As at the reporting date, **other insurance technical provisions** amounted to EUR 11.6 million and were at a level approximately equal to the 2015 year-end (index 100). They recorded a 30% growth in the parent company (see [→ Section 7.8.2] for more details), whilst Triglav Osiguranje, Zagreb experienced a high decrease due to lower claims ratio in certain insurance types and to a changed methodology for calculating provisions.

The Triglav Group allocated EUR 2,660.8 million to gross insurance technical provisions or 2% more than the year before.

Gross insurance technical provisions of the Triglav Group as at 31 December 2016

	Gross insurance technical provisions			Index	
	31 December 2016	31 December 2015	31 December 2014	2016/2015	2015/2014
Unearned premiums	263,639,620	252,057,956	245,995,733	105	102
Mathematical provisions	1,731,221,698	1,676,784,638	1,412,972,099	103	119
Claims provisions	635,240,895	642,687,051	648,827,459	99	99
Provisions for bonuses and discounts	19,105,924	17,382,035	15,845,556	110	110
Other insurance technical provisions	11,580,177	11,530,442	10,014,327	100	115
Total	2,660,788,314	2,600,442,122	2,333,655,174	102	111

Reinsurance

The Triglav Group operates on the global reinsurance market via Pozavarovalnica Triglav Re. In 2016, optimum coverage terms and conditions were achieved in all reinsurance and co-insurance contracts.

The Group allocated EUR 77.3 million of reinsurance premiums to external equalisation, which was 2% more than at the 2015 year-end. Reinsurance premium accounted for 8.3% of total gross written premium. The change in unearned premium related to reinsurance portion totalled EUR 1.5 million (index 45). The reinsurers' share in gross claims paid amounted to EUR 21.3 million (index 88). The change in gross claims provisions for reinsurers' share in unearned premiums equalled EUR 5.6 million (2015: EUR –9.0 million). The Group also received EUR 139 thousand in reinsurance commissions, representing a 93% decrease compared to 2015. The reinsurance result was negative and amounted to EUR –48.8 million (2015: EUR –55.0 million).

7.8.2 Zavarovalnica Triglav

Insurance technical provisions

As at the reporting date, Zavarovalnica Triglav allocated EUR 2,076.3 million to gross insurance technical provisions, which represented a 1% increase over one year earlier. In **non-life insurance**, the amount of gross insurance technical provisions was down 1%, whereas in **life insurance** it grew by 2% compared to 2015.

Insurance technical provisions by type as at 31 December 2016 compared to the same day of 2015:

- **Gross provisions for unearned premiums** went up by 4% to EUR 188.5 million. Unearned premiums from non-life insurance totalled EUR 188.1 million (index 104) and those from life insurance EUR 420 thousand (index 101), both having increased compared to the year before.

- **Gross claims provisions** decreased by 3% and amounted to EUR 471.2 million. Claims provisions from non-life insurance were down by 3%, reaching EUR 453.4 million, those from the life-insurance segment were 7% lower and amounted to EUR 17.9 million. In addition to the recorded gross claims provisions in the amount of EUR 175.1 million (index 106) and claims provisions for co-insurance of EUR 1.3 million, gross claims provisions of EUR 261.2 million were formed for incurred but not reported claims. The provision for incurred but not reported claims are an actuarial calculation, which is based on a sample of claims paid in past periods. The amount of claims paid has been declining for several years, resulting in the decrease in the level of these provisions. Provisions for claim handling increased by 1% and totalled EUR 43.9 million, while provisions for expected subrogations reduced the gross claims provisions by EUR 10.3 million (index 98).

- **Mathematical provisions** were up 2% and reached EUR 1,390.4 million. Of the total amount of mathematical provisions, EUR 731.8 million originated from the **guarantee fund backing life insurance**, EUR 431.1 million from the **guarantee fund backing unit-linked life insurance**, EUR 192.1 million from the **guarantee fund backing SVPI**, and EUR 35.4 million from the **guarantee fund backing SVPI during the annuity payout period**. The movement of the mathematical provisions reflected the dynamics of premium payments and benefit payouts. There were no significant changes compared to the preceding year. The only two major changes were a lower revaluation surplus (shadow accounting) by EUR 6.2 million and a reduced internally set maximum interest rate, used for the valuation of life insurance liabilities. Mathematical provisions originated from the guarantee fund backing life insurance grew by EUR 4.6 million as a result of the reduced internally set maximum interest rate.

- **Provisions for bonuses and discounts** went up 10%, amounting to EUR 18.5 million.
- **Other insurance technical provisions** of EUR 7.7 million increased by 30% over the 2015 year-end. The main reason for the increase were higher provisions for the guarantee fund backing supplemental voluntary pension insurance during the annuity payout period in accordance with the liability adequacy test (LAT) calculation.

Gross insurance technical provisions of Zavarovalnica Triglav as at 31 December 2016

	Gross insurance technical provisions			Index	
	31 December 2016	31 December 2015	31 December 2014	2016/2015	2015/2014
Unearned premiums	188,487,876	180,558,991	182,902,536	104	99
Mathematical provisions	1,390,394,245	1,364,323,055	1,347,810,649	102	101
Claims provisions	471,240,774	486,247,722	508,999,132	97	96
Provisions for bonuses and discounts	18,495,379	16,817,528	15,380,257	110	109
Other insurance technical provisions	7,684,844	5,916,991	4,950,270	130	120
Total	2,076,303,118	2,053,864,286	2,060,042,844	101	100

Reinsurance

In 2016, Zavarovalnica Triglav earmarked EUR 78.5 million of reinsurance and coinsurance premiums to external equalisation, which was 8% more than one year earlier. A reinsurers' and co-insurers' share accounted for 13.2% of total gross written premium, up by 0.9 percentage point more over 2015. A reinsurers' share of gross claims settled of EUR 20.9 million was received from reinsurance and coinsurance or 18% less compared to the 2015 year-end. The Company also received EUR 15.1 million in reinsurance commissions, representing an increase of 19% over 2015.

7.9 Structure of financial investments

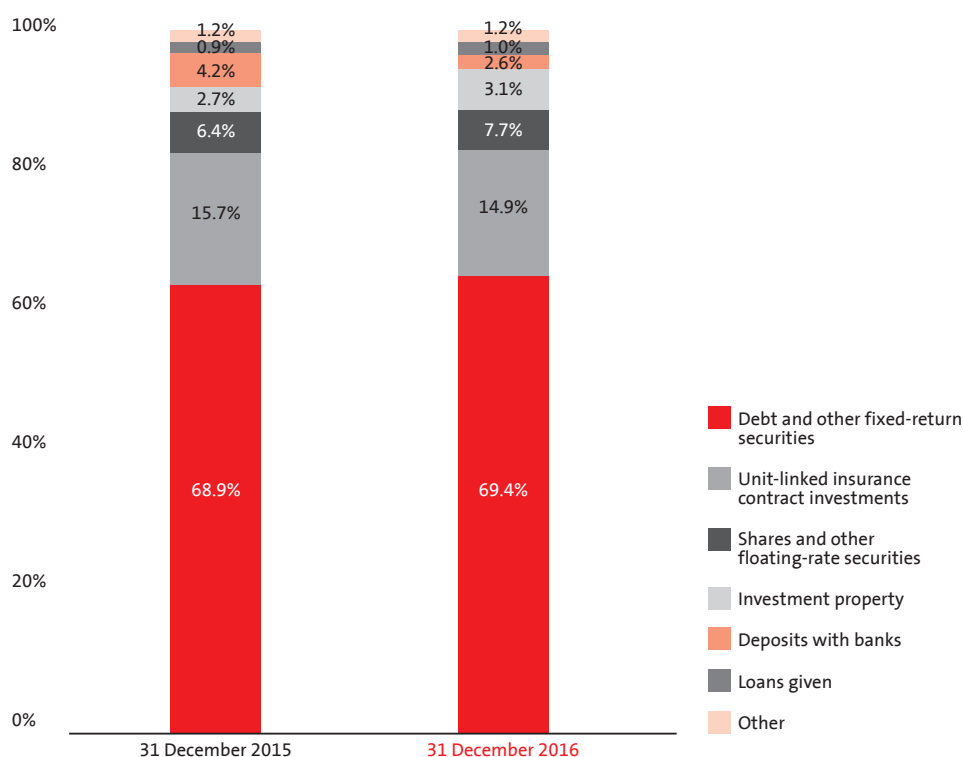
7.9.1 The Triglav Group

Financial assets, investments in associates and investment property of the Triglav Group went up by 4% over 2015, amounting to EUR 3,077.0 million. Their share in total assets rose by 1.3 percentage points to 86.1%.

Financial investments of the Triglav Group as at 31 December 2016

	Financial investments		Index	Structure
	31 December 2016	31 December 2015	2016/2015	31 December 2016
Investment property	95,842,720	79,475,283	121	3.1%
Shares in associates	6,826,400	6,939,700	98	0.2%
Shares and other floating-rate securities	238,449,950	189,095,441	126	7.7%
Debt and other fixed-return securities	2,134,902,600	2,039,989,397	105	69.4%
Loans given	29,824,585	26,760,736	111	1.0%
Deposits with banks	81,237,845	122,963,931	66	2.6%
Other financial investments	24,733,673	25,966,525	95	0.8%
Financial investments of reinsurance companies in reinsurance contracts with cedents	5,171,806	3,926,832	132	0.2%
Unit-linked insurance contract investments	459,982,822	464,733,921	99	14.9%
Total	3,076,972,401	2,959,851,766	104	100.0%

Structure of financial investments of the Triglav Group as at 31 December 2016 and 31 December 2015



In 2016, the Group continued adapting the individual shares of investment grades accordingly, thus consistently implementing its strategy of maintaining a high credit rating of its investments. The largest, 69.4% share of total financial investments of the Group was maintained by **debt and other fixed-return securities**, which grew by 0.5 percentage point. As at the reporting date, they totalled EUR 2,134.9 million, which represented a 5% increase compared to the 2015 year-end.

Unit-linked insurance contract investments were 1% lower. As at the reporting date, they amounted to EUR 460.0 million, accounting for 14.9% of total investments.

In line with the investment policy, **investments in shares and other floating rate securities** went up by 26%, reaching EUR 238.4 million. Their share in total financial investments climbed by 1.4 percentage points to 7.7%.

Investment property of EUR 95.8 million increased by 21% compared to the 2015 year-end due to a transfer of real property from property, plant and equipment, accounting for 3.1% of total financial investments.

In total financial assets, **deposits with banks** decreased by 34% to EUR 81.2 million. They accounted for 2.6% of total investments as a result of extremely low deposit interest rates in the banking system, resulting in a different liquidity management.

Due to additional loans outside the Triglav Group, **loans given** recorded an 11% increase compared to the preceding year. At EUR 29.8 million, loans given accounted for 1.0% of total financial investments. **Other financial investments** stood at EUR 24.7 million, representing a 0.8% share of total financial investments.

Financial investments in associates were 2% lower compared to the 2015 year-end (a 0.2% share), amounting to EUR 6.8 million. **Financial investments of reinsurance companies in reinsurance contracts with cedents** grew by 32% to EUR 5.2 million, accounting for a 0.2% of total financial investments.

By issuer sector, government bonds, representing 50.1%, continued to account for the bulk of total debt securities. Compared to the 2015 year-end, they dropped by 8%, whilst their share in total financial assets was down 7.1 percentage points. This decrease was predominantly the result of applying the new Solvency II methodology and/or consequently the requirements regarding the classification of securities by sector and analytical treatment of state guarantees (reclassification from government to financial and corporate debt securities). In total debt securities, the shares of corporate bonds (23.6%) and financial bonds (25.5%) increased due to the above-mentioned application of different methodology. Structured bonds decreased by 0.3 percentage point as did their value (index 73).

Debt securities of the Triglav Group by issuer sector in 2016 and 2015

Issuer sector	Debt securities		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
Corporate	504,467,444	470,577,303	107	23.6%	23.1%
Financial	543,495,982	377,058,528	144	25.5%	18.5%
Government	1,068,719,391	1,167,256,349	92	50.1%	57.2%
Structured	18,219,783	25,097,218	73	0.9%	1.2%
Total	2,134,902,600	2,039,989,397	105	100.0%	100.0%

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

In total debt securities **by issuer credit rating**, a lower exposure to bonds with the highest credit rating of AAA continued primarily due to downgrading the Finland's credit rating to AA. An upgrade of the sovereign credit rating of Slovenia in Q3 2016 from BBB to A caused a change in the

structure of debt securities in the A-rating grade (index 221). A higher share of bonds in credit rating grades below the BBB-rating (representing an 18.4% share), was mainly attributable to new purchases of bonds.

Debt securities of the Triglav Group by issuer credit rating in 2016 and 2015

Credit rating	Debt securities		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
AAA	211,893,186	270,712,813	78	9.9%	13.3%
AA	126,423,500	79,607,769	159	5.9%	3.9%
A	576,015,797	260,515,926	221	27.0%	12.8%
BBB	741,012,325	997,078,824	74	34.7%	48.9%
Below BBB	392,749,250	338,017,756	116	18.4%	16.6%
Not rated	86,808,541	94,056,308	92	4.1%	4.6%
Total	2,134,902,600	2,039,989,397	105	100.0%	100.0%

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

Changes in exposure of **debt securities to individual countries** were a result of price fluctuations and active trading. In 2016, most purchases were made in investments of French, Spanish and Dutch issuers. The lower exposure to Slovenia was mainly because the debt securities fell due in the last quarter.

Debt securities of the Triglav Group by issuer country in 2016 and 2015

Country of issuer	Debt securities		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
Slovenia	443,032,245	515,076,149	86	20.8%	25.2%
Germany	160,146,983	164,673,003	97	7.5%	8.1%
Netherlands	171,442,648	158,994,228	108	8.0%	7.8%
Spain	165,634,669	151,086,175	110	7.8%	7.4%
Italy	121,225,847	137,039,034	88	5.7%	6.7%
France	136,772,348	105,750,984	129	6.4%	5.2%
Other	936,647,861	807,369,824	116	43.9%	39.6%
Total	2,134,902,600	2,039,989,397	105	100.0%	100.0%

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

In total financial investments, the portion of **shares** (shares and other floating rate securities and investments in subsidiaries and associates) climbed by 25%. Growth predominantly resulted from the purchases of units or shares of bond and money market funds on developed markets. Investments in funds accounted for 72% of total investments in shares. In total investments in funds, approximately 50% of investments is represented by investments in bond and money market funds.

Equity investments of the Triglav Group in 2016 and 2015

Equity investment type	Equity investments		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
Shares	68,892,275	70,164,963	98	28.1%	35.8%
Equity funds	89,046,478	107,757,536	83	36.3%	55.0%
Bond funds	39,428,528	5,014,388	786	16.1%	2.6%
Money market funds	42,053,747	2,251,873	1,868	17.1%	1.1%
Other funds	5,855,322	10,846,381	54	2.4%	5.5%
Total	245,276,350	196,035,141	125	100.0%	100.0%

Equity investments of the Triglav Group by geographic area in 2016 and 2015

Geographic area	Equity investments		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
Slovenia	59,816,111	67,747,852	88	24.4%	34.6%
Developed markets	160,652,378	99,929,844	161	65.5%	51.0%
Developing markets	15,428,349	19,508,920	79	6.3%	10.0%
Balkans	9,379,512	8,848,525	106	3.8%	4.5%
Total	245,276,350	196,035,141	125	100.0%	100.0%

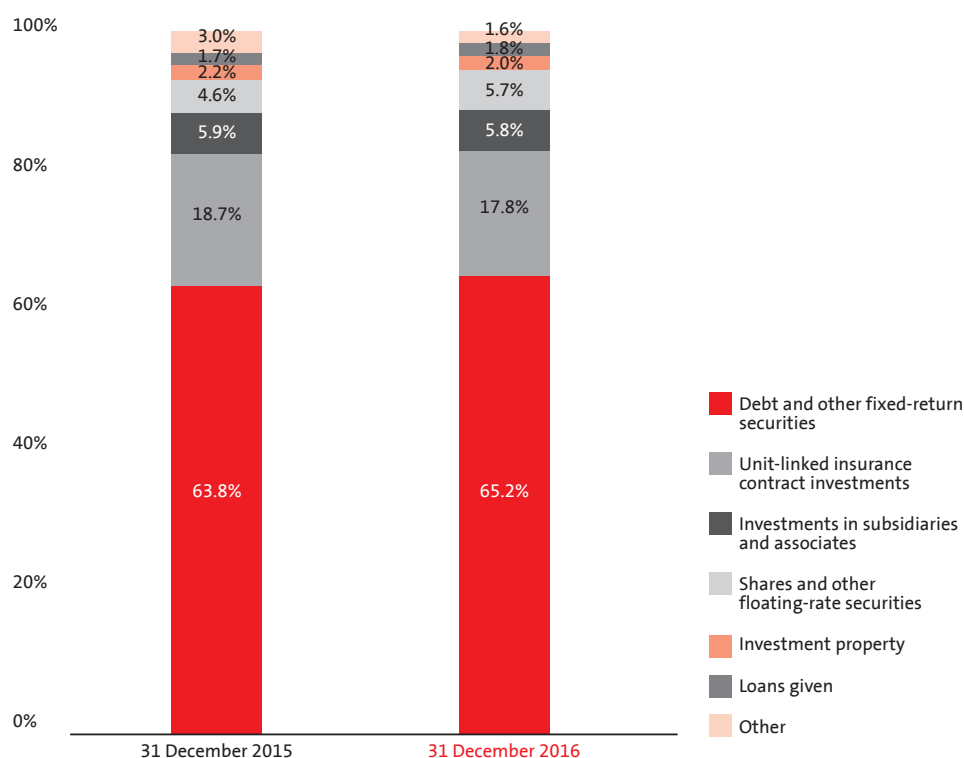
7.9.2 Zavarovalnica Triglav

Financial assets, investments in subsidiaries and associates and investment property as at the reporting date stood at EUR 2,436.3 million, which was 2% more over the preceding year. Their share in total assets went down by 0.1 percentage point and reached 88.9%.

Financial investments of Zavarovalnica Triglav as at 31 December 2016 and 31 December 2015

	Financial investments		Index	Structure
	31 December 2016	31 December 2015	2016/2015	31 December 2016
Investment property	49,611,417	52,870,808	94	2.0%
Investments in subsidiaries and associates	140,135,485	141,948,911	99	5.8%
Shares and other floating-rate securities	139,671,350	110,176,657	127	5.7%
Debt and other fixed-return securities	1,589,007,928	1,525,459,475	104	65.2%
Loans given	43,651,675	40,038,012	109	1.8%
Deposits with banks	37,045,982	66,846,988	55	1.5%
Other financial investments	1,700,237	2,620,871	65	0.1%
Derivative financial instruments	1,423,429	2,708,914	53	0.1%
Unit-linked insurance contract investments	434,043,269	446,589,561	97	17.8%
Total	2,436,290,771	2,389,260,196	102	100.0%

Structure of financial investments of Zavarovalnica Triglav as at 31 December 2016 and 31 December 2015



In line with the investment policy, the investment portfolio structure of the Company changed in the reporting period. The largest, 65.2% share of total financial investments of the Company was maintained by **debt and other fixed-return securities**. At the 2016 year-end, they reached EUR 1,589.0 million, having increased by 4% over the preceding year.

Unit-linked insurance contract investments dropped by 3% to EUR 434.0 million as at the reporting date, accounting for 17.8% of total financial investments.

Compared to 31 December 2015, **financial investments in subsidiaries and associates** decreased by 1% to EUR 140.1 million, representing 5.8% of total financial investments. The decrease was attributable to the changes within the Triglav Group (see [→ Section 9.2.2] for more details).

In line with the investment policy, **investments in shares and other floating rate securities** were 27% higher, reaching EUR 139.7 million. Their share in total financial investments climbed by 1.1 percentage point to 5.7%.

At EUR 49.6 million, **investment property** decreased by 6% due to the successful sale of certain real properties in the reporting period which was in line with the real property management

policy. They accounted for 2.0% of total financial investments.

Compared to the preceding year, **loans given** were 9% higher due to the additional loans within and outside the Triglav Group. At EUR 43.7 million, loans given accounted for 1.8% of total financial investments.

Deposits with banks decreased by 45% to EUR 37.0 million, representing 1.5% of total financial investments (31 December 2015: 2.8%). This decrease was as a result of extremely low deposit interest rates in the banking system, resulting in a different liquidity management.

Other financial investments stood at EUR 1.7 million (index 65), **derivatives** in the amount of EUR 1.4 million (index 53) represented only a 0.1% share of total financial investments.

By issuer sector, government bonds, representing 45.5%, continued to account for the bulk of total debt securities. They were down 15% and accounted for a share of 10.1 percentage points. This reduction is foremost a result of the above-mentioned application of different reclassification methodology. In total debt and other fixed-return securities the shares of corporate bonds (23.4%) and financial bonds (29.9%) increased.

Debt securities of Zavarovalnica Triglav by issuer sector in 2016 and 2015

Issuer sector	Debt securities		Index 2016/2015	Structure	
	31 December 2016	31 December 2015		31 December 2016	31 December 2015
Corporate	372,586,888	330,059,084	113	23.4%	21.6%
Financial	474,830,118	322,557,140	147	29.9%	21.1%
Government	723,371,452	847,746,971	85	45.5%	55.6%
Structured	18,219,471	25,096,280	73	1.1%	1.6%
Total	1,589,007,928	1,525,459,475	104	100.0%	100.0%

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

In total debt securities **by issuer credit rating**, a lower exposure to bonds with the highest credit rating of AAA continued due to downgrading the Finland's credit rating to AA, for the same reason as that of the Group. The latter is the cause of more than two thirds of the changes within the AAA and AA grades. An upgrade of the sovereign credit rating of Slovenia in Q3 2016 from

BBB to A caused a change in the structure of debt securities in the A-rating grade (index 201). An increase in exposure was seen in bonds in credit rating grades below the BBB-rating (index 118), which was primarily the result of new purchases of such bonds.

Debt securities of Zavarovalnica Triglav by issuer credit rating in 2016 and 2015

Credit rating	Debt securities		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
AAA	174,284,679	228,870,548	76	11.0%	15.0%
AA	116,689,806	74,863,752	156	7.3%	4.9%
A	465,072,571	231,117,017	201	29.3%	15.2%
BBB	636,408,897	810,101,227	79	40.1%	53.1%
Below BBB	149,074,194	126,109,677	118	9.4%	8.3%
Not rated	47,477,781	54,397,254	87	3.0%	3.6%
Total	1,589,007,928	1,525,459,475	104	100.0%	100.0%

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

Changes in the exposure of **debt securities to individual countries** are a result of price fluctuations and active trading. In the reporting period, most purchases were made in investments of French, Dutch and Spanish issuers. The lower exposure to Slovenia was mainly because the debt securities fell due in the last quarter.

Debt securities of Zavarovalnica Triglav by issuer country in 2016 and 2015

Country of issuer	Debt securities		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
Slovenia	322,697,290	356,141,605	91	20.3%	23.3%
Spain	155,739,338	142,750,925	109	9.8%	9.4%
Germany	133,583,592	137,581,785	97	8.4%	9.0%
Netherlands	129,887,704	114,412,956	114	8.2%	7.5%
France	125,139,685	90,931,009	138	7.9%	6.0%
Italy	100,416,716	121,425,167	83	6.3%	8.0%
Other	621,543,604	562,216,028	111	39.1%	36.9%
Total	1,589,007,928	1,525,459,475	104	100.0%	100.0%

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

In total financial investments, the portion of **shares** (shares and other floating rate securities and investments in associates) was up 11% which resulted from the purchases of units or shares of bond and money market funds on developed markets.

Equity investments of Zavarovalnica Triglav by equity investment type in 2016 and 2015

Equity investment type	Equity investments		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
Shares	193,754,358	197,672,215	98	69.2%	78.4%
Equity funds	34,575,704	40,955,264	84	12.4%	16.2%
Bond funds	20,789,750	4,036,591	515	7.4%	1.6%
Money market funds	25,161,900	0	0	9.0%	0.0%
Other funds	5,525,121	9,461,497	58	2.0%	3.8%
Total	279,806,834	252,125,568	111	100.0%	100.0%

Equity investments of Zavarovalnica Triglav by geographic area in 2016 and 2015

Geographic area	Equity investments		Index	Structure	
	31 December 2016	31 December 2015	2016/2015	31 December 2016	31 December 2015
Slovenia	189,182,661	197,430,305	96	67.6%	78.3%
Developed markets	77,573,080	42,075,285	184	27.7%	16.7%
Developing markets	8,970,832	9,106,584	99	3.2%	3.6%
Balkans	4,080,262	3,513,394	116	1.5%	1.4%
Total	279,806,834	252,125,568	111	100.0%	100.0%

8

Financial Result of the Triglav Group and Zavarovalnica Triglav

- In 2016, the Triglav Group generated a net profit of EUR 82.3 million and achieved an 11.4% return on equity.
- At EUR 75.3 million, net profit of the parent company was 29% above the figure reported one year earlier, while the return on equity stood at 13.8%.
- The combined ratio of the Group's insurance companies operating outside Slovenia improved.
- Lower return on financial investments of the Group was primarily a result of lower net interest income and lower net gains on the sale of financial assets.

8.1 The Triglav Group

EUR 82.3 million
Net profit of
the Triglav Group

The reporting year was marked by the Group's good business results as it ended 2016 with a **net profit** of EUR 82.3 million. Net profit attributable to the shareholders of the controlling company amounted to EUR 81.9 million (index 92), whereas net profit attributable to minority shareholders totalled EUR 396 thousand (EUR 36 thousand in 2015). **The Group's profit before tax** exceeded expectations and reached EUR 95.1 million. **Net return on equity** stood at 11.4%.

Combined ratio remains favourable at 92.9% (92.8% in 2015). The combined ratio shows profitability of operations in the non-life and health insurance segments. Any value of this ratio below 100 means that the non-life and health insurance portfolios as the core business (excluding return on investments) are earning a profit.

The combined ratios in non-life insurance and health insurance in the Triglav Group and individual companies in 2016 compared to 2015

Insurance company	2016	2015	Change
Zavarovalnica Triglav	87.9%	86.2%	1.7 p.p.
Triglav, Zdravstvena zavarovalnica	99.5%	98.9%	0.7 p.p.
Pozavarovalnica Triglav Re	96.7%	93.6%	3.1 p.p.
Triglav Osiguranje, Zagreb	107.4%	119.4%	-12.0 p.p.
Triglav Osiguranje, Sarajevo	99.8%	99.8%	0.0 p.p.
Lovćen Osiguranje, Podgorica	92.3%	111.8%	-19.5 p.p.
Triglav Osiguranje, Belgrade	102.2%	107.3%	-5.1 p.p.
Triglav Osiguranje, Banja Luka	100.7%	102.3%	-1.6 p.p.
Triglav Osiguruvanje, Skopje	99.1%	101.7%	-2.6 p.p.
The Triglav Group	92.9%	92.8%	0.1 p.p.

8.1.1 Premium income, claims incurred and operating expenses

Net premium earned (calculated on the basis of gross written insurance and co-insurance premium, reduced by the reinsurers' share and adjusted by the change in gross unearned premium taking into account the reinsurers' share in unearned premium) amounted to EUR 849.6 million and was 1% higher than in 2015. Net premiums earned from life insurance remained approximately at the same level as in 2015 (index 100). Ceded written premium amounted to EUR 79.1 million and was 3% higher over the preceding year. The change in net unearned premium was negative at EUR -7.3 million, whereas in 2015 it was EUR -2.9 million.

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) increased by 1% and totalled EUR 577.1 million. Net claims incurred in health insurance were up 6% as a result of higher gross claims paid (see Section 7.6.1). Net claims incurred from life insurance increased by 1%, whereas net claims incurred from non-life insurance fell by 1%. The reinsurers' and co-insurers' shares of gross claims decreased by 8% to EUR 21.7 million. The change in net claims provisions was EUR -14.2 million, compared with EUR -8.4 million in 2015. Equalisation scheme expenses for supplemental health insurance decreased by 7% and totalled EUR 7.0 million.

Operating expenses (acquisition costs and other operating expenses) amounted to EUR 208.7 million and were 3% higher than in 2015. With a 4% growth, acquisition costs amounted to EUR 141.0 million, while other operating expenses experienced the increase of 3%, totalling to EUR 67.7 million.

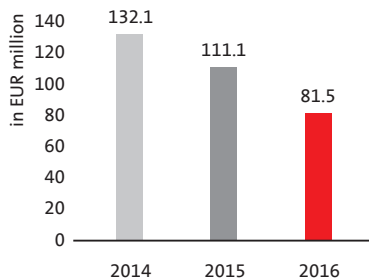
8.1.2 Income and expenses from financial assets

Income from financial assets was down by 51%, reaching EUR 146.0 million, whilst income from financial assets in associates was down 43% to EUR 3.1 million nominally. Income from other financial assets was 41% lower or EUR 119.4 million in nominal terms. Net unrealised gains on unit-linked life insurance assets decreased by 75%, totalling EUR 23.5 million.

Over the reporting period, **financial expenses** decreased by 76% to EUR 42.5 million. Expenses from financial assets in associates totalled EUR 3.2 million (index 174), while expenses from other financial assets equalled EUR 37.9 million. The latter recorded a 60% decrease. Net unrealised losses on unit-linked life insurance assets decreased by 98% to EUR 1.5 million. Permanent impairments amounted to EUR 3.2 million, representing a 16% drop over the preceding year.

Return on financial investments (excluding unit-linked insurance contract investments) represents the difference between income and expenses from financial assets. They dropped by 27% to EUR 81.5 million, which mainly resulted from lower net gains on the sale of financial assets, whilst a positive effect was attributed to fair value reserves from financial assets.

**The return on financial investments
of the Triglav Group
(excluding unit-linked insurance
contract investments)
in the 2014–2016 period**



Compared to the previous year, not only net interest income was lower but also the overall effect of changes in the fair value through profit or loss and changes in net gains on the sale of financial assets.

Return on financial investments also impacts the insurance technical provisions and the net profit of the Group. See [→ [Section 8.1.3](#)] (Table: Profit before tax of the Triglav Group) for the impact of return on investments on the profit before tax.

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

Changes in other technical provisions summed up to EUR 47.2 million or 22% less than one year earlier, with the change in mathematical provisions amounting to EUR 48.5 million (index 80), while the change in other provisions equalled EUR –1.3 million (EUR –296 thousand in 2015). Mathematical provisions were down predominantly due to higher mathematical provisions in the parent company (see [→ [Section 8.2.3](#)] for more details).

Change in insurance technical provisions for unit-linked insurance contracts equalled EUR 777 thousand (EUR –1.9 million in 2015) due to the increase in price of fund units. **Expenses for bonuses and discounts** were 11% higher and totalled EUR 11.3 million.

Other income from insurance operations decreased by 27%, amounting to EUR 5.4 million. **Other income** was down 31%, reaching EUR 53.5 million. **Other insurance expenses** were 6% lower (EUR 17.0 million), whereas **other expenses** decreased by 34% (EUR 54.7 million).

Income statement of the Triglav Group for 2016 – according to IFRS

	2016	2015	Index
Net premium income	849,594,001	839,167,224	101
- gross written premium	936,003,815	919,116,265	102
- ceded written premium	-79,080,949	-77,045,634	103
- change in unearned premium	-7,328,865	-2,903,407	252
Income from financial assets	146,017,485	300,908,574	49
Income from financial assets in associates	3,116,574	5,454,600	57
- profit on equity investments accounted for using the equity method	188,105	1,024,797	18
- realised gains on disposals	2,928,469	4,429,803	66
Income from other financial assets	119,446,634	202,577,180	59
- interest income	68,835,574	71,242,548	97
- dividends	3,356,769	3,218,520	104
- fair value gains	7,813,764	39,290,809	20
- realised gains on disposals	33,979,089	77,477,505	44
- other financial income	5,461,438	11,347,798	48
Net unrealised gains on unit-linked life insurance assets	23,454,277	92,876,794	25
Other income from insurance operations	5,392,172	7,430,958	73
- fees and commission income	252,793	2,494,636	10
- other income from insurance operations	5,139,379	4,936,322	104
Other income	53,537,175	77,260,256	69
Net claims incurred	577,102,418	570,343,294	101
- gross claims settled	606,019,569	594,840,516	102
- reinsurers' share	-21,692,020	-23,535,397	92
- changes in claims provisions	-14,175,200	-8,430,995	168
- equalisation scheme expenses for supplementary health insurance	6,950,069	7,469,170	93
Change in other insurance technical provisions (excluding ULI)	47,211,325	60,340,392	78
Change in insurance technical provisions for unit-linked insurance contracts	776,648	-1,882,145	
Expenses for bonuses and discounts	11,331,630	10,202,959	111
Operating expenses	208,675,708	201,796,133	103
- acquisition costs	141,003,013	136,158,419	104
- other operating costs	67,672,695	65,637,714	103
Expenses from financial assets and liabilities	42,533,879	180,367,256	24
Expenses from financial assets and liabilities in associates	3,174,191	1,160,415	274
- loss on investments accounted for using the equity method	247,812	295,258	84
- realised loss on disposals	2,926,379	865,153	338
- loss on impairment of financial assets	0	4	0
Expenses from other assets and liabilities	37,853,884	95,773,879	40
- interest expense	1,314,505	2,177,446	60
- fair value losses	6,888,471	49,537,301	14
- realised loss on disposals	19,451,022	21,803,897	89
- loss on impairment of financial assets	3,197,025	3,827,445	84
- other expenses from financial assets and liabilities	7,002,861	18,427,790	38
Net unrealised losses on unit-linked insurance assets	1,505,804	83,432,962	2
Other insurance expenses	17,038,345	18,212,146	94
Other expenses	54,732,790	82,909,300	66
Profit/loss before tax	95,138,090	102,477,677	93
Income tax expense	12,806,316	13,616,483	94
Net profit/loss for the accounting period	82,331,774	88,861,194	93
Net profit/loss attributable to the controlling company	81,935,753	88,825,435	92
Net profit/loss attributable to non-controlling interest holders	396,021	35,759	1,107

Financial result ratios of the Triglav Group

Financial result ratios	2016	2015	2014
Claims ratio	62.0%	62.5%	66.2%
Expense ratio	30.9%	30.3%	30.0%
Combined ratio	92.9%	92.8%	96.3%
Operating expenses of insurance business in gross written premiums	25.3%	25.2%	26.0%
Gross written premium per company employee* (in EUR)	211,478	209,796	199,516

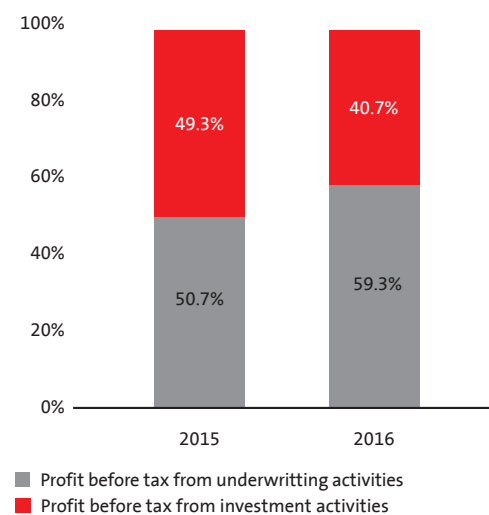
* Only the employees of the insurance companies and the reinsurance company within the Triglav Group were taken into account.

Profit before tax of the Triglav Group*

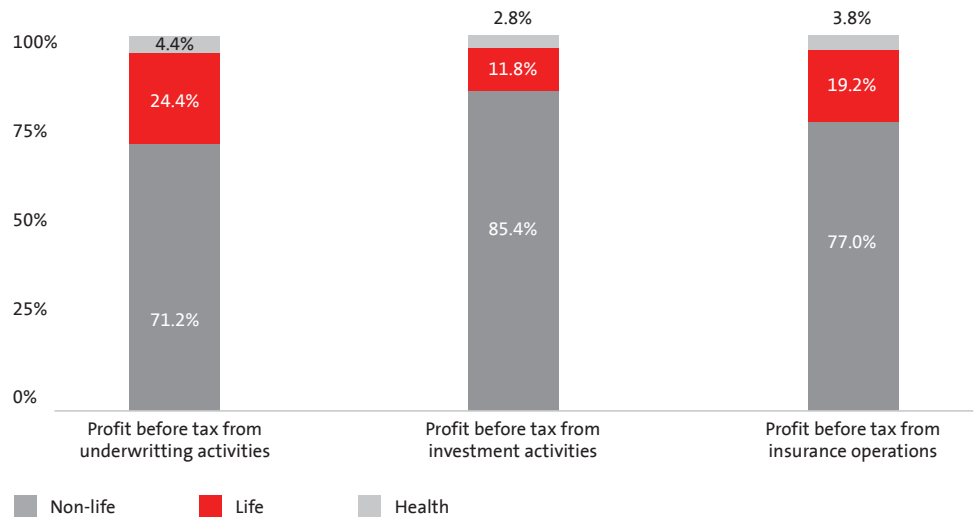
	2016				2015			
	Non-life	Life	Health	Total	Non-life	Life	Health	Total
Profit before tax from underwriting activities	38,843,797	13,286,716	2,427,265	54,557,778	32,997,840	13,165,312	3,575,415	49,738,567
Profit before tax from investment activities	32,046,207	4,426,697	1,039,953	37,512,857	36,062,925	10,379,009	1,899,830	48,341,764
Profit before tax from insurance operations	70,890,004	17,713,413	3,467,218	92,070,635	69,060,765	23,544,321	5,475,245	98,080,331
Profit before tax from non-insurance operations				3,067,454				4,397,347
Total profit before tax				95,138,089				102,477,677

* The profit from return on financial investments is reduced by the return guaranteed by insurance subsidiaries to life insurance policyholders in the form of a guaranteed return determined in insurance contracts. In addition, return on financial investments is reduced by the increase in mathematical provisions due to lower internally set maximum interest rate used for the valuation of life insurance liabilities.

Structure of profit before tax of the Triglav Group in 2016 and 2015



Structure of profit before tax of the Triglav Group by insurance types



13.8%
Return on equity of
Zavarovalnica Triglav

8.2 Zavarovalnica Triglav

Zavarovalnica Triglav performed well and ended 2016 with a profit. Compared to the preceding year, the Company's **net profit** increased by 29% and reached EUR 75.3 million. The Company's **profit before tax** grew by 22% to EUR 83.4 million. High growth rates in net profit and profit before tax stemmed mainly from high permanent impairments of financial assets in associates in the preceding year. Net return on equity stood at 13.8% and rose by 2.9 percentage points compared to 2015.

Combined ratio in non-life insurance was 87.9%, whilst its value was 1.7 percentage points higher.

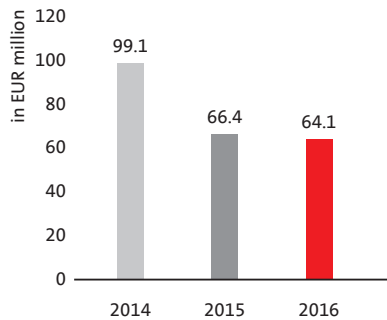
8.2.1 Premium income, claims incurred and operating expenses

Net premium earned (calculated on the basis of gross written insurance and co-insurance premium, reduced by the reinsurers' share and adjusted by the change in gross unearned premium taking into account the reinsurers' share in unearned premium) amounted to EUR 509.8 million and was 1% lower than in 2015. Net non-life and net life premiums earned decreased by 1% and 3% respectively. Ceded written premium amounted to EUR 78.5 million and was 8% higher over the preceding year. The change in net unearned premium totalled EUR -4.9 million (EUR 3.2 million in 2015).

Net claims incurred (gross claims increased by claim handling 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) amounting to EUR 350.7 million remained at approximately the same level as the year before (index 100). Net claims incurred decreased by 1% in non-life insurance and increased by 2% in life insurance. The reinsurers' and co-insurers' shares in gross claims decreased by 17% and totalled EUR 20.7 million. The change in net claims provisions was EUR -19.8 million (index 123).

Operating expenses (acquisition costs and other operating expenses) amounted to EUR 142.2 million and were 3% higher than in 2015. Acquisition costs totalled EUR 102.6 million (index 103), whereas other operating expenses amounted to EUR 39.6 million (index 104).

**The return on financial investments
of Zavarovalnica Triglav
(excluding unit-linked insurance
contract investments) in the
2014–2016 period**



**8.2.2 Income and expenses from
financial assets**

Income from financial assets decreased by 58% and reached EUR 116.0 million. Income from financial assets in associates reached EUR 9.8 million, having decreased by 69% predominantly due to high dividend payment of two subsidiaries in the preceding year. Income from other financial assets was 45% lower or EUR 83.1 million in nominal terms mainly as a result of lower net gains on the sale of financial assets and from the fair value change. Net unrealised losses on unit-linked life insurance assets reached EUR 23.1 million, which represented a 75% decrease in 2015.

Financial expenses equalled EUR 30.2 million, which was 85% less than in 2015. Expenses from financial assets in associates amounted to EUR 552 thousand compared to EUR 47.3 million mainly as a result of permanent impairments in certain subsidiaries. Expenses from other financial assets and liabilities decreased by 59% to EUR 28.3 million, whereas net unrealised gains on unit-linked life insurance assets amounted to EUR 1.4 million, which was 98% less compared to 2015.

Return on financial investments (excluding unit-linked life insurance contract investments) represents the difference between income and expenses from financial assets. They amounted to EUR 64.1 million, having decreased by 3% compared to 2015, as a result of lower net gains on the sale of financial assets.

**8.2.3 Change in other insurance
technical provisions and other
income and expenses**

Changes in other technical provisions summed up to EUR 28.8 million or 27% less than one year earlier, with change in mathematical provisions totalling EUR 28.2 million (index 71) and change in other provisions EUR 550 thousand (EUR–737 thousand in 2015). Mathematical provisions were lower as the result of somewhat lower reversionary bonus and the creation of additional provisions (to a lesser extent than in 2015) due to the reduction in the interest rate applied to the valuation of life insurance liabilities.

Change in insurance technical provisions for unit-linked insurance contracts equalled EUR –7.5 million (index 185) due to a decrease in price of fund units. **Expenses for bonuses** and discounts reached EUR 9.1 million (index 110).

Other income from insurance operations increased by 8% and reached EUR 19.2 million. Fees and commission income amounted to EUR 15.2 million (index 117). **Other income assets** increased by 37% to EUR 12.6 million. **Other insurance expenses** equalled EUR 8.5 million (index 108), whereas **other expenses** reached EUR 12.1 million (index 105).

Income statement of Zavarovalnica Triglav for 2016 – according to IFRS

	2016	2015	Index
Net premium income	509,765,204	517,040,236	99
- gross written premium	593,129,011	586,260,945	101
- ceded written premium	-78,508,398	-72,460,618	108
- change in unearned premiums	-4,855,409	3,239,909	
Income from financial assets	115,997,114	274,883,169	42
Income from financial assets in associates	9,836,781	31,688,139	31
- interest income	857,579	1,985,141	43
- dividends	62,153	29,318,186	0
- realised gains on disposals	8,911,599	376,413	2,368
- other financial income	5,450	8,399	65
Income from other financial assets	83,084,119	151,322,413	55
- interest income	48,356,136	48,917,584	99
- dividends	2,367,645	2,484,054	95
- fair value gains	1,708,114	26,253,436	7
- realised gains on disposals	29,252,705	68,541,989	43
- other financial income	1,399,519	5,125,350	27
Net unrealised gains on unit-linked life insurance assets	23,076,214	91,872,617	25
Other income from insurance operations	19,160,149	17,683,831	108
- fees and commission income	15,201,866	12,996,626	117
- other income from insurance operations	3,958,283	4,687,205	84
Other income	12,645,615	9,258,952	137
Net claims incurred	350,739,765	349,598,310	100
- gross claims settled	391,236,320	390,567,557	100
- reinsurers' share	-20,679,367	-24,918,956	83
- changes in claims provisions	-19,817,188	-16,050,291	123
Change in other insurance technical provisions (excluding ULI)	28,758,525	39,257,225	73
Change in insurance technical provisions for unit-linked insurance contracts	-7,469,473	-4,032,292	
Expenses for bonuses and discounts	9,108,703	8,265,040	110
Operating expenses	142,229,598	137,861,969	103
- acquisition costs	102,587,533	99,608,988	103
- other operating costs	39,642,065	38,252,981	104
Expenses from financial assets and liabilities	30,163,394	200,067,115	15
Expenses from financial assets and liabilities in associates	551,754	47,292,586	1
- realised loss on disposals	544,414	882,000	62
- loss on impairment of financial assets	0	46,351,490	0
- other expenses from financial assets and liabilities	7,340	59,096	12
Expenses from other financial assets and liabilities	28,252,856	69,341,567	41
- interest expense	1,383,064	1,900,242	73
- fair value losses	1,885,016	34,068,361	6
- realised loss on disposals	18,158,535	20,502,755	89
- loss on impairment of financial assets	3,097,058	231,310	1,339
- other expenses from financial assets and liabilities	3,729,183	12,638,899	30
Net unrealised losses on unit-linked life insurance assets	1,358,784	83,432,962	2
Other insurance expenses	8,476,079	7,835,999	108
Other expenses	12,143,689	11,579,325	105
Profit/loss before tax	83,417,802	68,433,497	122
Income tax expense	8,084,200	9,927,679	81
Net profit/loss for the accounting period	75,333,602	58,505,818	129

Financial results ratios of Zavarovalnica Triglav

Financial results ratios	2016	2015	2014
Return on equity	13.8%	10.9%	8.7%
Claims ratio	55.7%	55.2%	53.2%
Expense ratio	32.3%	31.0%	28.3%
Combined ratio	87.9%	86.2%	81.4%
Ratio between gross operating costs and gross written premium	27.7%	27.5%	27.5%

9 Financial Standing of The Triglav Group and Zavarovalnica Triglav

- As at the reporting date, balance sheet total was up 2% and total equity capital was 6% higher compared to the previous year.
- Financial assets of the Triglav Group rose by 4%.

9.1 The Triglav Group

9.1.1 Equity and liabilities

+6%
Growth in
total equity capital of
the Triglav Group

The total equity capital as at 31 December 2016 amounted to EUR 744.3 million or 6% more than the previous year. The share of equity in total liabilities increased by 0.6 percentage point; from 20.2% to 20.8%. Equity attributable to the controlling company was up 6% and stood at EUR 734.0 million, while non-controlling interest holders had EUR 10.4 million, having decreased by 7%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary shares.

As a result of an increase in the value of available-for-sale financial assets, **fair value reserve** increased by 13% to EUR 87.7 million. **Share premium** decreased by 3%, amounting to EUR 53.5 million.

+14 %
Growth in
accumulated profit of
the Triglav Group

Over the reporting year, **reserves from profit** increased by 2% to EUR 305.5 million. They include legal and statutory reserves in the amount of EUR 20.6 million, contingency reserves of EUR 0.6 million and other reserves from profit of EUR 284.3 million, which increased by EUR 37.6 million. Credit risk equalisation reserves (equalisation reserves) of EUR 33.3 million were transferred to the net profit brought forward, which is described in greater detail in [→ Section 9.2.1].

Accumulated profit was 14% higher, amounting to EUR 217.4 million. In addition to net profit for the year, accumulated profit also includes EUR 173.2 million of net profit brought forward

(index 166). Due to the above-mentioned transfer of credit risk equalisation, the net profit brought forward rose by EUR 33.3 million and by EUR 85.8 million thanks to the transfer of net profit for the preceding year and by EUR 5.2 million thanks to a release of credit risk equalisation reserves and went down by EUR 56.8 million due to dividend payments. Net profit for the year disclosed in the balance sheet totalled EUR 44.2 million (index 52), which was EUR 37.7 million less than net profit disclosed in the income statement. The amount of EUR 37.7 million of net profit for the year was allocated to reserves from profit (see [→ Section 9.2.1] for more details).

Subordinated liabilities decreased by 10% due to higher volume of inter-company transactions, which were excluded in consolidation. They accounted for 0.5% of total liabilities or EUR 16.9 million in nominal terms.

On the liabilities side, **gross insurance technical provisions** rose by 2% to EUR 2,660.8 million. Their portion in total liabilities remained unchanged compared to 2015 and stood at 74.4%. Mathematical provisions increased by 3%, reaching EUR 1,731.2 million. Claims provisions decreased by 1%. In contrast, provisions for gross unearned premiums and other insurance technical provisions experienced an increase of 5% and 6% respectively. Insurance technical provisions of the Triglav Group are discussed in greater detail under [→ Section 7.8.1].

Other financial liabilities totalled EUR 5.3 million and recorded a high growth of 40%, primarily as the result of a short-term loan taken out by a subsidiary. Their share accounted for 0.1% of total liabilities.

Operating liabilities as at the 2016 year-end totalled EUR 42.0 million or 13% below the figure reported one year earlier. In total balance sheet liabilities, they account for a 1.2% share. Liabilities from direct insurance operations decreased by 4% to EUR 16.0 million, whilst liabilities from co-insurance and reinsurance operations went down by 18% and reached EUR 23.1 million. Current tax liabilities amounted to EUR 2.9 million or 23% less than in 2015.

Employee benefits of EUR 13.6 million grew by 11%, whilst **other provisions** totalled EUR 4.0 million (index 103). **Deferred tax liabilities** increased by 10% to EUR 25.4 million, which was mainly due to higher liabilities as the result of higher fair value reserve from financial investments and the tax rate increase (from 17% to 19%).

Other liabilities decreased by 6% and stood at EUR 62.6 million, representing a 1.8% share of total liabilities. As at the reporting date **liabilities arising from non-current assets held for sale** were not formed.

9.1.2 Assets

Financial assets as at the 2016 year-end totalled EUR 2,974.3 million and were 4% above the figure reported one year earlier. Their share accounted for 83.2% of total assets. **Unit-linked insurance assets** amounted to EUR 460.0 million and **financial investments** to EUR 2,514.3 million. The bulk of financial assets was accounted for by available-for-sale financial assets, which totalled EUR 1,738.0 million. In total financial investments, EUR 231.3 million by investments held to maturity, EUR 148.7 million was accounted for by deposits and loans, and EUR 396.2 million by investments recognised at fair value through profit/loss. The structure of financial assets is discussed in greater detail under [→ Section 7.9.1.]

Financial investments in associates of the Triglav Group amounted to EUR 6.8 million, having decreased by 2% (a 0.2% share in total assets), as a result of a negative result of one of the associates.

Investment property climbed by 21% and amounted to EUR 95.8 million, accounting for 2.7% of total assets. For details see [→ Section 7.9.1.].

Receivables totalled EUR 152.9 million, which was 8% less compared to the previous year. They accounted for 4.3% of total assets, of which receivables from direct insurance operations accounted for the bulk, totalling EUR 84.1 million (index 101). Receivables from co-insurance and reinsurance operations reached EUR 35.1 million (index 82), other receivables stood at EUR 32.9 million (index 82) and current tax receivables at EUR 890 thousand (index 296).

Insurance technical provisions transferred to reinsurance contracts stood at EUR 77.1 million, having increased by 12% compared to 31 December 2015. Assets from reinsurance contracts from claim provisions were 13% higher and totalled EUR 57.9 million, while those from unearned premiums were up by 8% and equalled EUR 19.2 million.

Property, plant and equipment totalled EUR 107.9 million (index 89), representing 3.0% of total assets. **Intangible assets** amounted to EUR 73.8 million (index 105), accounting for 2.1% of total assets.

Cash and cash equivalents increased by 37% or EUR 65.7 million nominally; whilst **other assets** totalled EUR 3.6 million (index 45). Compared to the 2015 year-end, **deferred tax receivables** fell by 1% to EUR 15.8 million.

Non-current assets held for sale equalled EUR 1.0 million due to the planned sale of specific land plots and buildings. As at the 2015 year-end, non-current assets held for sale amounted to EUR 34.4 million due to the planned sale of the Avrigo Group and the sale of the land plot to Ikea.

+4%
Higher financial assets
than the year before

Balance sheet of the Triglav Group as at 31 December 2016 – according to IFRS

	31 December 2016	31 December 2015	Index	2016 structure	2015 structure
ASSETS	3,574,885,423	3,493,456,800	102	100.0%	100.0%
Intangible assets	73,823,588	70,132,332	105	2.1%	2.0%
Property, plant and equipment	107,933,428	121,810,360	89	3.0%	3.5%
Deferred tax assets	15,793,114	15,993,688	99	0.4%	0.5%
Investment property	95,842,720	79,475,283	121	2.7%	2.3%
Investments in associates	6,826,400	6,939,700	98	0.2%	0.2%
Financial assets	2,974,303,281	2,873,436,783	104	83.2%	82.3%
Financial investments:	2,514,320,459	2,408,702,860	104	70.3%	68.9%
- loans and deposits	148,731,638	183,872,219	81	4.2%	5.3%
- held to maturity	231,342,393	242,406,400	95	6.5%	6.9%
- available for sale	1,738,043,072	1,607,681,638	108	48.6%	46.0%
- recognised at fair value through profit and loss	396,203,356	374,742,603	106	11.1%	10.7%
Unit-linked insurance assets	459,982,822	464,733,923	99	12.9%	13.3%
Reinsurers' share of insurance technical provisions	77,084,783	68,724,305	112	2.2%	2.0%
Receivables	152,921,089	166,443,733	92	4.3%	4.8%
- receivables from direct insurance operations	84,059,166	83,249,006	101	2.4%	2.4%
- receivables from reinsurance and co-insurance operations	35,099,850	42,823,668	82	1.0%	1.2%
- current tax receivables	890,276	301,273	296	0.0%	0.0%
- other receivables	32,871,797	40,069,786	82	0.9%	1.1%
Other assets	3,622,253	8,134,762	45	0.1%	0.2%
Cash and cash equivalents	65,714,474	47,928,768	137	1.8%	1.4%
Non-current assets held for sale	1,020,293	34,437,086	3	0.0%	1.0%
EQUITY AND LIABILITIES	3,574,885,423	3,493,456,800	102	100.0%	100.0%
Equity	744,349,747	704,044,499	106	20.8%	20.2%
Controlling interests	733,955,514	692,925,865	106	20.5%	19.8%
- share capital	73,701,392	73,701,392	100	2.1%	2.1%
- share premium	53,488,690	54,955,912	97	1.5%	1.6%
- reserves from profit	305,535,457	300,945,466	102	8.5%	8.6%
- treasury share reserves	364,680	452,880	81	0.0%	0.0%
- treasury shares	-364,680	-452,880	81	0.0%	0.0%
- fair value reserve	87,735,128	77,567,319	113	2.5%	2.2%
- net profit/loss brought forward	173,192,869	104,503,874	166	4.8%	3.0%
- net profit/loss for the year	44,216,477	85,802,552	52	1.2%	2.5%
- currency translation differences	-3,914,499	-4,510,483	87	-0.1%	-0.1%
- reserve of disposal group held for sale	0	-40,167	0	0.0%	0.0%
Non-controlling interests	10,394,233	11,118,634	93	0.3%	0.3%
Subordinated liabilities	16,869,102	18,752,252	90	0.5%	0.5%
Insurance technical provisions	2,203,105,224	2,143,395,211	103	61.6%	61.4%
- unearned premiums	263,639,620	252,057,956	105	7.4%	7.2%
- mathematical provisions	1,273,538,608	1,219,737,727	104	35.6%	34.9%
- claims provisions	635,240,895	642,687,051	99	17.8%	18.4%
- other insurance technical provisions	30,686,101	28,912,477	106	0.9%	0.8%
Insurance technical provisions for unit-linked insurance contracts	457,683,091	457,046,912	100	12.8%	13.1%
Employee benefits	13,550,264	12,225,131	111	0.4%	0.3%
Other provisions	3,971,217	3,854,844	103	0.1%	0.1%
Deferred tax liabilities	25,400,544	23,188,796	110	0.7%	0.7%
Other financial liabilities	5,288,693	3,784,282	140	0.1%	0.1%
Operating liabilities	42,028,195	48,388,725	87	1.2%	1.4%
- liabilities from direct insurance operations	16,020,020	16,617,928	96	0.4%	0.5%
- liabilities from reinsurance and co-insurance operations	23,129,245	28,053,630	82	0.6%	0.8%
- current tax liabilities	2,878,930	3,717,167	77	0.1%	0.1%
Other liabilities	62,639,346	66,341,975	94	1.8%	1.9%
Liabilities arising from long-term assets held for sale	0	12,434,173	0	0.0%	0.4%

Financial standing ratios of the Triglav Group

Financial standing ratios	2016	2015	2014
The portion of equity in total liabilities	20.8%	20.2%	21.0%
Average equity balance as % of gross written premium	77.4%	75.7%	72.0%
Return on equity	11.4%	12.8%	13.4%
Share of gross insurance technical provisions in total liabilities	74.4%	74.4%	71.2%
Average balance of gross insurance technical provisions as % of gross written premium	281.0%	268.4%	258.7%
Financial assets to total assets ratio	83.2%	82.3%	80.0%
Financial assets to gross insurance technical provisions ratio	111.8%	110.5%	112.2%

9.2 Zavarovalnica Triglav

The **total balance sheet** of Zavarovalnica Triglav as at the reporting date amounted to EUR 2,740.3 million or 2% more compared to 2015.

9.2.1 Equity and liabilities

+6%
Growth in
total equity capital

The **total equity capital** increased by 6% and reached EUR 563.4 million. The share of equity in the balance sheet total was up 0.8 percentage point, from 19.8% to 20.6%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary registered no-par value shares.

As a result of an increase in the value of available-for-sale financial assets, fair value reserve increased by 16% to EUR 64.9 million. Share premium remained unchanged, amounting to EUR 53.4 million. Over the reporting year, reserves from profit grew by 2% to EUR 289.0 million. They include legal and statutory reserves in the amount of EUR 4.7 million and other reserves from profit of EUR 284.3 million, which increased by EUR 37.6 million. Credit risk equalisation reserves (equalisation reserves) of EUR 31.3 million were transferred to the net profit brought forward. As of 1 January 2016, the Insurance Act (ZZavar-1) entered into effect, which does not prescribe such reserves any longer.

As at 31 December 2016, accumulated profit for the year was EUR 82.4 million (index 127), including net profit for the year and net profit brought forward of EUR 44.7 million (index 620). Due to the above-mentioned transfer of credit risk equalisation reserves, the net profit brought forward rose by EUR 31.1 million and by EUR 57.8 million thanks to the transfer of net profit for the preceding year and by EUR 5.2 million thanks to a release of credit risk equalisation reserves, whereas it went down by EUR 56.8 million due

to dividend payments. Net profit for the year disclosed in the balance sheet totalled EUR 37.7 million, which was EUR 37.6 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.

Net subordinated liabilities amounted to EUR 21.1 million and remained at a level approximately equal to the 2015 year-end (index 100).

On the liabilities side, **gross insurance technical provisions** increased by 1% and stood at EUR 2,076.3 million. In the balance sheet total, their share decreased by 0.7 percentage point, from 76.5 to 75.8%. As at 31 December 2016, mathematical provisions amounted to EUR 1,390.4 million, which represented an increase of 2% over the end of the previous year. Provisions for gross unearned premiums and other insurance technical provisions increased by 4% and 15% respectively. Gross claims provisions decreased by 3%. Insurance technical provisions are discussed in greater detail in [→ Section 7.8.2]

Other financial liabilities, accounting for only 0.1% of total liabilities, which is the same as the 2015 figure and amounted to EUR 1.9 million (index 106).

Operating liabilities grew by 2% compared to the 2015 year-end, amounting to EUR 24.5 million and maintaining the same share of 0.9% of the total balance sheet liabilities. Liabilities from direct insurance operations climbed by 2% to EUR 11.2 million, whilst liabilities from co-insurance and reinsurance operations went up by 12% and reached EUR 11.5 million. Current tax liabilities equalled EUR 1.7 million (index 66).

+2%
Growth in
financial assets of
Zavarovalnica Triglav

Employee benefits increased by 15% and amounted to EUR 10.5 million, whilst other provisions amounted to EUR 690 thousand (index 181). Deferred tax liabilities increased by 13%, which was mainly due to higher liabilities as the result of higher fair value reserve from financial investments and the tax rate increase (from 17% to 19%), totalling EUR 7.1 million.

Other liabilities shrunk by 9% to EUR 34.9 million nominally and accounted for 1.3% of total liabilities.

9.2.2 Assets

Financial assets went up by 2% to EUR 2,246.5 million. Their share in total assets was up 0.3 percentage point, accounting for an 82.0%. **Unit-linked insurance assets** amounted to EUR 434.0 million and **financial investments** to EUR 1,812.5 million. In total financial investments, EUR 82.4 million was accounted for by deposits and loans, EUR 169.0 million by investments held to maturity, EUR 1,365.4 million by investments available for sale and EUR 195.7 million by investments recognised at fair value through profit/loss. The structure of financial assets is discussed in greater detail in [→ *Section 7.9.2*]

Financial investments in subsidiaries and associates fell by 1% and totalled EUR 140.1 million and represented a 5.1% share of total assets. Financial investments in subsidiaries were down 3% to EUR 130.6 million as a result of the sale of Avrigo. Financial investments in associates increased by 31% to EUR 9.5 million as a result of revaluation of Nama.

Investment property fell by 6% to EUR 49.6 million. Their share in total assets accounted for 1.8%, which was 0.2 percentage point less than in the previous year (see [→ *Section 7.9.2*] for more details).

Compared to 31 December 2015, **receivables** decreased by 21% to EUR 75.9 million, representing 2.8% of total financial assets, of which receivables from direct insurance operations accounted for the bulk, having increased by 1% to EUR 58.5 million. Receivables from reinsurance and co-insurance operations decreased and reached EUR 7.5 million (index 62), whereas other receivables went down as well and totalled EUR 9.8 million (index 39).

Insurance technical provisions transferred to reinsurance contracts stood at EUR 76.5 million, having increased by 9%. Assets from reinsurance contracts from claims provisions increased and totalled EUR 59.4 million (index 109) and those from unearned premium as well, equalling EUR 17.1 million (index 111).

Property, plant and equipment totalled EUR 66.2 million (index 99), representing 2.4% of total assets. **Intangible assets** equalled EUR 55.9 million (index 105), accounting for 2.0% of total assets.

Cash and cash equivalents increased to EUR 27.7 million (index 366), whilst **other assets** decreased to EUR 1.9 million (index 70).

Balance sheet of Zavarovalnica Triglav as at 31 December 2016 – according to IFRS

	31 December 2016	31 December 2015	Index	2016 structure	2015 structure
ASSETS	2,740,333,045	2,685,432,591	102	100.0%	100.0%
Intangible assets	55,884,567	53,143,644	105	2.0%	2.0%
Property, plant and equipment	66,230,456	67,034,994	99	2.4%	2.5%
Investment property	49,611,417	52,870,808	94	1.8%	2.0%
Investments in subsidiaries	130,632,438	134,689,036	97	4.8%	5.0%
Investments in associates	9,503,047	7,259,875	131	0.3%	0.3%
Financial assets	2,246,543,870	2,194,440,477	102	82.0%	81.7%
Financial investments:	1,812,500,601	1,747,850,916	104	66.1%	65.1%
- loans and deposits	82,397,894	108,581,747	76	3.0%	4.0%
- held to maturity	168,983,706	178,250,255	95	6.2%	6.6%
- available for sale	1,365,449,446	1,268,278,321	108	49.8%	47.2%
- recognised at fair value through profit and loss	195,669,555	192,740,593	102	7.1%	7.2%
Unit-linked insurance assets	434,043,269	446,589,561	97	15.8%	16.6%
Reinsurers' share of insurance technical provisions	76,455,107	69,935,394	109	2.8%	2.6%
Receivables	75,869,085	95,716,726	79	2.8%	3.6%
- receivables from direct insurance operations	58,491,603	57,959,013	101	2.1%	2.2%
- receivables from reinsurance and co-insurance operations	7,538,096	12,219,198	62	0.3%	0.5%
- other receivables	9,839,386	25,538,515	39	0.4%	1.0%
Other assets	1,949,412	2,791,679	70	0.1%	0.1%
Cash and cash equivalents	27,653,646	7,549,958	366	1.0%	0.3%
EQUITY AND LIABILITIES	2,740,333,045	2,685,432,591	102	100.0%	100.0%
Equity	563,389,117	530,560,272	106	20.6%	19.8%
- share capital	73,701,392	73,701,392	100	2.7%	2.7%
- share premium	53,412,884	53,412,884	100	1.9%	2.0%
- reserves from profit	288,962,643	282,666,281	102	10.5%	10.5%
- fair value reserve	64,890,318	55,751,443	116	2.4%	2.1%
- net profit/loss brought forward	44,688,278	7,210,810	620	1.6%	0.3%
- net profit/loss for the year	37,733,602	57,817,462	65	1.4%	2.2%
Subordinated liabilities	21,103,108	21,101,278	100	0.8%	0.8%
Insurance technical provisions	1,645,177,811	1,614,944,129	102	60.0%	60.1%
- unearned premiums	188,487,876	180,558,991	104	6.9%	6.7%
- mathematical provisions	959,268,937	925,402,898	104	35.0%	34.5%
- claims provisions	471,240,775	486,247,722	97	17.2%	18.1%
- other insurance technical provisions	26,180,223	22,734,518	115	1.0%	0.8%
Insurance technical provisions for unit-linked insurance contracts	431,125,308	438,920,157	98	15.7%	16.3%
Employee benefits	10,547,514	9,189,038	115	0.4%	0.3%
Other provisions	689,669	381,762	181	0.0%	0.0%
Deferred tax liabilities	7,065,409	6,268,154	113	0.3%	0.2%
Other financial liabilities	1,852,710	1,752,990	106	0.1%	0.1%
Operating liabilities	24,451,951	23,886,713	102	0.9%	0.9%
- liabilities from direct insurance operations	11,202,342	10,985,581	102	0.4%	0.4%
- liabilities from reinsurance and co-insurance operations	11,507,586	10,264,596	112	0.4%	0.4%
- current tax liabilities	1,742,023	2,636,536	66	0.1%	0.1%
Other liabilities	34,930,448	38,428,098	91	1.3%	1.4%

10 Cash Flow Statement

- In 2016, cash flows from operating and investing activities of the Triglav Group and Zavarovalnica Triglav were positive, while cash flows from financing activities were negative.
- The closing balance of cash and cash equivalents of the Triglav Group amounted to EUR 65.7 million, having climbed above the 2015 year-end figure by 37%.

10.1 The Triglav Group

In 2016, the **cash flow from operating activities** of the Triglav Group was positive and equalled EUR 41.8 million, which was 5% lower compared to 2015 mainly due to the exclusion of the companies of the Avrigo Group from consolidation as they had a positive cash flow from operating activities.

Cash flow from investing activities was positive, reaching EUR 33.9 million. Compared to the previous year, no significant changes were recorded (index 99). The investment activity decreased (index 59 in cash inflows and outflows from investing activities) primarily due to the environment of

extremely low interest rates and consequently the lack of adequate investment opportunities, resulting in restrained trading in financial instruments.

Cash flow from financing activities was negative and reached EUR –57.9 million (index 87). The only expenses recorded were dividend payments and subordinated bond interest payments.

The item external acquisition was not formed in the reporting period, whilst one year earlier it amounted to EUR 15.5 million due to the acquisition of Skupna pokojninska družba.

The closing balance of cash and cash equivalents totalled EUR 65.7 million, above the 2015 figure by 37%.

Summary cash flow statement of the Triglav Group

	2016	2015	Index
A. Cash flow from operating activities			
Income statement items	35,691,434	42,999,877	83
Changes in net current assets—operating balance sheet items	6,094,910	803,846	758
Total cash flow from operating activities	41,786,344	43,803,723	95
B. Cash flows from investing activities			
Cash inflows from investing activities	1,363,785,772	2,302,278,368	59
Cash outflows from investing activities	-1,329,853,353	-2,267,948,841	59
Total cash flow from investing activities	33,932,419	34,329,527	99
C. Cash flows from financing activities			
Cash inflows from financing activities	0	1,736,108	0
Cash outflows from financing activities	-57,900,352	-68,356,145	85
Total cash flow from financing activities	-57,900,352	-66,620,037	87
D. Opening balance of cash and cash equivalents	47,928,768	22,858,388	210
E1. Net cash flow for the period	17,818,411	11,513,213	155
E2. Foreign exchange differences	-32,705	-5,421	603
E3. Cash transferred to non-current assets held for sale	0	-1,893,950	0
E4. External acquisition	0	15,456,538	0
F. Closing balance of cash and cash equivalents	65,714,474	47,928,768	137

10.2 Zavarovalnica Triglav

Cash flows from operating activities of EUR 17.0 million was positive and improved compared by 8% over to the previous year. The increase largely reflects higher inflows from reinsurance for claims settled.

Cash flow from investing activities went up by 14% to EUR 61.0 million nominally. Positive cash flow from investing activities primarily resulted from lower net cash outflows for the purchase of investments, in addition to interest income, dividends and profit distributions in other subsidiaries.

Cash flows from financing activities were negative and reached EUR –58.0 million (index 86). Financing expenses were lower mainly because of lower expenses for the repayment of ZT02 treasury bonds.

The **closing balance of cash and cash equivalents** was 226% above the 2015 year-end figure, totalling EUR 27.7 million.

Summary cash flow statement of Zavarovalnica Triglav

	2016	2015	Index
A. Cash flow from operating activities			
Income statement items	12,967,999	16,107,815	81
Changes in net current assets—operating balance sheet items	4,049,554	-363,333	
Total cash flow from operating activities	17,017,553	15,744,482	108
B. Cash flows from investing activities			
Cash inflows from investing activities	1,065,220,751	1,805,247,899	59
Cash outflows from investing activities	-1,004,173,370	-1,751,691,675	57
Total cash flow from investing activities	61,047,381	53,556,224	114
C. Cash flows from financing activities			
Cash inflows from financing activities	0	0	0
Cash outflows from financing activities	-57,961,246	-67,401,961	86
Total cash flow from financing activities	-57,961,246	-67,401,961	86
D. Opening balance of cash and cash equivalents	7,549,958	5,650,669	134
E. Net cash flow for the period	20,103,688	1,898,745	1,059
F. Closing balance of cash and cash equivalents	27,653,646	7,549,958	366

11 Development and Sales Activities

- New technologies are changing the insurer–client relationship, products, services and marketing.
- Non-life claim settlement is being upgraded with digital channels and linked with assistance services.
- Health insurance products were dynamically developed, while bancassurance was strengthened in the insurance subsidiaries of the Triglav Group.
- The integrated marketing and communication campaign aimed at positioning the umbrella brand in the region continued, while developing innovative communication solutions, especially in the youth segment.
- Real property management in the Triglav Group was taken over by a specialised company.
- The single business process register was linked with the risk management system.

11.1 Development activities

The principles of simplicity, transparency and availability to various target groups are at the forefront of product development, reflecting numerous changes, particularly market, economic and regulatory changes. The essential role in product development is played by new technologies, which are changing the insurer–client relationship.

Important regulatory changes in 2016 included in particular:

- preparations for the amendments related to the EU Insurance Distribution Directive (IDD), which regulates the distribution of all sales channels on the insurance market;
- introduction of the requirements of the General Data Protection Regulation (GDPR);
- implementation of the Solvency II Directive requirements.

The increasing role of new technologies in value creation

Smart connected devices not only enable **more accurate market segmentation and a more personal client approach** but also have many benefits for both the insurance undertaking and its clients. A passive relationship is being replaced by a very dynamic and interactive relationship. By entering the field of telematics with the DRAJV mobile application for safer driving, GPS technology, wireless communication with the vehicle, telecommunications and data processing were all combined. With the consent of the client who is a DRAJV application user, the motor vehicle premium policy of the Company was connected with the client's behaviour risk profile, while encouraging them to drive safely.



Promotion of
mobile applications for
the settlement of
mass claims.

Transformed client relationship

The insurer–client relationship is changing. **The insurer is becoming the client's adviser and assistant** which is constantly available to the client, not only in the case of a loss event or an emergency.

- The Company makes every effort to develop such a product range that would enable it to stay with the client throughout their entire life and to start building a mutual relationship in the early period.
- The scope of assistance services is being expanded in connection with all insurance classes (motor vehicle insurance, homeowner's and contents insurance, health insurance) and claim settlement.
- The Company developed the Triglav Vreme mobile application to provide weather information and warnings, the Gorski vodnik application for a safer visit to the mountains and the web portal vsebovredu.triglav.si with a wide range of preventive and advisory content, which are presented in the chapter on sustainable development, [→ Section 12.4.].

Multi-channel approach

Technological possibilities of constant access to information and services (anywhere and any-time) are transforming both the internal and external processes in the insurance companies of the Triglav Group. Like mobile applications, online sale is connected with other technologically supported solutions such as the life and non-life insurance policy monitoring portal and support to cooperation with banks, travel agencies and leasing companies, which represent important alternative sales channels.

In addition to smart connected services, the Company is expanding its **multi-channel client approach** by developing **alternative sales channels** in parallel to personal selling, the most important of which include:

- the internet,
- banks,
- leasing companies and
- travel agencies.

Simplicity as part of the service quality

Quality after-sales services are becoming an increasingly important part of the Company's market presence in all segments. The focus is on building professional partnerships with an aim to simplify the processes and claim settlement.

Orientation towards simplicity also applies to:

- **the sales process**, where automatic issue of accounts for the following insurance period was introduced for some products with long-term coverage. This way, both the acquisition of insurance coverage for the client and the issue of insurance for the sales staff were simplified;
- **settlement of mass claims**, which have been on the rise in recent years (also see [→ Section 12. Sustainable development in the Triglav Group]). In these cases the internal organisation of work is adapted to improve the availability of services, while promoting the use of mobile applications. In the mass loss reporting process, policyholders' property risk and their personal circumstances are taken into consideration. The Company publishes notices and instructions on what to do in such cases. Simple property damage claims can be reported at a toll-free telephone number 080 555 555 and online.¹⁶

Analysing, data management and client information

The **ability to collect and analyse data in real time** is being upgraded as it will become even more important in the future. The Company is aware of the crucial importance of **responsible management of the clients' personal data**, which is why a lot of attention is paid to it in the internal processes (more in [→ Section 12.5 Fair business practice]).

All development activities are compliant with the applicable legal provisions and regulatory frameworks. In the Republic of Slovenia, the Insurance Act (ZZavar-1) prescribes to insurance companies the **information on insurance terms and conditions they are obliged to disclose to policyholders**. This information refers to insurance contracts whose content has to be disclosed to policyholders in full (including general insurance terms and conditions) and to the information to be disclosed to policyholders upon contract conclusion and during

the course of its term, as set out in the ZZavar-1 (see [-> <https://zakonodaja.com/zakon/zzavar-1>]). Similarly, the Pension and Disability Insurance Act in Slovenia regulates supplemental voluntary pension insurance. Information to be sent to policyholders is also stipulated by corresponding laws in Croatia, Macedonia, and Bosnia and Herzegovina (the Federation of Bosnia and Herzegovina and the Republic of Srpska), Montenegro and Serbia.¹⁷

11.1.1 Non-life insurance

By developing new and upgrading the existing non-life insurance products, the Company responded to economic and market conditions and development opportunities in the insurance segments, where its market share is maintained or just created.

Zavarovalnica Triglav

In **property and interest in property insurance**, greater attention than ever before was paid to identification, measurement and management of policyholders' risks, thus further raising the value and scope of the Company's advisory services.

- Insurance terms and conditions were not only revised (travel insurance, travel cancellation, computer insurance and design liability insurance) but also new ones were developed (insurance of non-permanently occupied accommodation in Slovenia, glasses insurance).
- Automatic issue of accounts for the following insurance period was introduced for the DOM (home) insurance product and Vikend tujina (weekend travel) insurance product.
- Apart from that, IT security insurance was offered for the first time.
- The shares of non-standard insurance and insurance tailored to individual policyholders were increased.

In the **motor vehicle insurance segment**:

- The new life insurance product called "Car and legal protection" was designed.
- The DRAJV application was upgraded in terms of content and software.
- Insurance products were adapted to individual leasing companies and large vehicle importers, enabling them to independently take out

insurance and to implement passenger vehicle extended warranty insurance.

- The underwriting applications were upgraded with the "VIN+" service so as to facilitate the input of information about the car and the issue of the insurance policy.
- The tariffs were updated with the aim of increasing price competitiveness and balancing insurance technical results.
- The Sprosti čas (Free Time) campaign was extended and adapted.

With respect to **agricultural insurance**, the commercial bases and underwriting applications were updated in accordance with the Decree on co-financing of insurance premiums for primary agricultural production and fisheries. Dog insurance was promoted in cooperation with veterinary clinics. For a faster issuing of crop insurance policies, the Company linked with the national register of agricultural holdings and upgraded the manner of calculating claims reserves. Insurance terms and conditions for animal insurance were updated.

In the **accident and health insurance segment**, accident insurance for children and young people and travel insurance was comprehensively upgraded. The new product "accident insurance for elderly people" with automatic issue of accounts for the following insurance period was designed. Moreover, insurance terms and conditions for compulsory insurance of passengers in public transport were modified in line with the amendment to the Insurance Act.

The range of **health insurance products** was expanded to include insurance for health resort treatment and rehabilitation after a traffic accident, which was part of the »Sprosti čas« campaign.

In **transport insurance**, changes on the market were followed by revising individual insurance terms and conditions. New insurance products were launched, such as drone insurance.

In **accounts receivable insurance**, much progress was made particularly in domestic and international accounts receivable insurance. Despite new international competition, the Company strengthened its market position, securing the foundations for future business development. The Company entered the insurance markets of Serbia and Macedonia for the first time with such insurance products.

IT security insurance
was offered for
the first time.

Developments in the **credit insurance segment** followed the general lending activity of Slovene banks. In 2016, the confidence in the banking system steadily improved, the downward trend in lending ended but again strengthened towards the end of the year. Greater emphasis was therefore placed on the development of new insurance products and services where the banks play the role of insurance intermediaries.

Non-life claim settlement

Most non-life claim settlement processes were redesigned so that they can be implemented both in a decentralised and centralised manner. This way, the Company will be able to more rapidly adapt to the needs of the clients who wish that individual claim settlement phases would be digitised to the greatest possible extent.

To this end, the following activities relating to non-life claims were implemented:

- *Mobile claim reporting units:* During summer hailstorms, the policyholders in the affected areas could report vehicle damage in our mobile units. This way, the policyholders were able to report a claim easily and quickly near their home.
- *Further digitisation of claims:* The electronic loss file was introduced for transport insurance and extended warranty claims. Electronic claim settlement increases the flexibility of the area, faster processing and cost-effective management of claims. In 2016, as much as 77% of total reported claims were processed electronically.
- *Repairing the damage on buildings with the help of outsourcers (glaziers, painters, tilers, roofers, plumbers, etc.):* By upgrading the claims applications, transparent and simple claim settlement with the Company's outsourcers was enabled. The services will be introduced in 2017.
- *Mobilna Cenilka (mobile capture of information relating to a claim):* This tool allows the appraisers to capture information relating to a claim in the field using a smart phone, a fast transfer of images, access to some digitised claim documents and electronic claim settlement in the field.

- *Centralisation of the settlement of claims from extended warranty insurance for subsidiaries:* In cooperation with the business partner Renault-Nissan, the Company arranged for the settlement of claims from extended warranty for subsidiaries. The approval of repair will be carried out for all subsidiaries in one place, i.e. in the Motor Vehicle Claims Department in the parent company, whereas management and liquidation of claims will take place in individual subsidiaries in the AdInsure application.

Development of IT support is discussed in [[→ Section 11.4.](#)]

The Triglav Group

The **transfer of good practices** relating to products from the parent company to the insurance subsidiaries of the Group and business process unification continued. In parallel, new, innovative products and alternative sales channels continued to be developed.

The development activities were focused on the **health insurance segment** by introducing:

- two new products in Triglav, Zdravstvena zavarovalnica: teeth insurance (Zobje) and Specialists. The teeth insurance product was developed by applying a modular approach and consists of the basic cover (Zobje) and extended cover (Zobje+), thus targeting clients with a variety of needs. The Specialists insurance product was designed in the same way and includes the basic covers for specialist treatment insurance, which was renamed Specialists+;
- specialist treatment insurance and hospital treatment insurance in Triglav Osiguruvanje, Skopje;
- specialist treatment insurance in Triglav Osiguranje, Sarajevo;
- insurance for health resort treatment of traffic injuries in Triglav Osiguranje, Belgrade;
- outpatient insurance (the introduction of additional cover in motor vehicle liability insurance in the form of coverage of participation after being injured in a traffic accident and health resort treatment and rehabilitation after a traffic accident) and supplemental health insurance in Triglav Osiguranje, Zagreb.



Damage to buildings is repaired with the help of outsourcers.

In property and interest in property insurance, a great deal of effort was devoted to revising and **unifying insurance terms and conditions** with the parent company.

In **Triglav Osiguranje, Zagreb**, the agricultural and animal insurance package and non-life insurance package insurance for households were redesigned. The upgraded product for vehicle extended warranty was launched on the Croatian market, followed by the DRAJV application at the end of the year.

In **Triglav Osiguranje, Belgrade**, trade receivables insurance product was launched, insurance terms and conditions for agricultural insurance and non-life insurance products were revised in an innovative manner, and the company was the first to introduce tyre insurance.

In **Triglav Osiguranje, Sarajevo**, the focus was on updating insurance terms and conditions as well as redesigning the homeowner's insurance product and process. Based on the product of the parent company, the redesigned "Karambol plus" comprehensive car insurance was introduced, which covers comprehensive damage in the event of an accident with a known vehicle.

Triglav Osiguranje, Skopje launched home assistance on the Macedonian market and introduced revised non-life insurance packages. The latter was also introduced in Lovčen Osiguranje, Podgorica, which was the first to launch roadside assistance on the Montenegrin market.

11.1.2 Life insurance

The reporting year was marked by the activities connected with further consolidation of life insurance and changes in the supplemental voluntary pension insurance in Slovenia (in early 2016), focusing on the introduction of the lifecycle investment policy. In the subsidiaries of the Triglav Group, products, services and processes were tailored to the specificities of individual markets.

New product:
additional accident
insurance for the elderly

Zavarovalnica Triglav

The Company continued to **consolidate its life insurance product range** so as to provide a more transparent and comprehensible offering.

- The following products were redesigned:
 - **life insurance for incapacity for employment**, where the terms and conditions for

the payment of the sum insured for the incapacity for employment were loosened and the possibility to choose the length of insurance period was introduced, which allows clients to optimise the premium amount. When selecting a short insurance period, the premium is lower;

- **Flex unit-linked life insurance for the elderly**, enabling the inclusion of two additional insurance products: additional accident insurance for the elderly and additional health insurance for travelling abroad with assistance.
- **Additional accident insurance for the elderly** is a new insurance product, which may be added to Fleks unit-linked life insurance for the elderly. The policyholders may choose between the following covers: accidental disability, fractures, dislocations, burns and daily physical therapy benefit.
- The **single-premium unit-linked insurance Fleks** with a single premium payment and the option of additional payments during the insurance term was designed. As a result, the existing single-premium unit-linked insurance product was removed from the offering. The new single-premium unit-linked insurance Fleks is a long-term insurance, whose term does not have to be set in advance. It is intended especially for those who want to invest in funds offered by the Company, while being insured for the event of death. Compared to the previous product, this insurance is more flexible as it provides the option to choose among two investment strategies: independent selection of funds and financial objectives.

The **development of the new ŽKrog2 underwriting application** continued. Its key advantages are the simplified underwriting process and information flow, fewer paper documents, a secure data flow and more rational operations.

The intranet online classroom for life insurance contains new training materials and the Life Insurance Forum for further training and exchange of useful practices and opinions. It allows users to easily communicate with each other and access additional information.

Following the introduction of the lifecycle investment policy, the **i.triglav web office** for corporate users continued to be developed so as to provide easy data exchange between the Company



Skupna pokojninska družba
focused on the introduction of
the lifecycle investment policy
for supplemental voluntary
pension insurance.

and the employers who concluded group supplemental voluntary pension insurance with Zavarovalnica Triglav.

With the aim of retaining the insurance policies, the activities for maintaining the portfolio and reducing the share of clients who decide to modify or terminate their insurance policy were undertaken.

The Triglav Group

When developing products, services and processes in subsidiaries, the existing solutions are adapted to the specificities of each market.

- In Croatia, products were adjusted to reflect the change in the technical interest rate and whole life insurance was redesigned. The latter was also redesigned in Bosnia and Herzegovina.
- In Serbia, the following life insurance products were introduced: group decreasing term life insurance with a decreasing premium for borrowers, group whole life insurance for companies and additional critical illness and injury insurance. Apart from that, the insurance products were redesigned due to the change in the technical interest rate.
- In Macedonia, the preparations for the establishment of a life insurance company in 2017 were underway.
- Development activities of Skupna pokojninska družba focused on the introduction of the lifecycle investment policy for supplemental voluntary pension insurance.

11.2 Sales and marketing activities

The focus was on providing support to all sales channels, boosting client loyalty and developing business processes by introducing digital services and mobile technologies. The business policy was designed on the concept of competitive insurance premiums by upgrading the comparative advantages of the Company with special offers.

11.2.1 Key development activities in the sales network

Zavarovalnica Triglav

Major activities of the internal sales network included:

- optimisation of underwriting applications and introduction of new IT solutions for more efficient operations;
- alignment of the human resource policy with insurance sales needs, sales staff regeneration and intergenerational cooperation;
- sales staff remuneration and stimulation;
- adjustment of the product pricing policy and upgrade of the commercial discount system;
- sales and other specialised training, e-courses.

Activities connected to **contracted points of sale** primarily focused on:

- deepening cooperation with the existing business partners,
- increasing the number of outsourced partners,
- new motivational measures,
- developing new customised IT support.

The Triglav Group

The markets of Zavarovalnica Triglav's subsidiaries are characterised by low insurance density and penetration, especially in the life and voluntary non-life insurance segments. To this end, own sales network, where most insurance is sold, continued to be developed and its productivity increased. The subsidiaries have different sales staff training models in their network. Most common was training of own staff, even though some subsidiaries also took over competitive sales teams. In most subsidiaries, the rules on the upgrading of own sales network were revised. Furthermore, new methods of professional testing were introduced and more attention was paid to the selection of sales staff.

In order to increase cross-selling and productivity, it is necessary to constantly acquire professional, organisational and motivational skills. Therefore, the training model for own sales network was revised. IT support for staff training was introduced in the Croatian subsidiary.

11.2.2 Marketing activities

In addition to providing simple, comprehensible and effective products and services, the Company aims to find new marketing opportunities by forming partnerships but most of all to identify fresh, innovative approaches. The key element

of a client-oriented approach is connecting new technological solutions and trends with the Company's conventional sales channels.

All the activities, developments on the insurance market and consumer needs were promptly monitored and analysed.

- After three successful "Vinjeta" (Vignette) sales campaigns carried out in cooperation with Mercator, the fourth was undertaken in cooperation with Petrol at the end of 2016. The new benefits included free fuel for the clients who took out motor vehicle insurance with Zavarovalnica Triglav and bought a vignette at Petrol.
- The sales promotion campaign "Sprosti čas" (Free Time), which was repeated in 2016, offered additional covers when concluding motor vehicle insurance (favourable baggage insurance, cyclist liability insurance and assistance, rehabilitation after a traffic accident) and more favourable annual travel insurance when taking out at least one of the insurance products, which were part of the special offer.
- The upgraded DRAJV application for safer driving was very well received by the users. The number of its users and the clients taking out motor vehicle insurance with the DRAJV discount increased. The DRAJV application was brought even closer to the Slovene users through challenges and prize contests.
- The redesigned accident insurance for children and young people contributed to good sales results and a higher share of online sales achieved with the traditional marketing campaign. Online conclusion of insurance was simplified through pre-completed information. Students and their parents were encouraged to take out insurance online by using a promotional code, which they received by using the DRAJV application.
- Using the new campaign management tool (CRM), a part of the direct marketing campaign promoting additional payments in supplemental voluntary pension insurance via e-mail was successfully completed.
- The "Triglav komplet" bonus programme remained very well accepted among the policyholders, which is why the rules for its design were partly revised and updated.

Online operations

Online operations gained in importance and the trust of the market. Online insurance underwriting and user experience were improved by analysing consumer behaviour, improving the underwriting process and enhancing user experience.

Online sale of non-life insurance products:

- renewals and taking out new motor vehicle insurance policies, ordering green cards and car insurance quotes;
- travel insurance and health insurance while travelling abroad;
- accident insurance for children and young people,
- bicycle and cyclist insurance,
- insurance for sports activities,
- insurance for hikers and mountaineers,
- payment card abuse insurance and
- dog insurance.

Online sale of life insurance products:

- unit-linked insurance i.fleks,
- whole life insurance and
- supplemental voluntary pension insurance.

The Triglav Group

In **motor liability insurance**, which remained the most common insurance class because it is obligatory, all subsidiaries recorded premium growth and a rise in the number of concluded insurance policies. In Croatia, growth was achieved despite market liberalisation and lower premiums.

The sale of **health insurance** gained in importance for own sales network. Health insurance was introduced in Triglav Osiguruvanje, Skopje, Triglav Osiguranje, Belgrade, Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Zagreb.

The largest subsidiaries, Triglav Osiguranje, Zagreb and Triglav Osiguranje, Belgrade, increased the share of **sales through own sales network**, while the other subsidiaries maintained it at the 2015 level. In Croatia and Serbia, sale to corporate clients through insurance brokers increased by greatly strengthening cooperation with them.

Online insurance underwriting and user experience are improved by analysing consumer behaviour, improving the underwriting process and enhancing user experience.



An international
integrated campaign was
undertaken in the markets of
the Triglav Group.

In the portfolio of subsidiaries, **alternative sales channels** are becoming more important, particularly bancassurance, whose volume is the highest in Triglav Osiguranje, Sarajevo.

Innovative home equipment breakdown insurance and motor vehicle insurance products were introduced in Triglav Osiguranje, Belgrade and Triglav Osiguranje, Zagreb.

11.2.3 Brand management and marketing communications

Carefully monitoring consumer behaviour and market conditions is key not only to maintaining a positive brand image and company reputation but also to building a long-term relationship with the policyholders. The situation on the Slovene and regional markets requires a more flexible, affordable and synergistic approach.

Brand redesign efforts and implementation of the Triglav brand identity within the entire Triglav Group continued at corporate and product levels using integrated management. At the level of architecture, the new corporate and product brand *Triglav zdravje* (Triglav health) was introduced, which replaced the previous name and branding of Triglav, Zdravstvena zavarovalnica. The *Vse bo v redu* (Everything Will Be Alright) brand of the online advisory service and the *Mladi upi* (Young Hopes) brand were registered, in addition to launching the redesign of the *Triglav nepremičnine* brand.

Zavarovalnica Triglav adhered to the Slovenian Code of Advertising Practice. The Market Inspectorate received one consumer complaint against Zavarovalnica Triglav. No irregularities were identified in the review. In 2016, no proceedings for infringements related to marketing communications were initiated against Zavarovalnica Triglav's subsidiaries.¹⁸

The strategic orientation of marketing communications was confirmed by international and domestic awards. Zavarovalnica Triglav received several domestic and international awards, such as Excellence in Marketing, Websi, Arc Award, sempl, the Slovene Advertising Festival (SOF) Awards from the Finance newspaper and Trusted Brand (more information in [→ Section 12.1]).

Product campaigns

The focus of marketing communications were **product campaigns** supporting insurance sale and cooperation with other renowned companies and brands, as further presented in [→ Section 11.2.2 Marketing activities]:

- The third Vinjeta (Vignette) sales campaign was organised for in cooperation with Mercator and the fourth with Petrol.
- The sales promotion of motor vehicle insurance within the framework of the Sprosti čas (Free Time) (including travel insurance, bicycle insurance and baggage insurance) was upgraded with telematics, the DRAJV application and DRAJV challenges. The users received various benefits by directly measuring the safety of their driving, which positively affects both the driving behaviour and the loss ratio.
- The partnership in the Planica Nordic Centre project was upgraded with the joint campaign with Gorenjska banka. In addition to corporate communications, life insurance in connection with housing loans was advertised.
- In cooperation with Abanka, the joint target group was offered complementary products, supported with an advertising campaign promoting home insurance sale and housing loans.

Marketing communication of individual insurance products was adapted to the behaviour of target groups, especially with respect to travel insurance, agricultural insurance, insurance for motorcyclists and insurance for sports activities.

An innovative approach was taken in the campaign promoting accident insurance for children and youth, where the new *PAZI TO!* (Watch This!) brand was introduced. Its aim is to educate and connect with the new generations. The topics relevant to young people were presented through content marketing in the form of webisodes (online videos). For the first time, young people were addressed via Snapchat, as it gained popularity among the Slovene users in 2016.



Total real property
owned by the Company
grew primarily due to
investments in
real properties within
the Group.

Corporate campaigns, comprehensive and innovative solutions

In early 2016, strategic guidelines were pursued via an integrated international corporate campaign, which was used to position Zavarovalnica Triglav as a trusted regional insurer in the markets of Serbia, Croatia and Bosnia and Herzegovina, as well as to boost brand reputation in Slovenia, Montenegro and Macedonia. Apart from that, corporate communication in Slovenia was built through the partnership in the Planica Nordic Centre, with Zavarovalnica Triglav as one of the five partners. In addition to the conventional forms of branding, "Doživljajske tematske poti" (Adventurous Theme Trails) were designed according to the content marketing principles and a new branch office tailored to young people was opened, where the activities in the context of the new brand *PAZI TO!* will take place.

Corporate identity is also built through the **Mladi upi Zavarovalnice Triglav (Young Hopes of Zavarovalnica Triglav)** project for talented young artists, athletes and future scientists, presented in [→ Section 12.7.2.].

Through innovative solutions in marketing communication, a positive relationship is built with both the existing and potential clients. To this end, the Company:

- organised a visit to the Vitranc Cup skiing event (Vitranc in the Sky);
- enabled several thousand virtual ski jumps on the great Planica ski jumping hill (using the Oculus virtual reality headset) and live broadcast of ski jumps on City Light and LCD monitors in shopping centres.

A comprehensive approach to marketing communication and branding in 2016 included:

- strategic events (World Ski Jump Championship in Planica and the Biathlon World Cup in Pokljuka, car fairs in Belgrade and Podgorica, Beach Volleyball Tournament Slovenia 2016);
- own events (the Triglav Run charity event promoting an active lifestyle, Zavarovalnica Triglav New Year's concert, at which Young Hopes are presented).

Verification of effectiveness and market research

With the introduction of key performance indicators (KPIs) and the first media audit conducted in 2015, Zavarovalnica Triglav was one of the first in the Slovene market to start strategic planning of media buying. The recommendations (particularly those relating to processes) and measures prepared in the context of the first audit were implemented by the end of 2016, whereas the audit itself was not repeated due to its extensiveness.

The impact of the undertaken activities on brand reputation, efficiency and effectiveness of advertising campaigns was also examined in 2016. Zavarovalnica Triglav is still among the top brands in Slovenia. The analyses of the market, consumer habits and reputation, which are regularly performed, are the basis for planning marketing communication. Familiarity with the "Triglav komplet" discount scheme and its benefits was specifically checked. In terms of comprehension, advertising likeability and buying intentions, the Company is still most often ranked 1st among insurers and its messages recorded a good comprehension rate.

The Company participated in an extensive survey on the attitude towards and the need for health insurance in Slovenia and on regional markets. On this basis, a new umbrella and product brand Triglav zdravje (Triglav Health) was created.

Participation in the multi-client and multi-purpose research All insurance provides an insight into the position of end consumers. Its results were used in the design of the new business strategy, particularly in building client relationships.

11.2.4 Investments in real property and equipment

The Triglav Group invested EUR 6.1 million in property, plant and equipment, EUR 19.0 million in investment property and EUR 8.2 million in intangible assets. Investments in intangible fixed assets include investments in software and property rights.

Zavarovalnica Triglav invested EUR 3.1 million in property, plant and equipment, whilst investment property amounted to EUR 270 thousand. Investments in intangible fixed assets (software and property rights) totalled EUR 6.0 million.

Total real property owned by the Company **grew** primarily due to investments in real properties within the Group. The value of new purchases was relatively low. Investment property was renovated most often in order to make the best use of existing capacity and ensure compliance with state-of-the-art technological requirements. The largest such project was ownership consolidation and renovation of almost 9,000 square meters of real property on Dunajska 20 in Ljubljana, which was upgraded from E energy efficiency class to B energy efficiency class after the renovation. The abandoned, non-functional building was transformed into a modern business and commercial centre, while maintaining the quality architectural elements of the building. Few major projects and small-scale retrofitting of regional units are planned so as to lower energy and utility costs.

The Company took advantage of the positive developments on the real property market to **improve the investment property portfolio**, which will continue in the future. Thus, non-strategic investment properties of lower value were sold for EUR 2.9 million, because they did not meet the expected profitability. In early 2016, Triglav Upravljanje nepremičnin completed the sale of a large land plot to IKEA in the amount of EUR 13.3 million, which was related to the previous land development. Similar projects are planned in the future strategic period.

Real property management of Zavarovalnica Triglav (maintenance and marketing) was streamlined by transferring them to the Group's **subsidiary Triglav, Upravljanje nepremičnin, specialising in real property**.

The investment property portfolio was also improved within the Group. In 2016, the specialised subsidiary Triglav, Upravljanje nepremičnin acquired the subsidiaries in Croatia and Montenegro, to which the investment properties in these two markets were transferred. Both companies were pre-owned by Triglav Osiguranje, Zagreb and Lovćen Osiguranje, Podgorica respectively. Good performance results will be further increased by making prudent investments in real property, including purchasing and selling, and by improving the structure of the real property portfolio intended for investment and own activity.

In addition, these measures were designed to improve the use of own real property as well as to **reduce leasing of real properties** not owned by the Group, rental and utility costs. The relocation

of employees to own real property will be completed in 2017.

Essential major investments and adaptations of business premises followed energy efficiency principles and those for improving workplace equipment to ensure health and safety at work. Major investments completed in 2016 included the installation of a video surveillance system in regional units and the headquarters as well as the purchase of a central video surveillance system. The interconnected system will be fully operational in 2017.

Major maintenance will be continued so as to provide for a safe work environment for employees and clients alike and ensure fire safety (energy-saving devices), which is presented in [[→ Section 12.9 Responsible Attitude to the Natural Environment \(Care for the Environment in Work Processes\)](#)].

11.3 Organisation of the Triglav Group

The operations continued to be streamlined, while focusing on the implementation of processes. Adaptation of the organisational structure and post classification were carried out by ensuring smooth process management and reducing operational risk.

Processes were improved and redesigned in line with the strategy and strategic objectives, with the aim of not only streamlining and unifying the operations but also making them more cost-effective. Harmonisation of IT technology, the organisational structure and post classification was performed in accordance with the criteria for establishing the organisational structure of Zavarovalnica Triglav and the classification of top and senior management positions.

The **performance of key functions** in the Company was harmonised with the requirements of the Solvency II Directive and the Insurance Act (ZZavar-2) (the risk management function, the compliance function, the actuarial function and the internal audit function). During the preparations for the implementation of the Directive, individual processes and documents were modelled and revised in cooperation with process owners.

Within the already established business process management system, the **process architecture of the Company** was defined in three levels: main, business and operational. Processes were classified by significance (key, important and

others) and type (management, insurance and support). The single business process register was upgraded accordingly and linked to the risk management system, which was transferred to all insurance subsidiaries of the Group.

In 2016, the regular annual self-assessment **under the European EFQM excellence model** was performed. The total score improved compared to the previous self-assessment. According to the score, the Triglav Group is an organisation with well-managed processes, which monitors and achieves good results in terms of business performance, clients, employees and the company as a whole. The identified advantages and opportunities were reasonably and systematically incorporated into the new strategy.

11.4 IT support development

The focus was on the development of new user functionality and the maintenance of key information systems providing support to non-life and life insurance. The key activities of IT system services were devoted to ensuring high availability and reliability of the systems and to upgrading the system solutions aimed at improving responsiveness, capacity and security.

In parallel, the Company redesigned the investment management support system, upgraded the accounting support system, set up the data warehouse, developed the software application for business decision-making, designed client relationship management functionality and upgraded e-business.

The information system of Zavarovalnica Triglav continued to be adjusted to the legal and regulatory requirements (fiscal cash registers, money laundering and terrorist financing prevention, establishment of the system for submitting the information on motor vehicle claims for the Slovenian Insurance Association, active reinsurance).

The upgrading of the information system providing support to **non-life insurance** included:

- support for the conclusion of insurance products of Triglav, Zdravstvena zavarovalnica;
- upgrade of the client loyalty programme support system;
- changes to the support for the conclusion of motor vehicle insurance and automatic insurance renewal.

In the **life insurance** segment:

- support for supplemental voluntary pension insurance was redesigned (the lifecycle investment policy, various forms of annuities);
- the “Life Circle 2” IT solution started to be introduced so as to provide comprehensive support to insurance conclusion and sales channels.

The documentation of the business continuity system continued to be upgraded. A uniform version of the application for the execution of the insurance process (AdInsure INT) was introduced in all subsidiaries of the **Triglav Group**. Apart from that, the insurance fraud prevention tool was introduced in Triglav Osiguranje, Zagreb.

Plans for 2017

Zavarovalnica Triglav:

- introduction of the “Life Circle 2” information system in Zavarovalnica Triglav’s business partners selling life insurance products;
- completion of the data warehouse and introduction of the client relationship management system (CRM);
- automation of the underwriting process;
- development of a new mobile application for non-life and life insurance.

The Triglav Group:

- upgrade of user options in the application for the underwriting process support (AdInsure), which will be adapted to the needs of insurance subsidiaries and the sale of additional products from the portfolio of Triglav, Zdravstvena zavarovalnica;
- establishment of a support environment for the life insurer in Macedonia;
- establishment of an electronic life insurance archive for insurance subsidiaries in the Group;
- introduction of the insurance fraud prevention tool in the insurance subsidiaries of the Group;
- introduction of an information solution for asset and liability management (ALM) for subsidiaries;
- IT infrastructure centralisation and redesign of the management system.

12 Sustainable Development in the Triglav Group

- The strategic indicators to measure the efficiency in the implementation of the key aspects of sustainable operations were included in the business strategy.
- The Company reports comprehensively under the new GRI GS standard for the first time.
- Organisational climate measurement: all indicators of Zavarovalnica Triglav improved, opportunities for improvements were identified.
- Minimum compliance standards for Triglav Group members were adopted.
- As much as 40% of the parent company's investments into prevention were directed towards improving fire safety.
- Your Speed project: In cooperation with partners, this project was launched with the aim of increasing road safety in the vicinity of schools and kindergartens.
- Young Hopes 2016: The project was upgraded so as to provide long-term assistance and guidance to young talents in achieving top results.



12.1 Implementation of strategic guidelines and sustainable development goals of the Triglav Group and Zavarovalnica Triglav

In the process of formulating a new strategy for the 2017–2020 period, which took place throughout 2016, an important step was taken in understanding and future implementation of comprehensive and sustainable development of the Triglav Group.

In understanding responsibility, the renewed fundamental value of the Triglav, focus was on corporate social responsibility. In the revised strategy, an integrated CSR management framework was established, identifying CSR as the foundation of sustainable development and integrating it into the business strategy planning

and implementation. For the first time ever, in 2017 two measurable strategic indicators will be implemented, reflecting the progress made in the implementation of the relevant indicators and key aspects of sustainable development of the Triglav Group.

Key sustainable development aspects and indicators identified thus far were re-examined in 2016, as elaborated in continuation.

Reporting parameters¹⁹

The annual report refers to an individual business and calendar year. It is prepared by the relevant departments of Zavarovalnica Triglav.²⁰ The **International Financial Reporting Standards (IFRS)**, the insurance regulation **Solvency II** and the international sustainability reporting guidelines drafted by the **Global Reporting Initiative (GRI)** are adhered to by the Company. By incorporating the economic, social and environmental

¹⁹ GRI GS 102-46

²⁰ GRI GS 102-50, 102-52

impacts of the Company's operations into different sections, reporting aimed at producing an integrated report is being developed. Reporting on these impacts can be seen from the interactive references and the GRI table of contents.

In 2016, the latest GRI guidelines — Global Standards (GS) were followed, taking into consideration specific guidelines for the financial sector. In order to apply the new standard, the interests of stakeholders and the current scope of sustainability reporting were reviewed. The range of topics and disclosures pursuant to the GRI GS is summarised in the table below, while the GRI content indexes are presented at the end of the Annual Report.

Data are collected by the relevant departments of the parent company Zavarovalnica Triglav, which is in charge of reporting on sustainable operations. In the report, the disclosures pursuant to the GRI standard mainly pertain to the parent company, however they are being gradually introduced also to subsidiaries. A decision

about a comprehensive external verification of sustainable reporting has not yet been made.

Data on the calculation methodology for individual indicators are given in the text and the notes. There were no changes of data provided in previous reports, which would have affected the state of affairs due to new findings or deviations. Individual small changes are explained in the notes.²¹

Statement on Non-Financial Reporting

By reporting in line with the GRI GS standard, the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2016 is in compliance with the requirements of the European Directive regarding disclosure of non-financial and diversity information by certain large undertakings and groups, which was adopted in 2015. The Directive will be transposed into Slovene legislation in 2017.

Major sustainable development aspects of the Triglav Group and Zavarovalnica Triglav:²²

Economic impact

- Economic performance
- Market presence
- Indirect economic impact
- Procurement practice
- Protection of competition
- Anti-corruption behaviour

Environment

- Energy
- Wastewater and waste
- Checking the environmental performance of suppliers

Social aspects

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> ■ Employment ■ Relationships among employees and management ■ Safety and health at work ■ Education and training ■ Diversity and equal opportunities ■ Work practice complaint procedures | <ul style="list-style-type: none"> ■ Investments ■ Local communities ■ Non-discrimination ■ Human rights complaint procedures ■ Checking the suppliers in terms of human rights | <ul style="list-style-type: none"> ■ Marketing and labelling ■ Product and service portfolio ■ User privacy ■ Social-economic compliance |
|--|--|--|

²¹ GRI GS 102-48, 102-49

²² GRI GS 102-47



Key corporate social responsibility guidelines and objectives in 2016

Objectives and activity results in 2016

Objectives in 2016	Status	Results in 2016
<ul style="list-style-type: none"> ■ To maintain a high credit rating. 	✓	<ul style="list-style-type: none"> ■ Credit rating of Zavarovalnica Triglav was upgraded from “A–” to “A” by both credit rating agencies.
<ul style="list-style-type: none"> ■ To strictly comply with the notification rules for the members of the Prime Market of the Ljubljana Stock Exchange. 	✓	<ul style="list-style-type: none"> ■ The Company complied with the all additional disclosure standards of the Prime Market of the Ljubljana Stock Exchange.
<ul style="list-style-type: none"> ■ To participate in at least 6 investment conferences. 	✓	<ul style="list-style-type: none"> ■ The Company participated in eight investment conferences in Slovenia and abroad and organised one gathering with analysts.
<ul style="list-style-type: none"> ■ To retain a high level of fair business, also by organising specialised training courses. 	✓	<ul style="list-style-type: none"> ■ The Company held training courses on corruption, conflicts of interest, management of violations of the Code of the Triglav Group and internal fraud at the Conference on compliance of the Triglav Group’s operations. The Code of the Triglav Group is also included in the training for new employees. In internal communication channels, several articles were published on conflict of interest management and one article on responsibility to business partners and shareholders.
<ul style="list-style-type: none"> ■ To adopt more detailed rules on corruption and internal fraud risk management. 	✓	<ul style="list-style-type: none"> ■ The Company adopted the revised Rules on the management of internal fraud and violations of the Code of the Triglav Group and prepared a draft Anti-Corruption Policy.
<ul style="list-style-type: none"> ■ To increase the efficiency of identifying fraud with own system application and to increase the number of resolved cases by at least 10% compared to 2015. 	✓	<ul style="list-style-type: none"> ■ The number of cases of suspected fraud increased by 35% in comparison to 2015. The number of confirmed suspicions of fraud identified with own automatic system of indicators was up by 158%.
<ul style="list-style-type: none"> ■ To continue to actively participate in professional and sectoral associations and organisations, which promote ethical and transparent business. 	✓	<ul style="list-style-type: none"> ■ The Company was active in the EICE (European Institute of Compliance and Ethics) and the AmCham Corporate Ethics and Transparency Committee and in the working bodies of the Slovenian Insurance Association.
<ul style="list-style-type: none"> ■ To train and raise awareness of employees about health in the framework of the Triglav.smo project. 	✓	<ul style="list-style-type: none"> ■ Training and health promotion continued in the framework of the <i>Triglav.smo</i> project. The revised Rules of Procedure of DPP were adopted and implemented and a new DPP application was introduced (enforcement of measures by electronic means). The Company started to conduct regular annual analyses of health risks and report analyses of medical exam providers. The measures were prepared on this empirical basis – focused activities for individual employee groups.
<ul style="list-style-type: none"> ■ To raise the functional and digital literacy of employees. 	✓	<ul style="list-style-type: none"> ■ The workshops on the correct way of writing continued and training courses aimed at increasing the digital literacy of employees were held, e.g. workshops on how to use modern online technologies (4), a workshop on LinkedIn (2 groups) and various computer courses.
<ul style="list-style-type: none"> ■ To hold new online training courses so as to facilitate access to knowledge. 	✓	<ul style="list-style-type: none"> ■ New online training courses for various target groups were organised: information security and protection of business secrets, protection of personal data (for all employees) and new online material on life insurance and sale (three documents).
<ul style="list-style-type: none"> ■ To actively manage the psychosocial risks among employees, mainly to prevent them. 	✓	<ul style="list-style-type: none"> ■ The psychosocial risks among employees are managed actively, mainly to prevent them. A survey on employee well-being was conducted in December 2016, the problem of stress was presented to the managerial staff and the new OPSA tool for psychosocial risk identification and assessment was introduced.



<ul style="list-style-type: none"> ■ To conduct studies on intergenerational cooperation. To continue interviewing older employees and organise regular training on intergenerational cooperation. 	✓	<ul style="list-style-type: none"> ■ The strategic challenges of the survey included strengthening the role and importance of senior employees in the Company, ensuring the working conditions that will increase their work performance, raising awareness about the importance of skills for intergenerational cooperation in employee management, ensuring the transfer of know-how between different generations, particularly when efficient insurance agents retire, and prevention of negative consequences of cognitive retirement. Interviews were conducted with senior employees from some organisational units and training in intergenerational cooperation was held for managers.
<ul style="list-style-type: none"> ■ To continue implementing the measures based on the Rules on protection of dignity at work. 	✓	<ul style="list-style-type: none"> ■ Psychosocial support is available to the employees. A procedure for resolving employee issues and ensuring the protection of employees was established, any identified conflicts are resolved immediately and with due care with the participation of relevant experts and managers. ■ When improper conduct or conflicts were identified, immediate action was taken so as to prevent them from escalating into misconduct or mobbing. The results of organisational vitality measurement were discussed with the leaders who received a poor score. Moreover, measures for improvement were determined.
<ul style="list-style-type: none"> ■ To continue with the integration of insurance literacy into the content of the “Vse bo v redu” online advisory service. 	✓	<ul style="list-style-type: none"> ■ In 2016, the Company continued to publish articles on insurance literacy. The section “Fine Print” in particular is devoted to insurance literacy as it explains some of the basic insurance concepts and principles. It has been well accepted by the readers, because 24% more time was spent on reading these articles than the average time of the entire <i>Vse bo v redu</i> portal.
<ul style="list-style-type: none"> ■ To launch at least one measure increasing the accessibility of insurance services. 	✓	<ul style="list-style-type: none"> ■ In 2016, unhindered access for persons with physical disabilities was arranged in front of the business complex on Dunajska cesta 20–22 and the Ljubljana Exhibition and Convention Centre.
<ul style="list-style-type: none"> ■ To carry out at least 3 preventive actions for the children at every regional unit: Watch Out Doggy mascot in the framework of the Children of Triglav – Safe on Roads project. 	✓	<ul style="list-style-type: none"> ■ In the first days of the new school year, <i>Kuža Pazi</i> (Watch Out Doggy) accompanied children on their way to school in over 60 schools across Slovenia. In the context of the “Together Calming the Traffic” campaign, the children from the Trje Elementary School were educated in responsible traffic behaviour by Watch Out Doggy and Rok Marguč, ambassador of the event, snowboarder and police officer.
<ul style="list-style-type: none"> ■ To equip at least 24 new critical locations with active signals to improve road safety. 	✓	<ul style="list-style-type: none"> ■ In 2016, the Company co-financed the installation of 20 Your Speed signs, mainly intended to calm the traffic in the vicinity of schools and kindergartens, and equipped four dangerous road sections with COPS@road active warning systems.
<ul style="list-style-type: none"> ■ To include at least 10% of employees in volunteer work and activities. 	✗	<ul style="list-style-type: none"> ■ 7% of employees participated in volunteer campaigns of Zavarovalnica Triglav.
<ul style="list-style-type: none"> ■ To take at least 3000 children to the ski jumping event in Planica, including at least 100 children with special needs. To promote a responsible attitude towards the environment. 	✓	<ul style="list-style-type: none"> ■ More than 3500 children were taken to the ski jumping event in Planica. Visitors were encouraged to use public transport and to commit to responsible waste disposal.
<ul style="list-style-type: none"> ■ To organise the Triglav Run with at least 1500 active participants and implement at least of one measure to reduce the environmental impact of the event. 	✓	<ul style="list-style-type: none"> ■ The participants, i.e. more than 2000 runners of all generations, were encouraged to properly separate waste and were served locally produced food.



<ul style="list-style-type: none"> ■ To participate in the renovation of at least two playgrounds. 	✓	<ul style="list-style-type: none"> ■ As part of the “Children of Triglav” campaign, the Company co-financed the playground in Dolnje Ležehče in the Municipality of Divača and renovated the playground by the elementary school in Kranj.
<ul style="list-style-type: none"> ■ To promote preventive behaviour through the content of the “Vse bo v redu” online advisory service. 	✓	<ul style="list-style-type: none"> ■ Along with regular publications on the “Vse bo v redu” website, the following two in-depth stories were published in 2016: “Ready for Floods?” and “Earthquakes Always Rattle”. The goal was to present convincing personal stories that touch the hearts of readers, substantiated with explanations of experts to the extent that the readers will be encouraged to carefully think about their safety in similar situations, in addition to taking appropriate prevention measures. Apart from the attractive content, useful information on suitable insurance products was provided.
<ul style="list-style-type: none"> ■ To raise awareness of employees about proper waste separation and reducing the quantity of waste. 	✓	<ul style="list-style-type: none"> ■ In the context of the employee campaign for the rational use of natural resources, the internal media were used to carry out the awareness-raising campaign “Hit the Right Bin”, promoting proper waste separation. To this end, new recycling bin sets were introduced, clearly showing the right way of separating waste. Special bins for magazines, newspapers and catalogues, which are donated to charity, were installed in regional units’ head offices. Personal cups for employees were introduced so as to replace the plastic cups for hot beverages in coffee vending machines. The use of glass pitchers for water at meetings continued, replacing plastic water bottles.
<ul style="list-style-type: none"> ■ To encourage employees to actively spend their free time in nature, including a publication of at least 20 suggestions for family trips to the mountains and hills. 	✓	<ul style="list-style-type: none"> ■ On the www.ocistimogore.si website, 22 ideas for family trips were published, while geo-catching for children encourages families to visit further six peaks.
<ul style="list-style-type: none"> ■ To renovate at least one playground near the mountain hut. 	✓	<ul style="list-style-type: none"> ■ In the framework of the “Let’s Clean the Mountains” drive, the Company co-financed the installation of two playgrounds in the mountains – near the Košenjak Mountain Hut and on Hleviška Mountain.
<ul style="list-style-type: none"> ■ To strengthen relations with social network users. 	✓	<ul style="list-style-type: none"> ■ The number of followers increased on all social networks, on Zavarovalnica Triglav’s Facebook page by as much as 24%. The Facebook profiles of Zavarovalnica Triglav, <i>Vozim se</i> (I’m Driving) and <i>Očistimo gore</i> (Let’s Clean the Mountains) have more than 71 thousand followers.
<ul style="list-style-type: none"> ■ To develop a free mobile application for planning hiking trips and safe mountain paths. 	✓	<ul style="list-style-type: none"> ■ The free mobile application <i>Gorski vodnik</i> (Mountain Guide) enables safe planning of over 1,900 mountain trails and provides many tips and functions for safe hiking in the mountains.
<ul style="list-style-type: none"> ■ To raise awareness of employees about more efficient energy use. 	✓	<ul style="list-style-type: none"> ■ In the context of the internal campaign on the rational use of natural resources, numerous articles with advice on the rational use of energy were published for the employees and the measures taken by the Company to that effect were promoted. The employees were informed of this issue also with posters and other means of communication.
<ul style="list-style-type: none"> ■ To set up central document printing in Zavarovalnica Triglav. 	✓	<ul style="list-style-type: none"> ■ Set up of the central document printing in Zavarovalnica Triglav was successfully completed.
<ul style="list-style-type: none"> ■ To calculate the carbon footprint of at least four headquarters of the Triglav Group subsidiaries. 	✓	<ul style="list-style-type: none"> ■ The calculation was made for Zavarovalnica Triglav and four subsidiaries.
<ul style="list-style-type: none"> ■ To purchase company vehicles with low CO₂ emissions. 	✓	<ul style="list-style-type: none"> ■ The majority of purchased vehicles have low carbon dioxide emissions (17 of 19).
<ul style="list-style-type: none"> ■ To purchase at least one company electric car. 	✓	<ul style="list-style-type: none"> ■ Two electric vehicles for the transport around the city were added to the vehicle fleet.



At the 15th investment conference in Belgrade, Zavarovalnica Triglav received the Gold Plaque for Best Investor Relations in the Adria region of the Belgrade Stock Exchange.

Awards and prizes

In 2016, the Company received the following awards and prizes:

- **Trusted Brand 2016:** For the tenth consecutive year, Zavarovalnica Triglav was at the top of the list of the most trusted insurance companies in Slovenia.
- **TOP 10 Training and Education Management:** For the eighth time in a row, Zavarovalnica Triglav gained the TOP 10 Educational Management Award, for companies that invest the most in knowledge, education and training of their employees and that do so using a systemic approach, conferred by Planet GV in cooperation with the Institute of Educational Management SOFOS.
- **Award of the Belgrade Stock Exchange:** At the 15th investment conference in Belgrade, Zavarovalnica Triglav received the first award of the Belgrade Stock Exchange for best investor relations in the Adria region.
- **European Excellence Awards:** A finalist for the feature article "Earthquakes Always Rattle" in the Microsite category. The awards are given by the Communication Director magazine.
- **Arc Awards:** Bronze award for the digital edition of the 2015 Annual Report at the largest independent competition in annual report communication quality.
- **Best Annual Report awarded by Finance Magazine:** Three awards in the Financial Institutions category: The main award for the Annual Report of the Triglav Group and Zavarovalnica Triglav for 2015, the award for sustainability reporting and a special award for innovation. Zavarovalnica Triglav ranked 2nd among all participating companies.
- **FEIEA Grand Prix 2016:** Four internal communication awards of the European Association for Internal Communication (FEIEA): 1st place in the Best Front Cover category (Obzornik), 2nd place in the Best Cartoon/Illustration/Graphic Image category (Obzornik International), 2nd place in the Best Multi-Language Publication – Internal category (Obzornik International) and 3rd place in the Best Internal Communication Strategy category.
- **Digital Communication Awards:** A finalist for the "Vse bo v redu" ("Everything will be alright") web portal in the Web Portal category.
- **POMP Forum 2016:** Big POMP 2016 Award for the Content Marketing Project of the Year, the award for internal communication in the Best Internal Communication category and the award for the "Vse bo v redu"

("Everything will be alright") web portal in the Best Digital Media category.

- **Sempl:** The Golden Sempler Award in the category "Best Use of Mobile Environment" for the DRAJV mobile application, at the 18th Conference of Media Trends – SEMPL.
- **Websi 2016:** 1st place in the Mobile Applications category for the DRAJV mobile application, which became the overall web champion 2016, 1st place in the Best Editorial category for the Triglav Vreme application and 1st place in the Special Digital Projects category for an in-depth story "Ready for Floods".
- **SOF:** The Gold Award in the Branded Content category, the Silver Award for innovative solutions and the Grand Prix in digital communications for the Planica 2015 Virtual Ski Flying (in cooperation with Pristop and ArtRebel9).
- **SKOJ:** The Prizma Award in the "Use of Communication Skills, Tools and Media" category by the Public Relations Society of Slovenia.
- **Slovene Grand Security Award:** In the framework of the 2015 Slovene Grand Security Award event, Zavarovalnica Triglav received the award for the safest company, presented by the Institute for Corporate Security Studies.
- **Marketing excellence of the year:** A finalist in the category "Large companies, the majority of business in B2C".

Commitments to external initiatives²³

Zavarovalnica Triglav voluntarily participates in initiatives that foster business practices that are ethically, environmentally, socially and economically sustainable in the long term. The Company complies with the Insurance Code of the Slovenian Insurance Association that lays down the basic standards of professional business practice. Zavarovalnica Triglav also applies the recommendations of the Slovene Consumers' Association for improving financial literacy.

Moreover, the Company actively cooperates with the EICE (European Institute of Compliance and Ethics) and the AmCham Corporate Ethics and Transparency Committee. As one of the first Slovene signatories of the Declaration on fair business practices, Zavarovalnica Triglav committed to raising the awareness regarding the significance of fair business practices at the national level (influence on competitiveness and social welfare) and the implementation of the compliance programs modelled after international practices and standards of fair practice (more in [→ Section 12.5 Fair Business Practices]).

Membership in associations²⁴

Zavarovalnica Triglav actively participates in several insurance industry-related and other associations, including the Slovenian Insurance Association, the Chamber of Commerce and Industry of Slovenia, the Association of Employees' Councils of Slovenian Companies, the Supervisors Association of Slovenia, the American Chamber of Commerce of Slovenia, the Ethos anti-corruption working group operating within the UNGC Slovenia, the Marketing Association of Slovenia, the Public Relations Society of Slovenia, and the social responsibility network of Slovenia (MDOS). The Group's subsidiaries outside Slovenia are active members of industry associations and economic groupings in their relevant countries.

12.2 Key stakeholders²⁵

The Company strives for a fair and balanced cooperation and a two-way communication with its stakeholder groups, which include the shareholders, the insured or the policyholders, public authorities, supervisory bodies, suppliers, creditors, analysts, media and local and broader communities.

In pursuit of its mission, Zavarovalnica Triglav identifies and monitors the needs and interests of stakeholders through a web of mutual relationships at the strategic and operational levels, strengthening the understanding between individual stakeholder groups and the Company and enhancing mutual trust.

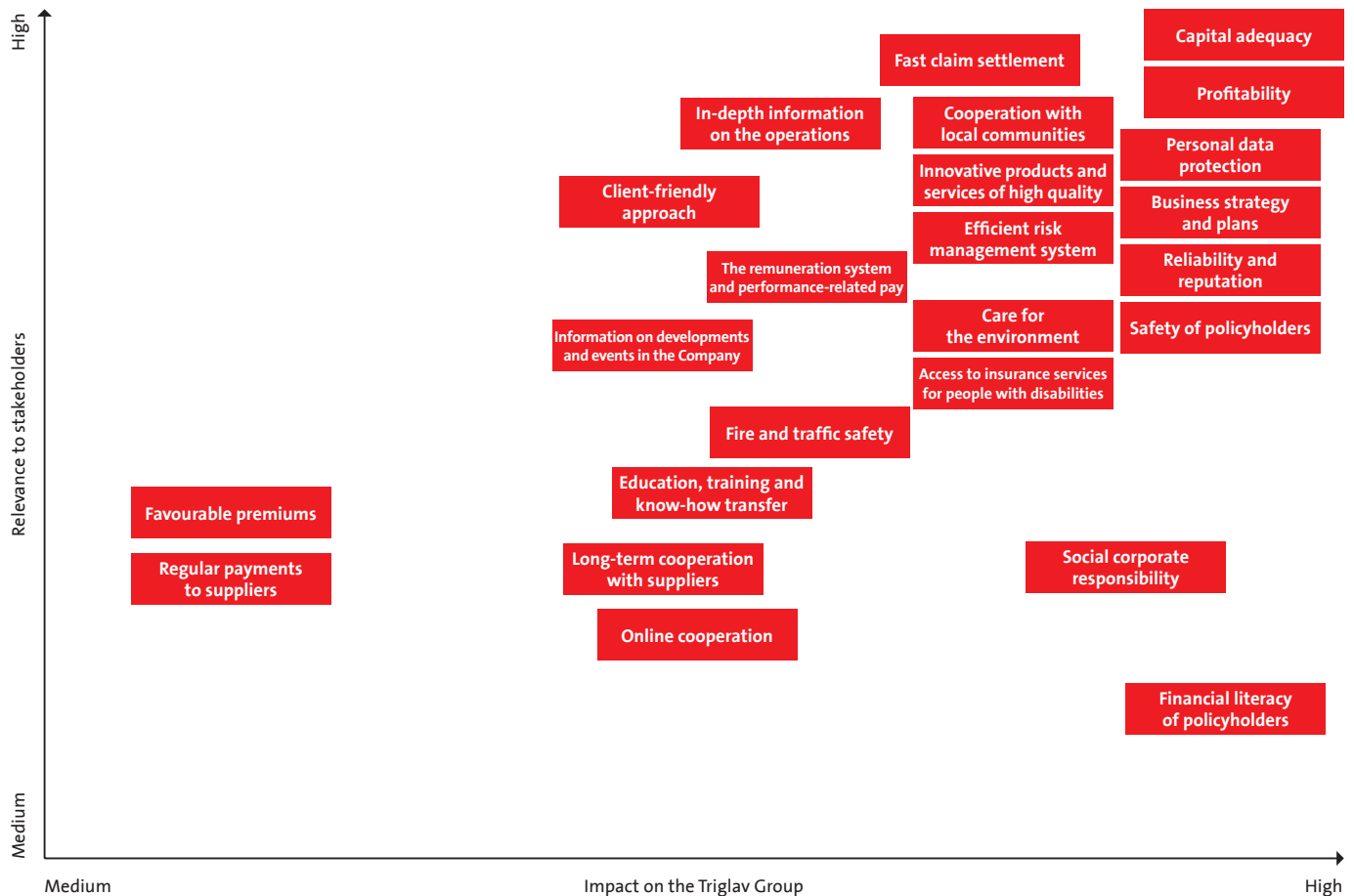
Form of involvement of stakeholders and the key topics

Stakeholders	Form of involvement	Key topic/interest
Clients/insured	<ul style="list-style-type: none"> Personal contact with insurance agents and brokers E-mail Opinion polls Websites Blogs, social networks Television, radio and newspaper ads Collecting complaints and compliments Mobile applications 	<ul style="list-style-type: none"> Fast payment of damages A good ratio between the price and quality of insurance Benefits for loyal clients Reliability and trust in the Company Favourable premiums Market experience Friendly approach to clients Innovative insurance products and services Protection of personal data
Employees	<ul style="list-style-type: none"> Personal contact E-mail Management participation (the Works Council and trade union representatives in the Supervisory Board) Organisational climate measurement Triglav.smo programme In-house magazine Obzornik In-house events, sports and recreational events for employees 	<ul style="list-style-type: none"> The remuneration system and performance-related pay Career advancement system Information about changes in the Company Relationships among employees The life-work balance Education and additional training Safety and health at work
Shareholders/Investors	<ul style="list-style-type: none"> General Meetings of Shareholders Notices via www.triglav.eu and on the SEOnet online portal (the Ljubljana Stock Exchange website) E-mail Interim and annual reports Presentations for investors Investors conferences, individual meetings 	<ul style="list-style-type: none"> In-depth information on the operations and financial position of the Group Financial result/efficiency Business strategy and plans Dividend policy and returns Corporate social responsibility
Regulators	<ul style="list-style-type: none"> Insurance Supervision Agency (ISA) reports Regular reviews by inspection and supervisory bodies Audits by certified auditors 	<ul style="list-style-type: none"> Ensuring capital adequacy Safety of policyholders and/or users of insurance services Efficient risk management system Compliance of insurance products and services Complying with the obligations of a public company
Suppliers and creditors	<ul style="list-style-type: none"> Public tenders and competitions Meetings with suppliers E-mail and electronic operations 	<ul style="list-style-type: none"> Long-term cooperation Reliability of payments Upgrading the existing cooperation Delivery times, prices of services and goods Delivery of environmentally friendly material Paperless operations
Communities	<ul style="list-style-type: none"> Entering into partnerships with non-profit organisations and educational institutions and execution of joint projects Public tenders for allocation of sponsorship and donation funds Cooperation with local decision-makers 	<ul style="list-style-type: none"> Traffic safety Fire safety Co-financing of cultural, sports and humanitarian projects Infrastructure investments Access to insurance services for people with various disabilities Financial literacy
Media	<ul style="list-style-type: none"> Press releases Press conferences Answers and explanations 	<ul style="list-style-type: none"> Transparent information about the operations, events and changes in the Triglav Group

²⁴ GRI GS 102-13

²⁵ GRI GS 102-40, 102-42, 102-43, 102-44

Importance of content for shareholders and the Triglav Group



12.3 Responsibility to employees²⁶

The Group's human resources management policy is based on the common values and strategy of the Triglav Group. The aim is to provide for highly professional, skilled, responsible, committed and satisfied employees, who are engaged in pursuing the strategic objectives and achieving the set business objectives. The employees are encouraged to develop their potential by constantly upgrading their knowledge and achieving both professional and personal goals.



Strategic guidelines for human resource management

The strategic guidelines for human resource management are based on the strategic guidelines of the Triglav Group and Zavarovalnica Triglav.

- The recruitment process is adjusted to business process optimisation and organisational changes, while focusing on retaining key promising staff.
- In building a coherent organisational culture and standardising human resource management, the focus is on ensuring the transfer of good practices among the Group members.
- A psychological and social support programme for employees with a holistic approach to distress was carried out.
- The key promising staff and promising young staff development policy was upgraded.
- Within the Triglav.smo programme, activities for health protection, satisfaction and commitment of employees were carried out.
- New job evaluation commenced, which is expected to be completed by the end of 2017.

Recruitment policy

Employment opportunities and career development in the Group are based on:

- a carefully structured selection procedure of the best human resources;
- systematic identification of talents in employees and the right career opportunities for them;
- promoting managerial and professional development of employees and achievement of career goals in connection with personal goals;
- promoting lifelong learning and continued acquisition of new skills, know-how and experience in relation to job promotion;

- pursuing new opportunities in the context of intergenerational cooperation, fewer work opportunities of employees, etc.;
- boosting creativity by submitting proposals for improvement in the framework of IDEJA IN.

12.3.1 Recruitment and employee structure²⁷

As at the year-end, the total number of employees in the Triglav Group was 5,046 or 333 less than the year before. The number of employees decreased mainly due to sale of the Avrigo Group and the Triglav subsidiary Slovenijales trgovina d.o.o.

The number of employees in the Triglav Group



Subsidiaries of the Triglav Group	Number of employees			Difference
	2016	2015	2014	2016/2015
Zavarovalnica Triglav d.d., Ljubljana	2,335	2,341	2,365	-6
Pozavarovalnica Triglav Re d.d., Ljubljana	46	46	45	0
Triglav, Zdravstvena zavarovalnica d.d., Koper	96	84	84	12
Skupna pokojninska družba d.d., Ljubljana	21	18		3
Triglav Osiguranje d.d., Zagreb	513	528	507	-15
Triglav Osiguranje d.d., Sarajevo	248	243	246	5
Triglav Pojišt'ovna a.s., Brno			126	0
Lovćen Osiguranje a.d., Podgorica	267	253	271	14
Triglav Osiguranje a.d.o., Belgrade	537	511	460	26
Triglav Osiguranje a.d., Banja Luka	84	83	78	1
Triglav Osiguruvanje a.d., Skopje	256	260	256	-4
Lovćen Životna osiguranja a.d., Podgorica	23	14	14	9
Triglav INT d.d., Ljubljana	23	24	21	-1
Triglav Skladi d.o.o., Ljubljana	42	41	43	1
Triglav Avtoservis d.o.o., Ljubljana	28	28	28	0
Triglav Svetovanje d.o.o., Domžale	105	81	74	24
TRI-LIFE d.o.o., Zagreb	28	26	1	2
Triglav Savjetovanje d.o.o., Sarajevo	49	41	25	8
Triglav Savetovanje d.o.o., Belgrade	19			19
Triglav, Upravljanje nepremičnin d.d., Ljubljana	29	149	22	-120
Triglav upravljanje nekretninama d.o.o., Zagreb	1			1
Triglav upravljanje nekretninama d.o.o., Podgorica	1			1
Triglav Naložbe d.d., Ljubljana			5	0
Slovenijales d.d., Ljubljana			125	0
Golf Arboretum d.o.o., Volčji potok	4	11	10	-7
Unis automobili i dijelovi d.o.o., Sarajevo	17	26	29	-9
Autocentar BH d.o.o., Sarajevo	42	43	52	-1
Sarajevostan d.d., Sarajevo	125	124	122	1
Triglav Auto d.o.o., Banja Luka				0
Lovćen Auto a.d., Podgorica	107	107	104	0
Avrigo d.o.o., Nova Gorica		205	205	-205
Integral Notranjska d.o.o., Cerknica		16	16	-16
Integral Zagorje d.o.o., Zagorje ob Savi		48	46	-48
Integral Stojna Kočevje d.o.o., Kočevje		28	26	-28
Alptours d.o.o., Bovec				0
Total	5,046	5,379	5,406	-333

The educational structure of employees improved as the number of employees with university degree or higher education and secondary school education as well as with masters or doctoral degrees increased, while the number of employees with a lower level of education declined.

Employees of the Triglav Group as at 31 December 2016 by level of education

Level of education	2016		2015		2014	
	Number	Percentage	Number	Percentage	Number	Percentage
Level I–IV	975	19.3%	1,267	23.6%	1,401	25.9%
Level V	1,461	29.0%	1,553	28.9%	1,552	28.7%
Level VI	598	11.9%	622	11.6%	593	11.0%
Level VII	1,815	36.0%	1,773	33.0%	1,676	31.0%
Masters and PhD	197	3.9%	164	3.0%	184	3.4%
Total	5,046	100.0%	5,379	100.0%	5,406	100.0%

The number of full-time employees in Zavarovalnica Triglav was 2,244 (96.1%), while 91 (3.9%) were part-time employees.

Employees in Zavarovalnica Triglav as at 31 December 2016 by employment type (full-time, part-time)²⁸

Type of employment	2016		2015		2014	
	Number	Percentage	Number	Percentage	Number	Percentage
Part-time	91	3.9	89	3.8	97	4.1
Full-time	2,244	96.1	2,252	96.2	2,268	95.9
Total	2,335	100.0	2,341	100.0	2,365	100.0

The number of employees in permanent employment in Zavarovalnica Triglav was 2,264 (97.0%), while 71 employees (3.0%) were employed for a fixed-term. The share of fixed-term employees increased by 0.4 percentage point.

Employees in Zavarovalnica Triglav as at 31 December 2016 by employment type²⁹

Type of employment agreement	2016		2015		2014	
	Number	Percentage	Number	Percentage	Number	Percentage
Fixed-term	71	3.0	60	2.6	55	2.3
Permanent	2,264	97.0	2,281	97.4	2,310	97.7
Total	2,335	100.0	2,341	100.0	2,365	100.0

Staff turnover³⁰

The staff turnover rate slightly increased and stood at 4.7% (in 2015: 3.9%). The Company recruited 108 new employees, while 114 left. Among leavers, the main reason was retirement of staff in the oldest age group (above 56 years of age). The majority of the newly employed were aged between 26 and 30 years. Men prevailed both among newly recruited employees (59.3%) and among leavers (53.5%).

28 GRI GS 102-8

29 GRI GS 102-8

30 GRI GS 401-1

The number of newcomers and leavers in Zavarovalnica Triglav in 2016 by age

Age group	Newcomers		Leavers	
	Number	as a %	Number	as a %
18–19	1	0.9	0	0.0
20–25	21	19.4	4	3.5
26–30	43	39.8	12	10.5
31–35	15	13.9	9	7.9
36–40	16	14.8	14	12.3
41–45	7	6.5	11	9.6
46–50	3	2.8	10	8.8
51–55	2	1.9	6	5.3
56 and over	0	0.0	48	42.1
Total	108	100.0	114	100.0

The number of newcomers and leavers in Zavarovalnica Triglav in 2016 by gender

Gender	Newcomers		Leavers	
	Number	as a %	Number	as a %
Men	64	59.3	61	53.5
Women	44	40.7	53	46.5
Total	108	100.0	114	100.0

The average total years of work of employees in Zavarovalnica Triglav was 22.19 years, while the average years of work only in Zavarovalnica Triglav totalled 16.67 years.

In Zavarovalnica Triglav, both the share of employees over 46 years and the share of employees aged from 26 to 30 years increased. The average age of employees rose to 44.63 years (44.39 years in 2015).

Employees of Zavarovalnica Triglav as at 31 December 2016 by age³¹

Age group	2016		2015		2014	
	Number	Percentage	Number	Percentage	Number	Percentage
From 18 to 19	1	0.0	0	0.0	0	0.0
From 20 to 25	29	1.2	17	0.7	31	1.3
From 26 to 30	140	6.0	136	5.8	150	6.3
From 31 to 35	233	10.0	260	11.1	272	11.5
From 36 to 40	367	15.7	392	16.7	390	16.5
From 41 to 45	421	18.0	430	18.4	453	19.2
From 46 to 50	467	20.0	465	19.9	456	19.3
From 51 to 55	400	17.1	379	16.2	371	15.7
56 and over	277	11.9	262	11.2	242	10.2
Total	2,335	100.0	2,341	100.0	2,365	100.0

In terms of gender, the employee structure shows no significant changes in the long term and is comparable to the gender ratio in the Slovene general population.

Employees of Zavarovalnica Triglav as at 31 December 2016 by gender³²

Gender	2016		2015		2014	
	Number	Percentage	Number	Percentage	Number	Percentage
Men	1,147	49.1	1,145	48.9	1,150	48.6
Women	1,188	50.9	1,196	51.1	1,215	51.4
Total	2,335	100.0	2,341	100.0	2,365	100.0



As at the reporting date, 2,184 or 93.5% of all staff were employed under the collective agreement (93.7% in 2015). The remaining 6.5% were employees with individual agreements (151 employees).³³

Benefits are the same for all employees, be it permanent full-time employees, fixed-term employees or part-time employees.³⁴

The height of the basic salary of women is equal to the basic salary of men in all categories of employees, locations and activities.³⁵ The proportion of women in the highest management amounted to 27.9% (27.3% in 2015), in the middle management, 37.6% (37.1% in 2015). One woman sits in the Management Board of Zavarovalnica Triglav, the share of women being 20%.³⁶

The average age of the members of the Management Board is 42.6 years.³⁷ Local management is employed in Slovenia.³⁸

12.3.2 Staff training and development

12.3.2.1 Training³⁹

Committed and highly skilled employees are one of the most important factors for successful business operations of the company, therefore constant training, personal growth and

development are enabled to the employees. Internal training accounted for the bulk of all training courses held. The most common topics were related to the insurance sector, business communication and sales skills. Employees participated in computer and foreign language courses as well as in workshops for promotion of a healthy lifestyle and personal growth. E-learning has been on the rise primarily due to greater flexibility of learning in terms of time and space.

Moreover, employees are able to attend external training courses in Slovenia and abroad. If there were more candidates interested in a specific topic, the seminar was organised in-house.

The intergenerational transfer of know-how and experience to young generations was ensured in various ways. Scholarships continued to be provided to 12 high school and university students, while mandatory work practice/internship was offered to 31 high school students. In cooperation with universities and schools, the insurance business was presented to young people, in addition to raising the awareness about the importance of insurance, which also improved their financial literacy.

Traineeship was completed by 11 employees. Full or partial funding of study was provided to 155 employees.

The number of training participants in Zavarovalnica Triglav in 2014–2016

	2016	2015	2014	Index	
				2016/2015	2015/2014
Scholarship	12	15	19	80	79
Work study	155	205	202	76	101
Probationers	11	13	14	85	93
Work experience	31	32	36	97	89
External training	577	430	477	134	90
In-house training (traditional)	8,427	8,336	6,909	101	121
In-house training (e-learning)	7,056	4,087	2,872	173	142
Total	16,269	13,118	10,529	124	125

The number of functional training hours in 2016 was higher than the year before, particularly in e-learning. The number of external training hours was also higher.

33 GRI GS 102-41

37 GRI GS 405-1

34 GRI GS 401-2

38 GRI GS 202-2

35 GRI GS 405-2

39 GRI GS 103-1, 103-2, 103-3

36 GRI GS 405-1

The number of functional training hours in Zavarovalnica Triglav in 2014–2016⁴⁰

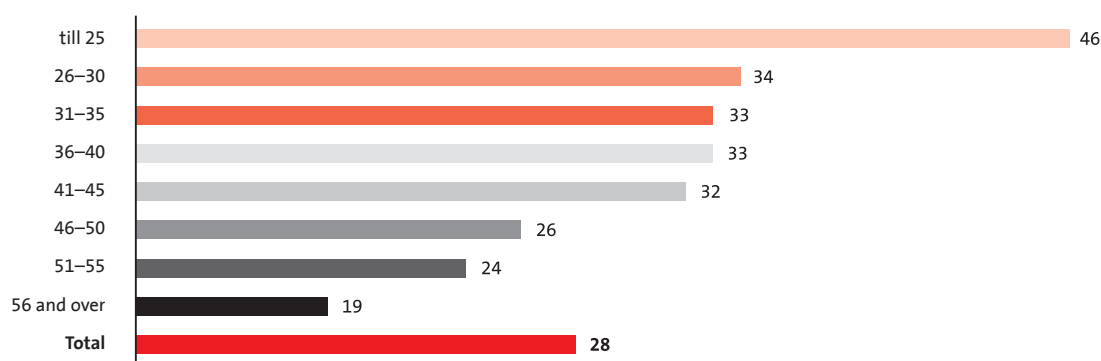
	2016	2015	2014	Index	
				2016/2015	2015/2014
Total number of functional training hours	66,054	60,940	51,631	108	118
Number of hours of in-house training (traditional)	54,161	51,812	41,725	105	124
Number of hours of in-house training (e-learning)	4,650	3,386	2,872	137	118
Number of hours of external training	7,243	5,742	7,034	126	82
Number of functional training hours per employee	28	26	22	108	118

The training courses were slightly more often attended by male employees and young employees up to 25 years of age undergoing induction training.

The average number of functional training hours in 2016 by gender⁴¹



The average number of functional training hours in 2016 by age⁴²



Promising young staff on in-house training
in Zavarovalnica Triglav.

Various forms of knowledge transfer were organised for the Triglav Group employees. A ten-day specialised training was organised for employees in subsidiaries, who were able to participate in various internal training courses.

In addition to promoting internal transfer of knowledge, many training programmes were carried out by in-house lecturers. In this way, not only a higher number of training hours and participants was achieved but also a rational use of available funds. Total training costs increased in comparison to the preceding year (index 116).

40 GRI GS 404-1

41 GRI GS 404-1

42 GRI GS 404-1

Training costs of Zavarovalnica Triglav in 2014–2016

	2016	2015	2014	Index	
				2016/2015	2015/2014
Total costs*	916,075	791,985	854,682	116	93
Costs per employee	392	338	361	116	94
Costs per participant	56	60	81	93	74

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

12.3.2.2 Management by objectives and annual development interviews⁴³

As much as 70% of all employees are included in the management-by-objective system, using the CIVODEU software application. At annual interviews, employees set their objectives for the current year in cooperation with their superiors. Further interviews held every three months are aimed at re-defining the goals, revising expectations, assessing the achievement of set goals and determining work performance. Through monitoring and feedback, a personal relationship may be formed between a superior and employee, which contributes to better performance. Due to the nature of their work, insurance agents and call centre clerks are subject to other forms of remuneration.

12.3.2.3 Assessment of competences using the DNLA tool

Employee competences and development potential are assessed with the DNLA tool, which is an essential tool not only for targeted employee training and development but also for career and development planning. It is also used as an additional aid in the recruitment process.

12.3.2.4 Fit and proper assessment

The Solvency II Directive requires that all persons who manage or supervise an insurance undertaking or hold a key function have adequate professional qualifications (fit) and are of good reputation and integrity (proper). To this end, the following two policies were adopted: the Fit and Proper Policy for the Management and Supervisory Board Members of Zavarovalnica Triglav and the Fit and Proper Policy for Key Function Holders and Business Function Holders of Zavarovalnica Triglav.

Both policies define the basic rules, criteria and procedures for a fit and proper assessment of the Management and Supervisory Board members. These conditions also apply both to the key function holders, who are in charge of the risk management function, the compliance function, the internal audit function and the actuarial function, and to the business function holders, which includes (other) executive directors, directors of headquarters departments and directors of the independent departments, which are directly subordinated to the Management Board. Based on the abovementioned policies, in 2016 a fit and proper assessment was conducted for all persons who manage or supervise the Company or perform key and business functions.

1.

The organisational
climate
was
measured
in
several subsidiaries of
the Triglav Group

12.3.2.5 Measurement of organisational climate (vitality)

The welfare of employees is monitored by measuring the organisational climate, which enables the Company to respond to the needs identified in the survey. In Zavarovalnica Triglav, the organisational climate survey was conducted for the ninth time. In accordance with the current methodology, it is now called organisational vitality.

The results of organisational vitality measurement are by indexes work environment, systems, operational management and personal view, which are combined into the aggregate ORVI index, classified in more categories. The image below also includes the responsiveness index, which however is not included in the overall assessment.

C: Operational Management

4.00 ▲ 0.09

C1: Direct management

4.04 ▲ 0.07

C2: Fairness of leaders

3.96 ▲ 0.11

B: Systems

3.45 ▲ 0.11

B1: Remuneration and advancement

3.05 ▲ 0.09

B2: Information and cooperation

3.84 ▲ 0.13

Responsiveness

-3.7%

69.4%

D: Personal View

4.09 ▲ 0.20

D1: Commitment

4.27 ▲ 0.15

D2: Sense of power

4.10 ▲ /

D3: Satisfaction

3.89 ▲ 0.07

A: Work Environment

3.88 ▲ 0.05

A1: Reputation and attitude

4.06 ▲ 0.06

A2: Relationships and personal development

3.70 ▲ 0.05

0.11
3.85
ORVI Index

Results of organisational vitality in Zavarovalnica Triglav

The questionnaire was completed by 69.4% of employees. Aggregate ORVI index improved by 0.11 percentage point. The Survey showed that all four indexes improved in all four categories. Employees are highly committed and motivated for work, remain loyal to the organisation and have a positive attitude. The attitude of direct managers is very good – they are open, honest and fair, ready to cooperate and strive for successful performance of all organisational units. Their feedback on the quality of work is clear and they make decisions on time. Employees are quite satisfied with their closest co-workers and working conditions.

Despite the improvement in the average score in almost all questions, some challenges remain.

The remuneration and promotion system (clarity and efficiency of promotion) and more efficient cooperation and communication between the departments have most room for improvement.

The Management Board adopted measures to improve lower-rated organisational vitality categories. The Human Resource Management Division met with the heads of units with the lowest scores and also with the heads receiving the highest scores in the Operational management category.

Results of the organisational climate in the Triglav Group

In 2016, the organisational climate was measured in the insurance subsidiaries of the TINT Group, in Triglav, Zdravstvena zavarovalnica, Po-zavarovalnica Triglav Re and Triglav Svetovanje.

Results of the organisational climate measurements in the Triglav Group by category

	ORVI indeks		Operational risk		System		Personal view		Work environment	
	2016	Change	2016	Change	2016	Change	2016	Change	2016	Change
Zavarovalnica Triglav	3.85	+0.11	4.00	+0.09	3.45	+0.11	4.09	+0.20	3.88	+0.05
Triglav, Zdravstvena zavarovalnica	3.64	-0.16	3.58	-0.25	3.24	-0.16	4.03	+0.05	3.69	-0.29
Pozavarovalnica Triglav Re	3.70	-0.14	3.72	-0.29	3.44	-0.15	3.91	+0.01	3.74	-0.11
Triglav Osiguranje, Zagreb	3.66	+0.44	3.63	+0.34	3.33	+0.43	4.02	+0.62	3.65	+0.35
Triglav Osiguranje, Belgrade	3.81	+0.62	3.89	+0.43	3.46	+0.59	4.10	+0.89	3.79	+0.56
Triglav Osiguranje, Sarajevo	4.02	+0.22	3.90	+0.17	3.75	+0.25	4.27	+0.36	4.17	+0.12
Triglav Osiguranje, Banja Luka	4.41	-0.16	4.47	-0.16	4.24	-0.21	4.48	-0.07	4.50	-0.16
Lovćen Osiguranje, Podgorica	4.07	+0.07	4.02	-0.03	3.75	+0.08	4.36	+0.30	4.15	-0.07
Triglav Osiguruvanje, Skopje	3.89	+0.31	3.95	+0.25	3.61	+0.35	4.11	+0.48	3.91	+0.19
Triglav INT	3.71		3.71		4.24		3.34		3.54	
Triglav Svetovanje	4.02	0.00	4.21	-0.06	3.86	-0.01	4.16	+0.24	3.86	-0.18

12.3.3 Safety and health at work⁴⁴

In the effort to continually improve safety and health at work, great importance is placed on preventive actions and early elimination of any hazards. The Company complies with the applicable legal regulations governing safety and health at work. At the level of Zavarovalnica Triglav, the following programmes and measures are carried out:

- the “Protecting Health” programme that promotes health, emphasising personal health of employees;
- the “Harmony of Life and Work: Triglav.smo” programme and
- the measures of the full “Family-Friendly Enterprise” certificate.

Safety and health at work regulates the Safety Statement and Risk Assessment which includes

the risks assessed for a particular workplace as well as all identified and described hazards and harmful effects on the health of employees. The Statement also contains measures to reduce them. By regularly revising this document, the Company adapts to new or changed working conditions, thereby also updating and revising the Statement.

A healthy lifestyle and work balance are regularly promoted in the context of the Triglav.smo programme and the “Protecting Health” internal brand. Zavarovalnica Triglav’s appropriate and effective psychosocial risk management and care for a healthy work environment was recognised in 2015 by the European Agency for Safety and Health at Work by awarding its good practice in the 2014–2015 Healthy Workplaces Campaign. These activities will not only continue but will also be upgraded so as to follow the strategic objective of ensuring security.



Two suitably qualified employees are in charge of safety and health at work. The important decisions on ensuring adequate personal protective equipment, which is proposed by the relevant department, are made in cooperation with the representatives of the trade union and the Works Council.⁴⁵

In the e-classroom, employees complete obligatory training and take an exam in accordance with the legal regulations governing fire safety and safety and health at work.

Fire safety

In fire safety, the preventive measures are carried out, regular training and education of employees take place, ongoing improvement of fire safety at all business locations and monitoring of on-site fire safety in accordance with the applicable statutory requirements are carried out.

The Plan (instruction) on security conduct and actions in the case of an emergency and other security events was drafted for all employees. In the case of an emergency or a security event, employees can call the security control centre where they will receive appropriate instructions and psychosocial assistance.

Good practice in fire safety is disseminated to the Triglav Group, business partners and clients.

Health and safety topics covered in formal agreements with trade unions and in the collective agreement⁴⁷

Safe working conditions are provided in accordance with Zavarovalnica Triglav's collective agreement and the applicable legislation. The prescribed means of work and personal protective equipment (the summer and winter protective shoes, winter jackets, sunglasses, etc.) are all provided for. Before starting their work, employees are familiarised with the dangers at work and work safety measures that they are obligated to follow. Furthermore, employees are required to use the prescribed work equipment.

Injuries at work⁴⁸

Injuries in total decreased in 2016. The highest drop was recorded in traffic accidents (only one in 2016 and six in 2015). Most exposed to accidents are still employees who work in the field. The most common cause of their injuries were slips and road accidents, as in recent years.



Ana-Romana Škafar,
Psychosocial Support Specialist

Support to employees in the event of workplace violence⁴⁶

The employees who are in contact with clients are trained in how to respond in the event of violence, robbery or threats. Along the modern technical security measures to protect both the employees and the business premises, regulations and instructions ensuring a safe work environment are in place.

Injuries at work in Zavarovalnica Triglav in 2014–2016

	2016		2015		2014		Index	
	Number	Percentage	Number	Percentage	Number	Percentage	2016/2015	2015/2014
At work	6	40.0	10	43.5	7	70.0	60	143
On business trips	9	60.0	13	56.5	3	30.0	69	433
Total	15	100.0	23	100.0	10	100.0	65	230



45 GRI GS 403-1
46 GRI GS 103-1, 103-2, 103-3
47 GRI GS 403-4
48 GRI GS 403-2

The number of lost work days due to injuries at work went down significantly. Last year, this number primarily rose due to individual serious injuries, which were the result of a traffic

accident and required long recovery and thus long absence from work. This number will be further reduced by taking additional preventive measures.

Lost work days due to injuries at work in Zavarovalnica Triglav in 2014–2016

	2016	2015	2014	Index	
				2016/2015	2015/2014
Lost work days due to injuries at work	491	814	118	60	689

Every accident at work which would render an employee unfit for work for more than three working days, every dangerous occurrence and every established occupational disease must be reported to the Labour Inspectorate of the Republic Of Slovenia. In 2016, one dangerous occurrence was recorded, no one was injured. Thus far no occupational diseases were identified.⁴⁹

Absenteeism⁵⁰

The absenteeism rate in Zavarovalnica Triglav increased by 0.08 percentage point to 4.27% and was 0.11 percentage point above the national level reported for the Republic of Slovenia.

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, care for and/or accompanying a sick person). In comparison to 2015, the share of work days lost due to sick leave reimbursed by Zavarovalnica Triglav decreased by 0.19 percentage point, while the share of work days lost due to sick leave reimbursed by the Health Insurance Institute of Slovenia was by 0.29 percentage point higher.

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

	in %			
Year	Paid by Zavarovalnica Triglav	Reimbursed by ZZZS	Rate of absenteeism in Zavarovalnica Triglav	Rate of absenteeism in Slovenia ⁽¹⁾
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
2014	1.87	1.51	3.37	3.80
2015	2.32	1.86	4.19	4.06
2016	2.13	2.15	4.27	4.16

¹⁾ Source: National Institute of Public Health, Records of temporary absence from work due to illness, injury, care and other causes, IVZ3

12.3.4 Care for employee satisfaction⁵¹

Triglav.smo programme

In addition to innovation, intergenerational cooperation and health promotion, the aim of the *Triglav.smo* programme aim is to ensure the satisfaction of all employees. The programme also includes the “Family-Friendly Enterprise” certificate. In 2016, the Company continued to implement the diverse programme aimed at raising the awareness of every individual about the importance of physical and mental health. Care for a healthy work environment was upgraded with short educational videos on the importance of taking short breaks from computer work, which are available to employees at the *Povej naprej* (Share) internal portal.

To a smaller degree, the programme is implemented in the insurance subsidiaries as well: greeting the seasons, workshops for leaders and competition for innovative ideas, with each subsidiary adding its own activities.

»Family-Friendly Enterprise« certificate

In 2016, Zavarovalnica Triglav was awarded the full Family-Friendly Enterprise certificate (hereinafter: FFE), after being a holder of the basic certificate since 2012. By taking new measures, the Company enabled even easier reconciliation of work and family life. The new application DPP was introduced, through which employees can quickly and easily submit an application for the use of a particular measure. A summer holiday camp was organised for the children of employees for the first time.

Additional pension insurance

95.5%

employees of Zavarovalnica Triglav

Additional benefits for employees:

- Zavarovalnica Triglav pays 95.5% of its employees a supplemental pension insurance premium amounting to 4% of their gross salary;⁵²
- group accident insurance premium is paid for all employees;
- additional accident insurance for employees and their family members is available at favourable insurance terms and conditions;
- 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;⁵³
- 81% of all employees took out the collective insurance package *Celostna zdravstvena oskrba* (comprehensive medical care).

Parental leave or part-time work in Zavarovalnica Triglav in 2016⁵⁴

	Women	Men	Total
Maternity leave, child care leave	73	0	73
Father's leave of 20 days*	0	75	75
Father's leave of 75 days (up to the child's age of three years)	0	1	1
Option to work part-time	26	1	27

* Paid paternity leave of 15 days can be used in the period up to the child's age of six months, while in 2016 additional 5 days of paid leave may be used until the child finishes the first grade.

All employees (of either gender) with an employment agreement for an indefinite period of time who used parental leave had the right to resume work or return to their position.

Return to work and retention rate after using parental leave in Zavarovalnica Triglav in 2016⁵⁵

	Women	Men	Total
The number of employees who returned to work after parental leave	73	0	73
The number of employees who returned to work after parental leave (by gender) and who stayed employed in the Company after 12 months	73	0	73
Return rate after parental leave	100%	100%	100%
Retention rate after parental leave	100%	100%	100%



Circumstance and work requirements permitting, working hours can be adapted to the needs and wishes of employees. 26 mothers and 1 father worked part-time. 89 employees who were parents of first graders took advantage of a day's paid leave on the first school day. Employees can take unpaid leave in certain cases and in agreement with their superiors. In 2016, 11 employees took short unpaid leave.

Cooperation with employees – trade union

Two representative trade unions are active in Zavarovalnica Triglav. The Company concluded a special agreement and cooperates well with both of them. Before adoption, any act specifying the rights and obligations of workers is submitted to the trade unions to give their opinion.

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 the Company's operations at least 10 days prior to adopting such a decision.⁵⁶

Care for employees outside the working hours

The variety of social and sports activities are available to employees. Already traditional events include the Triglav Group Day – Our Day, Winter and Summer Games of Financial Organisations (ŠIFO) and gatherings with retired Triglav employees. In recent years, membership in the Mountaineering Association and the Sports Association has gained in popularity. As at the 2016 year-end, already 40% of employees of the parent company and subsidiaries in Slovenia were members of the Sports Association (37% in 2015).

52 GRI GS 201-3

53 GRI GS 201-3

54 GRI GS 401-3

55 GRI GS 401-3

56 GRI GS 103-1, 103-2, 103-3, GS 402-1



5 prizes for the winners of
the "Sales Promotion Through Ideas" contest

Promoting innovation and improvements

Zavarovalnica Triglav established a system of promoting creativity and proposing good ideas and improvements. In the reporting period, 13 out of 24 submitted proposals were recognised as good and were awarded. One of them was implemented into the business process.

Violations on grounds of discrimination

In 2016, no formal cases of discrimination were recorded in Zavarovalnica Triglav.⁵⁷

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

The responsibility to provide a safe and healthy work environment and protect the employees' dignity was first formalised in 2012, after which it was upgraded in 2015 by adopting the Code of the Triglav Group and amending the Rules on the Protection of Dignity at Work.

An immediate approach to identified conflicts and their resolving in the earliest possible stages proved as a good practice in 2016. Key to preventing unacceptable or inappropriate behaviour lies in integrated management of conflict situations, with the cooperation of a wide circle of experts and competent leaders. The latter contributed to the fact that in 2016 no cases of unacceptable or inappropriate behaviour, which would have to be resolved in line with the Rules on the Protection of Dignity at Work, were recorded.⁵⁸

12.4 Responsibility toward clients⁵⁹

The Triglav Group strives to build long-term relationships with its clients. Caring for clients, continuous monitoring of their needs and effective elimination of potential disagreements are the basis of the company-client relationship. Emphasis is put on transparent, intelligible and accessible insurance products and services. The Company follows these guidelines already in the development phase of insurance products, at the same time focusing on quality after-sale services.

The insurance contracts and other financial transactions are often quite complex and difficult to understand for clients, therefore every effort is made to explain all their rights and obligations in concluding such contracts and to provide the necessary material. No misleading, aggressive, insulting, shocking or other inappropriate sales practices are used in promotional activities and the marketing of products and services.

The Triglav Group fully complies with the consumer legislation and the special requirements with regard to client information when concluding distant contracts for financial services,

including insurance contracts. By upgrading its digital business, Zavarovalnica Triglav also applies the recommendations of the Slovene Consumers' Association for improving financial literacy.

Dynamic development of services and the client relationship, which is strongly influenced by new technologies, is presented in [→ Section 11. Development and sales activities]. To point out a few highlights:

- **Promotion and rewarding of safe driving.** In 2016, an increased number of DRAJV application users was recorded.
- **Upgrading of claim services.** The mobile application enables clients to report a claim, monitor the progress of the claim settlement process and order assistance services.
- **Strengthening of prevention activities.** The previously mentioned widely used website [Vse bo v redu](#) (Everything Will Be Alright) online provides advice on prevention and promoting insurance literacy. The section "Fine Print" was introduced so as to explain some of the basic insurance concepts and principles. In cooperation with the Slovenian Environment Agency, the Triglav Vreme mobile application was upgraded. See [→ Section 12.7.1]⁶⁰ for more details about prevention activities.
- **Quick access to the Company with the aim of receiving assistance, up-to-date information, taking out insurance and exercising the rights from insurance is being upgraded.** Clients can receive information on non-life and life insurance products by calling the toll-free number 080 555 555. The **assistance and general information point** is fully operational 24/7 all year round at the special number 080 2864 (for calls from abroad: +386 2222 2864). The www.triglav.si website enables clients insights into products and services, safe underwriting, quick reporting of claims, purchase of insurance policies and advice. Equal access to the range of products and services is also provided to computer literate movement-impaired policyholders. In all formats of information materials (web, print or audio-video editions), the Company strives for simplicity and clarity.⁶¹ The **i.triglav web office** was upgraded with the new functionality, which enables to view all insurance policies concluded with Zavarovalnica Triglav, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba. The **i.triglav web office for corporate users** was developed for employers so as to enable easy data exchange on concluded group supplemental voluntary pension insurance and an overview of taken out insurance policies. Furthermore, the i.triglav web office was introduced in Croatia.

57 GRI GS 406-1

58 GRI GS 103-1, 103-2, 103-3

59 GRI GS 103-1, 103-2

60 GRI G4-FS7, GS 103-1

61 GRI G4-FS14

12.4.1 Access to insurance services for people with various disabilities⁶²

Zavarovalnica Triglav: to improve the services provided to persons with disabilities and ensure their full integration

- 65% of the Company's points of sale enable a completely independently access to people with different types of impairment (in 2016: business premises v Ljubljana, Dunajska 20-22).
- 100% of the points of sale equipped with aids for partially sighted persons.
- 100% of the regional units' head offices fitted with FM devices for hard-of-hearing persons.
- Website are in compliance at least with the requirements of the AA standard WCAG 2.0 for visually impaired persons.
- Promoting awareness about the needs of persons with disabilities in cooperation with the Sports Federation for the Disabled of Slovenia and the Vozim Institute, voluntary work of the employees at school sports days.
- Financial support to TIPK TV web television, which adapts public information to hard-of-hearing, deaf, blind and partially sighted persons.
- Zavarovalnica Triglav, the general sponsor in 2015 and 2016, will continue to cooperate with the Slovene Paralympic Committee.

12.4.2 Responsibility to the natural environment through insurance products and services



Zavarovalnica Triglav promotes a responsible attitude to the natural environment and encourages locally grown food supply through insurance products and services, focusing mostly on the agricultural insurance segment.

- The premium policy is designed to encourage policyholders to invest in **active protection from adverse weather conditions** through the use of anti-hail nets, greenhouses, tunnels, and irrigation and sprinkler systems for spring frost protection. Apart from that, funds were provided for the installation of multiple anti-hail nets in orchards across Slovenia, repairs of vineyard equipment, greenhouse mist systems and orchard sprinkler irrigation systems. The Company funds research on growing a more resistant planting material.⁶³
- In agricultural insurance, **electronic commerce** was introduced in the estimation of damage in the field, which is both user- and environment-friendly (paperless operations).
- The Company encourages **less intensive animal production**, which is not only environmentally friendlier but also involves fewer insurance risks. Cattle insurance (the main class of livestock insurance) was adapted to local specifics and small and medium-sized livestock farms to maintain agricultural production in less favoured areas (limiting agricultural factors).⁶⁴
- The stimulative premium policy **for young farmers** contributes to the promotion of young farmers setting up an agricultural holding, the preservation of settlement and larger land cultivation in the Slovene countryside. These goals are consistent with the interests of both the Common Agricultural Policy and the Slovene agricultural policy.⁶⁵
- By distributing preventive items, the possibility of the **occurrence of damage in livestock production** is reduced (dermatological veterinary ointments and sprays).
- Individual target groups are informed about the importance of **prevention and risk management in agricultural production** and the need to protect domestic food production:
 - promotion of insurance co-financed by municipalities at the level of local communities,
 - promotion of cooperatives by concluding insurance via cooperatives (especially with regard to hop insurance).
- Active support is provided to the Slovene Rural Youth Association (ZPMS) for its annual **Young Innovative Farmer**.
- The Company actively supports **promotion of Slovene products**: at the announcement of the Wine Queen of Slovenia, support to the Slovene winemakers' football team, the current European champion.
- Furthermore, active support was provided to the international conference on livestock nutrition.

62 GRI G4-FS14

63 GRI G4-FS8

64 GRI G4-FS8

65 GRI G4-FS7

- In cooperation with Alfakan, awareness-raising activities were undertaken among dog owners, in addition to activities related to training and re-training of dogs (lectures, reflective dog scarves and collars, first aid for small animals).
- **Conclusion of agricultural insurance with the premium co-financed by the Government:** In accordance with the Decree on co-financing of insurance premiums for primary agricultural production and fisheries, the insurer and the policyholder agree on the payment of only that part of the premium which the policyholder is required to pay. On behalf of the policyholder, the insurer seeks the payment of the remaining portion of the premium, which is co-financed by the Government, directly from the Agency for Agricultural Markets and Rural Development.

In 2016, new minimum compliance standards for the Triglav Group were adopted, which are the basis for further development of the compliance function within the Group. The reporting system of the compliance function of Zavarovalnica Triglav was established to report on significant non-compliance issues. In 2016, the external audit found no major non-compliance issues in insurance and financial companies of the Triglav Group. Consequently, in total EUR 31,272 thousand of monetary fines were imposed.

Anti-corruption measures and personal data protection⁶⁷

In accordance with the Declaration on Fair Business, the Slovene Corporate Integrity Guidelines and the Rules on Agreement Management, the anti-corruption clause as an obligatory contractual provision should be included in legal relationships with contractual partners. The application of the anti-corruption clause was expanded to other insurance and financial companies of the Group through minimum compliance standards. In 2016, training in corruption prevention was organised within the framework of the Conference on Compliance of the Triglav Group.

With regard to personal data protection, once again training was organised for all employees of Zavarovalnica Triglav and the minimum standards for the Group's companies were upgraded. The employees were informed of the manner and importance of adequate protection of personal data. The Company drafted the plan to harmonise the Company's operations with Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, which will apply from 25 May 2018.

The Company received 5 requests from clients regarding their right of information in accordance with the Personal Data Protection Act (ZVOP-1). Out of 18 complaints received about an alleged infringement of the Act, 12 were justified. In the reporting period, the Information Commissioner initiated two inspection procedures against Zavarovalnica Triglav. In one case no irregularities which would constitute an infringement were found, while in the second case the procedure had not yet been completed in 2016. In other companies of the Group, irregularities relating to protection of personal data were found in two cases, for which a monetary fine was issued; however, the fine had not yet been paid as an appeal was filed.⁶⁹

12.5 Fair business practice

The Code of the Triglav Group (hereafter: the Code) regulates ethical and fair treatment in all insurance and financial companies of the Group. Its content and the fundamental ethical principles are constantly communicated (including fairness and compliance, transparency, prevention of corrupt practices, conflict of interest management, fraud management, money laundering and terrorist financing prevention, restriction of competition prevention, acts of unfair competition and fair business practices). In 2016, Code content was presented at the conferences on compliance organised for the Triglav Group and included in the training material for employees.

Through the Code, the system for direct reporting of non-compliance was set up, regulated by a special internal document for dealing with internal fraud and infringements of the Code of the Triglav Group. These rules were transferred to the Group's members through minimum compliance standards. The internal document was revised in 2016 so as to regulate in greater detail the procedure for investigating reported infringements and the protection of the person reporting the infringement. In the reporting year, five procedures relating to the infringement of the Code were investigated in Zavarovalnica Triglav. Insurance fraud was confirmed in three of them. In one case minor irregularities were found, which did not require additional actions, while in one case further investigation was not launched due to insufficient evidence. In 2016, no proceedings for infringements related to marketing communications were initiated against Zavarovalnica Triglav and its subsidiaries.⁶⁶

66 GRI GS 103-1, 103-2, 103-3, GS 205-1

67 GRI GS 103-1, 103-2, 103-3

68 GRI GS 412-2

69 GRI GS 419-1, GS 418-1



Examples of corruption and measures taken⁷⁰

The Fraud Prevention, Detection and Investigation Department (FPDID) is in charge of insurance fraud in Zavarovalnica Triglav. Employees are encouraged to identify any cases of suspected fraud and report them by using the relevant application software. Advanced IT solutions continued to be upgraded so as to help prevent, detect and investigate cases of fraud. On the basis of good experiences in the parent company, the system for automatic identification of suspected fraud incidents began to be introduced in the insurance subsidiaries of the Group. In addition, the Triglav Group employees receive training in fraud prevention and detection.

Fraud was confirmed in 372 cases out of 634 reported cases of suspected fraud. The share of confirmed cases of fraud was 44% higher than in 2015.⁷¹

The monetary value of all contributions to political parties⁷²

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

Client communication and information⁷³

Zavarovalnica Triglav fully complies with the Consumer Protection Act and the special requirements with regard to client information when concluding distant contracts for financial services, including insurance contracts. The commitment to information of clients is further discussed in [→ *Section 11.1 Development activities*].

12.6 Client satisfaction⁷⁴

Complaints are an important indicator of client satisfaction, and therefore they are regularly monitored, resolved and analysed. In 2016, 2,383 complaints were recorded compared to 1,329 complaints filed in 2015. The largest increase was seen in the number of complaints related to non-life claim settlement due to simpler, faster and more consistent registration of complaints using the new application. The majority of complaints were made with respect to the content (90.9%), most of which were related to non-life insurance (87.8%), 10.5% referred to life insurance and 1.7% to other segments. With respect to non-life insurance most complaints were filed against the decision of the Company to reject the claim, against the amount of the damages paid and the grounds for the payment of damages or insurance benefits, whereas in relation to life insurance most complaints were made against the sales procedure and the amount of damages or insurance benefits paid. In the reporting year, 12.6% of total resolved complaints were founded and 10.8% were partly founded. Apart from that, 43 compliments were received (60 in 2015).

So as to determine client satisfaction and knowledge, the survey Insurance Monitor (international survey conducted annually since 2000), brand reputation measurements among residents (twice a year) and purchase factor measurements are used. By conducting the research on purchasing channels, the Company assessed client satisfaction for eight different insurance classes at its points of sale (Net promoter Score). Promoters were the respondents who were the policyholders of the Company and assigned the highest score (10 or 9). According to the score, they would certainly recommend Zavarovalnica Triglav to others; their share varied between 37% and 54%. Detractors were those who assigned the lowest scores (6–0) and who would not recommend the Company to others. Their share was between 22% and 48%. The score refers to those policyholders who took out insurance in the past year.

2015 2016 ▲
33% 36%

The respondents in Slovenia
would select Zavarovalnica Triglav as
their first choice among
the insurance companies.

(Source: Valicon, July 2015 and May 2016)

⁷⁰ GRI GS 205-1, GS 205-3

⁷¹ GRI GS 419-1, GS 205-3

⁷² GRI GS 415-1

⁷³ GRI GS 103-1, 103-2, 103-3, GS 417-1, GS 417-2

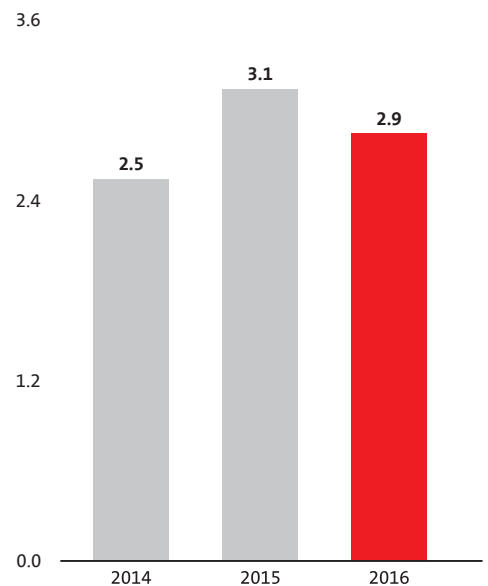
⁷⁴ GRI GS 103-1, 103-2, 103-3, GS 102-44

12.7 Responsibility to community

The Triglav Group is closely involved in the environment in which it operates and fulfils its corporate social responsibility through various prevention activities, voluntary work of employees and partnerships with the local community.

Funds allocated to prevention activities of the Triglav Group in 2014–2016

in EUR million

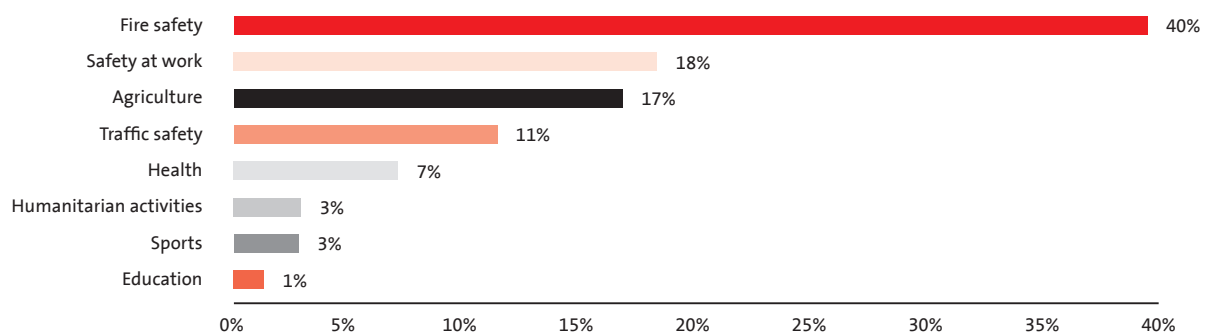


12.7.1 Prevention activities⁷⁵

Prevention activities aimed at reducing risks are an important guideline for sustainable operations of insurance companies. These activities are defined in internal documents and measures.

In 2016, a total of EUR 2.9 million or 9% less than in the previous year was allocated to prevention activities of the Triglav Group and EUR 1.3 million or 7% less to those of Zavarovalnica Triglav. The main focus was on reducing the risks of fire. For the third consecutive year, a portion of funds allocated for corporate gifts was used for preventive actions across Slovenia.

The share of Zavarovalnica Triglav's funds for prevention activities by purpose

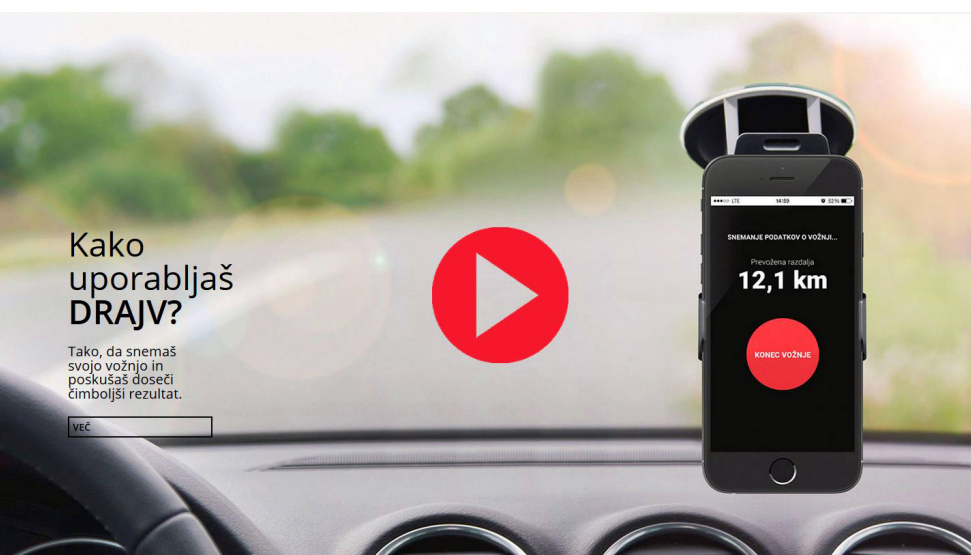


⁷⁵ GRI GS 103-1, 103-2, 103-3

Prevention projects⁷⁶

Major road safety projects carried out in 2016:

- In partnership with the Vozim Institute, the interactive workshops "I still drive – but I don't walk" were organised for secondary school students who were also acquainted with the DRAJV application aimed at improving safe driving. The personal stories of lecturers – people who were injured in road accidents were heard by 11,154 pupils at 150 workshops.
- The activities of the DRAJV mobile application for safe driving were upgraded



- Four new dangerous road sections were fitted with the COPS@road warning system. As the result, safety has been improved on 16 dangerous road sections in cooperation with Aktivna signalizacija Korun. In all road sections equipped with this system, traffic telemetry will be performed and road accident statistics monitored.
- At the beginning of the new school year, more than 35-year-old tradition was continued by donating yellow neckerchiefs to more than 22,000 first graders. Together with the Public Agency for Traffic Safety, a series of videos on road safety was recorded for elementary schools. Zavarovalnica Triglav's mascot Kuža Pazi (Watch Out Doggy) reminded school children, parents and drivers of road safety in over 60 elementary schools and kindergartens.

- In the 2016/2017 school year, the Safety Tunes international awareness-raising programme for road traffic safety is being implemented in five Slovene secondary schools in cooperation with the Automobile Association of Slovenia (AMZS). As many as 5,000 pupils are included in the programme.
- In the AMZS Safe Driving Centre in Vransko, the traditional educational and charity events "Motorcyclists for Motorcyclists" were organised, at which 209 motorcyclists refreshed their driver knowledge and tested their driving skills in various dangerous situations. The Company co-financed the purchase of motorcycling and road accident rescue equipment.
- Moreover, support was provided for the long-term ecological research study *Varna vrnitev* (Safe Return) aimed at increasing air traffic safety. The study will contribute to the reduction of claims for the damage incurred during take-off and landing due to bird strike as well as to the protection of biodiversity at the airport site and the surrounding areas.
- The Company co-financed the installation of safety nets and fences on ski slopes.
- The Company participated in the execution of safe driving courses for drivers – paramedics of the Koroška Emergency Rescue Service.
- Triglav Osiguranje, Belgrade financed preventive measures aimed at raising the awareness of amateur basketball players about various sports injuries.
- Lovćen Osiguranje, Podgorica supported preventive actions in road traffic

■ Together Calming the Traffic

The ninth-graders Matevž Čelik and Lan Martin Kompan from the Ludvik Pliberšek Primary School in Maribor observed that after the installation of Your Speed signs the drivers became more careful, especially during the arrival and departure of schoolchildren. By installing 18 Your Speed signs, the average speed in the vicinity of primary schools and kindergartens decreased by 2.5 km/h, while 4% of hasty drivers reduced their speed to the allowed 50 km/h.

In the framework of the "Together Calming the Traffic" project and in collaboration with Sipronika, Zavarovalnica Triglav installed 15 computer screens in school lobbies, on which children and their parents can monitor the speed statistics of the cars in the vicinity of schools and kindergartens.



By co-financing the your Speed Signs, the Company contributed to better road safety in the vicinity of schools and kindergartens and on routes to school. The results are most visible on the sections where the regional road connects to the residential street.

A contest was held among the participating schools, with the aim that primary school pupils encourage drivers in the local environment to reduce their speed to the allowed 50 km/h.



Environmentally-oriented activities are presented in [[→ Section 12.9](#)].

Other prevention projects

- Within the framework of the third **New Year's prevention campaign "For a Better Tomorrow"**, Zavarovalnica Triglav supported 23 prevention projects in local communities throughout Slovenia. The funds spent on New Year's corporate gifts in the past were donated to fire-fighters, civil protection, health care and road safety of children in all 12 regional units. Over 70 preventive projects were supported over three years. For example, the public awareness campaign about the use of defibrillators was carried out and the purchase of 30 automated external defibrillators was co-financed.
- The Company donated funds to the Tolmin Mountain Rescue Station for the purchase of the lifting and lowering system for the injured and additional medical equipment.
- At the opening and closing events of the sixth the **Let's Clean the Mountains Drive**, members of the Mountain Rescue Association of Slovenia demonstrated to the mountaineers how to behave properly in the mountains and how to act in the event of an accident. The Mountain Guide application is available to mountaineers for free as is on-line planning of mountain paths with more than 4,000 peaks in Slovenia, which was upgraded in cooperation with the Alpine Association of Slovenia.
- Policyholders are financially encouraged to maintain and **improve anti-fire systems**, purchase fire alarms and the systems of access control/intruder detection. Investments are made in the maintenance and purchase of equipment for volunteer fire services. Triglav Osiguranje, Belgrade co-financed fire safety measures.

Corporate volunteering of Zavarovalnica Triglav's employees

Initiative	Employee volunteering
Europa Donna	Assistance in organising the awareness-raising event on early detection of breast cancer.
Šempeter pri Gorici Branch Office	Painting of fence.
Smast Branch Primary School	Building of a canopy.
Corporate Voluntary Week "Giving Back to the Community", organised by the American Chamber of Commerce	Furniture renovation in the Janez Levec Centre for Training, Work and Care in Ljubljana.
Cooperation with the Sports Federation for the Disabled of Slovenia – the Paralympic Committee	Participation in the organisation of the Paralympic Winter Sports Days in elementary schools across Slovenia.
Ana's Star	Collection of food with a long shelf-life for socially disadvantaged people.
Trbovlje Association of Friends of Youth	Collection of food with long shelf-life and winter clothes for socially disadvantaged people.

12.7.2 Sponsorship and donations⁷⁷

The good practice of granting sponsorship funds and making donations through tenders and calls for partnership cooperation was continued in 2016. The calls for tender were published on www.triglav.eu, attracting 1,836 applications. A total of 36.9 % of all applications were accepted.

The Company adhered to the revised Sponsorship and Donation Strategy and assessment of applications using the predefined criteria, which allows more optimal selection and effectiveness of sponsorships. The commissions considering the applications ensure that the partnerships are compliant with Zavarovalnica Triglav's brand identity and values.

Sponsorship and donation funds⁷⁸

In 2016, the Triglav Group allocated EUR 3.2 million to sponsorships or 13% more than in 2015. The largest portion of these funds was granted to sports and recreational activities, followed by partnerships in culture, education, health care and environmental protection.

EUR 302 thousand or 3% less than the year before was used for donations. Humanitarian projects received most funds. This amount includes the donation made to the "Everything Will Be Alright" Institute for corporate social responsibility projects. The activities of the Institute are discussed in greater detail below.



Amounts for sponsorships and donations of the Triglav Group in 2014–2016

	2016	2015	2014	Index	
				2016/2015	2015/2014
Sponsorships	3,176,810	2,818,057	3,692,261	113	76
Donations	302,141	311,280	466,861	97	67

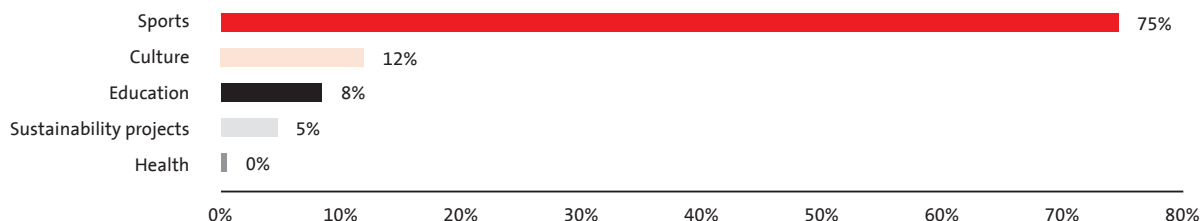
Amounts for sponsorships and donations of Zavarovalnica Triglav in 2014–2016

	2016	2015	2014	Index	
				2016/2015	2015/2014
Sponsorships	2,637,179	2,843,513	2,437,985	93	117
Donations*	197,410	197,496	356,177	100	55

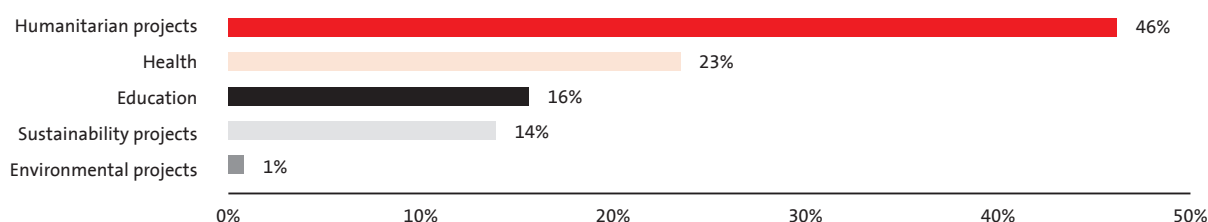
77 GRI GS 103-1, GS 203-1
78 GRI GS 201-1

*This amount includes the donation made to the "Everything Will Be Alright" Institute.

Sponsorship structure of Zavarovalnica Triglav in 2016 by content



Donation structure of Zavarovalnica Triglav in 2016 by content



Major sponsorships and donations

As a tradition, Zavarovalnica Triglav is **connected to sport** and promotes a healthy lifestyle together with its partners. In addition to the support provided to top-level and recreational sport, special attention is paid to the development of young athletes.

- As the **general sponsor**, the partnership with the **Paralympic Committee** of the Sports Federation for the Disabled of Slovenia continues.
- The Company is the sponsor of the **Basketball Federation of Serbia** and also supports the men's national basketball team of Serbia.
- Zavarovalnica Triglav continued its successful and traditional partnership with the **Ski Association of Slovenia** as the gold partner of the Nordic and biathlon national teams as well as the **general sponsor** of the World Cup **Ski Jumping Finals in Planica**.
- More than **3,500 Slovene school children**, large families and groups of persons with special needs were given the chance to **watch the World Cup Ski Jumping Finals in Planica**. In over 30 years, more than 87,700 sports fans were taken to the final in Planica.
- Zavarovalnica Triglav was the **sponsor** of the Ladies Ski Jumping World Cup in Ljubno, the Vitranc Cup in alpine skiing in Kranjska Gora and the Loka Cup international children's skiing competition.
- Supporting top athletes. Zavarovalnica Triglav is a proud sponsor of the three **Prevc brothers - ski jumpers Peter, Domen and Cene**. Furthermore, support is provided to top athletes, including Jakov Fak, Teja Gregorin, Vesna Fabjan, Rok Marguč, Klemen Bauer, Žan Košir, and to both acrobats Filip Kržišnik and Blaž Slanič.
- The Company provided over 2,000 children with the opportunity to watch the Biathlon World Cup in Pokljuka.
- The traditional partnerships with the Union Olimpija, Krka Novo Mesto and Domžale basketball clubs continued, in addition to the Radenska Creativ Sobota basketball club and Celje Pivovarna Laško Handball Club and the Ajdovščina Women's Handball Club.
- Moreover, support was provided to the Ilirija Ski Jumping Club, ACH Volley Volleyball Club, the Puconci Female Volleyball club, the Maribor Volleyball club, the Ljubljana Rowing club, the Pomurje Beltinci female Football club, the Čarda Martjanci Football club and the activities of other national federations and associations (hockey, tennis, table tennis, handball and kayak).
- The Rog Cycling Club and the Kranj Cycling Club received Triglav's support for the popular Tour of Slovenia and the Franja Marathon cycling races.
- Zavarovalnica Triglav was also the main sponsor of Bled Triathlon and Mountain marathon of 4 Municipalities.
- The Company has been a sponsor of the Adriatic Water Polo League since 2011.

The subsidiaries of the Triglav Group support numerous sports activities in their environments:

The Triglav Group subsidiary	Sports sponsorship
Lovćen Osiguranje, Podgorica	<ul style="list-style-type: none"> Montenegro Olympic Committee "Akademac" Sports and Recreation Club Budučnost Female Handball Club Snow dance in snow board Festival "Vučje" Durmitor Basketball club
Triglav Osiguranje, Zagreb	<ul style="list-style-type: none"> Zamet Handball club Zagreb Ice Hockey club Football "Oscar" (the award for the best Croatian football player) Sponsorship of young skiers, the siblings of Zrinko and Tvrtko Ljutić
Triglav Osiguruvanje, Skopje	<ul style="list-style-type: none"> Vardar Handball club Auto racing club Prosport Basketball Federation of Macedonia Basketball club MZT Skopje Aerodrom Kayaking Federation of Macedonia
Triglav Osiguranje, Sarajevo	<ul style="list-style-type: none"> Velež Football Club Female Play Off Basketball Club Sharks swimming club
Triglav Osiguranje, Belgrade	<ul style="list-style-type: none"> Basketball Federation of Serbia Sponsorship of the basketball qualifying tournament for Rio 2016 Olympic Games Basketball club Mega Vizura Crvena Zvezda Judo Club
Triglav Osiguranje, Banja Luka	<ul style="list-style-type: none"> Jahorina Ski and Mountaineering Association Sponsorship of the brothers judoists Nemanja and Stefan Majdov Sponsorship of the 10 International Cycling Race Belgrade–Banja Luka



Triglav Osiguranje, Belgrade
is the proud sponsor of
the Serbian National Basketball Team

In 2016, sponsorship cooperation was agreed with 11 young talents from previous years so as to continue to support the talented individuals who are not suitable candidates for sponsorship support but the experience to be gained in this period is more than welcome for developing their talent and achieving top results in the future.

Culture

Diverse music was brought closer to its fans through the traditional cooperation with the Cankarjev Dom Cultural and Congress Centre (season tickets for *the Music of the World*), the Ljubljana Festival, the Lent Ljubljana Festival, the Soboški dnevi Festival, the Ment Festival and numerous other music festivals, evenings and events. Zavarovalnica Triglav cooperated with the Slovene Youth Theatre as its general sponsor and continued to support the Puppet Theatre. Amongst the film activities supported by the Company were the events *Kino v plenicih* (for parents with infants), *Kinobalon* (educational programme for children and young people) and *Mobilni kino* (mobile cinema) all organised by Kinodvor.

Triglav Osiguruvanje, Skopje ensured funding for the 2016/2017 programme of the Macedonian Opera and Ballet, Triglav Osiguranje, Sarajevo provided support to the Juventafest International Festival of Secondary School Theatre, Triglav Osiguranje, Zagreb supported the Archaeological Museum in Zagreb, and Lovćen Osiguranje from Podgorica provided support to the Traditional Winter Carnival in Kotor.

Education and training

- Zavarovalnica Triglav is the partner of the intergenerational centre "To Triglav to Change the World" (Na Triglav spreminjat svet). There, 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.
- The Company became engaged in the "Staying Safe on Social Networks" project, the aim of which is to educate children, adolescents and parents on the safe use of social networks.
- Support was given to the project "Listen to the Ladybug to Stay Safe", which teaches children about prevention and road safety through a puppet show. Before and after the performance, children were entertained by the Watch Out Doggy mascot.

Humanitarian activity

In cooperation with Kinodvor Cinema and the Paediatric Clinic of the UMC Ljubljana, a film was screened for the children at the Paediatric Clinic, who were also entertained by the Watch Out Doggy mascot.

In the context of the 5th Triglav Run, for the third consecutive year four Slovene maternity hospital were donated funds for the purchase of the necessary equipment: the Izola General Hospital, the Jesenice General Hospital, the Jože Potrč General Hospital Ptuj and the Nova Gorica General Hospital.

In the context of the traditional gathering of the Triglav Group's employees in Planica, funds were donated for the purchase of medical equipment for the Kranjska Gora Health Centre, while the Rateče Mountain Rescue Service received funds for upgrading the ambulance.

For the fifth consecutive year, Zavarovalnica Triglav set up new playgrounds as part of the Children of Triglav campaign. The goal of this project is to provide appropriate spaces where parents with children, adolescents and young at heart can spend quality leisure time. In 2016, the Company helped with the reconstruction and setup of three playgrounds at various excursion destinations. Since the campaign was launched, more than twenty playgrounds were opened.⁷⁹

Moreover, support was provided to organisations providing assistance to persons with physical and mental disabilities, institutes and associations improving the quality of life of the elderly and children, research and health organisations, various mountaineering clubs, and many other institutions and associations that improve the quality of life in local communities.



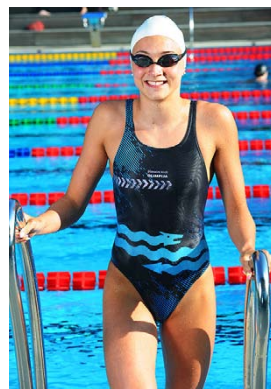
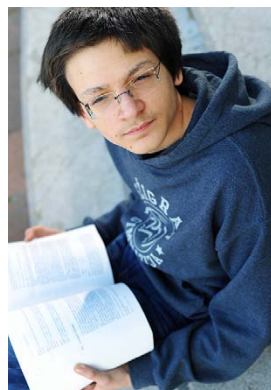
Other forms of humanitarian aid of the Triglav Group

Donation recipient	Purpose of aid
Slovenian Society for Dog Assisted Therapy <i>Tačke Pomagačke</i> (Helping Little Paws)	Promotion of reading literacy and communication skills of children with developmental disorders or after an accident
Tolmin Community Health Centre	Purchase of emergency medical equipment
Club of Special Sports, Banja Luka	Winter camp for persons with special needs
Organisation of Women of Skopje	Financial support to the SOS centre and the construction of the Centre for Assistance to the Victims of Domestic Violence
Nikšić General Hospital, Podgorica	Purchase of emergency medical equipment
Elementary School of Andrija Mohorovičić, Zagreb	Co-financing of a desktop computer

Everything Will Be Alright Institute

The three pillars of "Everything Will Be Alright" Institute, for the management and implementation of socially responsible activities, are: prevention activity to prevent loss events, support to young talents and remedying the consequences of natural disasters or loss events in Slovenia and abroad.

Young Hopes 2016



The main projects of the Everything Will Be Alright Institute in 2016:

■ Support to young talents

Talented young artists, athletes and future scientists were supported through the Corporate the Mladi upi project for the fourth consecutive year. In 2016, the tender attracted 66 applicants. The board of experts selected 20 finalists in the first selection round and singled out 12 who will receive funding. The public chose their favourite through online voting, submitting 13,507 votes. In cooperation with Pro Plus media company, as much as EUR 50,000 was allocated to the development of talent and the achievement of goals.

In order to provide long-term assistance and guidance to young talents in achieving top results, the Company began to organise free events or seminars for all Young Hopes generations and all who are closely connected to their work.

The Young Hopes Alumni meeting is held twice a year so as to share working knowledge in support of their career. In 2016, young talents visited Pro Plus media house, where they were introduced to the work of journalists. In addition, they received practical advice on public appearance and how to behave in front of the camera, and were able to practice in front of the camera.

■ Prevention activities aimed at preventing loss events

The Institute is the partner of the "Alcohol-free for 40 days" campaign, in the context of which breathalyser tests were performed in Planica during the World Cup 2016.

■ Other forms of humanitarian aid of the Triglav Group

Donation recipient	Purpose of aid
Karitas Maribor Archdiocese	Purchase of a foot brace for a boy
Regional Association Črnomelj – Red Cross of Slovenia	Purchase of emergency medical equipment

Information on sponsorships and donations:

Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
E-mail: sponzorstva@triglav.si

12.8 Responsibility to suppliers⁸⁰

The tendering process is carried out electronically through the Procurement Portal. In this way, the procurement process in Zavarovalnica Triglav is automated, ensuring its traceability and transparency.

The **supplier selection criteria** depend on the type of procurement. The obligatory criteria are the price and business cooperation. If companies from the Triglav Group participate in a tender, capital ties as the obligatory criterion will be applied. Other criteria depend on the type of procurement (existing experiences, delivery time, bidders' references, etc.). No special training for suppliers was provided in 2016, as it was not necessary to do so due to the nature of supply.⁸¹

The criteria relating to a responsible attitude towards the environment or sustainable operations are also taken into account in the selection of suppliers. The conditions for taking part in the tender include complying with employment relationship obligations, providing a healthy and safe working environment and respecting international human right agreements and environmental legislation, which are all part of the General Purchase Terms and Conditions of Zavarovalnica Triglav.⁸²

Persons in charge of an individual type of procurement communicate **with the suppliers**. Communication regarding obtaining quotes takes place mostly by e-mail or by procurement website. Other communication (complaints, payment, delivery of material etc.) takes place mostly by e-mail or by regular post and phone. The communication process is managed by the same person. This is most suitable also for the suppliers, who thus always have a person they can contact for any inquiries.⁸³

The suppliers whose annual turnover exceeds EUR 30 thousand (excluding VAT) are evaluated once a year. The questions relate to assessing the supplier's risk connected to the negative image of the company or its representatives, the existence of tax debt, payments through accounts abroad, etc. Before each tendering procedure, the credit rating of all potential bidders is checked; if tax debt or poor credit ratings are found, they are excluded from the list of potential suppliers.

Locally oriented procurement⁸⁴

Due to the relatively small size of Slovenia, the entire Slovene market can be considered a local market. Searching for suppliers on foreign

markets (except in exceptional cases) is not sensible as suppliers for all types of purchases can always be found in Slovenia.

Efforts are made to include as many local suppliers as possible in the procurement process. In some cases, however, this is not justified (e.g. the purchase of office supplies).

Other subsidiaries in the Group also follow locally-oriented procurement practices – the Group's companies purchase materials or services on their own markets.

Enabling fair competition

Care is taken that the supplier selection procedures are transparent and compliant with fair competition rules. The protected interests of competitors are taken into consideration in day-to-day operations, product development and marketing.⁸⁵

The Triglav Group denounces any arrangements with competitors, which could lead to restrictive practices, and ensures that no marketing purposes or preferences are revealed in the communication with competitors. Information on competitors is collected exclusively in a legitimate manner. Furthermore, no banned advertising approaches are used in marketing communication and advertising of the Company's services or products.

Zavarovalnica Triglav was not informed of any legal actions filed against the Company before the Slovenian Competition Protection Agency for violating the competition protection laws.⁸⁶

Remuneration of insurance agencies and their sales staff

As at the end of the year, the Company cooperated with more than 500 external contracted partners registered as insurance agents, including exclusive and non-exclusive agencies selling both non-life and life insurance. There are 232 contracted partners in the non-life insurance market and 64 in the life insurance segment. The Company has 174 cooperation agreements concluded with travel agencies.⁸⁷

Results achieved by contracted partners are monitored and measures for improving sales results taken if necessary. In case of agencies selling life insurance products, the commission rate depends on trends in the portfolio and the sustainability index for maintaining client loyalty. Contractors selling non-life insurance products are assessed on the basis of monthly plan realisation, portfolio renewal and growth in policyholders, which is also linked to additional remuneration.

80 GRI GS 102-9

81 GRI GS 103-1, 103-2, 103-3

82 GRI GS 103-1, 103-2, 103-3, GS 308-1, GS 414-1

83 GRI GS 103-1, 103-2, 103-3

84 GRI GS 103-1, 103-2, 103-3, GS 204-1

85 GRI GS 103-1

86 GRI GS 206-1

87 GRI GS 102-10

4th

carbon footprint
measurement for all
regional units' head offices
and the Headquarters of
Zavarovalnica Triglav

12.9 Responsibility to the natural environment⁸⁸

Protection of the environment in work processes

In the reporting period, the employee awareness was raised about a rational use of resources and waste management. Electronic notification of earnings for employees was introduced, resulting in annual savings of approximately 300 kg of office paper. To reduce waste plastic packaging from beverage vending machines, all employees of Zavarovalnica Triglav have their own cup and water bottle. Employees in most regional units and at the headquarters can use bicycles for short-distance work-related travel. In 2016, the Company's bicycle fleet was renewed with nine new bicycles.

Two electric vehicles were purchased in 2016, and another five will be purchased in 2017. In line with the purchasing policy, majority 17 from 19 newly purchased company vehicles have low 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. The environmental criteria are part of the supplier selection process (see [→ Section 12.8. Responsibility to suppliers]).

Carbon footprint calculation⁸⁹

Systematic carbon footprint measurement in Zavarovalnica Triglav is being introduced to other companies of the Triglav Group. For 2016, carbon footprint measurement was conducted for the headquarters of six subsidiaries (see the table below).

Carbon footprint results in tonnes of CO₂ equivalent by Triglav Group subsidiary

Location	Carbon footprint		
	2016*	2015	2014
Zavarovalnica Triglav**	5,117	4,944	5,107
Triglav Osiguranje, Sarajevo***	165	174	169
Triglav Osiguranje, Belgrade***	668	471	421
Lovćen Osiguranje, Podgorica***	252	195	165
Triglav Osiguruvanje, Skopje***	179	372	159
Triglav Osiguranje, Zagreb***	709	-	-
Triglav Osiguranje, Banja Luka***	71	-	-

* In 2016, the manner of capturing data changed, therefore the data are not fully comparable with previous years.

** The Company headquarters and the 12 regional units' head offices are included in the calculation.

*** The headquarters are included in the calculation.

The bulk of greenhouse gas emissions is accounted for by emissions due to electricity consumption and heating, followed by work-related transport. The introduced information system improved the quality and efficiency of collecting the data on energy consumption, discharges and waste (see [→ Use of Energy Products and Water] for further details).

Carbon footprint measurement was performed in all Zavarovalnica Triglav's locations for the

fourth time, while all regional units' head offices and the Headquarters were included in the calculation of electricity consumption and energy used for heating and cooling.

The 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, the operation of electrical and electronic equipment, as well as district heating emissions. Apart from that, 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.

Compared to the preceding year, electricity consumption was increased by 7% in Zavarovalnica Triglav, whereas carbon footprint from heating increased by 3%.

88 GRI GS 103-1, 103-2, 103-3
89 GRI GS 305-1, GS 305-2, GS 305-3, GS 103-1



Electricity consumption and heating by location of Zavarovalnica Triglav

Location	Electricity consumption and heating in m ²		
	2016	2015	2014
Headquarters	0.067	0.065	0.063
Ljubljana Regional Unit	0.100	0.090	0.092
Celje Regional Unit	0.051	0.051	0.051
Koper Regional Unit	0.079	0.074	0.076
Kranj Regional Unit	0.088	0.073	0.101
Krško Regional Unit	0.029	0.029	0.029
Maribor Regional Unit	0.070	0.044	0.046
Murska Sobota Regional Unit	0.081	0.083	0.084
Nova Gorica Regional Unit	0.055	0.053	0.034
Novo Mesto Regional Unit	0.074	0.081	0.082
Postojna Regional Unit	0.269	0.246	0.230
Slovenj Gradec Regional Unit	0.051	0.044	0.046
Trbovlje Regional Unit	0.074	0.080	0.072
Total	0.084	0.078	0.078

Total emissions due to exclusively work-related travel using the Company's vehicle fleet, public transport or employees' own vehicles accounted for 390 tonnes of CO₂ equivalent or 19% less than the year before.

Paper consumption is used to monitor environmental awareness and behaviour of employees in the office. CO₂ emissions due to office paper consumption are very low compared to other sources.

The average use of A4 printing and copy paper per employee a day

	2016	2015	2014
Average use of paper sheets per employee a day	29.0	27.7	27.6



Objective:
To reduce the consumption
of energy products

-10%
2015–2018

Use of energy products and water⁹⁰

The Company voluntarily committed to reduce energy product consumption by around 10% in the 2015–2018 period mainly with the implementation of various organisational and investment measures. This commitment is linked to the efforts for an efficient use of all resources because the insurance industry is not committed to comply with energy management regulations.

Energy performance certificates have been obtained and energy audits of some of the most important buildings have been performed since 2015, which will continue also in 2017. In 2016, extensive investments were made into improving

the energy efficiency class of one of the largest and until then the least energy-efficient commercial buildings – the commercial building on Dunajska 20 in Ljubljana. Since 2013, small-scale investments have been made into improving the energy efficiency class of the most critical buildings. Similar future improvements are planned.

In 2016, important steps were made in the introduction of the new information system, which will enable the establishment of automatic management of energy and environmental accounting by the end of 2017. The obtained data (together with the findings of key energy audits) will serve as an important basis for specific measures as well as follow-up of results.

Use of energy products in Zavarovalnica Triglav in 2014–2016

Energy product type	Use of energy product by year			Index	
	2016	2015	2014	2016/2015	2015/2014
Warm water (MWh)	3,080	2,900	2,211	106	131
Fuel oil (l)	7,498	16,550	35,441	45	47
Gas (m ³)	145,048	144,697	101,055	100	143
Electricity (MWh)	5,475	5,092	5,347	108	95

In the reporting period, 36,028 gigajoules (GJ) of electricity were used for heating, cooling, lighting and 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, representing a growth of 5% over the corresponding period of 2015.

Zavarovalnica Triglav does not yet keep records of its energy consumption by energy source, but estimates its structure to be comparable to the structure of energy sources at the national level. According to the latest available data (from 2011), it is estimated that the largest energy source in Slovenia is nuclear energy (39%), followed by solid fuels (33%), while renewable sources of energy accounted for 24% of the total.⁹¹

Waste disposal policy

Paper, packaging and mixed municipal waste are collected separately in all regional units and most representative offices. At the Headquarters, where waste separation results have been monitored for several years, a continuing decline in the share of mixed municipal waste has been recorded. In 2015, more comprehensive data began to be captured in the remaining regional units of Zavarovalnica Triglav. Their waste separation results are significantly poorer than those for the Headquarters.

In 2016, an important step was taken towards separate waste collection in the largest investment property on Dunajska cesta 22 in Ljubljana. This way the Company began to raise awareness of not only its employees but also of its clients and tenants.

The quantity of waste in Zavarovalnica Triglav⁹²

Waste type	Zavarovalnica Triglav (in m ³)		Index
	2016	2015	2016/2015
Mixed waste	743	856	87
Packaging	492	448	110
Paper*	442	475	93
Total	1,677	1,779	94

* In 2016, the number of ordered printed copies of daily newspapers was further reduced due to an increased use of online editions. In addition, newspaper collection was added to the recycling bin sets at the entrances of all regional units' head offices and the headquarters. The collected newspapers are then picked up by the neighbouring schools and kindergartens as part of old paper collection campaigns.



Considerably less obsolete IT equipment, including obsolete mobile phones, was disposed, i.e. 5,605 kg or 27% less than in 2015. Obsolete equipment was handed over to the authorised waste management service. Toner and ink cartridges are disposed of separately. In the reporting year, 1,027 kg of empty cartridges were given to charity.

12.10 Care for the broader natural environment

7th season of the all-Slovene drive – “Let's Clean the Mountains”

- Biodegradable rubbish bags were provided to more than 75 cottages and mountain stations
- More than 1 ton of waste removed from the mountains in 2016
- Raising awareness about the importance of safe disposal of cigarette butts
- 1st online quiz: Are you a true guardian of the mountains?

More than 28 tons of waste removed from the mountains over 7 years

91 Source: Ministry of Agriculture and the Environment, Slovenian Environment Agency, Environmental Indicators in Slovenia, http://kazalci.arso.gov.si/?data=indicator&ind_id=456

92 GRI GS 306-2



12.11 Key corporate social responsibility guidelines and objectives in 2017

Key corporate social responsibility guidelines and objectives in 2017

Guideline		Objectives in 2017
Management of the organisation	<ul style="list-style-type: none"> ■ Credit rating ■ Pro-active cooperation with analysts, institutional investors and shareholders 	<ul style="list-style-type: none"> ■ Information of the financial public in accordance with the highest standards of the local stock exchange. ■ "A" credit rating. ■ To participate in at least 6 investment conferences in Slovenia and abroad, to organise own investor meeting once a year.
Fair business practices	<ul style="list-style-type: none"> ■ Declaration on Fair Business ■ Proactive internal communication and employee training in compliance and corporate ethics ■ To be active in compliance and fair dealing external working groups and exchange good practices ■ Further development of ethical business practice of the Group subsidiaries ■ An example of good practice in insurance fraud investigation and prevention in the region ■ To encourage employees to identify insurance fraud cases and participate in the relevant training 	<ul style="list-style-type: none"> ■ To retain a high standard of fair business also by monitoring the inclusion of the anti-corruption clause in agreements in the Triglav Group and by further developing the anti-corruption policy. ■ To hold at least two meetings of the Compliance and Ethics Committee per year and at least one training course in the Triglav Group, to participate in training for new employees. ■ To continue to actively participate in professional and sectoral associations and organisations, which promote ethical and transparent business. ■ To hold further training courses on the Code of the Triglav Group in the Group's subsidiaries in accordance with the adopted minimum standards for the Group. ■ To increase the number of identified suspected fraud incidents with own system application and to introduce the system for automatic identification of suspected fraud incidents in the Group's subsidiaries in the Adria region. ■ To organise training for employees in the regional units and in regional claim centres and training courses for new employees.



Recruitment and work practices

- **Improvement of selection procedures**
 - To revise the selection procedures by using new selection tools (DNLA, cooperation with HR agencies, etc.).
 - To develop a uniform policy on the development activities for key, promising staff and young promising staff in the Triglav Group.
- **Unification of activities in relation to the development of employees of the Triglav Group**
- **To promote internal and external mobility of employees**
 - To ensure diagonal transition of employees in accordance with the needs of work processes.
 - To post workers of the parent company to subsidiaries (short term) so as to transfer good practices, to continue with the specialised in-house training of workers from subsidiaries in the parent company.
- **Revision of the organisational culture**
 - To analyse the existing organisational culture in the Triglav Group, to define the desired organisational culture and implement the first measures.
- **Employee training**
 - To ensure that all employees participate in the training aimed at increasing digital literacy.
 - To hold new online training courses so as to facilitate access to knowledge. To obtain the missing skills, with the emphasis on leadership.
 - To continue training and health promotion in the framework of the Triglav.smo project, Care for health ("Protecting health"), and Family-Friendly Enterprise activities.
- **To establish a healthy and safe environment for the employees**
 - To actively manage the psychosocial risks among employees. In the context of the World Health Day, which will be dedicated to depression, the focus will be on raising employee awareness about this disease. To seek additional communication channels in order to present the adverse effects of stress to all employee categories. The goal is to raise awareness that stress and its consequences considerably affect work productivity of employees and the attainment of the set business objectives.
- **Psychosocial support provided to employees**
 - To continue holding workshops for leaders, training of the elderly on effective cooperation between young and senior employees, to continue holding discussions with senior employees, implementing the DPP measure on more frequent preventive health examinations for the elderly.
- **Intergenerational cooperation – coexistence of generations**

Human rights

- **Zero tolerance for discrimination, harassment or mobbing at the workplace and protection of dignity of employees by identifying, preventing and remedying the consequences of inappropriate behaviour.**
 - To take preventive action, to continue with the good practice of cooperation between clerks and their supervisors in the case of a dispute and to follow the measures set out in the Rules on the Protection of Dignity at Work.



<p>Responsibility to clients and suppliers</p>	<ul style="list-style-type: none"> ■ To prepare a wide range of quality content and stories, focusing on the relevant areas of the insurance industry in terms of raising literacy and providing useful tips. ■ Services accessible to people with disabilities 	<ul style="list-style-type: none"> ■ To continue to regularly publish insurance-related content aimed at raising the readers' awareness and increasing their satisfaction with insurance products. ■ To plan the content and activities, through which the Company is brought closer to young people. ■ To launch of at least one measure to improve the access to disabled persons.
<p>Engagement in the community and its development</p>	<ul style="list-style-type: none"> ■ Traffic safety prevention programmes ■ Volunteering of employees in local communities ■ The Triglav Generations in Planica drive ■ Triglav Run ■ Children of Triglav ■ Preventive action 	<ul style="list-style-type: none"> ■ To carry out at least 3 preventive actions for the children at every regional unit: Watch Out Doggy mascot in the framework of the Children of Triglav – Safe on Roads project. ■ To equip at least 20 new critical locations with active signals to improve road safety and its stabilisation. To carry out a communication campaign or local event for at least five systems. ■ To include at least 10% of employees in volunteer work and activities. ■ To take at least 3000 children to the ski jumping event in Planica, including at least 100 children with special needs. To promote a responsible attitude towards the environment. ■ To organise the Triglav Run with at least 1500 active participants and implement at least of one measure to reduce the environmental impact of the event. ■ To participate in the renovation or set up of at least two playgrounds. ■ To prepare in-depth preventive content on safety at home and on the road (fire safety at home, traffic safety – particularly the safety of young and senior drivers) on the "Vse bo v redu" portal.
<p>Reduction of environmental impacts</p>	<ul style="list-style-type: none"> ■ Waste management ■ Let's Clean the Mountains and Hills ■ Reduction of greenhouse gas emissions 	<ul style="list-style-type: none"> ■ To raise awareness of employees about proper waste separation and reducing the quantity of waste. ■ To actively educate mainly the target group of young families about the importance of safety in the mountains and physical preparation. To hold at least two events with workshops on this topic. ■ To strengthen relations with social network users. ■ To strengthen the strategic cooperation with professional non-governmental organisations in the field of safety in the mountains – at least two partners. ■ To continue with the internal campaign for the rational use of natural resources by focusing on at least five key topics. ■ To purchase computers with optimised energy consumption. ■ To calculate the carbon footprint of at least four headquarters of the Triglav Group subsidiaries. ■ To purchase company vehicles with low CO₂ emissions. ■ To purchase new company electric cars.

13 Information on the Triglav Group as at 31 December 2016

Insurance

■ Zavarovalnica Triglav d.d.

Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 72 00
Fax:	++ 386 (1) 432 63 02
E-mail address:	info@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

■ Skupna pokojninska družba d.d.

Address:	Trg republike 3, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 47 00 840, 080 80 87
Fax:	++ 386 (1) 47 00 853
E-mail address:	info@skupna.si
Website:	www.skupna.si
Activity:	Pension funds
Equity stake of Zavarovalnica Triglav/the Triglav Group:	71.87%/71.87%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	71.87%/71.87%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	4,851,774 EUR/4,851,774 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.hr
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /99.91%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /99.91%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /28,047,983 EUR

■ Lovćen Osiguranje a.d., Podgorica

Address:	Ulica Slobode 13a, 81000 Podgorica, Montenegro
Phone:	++ 382 (20) 404 400, 404 410
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:	- /96.47%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /96.47%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /10,090,690 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:	- /8,319,884 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:	- /99.88%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /99.88%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /14,539,234 EUR

■ Triglav Osiguruvanje a.d., Skopje

Address:	Bulevar 8-mi Septemvri br. 16, 1000 Skopje, Macedonia
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Fax:	++ 389 (2) 510 22 97
E-mail address:	info@triglav.mk, pr@triglav.mk, osig@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:	- /2,207,582 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, Upravljanje nepremičnin d.d.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 47 44 440
Fax:	++ 386 (1) 23 17 785
E-mail address:	info@triglav-upravljanje.si
Website:	www.triglav-upravljanje.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:	3,160,113 EUR/3,160,113 EUR

Other

■ Triglav INT, holdinška družba d.d.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 430 95 34
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:	68,010,006 EUR/68,010,006 EUR

■ Triglav Svetovanje, zavarovalno zastopanje d.o.o.

Address:	Ljubljanska cesta 86, 1230 Domžale, Slovenia
Phone:	++ 386 (1) 724 66 50
Faks:	++ 386 (1) 724 66 75
E-mail address:	info@triglav-svetovanje.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

■ Triglav Avtoservis d.o.o.

Address:	Verovškova 60b, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 580 68 80
Faks:	++ 386 (1) 580 68 75
E-mail address:	info@triglav-avtoservis.si
Website:	www.triglav-avtoservis.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

■ Vse bo v redu, zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti

Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
E-mail address:	vsebovredu@triglav.si
Website:	www.vsebovredu.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%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav group:	100,000 EUR/100,000 EUR

14 Business Network of the Triglav Group

The Triglav Group improves accessibility of its insurance products and services as well as other financial and assistance services by upgrading the traditional and introducing new digital sales channels.

Zavarovalnica Triglav has an extensive business network for its range of insurance and asset management services in Slovenia. At the same time, it serves as the centre of both the Group's international business network and the development of its core business lines. The headquarters of Zavarovalnica Triglav is where the management, developmental and coordinating functions are performed.

Its own sales network and many contracted points of sale make Zavarovalnica Triglav's insurance services readily accessible. Zavarovalnica Triglav's own sales network is expanded by insurance agencies. Moreover, contracts for selling insurance products are concluded with companies carrying out motor vehicle roadworthiness tests, leasing companies, banks and travel agencies. The Company also successfully cooperates with numerous insurance brokerage firms. Recently, the focus has been on expanding cooperation with contractual partners who not only remedy the damage incurred by the policyholders but also provide other services.

14.1 Insurance

■ Zavarovalnica Triglav d.d., Ljubljana, 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

The insurance company has agencies set up in all 12 regional units of Zavarovalnica Triglav and a health information office at the headquarters.

■ Skupna pokojninska družba d.d., Ljubljana – registered office

■ Triglav Osiguranje d.d., Zagreb – registered office

Branch offices:

- Zagreb
- Čakovec
- Varaždin
- Koprivnica
- Osijek
- Rijeka
- Pula
- Split
- Zadar

■ Lovćen Osiguranje a.d., Podgorica – registered office

Branch offices:

- Podgorica
- Nikšić
- Berane
- Pljevlja
- Bijelo Polje
- Kotor
- Bar
- Budva

Offices and agencies:

- Andrijevica
- Ulcinj
- Danilovgrad
- Kolašin

- Tuzi
- Žabljak
- Plav
- Rožaje
- Mojkovac
- Tivat
- Herceg Novi
- Cetinje
- Šavnik
- Plužine

▪ **Triglav Osiguranje d.d., Sarajevo – registered office**

Branch offices:

- Sarajevo
- Bihać
- Tuzla
- Mostar
- Zenica
- Travnik
- Goražde
- Brčko
- Banja Luka
- Tomislavgrad
- Ljubuški
- Kiseljak
- Jelah – Tešanj

▪ **Triglav Osiguranje a.d.o., Banja Luka – registered office**

Regional units:

- Banja Luka
- Doboј
- Prijedor
- Gradiška
- Istočno Sarajevo – Pale
- Bijeljina

Outlets:

- Laktaši
- Mrkonjić Grad
- Teslić
- Derventa
- Modriča
- Brod
- Novi Grad
- Kozarska Dubica
- Kostajnica
- Prnjavor
- Zvornik
- Vlasenica

▪ **Triglav Osiguranje a.d.o., Belgrade – registered office**

Branch offices:

- Belgrade
- Novi Sad
- Kruševac
- Niš
- Valjevo
- Kikinda
- Subotica
- Šabac
- Kragujevac
- Čačak
- Jagodina
- Vranje

Offices and agencies:

- Bor
- Bečej
- Novi Pazar
- Negotin
- Vršac
- Leskovac
- Prokuplje
- Pančevo

▪ **Triglav Osiguruvanje a.d., Skopje – registered office**

Branch offices:

- Skopje
- Bitola
- Ohrid
- Gostivar
- Tetovo
- Kumanovo
- Veles
- Gevgelija
- Prilep
- Kičevo
- Radoviš
- Kočani
- Štip
- Kavadarci
- Strumica
- Struga

Agencies:

- Kumanovo
- Tetovo (2 agencies)
- Kriva Palanka
- Negotino

- Resen
- Kočani
- Kruševo
- Berovo
- Delčevo
- Makedonska Kamenica
- Vinica
- Dolno Palčiče
- Debar
- Rosoman
- Valandovo
- Demir Hisar
- Zajas, Kičevo
- Velešta
- Vrapčiče
- Skopje – Avtokomanda
- Skopje – Cento
- Skopje – Cair
- Skopje – Aerodrom
- Plasnica
- Struga

14.2 Asset management

- Triglav Skladi d.o.o., Ljubljana – registered office
- Triglav, Upravljanje nepremičnin d.d., Ljubljana – registered office

14.3 Other

- Triglav INT, holdinška družba d.d., Ljubljana – registered office
- Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale – registered office
- Triglav Avtoservis d.o.o., Ljubljana – registered office

15 Performance Indicators of Zavarovalnica Triglav

15.1 Growth of gross written premium (Index)

Gross written premium for the current year*100

Gross written premium for the preceding year

No.		in EUR			Index	
		Gross written premium				
		2016	2015	2014	2016/2015	2015/2014
1	2	3	4	5	6=3/4*100	7=4/5*100
1	Accident insurance	28,798,922	29,255,847	30,520,339	98	96
2	Health insurance	422,483	-	-	-	-
3	Land motor vehicle insurance	97,783,724	94,164,470	96,906,181	104	97
4	Railway insurance	3,000,826	2,972,106	2,354,281	101	126
5	Aircraft insurance	1,039,498	896,584	579,659	116	155
6	Marine insurance	398,352	572,844	684,846	70	84
7	Good in transit insurance	5,066,567	5,153,901	5,019,794	98	103
8	Fire and natural disaster insurance	55,304,473	54,860,678	54,532,891	101	101
9	Other damage to property insurance	71,229,040	68,504,409	68,414,874	104	100
10	Motor TPL insurance	87,328,336	88,847,814	94,244,936	98	94
11	Aircraft liability insurance	810,377	728,616	833,043	111	87
12	Marine liability insurance	343,659	354,939	341,687	97	104
13	General liability insurance	33,196,250	29,247,535	28,987,963	114	101
14	Credit insurance	24,622,038	24,009,921	23,152,992	103	104
15	Suretyship insurance	1,453,625	1,605,356	1,343,269	91	120
16	Miscellaneous financial loss insurance	2,653,327	1,900,466	2,735,997	140	69
17	Legal expenses insurance	568,538	786,043	831,956	72	94
18	Travel assistance insurance	8,840,017	7,674,638	7,305,116	115	105
19	Total non-life insurance (No. 1–18)	422,860,052	411,536,169	418,789,824	103	98
20	Life insurance	83,319,257	86,778,846	85,640,550	96	101
21	Wedding insurance or birth insurance	-	-	-	-	-
22	Unit-linked life insurance	71,908,586	73,332,570	73,907,907	98	99
23	Tontine	-	-	-	-	-
24	Capital redemption insurance	15,041,116	14,613,360	14,281,171	103	102
25	Income protection insurance due to accident or illness	-	-	-	-	-
26	Total life insurance (No. 20–25)	170,268,959	174,724,777	173,829,628	97	101
27	Total (No. 19+26)	593,129,011	586,260,945	592,619,452	101	99

15.2 Net written premium as % of gross written insurance premium

Net written premium*100
Gross written premium

No.		in EUR					
		Net written premium		Gross written premium		Net written premium as % of gross written insurance premium	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	27,614,362	28,086,339	28,798,922	29,255,847	96	96
2	Health insurance	126,707	-	422,483	-	30	-
3	Land motor vehicle insurance	89,072,172	84,998,905	97,783,724	94,164,470	91	90
4	Railway insurance	2,454,878	2,439,754	3,000,826	2,972,106	82	82
5	Aircraft insurance	136,833	461,519	1,039,498	896,584	13	51
6	Marine insurance	322,979	497,310	398,352	572,844	81	87
7	Good in transit insurance	2,482,860	3,456,945	5,066,567	5,153,901	49	67
8	Fire and natural disaster insurance	32,759,319	32,409,539	55,304,473	54,860,678	59	59
9	Other damage to property insurance	52,708,309	51,228,343	71,229,040	68,504,409	74	75
10	Motor TPL insurance	81,109,185	82,520,440	87,328,336	88,847,814	93	93
11	Aircraft liability insurance	72,963	175,808	810,377	728,616	9	24
12	Marine liability insurance	299,769	313,355	343,659	354,939	87	88
13	General liability insurance	23,393,895	22,504,288	33,196,250	29,247,535	70	77
14	Credit insurance	21,333,587	20,869,092	24,622,038	24,009,921	87	87
15	Suretyship insurance	1,077,352	1,085,623	1,453,625	1,605,356	74	68
16	Miscellaneous financial loss insurance	920,339	426,747	2,653,327	1,900,466	35	22
17	Legal expenses insurance	527,196	741,703	568,538	786,043	93	94
18	Travel assistance insurance	8,348,241	7,246,588	8,840,017	7,674,638	94	94
19	Total non-life insurance (No. 1–18)	344,760,945	339,462,301	422,860,052	411,536,169	82	82
20	Life insurance	82,909,966	86,392,096	83,319,257	86,778,846	100	100
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	71,908,586	73,332,570	71,908,586	73,332,570	100	100
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	15,041,116	14,613,360	15,041,116	14,613,360	100	100
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20–25)	169,859,668	174,338,026	170,268,959	174,724,776	100	100
27	Total (No. 19+26)	514,620,613	513,800,327	593,129,011	586,260,945	87	88

15.3 Movements in gross claims paid (Index)

Gross claims paid for the current year*100

Gross claims paid for the preceding year

No.		in EUR			Index	
		Gross claims paid				
		2016	2015	2014	2016/2015	2015/2014
1	2	3	4	5	6=3/4*100	7=4/5*100
1	Accident insurance	11,585,762	11,717,779	12,455,184	99	94
2	Health insurance	957	-	-	-	-
3	Land motor vehicle insurance	70,064,777	68,682,248	70,211,559	102	98
4	Railway insurance	2,160,493	2,483,724	2,668,384	87	93
5	Aircraft insurance	350,560	9,749	11,850	3,596	82
6	Marine insurance	471,774	765,367	922,782	62	83
7	Good in transit insurance	1,694,830	966,564	1,273,857	175	76
8	Fire and natural disaster insurance	16,604,156	20,017,042	27,362,689	83	73
9	Other damage to property insurance	37,756,202	34,030,148	46,230,379	111	74
10	Motor TPL insurance	49,842,845	53,024,960	53,442,251	94	99
11	Aircraft liability insurance	187,559	826,584	619,837	23	133
12	Marine liability insurance	13,832	30,004	244,755	46	12
13	General liability insurance	11,251,169	12,462,718	12,721,742	90	98
14	Credit insurance	9,786,147	10,743,184	12,683,852	91	85
15	Suretyship insurance	516,671	358,672	487,874	144	74
16	Miscellaneous financial loss insurance	1,316,571	2,061,401	1,024,222	64	201
17	Legal expenses insurance	3,422	9,056	7,996	38	113
18	Travel assistance insurance	7,954,543	7,509,087	7,146,036	106	105
19	Total non-life insurance (No. 1–18)	221,562,268	225,698,289	249,515,248	98	90
20	Life insurance	85,822,855	87,417,374	88,851,229	98	98
21	Wedding insurance or birth insurance	-	-	-	-	-
22	Unit-linked life insurance	67,535,885	61,546,797	67,329,106	110	91
23	Tontine	-	-	-	-	-
24	Capital redemption insurance	7,933,879	8,926,090	10,106,467	89	88
25	Income protection insurance due to accident or illness	-	-	-	-	-
26	Total life insurance (No. 20–25)	161,292,619	157,890,261	166,286,802	102	95
27	Total (No. 19+26)	382,854,887	383,588,550	415,802,051	100	92

15.4 Loss ratio

Gross claims paid*100

Gross written premium

		in EUR					
		Gross claims paid		Gross written premium		Loss ratio (%)	
No.		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	11,585,762	11,717,779	28,798,922	29,255,847	40	40
2	Health insurance	957	-	422,483	-	0	-
3	Land motor vehicle insurance	70,064,777	68,682,248	97,783,724	94,164,470	72	73
4	Railway insurance	2,160,493	2,483,724	3,000,826	2,972,106	72	84
5	Aircraft insurance	350,560	9,749	1,039,498	896,584	34	1
6	Marine insurance	471,774	765,367	398,352	572,844	118	134
7	Good in transit insurance	1,694,830	966,564	5,066,567	5,153,901	33	19
8	Fire and natural disaster insurance	16,604,156	20,017,042	55,304,473	54,860,678	30	36
9	Other damage to property insurance	37,756,202	34,030,148	71,229,040	68,504,409	53	50
10	Motor TPL insurance	49,842,845	53,024,960	87,328,336	88,847,814	57	60
11	Aircraft liability insurance	187,559	826,584	810,377	728,616	23	113
12	Marine liability insurance	13,832	30,004	343,659	354,939	4	8
13	General liability insurance	11,251,169	12,462,718	33,196,250	29,247,535	34	43
14	Credit insurance	9,786,147	10,743,184	24,622,038	24,009,921	40	45
15	Suretyship insurance	516,671	358,672	1,453,625	1,605,356	36	22
16	Miscellaneous financial loss insurance	1,316,571	2,061,401	2,653,327	1,900,466	50	108
17	Legal expenses insurance	3,422	9,056	568,538	786,043	1	1
18	Travel assistance insurance	7,954,543	7,509,087	8,840,017	7,674,638	90	98
19	Total non-life insurance (No. 1–18)	221,562,268	225,698,289	422,860,052	411,536,169	52	55
20	Life insurance	85,822,855	87,417,374	83,319,257	86,778,846	103	101
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	67,535,885	61,546,797	71,908,586	73,332,570	94	84
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	7,933,879	8,926,090	15,041,116	14,613,360	53	61
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20–25)	161,292,619	157,890,261	170,268,959	174,724,776	95	90
27	Total (No. 19+26)	382,854,887	383,588,550	593,129,011	586,260,945	65	65

15.5 Operating expenses as % of gross written premium

Operating expenses*100

Gross written premium

		in EUR					
		Operating expenses		Gross written premium		Operating expenses as % of gross written premium	
No.		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	9,538,828	9,740,942	28,798,922	29,255,847	33	33
2	Health insurance	101,964	-	422,483	-	24	-
3	Land motor vehicle insurance	26,384,762	26,187,257	97,783,724	94,164,470	27	28
4	Railway insurance	385,687	345,121	3,000,826	2,972,106	13	12
5	Aircraft insurance	221,447	185,819	1,039,498	896,584	21	21
6	Marine insurance	208,879	210,477	398,352	572,844	52	37
7	Good in transit insurance	1,414,680	1,321,568	5,066,567	5,153,901	28	26
8	Fire and natural disaster insurance	17,848,688	17,436,777	55,304,473	54,860,678	32	32
9	Other damage to property insurance	24,637,886	22,918,700	71,229,040	68,504,409	35	33
10	Motor TPL insurance	26,224,681	26,663,652	87,328,336	88,847,814	30	30
11	Aircraft liability insurance	204,980	217,254	810,377	728,616	25	30
12	Marine liability insurance	216,988	230,714	343,659	354,939	63	65
13	General liability insurance	10,653,014	9,660,560	33,196,250	29,247,535	32	33
14	Credit insurance	5,750,339	5,526,264	24,622,038	24,009,921	23	23
15	Suretyship insurance	547,191	508,804	1,453,625	1,605,356	38	32
16	Miscellaneous financial loss insurance	741,170	633,169	2,653,327	1,900,466	28	33
17	Legal expenses insurance	383,380	451,010	568,538	786,043	67	57
18	Travel assistance insurance	5,555,536	5,814,060	8,840,017	7,674,638	63	76
19	Total non-life insurance (No. 1–18)	131,020,099	128,052,148	422,860,052	411,536,169	31	31
20	Life insurance	17,198,224	17,489,328	83,319,257	86,778,846	21	20
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	14,335,541	13,414,318	71,908,586	73,332,570	20	18
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	1,993,355	2,010,372	15,041,116	14,613,360	13	14
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20–25)	33,527,120	32,914,018	170,268,959	174,724,776	20	19
27	Total (No. 19+26)	164,547,219	160,966,165	593,129,011	586,260,945	28	27

15.6 Acquisition costs as % of gross written insurance premium

Acquisition costs*100
Gross written premium

No.		in EUR					
		Acquisition costs		Gross written premium		Acquisition costs as % of gross written insurance premium	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	1,130,318	940,715	28,798,922	29,255,847	3.9	3.2
2	Health insurance	6,461	-	422,483	-	1.5	-
3	Land motor vehicle insurance	2,668,706	2,954,520	97,783,724	94,164,470	2.7	3.1
4	Railway insurance	342	23,386	3,000,826	2,972,106	0.0	0.8
5	Aircraft insurance	45,067	28,017	1,039,498	896,584	4.3	3.1
6	Marine insurance	11,225	11,219	398,352	572,844	2.8	2.0
7	Good in transit insurance	367,181	317,211	5,066,567	5,153,901	7.2	6.2
8	Fire and natural disaster insurance	2,189,860	2,162,768	55,304,473	54,860,678	4.0	3.9
9	Other damage to property insurance	2,958,897	2,572,363	71,229,040	68,504,409	4.2	3.8
10	Motor TPL insurance	3,372,981	3,435,502	87,328,336	88,847,814	3.9	3.9
11	Aircraft liability insurance	24,851	24,790	810,377	728,616	3.1	3.4
12	Marine liability insurance	7,472	10,402	343,659	354,939	2.2	2.9
13	General liability insurance	2,329,030	1,789,846	33,196,250	29,247,535	7.0	6.1
14	Credit insurance	827,763	611,091	24,622,038	24,009,921	3.4	2.5
15	Suretyship insurance	94	1,234	1,453,625	1,605,356	0.0	0.1
16	Miscellaneous financial loss insurance	142,553	136,415	2,653,327	1,900,466	5.4	7.2
17	Legal expenses insurance	26,910	90,411	568,538	786,043	4.7	11.5
18	Travel assistance insurance	252,716	183,238	8,840,017	7,674,638	2.9	2.4
19	Total non-life insurance (No. 1–18)	16,362,427	15,293,129	422,860,052	411,536,169	3.9	3.7
20	Life insurance	3,730,519	4,128,619	83,319,257	86,778,846	4.5	4.8
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	4,006,066	3,019,451	71,908,586	73,332,570	5.6	4.1
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	74,915	108,735	15,041,116	14,613,360	0.5	0.7
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20–25)	7,811,501	7,256,804	170,268,959	174,724,776	4.6	4.2
27	Total (No. 19+26)	24,173,928	22,549,933	593,129,011	586,260,945	4.1	3.8

15.7 Net loss ratio

(Net settled claims + change in claims provisions)*100

Net premium income

		in EUR					
		Net settled claims + change in claims provisions		Net premium income		Net loss ratio (%)	
No.		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	8,783,974	8,223,577	27,696,529	28,410,670	32	29
2	Health insurance	5,656	-	55,556	-	10	-
3	Land motor vehicle insurance	63,812,889	63,541,676	87,168,677	85,997,983	73	74
4	Railway insurance	1,448,480	1,815,042	2,464,907	2,418,811	59	75
5	Aircraft insurance	384,261	97,701	184,310	179,890	208	54
6	Marine insurance	334,528	758,848	328,348	494,005	102	154
7	Good in transit insurance	693,407	809,793	2,696,649	3,291,240	26	25
8	Fire and natural disaster insurance	12,903,381	13,072,711	32,910,636	32,849,507	39	40
9	Other damage to property insurance	27,052,455	27,267,348	50,912,534	52,729,786	53	52
10	Motor TPL insurance	36,793,456	43,674,926	81,730,609	84,170,564	45	52
11	Aircraft liability insurance	-229,684	-305,700	42,678	72,234	-	-
12	Marine liability insurance	43,134	-118,217	300,712	309,284	14	-
13	General liability insurance	9,181,083	3,527,384	22,729,624	22,571,890	40	16
14	Credit insurance	313,049	1,204,282	20,491,766	19,900,385	2	6
15	Suretyship insurance	-188,617	58,137	933,713	755,461	-	8
16	Miscellaneous financial loss insurance	497,765	254,250	929,449	658,908	54	39
17	Legal expenses insurance	-50,087	-37,082	645,511	752,105	-	-
18	Travel assistance insurance	7,524,281	6,789,624	7,686,239	7,144,078	98	95
19	Total non-life insurance (No. 1–18)	169,303,413	170,634,299	339,908,447	342,706,800	50	50
20	Life insurance	84,319,709	86,955,989	111,077,892	107,508,820	76	81
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	67,521,622	61,546,797	43,737,748	52,211,256	154	118
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	7,919,615	8,926,090	15,041,116	14,613,360	53	61
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20–25)	159,760,945	157,428,876	169,856,756	174,333,436	94	90
27	Total (No. 19+26)	329,064,359	328,063,175	509,765,203	517,040,236	65	63

15.8 Combined loss ratio

(Net settled claims + change in claims provisions + operating expenses)*100

Net premium income

in EUR

No.		Net settled claims + change in claims provisions + operating expenses		Net premium income		Combined loss ratio (%)	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	300,323,512	298,686,446	339,908,447	342,706,800	88	87

15.9 Expense ratio

Operating expenses*100

Net premium income

in EUR

No.		Operating expenses		Net premium income		Expense ratio (%)	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Life insurance	33,527,120	32,914,018	169,856,756	174,333,436	20	19

15.10 Utility ratio

(Paid claims + change in insurance technical provisions)*100

Net written premium

in EUR

No.		Paid claims + change in insurance technical provisions		Net written premium		Utility ratio (%)	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Life insurance	180,813,817	192,148,473	169,859,668	174,338,026	106	110

15.11 Investment return as % of average balance of investments

Investment return*100

(Starting balance for the year + ending balance for the year)/2

in EUR

No.		Investment return		Average balance of in investments		Investment return as % of average balance of investments	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Asset backing liabilities	21,890,758	24,179,505	717,925,326	729,918,762	3.0	3.3
2	Guarantee fund backing traditional life insurance	24,725,563	42,086,514	747,773,493	735,971,471	3.3	5.7
3	Guarantee fund backing SVPI	7,132,116	6,439,218	185,705,844	180,206,803	3.8	3.6
4	Guarantee fund backing SVPI during the annuity payout period	1,572,621	1,522,855	32,352,860	28,378,521	4.9	5.4
5	Guarantee fund backing unit-linked insurance	23,878,356	14,226,995	440,316,414	448,196,166	5.4	3.2
6	Investments not financed from insurance technical provisions	8,697,649	-10,602,142	275,391,886	270,962,004	3.2	-3.9
7	Total	87,897,063	77,852,944	2,399,465,822	2,393,633,727	3.7	3.3

15.12 Net claims provisions as % of net premium income

Net claims provisions*100

Net premium income

in EUR

No.		Net claims provisions		Net premium income		Net claims provisions as % of net premium income	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	27,583,017	30,017,014	27,696,529	28,410,670	100	106
2	Health insurance	5,369	-	55,556	-	10	-
3	Land motor vehicle insurance	17,588,411	18,389,007	87,168,677	85,997,983	20	21
4	Railway insurance	4,268,354	4,973,546	2,464,907	2,418,811	173	206
5	Aircraft insurance	177,506	124,170	184,310	179,890	96	69
6	Marine insurance	536,422	659,225	328,348	494,005	163	133
7	Good in transit insurance	1,451,319	1,400,766	2,696,649	3,291,240	54	43
8	Fire and natural disaster insurance	13,594,876	13,805,374	32,910,636	32,849,507	41	42
9	Other damage to property insurance	21,831,494	25,070,974	50,912,534	52,729,786	43	48
10	Motor TPL insurance	176,260,355	184,492,029	81,730,609	84,170,564	216	219
11	Aircraft liability insurance	78,589	312,226	42,678	72,234	184	432
12	Marine liability insurance	77,269	47,276	300,712	309,284	26	15
13	General liability insurance	123,588,616	124,747,807	22,729,624	22,571,890	544	553
14	Credit insurance	3,145,235	3,945,598	20,491,766	19,900,385	15	20
15	Suretyship insurance	863,842	1,463,687	933,713	755,461	93	194
16	Miscellaneous financial loss insurance	786,874	779,336	929,449	658,908	85	118
17	Legal expenses insurance	75,317	128,654	645,511	752,105	12	17
18	Travel assistance insurance	2,128,437	2,129,799	7,686,239	7,144,078	28	30
19	Total non-life insurance (No. 1–18)	394,041,303	412,486,488	339,908,447	342,706,800	116	120
20	Life insurance	17,824,397	19,196,400	111,077,892	107,508,820	16	18
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	0	0	43,737,748	52,211,256	-	-
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	0	0	15,041,116	14,613,360	-	-
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20–25)	17,824,397	19,196,400	169,856,756	174,333,436	10	11
27	Total (No. 19+26)	411,865,700	431,682,888	509,765,203	517,040,236	81	83

15.13 Gross profit/loss for the year as % of net written premium

Gross profit/loss*100

Net written premium

		in EUR				Gross profit/loss for the year as % of net written premium	
		Gross profit/loss		Net written premium			
No.		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	67,094,334	46,668,861	344,760,945	339,462,301	19.5	13.7
2	Life insurance	16,323,466	21,764,636	169,859,668	174,338,026	9.6	12.5
3	Total	83,417,800	68,433,497	514,620,613	513,800,327	16.2	13.3

15.14 Gross profit/loss for the year as % of average equity

Gross profit/loss*100

(Equity starting balance for the year + equity ending balance for the year)/2

		in EUR				Gross profit/loss for the year as % of average equity	
		Gross profit/loss		Average balance of equity			
No.		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	67,094,334	46,668,861	432,486,072	426,676,432	15.5	10.9
2	Life insurance	16,323,466	21,764,636	114,488,623	110,603,938	14.3	19.7
3	Total	83,417,800	68,433,497	546,974,695	537,280,370	15.3	12.7

15.15 Gross profit/loss for the year as % of average assets

Gross profit/loss*100

(Assets starting balance for the year + assets ending balance for the year)/2

		in EUR				Gross profit/loss for the year as % of average assets	
		Gross profit/loss		Average balance of assets			
No.		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	67,094,334	46,668,861	1,186,068,985	1,201,215,921	5.7	3.9
2	Life insurance	16,323,466	21,764,636	1,548,551,583	1,524,027,935	1.1	1.4
3	Total	83,417,800	68,433,497	2,734,620,568	2,725,243,856	3.1	2.5

15.16 Gross profit/loss for the year per share

Gross profit/loss*100
Number of shares

No.		in EUR					
		Gross profit/loss*100		Number of shares		Gross profit/loss for the year per share	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5	8=4/6
1	Non-life insurance	67,094,334	46,668,861	15,837,350	15,837,350	4.2	2.9
2	Life insurance	16,323,466	21,764,636	6,897,798	6,897,798	2.4	3.2
3	Total	83,417,800	68,433,497	22,735,148	22,735,148	3.7	3.0

15.17 Receivables from reinsurance and reinsurer's share of insurance technical provisions as % of equity

Receivables from reinsurance and reinsurer's share of insurance technical provisions*100
Equity

No.		in EUR					
		Receivables from reinsurance and reinsurer's share of insurance technical provisions		Equity		Receivables from reinsurance and reinsurer's share of insurance technical provisions as % of equity (%)	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	76,416,042	69,916,901	448,114,222	416,857,921	17.1	16.8
2	Life insurance	39,065	18,493	115,274,895	113,702,351	0.0	0.0
3	Total	76,455,107	69,935,394	563,389,117	530,560,272	13.6	13.2

15.18 Net written premium as % of average balance of equity and insurance technical provisions

Net written premium*100
Average balance of equity and insurance technical provisions

No.		in EUR					
		Net written premium		Average balance of equity and insurance technical provisions		Net written premium as % of average balance of equity and insurance technical provisions (%)	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	344,760,945	339,462,301	1,024,786,928	1,033,558,636	33.6	32.8
2	Life insurance	169,859,668	174,338,026	1,514,076,219	1,488,044,926	11.2	11.7
3	Total	514,620,613	513,800,327	2,538,863,147	2,521,603,563	20.3	20.4

15.19 Average balance of net insurance technical provisions as % of net premium income

Average balance of net insurance technical provisions*100

Net premium income

No.		Average balance of net insurance technical provisions		Net premium income		Average balance of net insurance technical provisions as % of net premium income (%)	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	592,300,856	606,882,204	339,908,447	342,706,800	174.3	177.1
2	Life insurance	1,399,587,596	1,377,440,988	169,856,756	174,333,436	824.0	790.1
3	Total	1,991,888,452	1,984,323,192	509,765,203	517,040,236	390.7	383.8

15.20 Equity as % of liabilities

Equity * 100

Liabilities

No.		Equity		Liabilities		Equity as % of liabilities (%)	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	448,114,222	416,857,921	1,197,481,419	1,174,656,551	37.4	35.5
2	Life insurance	115,274,895	113,702,351	1,564,001,358	1,533,101,808	7.4	7.4
3	Total	563,389,117	530,560,272	2,761,482,778	2,707,758,359	20.4	19.6

15.21 Net insurance technical provisions as % of liabilities

Net insurance technical provisions*100

Liabilities

No.		Net insurance technical provisions		Liabilities		Net insurance technical provisions as % of liabilities (%)	
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	587,300,628	597,301,085	1,197,481,419	1,174,656,551	49.0	50.8
2	Life insurance	1,412,547,384	1,386,627,807	1,564,001,358	1,533,101,808	90.3	90.4
3	Total	1,999,848,012	1,983,928,892	2,761,482,778	2,707,758,359	72.4	73.3

15.22 Net life insurance technical provisions as % of net insurance technical provisions

Net life insurance technical provisions*100

Net insurance technical provisions

No.				in EUR		Net life insurance technical provisions as % of net insurance technical provisions (%)	
		Net life insurance technical provisions		Net insurance technical provisions			
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Total	1,390,394,245	1,364,323,055	1,999,848,012	1,983,928,892	69.5	68.8

15.23 Gross written premium as % of number of permanent employees

Gross written premium

Average number of employees

No.				in EUR		Gross written premium as % of number of permanent employees	
		Gross written premium		Average number of employees			
		2016	2015	2016	2015	2016	2015
1	2	3	4	5	6	7=3/5	8=4/6
1	Total	593,129,011	586,260,945	2,357	2,357	251,646	248,732

Risk Management

Risk Management

- The first year of operation in line with the Solvency II regulations showed a strong capital adequacy and financial stability of Zavarovalnica Triglav and the Triglav Group.
- Both recorded high target performance values in the extreme environment of low interest rates and fierce competition at an acceptable level of risks.
- Individual types of main risks are effectively managed through the established “three lines of defence” system.
- The stress tests and own risk assessment performed in the context of Solvency II showed strong resilience of the Company to external influences.

In 2016, the comprehensive and integrated risk management system was successfully upgraded at the level of the Triglav Group. In accordance with the new Solvency II regulations, the Company calculated and reported on capital adequacy in a timely manner. The Company conducted its own risk assessment, assessed the suitability of the standard formula and evaluated scenario tests. Furthermore, it participated in the stress test exercise, performed by the European Insurance and Occupational Pensions Authority (EIOPA) in 2016, in order to obtain the supervisory assessment of potential vulnerabilities of the sector to market risk. Intensive preparations for drawing up the Solvency and Financial Condition Report (SFCR) were undertaken, as the first such report will have to be submitted for 2016.

Major development activities concerning the risk management system at the Group level in 2016 included:

- upgrading of the risk management system in all insurance subsidiaries of the Group, particularly with respect to currency risks and credit risks related to exposure to banks and banking groups;
- upgrading of the capital adequacy calculation and transfer of know-how to subsidiaries;
- updating of the minimum risk management standards within the Triglav Group;
- organisation of several workshops on risk management in subsidiaries for employees in Zavarovalnica Triglav and the Triglav Group.

Adequate capital and financial strength of the Group was confirmed by the two rating agencies S&P Global Ratings and A.M. Best, which upgraded the long-term credit rating and the financial strength credit rating of the parent company Zavarovalnica Triglav, the Triglav Group and the subsidiary Pozavarovalnica Triglav Re from “A-” to “A” in 2016. Both credit ratings have a stable medium-term outlook.

1 Risk Management System

The comprehensive risk management system is a fundamental part of the governance system in the Triglav Group and ensures the achievement of the Group's strategic objectives. The risk management system of Zavarovalnica Triglav and the Group is clear, transparent and well-documented. It ensures timely identification of all material risks and standardised set of procedures, which provides for the understanding of the consequences of realised potential risks. Furthermore, it presents possible ways of managing individual risks or exposures.

1.1 Powers and responsibilities

Risk management is a corporate governance system, which ensures that the risk profile of the Company and the Group is within the limits set in the Risk Appetite Statement. The risk management system of the Group is based on the "Three Lines of Defence" model.

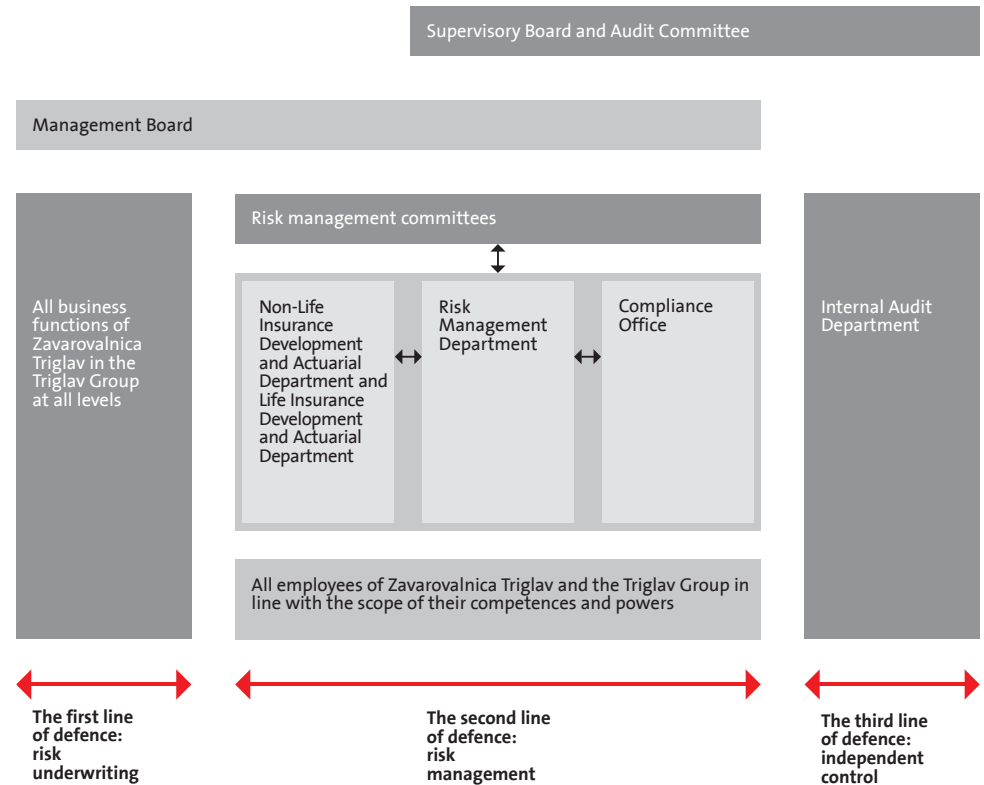
The first line of defence consists of the business functions, which actively manage concrete business risks through their business decisions and are primarily responsible for risk identification and underwriting.

The second line of defence is composed of business functions and decision-making bodies forming the risk management system, which includes exposure identification, measurement and monitoring as well as the exposure limit system.

The third line of defence includes the internal audit function. This function executes regular adequacy and efficiency reviews of the internal control environment in individual functional areas and the risk management system.

The Management Board and the Supervisory Board are not directly part of the three lines of defence, even though they play a crucial role in the risk management system. They are the primary stakeholders serviced by the three lines of defence, who are also in charge of the operation of the three lines of defence within the system of risk management and control processes.

The decision-making bodies participating in the integrated corporate risk management process and the three lines of defence



The key functions in Zavarovalnica Triglav are organised as independent organisational units, which carry out their duties and responsibilities independently from one another and from the other organisational units of the Company. All four key functions cooperate with one another and regularly exchange information necessary for their operation. They are performed at the Company level and provide for the transfer of minimum standards in their respective area to the subsidiaries of the Group. The key function holders meet the fit and proper requirements relating to the risk management process in line with the applicable internal rules.

Within the scope of their powers and responsibilities regarding risk management, the **Supervisory Board** of the Company gives consent to the Management Board with respect to written rules of the risk management system at the highest level. At its sessions, the Supervisory Board is regularly briefed on the risk profile and capital adequacy of the Group and the Company, and gives its approval to the Solvency and Financial Condition

Report in the context of a comprehensive discussion of the risk report.

The **Supervisory Board** established a working body, which provides expert assistance and support in the formulation of positions on risk management. The Audit Committee supervises the adequacy and effectiveness of the risk management system and monitors the comprehensive risk profile of the Company.

The **Management Board** of the Company defines the business objectives and the risk appetite and approves the risk management strategy and the related policies. It is responsible to set up an effective risk management system, it is regularly briefed on capital adequacy and approves the most important reports, including the Own Risk and Solvency Assessment Report and the Solvency and Financial Condition Report.

The **business functions in Zavarovalnica Triglav** and individual subsidiaries are responsible for risk underwriting and identification in their work area in accordance with the guidelines of

the Management Board, as well as for management of concrete risks in their area within the allowed exposure limits.

The second line of defence of the risk management system includes committees and other bodies – the Risk Management Department, the Non-Life Insurance Development and Actuarial Department, the Life Insurance Development and Actuarial Department, and the Compliance Office. The purpose of the committees is to provide support for the Management Board in the performance of regular monitoring, coordination and information activities related to risk management.

The Management Board appoints the committees, which have an advisory role, or grants them certain decision-making rights. The competences and powers of the committees are defined in the respective rules of procedure approved by the Management Board.

The risk management system includes the following committees at the level of Zavarovalnica Triglav and the Triglav Group:

- the Risk Management Committee,
- the Assets and Liabilities Committee,
- the Non-life Insurance Committee,
- the Operational Risk Committee,
- the Life and Non-life Insurance Product Forums,
- the Project Steering Committee.

The Risk Management Committee manages all material risks for the Company or the Group, while also being responsible for strategic or non-financial risks. **The Assets and Liabilities Committee** is responsible for market, life insurance and liquidity risks. **The Non-life Insurance Committee** is in charge of non-life insurance risks and the transfer of risks to reinsurers, including credit risks. Operational risks, including the risks arising from outsourcing (but excluding project-related risks), are addressed by the **Operational Risk Committee**. **The product forums** are responsible for the development of new insurance products. The project-related risks are dealt with by the **Project Steering Committee**, which reports on material project-related risks to other competent

committees. Committees are informed on an as-needed basis. In the event of significant changes in the risk profile, the identified risks are also dealt with by the **Risk Management Committee** or the **Management Board**.

The risk management function is responsible for the establishment and coordinated and continuous operation of the integrated risk management system in line with the guidelines of the Management Board. Furthermore, it is in charge of monitoring the general risk profile, developing risk measurement methodologies and risk valuation models, performing the underlying risk analyses, reporting on risk exposures, and undertaking capital adequacy valuation using the standard Solvency II formula and other capital models. In accordance with the guidelines of the Management Board, the risk management function also performs own risk and solvency assessment, prepares disclosures on risks and the solvency and financial condition for publication, as well as reports to regulatory bodies. Apart from that, the risk management function is in charge of the transfer of know-how and good practices and consistent implementation of risk management within the Group.

The compliance function monitors compliance of the Company's operations with the applicable regulations and any other commitments and informs the Management and Supervisory Boards thereof. Furthermore, the compliance function assesses the compliance risks of the Company's operations and the potential impact of any changes in the legal environment on the operations, advises on coordination, as well as assesses the adequacy and effectiveness of the procedures and measures to adapt the Company's operations to changes in the legal environment. The compliance function also plays a major role in ensuring fair and transparent practices.

The actuarial function primarily coordinates and calculates the insurance technical provisions:

- to ensure the appropriateness of the methods and models used as well as the assumptions made in the calculation of insurance technical provisions;
- to assess the appropriateness, sufficiency and quality of data required for the calculation of insurance technical provisions;

- to verify the appropriateness of the overall underwriting risk policy. In addition, it expresses an opinion whether the amount of the premium of individual products is sufficient to cover all the liabilities arising from these insurance contracts, as well as checks the adequacy of reinsurance.

Furthermore, the actuarial function actively participates in the introduction and implementation of the risk management system, particularly in the development, application and monitoring of the appropriateness of capital requirement calculation models and in conducting own risk and solvency assessment. It performs its duties in accordance with the applicable legal provisions, its policy and standards. In the context of the second line of defence, the main task of the actuarial function holders is to regularly monitor the implementation of the actuarial function and to inform the Supervisory Board and the Management Board of any major findings.

The internal audit function performs constant and comprehensive control over the operations of the Company so as to increase the benefits of its operations. This is achieved by assessing the adequacy and effectiveness of the Company's governance, risk management and control procedures in an impartial, systematic and methodical manner and by making recommendations for their improvement. Apart from that, the internal audit function provides advice in agreement with the Management Board and the management of functional areas, cooperates with external auditors and other supervisory bodies, monitors the implementation of internal and external auditors' recommendations, participates in the performance of internal audits in other Group members, maintains the quality and provides for continuous development of internal auditing in Zavarovalnica Triglav. The internal audit function periodically reports on its activities and findings to the Management Board, the Audit Committee and the Supervisory Board. In their work, internal auditors must be impartial and must avoid any conflict of interest. Furthermore, they are not allowed to perform any development and operational tasks that could cause a conflict of interest and weaken their objectivity, nor do they decide on activities in the areas subject to internal auditing.

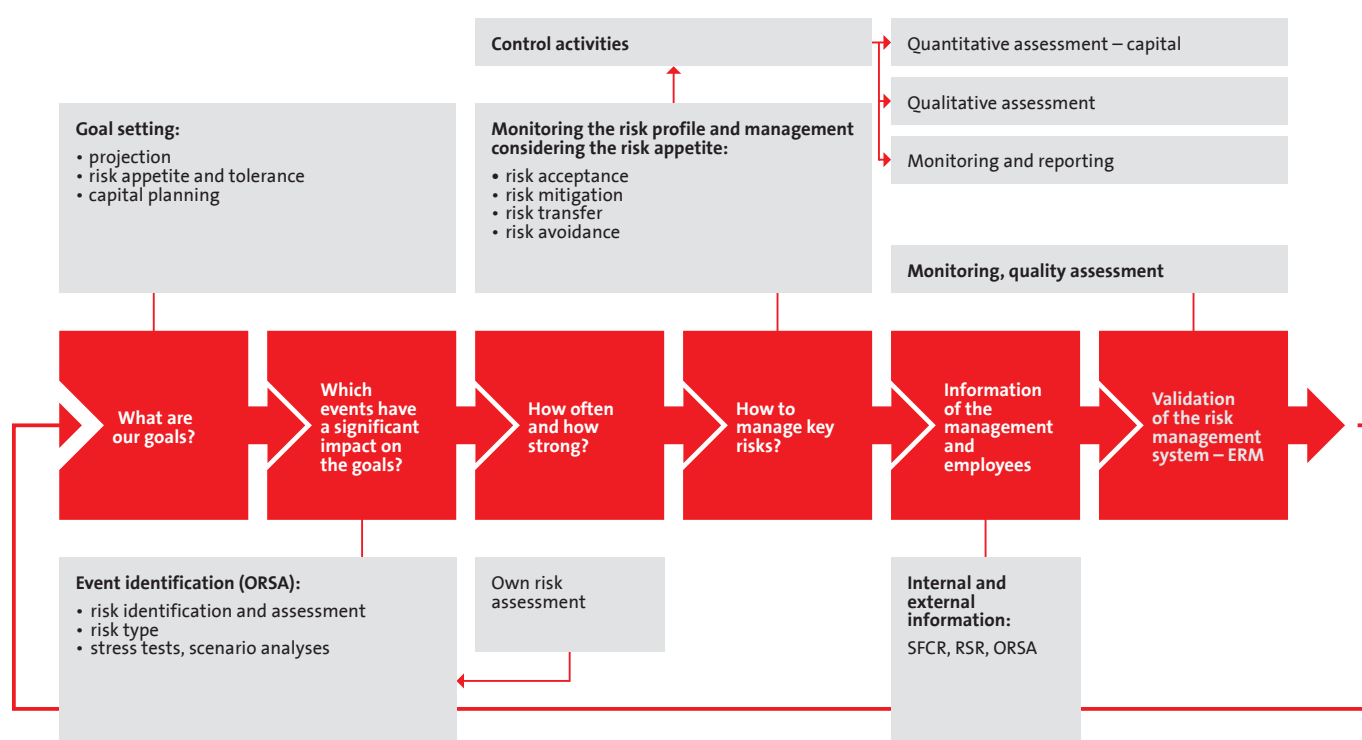
In Group members, the risk management system is established based on the principles of the controlling company, which are laid down in the Minimum Risk Management Standards, taking into account the size, complexity and business profile of a particular subsidiary. Risk management within the Group is primarily performed at the level of individual subsidiaries and secondarily at the Group level. In line with the Minimum Risk Management Standards, the Risk Management Department of Zavarovalnica Triglav in cooperation with the management bodies of subsidiaries, the Subsidiary Management Department and Triglav INT are responsible to set up and ensure the operation of the risk management system at the level of individual subsidiaries. Particularly important are effective communication and quality exchange of data and information (time availability, methodological consistency, accounting verifiability, integrity).

In terms of risk management, the role of Triglav INT d.d. holding company as the direct formal owner of insurance subsidiaries operating on the foreign markets of the Group is particularly to supervise the implementation of the system, policies and processes so as to ensure the implementation of the strategy and the achievement of the objectives, vision and mission of the Triglav Group.

1.2 Risk management framework

The main building blocks of comprehensive risk management in the Company are the Strategy of the Triglav Group and the Business Plan of Zavarovalnica Triglav. The figure shows the comprehensive risk management process described below.

Risk management process of Zavarovalnica Triglav and the Triglav Group



In the process of setting the guidelines and objectives for the strategic period, the Company defines the risks it is consciously willing to take in order to achieve these objectives. In addition, the key indicators are defined, based on which the target (appetite) and maximum (tolerance) exposure values are set and the monitoring of the actual exposure (risk profile) is performed. On the basis of the set **strategic objectives**, material risks are identified at least once a year in the own risk and solvency assessment process. Material risks are those which could have a significant influence on the achievement of objectives in the coming period. These identified risks are first documented and defined in the **Risk Catalogue**, and then appropriately classified, assessed and analysed, particularly in terms of impact and probability of occurrence.

The underlying documents of the risk management system are the **Risk Underwriting and Management Strategy** (hereinafter: the Strategy) and the **Risk Appetite Statement** (hereinafter: the Risk Appetite) of Zavarovalnica Triglav and the Triglav Group. They define the main strategic elements of the system and represent the basis for subordinate risk management documents, policies, methodologies and instructions.

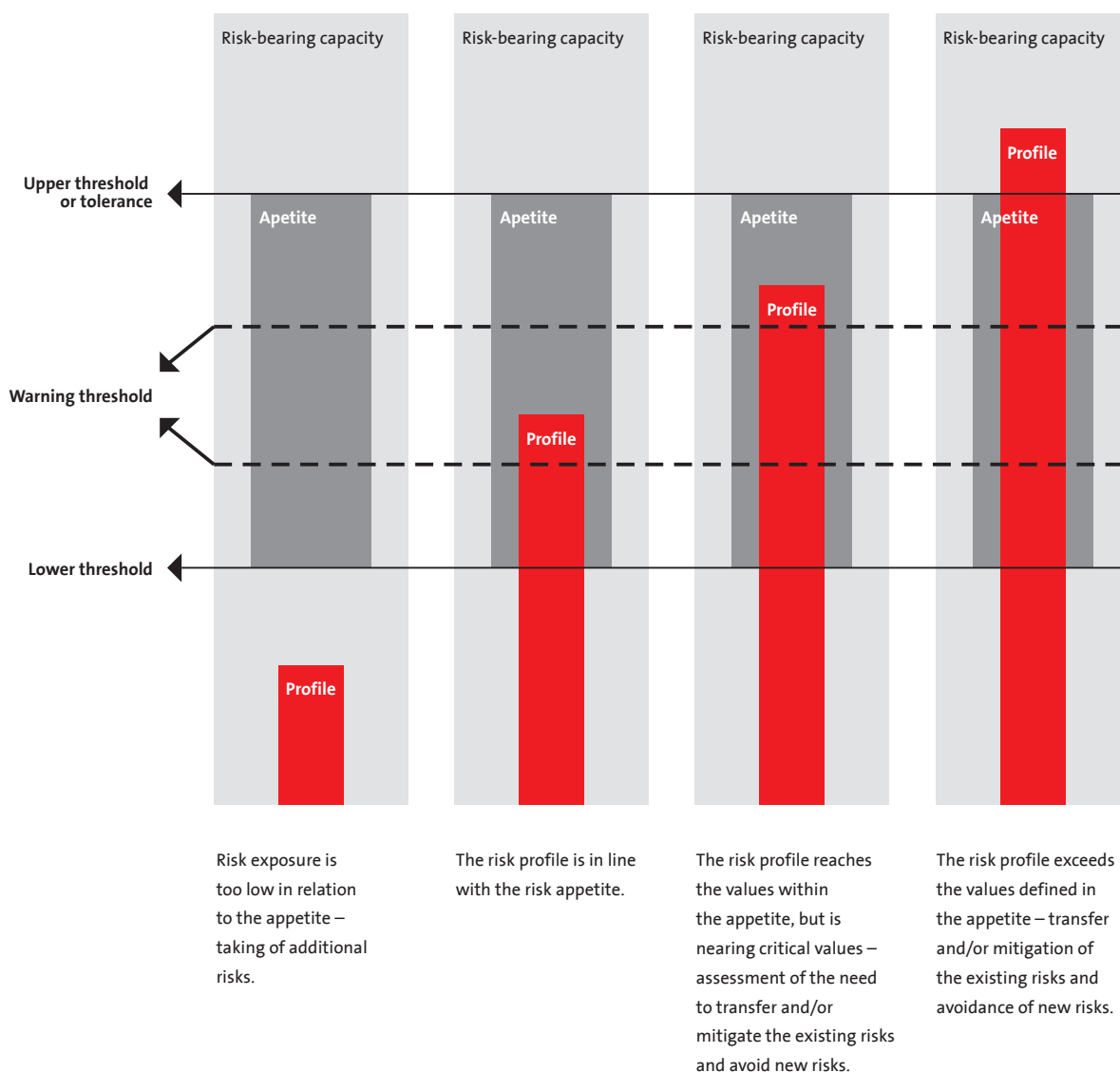
The Strategy defines the comprehensive risk management system within the Triglav Group and the guidelines for underwriting particular risk types, quantified in the Risk Appetite. This strategic document quantitatively defines the level to which the Group is able and willing to expose itself in individual risk segments, taking into account its strategic objectives and capital strength.

The risk appetite determines the key indicators for each material risk and their target and limit values. The Company has zero tolerance for all types of risks which it does not want to assume in the course of its operations.

The Risk Management Department regularly monitors the matching of the risk profile and the appetite and informs the Management Board by drafting periodic risk reports. If it establishes that the risk appetite has been exceeded or that

there has been a significant change in the level of exposure, it will submit draft measures for limiting the exposure to an acceptable level to the Management Board. Based on the analysis, the Management Board decides on the appropriate risk management approach (accept, transfer, mitigate or avoid). The selection of the approach depends on the ratio between the actual exposure (risk profile) and the values laid down in the risk appetite as shown in the figure below.

The basis for deciding on the risk management approach



The risk exposure monitoring mechanisms enable the Company not only to detect and identify any negative trends but also to take appropriate measures. Risk identification at the operational level is performed at several levels, i.e. at the level of functional areas and competent committees.

Risks are regularly measured and monitored using various methods:

- **Internal methods** – Through internal risk measurement, own calculations of the defined key risk indicators are regularly performed, thereby assessing the risk level of a particular category. In addition, the limits are defined in order to limit the underwriting of risks. These limits are used in the ordinary course of operations.
- **Regulatory method** – This method is used in the process of calculating capital adequacy at the level of the Company and the Group, to prepare the calculation of risk measurement in accordance with the Solvency II standard formula and to explain substantial changes in the period.
- **S&P risk assessment method** – The Company and the Group calculate capital adequacy also based on the methodology of S&P rating agency.

Internal reporting enables the Management Board and the Supervisory Board to be regularly briefed on exposure to risks by individual category and the overall exposure at the level of the Company and the Group. The risk report is a documented result of regular risk measurement and monitoring as it covers all key risk indicators risks, including trends, limits and recommendations of the Risk Management Department.

The Company and the Group regularly document any deficiencies identified in the risk management system cycle, including proposals for improvements, as well as prepare measures and recommendations for its upgrade.

1.3 Capital management

At any given time, the Triglav Group and Zavarovalnica Triglav have sufficient capital, which allows them to assume a specific, measurable quantity of acceptable risks. Capital is the **first criterion for assessing the solvency** of the Company and the Group. The primary goal of capital management is to guarantee the required and suitable capital adequacy level on both a consolidated and individual basis. In setting the level of acceptable risk, generation of appropriate profit for owners has to be ensured.

In 2016 as well as in previous years, the Company and the Group had an adequate capital level and were safe and profitable financial institutions. It was assessed that they had an adequate capital level also as at 31 December 2016. .

As required by applicable legislation, the amount of available capital is measured regularly to make sure it is in line with the regulatory capital requirements, both at the level of individual insurance subsidiaries and at the Group level. The insurance subsidiaries of the Triglav Group maintain a surplus of available capital in excess of the capital requirements for their core business and for covering potential losses, as laid down in local legislation. This surplus provides protection against losses due to unforeseen unfavourable events and capital requirements. In addition to current capital adequacy levels, the Company plans and assesses future capital and capital adequacy levels. In doing so, it monitors the effects of the environment on capital adequacy and provides for optimal capital allocation of Zavarovalnica Triglav, individual Group members and the Triglav Group.

Capital adequacy is an essential part of the credit rating. Decisions concerning capital management are supported by the results of the capital models, based on which the credit ratings are assigned. The Company's and the Group's capital adequacy models are assessed by the credit rating agencies S&P Global Ratings (hereinafter: S&P) and A.M. Best. Credit rating is discussed in greater detail in [→ *Section 6.6 of the Business Report*].

In order to ensure a comprehensive and effective approach to capital management, the Group defined the economic capital management criteria. The criteria are based on regulatory requirements, internal needs, the Risk Appetite

Statement, the requirements of credit rating agencies, the business and organisational structure, and the specifics of the macroeconomic and political environment in which the Group operates. The Group determined the criteria of the dividend policy and the capital management guidelines, including a set of activities aimed at ensuring the necessary capital strength, which

remained unchanged in the reporting year. The policy takes into account not only target return on equity, the planned volume of business and the related foreseen capital needs in the Slovene and strategic markets but also the experiences and guidelines of the insurance sector. The capital management strategic objectives and the dividend policy criteria are shown in the figure below.

> 300%	Excess capital adequacy	<ul style="list-style-type: none"> ▪ The possibility of increased risk appetite ▪ The possibility of more aggressive growth in the volume of operations and consideration of possible changes to the business strategy ▪ The possibility of increasing the share of dividend payments ▪ The possibility of excess capital payout (capital reduction)
250%—300%	Target capital adequacy	<ul style="list-style-type: none"> ▪ The payment of dividends within the target range of 30–50% of consolidated net profit of the Triglav (payout ratio of 30–50%) ▪ Maintenance of the applicable risk appetite ▪ Room for growth in the volume of operations in line with the applicable business strategy
200%—250%	Sub-optimal capital adequacy level	<ul style="list-style-type: none"> ▪ Analysis of possible measures to prepare a capital adequacy improvement plan ▪ Assessment of possible selective reduction in the volume of operations ▪ Changes to the plans for expanding operations ▪ The possibility of reducing the share of dividend payments (a lower payout ratio)
150%—200%	Warning capital adequacy level	<ul style="list-style-type: none"> ▪ The preparation of the plan and the implementation of measures aimed at improving capital adequacy ▪ The implementation of measures for selective reduction in the volume of operations ▪ Strict limitation of the expansion of operations ▪ Reduction in the share of dividend payments
< 150%	Insufficient capital adequacy	<ul style="list-style-type: none"> ▪ Assessment of the possibility of issuing subordinated capital instruments ▪ Implementation of the restructuring plan ▪ No dividend payments ▪ Consideration of the possibility to increase capital

1.4 Risk types

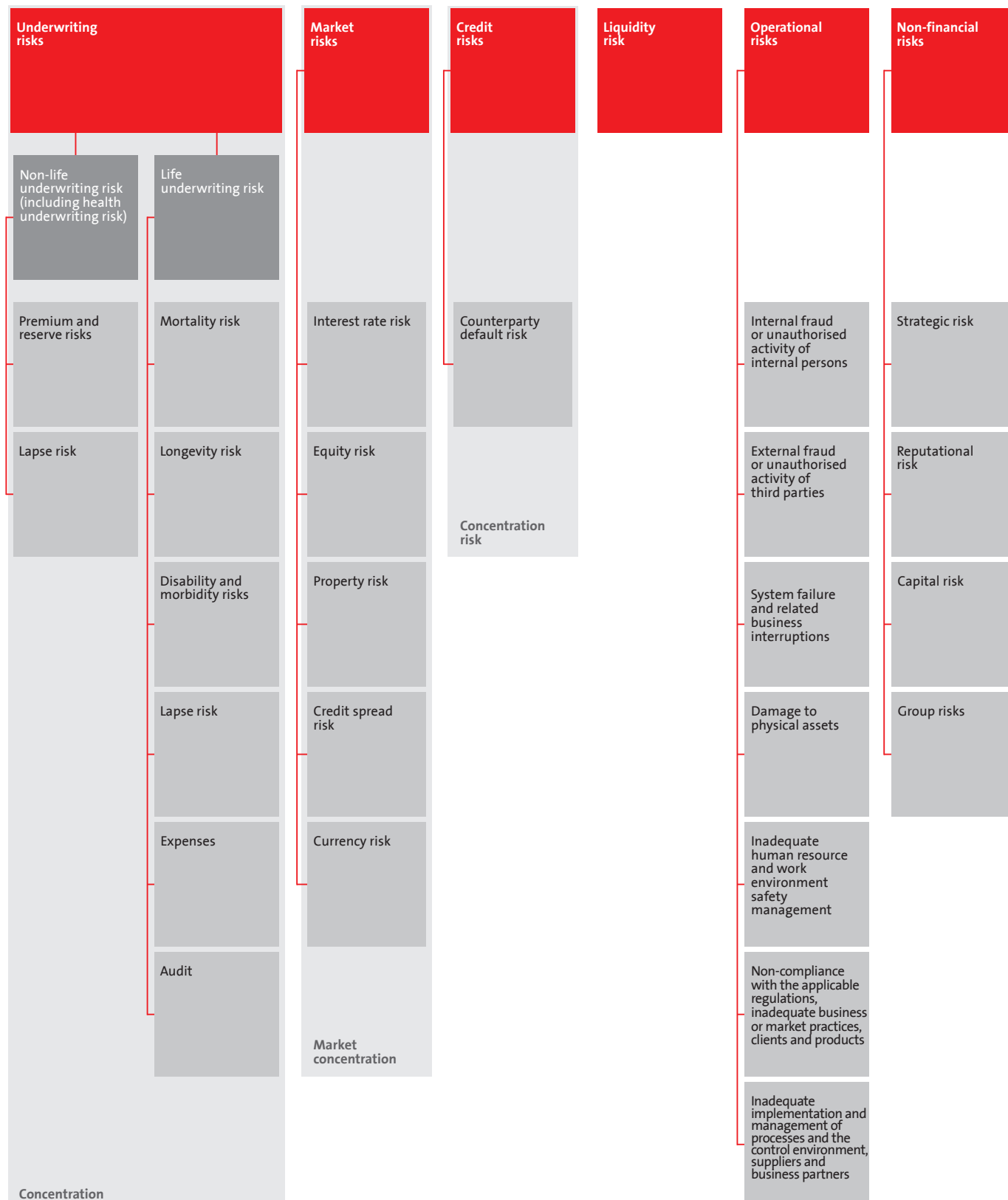
Main risk types of Zavarovalnica Triglav and the Triglav Group are described below. The methods and level of exposures to individual risk types are presented in detail in the second chapter of the report.

The basis for defining the risk appetite is identification of risks assumed by the Company and the Group. The risk identification process is ongoing, involving all functional areas in accordance with their respective powers and responsibilities. Its purpose is to ensure the inclusion of all significant risk types in the risk management system, to set up the risk exposure measurement process and to achieve uniform risk management and understanding at all management levels of the Company and the Group.

In their operations, the Company and the Group assume the following risks:

- **Underwriting risk** is the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions taken into account in the calculation of insurance technical provisions. Through risk underwriting, the Company is exposed to the premium risk, the risk of insurance technical provisions and the catastrophe risk.
- **Market risk** is the risk of loss or of adverse changes in the financial situation of an insurance undertaking or the group, resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. These include interest risk, equity credit risk, real property risk, credit spread risk and market concentration risk.
- **Liquidity risk** is the risk of loss which may occur if the Company or the Group is not able to meet all past-due payment obligations arising from major claims and/or is forced to provide sufficient funding at costs which are significantly higher than normal. Liquidity risk is also the risk of limited access to financial resources needed to meet the payment obligations from insurance and other contracts.
- **Credit risk** is the risk of loss or of adverse changes in the financial situation of an insurance undertaking, resulting from fluctuations in the credit situation of counterparties and potential debtors to which the Company is exposed through counterparty default risk and concentration risk.
- **Operational risk** is the risk of loss arising from inadequate or failed internal processes (or products), personnel or systems, or from external events and their impact.
- **Non-financial risks** comprise strategic risk and reputational risk.
 - *The strategic risk* is the risk of loss due to adverse business decisions, improper implementation of adopted strategic decisions and insufficient responsiveness to changes in the business environment (including legal and regulatory risk).
 - *Reputational risk* is the risk of loss arising from a negative image held regarding the future or existing operations of the insurance undertaking or the group by its clients, business partners, employees, shareholders and investors and/or competent or supervisory bodies and the public.
 - *Capital risk* is the risk of loss due to inadequate capital structure with regard to the business volume and method or problems encountered by the Company and the Group when acquiring fresh capital, especially in the case of unfavourable operating conditions or the need for a rapid capital increase.
 - *The Group risks* arise from the business model of the Company, which is a parent undertaking or a group of related parties. They include risks that might threaten the achievement of strategic objectives due to an inefficient governance system of the Group and insufficient understanding of the business environment in which its companies operate. The Company's risk profile can also be influenced by the transactions between the associated companies and the complexity of concentration risk management.

Overview of main risks



2 Disclosures and Risk Management

Risk management is a very important part of the corporate governance of the Triglav Group, all business processes and the awareness and work guidelines of employees.

As an integral part of the entire business process of the Group, risk management is in conformity with the Strategy of the Triglav Group and enables the Group to achieve its strategic objectives. The integrated risk management system ensures that the typical existing and recurring risks are identified, adequately measured, managed, controlled and monitored on an on-going basis.

The Management Board is responsible not only for efficiently managing all types of material risks but also for establishing an adequate organisational, management and staffing structure, in addition to ensuring suitable professional qualifications of the employees. The Management Board delegated some of its powers to the committees as the highest-level bodies making decisions on various risk segments. Risk management in subsidiaries is the responsibility of the management of individual companies. A reporting system is set up at the Group level, which allows efficient management of its risks.

The risk appetite for all types of material risks is defined in the Strategy and the Risk Appetite Statement by using indicators. Within each risk type, the concentration of exposures is also monitored. The monitoring of risk appetite indicator values by individual risk in the form of regular reports is performed by the Risk Management Department.

2.1 Capital and capital adequacy management

Capital management in the Company and the Group is a continuous process, which enables the adoption of business decisions that not only ensure competitive advantages but also maintain the successful business model and market position in the long term. Capital management is centralised at the Group level by ensuring optimal and cost-effective capital allocation through capital concentration in the parent company.

In line with the applicable legislation, the amount of available capital for meeting the statutory solvency capital requirements at the level of individual insurance subsidiaries of the Group was regularly calculated in the reporting year. Capital requirements in the Company and the Group remained the same during the year as there were no major changes in the risk profile.

In 2016, the capital level remained within the set strategic objectives and exceeded the level of underwritten risks, both at the Group and the Company level. The level of underwritten risks is measured by applying the statutory standard formula allowing the Company to duly reflect and assess its risk profile following the own assessment obtained in the ORSA process. As in previous years, Zavarovalnica Triglav and the Triglav Group complied with the regulatory capital adequacy requirements throughout 2016.

The table below shows the unaudited current best estimate of the solvency ratio under the Solvency II Directive requirements as at 30 September 2016.

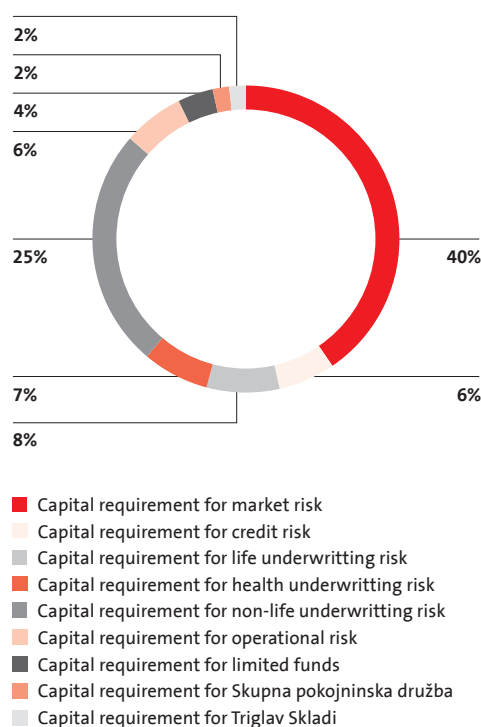
	The Triglav Group		Zavarovalnica Triglav	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Solvency ratio (in %)*	276	245	336	307

* The table is unaudited.

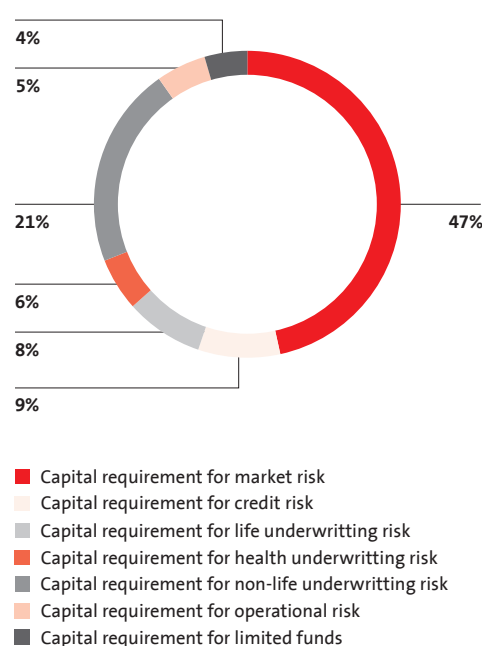
As shown in the table above, the Company and the Group have a strong capital base. The solvency ratios for the periods differ also due to the different treatment of the expected dividends in the calculation of the capital of the Company as the solvency ratio at the 2015 year-end was calculated by taking into account the estimated dividends for 2015, while the solvency ratio as at 30 September 2016 did not take into account the estimated dividends for 2016. Detailed disclosures on capital adequacy in 2016 will be made in the Solvency and Financial Condition Report of the Company and the Group.

The following two figures show the proportion of capital requirements for the Company and the Group by risk type in 2016.

Capital requirements for the Triglav Group in 2016



Capital requirements for Zavarovalnica Triglav in 2016



- Capital requirement for market risk
- Capital requirement for credit risk
- Capital requirement for life underwriting risk
- Capital requirement for health underwriting risk
- Capital requirement for non-life underwriting risk
- Capital requirement for operational risk
- Capital requirement for limited funds
- Capital requirement for Skupna pokojninska družba
- Capital requirement for Triglav Skladi

- Capital requirement for market risk
- Capital requirement for credit risk
- Capital requirement for life underwriting risk
- Capital requirement for health underwriting risk
- Capital requirement for non-life underwriting risk
- Capital requirement for operational risk
- Capital requirement for limited funds

The most important risks that impact the performance of the Triglav Group arise from the operations of Zavarovalnica Triglav, the largest member of the Group. The most significant and extensive among the risk types faced by Zavarovalnica Triglav and the Triglav Group are market and underwriting risks, followed by credit and operational risks.

The own risk assessment reveals that in 2016 the level of risk exposure was acceptable and in line with the defined risk appetite. During the development of the strategy for the 2017–2020 period, it was estimated that the Company and the Group will meet the capital requirements in accordance with the defined risk appetite also in the future.

Decisions concerning capital management are supported by the results of other capital models, based on which the credit ratings are assigned. Different capital adequacy measurements provide for the safety of operations, while also being useful as the basis for optimising the operations as well as for active capital management and allocation in line with the strategic objectives and the owners'/stakeholders' interests.

2.2 Risk profile of Zavarovalnica Triglav and the Triglav Group

The risk profile of Zavarovalnica Triglav and the Triglav Group is presented in the following table showing exposure to material risk types.

In 2016, apart from the existing risk measurement methods, the Allianz Risk Barometer for risk assessment on strategic markets of the Group was used in the Company and the Group. In this way, the TINT subsidiaries assessed the risks faced in their operations. According to the results, the highest risk is the development of the insurance market, both supply (strong competition) and demand (e.g. economic growth and the employment rate), followed by regulatory risk, the risk of theft, fraud and corruption, macroeconomic risks and natural disasters.

Risk Dashboard of Zavarovalnica Triglav and the Triglav Group for 2015 and 2016*

Risks	Q4 2015 assessment	Q4 2016 assessment	Trend	Note
Capital adequacy			▼	The risk is further decreasing as the capital adequacy is increasing in the framework of Solvency II; sound performance (profitability) at an acceptable level of risks increases the available funds, which are eligible to cover the solvency capital requirements (SCR), which due to the unchanged risk profile remain at the same level.
Underwriting risks			▲	Despite fierce competition in the insurance sector, the Triglav Group maintains premium growth and achieves the target value indicators on strategic markets. All main indicators (combined ratios, best estimates of insurance technical provisions, coverage of provisions with assets of guarantee funds) are within the target values defined in the risk appetite or internally. Higher underwriting risks (between the compared periods) were the result of low interest rates, which will continue in the future.
▪ Non-life insurance			▲	Combined ratios are within the target values, the loss ratio is favourable. The best estimates of provisions point to adequate statutory insurance technical provisions. Due to low returns, the result depends more on the insurance technical result.
▪ Life insurance			▲	The low interest rate period has adverse effects on the profitability of life insurance products with a guaranteed element. Given that the expectations of low interest rates are still high, increased life underwriting risks are expected.
Market risks			▲	Despite the environment of low and negative interest rates, the Triglav Group achieves the target values of results even in relation to investments by taking appropriate interest rate risk management measures.
▪ Interest rate risk			▲	In 2016, interest rate risk significantly increased in the euro area. The sensitivity of the investment portfolio to changes in the level of interest rates declined throughout 2016. The regulator (EIOPA) performed interest rate stress tests.
▪ Equity risk			▶	Zavarovalnica Triglav and the Triglav Group remain within the mentioned volume of investment in equity securities in accordance with the adopted risk appetite. In 2016, the proportion of non-listed equity securities appropriately decreased.
▪ Currency risk			▼	Zavarovalnica Triglav and the Triglav Group upgraded the currency risk management system by defining exposure limits in currencies other than EUR. Considering the low exposure to currency risk, this risk has been assessed as immaterial for Zavarovalnica Triglav.
▪ Real property market			▶	Zavarovalnica Triglav maintains a low investment appetite with regard to investment property.
Liquidity risk			▶	Indicators show a high liquidity of Zavarovalnica Triglav. The Company is upgrading its liquidity risk assessment methodology at the Group level.
Credit risks			▼	In line with the risk appetite, credit risk is managed through the upgraded credit rating and limit system for monitoring exposures to counterparties (banks).
Operational risks			▶	On the basis of a process analysis, Zavarovalnica Triglav and the Triglav Group are developing a robust operational risk management system. The Company is intensively upgrading the operational risk identification, monitoring and management system. Greater risks have been identified with respect to future employment of staff with relevant technical expertise, especially under the assumption of poor demographic projections in Slovenia.
Non-strategic and non-financial risks			▲	The Triglav Group responded to the challenging conditions in the external environment of low interest rates and fierce competition in the insurance sector and to the challenges brought by changes in the environment and policyholders' behaviour by drawing up a new strategy and implementing projects aimed at digitising its operations and further customising its products to client wishes. Technical progress allows extremely rapid changes in the preferences of policyholders, particularly of younger generations. The euro area Member States, especially Slovenia, are in need of thorough pension and health reforms. Challenges also remain in relation to the Solvency II Directive and coping with constantly changing legislation.

*An overall assessment of the main risk types was made on the basis of quarterly risk reports and the scope of adopted and approved methodologies. The capital and liquidity risk methodologies were adopted and approved. Other methodologies, which are based on the distributional characteristics of indicators of individual risk types and their conditional functions for decision-making (main, auxiliary indicators), are in preparation. Despite the fact that some risk indicators are low/high due to both a too high and a too low value or due to either a too high or a too low value, the final assessment is made by using:

i) the colour scale of assessed risk: very high high medium low very low and

ii) the risk trend: ▼ downward, ▶ stable, ▲ upward.

2.3 Underwriting risks

The Group assumes underwriting risks in all insurance companies when performing transactions, which represent its core business. Underwriting risk management enables the Group to achieve and maintain the size and quality of the insurance portfolio that provides for stable and safe operations while generating maximum returns. The Company strives for optimal management of the ratio of assumed risks and generated return (the difference between the benefits and the costs of risk management measures) not only in the management of underwriting risks but also of other risks. Therefore, the risk appetite limits were defined, taking into account:

- the long-term strategic guidelines in line with the Strategy and
- the business-financial plans approved by the management bodies.

Insurance operations are performed via four key processes, through which underwriting risks are monitored, assessed and balanced: product development, underwriting, underwriting risk transfer and claim settlement. The risk appetite limits are considered in the **product development** process by setting the underwriting criteria and the premium amount.

The primary responsibility for **the active management of underwriting risk** lies with departments involved in the core business activity. Clearly structured competences and powers include segregation of duties, underwriting limits and an authorisation system. Moreover, a range of actuarial techniques is used in underwriting risk management. The Company also conducts regular performance monitoring, checks the adequacy of insurance technical provisions and optimises reinsurance schemes. The basic tool for underwriting risk management is a **high-quality risk assumption process** that limits assumed risk to acceptable levels.

Reinsurance is one of the main tools used in underwriting risk management in terms of **risk transfer**. The annual planned reinsurance programme includes calculated own shares by individual insurance class, the maximum coverage table prepared based on own shares, and procedures, bases and criteria for determining the maximum possible loss with regard to individual underwritten risks. The choice of suitable reinsurers depends

to a great extent on their credit rating. **By resolving and settling claims**, the Triglav Group fulfils its obligation to the policyholders. The Company strives for rapid claim settlement and payment so as to provide financial security to the clients who experienced a loss event. At the same time, its aim is to ensure stable operations and manage loss events, which includes determining the appropriate bases of claims and controlling the amount to be paid out. The Company set up procedures to process the claims and assess the damage in proportion to the amount, nature and complexity. This also includes the assessment of not yet reported claims.

The risk appetite defines the level of risk and the potential loss arising from this risk that the Company is able to accept in the course of its business operations without jeopardizing the attainment of its business and strategic objectives. The underwriting risks are managed through the relevant procedures and segregation of duties and powers.

Every type of insurance has its own specific risks, which the Triglav Group duly identifies and manages. In the context of direct insurance operations, the Company is predominantly faced with traditional underwriting risks, which are divided into:

- **non-life** underwriting risks (including health insurance) and
- **life** underwriting risks.

Consolidated gross written premium from insurance and co-insurance contracts of the Triglav Group by the above-mentioned segments is presented in [[→ Section 7.5 of the Business Report Gross written premium from insurance and co-insurance contracts](#)].

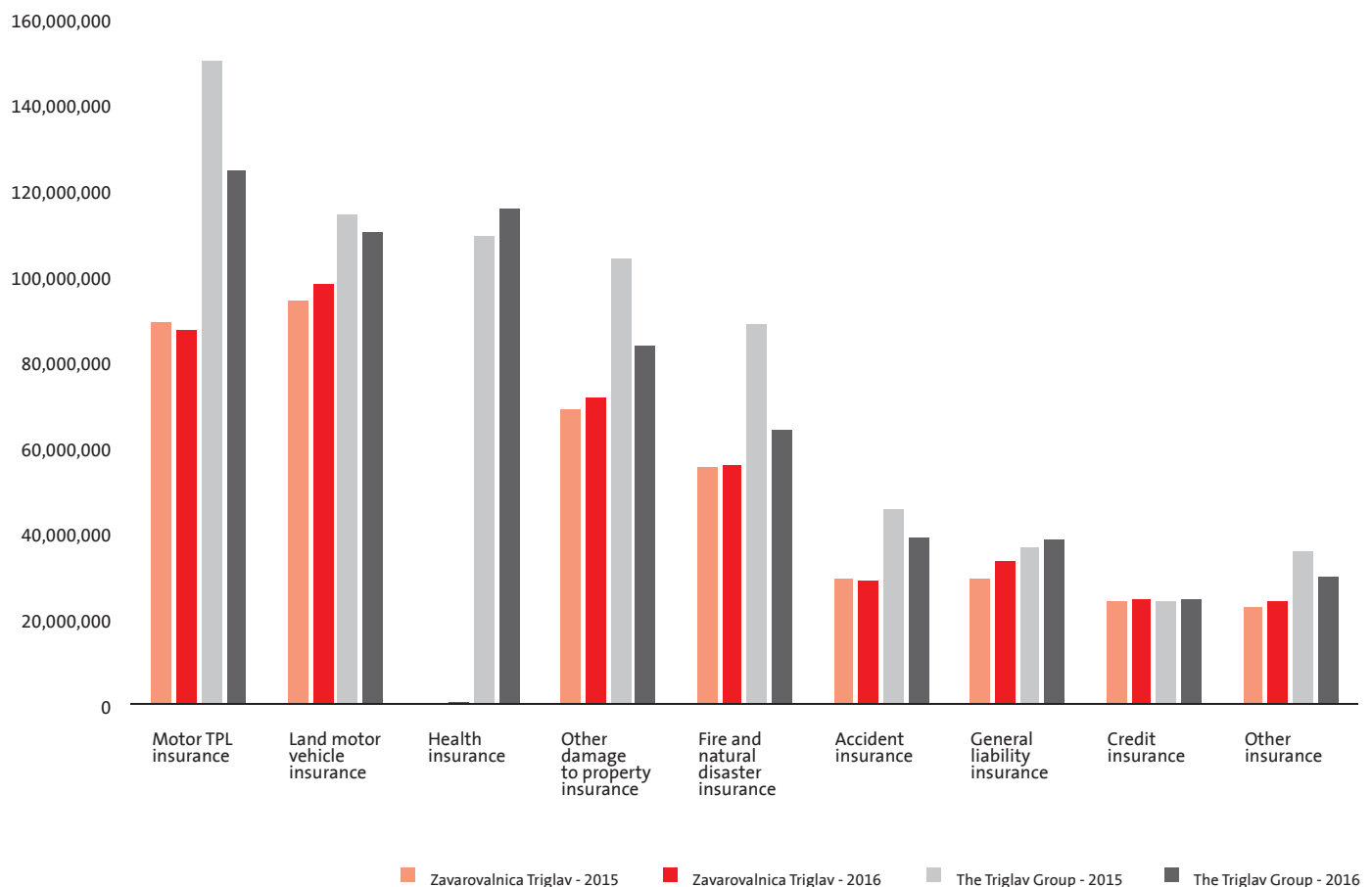
2.3.1 Non-life underwriting risks

Non-life underwriting risks include premium risk, provision risk, non-life catastrophe risk, lapse risk and the risks related to the volume of new business, product development risks, underwriting process risks, expense risk, external macroeconomic environment risk and claim settlement risk. As Pozavarovalnica Triglav Re and Triglav, Zdravstvena zavarovalnica are also part of the Triglav Group, non-life underwriting risks also include the risks related to the performance of active reinsurance operations and the risks associated with health insurance.

In quantitative terms, as a whole they are monitored through combined ratios, which measure the actual claims and expenses arising from concluded insurance policies in relation to the expected claims and expenses calculated in the premium (Sections 2, 3, 4 and 8 of the Management Report). In 2016, the combined ratio in non-life insurance at the Group level was 92.9% (in 2015: 92.8), which reflects good underwriting risk management. The combined ratios of the Group and Zavarovalnica Triglav for the last three years are presented in [[→ Section 8.1 and Section 8.2 of the Business Report respectively](#)].

Premium risk is the risk that the written premium will be insufficient to meet future obligations arising from concluded insurance policies. It depends on the size of the portfolio of each insurance segment and the range of various insurance segments. In the case of a large quantity of insurance similar in size, the relative deviation from the claims ratio decreases compared to the expected due to the law of large numbers. In the event of a broad range of various insurance covers, the entire portfolio becomes more diversified and less susceptible to externalities, such as price pressure on individual products.

Gross written premium from insurance and co-insurance contracts of the Triglav Group



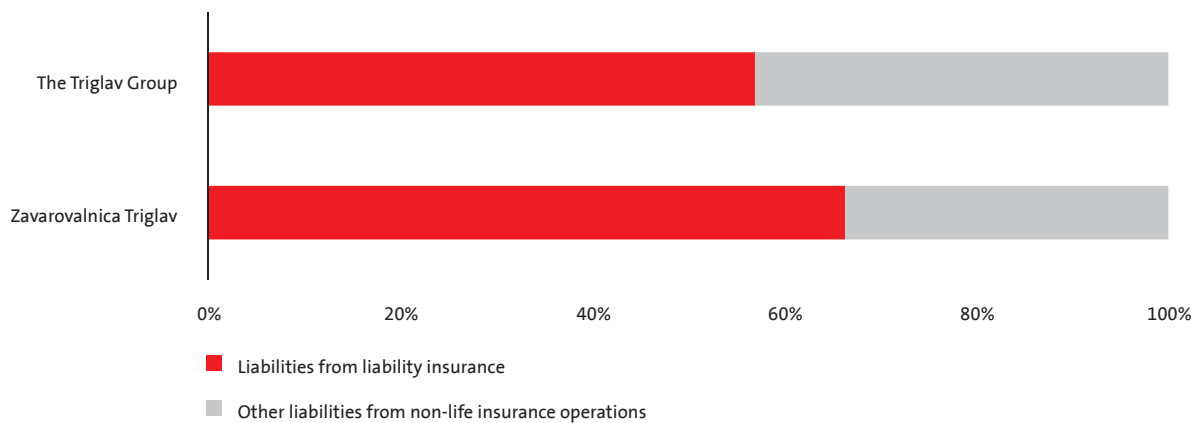
Zavarovalnica Triglav and the Triglav Group pursue a balanced diversification of the non-life insurance portfolio in different insurance segments.

Premium rates for non-life insurance were high enough considering reasonable actuarial expectations regarding the movement of the amount of benefits or claims ratios and expenses or expense ratios and the rational behaviour of all market participants. More specifically, premium risk only includes the risks related to the usual claims. In terms of risk and event, the risk of major claims is considered as catastrophe risk, which is presented in [[→ Section 2.3.3 Underwriting risk concentration](#)].

Provision risk, including claims risk, is the risk that the actual claims arising from insurance will significantly deviate from the foreseen claims included in insurance technical provisions, or that the insurance technical provisions will be higher than they would be if all the relevant information were known in advance. Separately and in more detail, the risks of subrogation, non-life insurance annuity and appraisal costs can be considered. Provision risk is balanced by regularly monitoring the claims experience by individual insurance class, calculating the run-off analysis and promptly adjusting the insurance technical provisions to the new findings based on the analyses performed. The described methodological appropriateness of provisions for individual insurance classes (see [[→ Section 2.6 of the Accounting Report](#)]) is verified by regularly performing the liability adequacy test based on the balance as at the last day of the business year and regular calculation of the best estimate of insurance technical provisions. Special attention in the creation of insurance technical provisions for non-life insurance is paid to incurred but not reported (IBNR) claims. The triangle method is used as the adequacy test of insurance technical provisions for loss events characterised by late claim reporting. The results showed that the level of formed insurance technical provisions was appropriate as at the 2016 year-end at the level of both the Triglav Group and Zavarovalnica Triglav (see [[→ Sections 2.6.2 and 3.14 of the Accounting Report](#)]). Other adequacy tests of insurance technical provisions for non-life insurance produced similar results.

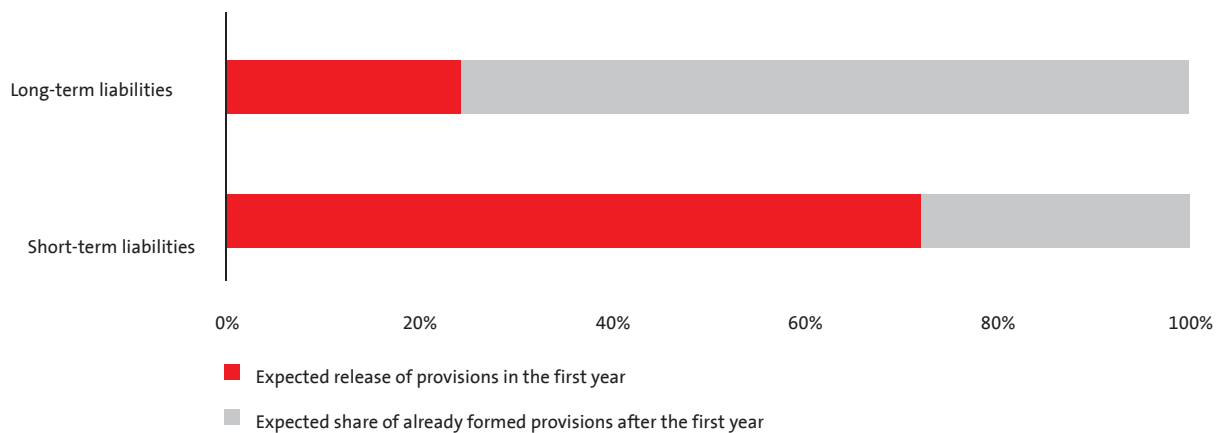
The provision risk can be influenced *inter alia* by the amount of the provisions set aside and the maturity of the liabilities. The latter represents the average duration of the claim settlements for which provisions were made. With respect to liability insurance, more than half of the claims are settled after one year, while in other insurance segments more than half of the claims are paid within one year.

The ratio between long-term and short-term insurance in 2016



In the Triglav Group, the proportion of long-term provisions is lower, as other Slovene insurance subsidiaries of the Group primarily underwrite short-term insurance policies.

Expected release of provisions after one year



After one year it is expected that about a quarter of provisions for long-term liabilities and three quarters for short-term liabilities relating to non-life insurance will decrease. Long-term provisions are reduced at a slower pace, which is why they are slightly more stable than short-term provisions in a period of one year. By setting aside provisions on a precautionary basis, this effect becomes even stronger.

Lapse risk and the risks related to the volume of new business represent the uncertainty and deviations from the planned level of lapses, the level of future renewal of existing insurance and the volume of new insurance policies taken out. Both risks are usually the result of realised reputational risk, strategic risk, technological progress risk and macroeconomic risks. These risks are discussed in detail below.

Supplemental voluntary health insurance, governed by the Health Care and Health Insurance Act, accounts for the bulk of the operations of Triglav, Zdravstvena zavarovalnica. As a result, in addition to the previously mentioned non-life underwriting risks, the Group is exposed to strategic risk, political risk and the risk of changes in legislation, which is related to significant changes in health legislation in Slovenia. With regard to regulating the reinsurance coverage in the Triglav Group, Pozavarovalnica Triglav Re plays an important role as it assumes the underwriting risks based on reinsurance agreements concluded with individual subsidiaries of the Group. Triglav Re concludes outward reinsurance agreements (retrocession agreements) for a portion of the risks it reinsures in order to better control its exposure and to protect its own assets, while indirectly protecting the assets of the Group's insurance subsidiaries.

Non-life underwriting risks account for around a third of total non-diversifiable risks, both in the Company and the Group.

2.3.2 Life underwriting risks

The life insurance portfolio includes traditional, unit-linked and pension insurance policies. Additional insurance can be added to unit-linked and traditional insurance policies. **Life underwriting risks** are all underwriting risks covered by life insurance policies as well as some underwriting risks related to these risks and life insurance policies. The Company underwrites mortality,

longevity and morbidity risks as well as permanent total incapacity for work risk. Within additional insurance, the Company underwrites disability risk, accidental death risk, critical illness or injury risk, medical expense risk, daily benefit risk, second medical opinion etc.

Mortality risk is the risk that the actual future mortality rate will be higher than expected. This difference will affect:

- the amount of calculated premium,
- the level of insurance technical provisions,
- the amount and type of risk transfer (reinsurance, co-insurance) and
- the difference between the actual and the expected result of the Company.

Mortality risk can arise from:

- inappropriate risk assessment in the underwriting process (mainly arising from information asymmetry between the policyholder and the insurance),
- incorrectly estimated level, trend or volatility of future mortality rates for a particular homogeneous risk group (e.g. the lack of empirical data) and
- future catastrophic events that affect mortality (e.g. a pandemic), as well as other sources leading to an incorrect estimate.

Moreover, mortality risk includes its opposite, i.e. **longevity risk**, which is closely monitored primarily in annuity or pension insurance.

As in the case of mortality risk, similar also applies to the other abovementioned underwriting risks covered by life insurance policies.

Life insurance policies are also associated with the **risk of policy changes** (required by the policyholder), i.e. the difference between the future realised and expected surrenders, capitalisation and any other changes to policies. The types of impacts on this risk are similar to those on mortality risk. The risk of policy changes may arise from changes in the general economic environment, which affects policyholders' behaviour, and in any other sources leading to an incorrect estimate.

Life expense risk is the risk that the future actual life insurance expenses will differ from

the expected. In the insurance industry expense risk is no longer considered an operational risk but a separate risk category or an integral part of underwriting risks, as in Solvency II for example. This risk is reflected in inappropriately calculated premium, insufficient insurance technical provisions and in the difference between the actual and the expected results of the Company. Expense risk may arise from miscalculations and incorrect allocation of actual expenses (the inadequacy of the cost model) and incorrectly estimated level, trend or volatility of expenses.

Adequate risk equalisation which is the basic principle on which the insurance industry functions, is achieved through sufficiently large homogenous risk groups, which constitute the entire portfolio of the above risks. An important component here is efficient and correct classification of risks in underwriting, based on which a specific risk is assessed and classified into an appropriate group, which is the condition for appropriate management of that risk. Therefore, new findings related to individual risks are taken into account in underwriting. Also considered are the know-how and procedures of reinsurers who assume a portion of risks.

Premium risk and the risk of insufficient insurance technical provisions are managed in the context of the actuarial cycle, where deviations of the realised effects compared to the estimated are periodically checked. In the event any deviations outside the set parameters are detected, appropriate action is taken, e.g. adapting the design or parameters of an insurance product, appropriately adjusting the parameters for the calculation of insurance technical provisions, etc.

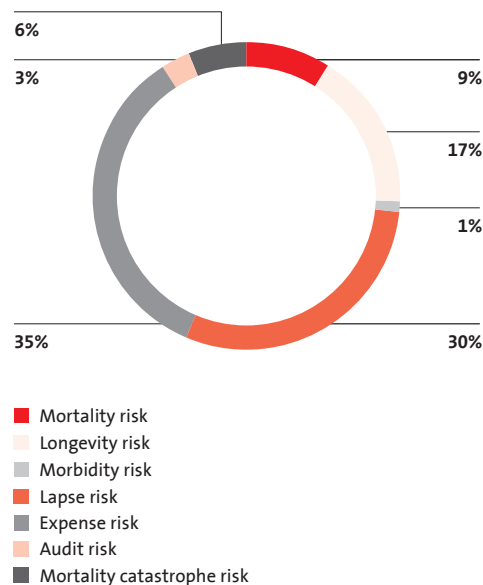
The adequacy of provisions is regularly tested using the liability adequacy test (LAT) and calculating the “realistic” provisions set based on the present value of the best estimate of future expected contractual and other cash flows. The test is performed at least once a year based on the balance as at the last day of the business year (see [→ *Section 2.6 of the Accounting Report*]). The test results for 2016 show that an adequate level of insurance technical provisions for life insurance was formed at the level of both the Triglav Group and individual subsidiaries, with the exception of an identified shortfall in the guarantee fund backing supplemental voluntary pension insurance, for which additional other insurance technical provisions were created.

A part of life underwriting risk management is the transfer of a corresponding portion of risks to reinsurers under the adopted reinsurance programme, which is also part of regular checks in the context of the actuarial cycle.

Traditional life insurance policies with a savings component and a guaranteed interest rate are exposed to asset-liability mismatch risk, where the assets are insufficient to cover the described liabilities. Similar risks due to a special guarantee for the return arise from the SVPI policies during the saving period. These risks are described in detail among the market risks in [→ *Section 2.5*].

Contractual financial options and guarantees are embedded in a number of policies, therefore the risks related thereto are assessed in the context of regular portfolio valuation.

Structure of life underwriting of Zavarovalnica Triglav



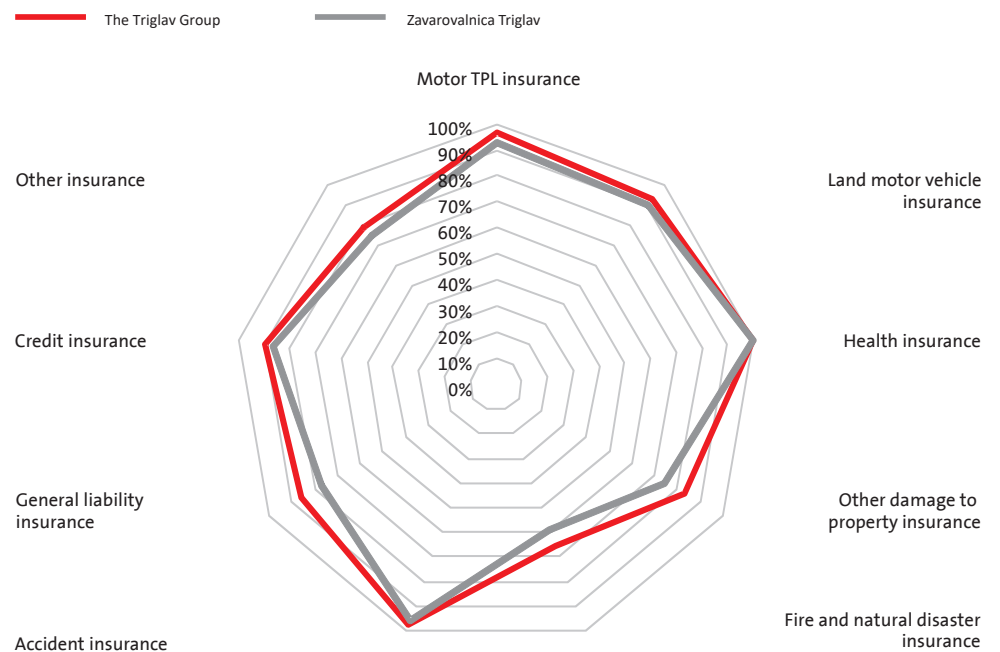
2.3.3 Underwriting risk concentration

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.

Underwriting risk concentration is managed with adequate reinsurance schemes, which are based on the tables of maximum net retained lines. Even a single event in a business segment or industry may have a material impact on the repayment capacity.

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

The share of net written premium in relation to gross written premium in 2016



Larger claim amounts can occur in the case of substantial individual damages, such as a fire in a large building, or a large number of minor damages caused simultaneously, e.g. in the event of an earthquake. Both categories of exposure can be managed using reinsurance cover. The insurance portfolio in fire and natural disaster insurance segment includes the largest number of individual major risks as well as cover for the risk of natural disasters. Reinsurance cover is therefore most needed in this segment. The fire and natural disaster insurance segment has the highest share of reinsurance premium in relation to gross written premium.

The Company was able to discharge its obligations arising from insurance contracts without exposure to increased liquidity or capital adequacy risk.

2.3.3.1 Geographical and sectoral concentration

The Triglav Group mainly operates in Slovenia and the countries of the former Yugoslavia. The Group also provides fronting services, ceding most of the business to foreign insurance companies. On the basis of previous experience, the Group believes that all potential risk concentrations have suitable reinsurance cover. The table below summarises the consolidated gross written premium in the countries in which the insurance companies of the Group operate. The Group's main exposure is in Slovenia, as almost 83% of premium income is generated on the Slovene market.

	Gross written premium		Share (in %)	
	2016	2015	2016	2015
Slovenia	774,450,456	760,924,325	82.7%	82.8%
Croatia	48,937,278	45,168,268	5.2%	4.9%
Montenegro	31,169,916	30,433,416	3.3%	3.3%
Czech Republic		9,636,056	0.0%	1.0%
Bosnia and Herzegovina	25,483,087	23,671,756	2.7%	2.6%
Serbia	34,407,999	28,238,446	3.7%	3.1%
Macedonia	21,555,079	21,043,998	2.3%	2.3%
Total	936,003,815	919,116,265	100.0%	100.0%

2.3.3.2 Low-frequency and high severity risk

Insurance perils with a low frequency and a high severity risk are managed by the reinsurance cover. The reinsurance scheme includes different types of reinsurance covers by insurance segment, depending on the nature of insurance perils.

The Triglav Group's largest retention amounts to EUR 4.5 million per insurance peril, with the exception of nuclear perils, and EUR 7.5 million per natural disaster. With regard to nuclear perils with an even lower frequency, the retention of the Triglav Group amounts to EUR 10.6 million.

Particular attention is paid to natural disasters such as earthquakes, storms, hail and floods. The results of various available models are taken into consideration when assessing the damage potential of catastrophe events and then used to determine the appropriate reinsurance cover.

In this segment, the threat of earthquakes represents the largest potential risk for the Group. It is covered with quota share reinsurance, while retention is additionally protected with excess-of-loss reinsurance in the event of a catastrophe. The reinsurance cover for retention is designed as excess-of-loss reinsurance with four layers and has been activated twice since 2010. The protection against a possible increased occurrence of natural disasters in a particular year is also arranged for the Group. Past events have shown that the reinsurance scheme is suitable.

The table below shows the earthquake model for Zavarovalnica Triglav for 2016. The results of the model for the Triglav Group do not differ significantly.

Another potentially catastrophic loss occurrence could arise from the nuclear peril, which Zavarovalnica Triglav 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 the correlation between such a potential loss event and the arising liabilities is low or null. There were no such significant low frequency and high severity events in 2016.

The earthquake damage model with return periods for 2016

Return period in years	2016	
	Share of total exposure in %	Gross claims in EUR
100	0.34	70,064,330
250	0.72	146,532,328
500	1.36	278,258,021
1000	2.90	593,257,882

The following table shows the assumption of individual capacities of reinsurance risks arising from the nuclear threat by Group companies.

Assumption of individual capacities of reinsurance risks arising from the nuclear threat for 2015 and 2016

	Assumed capacity in EUR	
	2016	2015
Zavarovalnica Triglav d.d.	7,500,000	7,500,000
Pozavarovalnica Triglav Re d.d.	2,520,000	1,400,000
Triglav Osiguranje d.d., Zagreb	650,000	650,000
TOTAL AFTER THE EVENT	10,670,000	9,550,000

Individual policies of large companies represent great insurance perils. The largest probable gross claim for individual perils amounts to EUR 1.4 billion, while the largest net claim is limited with retention.

2.3.3.3 Underwriting risk concentration by other insurance classes

The concentration of life underwriting risks is low as the life insurance risk portfolio is well dispersed by all relevant criteria and due to the fact that most policies originate from geographically dispersed retail sale. Any risk concentration in the portfolio is reduced by transferring a portion of the risks to reinsurers based on an appropriate reinsurance scheme. The sum insured risk in the event of death is less than EUR 60,000 for 82.4% of the whole life insurance portfolio and less than EUR 35,000 for 99.9% of other life insurance portfolio. For additional accidental death insurance, the sum insured is lower than EUR 50,000 and represents 98.3% of the respective portfolio, while for additional disability insurance the sum insured is less than EUR 100,000 for 98.2% of the respective portfolio. These sums insured represent the stipulated retention in line with the reinsurance agreement for most insurance policies.

With a 23% market share, the Triglav Group is one of three providers of **supplemental health insurance**, and with a 43% share one of two reinsurance providers. This is why in both peril segments the Group was exposed to the risk of concentration of supply in the insurance and reinsurance market in 2016. As regards the reinsurance portfolio, the Group manages the reinsurance portfolio concentration risk by the international geographical spread of inwards reinsurance risks and with adequate retrocession of outwards reinsurance risks.

2.4 Market risk

Asset management is an important business activity of the Company and the Triglav Group. In this way, insurance liabilities and capital requirements are covered while ensuring an appropriate return. The Company and the Group are exposed to market risks, which are mostly related to exposure to different asset classes. The Company and the Group manage at least the following types of market risks:

- interest rate risk,
- equity risk,
- property risk,
- credit spread risk,
- currency risk.

In order to achieve the market risk management goal, methods and processes with clearly defined powers and responsibilities were established so as to identify, measure, assess, manage and monitor the market risk. The system enables additional quality analyses and reporting on market risks, as well as preparing, proposing and implementing measures aimed at preventing the reduction of surplus of assets over liabilities due to changes in financial markets, including the real property market.

The market risk management system and its objectives are specified in detail in the Market Risk Management Policy. The main objectives relate to market risk management while ensuring the following:

- efficient and effective identification, measurement, assessment and management of market risks;
- minimisation of potential losses due to adverse changes in market variables;
- management and regulation of asset duration with regard to liability features;
- management and regulation of asset-liability currency matching;
- management and regulation of timing matching of interest-sensitive assets and liabilities;
- appropriate return on financial investments and their diversification;
- adequate coverage of provisions with investments;
- regular monitoring of market risk exposure and verification of correctness and adequacy of the assumptions used in the development of the Market Risk Management Policy;
- adequate market risk assessment as part of the own risk and solvency assessment (ORSA) process;
- risk analyses and reports and briefing on market risk exposure levels.

To monitor market risks, the Company also uses a limit system defining the limits for underwriting risks at the highest level. The limits specify the desired investment portfolio structure and maximum permissible exposure to counterparties. In this way, the possibility of losses due to underwritten risks is limited to the level which is still acceptable in terms of complexity of the business model, strategic objectives and capital strength of the Company.

Apart from an appropriately diversified investment portfolio, the Company uses, where necessary, various derivatives to reduce market risks as one of the risk-reducing techniques.

In the context of the investment portfolio, the Company and the Group are exposed to market risks arising from each type of investment securities. The risk size depends on the exposure to each category of investment securities and the volatility of macroeconomic indicators. Based on the investment structure (see [→ *Section 7.9 of the Business Report*]) the Company and the Group are most exposed to debt securities, followed by investments in shares and other variable-return securities as well as investment property.

2.4.1 Interest rate risk

The interest rate risk sensitivity analysis includes all financial assets exposed to interest rate risk, i.e. debt securities classified into the “measured at fair value through profit and loss” and “available-for-sale” categories and derivatives. The proportion of debt securities in the total portfolio is shown in the detailed overview of financial assets per group of assets in [→ *Section 3.6 in the Accounting part of the Report*].

The carrying amounts of debt securities as the most important interest rate-sensitive financial investments by sectoral breakdown for the Triglav Group and Zavarovalnica Triglav are presented in [→ *Section 7.9 of the Business Report*].

The table below shows the sensitivity analysis of the Group’s portfolio to interest rate risk and its impact on comprehensive income and the income statement of the Triglav Group and Zavarovalnica Triglav.

	The Triglav Group				Zavarovalnica Triglav			
	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp
Debt securities issued by states	-39,339,300	42,114,784	-46,428,397	46,428,397	-28,919,156	31,116,692	-36,400,283	36,400,283
Debt securities issued by financial institutions	-19,103,053	20,507,883	-13,923,959	13,923,959	-16,813,023	18,086,978	-12,236,565	12,236,565
Debt securities issued by companies	-23,058,962	24,443,159	-19,229,330	19,229,330	-19,091,774	20,394,715	-15,731,019	15,731,019
Composite securities	-588,162	1,064,514	-441,358	441,358	-584,398	1,060,675	-441,358	441,358
Other	9,707,396	-10,726,699	153,372	-153,372	9,707,396	-10,726,699	153,372	-153,372
TOTAL	-72,382,081	77,403,641	-79,869,672	79,869,672	-55,700,955	59,932,361	-64,655,853	64,655,853
Impact on comprehensive income	-69,840,458	74,996,286	-69,953,129	69,953,129	-57,895,272	62,261,040	-58,733,375	58,733,375
Impact on the income statement	-2,541,623	2,407,355	-9,890,022	9,890,022	2,194,317	-2,328,679	-5,922,477	5,922,477

The table above shows that the sensitivity of the portfolio to change in interest rates in 2015 decreased. The positive and negative changes in interest rates have the strongest impact on government securities. The latter account for the bulk of the investment portfolio of the Group or Zavarovalnica Triglav.

2.4.2 Equity risk

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

The equity portfolio structure by geographical exposure to issuers is shown in the table below. The amounts shown are based on the carrying amount of the equity portfolio of the Triglav Group and Zavarovalnica Triglav. The largest part of the portfolio of the Group consists of shares of issuers originating from the EU, followed by globally diversified equity investments and shares in emerging markets. Compared to the preceding year, no significant change was recorded in investments in shares at the level of the Group and the Company.

	The Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Equities in the EU	323,249,208	309,775,324	231,384,899	240,007,693
Equities in the USA	3,755,561	845,168	453,264	0
Equities in Asia*	67,979	0	67,979	0
Equities in emerging markets	61,213,205	59,359,263	56,192,389	50,680,122
Global equities**	233,794,996	236,072,765	196,560,088	203,287,023
Total	622,080,949	606,052,520	484,658,619	493,974,838

* Equity investments in developed Asian countries (Japan, Hong Kong).

** Globally diversified equity investments.

The equity portfolio's sensitivity to equity price fluctuations and its impact on the comprehensive income and/or the income statement of the Group and Zavarovalnica Triglav is shown in the table below.

	The Triglav Group				Zavarovalnica Triglav			
	31 Dec. 2016		31 Dec. 2015		31 Dec. 2016		31 Dec. 2015	
	10%	-10%	10%	-10%	10%	-10%	10%	-10%
Equities in the EU	32,324,921	-32,324,921	32,319,310	-32,319,310	23,138,490	-23,138,490	24,000,769	-24,000,769
Equities in the USA	375,556	-375,556	84,517	-84,517	45,326	-45,326	0	0
Equities in Asia*	6,798	-6,798	0	0	6,798	-6,798	0	0
Equities in emerging markets	6,121,321	-6,121,321	5,909,147	-5,909,147	5,619,239	-5,619,239	5,068,012	-5,068,012
Global equities**	23,379,500	-23,379,500	23,607,276	-23,607,276	19,656,009	-19,656,009	20,328,702	-20,328,702
Total	62,208,095	-62,208,095	61,920,250	-61,920,250	48,465,862	-48,465,862	49,397,483	-49,397,483
Impact on equity	18,641,767	-18,641,767	16,136,108	-16,125,272	12,720,918	-12,720,918	11,017,666	-11,006,625
Impact on the income statement	43,565,754	-43,565,754	44,469,134	-44,479,970	35,744,943	-35,744,943	38,379,818	-38,390,859

* Equity investments in developed Asian countries (Japan, Hong Kong).

** Globally diversified equity investments.

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If market prices of the equities in the portfolio as at 31 December 2016 had been 10% above their disclosed values, the equity and profit of the Group would have been higher by EUR 18.6 million and EUR 43.6 million, respectively. In contrast, if the prices of the equities in the portfolio as at 31 December 2016 had been 10% lower than their disclosed values, the equity and profit of the Group would have been lower by EUR 18.6 million and EUR 43.6 million, respectively. The sensitivity of the equity portfolio presented in the table does not take into account the impact of changes in liabilities relating to unit-linked life insurance. In the equity portfolio of the Group, around 60% of the shares are tied to the liabilities of unit-linked insurance, while in Zavarovalnica Triglav their share is 71%. The impact of the change in shares on the income statement would have been even lower if the fact above were taken into account. The risks in both Zavarovalnica Triglav and the Group remain at the same level.

2.4.3 Property risk exposure

The value of investment **property** is calculated using valuation techniques. Valuation of property based on the existing methodology is performed by an authorised valuer.

The share of investment property of Zavarovalnica is relatively low, representing just over two percent of the investment portfolio value, or EUR 46.5 million. The share of investment property of the Group amounted to EUR 95.8 million, accounting for three percent of the investment portfolio value. Immovable property of the Company and the Group is primarily located in Slovenia. Compared to the previous year, property risk exposure remained unchanged both at the Company and the Group level.

2.4.4 Credit spread risk

About two thirds of the Company's and the Group's investments are bond investments subject to the risk of growth and increased volatility of credit spreads. The sectoral analysis of bond exposure shows that the highest exposure is to issuers from the public and financial sector, together accounting for three quarters.

In their investment portfolio, the Company and the Group are exposed to counterparties with a high credit quality. Credit risk exposure resulting from debt securities is limited by the investment policy aimed at investing in high-quality securities. Over 40% of the debt securities in the Group's portfolio have a credit rating of at least "A", while those of the Company account for almost 50%. An overwhelming majority of debt securities in the investment portfolio of the Company and the Group are investment grade.

The structure of debt investments is presented in detail in the Management Report in [[→ Section 7.9](#)].

2.4.5 Currency risk

In 2016, the system for measuring and monitoring currency risk exposure at the Group level was upgraded. Open positions are limited and monitored both in absolute amounts and through value-at-risk (VaR) calculations.

The Company and the Group are only slightly exposed to currency risk as the currency structure of assets almost fully matches the currency structure of liabilities. Compared to the year before, currency risk exposure remained unchanged both at the Company and the Group level.

2.5 Credit risk

Credit risks arise in:

- basic insurance transactions with the clients who are in different financial positions at the time of existence of the obligation to pay the premium;
- conclusion of agreements with reinsurers as there is the risk of inability to pay out claims in the case of a loss event;
- management of investments in the framework of investment policies and therefore the risk of downgrade or insolvency of banks, in which the Company or the Group deposit their assets and the assets of counterparties in the conclusion of derivatives contracts.

The credit risk management system and its goals are defined in greater detail in the Credit Risk Management Policy. The main goals of the credit risk management process include:

- efficient and effective credit risk identification, measurement, assessment and management;
- establishment of appropriate procedures for minimising the probability of loss occurrence and limiting the loss arising from credit risk;
- management of the portfolio credit risk by investing assets in investments with an adequate credit rating, an expert analysis of counterparty credit risk and a sufficient degree of portfolio diversification;
- regular monitoring of credit rating of external institutions and limiting the exposure to non-rated counterparties;
- definition of restrictions and limits for permissible types of investments or types of financial instruments as well as the maximum permissible exposure to individual counterparties or a group of related parties;
- prudential consideration of the eligibility of business partners for reinsurance and fronting transactions and regular monitoring of their eligibility based on their credit rating and the adequate degree of diversification;

- regular monitoring of the Company's exposure to credit risk and checking of correctness and appropriateness of the assumptions used in establishing the credit risk management policy;
- implementation of an appropriate credit risk assessment in the context of own risk and solvency assessment;
- preparation of analyses, appropriate information and compiling of reports on credit risk exposure.

A limit system was established so as to achieve the goal of credit risk management. In terms of credit and concentration risks, the limit sets a reasonable and expertly determined maximum recommended exposure to counterparty.

The portfolio credit risk is managed by performing an expert analysis of counterparty credit risk and through a sufficient degree of portfolio diversification. Credit ratings of external institutions are regularly monitored, while limiting the exposure to non-rated counterparties. In addition, in order to monitor and limit the credit risks arising from the investment portfolio, the Company defined restrictions and limits for permissible types of investments or types of financial instruments as well as the maximum permissible exposure to individual counterparties or a group of related parties.

The limit system of exposure to banks was upgraded in 2016. In accordance with good practices and the market situation, both the credit rating methodology and the process of setting limits were upgraded. The latter now includes additional internal controls and allows for greater transparency. The limit system also includes soft indicators and additional warning signals.

The Group's total financial assets that may be exposed to credit risk (i.e. bonds, loans, derivatives, assets from reinsurance contracts, receivables and cash or cash equivalents) as at 31 December 2016 amounted to EUR 2,251,136,836 (vs. EUR 2,269,259,343 as at 31 December 2015). The structure of the abovementioned financial assets is discussed in greater detail in [\[→ Section 7.9 of the Business Report\]](#).

The credit risk of securities issuer default is primarily monitored in the context of market risk, specifically credit spread risk. See [\[→ Section 2.4.4\]](#) for a detailed description of exposure and management of such risk.

In addition to the abovementioned credit risk management techniques, prudential consideration of the eligibility of business partners for reinsurance and regular monitoring of their eligibility (credit rating, diversification) are of key importance. The adequacy of reinsurers' ratings is defined and monitored by the criteria of S&P rating agency, with the aim that the exposure to such risks never exceeds the criteria to be met by the insurers with the A credit rating. Risk reduction techniques are not used in this segment.

The Group's total credit risk exposure relating to reinsurers as at 31 December 2016 amounted to EUR 112,184,633 (vs. EUR 111,547,973 as at 31 December 2015), of which EUR 77,084,783 (vs. EUR 68,724,305 as at 31 December 2015) was accounted for by insurance technical provisions transferred to reinsurance contracts and EUR 35,099,850 (vs. EUR 42,823,668 as at 31 December 2015) by receivables for reinsurers' and co-insurers' shares in claims. As at the reporting date, the Group's total exposure to reinsurers accounted for 3.1% of assets (vs. 3.2% as at 31 December 2015). For further details see the tables in [\[→ Sections 1.1 and 3.8 of the Accounting Report\]](#).

2.6 Liquidity risk

The Group manages investments and assets in a manner allowing it to meet, at any given moment, all of its matured liabilities. To meet these liabilities, the appropriate structure of assets is maintained in terms of their nature, duration and liquidity. An adequate liquidity position is ensured by planning actual and potential net cash outflows, having an appropriate level and structure of liquid investments, and monitoring the structure of liabilities and financial assets. Exposure to liquidity risk is limited by setting the relevant limit systems.

The Company is traditionally an institution with strong liquidity as the inflows from the core activity are permanent and additional security mechanisms (credit lines, repurchase agreements, etc.) were established for ensuring sufficient liquidity.

The liquidity risk management system and its goals are defined in greater detail in the liquidity risk management policy. Its main goals ensure:

- efficient and effective liquidity risk identification, measurement, assessment and management;
- availability of a sufficient quantity of liquid assets at any given time for the timely repayment of liabilities, which means ensuring the Company's liquidity at all times;
- daily meeting of all liabilities of the Company (on-balance-sheet and off-balance-sheet) in different currencies;
- meeting of liquidity ratios;
- economical management of any daily surplus liquid assets;
- monitoring of the liquidity gap (liquidity gap analysis);
- preparation, proposal, coordination and implementation of measures to prevent or eliminate the causes for the occurrence of illiquidity;
- regular monitoring of liquidity and checking of correctness and appropriateness of the assumptions used in establishing the liquidity risk management policy;
- implementation of an appropriate liquidity risk assessment in the context of own risk and solvency assessment;
- preparation of analyses, appropriate information and compiling of reports on liquidity risk exposure.

Total financial assets in both compared years significantly exceed total financial liabilities of the Triglav Group. The table shows the distribution of assets and liabilities as at the date of calculation by contractual maturity, which are not necessarily matched with the actual payments. As at the 2016 year-end, the Group had a significantly higher surplus of financial assets over financial liabilities in the maturity buckets of 1–5 years and 5–10 years, whereas in other buckets the value of assets was below the value of liabilities. Considering the facts that the table above shows the contractual maturity of assets and liabilities and that the vast majority of the Group's assets is invested in highly liquid investments, the deficits in individual maturity buckets do not represent a liquidity risk. The Group has high liquidity.

Financial assets and liabilities of the Triglav Group* by remaining maturity

						in EUR
The Triglav Group as at 31 December 2016	Not defined	Under 1 year	From 1 to 5 years	From 5 To 10 Years	Over 10 years	Total
FINANCIAL ASSETS						
Financial investments	624,766,323	198,012,598	1,057,744,705	884,978,459	208,801,192	2,974,303,277
Debt securities	0	156,763,206	1,017,990,862	855,806,745	197,763,104	2,228,323,917
Held to maturity	0	8,937,340	85,739,157	67,182,497	69,483,398	231,342,392
At fair value through profit and loss	0	56,828,734	220,072,642	82,141,293	59,476,355	418,519,024
Available for sale	0	78,846,301	698,207,492	693,661,323	68,803,351	1,539,518,467
Loans and receivables	0	12,150,831	13,971,571	12,821,632	0	38,944,034
Equity securities	612,660,255	0	0	0	9,420,694	622,080,949
At fair value through profit and loss	425,034,903	0	0	0	0	425,034,903
Available for sale	187,625,352	0	0	0	9,420,694	197,046,046
Derivatives	19,042	1,357,920	1,885,594	0	0	3,262,556
Loans and receivables	12,087,026	39,891,472	37,868,249	29,171,714	1,617,394	120,635,855
Reinsurers' share of insurance technical provisions	4,225,777	37,347,708	19,225,435	9,797,756	6,488,107	77,084,783
Operating receivables	19,399,170	124,447,771	8,828,513	254,636	0	152,930,090
Cash and cash equivalents	52,146,238	13,568,236	0	0	0	65,714,474
Total	700,537,508	373,376,313	1,085,798,653	895,030,851	215,289,299	3,270,032,624
FINANCIAL LIABILITIES						
Insurance technical provisions	436,463,310	679,305,837	422,723,632	457,603,329	664,692,207	2,660,788,315
Other financial liabilities	17,728	4,392,437	742,323	99,629	36,576	5,288,693
Total	436,481,038	683,698,274	423,465,955	457,702,958	664,728,783	2,666,077,008

* The mismatch of cash flows in the table above results from the properties of insurance liabilities and the investment policy of the Group as well as the availability of investments of appropriate maturity with respect to the structure of liabilities. Liquidity is ensured not only with short-term investments with the maturity of less than 1 year but also with other highly liquid assets in other maturity buckets (e.g. government bonds of EEA countries and the OECD, shares in ETF funds, etc.).

						in EUR
The Triglav Group as at 31 December 2015	Not defined	Under 1 year	From 1 to 5 years	From 5 To 10 Years	Over 10 years	Total
FINANCIAL ASSETS						
Financial investments	601,705,284	283,197,194	1,009,287,798	742,968,659	238,297,033	2,875,455,968
Debt securities	0	198,057,351	963,765,270	721,050,671	227,933,945	2,110,807,237
Held to maturity	0	8,505,634	91,273,061	55,229,894	87,815,548	242,824,137
At fair value through profit and loss	0	111,085,376	200,038,383	82,946,579	2,734,381	396,804,719
Available for sale	0	73,109,146	662,559,699	572,143,153	137,230,058	1,445,042,056
Loans and receivables	0	5,357,195	9,894,127	10,731,045	153,958	26,136,325
Equity securities	596,631,827	0	0	0	9,420,694	606,052,521
At fair value through profit and loss	443,056,414	0	0	0	0	443,056,414
Available for sale	153,575,413	0	0	0	9,420,694	162,996,107
Derivatives	21,472	0	3,721,910	1,101,100	0	4,844,482
Loans and receivables	5,051,985	85,139,843	41,800,618	20,816,888	942,394	153,751,728
Reinsurers' share of insurance technical provisions	3,430,237	31,954,458	15,234,155	12,402,652	5,702,803	68,724,305
Operating receivables	17,463,403	149,027,767	2,735,354	383,337	0	169,609,861
Cash and cash equivalents	31,714,529	18,108,189	0	0	0	49,822,718
Total	654,313,453	482,287,608	1,027,257,307	755,754,648	243,999,836	3,163,612,852
FINANCIAL LIABILITIES						
Insurance technical provisions	445,058,780	654,137,863	396,569,539	433,142,237	671,533,704	2,600,442,123
Other financial liabilities	1,289,449	7,462,804	602,853	1,238,864	17,596	10,611,566
Total	446,348,229	661,600,667	397,172,392	434,381,101	671,551,300	2,611,053,689

Total financial assets in both compared years significantly exceed total financial liabilities of the Triglav Group. The table shows assets and liabilities as at the date of calculation by contractual maturity. As at the 2016 year-end, the Group had a significantly higher surplus of financial assets over financial liabilities in the maturity buckets of 1–5 years and 5–10 years, whereas in other

buckets the value of assets was below the value of liabilities. Considering the facts that the table above shows the contractual maturity of assets and liabilities and that the vast majority of the Group's assets is invested in highly liquid investments, the deficits in individual maturity buckets do not represent a liquidity risk. The Group has high liquidity.

Financial assets and liabilities of Zavarovalnica Triglav by remaining contractual maturity

	in EUR					
Zavarovalnica Triglav as at 31 December 2016	Not defined	Under 1 year	From 1 to 5 years	From 5 To 10 Years	Over 10 years	Total
FINANCIAL ASSETS						
Financial investments	495,577,425	104,330,575	705,720,151	728,874,355	192,809,428	2,227,311,934
Debt securities	0	94,844,225	679,033,655	700,604,727	191,210,303	1,665,692,910
Held to maturity			42,068,581	57,431,727	69,483,398	168,983,706
At fair value through profit and loss	0	43,539,499	118,937,211	47,111,463	59,476,355	269,064,528
Available for sale		51,304,726	518,027,863	596,061,537	62,250,550	1,227,644,676
Loans and receivables						0
Equity securities	484,658,619	0	0	0	0	484,658,619
At fair value through profit and loss	348,635,283					348,635,283
Available for sale	136,023,336					136,023,336
Derivatives		1,357,920	1,885,594			3,243,514
Loans and receivables	10,918,806	8,128,430	24,800,902	28,269,628	1,599,125	73,716,891
Reinsurers' share of insurance technical provisions		2,834,169	3,835,906	1,686,119	2,485,463	10,841,657
Operating receivables	42,228	69,062,013	2,549,299	31,959		71,685,499
Cash and cash equivalents	27,653,646					27,653,646
Total	523,273,299	176,226,757	712,105,356	730,592,433	195,294,891	2,337,492,736
FINANCIAL LIABILITIES						
Insurance technical provisions	431,125,308	419,247,953	350,633,462	388,091,281	487,262,659	2,076,360,663
Other financial liabilities		1,288,664	427,844	99,630	36,578	1,852,716
Total	431,125,308	420,536,617	351,061,306	388,190,911	487,299,237	2,078,213,379

	in EUR					
Zavarovalnica Triglav as at 31 December 2015	Not defined	Under 1 year	From 1 to 5 years	From 5 To 10 Years	Over 10 years	Total
FINANCIAL ASSETS						
Financial investments	495,671,585	167,394,494	692,224,379	610,982,866	209,119,300	2,175,392,624
Debt securities	0	118,083,981	662,923,600	589,076,346	208,195,175	1,578,279,102
Held to maturity		6,491,125	40,781,749	46,538,604	84,438,778	178,250,256
At fair value through profit and loss	0	70,270,136	116,732,774	54,117,939	1,630,458	242,751,307
Available for sale		41,322,720	505,409,077	488,419,803	122,125,939	1,157,277,539
Loans and receivables						0
Equity securities	493,974,838	0	0	0	0	493,974,838
At fair value through profit and loss	383,798,181					383,798,181
Available for sale	110,176,657					110,176,657
Derivatives			3,721,910	1,101,100		4,823,010
Loans and receivables	1,696,747	49,310,513	25,578,869	20,805,420	924,125	98,315,674
Reinsurers' share of insurance technical provisions		209,663	918,499	4,673,528	1,998,957	7,800,647
Operating receivables		76,422,804	2,475,181		0	78,897,985
Cash and cash equivalents	7,549,958					7,549,958
Total	503,221,543	244,026,961	695,618,059	615,656,394	211,118,257	2,269,641,214
FINANCIAL LIABILITIES						
Insurance technical provisions	438,920,157	422,794,419	316,076,251	364,322,589	511,142,255	2,053,255,671
Other financial liabilities		151,672	345,756	1,237,963	17,599	1,752,990
Total	438,920,157	422,946,091	316,422,007	365,560,552	511,159,854	2,055,008,661

Similar findings in relation to the financial asset-liability maturity mismatch risk or potential liquidity risk with regard to meeting the financial liabilities to the policyholders of the Triglav Group also apply to Zavarovalnica Triglav in both years.

In recent years, neither the Group nor the Company ever had to liquidate assets in order to cover regular liabilities from insurance thanks to the premium inflow. The Company calculates the liquidity ratios and regularly monitors, analyses and plans the cash flows within the framework of liquidity risk management.

2.7 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 staff behaviour (inadequate human resource management, key staff turnover, lack of know-how and skills, inappropriate staff actions, 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.);
- external events (changes in legislation, natural disasters, competition, etc.).

For identifying and measuring operational risks, the Group established the system and developed tools, which define their type, underlying reasons and consequences, operational risk assessment, measurement and monitoring methodology and internal control identification as one of the key ways of effective and efficient operational risk management. The internal control system focuses primarily on:

- accuracy and reliability of financial and accounting reporting,
- ensuring compliance with the applicable internal documents and regulations,
- effectiveness and reliability of business process implementation, and
- protection of property.

In order to achieve effective and efficient operational risk management, an appropriate work climate and organisational culture are maintained. The Company is aware that the organisational culture is one of the key components for the efficient management of such risks incurred in all business processes. For this purpose, employees need to be encouraged to be active in improving the process and, if necessary,

to propose and set up additional controls so as to reduce the number of future loss events and the costs of remedying their consequences. As a result, effective operational risk management can strengthen the confidence and loyalty of clients, shareholders and the general public that the Company is committed to good and fair business practices.

The aim of effective operational risk management is mainly to effectively remedy the consequences of events, mitigate and prevent future losses (preventive effect) and to conduct operations with professionalism, due diligence and business ethics. It is important that all employees are informed about operational risks, threats and benefits of regular and timely notification of loss events.

The system and the Company's own operational risk identification, assessment, management and reporting methodology have been developed in compliance with the established good practices. The quantitative and qualitative exposure to operational risks is measured with the applied methodology, which primarily focuses on the most critical business processes or segments of operational risks. As feedback information, the process analysis uses the loss event database for future process optimisation.

The established operational risk management system is based on four key sets:

1. assessment of potential operational risks,
2. internal database of operational risks taken or loss events,
3. external database of operational risks faced or loss events and
4. key risk indicators for operational risks, including the early warning signals for individual groups of operational risks.

These four sets provide a complete overview of the assessment of operational risks that are faced in the course of operations. In accordance with The Operational Risk Insurance Consortium, all seven groups of operational risks are integrated into the identification, assessment, measurement, monitoring, management and reporting system:

1. internal fraud or unauthorised activity of employees;
2. external fraud or unauthorised activity of third parties;
3. system break-down and the related system disruption;
4. damage to physical assets;
5. inadequate management of human resources and the safety of the working environment;
6. non-compliance with the applicable regulations, improper business or market practice, as well as clients and products;
7. inadequate implementation and management of processes and the control environment, including suppliers and business partners.

2.7.1 Internal fraud risk management

The Company has zero tolerance to internal crime or internal fraud, including the leaking of information to unauthorised persons.

The analysis has showed that the number of confirmed cases of internal insurance fraud committed by employees declined.

The data have showed strong loyalty and ethics of employees as well as system efficiency. The Compliance Office, which is responsible for handling internal non-insurance fraud cases, neither detected fraud nor received notifications of new suspicions of internal fraud committed by employees in 2016.

2.7.2 External fraud risk management

The insurance industry is faced with a number of adverse effects of fraud. In Zavarovalnica Triglav, the implementation of a comprehensive fraud management policy is the responsibility of the Fraud Prevention, Detection and Investigation Department, the Compliance Office, the Internal Audit Department and the Risk Management Department. Even though the Company is mostly exposed to insurance fraud, its fraud prevention, detection and investigation policy encompasses all business areas. It includes underwriting and claim settlement as well as areas such as relations with suppliers and insurance brokers, financial investments, human resources.

In 2016, the number of frauds committed by third parties increased (insurance fraud committed by persons who are not in an employment or contractual relationship with Zavarovalnica Triglav). The number of received notifications of insurance fraud suspicions went up by 40% over the previous year. The number of detected suspicious loss events mainly grew due to the upgrade of the computer system for monitoring key fraud indicators, which enables better identification of fraud suspicions when compared to the previous period. The number of confirmed insurance fraud cases increased (by 44%) in relation to the higher number of received notifications.

2.7.3 Ensuring business continuity and functioning of systems relevant for smooth business process implementation

The appropriate functioning of IT (key applications) also has a significant impact on the operations of the Company). Consequently, special attention is devoted to IT risk management, information security, the group of operational risks of system break-down and the related business disruptions. Relatively short failures in availability or proper functioning of certain system or application components and inappropriate protection against abuse can lead to a significant loss in operating income and loss of reputation. Last year, the Company conducted a risk analysis concerning the use and development of IT applications. In the case of identified key risks, some measures for reducing these risks were already taken, however further measures have continued to be implemented. The main activities include adequate process adjustment, especially the implementation of the entire development procedure, change management and introduction of complete and more appropriate testing, as well as information and application infrastructure optimisation.

In 2016, Zavarovalnica revised its business continuity management rules and system. An extensive stress test as a simulation of losing the primary location and transferring the functioning of key applications to a replacement location was performed in the scope of this process.

In 2016, operational risk indicators of system break-down showed that a high level of availability of information system servers was reached, and it even slightly improved over the last year.

The network availability was also high. It was actually 100% in the headquarters, regional units and representative offices. The risk of computer system virus infection was also controlled adequately. The satisfaction of users with IT support slightly dropped. In spite of this, it was assessed as very good (9.5) on a scale of 1 to 10 (vs. 9.71 in 2015).

2.7.4 Protection against damage caused to the physical assets of the Company

In 2016, there were six minor loss events related to the damage caused to the physical assets (nine in 2015); due to appropriate insurance the direct damage was negligible in the income statement.

2.7.5 Management of human resources and safety of the working environment

In human resource management, the average number of training hours per employee went up by 8% when compared to the previous year. The employee turnover was slightly higher, which is also a result of the optimisation, reorganisation, digitisation and redesign of business processes. Sick-leave absenteeism remained at the similar level as in 2015, the average expense for sickness benefits per employee slightly decreased.

The safety of the working environment additionally improved as the number of accidents was significantly lower.

2.7.6 Compliance with the law and business and market practices

Exposure related to compliance is described in [→ Section 12.5 of the Business Report].

2.7.7 Adequate implementation and management of processes and the control environment, including relations with business partners

The Company established a process register and an internal control register, where the responsible persons – owners and managers are appointed for each process and control. With respect to the changes in the Company and the business environment, both registers are updated on a regular basis.

The data quality management (DQM) process was established, which also includes a data flow list and its key controls from the input to the final use.

2.8 Non-financial risks

The major non-financial risks include strategic risks, reputational risk and the Group risks. These risks can materialise in the form of major or minor deviations from the business and financial plans due to losses incurred or lost business opportunities.

Willingness to assume non-financial risks or tolerance to this segment of risks is defined as low in the Strategy and the Risk Appetite. Internal culture, the governance system and all business practices are set up to avoid these risks and minimise their negative effects on the operations of the Triglav Group.

2.8.1 Strategic risk

The Triglav Group addresses strategic risks already within the strategic planning process, including the annual planning process. The business strategies of individual Group members are aligned with one another and with the strategy of the Triglav Group. 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. The implementation of strategic objectives is regularly monitored both at the Group level and in individual companies. The implementation of capital requirements is also subject to regular monitoring using contemporary models and tools as well as good business practice, which is possible due to best practices and the exchange of information between the

Triglav Group companies. As the attainment of strategic objectives and performance can also be affected by external factors, the Company also monitors market indicators and indicators related to the broader economic environment.

Due to changes in the environment, strategic risks are defined as material. The Company and the Group manage the demanding circumstances in regulation and supervision of financial institutions by ensuring sufficient responsiveness and resources that enable adapting to the quick changes and new requirements. Additionally, the technological impact and risks associated with digitisation of operations play an important role in the industry. The response to these changes is one of the key elements of the business strategy for the following period. Complex consolidation processes have also taken place in financial markets and the insurance sector, both worldwide and in Slovenia. This is a relevant factor for the Company and the Group as it changes their competitive position. On the one hand, it strengthens direct competition, and on the other it has an impact on the policyholders' business decisions.

2.8.2 Reputational risk

The basic element of the reputational risk management system is a robust corporate governance system, which is supported with internal documents and the following additional activities at the Company and the Group level:

- collecting and analysing client feedback;
- monitoring media reporting on the Company, including the social media;
- monitoring and analysis of semi-annual reputation measurement of the Company;
- public relations management;
- management of investor relations;
- due diligence in ensuring compliance with the applicable legislation and in the management of relations with supervisory bodies and agencies;
- continuous monitoring of business, economic, social and regulatory trends that might be the source of future risk;
- management of relationships with potentially antagonistic special interest groups.

An important element of effective reputational risk management is also an efficient internal

information flow and communication system, which ensures proper knowledge and uniform understanding of the strategy, business operations, plans and current circumstances by all employees. Also important is to provide balanced, consistent and up-to-date information to the general public on the business operations and activities of the Triglav Group, which ensures a long-term relationship with all external stakeholders based on trust. The system also includes monitoring and analysing the presence of the Company in the public.

2.9 Stress tests

In addition to the described risk measurement methodologies, the Company and the Group regularly conduct stress tests for all important types of risks, monitor and assess the potential impact of exceptional events on their risk profile.

Stress testing and the scenario analysis are part of the own risk and solvency assessment process (ORSA), which is regularly carried out at the Group level. Stress tests measuring impacts of possible relevant scenarios are performed for the needs of the future-oriented risk assessment.

Stress tests include the establishment of effect of a simultaneous change in several parameters, e.g. simultaneous change in different risk categories that influence the insurance transaction, investment values and changes in interest rates. An appropriate scope of adverse circumstances which could have an impact on the operations is identified on the basis of the risk profile, the proportionality principle and under consideration of the actual or planned exposure to:

- adverse circumstances that can last for long periods of time;
- sudden and major events, such as significant changes in capital markets and natural disasters;
- combinations of circumstances and events from the first and second indents, which can include sudden and major events followed by an economic recession.

Stress tests were prepared on the basis of workshops held with functional areas. They include the scenarios which are estimated as relevant for the current and the following financial year. The results of these scenarios showed that market risks are most burdening for capital. In 2016, the scenarios of market, insurance and strategic risks

were assessed at the level of the Company and the Group within the scope of the regular own risk and solvency assessment. The conducted analyses confirm that sufficient capital is available to both the Company and the Group to offset the effect of the stress scenarios used. All the scenarios are within the framework of limitations determined in the Risk Appetite Statement.

In mid-2016, the European Insurance and Occupational Pension Authority (EIOPA) tested the resilience of the European insurance sector to a long lasting period of low interest rates, a combination of shock to government bonds and a fall of the risk-free interest rate curve.

It created two market scenarios to assess the main system risks in the financial system. The first scenario is intended for the assessment of resilience of insurance companies to a long-lasting period of low interest rates ("low for long"). The second scenario ("double hit") was prepared in cooperation with the European Systemic Risk Board (ESRB) and represented the dynamics on the global financial markets in the event of a decrease in market prices of government and corporate bonds as well as a decrease in shares and other investments.

The research involved 236 insurance companies from 30 European countries. The sample used included 77% of all life insurance technical provisions (excluding health and unit-linked) in the European Union. These insurance companies had EUR 6.3 trillion assets and EUR 5.2 trillion insurance technical provisions.

The key results of stress tests showed that insurance companies increased their reserves in spite of the unfavourable economic environment in Europe.

The stress test results at the level of Zavarovalnica Triglav showed that the Company is well capitalised and highly resilient to external shocks.

Comparison of EIOPA stress test results

	Double-hit		Low for long	
	in EUR billion	in %	in EUR billion	in %
Change in assets				
Europe – sample	-608.50	-0.10	282.40	0.05
Slovenia	-0.41	-0.09	0.07	0.02
Zavarovalnica Triglav	-0.27	-0.10	0.04	0.01
Change in liabilities				
Europe – sample	-449.50	-0.08	381.50	0.07
Slovenia	0.00	0.00	0.20	0.06
Zavarovalnica Triglav	0.02	0.01	0.13	0.07
Change in the surplus of assets over liabilities				
Europe – sample	-159.00	-0.29	-99.10	-0.18
Slovenia	-0.41	-0.34	-0.12	-0.10
Zavarovalnica Triglav	0.29	-0.34	0.09	-0.11

2.10 Risk management – focus in 2017

As in previous years, Zavarovalnica Triglav and the Triglav Group will continue to maintain high standards in terms of the risk management process. In order to ensure sustainable and profitable growth, great attention is paid to constant improvement of the risk management system.

In future, the Company will continue to develop internal risk measurement methodologies and strengthen their application in the business decision-taking process. In order to ensure high-quality information to the decision-making bodies, risk profile reporting will be upgraded, both at the level of the Group and the Company. A continuous upgrade of the operational risk management system and strengthening of the risk management culture will go on. In 2017, the data presented in the form of the Solvency and Financial Condition Report will be, for the first time, disclosed publicly in line with the legal provisions. Further integration of the management system at the Group level will be also in progress with the aim to provide a higher level of compliance of management, measurement and key risk reporting processes in subsidiaries of the Group.

Summary

The risk appetite is defined in the framework of well-established processes. Zavarovalnica Triglav and the Triglav Group have a clearly defined and documented risk appetite, which has been effectively communicated in the entire Group.

Throughout the year, the Company and the Group regularly assessed their own exposure to risks and compared it to the defined appetite. It is estimated that the Company's and the Group's risk profile are appropriate and that the risk management system is adequate.

Accounting report

The Triglav Group and
Zavarovalnica Triglav d.d.

Audited annual report for the year
ended 31 December 2016

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Statement of management's responsibilities

Statement of management's responsibilities

The Management Board herewith confirms the financial statements Zavarovalnica Triglav, d.d. and Triglav Group for the year ended 31 December 2016, 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 true and fair presentation of the Company's and Group's assets and liabilities, financial position and profit for the year ended 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU.

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 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 Company and the Group, including a description of the major risks to which the Company and the Group are exposed to.

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.

The tax authorities may, at any time within the period of five years since the day the tax become chargeable, review the operations of the Company, 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,
President of the Management Board

Benjamin Jošar,
Member of the Management Board

Uroš Ivanc,
Member of the Management Board

Tadej Čoroli,
Member of the Management Board

Marica Makoter,
Member of the Management Board

Ljubljana, 14 March 2017

Independent auditor's report



This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Zavarovalnica Triglav, d.d.

Opinion

We have audited the separate financial statements of Zavarovalnica Triglav, d.d. ("Triglav" or "the Company") and the consolidated financial statements of Triglav Group ("Triglav Group" or "the Group"), which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2016, the income statement and the consolidated income statement, the statement of other comprehensive income and the consolidated statement of other comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying the separate financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the Zavarovalnica Triglav d.d. and Triglav Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report. We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.



Estimates used in calculation of insurance liabilities, DAC and Liability Adequacy Test (LAT)

The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities, both in the insurance contract liabilities as reported in the statement of financial position and in the reserve adequacy test. We determined this to be a significant item for our audit and a key auditing matter.

We used internal actuarial specialists to assist us in performing our audit procedures. In particular, our audit focused on the models considered material and more complex and/or requiring significant judgement in the setting of assumptions, particularly long-tail business in non-life operations and Liability Adequacy Test (LAT) cash flows in life products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim reserves calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the Group's/Company's modelling approach in the areas considered higher risk as a result of complexity and/or magnitude. We also assessed the Group's/Company's approach and methodology for the actuarial analyses including estimated versus actual results and experience studies. We have assessed the experience analyses performed by the Group/Company in their assumption setting processes. Our assessments included assessment, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied, along with comparison to applicable industry experiences considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product. We also assessed the compliance of the models with the applicable accounting standards. Furthermore we performed audit procedures to determine the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's liability adequacy testing which is a test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and assessment of the assumptions adopted in the context of both the Group/Company and industry experience and specific product features.

We assessed the adequacy of the disclosures included in note 3.14 of the separate and consolidated financial statements.



Other information

Other information comprises the information included in the separate and consolidated Annual Report other than the separate and consolidated financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate and consolidated financial statements is, in all material respects, consistent with the separate and consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company and the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, supervisory board and the audit committee for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee and supervisory board are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;


- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


We also provide the audit committee and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and supervisory board, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ljubljana, 14. March 2017


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana


Revizija, poslovno
svetovanje d.o.o., Ljubljana 1


Primož Kovačič
Certified auditor

1. FINANCIAL STATEMENTS⁹³

1.1 Statement of financial position

		Triglav Group		Zavarovalnica Triglav	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		Notes			
ASSETS			3,574,885,423	3,493,456,800	2,740,333,045
Intangible assets	3.1		73,823,588	70,132,332	55,884,567
Property, plant and equipment	3.2		107,933,428	121,810,360	66,230,456
Deferred tax assets	3.17		15,793,114	15,993,688	0
Investment property	3.3		95,842,720	79,475,283	49,611,417
Investments in subsidiaries	3.4		0	0	130,632,438
Investments in associates	3.5		6,826,400	6,939,700	9,503,047
Financial assets	3.6		2,974,303,281	2,873,436,783	2,246,543,870
Financial investments			2,514,320,459	2,408,702,860	1,812,500,601
– loans and deposits			148,731,638	183,872,219	82,397,894
– held to maturity			231,342,393	242,406,400	168,983,706
– available for sale			1,738,043,072	1,607,681,638	1,365,449,446
– recognised at fair value through profit and loss			396,203,356	374,742,603	195,669,555
Unit-linked insurance assets			459,982,822	464,733,923	434,043,269
Reinsurers' share of technical provisions	3.7		77,084,783	68,724,305	76,455,107
Receivables	3.8		152,921,089	166,443,733	75,869,085
– receivables from direct insurance operations			84,059,166	83,249,006	58,491,603
– receivables from reinsurance and coinsurance operations			35,099,850	42,823,668	7,538,096
– current tax receivables			890,276	301,273	0
– other receivables			32,871,797	40,069,786	9,839,386
Other assets	3.9		3,622,253	8,134,762	1,949,412
Cash and cash equivalents	3.10		65,714,474	47,928,768	27,653,646
Non-current assets held for sale	3.11		1,020,293	34,437,086	0
EQUITY AND LIABILITIES			3,574,885,423	3,493,456,800	2,740,333,045
Equity	3.12		744,349,747	704,044,499	563,389,117
Controlling interests			733,955,514	692,925,865	563,389,117
– share capital			73,701,392	73,701,392	73,701,392
– share premium			53,488,690	54,955,912	53,412,884
– reserves from profit			305,535,457	300,945,466	288,962,643
– treasury share reserves			364,680	452,880	0
– treasury shares			-364,680	-452,880	0
– fair value reserve			87,735,128	77,567,319	64,890,318
– net profit brought forward			173,192,869	104,503,874	44,688,278
– net profit/loss for the year			44,216,477	85,802,552	37,733,602
– currency translation differences			-3,914,499	-4,510,483	0
– reserve of disposal group held for sale			0	-40,167	0
Non-controlling interests	2.7		10,394,233	11,118,634	0
Subordinated liabilities	3.13		16,869,102	18,752,252	21,103,108
Insurance technical provisions	3.14		2,203,105,224	2,143,395,211	1,645,177,811
– unearned premiums			263,639,620	252,057,956	188,487,876
– mathematical provisions			1,273,538,608	1,219,737,727	959,268,937
– claims provisions			635,240,895	642,687,051	471,240,775
– other insurance technical provisions			30,686,101	28,912,477	26,180,223
Insurance technical provisions for unit-linked insurance contracts			457,683,091	457,046,912	431,125,308
Employee benefits	3.15		13,550,264	12,225,131	10,547,514
Other provisions	3.16		3,971,217	3,854,844	689,669
Deferred tax liabilities	3.17		25,400,544	23,188,796	7,065,409
Other financial liabilities	3.18		5,288,693	3,784,282	1,852,710
Operating liabilities	3.19		42,028,195	48,388,725	24,451,951
– liabilities from direct insurance operations			16,020,020	16,617,928	11,202,342
– liabilities from reinsurance and co-insurance operations			23,129,245	28,053,630	11,507,586
– current tax liabilities			2,878,930	3,717,167	1,742,023
Other liabilities	3.20		62,639,346	66,341,975	34,930,448
Non-current liabilities held for sale and discontinued operations			0	12,434,173	0

93 Notes on pages from 229 to 348 are part of financial statements.

1.2 Income statement

		Triglav Group		Zavarovalnica Triglav	
		2016	2015	2016	2015
		in EUR			
	Notes				
Net premium income	4.1	849,594,001	839,167,224	509,765,204	517,040,236
- gross written premium		936,003,815	919,116,265	593,129,011	586,260,945
- ceded written premium		-79,080,949	-77,045,634	-78,508,398	-72,460,618
- change in unearned premiums		-7,328,865	-2,903,407	-4,855,409	3,239,909
Income from financial assets	4.2	146,017,485	300,908,574	115,997,114	274,883,169
Income from financial assets in subsidiaries and associates		3,116,574	5,454,600	9,836,781	31,688,139
- profit on equity investments accounted for using the equity method		188,105	1,024,797	0	0
- interest income		0	0	857,579	1,985,141
- dividends		0	0	62,153	29,318,186
- fair value gains	4.4	0	0	0	0
- realised gains on disposals	4.5	2,928,469	4,429,803	8,911,599	376,413
- other financial income		0	0	5,450	8,399
Income from other financial assets		119,446,634	202,577,180	83,084,119	151,322,413
- interest income		68,835,574	71,242,548	48,356,136	48,917,584
- dividends		3,356,769	3,218,520	2,367,645	2,484,054
- fair value gains	4.4	7,813,764	39,290,809	1,708,114	26,253,436
- realised gains on disposals	4.5	33,979,089	77,477,505	29,252,705	68,541,989
- other financial income		5,461,438	11,347,798	1,399,519	5,125,350
Net unrealised gains on unitlinked life insurance assets	4.4	23,454,277	92,876,794	23,076,214	91,872,617
Other income from insurance operations	4.6	5,392,172	7,430,958	19,160,149	17,683,831
- fees and commission income		252,793	2,494,636	15,201,866	12,996,626
- other income from insurance operations		5,139,379	4,936,322	3,958,283	4,687,205
Other income	4.7	53,537,175	77,260,256	12,645,615	9,258,952
Net claims incurred	4.8	577,102,418	570,343,294	350,739,765	349,598,310
- gross claims settled		606,019,569	594,840,516	391,236,320	390,567,557
- reinsurers' share		-21,692,020	-23,535,397	-20,679,367	-24,918,956
- changes in claims provisions		-14,175,200	-8,430,995	-19,817,188	-16,050,291
- equalisation scheme expenses for supplementary health insurance		6,950,069	7,469,170	0	0
Change in other insurance technical provisions	4.10	47,211,325	60,340,392	28,758,525	39,257,225
Change in insurance technical provisions for unit-linked insurance contracts		776,648	-1,882,145	-7,469,473	-4,032,292
Expenses for bonuses and discounts	4.11	11,331,630	10,202,959	9,108,703	8,265,040
Change in liabilities from financial contracts		0	0	0	0
Operating expenses	4.12	208,675,708	201,796,133	142,229,598	137,861,969
- acquisition costs		141,003,013	136,158,419	102,587,533	99,608,988
- other operating costs		67,672,695	65,637,714	39,642,065	38,252,981
Expenses from financial assets and liabilities	4.3	42,533,879	180,367,256	30,163,394	200,067,115
Expenses from financial assets and liabilities in subsidiaries and associates		3,174,191	1,160,415	551,754	47,292,586
- loss on investments accounted for using the equity method		247,812	295,258	0	0
- interest expense		0	0	0	0
- fair value losses	4.4	0	0	0	0
- realised loss on disposals	4.5	2,926,379	865,153	544,414	882,000
- loss on impairment of financial assets		0	4	0	46,351,490
- other expenses from financial assets and liabilities		0	0	7,340	59,096
Expenses from other financial assets and liabilities		37,853,884	95,773,879	28,252,856	69,341,567
- interest expense		1,314,505	2,177,446	1,383,064	1,900,242
- fair value losses	4.4	6,888,471	49,537,301	1,885,016	34,068,361
- realised loss on disposals	4.5	19,451,022	21,803,897	18,158,535	20,502,755
- loss on impairment of financial assets		3,197,025	3,827,445	3,097,058	231,310
- other expenses from financial assets and liabilities		7,002,861	18,427,790	3,729,183	12,638,899
Net unrealised losses on unit-linked life insurance assets	4.4	1,505,804	83,432,962	1,358,784	83,432,962
Other insurance expenses	4.13	17,038,345	18,212,146	8,476,079	7,835,999
Other expenses	4.14	54,732,790	82,909,300	12,143,689	11,579,325
Profit before tax		95,138,090	102,477,677	83,417,802	68,433,497
Income tax expense	4.15	12,806,316	13,616,483	8,084,200	9,927,679
NET PROFIT FOR THE ACCOUNTING PERIOD		82,331,774	88,861,194	75,333,602	58,505,818
Earnings per share (basic and diluted)		3.62	3.91	-	-
Net profit attributable to the controlling company		81,935,753	88,825,435	-	-
Net profit attributable to non-controlling interest holders	2.7	396,021	35,759	-	-

1.3 Comprehensive income

		in EUR			
		Triglav Group		Zavarovalnica Triglav	
	Notes	2016	2015	2016	2015
Net profit for the year after tax	3.12	82,331,774	88,861,194	75,333,602	58,505,818
Other comprehensive income after tax		10,590,011	-18,806,369	9,128,515	-17,495,126
Items which will not be transferred in income statement in future periods		-532,629	115,148	-492,789	214,905
Actuarial gains/losses on defined benefit pension plans	3.15	-441,038	143,337	-401,198	239,577
Tax on items which will not be transferred in income statement		-91,591	-28,189	-91,591	-24,672
Items which could be transferred into income statement in future periods		11,122,640	-18,921,517	9,621,304	-17,710,031
Fair value gains/losses on available-for-sale financial assets	3.12	23,768,954	-43,465,908	22,189,955	-42,441,799
- net gains/losses recognized directly in equity		33,188,122	-11,439,191	28,580,317	-10,976,857
- transfers from equity to income statement		-9,419,168	-32,026,717	-6,390,362	-31,464,942
Fair value gains/losses on non-current assets held for sale		89	-381,226	0	0
Fair value gains/losses on cashflow hedges		0	0	0	0
Share of OCI of entities accounted for using the equity method		402,548	-312,985	0	0
Liabilities from insurance contracts with DPF		-6,554,570	17,740,272	-6,554,570	17,740,272
Currency translation differences		585,108	50,969	0	0
Tax on other comprehensive income	4.15	-7,079,489	7,447,361	-6,014,081	6,991,496
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX		92,921,785	70,054,825	84,462,117	41,010,692
Controlling interest		92,689,187	70,221,035		
Non-controlling interest		232,598	-166,210		

1.4 Statement of changes in equity

	Reserves from profit													in EUR		
														TOTAL EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY	Non- controlling interests	TOTAL
Triglav Group	Share capital	Share premium	Contingency reserves	Legal and statutory reserves	Treasury share reserves	Treasury shares	Credit risk reserves	Other reserves from profit	Fair value reserve	Reserve of disposal group held for sale	Net profit brought forward	Net profit/loss	Currency translation differences			
As at 1 January 2015	73,701,392	56,908,216	584,478	20,014,860	452,880	-452,880	32,431,700	246,700,000	94,940,028	1,214,258	96,705,983	62,769,801	-4,558,557	681,412,162	6,728,610	688,140,772
Comprehensive income for the year after tax	0	0	0	0	0	0	0	0	-17,412,876	-1,214,258	-25,340	88,825,435	48,074	70,221,035	-166,211	70,054,825
Transfer to retained earnings	0	0	0	0	0	0	0	0	0	0	64,840,213	-64,840,213	0	0	0	0
Dividend payment	0	0	0	0	0	0	0	0	0	0	-56,755,040	0	0	-56,755,040	0	-56,755,040
Allocation to credit risk reserves and catastrophe insurance	0	0	0	0	0	0	849,711	0	0	0	0	-849,711	0	0	0	0
Transfer of net profit to reserves from profit	0	0	7,791	356,923	0	0	0	0	0	0	-261,942	-102,761	0	11	-11	0
Change in methods and consolidation	0	-2,166,719	0	0	0	0	0	0	0	0	0	0	0	-2,166,719	326,640	-1,840,076
Change in Group	0	214,415	0	0	0	0	0	0	0	0	0	0	0	214,415	-50,403	164,012
Other	0	0	0	0	0	0	0	0	40,167	-40,167	0	0	0	0	0	0
Exteranl acquisition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,280,009	4,280,009
As at 31 December 2015	73,701,392	54,955,912	592,269	20,371,784	452,880	-452,880	33,281,412	246,700,000	77,567,319	-40,167	104,503,874	85,802,552	-4,510,483	692,925,865	11,118,634	704,044,499
Comprehensive income for the year after tax	0	0	0	0	0	0	0	0	10,167,809	0	-10,359	81,935,753	595,984	92,689,187	232,598	92,921,785
New paid–in capital		0	0	0	0	0	0	0	0	0	0	0	0	0	5,403	5,403
Transfer to retained earnings	0	0	0	0	0	0	0	0	0	0	85,802,552	-85,802,552	0	0	0	0
Dividend payment	0	0	0	0	0	0	0	0	0	0	-56,776,976	0	0	-56,776,976	0	-56,776,976
Release of Credit risk provisions	0	0	0	0	0	0	-33,280,648	0	0	0	33,280,648	0	0	0	0	0
Transfer of net profit to reserves from profit	0	0	0	270,638	0	0	0	37,600,000	0	0	-151,362	-37,719,276	0	0	0	0
Offset of loss from previous years	0	-1,339,895	0	0	0	0	0	0	0	0	1,339,895	0	0	0	0	0
Change in Group	0	-127,327	0	0	-88,200	88,200	0	0	0	0	0	0	0	-127,327	-959,404	-1,086,731
Other	0	0	0	0	0	0	0	0	0	40,167	5,204,598	0	0	5,244,765	-2,998	5,241,767
As at 31 December 2016	73,701,392	53,488,690	592,269	20,642,424	364,680	-364,680	764	284,300,000	87,735,128	0	173,192,869	44,216,477	-3,914,499	733,955,514	10,394,233	744,349,747

	Reserves from profit								in EUR	
Zavarovalnica Triglav	Share capital	Share premium	Legal and statutory reserves	Credit risk reserves	Other reserves form profit	Fair value reserve	Net profit brought forward	Net profit/loss	TOTAL	
As at 1 January 2015	73,701,392	53,412,884	4,662,643	30,615,282	246,700,000	73,221,229	38,565,461	23,121,576	544,000,467	
Comprehensive income for the year after tax	0	0	0	0	0	-17,469,786	-25,340	58,505,818	41,010,692	
Dividend payment	0	0	0	0	0	0	-56,837,870	0	-56,837,870	
Net profit allocations to reserves from profit	0	0	0	0	0	0	0	0	0	
Distribution of net profit / loss	0	0	0	0	0	0	23,121,576	-23,121,576	0	
Allocation of net profit to credit risk reserve and catastrophe insurance	0	0	0	688,356	0	0	0	-688,356	0	
Other	0	0	0	0	0	0	2,386,983	0	2,386,983	
As at 31 December 2015	73,701,392	53,412,884	4,662,643	31,303,638	246,700,000	55,751,443	7,210,810	57,817,462	530,560,272	
Comprehensive income for the year after tax	0	0	0	0	0	9,138,875	-10,360	75,333,602	84,462,117	
Dividend payment	0	0	0	0	0	0	-56,837,870	0	-56,837,870	
Net profit allocations to reserves from profit	0	0	0	0	37,600,000	0	0	-37,600,000	0	
Distribution of net profit / loss	0	0	0	0	0	0	57,817,462	-57,817,462	0	
Release of Credit risk provisions	0	0	0	-31,303,638	0	0	31,303,638	0	0	
Other	0	0	0	0	0	0	5,204,598	0	5,204,598	
As at 31 December 2016	73,701,392	53,412,884	4,662,643	0	284,300,000	64,890,318	44,688,278	37,733,602	563,389,117	

1.5 Cash flow statement

		Triglav Group		Zavarovalnica Triglav	
		2016	2015	2016	2015
Notes					
A.	OPERATING CASH FLOW				
	Income statement items	35,691,434	42,999,877	12,967,999	16,107,815
	Net written premium for the period	882,520,102	864,087,543	514,620,613	513,800,327
	Investment income (excluding financial income) arising from:	20,342,436	23,128,875	11,735,662	10,324,541
	- insurance technical provisions	17,982,634	18,790,181	10,954,540	9,049,652
	- other sources	2,359,802	4,338,694	781,122	1,274,889
	Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables	46,483,550	87,244,476	11,428,031	10,821,508
	Net claims paid	-592,586,186	-579,929,702	-370,556,953	-365,648,601
	Bonuses and rebates paid	-9,655,595	-8,755,172	-7,430,852	-6,827,769
	Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	-212,539,933	-206,757,504	-117,604,669	-117,067,400
	Investment expenses (excluding financial expenses) arising from:	-8,550,474	-11,315,678	-5,246,499	-5,105,506
	- technical sources	-6,770,985	-9,686,605	-3,532,493	-3,771,413
	- other sources	-1,779,489	-1,629,073	-1,714,006	-1,334,094
	Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	-76,933,187	-111,551,659	-14,894,803	-14,998,771
	Corporate income tax and other taxes excluded from operating expenses	-13,389,279	-13,151,302	-9,082,531	-9,190,515
	Changes in net current assets-operating balance sheet items	6,094,910	803,846	4,049,554	-363,333
	Movements in receivables from insurance operations	-1,284,824	3,541,796	-821,906	2,939,770
	Movements in receivables from reinsurance operations	14,254,438	-7,536,232	4,681,101	-5,529,573
	Movements in other receivables from (re)insurance operations	-228,375	1,565,734	-308,923	1,027,606
	Movements in other receivables and assets	3,970,832	-224,162	2,473,307	4,069,321
	Movements in deferred tax assets	-206,566	-804,674	0	0
	Movements in inventories	54,976	84,183	22,093	-12,408
	Movements in debts from direct insurance operations	-1,039,716	625,323	216,761	353,782
	Movements in debts from reinsurance operations	-10,862,237	-1,376,254	1,242,990	-141,916
	Movements in operating debts	2,240,426	1,885,269	-42,549	-5,534
	Movements in other liabilities (excluding unearned premiums)	-901,051	2,741,879	-3,413,320	-3,064,382
	Movements in deferred tax liabilities	97,007	300,984	0	0
	Operating cash flow	41,786,344	43,803,723	17,017,553	15,744,482
B.	CASH FLOWS FROM INVESTING ACTIVITIES				
	Cash inflows from investing activities	1,363,785,772	2,302,278,368	1,065,220,751	1,805,247,899
	Cash inflows from interest from investing activities and from:	58,759,633	67,151,983	41,148,157	50,165,758
	- investment financed by insurance technical provisions	55,236,944	61,537,414	38,966,380	45,768,746
	- other investment	3,522,689	5,614,569	2,181,777	4,397,012
	Cash inflows from dividends received and profit sharing, arising from:	4,848,278	3,135,771	12,410,440	21,602,500
	- investment financed by insurance technical provisions	2,295,868	2,408,062	2,119,518	2,259,877
	- other investment	2,552,410	727,709	10,290,922	19,342,622
	Cash inflows from the disposal of intangible assets financed by:	100,000	10,359	0	79
	- insurance technical provisions	100,000	12	0	0
	- other sources	0	10,347	0	79
	Cash inflows from the disposal of property, plant and equipment financed by:	20,761,444	1,803,944	3,100,205	669,421
	- insurance technical provisions	3,037,322	219,801	2,995,244	0
	- other sources	17,724,122	1,584,143	104,961	669,421
	Cash inflows from the disposal of non-current investments financed by:	713,288,655	1,152,378,631	618,052,575	1,018,084,174
	- insurance technical provisions	662,736,984	1,038,404,051	576,489,033	930,141,531
	- other sources	50,551,671	113,974,580	41,563,542	87,942,642

in EUR					
	Notes	Triglav Group		Zavarovalnica Triglav	
		2016	2015	2016	2015
Cash inflows from the disposal of current investments financed by:	3.6	550,546,686	1,071,335,380	376,319,659	711,419,432
- insurance technical provisions		476,832,796	930,195,544	351,015,928	657,111,528
- other sources		73,713,890	141,139,836	25,303,731	54,307,904
Cash inflows from the disposal of investments in subsidiaries and associates financed by:	3.4,3.5	15,481,076	6,462,300	14,189,715	3,306,536
- insurance technical provisions		0	0	0	0
- other sources		15,481,076	6,462,300	14,189,715	3,306,536
Cash outflows from investing activities		-1,329,853,353	-2,267,948,841	-1,004,173,370	-1,751,691,675
Cash outflows for the purchase of intangible assets	3.1	-6,990,545	-6,042,661	-5,968,630	-4,806,757
Cash outflows for the purchase of property, plant and equipment financed by:	3.2	-6,137,586	-11,541,075	-3,407,363	-23,055,493
- insurance technical provisions		-393,401	-1,281,534	-269,987	-18,512,765
- other sources		-5,744,185	-10,259,541	-3,137,376	-4,542,728
Cash outflows for the purchase of non-current investments financed by:	3.6	-795,967,056	-1,125,556,743	-647,718,808	-935,430,625
- insurance technical provisions		-733,030,004	-990,071,559	-608,173,574	-842,029,501
- other sources		-62,937,052	-135,485,184	-39,545,234	-93,401,124
Cash outflows for the purchase of current investments financed by:	3.6	-519,870,559	-1,116,339,376	-345,313,637	-726,413,425
- insurance technical provisions		-436,792,496	-978,941,458	-312,013,637	-681,413,195
- other sources		-83,078,063	-137,397,918	-33,300,000	-45,000,230
Cash outflows for the purchase of investments in subsidiaries and associates financed by:	3.4, 3.5	-887,607	-8,468,986	-1,764,932	-61,985,375
- insurance technical provisions		0	0	0	-2,410,514
- other sources		-887,607	-8,468,986	-1,764,932	-59,574,861
Total cash flow from investing activities		33,932,419	34,329,527	61,047,381	53,556,224
C. CASH FLOWS FROM FINANCING ACTIVITIES					
Cash inflows from financing activities		0	1,736,108	0	0
Cash inflows from paid-in capital		0	0	0	0
Cash inflows from long-term loans received		0	1,347,445	0	0
Cash inflows from short-term loans received		0	388,663	0	0
Cash outflows from financing activities		-57,900,352	-68,356,145	-57,961,246	-67,401,961
Cash outflows for paid interest		-1,257,116	-2,020,351	-1,257,116	-1,785,000
Cash outflows for repayments of principal		0	0	0	0
Cash outflows for payments of long-term financial liabilities	3.18	0	-9,658,925	0	-8,857,262
Cash outflows for payments of short-term financial liabilities	3.18	0	0	0	0
Cash outflows from dividends paid and profit sharing	3.12	-56,643,236	-56,676,869	-56,704,130	-56,759,699
Total cash flow from financing activities		-57,900,352	-66,620,037	-57,961,246	-67,401,961
D. Opening balance of cash and cash equivalents		47,928,768	22,858,388	7,549,958	5,650,669
E. Opening balance of cash and cash equivalents arising from merger with Triglav Nepremičnine		0	0	0	544
F1. Net cash flow for the period		17,818,411	11,513,213	20,103,688	1,898,745
F2. Foreign exchange differences		-32,705	-5,421	0	0
F3. Cash transferred to non-current assets held for sale		0	-1,893,950	0	0
F4. External acquisition		0	15,456,538	0	0
G. Closing balance of cash and cash equivalents		65,714,474	47,928,768	27,653,646	7,549,958

2. GENERAL INFORMATION

2.1 Profile of Zavarovalnica Triglav and Triglav Group

Zavarovalnica Triglav d.d. (hereinafter: »Zavarovalnica Triglav« or »the controlling company«) 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) and the Slovenian Sovereign Holding (Slovenski državni holding), which participate with 34.47% and 28.09% of the share capital, respectively.

Zavarovalnica Triglav offers a broad range of life and non-life insurance, as well as ancillary insurance and pension fund services. On 1 January 2016, a new pension scheme of supplemental voluntary pension insurance during the premium pay-in period and a new pension scheme for annuity payout came into effect. In this way, the Company has introduced the lifecycle investment policy in the scope of group supplemental voluntary pension insurance. Thus, three guarantee funds were introduced as of 1 January 2016.

In accordance with this contract, the Company has obligations to the following guarantee funds in the life-segment:

- the guarantee fund of life, annuity and supplemental pension insurance, registration no. 5063345020,
- the group of guarantee funds PDPZ (registration no. 5063345032), includes three guarantee funds through which the lifecycle investment policy is implemented: the Triglav PDPZ-zajamčeni guarantee fund (registration number 5063345029) is a pension scheme of group supplemental voluntary pension insurance PN-ZT-01/15-9, PN-ZT-03/15-9 and PN-ZT-05 and a pension scheme of individual supplemental voluntary pension insurance PN-ZT-02/15-9, PN-ZT-04/15-9 and PN-ZT-06/15-9. The PDPZ group of guarantee funds comprises the following three guarantee funds:
 - Guarantee fund Triglav PDPZ-zajamčeni (registration number 5063345029);
 - Guarantee fund Triglav PDPZ-zmerni (registration number 5063345030);
 - Guarantee fund Triglav PDPZ-drzni (registration number 5063345031);
- guarantee fund PDPZ during the payout period of pension annuities – rent 1 (registration number 5063345028);
- guarantee fund PDPZ during the payout period of pension annuities – rent 2 (registration number 5063345033);
- unit-linked life insurance contracts (registration number 5063345023).

The Company is the fund manager of all listed guarantee funds where as Abanka Vipa d.d. is the administrator of four guarantee funds.

Zavarovalnica Triglav is the controlling company of the Triglav Group. The structure of the Triglav Group is presented in detail in [→ [Section 2.7](#)]. The Triglav Group is the leading insurance/financial group in Slovenia and the Adria region and one of the leading groups in South-East Europe. Insurance is the core business of the Group, including asset management and other services.

Both individual and consolidated financial statements are prepared.

2.2 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 2016, the Supervisory Board had the following members:

Name	SB	AC	ACC	SC	NC	Notes
Matej Runjak	M P		P			since 12 June 2013 until 31 May 2016 since 1 July 2013 until 31 May 2016 since 1 July 2013 until 31 May 2016 since 10 March 2016 until 31 May 2016
Igor Stebernak	M P		P		M	since 2 June 2016 since 18 August 2016 since 18 August 2016 since 18 November 2016
Gregor Kastelic	M DP			P	P M	since 12 June 2013 since 1 July 2013 since 1 July 2013 since 10 March 2016 until 31 May 2016 since 18 November 2016
Dubravko Štimac	M		M			since 12 June 2013 since 1 July 2013
Mario Gobbo	M	P		M		since 12 June 2013 since 1 July 2013 since 1 July 2013
Rajko Stanković	M	M				since 12 June 2013 since 1 July 2013
Matija Blažič	M					since 12 June 2013
Peter Celar	M			M	M M	since 30 May 2011 since 1 July 2013 since 10 March 2016 until 31 May 2016 since 18 November 2016
Boštjan Molan	M		M			since 31 May 2015 since 20 August 2015
Ivan Sotošek	M	M				since 31 May 2015 since 20 August 2015
Barbara Nose		M				since 22 August 2013
Mitja Svoljšak					M M	since 10 March 2016 until 31 May 2016 since 18 November 2016
Milena Pervanje					M	since 18 November 2016

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 2016, the Management Board had the following composition:

- Andrej Slapar, President,
- Benjamin Jošar, member,
- Uroš Ivanc, member,
- Tadej Čoroli, member,
- Marica Makoter, member, employee representative.

2.3 Statement of compliance

The separate financial statements and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter: IFRS), the Companies Act (hereinafter: ZGD-1) and the Insurance Act (hereinafter: ZZavar).

2.4 Reporting basis

The financial statements of Triglav Group and Zavarovalnica Triglav 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,
- financial assets available-for-sale

Investments in associates are recognised at fair value in individual financial statements and accounted for using the equity method in the consolidated financial statements.

The methods used for measuring fair value are described in [→ *Section 2.5.13*].

The preparation of 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. The estimates and assumptions are regularly reviewed and their corrections are recognised in the period of change. The use of estimates and assumptions is presented in more detail in [→ *Section 2.6*].

For the preparation of the statement of financial position, individual items are classified into groups of assets and liabilities depending on their nature, listed in the order of their liquidity and/or maturity. In additional disclosures current and non-current assets as well as current and non-current liabilities are posted 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 from the balance sheet date (non-current).

Financial assets and liabilities on the statement of financial position are offset only when there exists a legal right to offset the amounts, and intend to either settle them on a net basis or to settle the asset and 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 Company.

The accounting policies used in the preparation of financial statements are consistent with those of financial statements for the comparable period.

The 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.

On 14 March 2017, the Management Board approved the Annual Report, which is available at the headquarters of Zavarovalnica Triglav and on its website.

2.5 Main accounting policies

2.5.1 Foreign currency translation

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 financial statements are presented in euros, which is the presentation currency of the Group. In the financial statements, the amounts and disclosures are rounded to one euro.

Translation of business events and items

Transactions in foreign currencies are translated into the functional currency at the related exchange rate from the reference exchange rates of the European Central Bank, published by the Bank of Slovenia. Exchange-rate differences arising from the settlement of these transactions or from the translation of cash items are recognised in the Profit and Loss Account.

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.

Translation from the functional into the presentation currency

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,
- income, expenses and costs at the average exchange rate for the year,
- capital components are translated at a historical rate,
- all the resulting exchange rate differences are recognised in other comprehensive income.

Goodwill and adjustment of acquired assets of a subsidiary abroad to fair value are recognised in the same way as assets of a subsidiary abroad and translated into the presentation currency at the closing rate.

In the consolidated financial statements, exchange rate differences resulting from the translation of a net investment in a subsidiary abroad are recognised in the statement of comprehensive income. When the Group loses control over a subsidiary abroad, previously recognised exchange rate differences arising from the translation into the presentation currency are reclassified from other comprehensive income into the income statement as part of gain or loss from sale.

2.5.2 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%
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 are also a part of intangible assets. Decrease or increase in deferred acquisition costs is recognised as a change in unearned premium provision in the income statement, within net premium income.

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.

Accounting policies regarding the impairment of intangible assets are described in [[→ Section 2.5.14](#)].

2.5.3 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.

Accounting policies and consolidation methods are described in [[→ Section 2.7](#)].

2.5.4 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	12.5%
Computers and hardware	50%
Office and other furniture	10 - 20%
Other equipment	6.7 - 25.0%

The assets acquired in the current year become subject to depreciation on the first day of the month following the month in which they are put into use. Depreciation of an asset being constructed begins when it is available for use. 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 2.5.14].

2.5.5 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.

After initial recognition investment property is measured at historical cost, including costs for the purpose of acquiring the asset. Investment property is accounted for using the cost model. Investment property is depreciated and impaired using the same method as that used for property, plant and equipment described under [→ Sections 2.5.2 and 2.5.4].

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 2.5.14].

2.5.6 Investments in subsidiaries

In separate financial statements, investments in equity instruments of subsidiaries (shares, stakes) are measured at cost. Investments in subsidiaries represent investments in the companies (investees) over which Zavarovalnica Triglav has controlling influence and where the following conditions are met:

- Zavarovalnica Triglav has influence over the investee that arises either from the voting rights resulting from capital instruments or from other rights resulting from contractual agreements;
- Zavarovalnica Triglav is exposed to variable returns or has the right to variable returns from its involvement with the investee;
- Zavarovalnica Triglav has the ability to affect those returns through its power over the investee.

Initial recognition follows as soon as the shares or equity interest has been entered into the Court Register.

Increase in the share capital of subsidiaries with in-kind contributions solely owned by Zavarovalnica Triglav is initially measured at the carrying amount of the contributions in kind. The carrying amount of the contributions in kind as at the date of investment equals the value of assets invested as the in-kind contribution recorded in the financial statements of Zavarovalnica Triglav as at that date.

Accounting policies regarding the impairment of investments in subsidiaries are described in [[→ Section 2.5.14](#)].

Subsidiaries are included in the consolidated financial statements under the full consolidation method. The consolidation procedures are presented in detail in [[→ Section 2.7](#)].

2.5.7 Investments in associated companies

In separate financial statements investments in equity instruments of associated companies (shares, stakes) are measured at fair value. Investments in associates represent investments in the companies (investees) over which Zavarovalnica Triglav has significant influence arising from its power to participate in financial and operating policy decisions of an investee, but not joint control or control of those policies.

For associated companies with no quoted price on the stock exchange, internal models of valuating are used (listed comparable companies method, comparable transactions method, discounting of cash flows, contract value). The valuation assumptions applied are presented in greater detail in [[→ Section 2.6.5](#)]. The effects of the valuation at fair value are disclosed in other comprehensive income.

Associates of the Triglav Group are those companies in which the Company directly or indirectly holds between 20% and 50% of the voting rights and has a significant but not dominant influence. In the consolidated financial statements of the Triglav Group, investments in associates are accounted for using the equity method. The corresponding share of the profit or loss of an associate is recognised in the consolidated profit or loss. The associated effects included in other comprehensive income of an associate are recognised in the consolidated statement of comprehensive income.

Dividends are recognised in income statement once the right to payment is obtained.

Accounting policies regarding the impairment of investments in associated companies are described in [[→ Section 2.5.14](#)].

2.5.8 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 based on their fair value. Initially recognised values are increased by transaction costs that are directly attributable to the acquisition or disposal of the financial asset (allowances to agents, consultants, and brokers, fees paid to the stock exchange and other transfer related fees). The rule does not apply to financial assets classified as assets disclosed at their fair value through profit and loss, where these costs are recognised directly in the income statement at acquisition.

The trade date is used for the initial recognition of financial assets, except for loans and deposits, 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 through a valuation model (discounting of expected cash flows). Details on valuation models are described in [[→ Section 5.1.2](#)]. 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 Zavarovalnica Triglav 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 the long-term funds of Zavarovalnica Triglav 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 Zavarovalnica Triglav's investment policy.

After initial recognition, financial assets measured at fair value through profit or loss 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.

At 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.

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.

2.5.9 Receivables from insurance operations

Receivables from insurance operations are recognised when insured persons are charged the premium. 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.

Accounting policies regarding the impairment of receivables are described in [→ [Section 2.5.14](#)].

94 Long-term business funds include the assets of insured persons arising from life insurance, supplementary voluntary pension insurance, voluntary pension insurance during the annuity pay-out period and unit-linked insurance.

2.5.10 Other assets

Other assets include inventories, short-term 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 which will be collected in a subsequent period.

2.5.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and cash in hand.

2.5.12 Non-current assets held for sale

Non-current assets held for sale are those non-financial assets whose value will be recovered through a sale transaction rather than their continued use. The condition for the classification into the category of non-current assets held for sale is fulfilled when the sale is highly probable and the asset is available for immediate sale in its present condition. The management is committed to the sales plan, which must be carried out within a period of one year from the classification of assets into this category.

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. If an asset is acquired through a business combination it should be measured at fair value less acquisition costs.

2.5.13 Fair value measurement

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.

All financial assets are measured 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 3.6]. The fair value of land and buildings used for insurance operations and of investment property is disclosed under [→ Sections 3.2 and 3.3] that of subordinated liabilities under [→ Section 3.13].

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. In determining the fair value of financial assets, valuation techniques are applied, using the reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. 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. 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 disclosure purposes, a price level hierarchy has been applied for all financial assets measured at fair value. It is determined with regard to the inputs in the valuation technique, which are used to measure fair value.

- Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The quoted prices may be adjusted only exceptionally.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and quoted prices that are observable.
- Level 3 inputs: are prices that do not meet the standards for Level 1 or Level 2. The share of unobservable inputs used in value measurement models is considerable. Unobservable inputs have to use the assumptions that market participants would use when pricing the asset or liability, including risk assumptions.

2.5.14 Impairment

Intangible assets and property, plant and equipment

The value of intangible assets and property, plant and equipment is tested as at the reporting date. It is determined whether there are any objective signs of impairment. If there are, the recoverable amount is assessed, which represents the higher of an asset's fair value less costs to sell and its value in use. 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. If the recoverable amount exceeds the carrying value, the assets are not impaired.

For material assets, impairments are assessed on an individual basis. The impairment of the remaining assets is carried out at the level of cash-generating units.

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.

Goodwill

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 there are objective signs of impairment, the recoverable amount is assessed, which represents the higher of an asset's fair value less costs to sell and its value in use. If the recoverable amount exceeds the carrying value, the goodwill is not impaired.

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.

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 the amount equalling the difference between the two.

Financial investments in subsidiaries and associates

In the stand-alone financial statement, financial investments in associates are accounted for at amortised cost. Signs of the impairment of investments in subsidiaries are reviewed on quarterly basis. Underperformance of a subsidiary may represent a sign of possible impairment.

In the separate financial statement, financial investments in associates are accounted for at fair value. Impairment loss is calculated in the same as for available-for-sale financial assets. Details are given below.

Financial assets

On a quarterly basis or at least at the end of the reporting period, it is assessed whether there is objective evidence that a financial asset or group of financial assets is impaired. When such evidence exists, loss due to impairment needs to be determined.

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.

2.5.15 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 statutory, legal and other reserves from profit and treasury share reserves.

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.

2.5.16 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.

2.5.17 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 1.5%. 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.

Additional provisions for incurred but not enough reported claims (IBNER) for annuity insurance are also formed in cases when the policyholder is a minor or a young person and the insurance company can reasonably expect that the policyholder will also submit a claim for loss of income at a certain age.

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;
- 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.

The applied assumptions and other parameters are presented in greater detail in [\[→ Section 2.6.1\]](#).

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.

2.5.18 Classification of insurance and financial contracts

All products in the portfolios of the Group's subsidiaries are classified as insurance contracts since they all either bear significant insurance risk or their share of the insurance premium in the entire portfolio is insignificant. 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. Other contracts, including contracts on asset management and lease contracts, are not relevant for disclosure purposes.

For the purpose of accounting for assets covering liabilities that arise from insurance contracts, three guarantee funds have been formed: a guarantee fund backing unit-linked products, a guarantee fund backing supplemental voluntary pension insurance and a combined guarantee fund backing life, annuity and voluntary pension insurance.

2.5.19 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.

2.5.20 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.

2.5.21 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.

2.5.22 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.

2.5.23 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.

2.5.24 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.

2.5.25 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 and sales income from non-insurance subsidiaries. Other income is recognised in the income statement when an invoice is issued.

2.5.26 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.

2.5.27 Operating expenses

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.

2.5.28 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.

2.5.29 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.

2.5.30 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.

2.5.31 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.

2.5.32 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 net value of the lease is recognised as a receivable. During the term of the lease financial income is recognised as a constant periodic return on the net investment in the finance lease.

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.

2.5.33 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 2.7). Deferred taxes of Triglav d.d. and its subsidiaries in the Republic of Slovenia were calculated at a rate of 19% due to the changed tax rate to be in force from 1 January 2017. In the case of deferred taxes for companies operating in Croatia, the calculation is made at 18-percent tax rate, which entered into force on 1 January 2017 (until 31 December 2016 the tax rate was set at 20 percent).

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.

2.6 Main assumptions

2.6.1 Parameters and assumptions in calculating life insurance provisions

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. The relevant liabilities of Zavarovalnica Triglav are valued on the basis of rather conservative Slovenian mortality tables SIA65 from 2010 and an interest rate of 2.95 percent p.a. for the contracts containing a fixed interest rate guarantee of 3.25 percent or more.

The guaranteed interest rate used for valuation at the Group level ranges between 1.5% p.a. and 5% 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.

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 1.5% p.a. and 4.5% p.a. For the pension annuity pay-out period, a prudently set lower interest rate of 2.95% is applied to contracts containing a fixed interest rate guarantee of 3.25% or more. For the purpose of valuing its liabilities during the pay-out period of pension annuities bearing an interest rate from 1.5% p.a. to 2.95% p.a. the Company applies Slovenian mortality tables SIA65 from 2010.

Supplementary voluntary pension insurance

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 the purpose of valuing its liabilities the Company applies Slovenian mortality tables SIA from 2010. 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 1.5% to 2.95%.

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.

2.6.2 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.

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,
- supplemental voluntary pension insurance during the accumulation period,
- supplemental voluntary pension insurance during the pension annuity pay-out period.

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.

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 2016 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 0.99%;
- the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2016 was applied to Triglav Osiguranje, Zagreb. The reference value for a period of 10 years is 2.74%;
- the yield curve of Serbian sovereign debt securities denominated in euros was applied for Triglav Osiguranje Belgrade a.d. (the reference value for a period of 10 years is 5.43%) as well as in Serbian dinars (the reference value for a period of 10 years is 6.17%) as at 31 December 2016.

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 60% of supplemental voluntary pension insurance policyholders and 90% of voluntary pension insurance policyholders will choose to receive a pension annuity, while the rest will opt for a lump-sum payout.

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.

The only exception is the guarantee fund backing supplemental voluntary pension insurance during the period of annuity payments by Zavarovalnica Triglav, showing a deficit of EUR 3,381,051 as at 31 December 2016. The insurance company has set aside sufficient insurance technical provisions to offset this deficit.

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%,
- a decrease in lapse rates by 10%,
- an increase in expenses by 10%.

The table below shows how the changes of individual parameters increase the provision deficit.

	in EUR				
Change in provisions due to changed parameters	Zavarovalnica Triglav	Triglav Osiguranje, Zagreb	Triglav Osiguranje, Sarajevo	Triglav Osiguranje, Belgrade	Lovćen životna osiguranja, Podgorica
An increase in mortality rates by 10%	-801.820	0	0	0	0
A decrease in mortality rates by 10%	888.382	0	0	0	0
An increase in lapse rates by 10%	0	0	0	0	0
A decrease in lapse rates by 10%	0	0	0	0	0
An increase in expenses by 10%	246.407	0	0	0	0

2.6.3 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 1.5%.

2.6.4 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. Additional provisions were not necessary to create.

2.6.5 Parameters and assumptions applied in measuring the value of subsidiaries and associates

Valuation of investments in subsidiaries

Zavarovalnica Triglav recognises its subsidiary holdings in separate financial statements, measured at historical cost. The impairment recognition is based on IAS 36 which provides the recoverable amount of an asset or a cash-generating unit as the higher of the two items:

- its fair value less costs to sell; or
- its value in use.

The valuation was made in compliance with the International Valuation Standards (IVS 2011) and the International Valuation Application (IVA).

When recognising an impairment, it is first ascertained whether there are any indications of impairment. In this exercise, indications from external sources of information (significant changes in the environment with an adverse effect on the entity, changes in market interest rates and return on investment of assets likely to affect the recoverable amount of assets, unexpected drops in market values of assets) and indications from internal sources of information (statutory changes, changes in the management and scope of operations, poorer performance of the company) are considered. In the event there are objective signs of impairment, the recoverable amount is assessed.

Indicator tests and impairment tests are carried out by external certified and internal business appraisers applying internal valuation models.

The valuation procedure includes at a minimum:

- general environment analysis of a company (macroeconomic and institutional);
- specific environment analysis (insurance market);
- business model and business operations analysis;
- analysis of a company's competitive position in the insurance market;
- analysis of plan attainment in terms of planning adequacy and realisation potential;
- choice of suitable valuation methodology and methods in consideration of standards, purpose (accounting purposes) and scope of valuation (including insurance class);
- derivation and assessment of assumptions in accordance with the analysis;
- derivation of cost of capital based on market parameters (time value, all relevant risks);
- valuation;
- assumption sensitivity analysis of a valuation and relevance analysis of the resulting range of valuations.

The key assumptions and sources applied in valuation included:

- information on the environment acquired from the European Central Bank, statistical offices, International Monetary Fund (IMF), supervisory bodies and other regulators;
- profit/loss and financial position estimates for 2016 and business plans of individual companies for 2016 as approved by their supervisory bodies as well as strategic plans of individual companies for the 2017-2020 period, if available;
- documentation and information acquired from the management and other key persons for company valuation;
- professional assessments by internal departments of Zavarovalnica Triglav and subsidiaries of Triglav Group.

In 2016, the impairment indications of financial investments in all insurance and non-insurance subsidiaries and Triglav INT d.d., Ljubljana were tested. No impairment indications were identified. The need for impairment of investments in subsidiaries of the Triglav INT, d.d. was not identified.

Valuation of financial income from other investing activities

The valuation methods and the assumptions used for measuring the value of non-tradable financial assets are described under [\[→ 5.1.2\]](#) below.

2.7 Consolidation and Triglav Group

Basis for consolidation

In accordance with the requirements of IFRS 10, the consolidated financial statements of the Triglav Group include all companies directly or indirectly controlled by Zavarovalnica Triglav. Zavarovalnica Triglav is deemed to have control over a company, when the following three conditions are met:

- the controlling company has influence over the entity;
- 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.

Subsidiaries have been included in the consolidated financial statements using the full consolidation method, from the date when effective control was transferred to the Group. In the process of full consolidation, the carrying amount of the financial investment by the controlling company in each individual subsidiary and the controlling company's portion of equity of each subsidiary are offset (eliminated). Intragroup assets and liabilities as well as income and expenses relating to transactions between entities of the Triglav Group are also eliminated in full.

Goodwill can arise from the acquisition of a subsidiary and is recognised in the consolidated financial statements as the excess of the aggregate of the consideration transferred, measured at fair value, over the net amounts of the identifiable assets acquired and the liabilities assumed. In case the difference is negative, the profit will be recognised in full in the income statement.

In case Zavarovalnica Triglav disposes of a subsidiary or loses control over it, such a subsidiary is deconsolidated from the date on which control ceases. All gains and losses arising from deconsolidation are recognised as profit or loss in the consolidated income statement.

Financial statements of Zavarovalnica Triglav and its subsidiaries used in the preparation of the consolidated financial statements all refer to the same reporting date.

All companies within the Triglav Group apply uniform accounting policies. In case the accounting policies of a particular subsidiary differ from the policies applied by the Group, appropriate adjustments are made to the financial statements of the subsidiary prior to the compilation of the consolidated financial statements to ensure compliance with the accounting policies of the Triglav Group.

In the consolidated financial statements, the profit/loss and other comprehensive income are attributed also to non-controlling interests. In case the equity stake of non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to the owners of the controlling company.

Members of Triglav Group ⁹⁵

No.	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		VALUE OF EQUITY AS AT 31 DECEMBER	
					2016	2015	2016	2015	2016	2015
1	Pozavarovalnica Triglav RE d.d.	Miklošičeva 19, Ljubljana, Slovenia	17	Reinsurance	100.00	100.00	100.00	100.00	81,328,213	75,181,771
2	Triglav, Zdravstvena zavarovalnica d.d.	Pristaniška 10, Koper, Slovenia	17	Insurance	100.00	100.00	100.00	100.00	29,592,588	27,937,085
3	Triglav Osiguranje d.d., Zagreb	Antuna Heinza 4, Zagreb, Croatia	20	Insurance	99.91	99.86	99.91	99.86	27,419,102	25,624,037
4	Triglav Osiguranje d.d., Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	10	Insurance	68.94	68.94	78.71	78.71	22,658,656	22,411,956
5	Lovčen Osiguranje a.d., Podgorica	Slobode 13a, Podgorica, Montenegro	9	Insurance	96.47	94.95	96.47	94.95	7,770,568	-119,195
6	Lovčen životna osiguranja a.d., Podgorica	Marka Miljanova 29/III, Podgorica, Montenegro	9	Insurance	96.47	94.95	96.47	94.95	2,382,768	2,276,830
7	Triglav Osiguranje a.d.o., Belgrade	Milutina Milankovića 7a, Novi Beograd, Serbia	15	Insurance	99.88	99.88	99.88	99.88	13,521,384	12,941,541
8	Triglav Osiguranje a.d., Banja Luka	Trg srpskih junaka 4, Banja luka, Bosnia and Herzegovina	10	Insurance	100.00	100.00	100.00	100.00	3,494,592	3,420,707
9	Triglav Osiguruvanje a.d., Skopje	Bulevar 8–mi Septemvri 16, Skopje, Macedonia	10	Insurance	73.38	73.38	73.38	73.38	12,139,218	10,691,661
10	Skupna pokojninska družba d.d.	Trg republike 3, Ljubljana, Slovenia	17	Fund management	71.87	71.87	71.87	71.87	16,432,337	15,894,994
11	Triglav INT d.d.	Dunajska 22, Ljubljana, Slovenia	17	Holding company	100.00	100.00	100.00	100.00	65,755,704	68,009,834
12	Triglav Skladi d.o.o.	Slovenska 54, Ljubljana, Slovenia	17	Fund management	67.50	67.50	100.00	100.00	38,196,737	33,010,766
13	Triglav Avtoservis d.o.o.	Verovškova 60b, Ljubljana, Slovenia	17	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	63,854	60,484
14	Triglav Svetovanje d.o.o.	Ljubljanska 86, Domžale, Slovenia	17	Insurance agency	100.00	100.00	100.00	100.00	519,117	463,402
15	Salnal d.o.o.	Slovenska 54, Ljubljana, Slovenia	17	Real estate management	100.00	100.00	100.00	100.00	15,147,112	14,633,478
16	Slovenijales trgovina d.o.o.	Plemljeva 8, Ljubljana, Slovenia	17	Retail trade	–	100.00	–	100.00	–	6,974,587
17	AKM Nepremičnine d.o.o.	Plemljeva 8, Ljubljana, Slovenia	17	Retail trade	100.00	100.00	100.00	100.00	3,913,955	3,875,203
18	Golf Arboretum d.o.o.	Volčji potok 43g, Radomlje, Slovenia	17	Sport facilities management	80.10	80.10	80.10	80.10	456,742	686,808
19	Triglav Upravljanje Nepremičnin d.d.	Dunajska 22, Ljubljana, Slovenia	17	Real estate management	100.00	100.00	100.00	100.00	33,694,052	24,413,933
20	Triglav Savijetovanje d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	10	Insurance agency	89.57	89.57	89.57	89.57	40,362	-11,283
21	TRI–LIFE d.o.o., Zagreb	Republike Austrije 1, Zagreb, Croatia	20	Insurance	99.96	99.93	99.96	99.93	-156,907	-33,704
22	Triglav Savetovanje d.o.o., Belgrade	Milutina Milankovića 7a, Novi Beograd, Serbia	15	Insurance agency	99.94	99.94	99.94	99.94	32,317	149,339
23	Autocentar BH d.o.o.	Grbavička 14c, Sarajevo, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	68.94	68.94	78.71	78.71	1,599,543	1,573,076
24	Unis automobili i dijelovi d.o.o.	Mehmeda ef. Pandze 13, Sarajevo, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	65.62	65.62	78.71	78.71	193,300	266,019
25	Sarajevostan d.d.	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	10	Real estate management	61.04	43.62	73.22	49.80	3,333,285	3,193,325
26	Lovčen Auto a.d.	Novaka Miloševa 6/2, Podgorica, Montenegro	9	Maintenance and repair of motor vehicle	96.47	94.95	96.47	94.95	574,441	1,286,160
27	Triglav Auto d.o.o.	Trg srpskih junaka 4, Banjaluka, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicle	100.00	100.00	100.00	100.00	1,023	1,023
28	Triglav upravljanje nekretninama d.o.o., Zagreb	Republike Austrije 1, Zagreb, Croatia	20	Real estate management	100.00	–	100.00	–	3,282,127	–
29	Triglav upravljanje nekretninama d.o.o., Podgorica	Džordža Vašingtona 44, Podgorica, Montenegro	9	Real estate management	100.00	–	100.00	–	3,317,918	–
30	Pista d.o.o.	Milutina Milankovića 7a, Belgrade, Serbia	15	Real estate management	–	99.88	–	99.88	–	3,544,696
31	Avrigo d.o.o.	Kidričeva 20, Nova Gorica, Slovenia	17	Transport	–	100.00	–	100.00	–	7,559,674
32	Integral Zagorje d.o.o.	Cesta zmage 4, Zagorje ob Savi, Slovenia	17	Transport	–	100.00	–	100.00	–	1,581,873
33	Integral Notranjska d.o.o.	Čabranska 8, Cerknica, Slovenia	17	Transport	–	100.00	–	100.00	–	2,898,896
34	Integral Stojna Kočevje d.o.o.	Reška 1, Kočevje, Slovenia	17	Transport	–	100.00	–	100.00	–	1,135,559
35	Alptours d.o.o.	Trg golobarskih žrtev 47, Bovec, Slovenia	17	Transport	–	97.66	–	97.66	–	-23,504
36	PROF–IN d.o.o.	Svetozara Markovića 515, Banja luka, Bosnia and Herzegovina	10	Fund management	62.54	62.54	62.54	62.54	3,208,378	2,908,077
37	Hotel Grad Podvin d.d.	Miklošičeva 19, Ljubljana, Slovenia	17	Tourism	100.00	100.00	100.00	100.00	411,304	1,308,281
38	Zavod Vse bo v redu	Miklošičeva 19, Ljubljana, Slovenia	17	Insitute for corporate social responsibility	100.00	100.00	100.00	100.00	100,000	100,000

⁹⁵ The companies listed under numbers 1 to 35 have been included in the consolidated financial statements using the full consolidation method. The companies listed under numbers 36 to 38 have not been included using the full consolidation method, as they are not of importance to the Group. GRI GS 102-45

Summary financial information on subsidiaries

COMPANY	in EUR									
	ASSETS		LIABILITIES		EQUITY		INCOME		NET PROFIT/LOSS	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Pozavarovalnica Triglav Re d.d., Ljubljana	265,654,558	260,193,296	184,326,345	185,011,525	81,328,213	75,181,771	108,694,973	116,913,667	6,509,356	10,108,076
Triglav, Zdravstvena zavarovalnica d.d., Koper	50,565,069	50,604,574	20,972,481	22,667,489	29,592,588	27,937,085	116,193,838	111,117,217	1,223,345	3,124,377
Triglav Osiguranje d.d., Zagreb	142,615,661	134,276,180	115,196,559	108,652,143	27,419,102	25,624,037	54,895,411	53,147,172	27,770	-4,529,859
Triglav Osiguranje d.d., Sarajevo	51,245,294	47,914,798	28,586,638	25,502,842	22,658,656	22,411,956	22,567,637	20,791,438	590,830	554,472
Triglav Pojišt'ovna a.s., Brno	—	—	—	—	—	—	—	10,348,889	—	262,822
Lovčen Osiguranje a.d., Podgorica	55,410,428	59,472,401	47,639,860	59,591,596	7,770,568	-119,195	33,449,507	32,196,867	29,650	-6,550,044
Lovčen životna osiguranja a.d., Podgorica	5,845,548	5,558,847	3,462,780	3,282,017	2,382,768	2,276,830	1,550,974	1,462,184	6,179	91,075
Triglav Osiguranje a.d.o.o., Belgrade	52,038,224	47,856,696	38,516,840	34,915,155	13,521,384	12,941,541	37,967,391	31,883,803	829,368	33,361
Triglav Osiguranje a.d., Banja luka	9,760,081	9,930,552	6,265,489	6,509,845	3,494,592	3,420,707	5,613,384	5,807,443	157,977	87,438
Triglav Osiguruvanje a.d., Skopje	36,037,249	34,323,959	23,898,031	23,632,298	12,139,218	10,691,661	23,293,363	23,073,622	885,491	303,341
Skupna pokojninska družba d.d., Ljubljana	284,016,983	262,027,527	267,584,646	246,132,533	16,432,337	15,894,994	46,303,206	51,719,140	1,335,945	1,057,888
Triglav INT d.d., Ljubljana	66,126,996	68,267,061	371,292	257,227	65,755,704	68,009,834	200,386	1,992,607	-2,260,492	-16,346,493
Triglav Skladi d.o.o., Ljubljana	42,909,165	47,485,569	4,712,428	14,474,803	38,196,737	33,010,766	15,122,644	16,243,317	4,139,831	4,719,302
Triglav Avtoservis d.o.o., Ljubljana	381,623	370,973	317,769	310,489	63,854	60,484	2,220,371	2,189,976	3,623	3,968
Triglav Svetovanje d.o.o., Ljubljana	1,406,836	1,054,434	887,719	591,032	519,117	463,402	4,311,592	3,730,118	60,498	-92,771
Salnal d.o.o., Ljubljana	15,148,829	14,635,381	1,717	1,903	15,147,112	14,633,478	519,150	423,871	513,634	417,808
Slovenijales d.d., Ljubljana	—	—	—	—	—	—	—	2,326,505	—	516,105
Slovenijales Trgovina d.o.o., Ljubljana	—	10,378,594	—	3,404,007	—	6,974,587	—	22,357,386	—	100,763
AKM Nepremičnine d.o.o., Ljubljana	4,034,726	3,947,236	120,771	72,033	3,913,955	3,875,203	423,285	413,212	254,070	226,651
Golf Arboretum d.o.o., Ljubljana	1,209,207	1,200,084	752,465	513,276	456,742	686,808	605,997	668,967	-230,066	-32,602
Triglav, Upravljanje nepremičnin d.d., Ljubljana	44,772,931	34,575,209	11,078,879	10,161,276	33,694,052	24,413,933	27,833,281	23,610,920	10,024,900	-1,074,988
Triglav Savijetovanje d.o.o., Sarajevo	184,053	115,733	143,691	127,016	40,362	-11,283	926,355	651,300	51,645	34,043
TRI-LIFE d.o.o., Zagreb	52,888	39,481	209,795	73,185	-156,907	-33,704	239,388	124,690	-123,285	-182,196
Triglav Savetovanje d.o.o., Belgrade	79,325	159,777	47,008	10,438	32,317	149,339	41,451	0	-114,809	-101
Autocentar BH d.o.o., Sarajevo	2,320,084	2,343,735	720,541	770,659	1,599,543	1,573,076	1,375,969	1,388,193	26,467	29,675
Unis automobili i dijelovi d.o.o., Sarajevo	342,427	466,052	149,127	200,033	193,300	266,019	415,637	461,305	-72,719	-254,828
Sarajevostan d.d., Sarajevo	4,273,240	4,185,368	939,955	992,043	3,333,285	3,193,325	2,211,650	2,128,920	139,960	-307,697
Lovčen Auto a.d., Podgorica	3,972,867	3,973,929	3,398,426	2,687,769	574,441	1,286,160	1,787,826	1,607,980	-1,411,719	-970,199
Triglav Auto d.o.o., Banja luka	1,023	1,023	0	0	1,023	1,023	0	0	0	0
Pista d.o.o., Belgrade	—	3,560,916	—	16,220	—	3,544,696	—	268,344	—	109,154
Avrigo d.o.o., Nova Gorica	—	19,309,824	—	11,750,150	—	7,559,674	—	17,122,864	—	2,295,015
Integral Zagorje d.o.o., Zagorje ob Savi	—	3,205,003	—	1,623,130	—	1,581,873	—	2,773,655	—	282,219
Integral Notranjska d.o.o., Cerknica	—	3,581,821	—	682,925	—	2,898,896	—	1,596,887	—	213,006
Integral Stojna Kočevje d.o.o., Kočevje	—	2,289,289	—	1,153,730	—	1,135,559	—	2,386,205	—	291,443
Alptours d.o.o., Bovec	—	29,834	—	53,338	—	-23,504	—	0	—	-2,598
PROF-IN d.o.o., Banja luka	3,250,060	2,955,363	41,683	47,286	3,208,378	2,908,077	642,643	711,152	244,509	304,001
Hotel Grad Podvin d.d., Ljubljana	3,088,261	4,266,665	2,676,957	2,958,384	411,304	1,308,281	414,719	122,642	-196,207	-503,362
Zavod Vse bo v redu	124,372	108,769	24,372	8,769	100,000	100,000	70,000	173,242	15,607	15,352
Triglav Upravljanje nekretninama d.o.o., Zagreb	3,344,683	—	62,556	—	3,282,127	—	44,939	—	-10,128	—
Triglav Upravljanje nekretninama d.o.o., Podgorica	3,346,049	—	28,131	—	3,317,918	—	33,737	—	4,537	—

Non-controlling interests in the companies of the Triglav Group

			in EUR							
			NON-CONTROLLING INTEREST IN CAPITAL (in %)		VOTING RIGHTS OF NON-CONTROLLING INTERESTS (in %)		NET PROFIT OR LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST HOLDERS		RETAINED EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST HOLDERS	
No.	Company	Address	2016	2015	2016	2015	2016	2015	2016	2015
1	Triglav Osiguranje d.d., Zagreb	Antuna Heinza 4, Zagreb, Croatia	0.09	0.14	0.09	0.14	25	-6,341	4,568	15,848
2	Triglav Osiguranje d.d., Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	31.06	31.06	21.09	21.29	183,514	172,221	3,625,319	3,548,693
3	Triglav Osiguranje a.d.o., Belgrade	Milutina Milankovića 7a, Novi Beograd, Serbia	0.12	0.12	0.12	0.12	1,003	327	187,839	190,645
4	Triglav Osiguruvanje a.d., Skopje	Bulevar 8–mi Septemvri 16, Skopje, Macedonia	26.62	26.62	26.62	26.62	235,718	80,749	2,060,119	1,670,117
5	Lovćen Osuguranje a.d., Podgorica	Slobode 13a, Podgorica, Montenegro	3.53	5.05	3.53	5.05	58,623	-219,618	274,996	198,460
6	Lovćen životna osiguranja a.d., Podgorica	Marka Miljanova 29/III, Podgorica, Montenegro	3.53	5.05	3.53	5.05	218	4,598	54,062	50,327
7	Golf Arboretum d.o.o., Volčji Potok	Volčji Potok 43g, Radomlje, Slovenia	19.90	19.90	19.90	19.90	-45,783	-6,488	89,254	135,037
8	Triglav Savijetovanje d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	10.43	10.43	10.43	10.43	7,860	5,181	-17,201	-25,062
9	Unis automobili i dijelovi d.o.o., Sarajevo	Mehmeda ef. Pandze 13, Sarajevo, Bosnia and Herzegovina	31.06	31.06	21.29	21.29	-22,587	-79,151	-332,040	-309,453
10	Autocentar BH d.o.o., Sarajevo	Topal Osman Paše BB, Sarajevo, Bosnia and Herzegovina	31.06	31.06	21.29	21.29	8,221	9,217	158,090	149,868
11	Lovćen Auto a.d., Podgorica	Novaka Miloševa 6/2, Podgorica, Montenegro	3.53	5.05	3.53	5.05	-49,784	-48,982	-348,352	-298,569
12	Alptours d.o.o., Bovec	Trg golobarskih žrtev 47, Bovec, Slovenia	–	2.34	–	2.34	–	-61	–	-550
13	Sarajevostan d.d., Sarajevo	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	38.96	56.38	26.78	50.20	50,207	-173,485	422,051	1,321,859
14	TRI–LIFE d.o.o., Zagreb	Republike Austrije 1, Zagreb, Croatia	0.04	0.07	0.04	0.07	-54	-125	-135	-126
15	Pista d.o.o., Belgrade	Milutina Milankovića 7a, Belgrade, Serbia	–	0.12	–	0.12	-60	132	–	130
16	Triglav Savetovanje d.o.o., Belgrade	Milutina Milankovića 7a, Novi Beograd, Serbia	0.06	0.06	0.06	0.06	-68	0	-68	0
17	Skupna pokojninska družba d.d.	Trg republike 3, Ljubljana, Slovenia	28.13	28.13	28.13	28.13	-31,032	297,584	4,215,732	4,471,411
TOTAL							396,021	35,758	10,394,233	11,118,634

Changes occurred in the ownership structure of the Triglav Group in 2016

The sale of Avrigo d.o.o.

On 5 February 2016, Zavarovalnica Triglav sold its 97.31% equity stake in Avrigo d.o.o. In the separate financial statements, the profit from sale of EUR 8.3 million was generated. Due to the past effects of consolidation of Avrigo and its subsidiaries, a lower profit totalling EUR 2.9 million was generated in the consolidated financial statements.

Following the sale of Avrigo, the Group lost a significant stake in Izletnik Celje d.d. As a result, the latter is no longer considered an associate of the Triglav Group.

The capital increase of Lovćen Osiguranje a.d., Montenegro

On 26 January 2016, a capital increase of Lovćen Osiguranje, a.d. was entered into the Companies Register. For this capital raise, the company issued 1,501,081 new shares at a nominal value of EUR 5 each. Triglav INT paid in 1,500,000 shares in the total value of EUR 7.5 million, the remainder of 1,081 shares totalling EUR 5,405 was paid in by minor shareholders. Following the capital raise, the equity stake of Triglav INT in the said company increased by 1.52 percentage point and stood at 96.47% as at 31.12.2016.

The capital increase of Lovćen Auto a.d., Montenegro

In Q3 2016, a capital increase of Lovćen Auto, a.d. was provided to its subsidiary Lovćen Osiguranje, a.d. For this capital raise, the company issued 70,000 new shares at a nominal value of EUR 10 each, fully paid in by the sole shareholder Lovćen Osiguranje, a.d.

Establishment of Triglav Upravljanje Nekretninama d.o.o., Zagreb

In June 2016, Triglav Osiguranje, d.d., Zagreb, established the real property company Triglav Upravljanje Nekretninama d.o.o., Zagreb. Its share capital was paid in by the in-cash contribution of HRK 20,000 and by the in-kind contribution of HRK 24,868,222. In December 2016, the 100% equity stake in Triglav Upravljanje Nekretninama d.o.o., Zagreb was transferred to Triglav, Upravljanje Nepremičnin d.d., Ljubljana. The transfer of the equity stake had no effect on the consolidated financial statements of the Triglav Group. The company was for the first time included in the consolidated financial statements of the Triglav Group for the period from 1 January to 30 June 2016.

Establishment of Triglav Upravljanje Nekretninama d.o.o., Podgorica

In July 2016, Lovćen Osiguranje a.d. established the real property company Triglav Upravljanje Nekretninama d.o.o., Podgorica. Its share capital was paid in by the in-cash contribution of EUR 5,000 and by the in-kind contribution of EUR 3,308,381. In September 2016, the 100% equity stake in Triglav Upravljanje Nekretninama d.o.o., Podgorica was transferred to Triglav, Upravljanje Nepremičnin d.d., Ljubljana. Through the ownership transfer, Lovćen Osiguranje incurred a loss of EUR 54,281. The transfer of the equity stake had no effect on the consolidated financial statements of the Triglav Group. The company was for the first time included in the consolidated financial statements of the Triglav Group for the period from 1 January to 30 September 2016.

Purchase of shares of Sarajevostan d.d. from non-controlling interest holders

Triglav Osiguranje d.d., Sarajevo acquired a 29.75% equity stake in Sarajevostan d.d. from non-controlling interest holders, thereby becoming its 93.02% owner. The acquisition price was BAM 1,721,292. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as an increase in share premium of EUR 69,931.

Purchase of shares of Triglav Osiguranje d.d., Zagreb from non-controlling interest holders

Triglav INT d.d. acquired a 0.05% equity stake from the non-controlling interest holders of Triglav Osiguranje d.d., Zagreb, thereby becoming its 99.91% owner. The acquisition price was HRK 56,596. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as an increase in share premium of EUR 5,135.

Disposal of Slovenijales Trgovina d.d.

Triglav, Upravljanje nepremičnin d.d. sold its 100% equity stake in Slovenijales Trgovina d.d., thereby losing the control over the company as of 29 July 2016. The selling price was EUR 1,231,466. In the consolidated financial statements, all assets and liabilities of the said company were derecognised as at the date of losing the control over the company, while loss in the amount of EUR 2,187,624 was recognised in profit or loss.

Capital increase of Triglav, Upravljanje nepremičnin d.d.

On 12 July 2016, the capital increase of Triglav, Upravljanje Nepremičnin, d.d. was entered into the Companies Register. For this capital raise, the company issued 423,245 new registered no-par value shares at a nominal value of EUR 4.17 each. The capital raise in the total amount of EUR 1,764,934 was made by the sole shareholder Zavarovalnica Triglav with an in-kind contribution, specifically through debt-to-equity swap – by converting the loan given to Hotel Grad Podvin d.d. Following the capital increase, Zavarovalnica Triglav remains the 100% owner of Triglav, Upravljanje nepremičnin.

Liquidation of Pista d.o.o., Belgrade

On 6 January 2016, the liquidation proceedings of Pista d.o.o., Belgrade started. After the settlement of all receivables, the liquidation estate of RSD 423,614,634 or EUR 3,443,741 was established in the liquidation procedure, which belongs to the sole owner of the company – Triglav Osiguranje a.d.o., Belgrade. The company was struck off the Companies Register as at 5 September 2016. In the consolidated financial statements, all assets and liabilities of the said company were eliminated as at the strike-off date, while the difference in the amount of EUR 738,606 was recognised as loss in profit or loss.

3. Notes to the Statement of Financial Position

3.1 Intangible assets

Triglav Group

	in EUR				
	Goodwill	Deferred acquisition cost	Licences and software	Intangible assets in course of acquisition	Total
COST					
As at 1 January 2015	648,495	38,124,327	53,931,499	8,070,536	100,774,857
- transfer in use	0	0	8,657,833	-8,657,833	0
- purchases	0	0	2,183,015	3,873,536	6,056,551
- disposals	0	0	-1,406,447	-572	-1,407,019
- increase	0	1,320,822	0	0	1,320,822
- decrease	0	-894,790	0	0	-894,790
- impairment	0	0	-1,258,521	0	-1,258,521
- external acquisition	0	0	98,330	0	98,330
- exclusion of Avrigo	-648,495	0	-261,839	10,628	-899,706
- exchange rate difference	0	-10,473	-5,392	372	-15,493
As at 31 December 2015	0	38,539,891	61,938,477	3,296,667	103,775,035
- transfer in use	0	0	3,174,369	-3,174,369	0
- purchases	0	0	3,609,266	4,558,420	8,167,686
- disposals	0	0	-1,004,360	0	-1,004,360
- reclassification	0	0	-23,760	23,760	0
- increase	0	2,286,195	0	0	2,286,195
- decrease	0	-571,686	0	0	-571,686
- change in Group - Pista	0	0	-653,462	0	-653,462
- change in Group - TUN	0	0	-190,823	0	-190,823
- exchange rate difference	0	-49,267	-25,002	871	-73,398
As at 31 December 2016	0	40,205,132	66,824,704	4,705,350	111,735,186
ACCUMULATED AMORTISATION					
As at 1 January 2015	0	0	-29,004,389	0	-29,004,389
- current year amortisation	0	0	-6,097,784	0	-6,097,784
- disposals	0	0	1,390,195	0	1,390,195
- impairment	0	0	0	0	0
- external acquisition	0	0	-82,491	0	-82,491
- exclusion of Avrigo	0	0	144,634	0	144,634
- exchange rate difference	0	0	7,134	0	7,134
As at 31 December 2015	0	0	-33,642,702	0	-33,642,702
- current year amortisation	0	0	-6,122,877	0	-6,122,877
- disposals	0	0	1,004,360	0	1,004,360
- impairment	0	0	0	0	0
- change in Group - Pista	0	0	653,462	0	653,462
- change in Group - TUN	0	0	178,802	0	178,802
- exchange rate difference	0	0	17,359	0	17,359
As at 31 December 2016	0	0	-37,911,595	0	-37,911,595
CARRYING AMOUNT					
As at 31 December 2015	0	38,539,891	28,295,775	3,296,667	70,132,332
As at 31 December 2016	0	40,205,132	28,913,109	4,705,350	73,823,588

* Change in Group refers to Pista and TUN.

The Group did not pledge any intangible assets as collateral. As at 31 December 2016, trade payables for intangible assets amounted to EUR 3,691,710 (vs. EUR 3.274.392 as at 31 December 2015).

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 4.12](#)].

As at 31 December 2016, 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.

The Group reported no value of goodwill as at the reporting date. It was entirely cancelled in 2015.

Zavarovalnica Triglav

in EUR

	Deferred acquisition costs	Licenses and software	Intangible assets in course of acquisition	Total
COST				
As at 1 January 2015	28,555,615	36,394,136	7,942,199	72,891,950
- transfer in use	0	8,109,192	-8,109,192	0
- purchases	0	2,003,431	2,803,326	4,806,757
- disposal	0	-1,257,924	0	-1,257,924
- increase	0	8,590	0	8,590
- decrease	-414,800	-1,267,111	0	-1,681,911
As at 31 December 2015	28,140,815	43,990,314	2,636,333	74,767,462
- transfer in use	0	2,633,300	-2,633,300	0
- purchases	0	2,074,609	3,894,021	5,968,630
- disposal	0	-919,075	0	-919,075
- increase	1,364,004	0	0	1,364,004
- decrease	0	0	0	0
As at 31 December 2016	29,504,819	47,779,148	3,897,054	81,181,021
ACCUMULATED AMORTISATION				
As at 1 January 2015	0	-18,518,221	0	-18,518,221
- amortisation	0	-4,363,436	0	-4,363,436
- disposal	0	1,257,844	0	1,257,844
As at 31 December 2015	0	-21,623,816	0	-21,623,816
- amortisation	0	-4,591,711	0	-4,591,711
- disposal	0	919,075	0	919,075
As at 31 December 2016	0	-25,296,452	0	-25,296,452
CARRYING AMOUNT				
As at 31 December 2015	28,140,815	22,366,498	2,636,333	53,143,644
As at 31 December 2016	29,504,819	22,482,696	3,897,054	55,884,567

Zavarovalnica Triglav did not pledge any intangible assets as collateral. As at 31 December 2016, trade payables for intangible assets amounted to EUR 2,896,500 (vs. EUR 2,592,904 as at 31 December 2015).

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 4.12](#)]. Change in deferred acquisition costs is recognised as a change in unearned premium provision in the income stated, as stated in [→ [Section 4](#)].

As at 31 December 2016, intangible assets with an indefinite useful life amounted to EUR 9,368, the same as in 2015. The amount refers to a licence issued for an indefinite period.

Zavarovalnica Triglav has no individual intangible assets that are material to the financial statements. Gross amount of fully depreciated intangible assets still in use represents 29.6% of the total gross amount of intangible assets.

3.2 Property, plant and equipment

Triglav Group

	in EUR				
	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2015	15,234,216	121,912,303	100,705,730	574,548	238,426,797
- transfer in use	53,914	1,694,495	3,802,016	-5,550,425	0
- purchases	1,084,047	626,026	3,324,873	6,115,642	11,150,588
- disposals	0	-1,181,678	-5,678,449	0	-6,860,127
- impairment	-238	-4,023	0	0	-4,261
- external acquisition	0	0	659,491	0	659,491
- transfer from investment property	16,836,637	2,310,134	0	0	19,146,771
- transfer to non-current assets held for sale	-8,616,932	0	0	0	-8,616,932
- exclusion of Avrigo*	-1,621,354	-5,398,493	-38,693,699	1,653,279	-44,060,267
- exchange rate differences	9,137	27,071	27,501	1,598	65,307
As at 31 December 2015	22,979,427	119,985,838	64,147,463	2,794,642	209,907,370
- transfer in use	0	1,115,804	931,505	-2,047,309	0
- purchases	23,903	820,834	3,510,543	1,784,120	6,139,400
- disposals	-114,600	-157,640	-6,990,584	0	-7,262,824
- impairment	0	-44,830	-198,321	0	-243,151
- transfer from investment property	0	2,759,537	0	0	2,759,537
- transfer to investment property	-11,406,033	-3,859,467	0	-230,897	-15,496,397
- exchange rate differences	44,468	107,325	-5,538	-30	146,225
As at 31 December 2016	11,527,165	120,727,400	61,395,068	2,300,526	195,950,160
ACCUMULATED DEPRECIATION					
As at 1 January 2015	0	-35,210,435	-79,547,818	0	-114,758,253
- depreciation for the current year	0	-2,332,727	-7,128,466	0	-9,461,193
- disposals	0	398,502	5,270,175	0	5,668,677
- impairment	0	-29,165	0	0	-29,165
- external acquisition	0	0	-506,739	0	-506,739
- transfer from investment property	0	-703,851	0	0	-703,851
- exclusion of Avrigo*	0	4,041,016	27,680,270	0	31,721,286
- exchange rate differences	0	-2,356	-25,418	0	-27,773
As at 31 December 2015	0	-33,839,016	-54,257,994	0	-88,097,009
- depreciation for the current year	0	-2,226,223	-4,353,370	0	-6,579,593
- disposals	0	65,516	6,252,788	0	6,318,304
- impairment	0	-198,187	149,031	0	-49,156
- transfer from investment property	0	0	0	0	0
- transfer to investment property	0	406,982	0	0	406,982
- exchange rate differences	0	-14,197	-2,059	0	-16,256
As at 31 December 2016	0	-35,805,127	-52,211,605	0	-88,016,732
CARRYING AMOUNT					
As at 31 December 2015	22,979,427	86,146,822	9,889,469	2,794,642	121,810,360
As at 31 December 2016	11,527,165	84,922,273	9,183,463	2,300,526	107,933,428

* Exclusion refers to value of property, plant and equipment of Avrigo Group, which were transferred to non-current assets held for sale.

As at the reporting period, no property, plant and equipment were pledged as collateral by the Group. The Triglav Group companies have no property, plant and equipment on finance lease.

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 2.5.27]. For details, see expenses by nature and function in [→ Section 4.12].

A comparison between the carrying amounts and the fair values of own-account buildings and land is given below.

	in EUR	
	31 December 2016	31 December 2015
Carrying amount	96,449,438	109,126,249
Estimated fair value	100,936,975	126,564,580

Zavarovalnica Triglav

	in EUR				
	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2015	5,101,881	74,246,633	43,264,044	98,961	122,711,519
- transfer in use	0	969,899	6,820	-976,719	0
- purchases	158,062	742,173	1,993,863	1,648,630	4,542,728
- disposal	0	-348	-4,166,125	0	-4,166,473
- transfer from investment property	239,719	1,246,435	0	0	1,486,154
- merger Triglav Naložbe	0	0	36,197	0	36,197
As at 31 December 2015	5,499,662	77,204,792	41,134,799	770,872	124,610,125
- transfer in use	0	448,838	343,675	-792,513	0
- purchases	0	796,457	1,858,620	482,299	3,137,376
- disposal	0	-10,526	-3,128,466	0	-3,138,992
As at 31 December 2016	5,499,662	78,439,561	40,208,628	460,658	124,608,509
ACCUMULATED DEPRECIATION					
As at 1 January 2015	0	-21,472,881	-36,095,620	0	-57,568,501
- depreciation for the current year	0	-1,225,826	-2,681,210	0	-3,907,036
- disposal	0	66	3,984,482	0	3,984,548
- transfer from investment property	0	-50,049	0	0	-50,049
- merger Triglav Naložbe	0	0	-34,092	0	-34,092
As at 31 December 2015	0	-22,748,690	-34,826,440	0	-57,575,130
- depreciation for the current year	0	-1,294,290	-2,441,633	0	-3,735,923
- disposal	0	2,807	2,930,194	0	2,933,001
As at 31 December 2016	0	-24,040,173	-34,337,879	0	-58,378,052
CARRYING AMOUNT					
As at 31 December 2015	5,499,662	54,456,102	6,308,359	770,872	67,034,994
As at 31 December 2016	5,499,662	54,399,388	5,870,749	460,658	66,230,456

Zavarovalnica Triglav did not pledge any property, plant and equipment as collateral.

The depreciation for the current year is split between several items of the income statement. For details, see expenses by nature and function in [→ [Section 4.12](#)]. As at 31 December 2016, trade payables for property, plant and equipment amounted to EUR 868,146 (vs. EUR 959,086 as at 31 December 2015). Gross amount of fully depreciated property, plant and equipment still in use represents 25.7% of the total gross amount of property, plant and equipment.

Fair values of land and buildings are shown in the table below.

	in EUR	
	31 December 2016	31 December 2015
Carrying amount	59,899,050	59,955,764
Estimated fair value	63,092,680	62,260,845

3.3 Investment property

Triglav Group

	in EUR			
	Land	Buildings	IP in course of acquisition	Total
COST				
As at 1 January 2015	36,780,524	70,407,399	16,800,574	123,988,497
- transfer in use	0	685	-685	0
- purchases	0	405,735	24,169	429,904
- disposals	-552,180	-919,310	0	-1,471,490
- impairment	-1,607,069	-3,056,932	-333,035	-4,997,034
- reclassification	-4,270,538	4,270,538	0	0
- transfer to property, land and equipment	-16,836,932	-2,310,134	0	-19,147,066
- exclusion of Avrigo*	-3,380	-161,897	0	-165,277
- exchange rate difference	6,452	962	0	7,414
As at 31 December 2015	13,516,877	68,637,046	16,491,023	98,644,946
- transfer in use	1,775,220	15,609,540	-17,384,760	0
- purchases	359,734	435,933	18,225,274	19,020,941
- disposals	-3,745,106	-11,368,949	-1,242,834	-16,356,889
- impairment	0	-213,450	0	-213,450
- reclassification	17,556	-17,556	0	0
- transfer to property, land and equipment	0	-3,370,383	0	-3,370,383
- transfer from property, land and equipment	11,406,033	3,859,467	230,897	15,496,397
- exchange rate difference	29,501	-35,477	-11,634	-17,610
As at 31 December 2016	23,359,815	73,536,171	16,307,966	113,203,952
ACCUMULATED DEPRECIATION				
As at 1 January 2015	0	-19,127,018	0	-19,127,018
- depreciation for the current year	0	-1,423,100	0	-1,423,100
- disposals	0	430,938	0	430,938
- impairment	0	129,185	0	129,185
- transfer to property, land and equipment	0	703,851	0	703,851
- exclusion of Avrigo*	0	117,238	0	117,238
- exchange rate difference	0	-760	0	-760
As at 31 December 2015	0	-19,169,663	0	-19,169,663
- depreciation for the current year	0	-1,465,078	0	-1,465,078
- disposals	0	3,061,165	0	3,061,165
- impairment	0	0	0	0
- transfer to property, land and equipment	0	610,846	0	610,846
- transfer from property, land and equipment	0	-406,982	0	-406,982
- exchange rate difference	0	8,480	0	8,480
As at 31 December 2016	0	-17,361,232	0	-17,361,232
CARRYING AMOUNT				
As at 31 December 2015	13,516,877	49,467,383	16,491,023	79,475,283
As at 31 December 2016	23,359,815	56,174,939	16,307,966	95,842,720

* Exclusion refers to value of investment property of Avrigo Group, which were transferred to non-current assets held for sale.

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 4.7]). 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 4.14]). Fair value is disclosed below.

	in EUR	
	31 December 2016	31 December 2015
Carrying amount	95,842,720	79,475,283
Estimated fair value	95,095,996	80,265,592

Zavarovalnica Triglav

	in EUR			
	Land	Buildings	IP in course of acquisition	Total
COST				
As at 1 January 2015	2,540,323	26,152,397	16,666,591	45,359,311
- transfer in use	0	0	0	0
- purchases	3,615,479	14,897,286	0	18,512,765
- disposal	-17,620	-433,386	0	-451,006
- reclassification	-239,719	-1,246,435	0	-1,486,154
- impairment	-293,382	-646,911	-333,035	-1,273,328
As at 31 January 2015	5,605,081	38,722,951	16,333,556	60,661,588
- transfer in use	0	0	0	0
- purchases	0	269,987	0	269,987
- disposal	-819,312	-975,674	-1,085,367	-2,880,353
- reclassification	17,556	-17,556	0	0
As at 31 December 2016	4,803,325	37,999,708	15,248,189	58,051,222
ACCUMULATED DEPRECIATION				
As at 1 January 2015	0	-7,386,852	0	-7,386,852
- depreciation	0	-694,258	0	-694,258
- disposal	0	102,004	0	102,004
- reclassification	0	50,049	0	50,049
- impairment	0	138,281	0	138,281
As at 31 December 2015	0	-7,790,776	0	-7,790,776
- depreciation	0	-862,580	0	-862,580
- disposal	0	213,554	0	213,554
- reclassification	0	0	0	0
As at 31 December 2016	0	-8,439,802	0	-8,439,802
CARRYING AMOUNT				
As at 31 December 2015	5,605,081	30,932,175	16,333,556	52,870,808
As at 31 December 2016	4,803,325	29,559,906	15,248,189	49,611,417

Zavarovalnica Triglav 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. For additional notes on the rental income see [→ *Section 4.7*]. 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 4.14*]).

Fair value of investment property is disclosed below.

	in EUR	
	31 December 2016	31 December 2015
Carrying amount	49,611,417	52,870,808
Estimated fair value	50,351,528	52,306,224

3.4 Investments in subsidiaries

Investments in subsidiaries are included in the consolidated financial statements under the full consolidation method. In stand-alone financial statements of Zavarovalnica Triglav, the subsidiaries directly owned by Zavarovalnica Triglav are disclosed at cost. See the tables below for detail.

Shares in subsidiaries held by Zavarovalnica Triglav

NO.	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		BOOK VALUE (in EUR)	
					2016	2015	2016	2015	2016	2015
1	Pozavarovalnica Triglav RE d.d.	Miklošičeva 19, Ljubljana, Slovenia	17	Reinsurance	100.00	100.00	100.00	100.00	7,793,252	7,793,252
2	Triglav, Zdravstvena zavarovalnica d.d.	Pristaniška 10, Koper, Slovenia	17	Insurance	100.00	100.00	100.00	100.00	3,735,886	3,735,886
3	Triglav INT d.d.	Dunajska 22, Ljubljana, Slovenia	17	Holding company	100.00	100.00	100.00	100.00	70,600,000	70,600,000
4	Skupna pokojninska družba d.d.	Trg republike 3, Ljubljana, Slovenia	17	Fund management	71.87	71.87	71.87	71.87	7,031,327	7,031,327
5	Triglav Upravljanje Nepremičnin d.d.	Dunajska 22, Ljubljana, Slovenia	17	Real estate management	100.00	100.00	100.00	100.00	24,493,300	22,728,368
6	Triglav Skladi d.o.o.	Slovenska 54, Ljubljana, Slovenia	17	Fund management	67.50	67.50	100.00	100.00	2,076,723	2,076,723
7	Avrigo d.o.o.	Kidričeva 20, Nova Gorica, Slovenia	17	Transport	-	100.00	-	100.00	0	5,821,530
8	Salnal d.o.o.	Slovenska 54, Ljubljana, Slovenia	17	Real estate management	100.00	100.00	100.00	100.00	14,422,000	14,422,000
9	Triglav Avtoservis d.o.o.	Verovškova 60b, Ljubljana, Slovenia	17	Maintenance and repair of motor vehicle	100.00	100.00	100.00	100.00	100,214	100,214
10	Triglav Svetovanje d.o.o.	Ljubljanska 86, Domžale, Slovenia	17	Insurance agency	100.00	100.00	100.00	100.00	279,736	279,736
11	Hotel Grad Podvin d.d.	Miklošičeva 19, Ljubljana, Slovenia	17	Tourism	0.00	100.00	0.00	100.00	0	0
12	Zavod Vse bo v redu	Miklošičeva 19, Ljubljana, Slovenia	17	Insitute for corporate social responsibility	100.00	100.00	100.00	100.00	100,000	100,000
TOTAL									130,632,438	134,689,036

3.5 Investments in associates

In 2016, Zavarovalnica Triglav did not gain new stakes in associates.

The effects of valuation using the equity method are disclosed as items 4.2 and 4.3 in the income statement. A summary of financial information for the associates and the stakes of the Triglav Group in these companies are shown in the tables below.⁹⁶

COMPANY	ADDRESS	TAX RATE (in%)	ACTIVITY
Nama d.d.	Tomšičeva 1, Ljubljana, Slovenia	17	Retail trade
Triglavko, d.o.o.	Ulica XXX. divizije 23, Nova Gorica, Slovenia	17	Insurance agency
Izletnik Celje d. d.	Aškerčeva 20, Celje, Slovenia	17	Transport
ZIF Prof Plus	Veselina Masleše 1, Banja luka, Republika Srbska, Bosnia and Herzegovina	10	Investment fund

COMPANY	Triglav Group						Zavarovalnica Triglav					
	SHARE IN CAPITAL (in %)		VOTING RIGHTS (in %)		VALUE OF INVESTMENT (in EUR)		SHARE IN CAPITAL (in %)		VOTING RIGHTS (in %)		VALUE OF INVESTMENT (in EUR)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Nama d.d.	39.07	39.07	39.07	39.07	4,125,785	4,187,938	39.07	38.05	39.07	38.05	9,464,548	7,221,376
Triglavko, d.o.o.	38.47	38.47	38.47	38.47	18,853	18,556	38.47	38.47	38.47	38.47	38,499	38,499
Izletnik Celje d. d.	-	49.49	-	49.49	-	0	-	0	-	0	-	0
ZIF Prof Plus	22.09	22.09	22.09	22.09	2,681,763	2,733,207	0	0	0	0	0	0
TOTAL					6,826,400	6,939,700					9,503,047	7,259,875

COMPANY	ASSETS		LIABILITIES		EQUITY		REVENUES		PROFIT/LOSS		in EUR
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
Nama d.d.	12,878,976	12,335,818	2,456,087	2,053,165	10,422,889	10,282,653	15,581,981	12,852,827	390,120	102,959	
Triglavko, d.o.o.	144,651	146,776	44,572	47,470	100,079	99,306	453,017	424,704	772	-8,408	
Izletnik Celje d. d.	-	24,149,586	-	13,785,562	-	10,364,024	-	20,002,660	-	2,070,715	
ZIF Prof Plus	21,390,152	21,578,007	208,973	163,997	21,181,179	21,414,009	586,119	649,846	2,126,448	602,764	

96 Financial data for 2016 are unaudited, whilst the data for 2015 were adjusted if the audited data differed from the data published in the 2015 Annual Report.

3.6 Financial assets⁹⁷

Triglav Group

in EUR

	Carrying value		Fair value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Held to maturity	231,342,393	242,406,400	283,856,208	292,533,348
At fair value through profit and loss	396,203,356	374,742,603	396,203,356	374,742,603
- designated	390,433,892	372,033,690	390,433,892	372,033,690
- held for trading	5,769,464	2,708,913	5,769,464	2,708,913
Available for sale	1,738,043,072	1,607,681,638	1,738,043,070	1,607,681,638
Loans and receivables	148,731,640	183,872,219	124,028,761	183,872,219
Unit-linked insurance assets	459,982,822	464,733,923	460,760,711	464,733,923
- at fair value through profit and loss	453,130,731	456,179,014	453,130,731	456,179,014
- loans and receivables	6,428,491	8,126,347	7,206,379	8,126,347
- available for sale	423,601	428,560	423,601	428,560
TOTAL	2,974,303,281	2,873,436,783	3,002,892,106	2,923,563,731

The table above shows the carrying amount of financial assets (without operating receivables and cash or cash equivalents). The measuring of fair value of other financial assets is shown in [→ Section 5.1.2].

An overview of financial assets by type is disclosed below.

in EUR

	HTM	FVTPL – Classified upon acquisition	FVTPL – Held for trading	AFS	L&R	TOTAL
31 December 2016						
Debt and other fixed-return securities	231,342,393	148,907	420,906,764	1,541,299,901	29,877,836	2,223,575,801
Investments in shares, other floating-rate securities and fund coupons	0	4,216,170	420,818,732	197,146,047	0	622,180,949
Financial derivatives	0	3,243,514	0	0	0	3,243,514
Loans and receivables	0	0	0	20,723	120,110,489	120,131,212
- deposits with banks	0	0	0	0	87,487,958	87,487,958
- loans given	0	0	0	0	29,865,282	29,865,282
- other financial investments	0	0	0	20,723	2,757,249	2,777,972
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	5,171,806	5,171,806
TOTAL	231,342,393	7,608,591	841,725,496	1,738,466,671	155,160,131	2,974,303,281

in EUR

	HTM	FVTPL – Classified upon acquisition	FVTPL – Held for trading	AFS	L&R	TOTAL
31 December 2015						
Debt and other fixed-return securities	242,406,400	0	383,020,719	1,444,992,963	26,085,120	2,096,505,203
Investments in shares, other floating-rate securities and fund coupons	0	0	443,056,416	163,096,107	0	606,152,523
Financial derivatives	0	4,844,483	0	0	0	4,844,483
Loans and receivables	0	0	0	21,128	161,986,614	162,007,742
- deposits with banks	0	0	0	0	131,344,753	131,344,753
- loans given	0	0	0	924,125	27,979,248	28,903,373
- other financial investments	0	0	0	-902,997	2,662,613	1,759,616
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	3,926,832	3,926,832
TOTAL	242,406,400	4,844,483	826,077,135	1,608,110,198	191,998,566	2,873,436,783

⁹⁷ 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

The table below shows the movements of financial assets of Triglav Group in 2015 and 2016.

						in EUR
FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	TOTAL
As at 1 January 2015	210,604,128	204,282,044	1,608,664,995	130,037,423	465,787,739	2,619,376,329
Purchases	309,867	337,962,161	917,246,873	1,056,256,040	105,479,075	2,417,254,016
Disposals	-45,393,542	-259,762,642	-879,272,872	-890,065,685	-121,074,879	-2,195,569,620
Maturities	-31,043,984	-30,108,318	-79,551,090	-125,165,244	-265,588	-266,134,224
Amount removed from equity at disposal	0	0	28,345,270	0	0	28,345,270
Valuation through profit and loss	-408,630	1,938,927	0	0	14,318,591	15,848,888
Valuation through equity	0	0	-37,809,741	0	23,976	-37,785,765
Impairments	0	0	-231,310	-45,129	0	-276,439
Premiums and discounts	4,121,690	0	-4,643,316	326,187	196,616	1,177
Interest income	8,086,875	11,773,687	38,371,520	6,042,286	272,594	64,546,962
Acquisition	96,149,104	108,667,533	13,917,564	8,476,556	0	227,210,757
Transfer on disposal group held for sale	0	0	0	-2,030,300	0	-2,030,300
Exchange rate difference	-19,108	-10,789	2,643,743	40,086	-4,201	2,649,731
As at 31 December 2015	242,406,400	374,742,603	1,607,681,638	183,872,219	464,733,923	2,873,436,783
Purchases	0	271,855,683	603,135,325	467,758,174	89,048,477	1,431,797,659
Disposals	0	-162,248,902	-454,601,234	-454,300,251	-94,751,614	-1,166,962,220
Maturities	-22,298,541	-95,763,075	-89,024,530	-52,741,937	-23,684,819	-282,452,683
Amount removed from equity at disposal	0	0	-9,326,431	0	0	-9,326,431
Realized gains or losses on disposal	0	0	15,003,754	0	0	15,003,754
Valuation through profit and loss	0	-3,462,965	0	-106,647	23,498,470	34,932,612
Valuation through equity	0	0	34,132,573	0	0	34,132,573
Impairments	0	0	-3,939,322	-213,427	0	-4,152,749
Premiums and discounts	4,169,867	0	-4,873,963	353,723	194,208	-156,165
Interest income	7,045,235	11,047,846	38,776,650	4,421,570	909,549	62,200,850
Exchange rate difference	19,432	32,166	1,078,612	-311,786	34,628	853,052
As at 31 December 2016	231,342,393	396,203,356	1,738,043,072	148,731,640	459,982,822	2,974,303,281

Zavarovalnica Triglav

					in EUR
	Carrying value		Fair value		
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	
Loans and receivables	82,397,895	108,581,747	86,024,002	108,581,747	
Held to maturity	168,983,706	178,250,255	214,513,671	222,266,331	
Available for sale	1,365,449,446	1,268,278,321	1,365,449,446	1,268,278,321	
At fair value through profit and loss:	195,669,555	192,740,593	195,669,555	192,740,593	
- designated	194,246,126	190,031,680	194,246,126	190,031,680	
- held for trading	1,423,429	2,708,913	1,423,429	2,708,913	
Unit-linked insurance assets:	434,043,269	446,589,561	434,790,947	446,589,561	
- at fair value through profit and loss	427,791,372	438,631,907	427,791,372	438,631,907	
- receivables	6,251,897	7,957,654	6,999,575	7,957,654	
TOTAL	2,246,543,870	2,194,440,477	2,296,447,621	2,238,456,553	

An overview of financial assets of Zavarovalnica Triglav by type is disclosed below.

	in EUR					
	HTM	FVTPL – Classified upon acquisition	FVTPL – Held for trading	AFS	L&R	TOTAL
31 December 2016						
Debt and other fixed-return securities	168,983,706	271,582,130	0	1,229,426,110	0	1,669,991,946
Investments in shares, other floating-rate securities and fund coupons	0	348,635,283	0	136,023,336	0	484,658,619
Financial derivatives	0	0	3,243,514	0	0	3,243,514
Loans and receivables:	0	0	0	0	88,649,792	88,649,792
- deposits with banks and certificates of deposits	0	0	0	0	43,297,879	43,297,879
- loans given	0	0	0	0	43,651,675	43,651,675
- other financial investments	0	0	0	0	1,700,237	1,700,237
TOTAL	168,983,706	620,217,413	3,243,514	1,365,449,446	88,649,792	2,246,543,870

	in EUR					
	HTM	FVTPL – Classified upon acquisition	FVTPL – Held for trading	AFS	L&R	TOTAL
31 December 2015						
Debt and other fixed-return securities	178,250,255	242,751,308		1,157,177,540	0	1,578,179,103
Investments in shares, other floating-rate securities and fund coupons	0	383,798,182	0	110,176,657	0	493,974,839
Financial derivatives	0	0	4,823,010	0	0	4,823,010
Loans and receivables:	0	0	0	924,124	116,539,401	117,463,525
- deposits with banks and certificates of deposits	0	0	0	0	74,804,642	74,804,642
- loans given	0	0	0	0	40,038,012	40,038,012
- other financial investments	0	0	0	924,124	1,696,747	2,620,871
TOTAL	178,250,255	626,549,490	4,823,010	1,268,278,321	116,539,401	2,194,440,477

The table below shows the movements of financial assets of Zavarovalnica Triglav in 2015 and 2016.

	in EUR					
FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	TOTAL
As at 1 January 2015	186,136,258	200,499,009	1,299,415,074	104,531,182	449,802,771	2,240,384,294
Purchases	0	193,379,220	775,363,754	652,352,025	104,284,741	1,725,379,740
Maturities	-14,318,813	-11,132,811	-63,440,152	-35,174,538	-265,588	-124,331,902
Disposal	-2,309,555	-199,775,827	-762,228,139	-616,515,397	-120,993,904	-1,701,822,822
Amount removed from equity	0	0	30,767,442	0	0	30,767,442
Valuation trough profit and loss	32	3,925,392	-231,310	0	13,301,724	16,995,838
Valuation trough equity	0	0	-39,233,899	0	0	-39,233,899
Premiums and discounts	4,121,690	0	-4,585,092	326,187	196,616	59,401
Interest income	4,620,643	5,861,269	30,538,606	3,062,288	263,201	44,346,007
Exchange rate difference	0	-15,659	1,912,037	0	0	1,896,379
As at 31 December 2015	178,250,255	192,740,593	1,268,278,321	108,581,747	446,589,561	2,194,440,477
Purchases	0	136,591,874	472,878,991	295,471,914	81,076,630	986,019,409
Maturities	-17,448,190	-57,052,954	-55,286,966	-8,335,686	-23,565,775	-161,689,571
Disposal	0	-77,383,361	-378,807,951	-315,568,899	-93,935,690	-865,695,901
Amount removed from equity	0	0	-6,390,326	0	0	-6,390,326
Realized gains or losses on disposal	0	0	11,241,211	0	0	11,241,211
Valuation trough profit and loss	0	-4,578,059	0	0	22,809,889	29,473,041
Valuation trough equity	0	0	26,337,145	0	0	26,337,145
Premiums and discounts	4,169,867	0	-4,800,939	353,685	194,208	-83,180
Interest income	4,011,773	5,322,179	31,079,198	1,895,133	874,448	43,182,732
Exchange rate difference	0	29,282	920,762	0	0	950,044
As at 31 December 2016	168,983,706	195,669,555	1,365,449,446	82,397,894	434,043,269	2,246,543,870

As at the reporting date, the portfolio of Zavarovalnica Triglav included neither received securities as collateral for loans given, nor any securities pledged as collateral for its liabilities.

3.7 Reinsurers' share of technical provisions

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
NON-LIFE INSURANCE				
Reinsurers' share of unearned premiums	19,171,160	17,699,937	17,080,033	15,370,560
Reinsurers' share of claims	57,865,822	51,023,879	59,336,009	54,546,341
Reinsurers' share of other technical provisions	46,819	0	0	0
Total non-life insurance	77,083,801	68,723,816	76,416,042	69,916,902
LIFE INSURANCE				
Reinsurers' share of unearned premiums	982	489	0	0
Reinsurers' share of claims	0	0	39,065	18,493
Reinsurers' share of other mathematical provisions	0	0	0	0
Total life insurance	982	489	39,065	18,493
TOTAL ASSETS FROM REINSURANCE CONTRACTS	77,084,783	68,724,305	76,455,107	69,935,394

in EUR

3.8 Receivables

Triglav Group

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			in EUR
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	TOTAL NET VALUE
31 December 2016										
Receivables from direct insurance operations	68,522,552	-229,918	68,292,634	16,494,920	-2,920,135	13,574,785	63,359,265	-61,167,518	2,191,752	84,059,166
Receivables from insurers	65,905,087	-229,918	65,675,169	15,236,019	-2,846,437	12,389,582	54,459,746	-52,413,157	2,046,589	80,111,340
Receivables from insurance brokers	16,340	0	16,340	779,863	-21,458	758,405	218,071	-213,904	4,167	778,912
Other receivables from direct insurance operations	2,601,125	0	2,601,125	479,038	-52,240	426,798	8,681,448	-8,540,457	140,991	3,168,914
Receivables from co-insurance and reinsurance operations	31,091,625	0	31,091,625	3,007,605	0	3,007,605	3,032,759	-2,032,139	1,000,620	35,099,850
Premium receivable from co-insurance	535,071	0	535,071	92,043	0	92,043	15,397	-3,093	12,304	639,418
Premium receivable from reinsurance	21,934,599	0	21,934,599	2,198,142	0	2,198,142	383,323	-113,351	269,972	24,402,713
Receivables from co-insurers ' share in claims	192,150	0	192,150	8,403	0	8,403	0	0	0	200,553
Receivables from reinsurers ' share in claims	6,028,654	0	6,028,654	660,380	0	660,380	2,621,565	-1,915,695	705,870	7,394,904
Other receivables from co-insurance and reinsurance operation	2,401,151	0	2,401,151	48,637	0	48,637	12,474	0	12,474	2,462,262
Receivables for income tax refund	890,276	0	890,276	0	0	0	0	0	0	890,276
Other receivables	24,157,963	-105,616	24,052,347	7,568,280	-1,297,210	6,271,070	93,400,871	-90,852,491	2,548,380	32,871,797
Other short-term receivables from insurance operations	8,436,374	-620	8,435,754	3,041,637	-1,116,748	1,924,889	86,012,502	-84,609,304	1,403,198	11,763,841
Short-term receivables from financing	1,910,224	-104,996	1,805,228	83,032	-15,275	67,757	721,302	-701,820	19,482	1,892,467
Other short-term receivables	10,726,236	0	10,726,236	3,659,955	-162,835	3,497,120	5,882,603	-5,499,429	383,174	14,606,530
Long-term receivables	3,085,129	0	3,085,129	783,656	-2,352	781,304	784,464	-41,938	742,526	4,608,959
TOTAL	124,662,416	-335,534	124,326,882	27,070,805	-4,217,345	22,853,460	159,792,895	-154,052,148	5,740,752	152,921,089

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			in EUR
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	TOTAL NET VALUE
31 December 2015										
Receivables from direct insurance operations	64,585,868	-605,690	63,980,178	19,655,294	-3,443,041	16,212,253	69,575,863	-66,519,284	3,056,579	83,249,006
Receivables from insurers	60,935,859	-553,284	60,382,575	18,177,356	-3,362,711	14,814,645	60,997,244	-57,810,962	3,186,282	78,383,502
Receivables from insurance brokers	5,965	0	5,965	773,116	0	773,116	120,350	-92,173	28,177	807,258
Other receivables from direct insurance operations	3,644,044	-52,406	3,591,638	704,822	-80,330	624,492	8,458,269	-8,616,153	-157,884	4,058,246
Receivables from co-insurance and reinsurance operations	31,779,501	0	31,779,501	5,161,846	0	5,161,846	7,931,257	-2,048,936	5,882,321	42,823,668
Premium receivable from co-insurance	850,470	0	850,470	101,548	0	101,548	15,572	-12,940	2,632	954,650
Premium receivable from reinsurance	19,641,653	0	19,641,653	3,475,150	0	3,475,150	4,185,685	-83,588	4,102,097	27,218,900
Receivables from co-insurers ' share in claims	116,217	0	116,217	1,827	0	1,827	0	0	0	118,044
Receivables from reinsurers ' share in claims	8,966,731	0	8,966,731	1,497,396	0	1,497,396	3,723,769	-1,952,408	1,771,361	12,235,488
Other receivables from co-insurance and reinsurance operation	2,204,430	0	2,204,430	85,925	0	85,925	6,231	0	6,231	2,296,586
Receivables for income tax refund	301,273	0	301,273	0	0	0	0	0	0	301,273
Other receivables	31,005,709	51,750	31,057,459	6,934,568	-1,097,970	5,836,598	99,621,926	-96,446,199	3,175,727	40,069,786
Other short-term receivables from insurance operations	10,167,450	-5,948	10,161,502	2,798,679	-1,079,490	1,719,189	92,494,198	-90,896,740	1,597,458	13,478,149
Short-term receivables from financing	4,135,477	47,873	4,183,350	776,963	-17,543	759,420	932,325	-857,351	74,974	5,017,746
Other short-term receivables	13,718,699	9,825	13,728,524	2,420,955	-937	2,420,018	5,183,565	-4,692,108	491,457	16,639,999
Long-term receivables	2,984,083	0	2,984,083	937,971	0	937,971	1,011,838	0	1,011,838	4,933,892
TOTAL	127,672,351	-553,940	127,118,411	31,751,708	-4,541,011	27,210,697	177,129,046	-165,014,419	12,114,627	166,443,733

Zavarovalnica Triglav

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			in EUR
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	TOTAL NET VALUE
31 December 2016										
Receivables from direct insurance operations	55,061,473	-222,495	54,838,978	4,844,129	-1,568,429	3,275,700	28,323,470	-27,946,545	376,925	58,491,603
Receivables from insurers	52,844,646	-222,495	52,622,151	4,811,880	-1,555,853	3,256,027	27,646,254	-27,279,448	366,806	56,244,984
Receivables from insurance brokers	0	0	0	0	0	0	0	0	0	0
Other receivables from direct insurance operations	2,216,827	0	2,216,827	32,249	-12,576	19,673	677,216	-667,097	10,119	2,246,619
Receivables from co-insurance and reinsurance operations	7,538,096	0	7,538,096	0	0	0	0	0	0	7,538,096
Premium receivable from co-insurance	546,452	0	546,452	0	0	0	0	0	0	546,452
Premium receivable from reinsurance	0	0	0	0	0	0	0	0	0	0
Receivables from co-insurers' share in claims	192,150	0	192,150	0	0	0	0	0	0	192,150
Receivables from reinsurers' share in claims	6,799,494	0	6,799,494	0	0	0	0	0	0	6,799,494
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	7,598,564	-104,383	7,494,181	2,681,727	-1,096,798	1,584,929	83,998,579	-83,238,303	760,276	9,839,386
Other short-term receivables from insurance operations	2,714,698	0	2,714,698	2,654,975	-1,086,794	1,568,181	83,789,463	-83,032,222	757,241	5,040,120
Short-term receivables from financing	2,402,133	-104,383	2,297,750	26,557	-9,931	16,626	105,383	-102,348	3,035	2,317,411
Other short-term receivables	2,200,371	0	2,200,371	195	-73	122	103,733	-103,733	0	2,200,493
Long-term receivables	281,362	0	281,362	0	0	0	0	0	0	281,362
TOTAL	70,198,133	-326,878	69,871,255	7,525,856	-2,665,227	4,860,629	112,322,049	-111,184,848	1,137,201	75,869,085

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			in EUR
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	TOTAL NET VALUE
31 December 2015										
Receivables from direct insurance operations	51,330,713	-66,084	51,264,629	7,381,675	-2,166,586	5,215,089	31,693,382	-30,214,087	1,479,295	57,959,013
Receivables from insurers	48,238,821	-66,084	48,172,737	7,349,271	-2,153,979	5,195,292	31,307,002	-29,531,844	1,775,158	55,143,187
Receivables from insurance brokers	0	0	0	0	0	0	0	0	0	0
Other receivables from direct insurance operations	3,091,892	0	3,091,892	32,404	-12,607	19,797	386,380	-682,243	-295,863	2,815,826
Receivables from co-insurance and reinsurance operations	12,219,198	0	12,219,198	0	0	0	0	0	0	12,219,198
Premium receivable from co-insurance	823,686	0	823,686	0	0	0	0	0	0	823,686
Premium receivable from reinsurance	0	0	0	0	0	0	0	0	0	0
Receivables from co-insurers' share in claims	95,127	0	95,127	0	0	0	0	0	0	95,127
Receivables from reinsurers' share in claims	11,300,385	0	11,300,385	0	0	0	0	0	0	11,300,385
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	23,049,196	0	23,049,196	2,698,841	-1,069,752	1,629,089	90,515,410	-89,655,180	860,230	25,538,515
Other short-term receivables from insurance operations	2,681,757	0	2,681,757	2,652,401	-1,051,272	1,601,129	90,188,178	-89,334,034	854,144	5,137,030
Short-term receivables from financing	15,295,441	0	15,295,441	43,544	-17,543	26,001	249,024	-243,759	5,265	15,326,707
Other short-term receivables	2,596,817	0	2,596,817	2,896	-937	1,959	78,208	-77,387	821	2,599,597
Long-term receivables	2,475,181	0	2,475,181	0	0	0	0	0	0	2,475,181
TOTAL	86,599,107	-66,084	86,533,023	10,080,516	-3,236,338	6,844,178	122,208,792	-119,869,267	2,339,525	95,716,726

The table below shows changes in impairment allowance for receivables separately for Triglav Group and Zavarovalnica Triglav.

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
VALUE ADJUSTMENT OF RECEIVABLES FROM POLICYHOLDERS				
Impairment allowance for receivables as at 1 January	61,726,947	66,699,599	31,751,907	35,580,808
– Increase of impairment allowance for receivables	7,325,149	8,832,347	4,771,560	5,147,360
– Decrease in impairment allowance for receivables	-6,578,175	-9,589,581	-4,482,377	-5,903,918
– Receivables write-off	-7,031,184	-4,260,184	-2,983,294	-3,072,343
– Acquisition	0	-454	0	0
– Exchange rate difference	46,774	45,220	0	0
Impairment allowance for receivables as at 31 December	55,489,511	61,726,947	29,057,796	31,751,907
IMPAIRMENT ALLOWANCE FOR OTHER SHORT-TERM RECEIVABLES				
Impairment allowance for receivables as at 1 January	91,982,165	91,032,745	90,385,306	90,457,579
– Increase of impairment allowance for receivables	8,705,670	10,655,677	8,529,641	10,365,778
– Decrease in impairment allowance for receivables	-8,232,540	-7,767,876	-8,112,684	-7,656,704
– Receivables write-off	-6,711,835	-1,930,767	-6,683,248	-2,781,346
– Changes in Group	0	0	0	0
– Exchange rate difference	-16,782	-7,614	0	0
Impairment allowance for receivables as at 31 December	85,726,679	91,982,165	84,119,015	90,385,306
VALUE ADJUSTMENT OF OTHER RECEIVABLES				
Impairment allowance for receivables as at 1 January	16,792,495	17,469,859	1,034,477	2,440,529
– Increase of impairment allowance for receivables	1,986,709	2,102,429	103,753	191,659
– Decrease in impairment allowance for receivables	72,471	-2,348,113	-70,343	-1,536,124
– Receivables write-off	-433,073	-450,738	-67,745	-71,668
– Transfer on deferred income	0	-36,588	0	0
– Exchange rate difference	35,309	9,450	0	0
– Changes in Group	702,227	0	0	10,081
– Transfer on disposal group held for sale	-1,767,295	-346,062	0	0
Impairment allowance for receivables as at 31 December	17,388,843	16,400,237	1,000,142	1,034,477
TOTAL VALUE ADJUSTMENT OF RECEIVABLES				
As at 1 January	170,456,057	175,202,203	123,171,690	128,478,916
As at 31 December	158,605,033	170,109,349	114,176,953	123,171,690

Receivables from financial leasing

	Minimum lease payments		Current value of minimum lease payments	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Up to 1 year	56,066	731,302	56,066	654,749
From 1 to 5 years	0	2,362,667	0	2,186,566
More than 5 years	0	0	0	0
TOTAL	56,066	3,093,968	56,066	2,841,315
Less unearned financial income	0	-123,654	0	0
Less maintenance costs	0	-129,000	0	0
Receivable present value of the minimum lease payments	56,066	2,841,315	56,066	2,841,315

Under the financial leasing agreement, the lessee used the option of early purchase of the real property with Zavarovalnica Triglav in 2016. The lessee was charged interest at the interest rate of 2.174% for 2016 (the real interest rate of 2.192% + 12-month Euribor – 0.018%), including the compensation for insurance costs and major repair costs.

The purchase price in the amount of EUR 2,290,945 was settled prior to the balance sheet date. On the balance sheet date, a receivable in the amount of one installment of EUR 56,066 were still due, but it was settled at the beginning of 2017. The financial lease receivable is recognized in the statement of financial position within other receivables.

3.9 Other assets

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Inventories	584,544	3,670,574	200,565	222,659
Deferred costs	2,312,600	3,763,822	1,029,911	1,926,409
Sredstva, vložena v računalniške programe za Skupino	718,936	642,611	718,936	642,611
Other assets	6,173	57,755	0	0
TOTAL	3,622,253	8,134,762	1,949,412	2,791,679

in EUR

3.10 Cash and cash equivalents

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash in bank accounts	53,816,146	33,226,581	27,637,328	7,541,489
Deposits redeemable at notice	11,484,922	14,247,701	0	0
Cash on hand and cheques	413,406	453,566	16,318	8,469
Other	0	920	0	0
TOTAL	65,714,474	47,928,768	27,653,646	7,549,958

in EUR

3.11 Non-current assets held for sale

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Non-current assets Avrigo Group	0	23,545,963	0	0
Non-current assets - land and property of company TUN ⁹⁸	1,020,293	10,891,123	0	0
TOTAL	1,020,293	34,437,086	0	0

in EUR

Non-current assets held for sale includes the value of land and buildings of Triglav, Upravljanje nepremičnin d.d., which are planned to be disposed of within a year.

98 TUN = Triglav, Upravljanje nepremičnin d.d.

3.12 Equity

As at 31 December 2016, 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.

Shareholders of Zavarovalnica Triglav

Shareholders	Number of shares		Percentage of ownership	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	7,836,628	7,836,628	34.47	34.47
SDH, d.d., Ljubljana	6,386,644	6,386,644	28.09	28.09
Addiko Bank, d.d., Zagreb, Hrvatska	1,467,458	1,435,521	6.45	6.31
Hrvatska poštanska banka, d.d., Zagreb, Hrvatska	322,004	322,557	1.42	1.42
Clearstream Banking SA, Luksemburg, Luksemburg	297,152	273,152	1.31	1.20
Balkan Fund, Luksemburg, Luksemburg	290,278	326,278	1.28	1.44
Unicredit Bank Austria, Dunaj, Avstrija	267,356	88,987	1.18	0.39
Pozavarovalnica Sava Re, d.d., Ljubljana	166,678	166,678	0.73	0.73
Kuwait Investment Authority, Safat, Kuvajt	158,571	154,771	0.70	0.68
The Bank of New York Mellon, New York, ZDA	157,157	100,214	0.69	0.44
Other shareholders (each less than 1%)	5,385,222	5,643,718	23.69	24.82
TOTAL	22,735,148	22,735,148	100.00	100.00

Share price

	31 December 2016	31 December 2015
Quoted price of the share on the regulated securities market	23.20	23.50
Carrying amount per share	24.80	23.34

Distribution of accumulated profits of Zavarovalnica Triglav

	2016	2015
Net profit/loss for the year	75,333,602	58,505,818
Net profit brought forward	8,190,402	4,849,167
Increase in retained income	36,497,876	2,361,643
Reduction in retained net profit to increase share capital	0	0
Decrease in retained income of deferred tax	0	0
Reduction in net profit or loss to create credit risk provisions	0	-688,356
Increase of other reserves from profit based on the decision by the Management and Supervisory Boards	-37,600,000	0
ACCUMULATED PROFITS	82,421,880	65,028,272
Distribution of accumulated profits		
- to shareholders		56,837,870
- allocation to other reserves from profit		0
- transfer to the following year		8,190,402

The distribution of the accumulated profit for 2016 will be proposed by the Management and Supervisory Board and submitted for decision to the General Meeting of Shareholders of Zavarovalnica Triglav.

Dividends

	in EUR	
	2016	2015
Dividends to be distributed to shareholders	Not published	56,837,870
Dividend per share	–	2.50

Authorised capital

In accordance with the Company's Articles of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 14,740,278.36 by issuing new shares against contributions in cash within five years as of 2 June 2016. 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.

Reserves from profit

In addition to legal and treasury share reserves, reserves from profit also comprise 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.

Up to 31 December 2015, the Company within revenue reserves also created credit risk risk provisions (equalisation reserves). These reserves were formed in accordance with the requirements of the Insurance Act and recognized in equity due to non-compliance with IFRS. After entry into force of the revised insurance act (ZZavar-1) on 1 January 2016, credit risk equalisation reserves recognised under equity were reversed and the total amount of EUR -1 was transferred to the net profit brought forward.

Reserves from treasury shares and treasury shares (as a deductible item)

The treasury shares include the shares of Zavarovalnica Triglav held by other companies of the Triglav Group, whose financial statements are included in the consolidated financial statements of the Triglav Group. Triglav, Upravljanje nepremičnin d.d. holds 24,312 shares of Zavarovalnica Triglav in the amount of EUR 364,680.

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.

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 [→ Section 1.3].

Currency translation adjustment

Currency translation differences arise from foreign exchange differences in consolidation procedures. In 2016, the currency translation adjustment totalled EUR 595,983 evrov (vs. EUR 2015: 48,074).⁹⁹ The translation differences in majority refer to the reduction related to the growth of the Serbian dinar (RSD).

⁹⁹ The amount does not include translation differences relating to non-controlling interests.

Notes to the statement of changes in equity

The following changes are shown in the statement of changes in equity for 2016:

- Based on the resolution passed by the General Meeting of Shareholders of Zavarovalnica Triglav on 31 May 2016 on the distribution of the accumulated profit for 2015, EUR 56,837,870 were allocated to dividend payments. For consolidation purposes the dividends paid to Triglav, Upravljanje nepremičnin, d.d. of EUR 60,894.
- The legal and statutory reserves were increased in the amount of EUR 270,638 in three subsidiaries. These reserves were formed from net profit brought forward or net profit for the year.
- Credit risk equalisation reserves of both Zavarovalnica Triglav and Triglav Re, were released and transferred to the net profit of the year in the amount of EUR 33,280,648.
- Share premium decreased by EUR 1,339,896 as a result of covering the loss from previous years of the company Triglav, Upravljanje nepremičnin d.d., and by EUR 127,237 due to the sale of the company Avrigo d.o.o. and its subsidiaries. A detailed explanation is given in [→ Section 2.7].

3.13 Subordinated liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Amortised cost	16.869.102	18.752.252	21.103.108	21.101.278
Fair value	19.160.879	21.686.280	23.970.102	24.402.840

As at the balance sheet date the principal of the ZT02 bonds - issued in 2009 as euro-dominated 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. The value of ZT02 bonds held by the companies of the Triglav Group (4,239 lots) was excluded from the consolidated financial statements. In the separate financial statements of the Company, subordinated debt was reduced by purchased bonds outside the Group (8,872 lots). For the calculation of fair values, the last known price on the Ljubljana Stock Exchange is taken into account. As at 31 December 2016, ZT02 price stood at 113.45% (115.5% as at 31 December 2015).

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.

3.14 Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts

in EUR

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
NON-LIFE INSURANCE				
GROSS PROVISIONS FOR UNEARNED PREMIUMS	260,854,523	249,653,712	188,067,543	180,141,569
Gross provision for unearned premiums	260,722,697	249,489,890	187,935,717	179,977,747
Gross provisions for unearned premiums from coinsurance	131,826	163,822	131,826	163,822
GROSS CLAIMS PROVISIONS	607,228,071	613,245,763	453,377,312	467,032,829
Gross claims provisions for IBNR and IBNER	322,207,652	343,428,357	246,702,719	271,062,587
Gross provisions for incurred and reported claims	245,264,840	231,888,147	172,083,327	162,354,671
Gross claims provisions for co-insurance	1,063,996	1,160,536	1,063,996	1,160,536
Expected subrogation	-9,727,154	-9,566,955	-10,323,181	-10,491,286
Provisions for claim handling costs	48,418,737	46,335,678	43,850,450	42,946,321
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	19,105,924	17,382,035	18,495,379	16,817,528
OTHER GROSS INSURANCE TECHNICAL PROVISIONS	6,838,308	7,309,307	3,776,436	3,226,060
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	894,026,826	887,590,817	663,716,669	667,217,986
LIFE INSURANCE				
GROSS UNEARNED PREMIUM PROVISIONS	449,648	441,971	420,333	417,422
GROSS MATHEMATICAL PROVISIONS	1,273,538,608	1,219,737,727	959,268,937	925,402,898
Gross mathematical provisions covering life insurance	788,426,467	763,602,056	731,757,446	711,985,994
Gross mathematical provisions covering SVPI	449,706,841	425,824,906	192,106,191	183,106,139
Gross mathematical provisions covering SVPI during the annuity pay-out period	35,405,300	30,310,765	35,405,300	30,310,765
GROSS CLAIMS PROVISIONS	18,911,899	20,097,218	17,863,463	19,214,892
Gross claims provisions for IBNR and IBNER	15,043,632	16,204,001	14,545,914	15,759,175
Gross provisions for incurred and reported claims	3,568,320	3,588,490	3,063,967	3,190,423
Gross claims provisions for co-insurance	253,582	265,294	0	0
Expected subrogation	25,103	4,019	0	0
Provisions for claim handling costs	21,262	35,414	253,582	265,294
OTHER INSURANCE TECHNICAL PROVISIONS	3,946,905	2,730,850	3,908,408	2,690,931
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	1,296,847,060	1,243,007,766	981,461,142	947,726,143
HEALTH INSURANCE				
GROSS PROVISIONS FOR UNEARNED PREMIUMS	2,335,449	1,962,273	0	0
Gross provision for unearned premiums	2,335,449	1,962,273	0	0
Gross provisions for unearned premiums from coinsurance	0	0	0	0
GROSS CLAIMS PROVISIONS	9,100,925	9,344,074	0	0
Gross claims provisions for IBNR and IBNER	8,346,377	8,439,749	0	0
Gross provisions for incurred and reported claims	534,385	683,931	0	0
Gross claims provisions for co-insurance	0	0	0	0
Expected subrogation	0	0	0	0
Provisions for claim handling costs	220,163	220,394	0	0
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	0	0	0	0
OTHER INSURANCE TECHNICAL PROVISIONS	794,964	1,490,285	0	0
TOTAL HEALTH INSURANCE TECHNICAL PROVISIONS	12,231,338	12,796,632	0	0
TOTAL INSURANCE TECHNICAL PROVISIONS	2,203,105,224	2,143,395,211	1,645,177,811	1,614,944,129
GROSS MATHEMATICAL PROVISIONS COVERING ULI	457,683,091	457,046,912	431,125,308	438,920,157

The gross insurance technical provisions, which include gross mathematical provisions for the guarantee fund backing unit-linked insurance, are disclosed in the financial statements under the separate item »Insurance technical provisions for unit-linked insurance«.

Other insurance technical provisions for non-life insurance include provisions for cancellations and provisions for unexpired risks, while other insurance technical provisions for life insurance include additional provisions for credit risks.

Breakdown of gross and net claims provisions

in EUR

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
NON-LIFE INSURANCE				
Gross provisions for incurred and unreported claims	310,300,309	334,775,530	233,644,007	256,992,213
Gross claims provisions	322,207,652	343,428,357	246,702,719	271,062,587
Reinsurers' share	-11,907,343	-8,652,827	-13,058,712	-14,070,374
Gross provisions for incurred and reported claims	198,690,204	188,799,391	125,189,873	121,161,001
Gross claims provisions	245,264,840	231,888,147	172,083,327	162,354,671
Reinsurers' and co-insurers' share	-46,574,636	-43,088,756	-46,893,454	-41,193,670
Gross claims provisions for co-insurance	1,063,996	1,160,536	1,063,996	1,160,536
Gross claims provisions	1,063,996	1,160,536	1,063,996	1,160,536
Reinsurers' share	0	0	0	0
Expected subrogation	-9,110,996	-8,849,252	-9,707,023	-9,773,583
Gross claims provisions	-9,727,154	-9,566,955	-10,323,181	-10,491,286
Reinsurers' share	616,158	717,703	616,158	717,703
Provisions for claim handling costs	48,418,737	46,335,678	43,850,450	42,946,321
Gross claims provisions	48,418,737	46,335,678	43,850,450	42,946,321
Reinsurers' share	0	0	0	0
TOTAL NON-LIFE INSURANCE GROSS CLAIMS PROVISIONS	549,362,250	562,221,883	394,041,303	412,486,488
TOTAL GROSS CLAIMS PROVISIONS	607,228,071	613,245,763	453,377,312	467,032,829
TOTAL REINSURERS' SHARE	-57,865,821	-51,023,880	-59,336,009	-54,546,341
LIFE INSURANCE				
Gross provisions for incurred and unreported claims	15,043,632	16,204,001	14,545,914	15,759,175
Gross claims provisions	15,043,632	16,204,001	14,545,914	15,759,175
Reinsurers' share	0	0	0	0
Gross provisions for incurred and reported claims	3,568,320	3,588,490	3,024,901	3,171,930
Gross claims provisions	3,568,320	3,588,490	3,063,967	3,190,423
Reinsurers' share	0	0	-39,065	-18,493
Gross claims provisions for co-insurance	253,582	265,294	0	0
Gross claims provisions	253,582	265,294	0	0
Reinsurers' share	0	0	0	0
Expected subrogation	25,103	4,019	0	0
Gross claims provisions	25,103	4,019	0	0
Reinsurers' share	0	0	0	0
Provisions for claim handling costs	21,262	35,414	253,582	265,294
Gross claims provisions	21,262	35,414	253,582	265,294
Reinsurers' share	0	0	0	0
TOTAL LIFE INSURANCE GROSS CLAIMS PROVISIONS	18,911,899	20,097,218	17,824,397	19,196,399
TOTAL GROSS CLAIMS PROVISIONS	18,911,899	20,097,218	17,863,463	19,214,892
TOTAL REINSURERS' SHARE	0	0	-39,065	-18,493
HEALTH INSURANCE				
Gross provisions for incurred and unreported claims	8,346,377	8,439,749	0	0
Gross claims provisions	8,346,377	8,439,749	0	0
Reinsurers' share	0	0	0	0
Gross provisions for incurred and reported claims	534,385	683,931	0	0
Gross claims provisions	534,385	683,931	0	0
Reinsurers' and co-insurers' share	0	0	0	0
Gross claims provisions for co-insurance	0	0	0	0
Gross claims provisions	0	0	0	0
Reinsurers' share	0	0	0	0
Expected subrogation	0	0	0	0
Gross claims provisions	0	0	0	0
Reinsurers' share	0	0	0	0
Provisions for claim handling costs	220,163	220,394	0	0
Gross claims provisions	220,163	220,394	0	0
Reinsurers' share	0	0	0	0
TOTAL HEALTH INSURANCE GROSS CLAIMS PROVISIONS	9,100,925	9,344,074	0	0
TOTAL GROSS CLAIMS PROVISIONS	9,100,925	9,344,074	0	0
TOTAL REINSURERS' SHARE	0	0	0	0

Analysis of changes in gross insurance technical provisions for Triglav Group

						in EUR
NON-LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2015	243,575,522	620,460,169	15,845,556	7,535,064	0	887,416,310
Increase	203,529,320	194,081,790	12,372,593	5,303,917	0	415,287,620
Use	-197,453,807	-201,319,002	-10,836,861	-5,529,447	0	-415,139,117
Exchange rate difference	2,677	22,803	747	-227	0	26,000
31 December 2015	249,653,712	613,245,760	17,382,035	7,309,307	0	887,590,817
Increase	193,382,127	184,902,318	12,893,968	5,240,004	0	396,418,417
Use	-182,080,981	-190,876,557	-11,172,783	-5,709,895	0	-389,840,216
Exchange rate difference	-100,335	-43,450	2,704	-1,108	0	-142,189
31 December 2016	260,854,523	607,228,071	19,105,924	6,838,308	0	894,026,826

						in EUR
LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2015	437,169	954,072,939	20,074,018	986,715	458,899,160	1,434,470,001
Increase	430,301	131,204,318	12,653,572	1,938,785	58,819,881	205,046,857
Use	-425,521	-90,190,006	-12,631,541	-195,150	-60,713,886	-164,156,104
Acquisition	0	224,559,532	0	499	0	224,560,031
Exchange rate difference	22	90,944	1,168	1	41,756	133,891
31 December 2015	441,971	1,219,737,727	20,097,218	2,730,850	457,046,912	1,700,054,676
Increase	436,402	162,897,270	12,920,953	1,481,685	67,892,606	245,628,916
Use	-428,820	-109,465,897	-14,109,972	-265,630	-67,444,177	-191,714,496
Exchange rate difference	95	369,508	3,702	0	187,750	561,055
31 December 2016	449,648	1,273,538,608	18,911,899	3,946,905	457,683,091	1,754,530,151

						in EUR
HEALTH INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2015	1,983,042	0	8,293,272	1,492,548	0	11,768,862
Increase	1,962,273	0	8,926,980	615,205	0	11,504,458
Use	-1,983,042	0	-7,876,178	-617,468	0	-10,476,688
Exchange rate difference	0	0	0	0	0	0
31 December 2015	1,962,273	0	9,344,074	1,490,285	0	12,796,632
Increase	2,335,449	0	8,708,372	288,700	0	11,332,521
Use	-1,962,273	0	-8,951,522	-984,021	0	-11,897,816
Exchange rate difference	0	0	0	0	0	0
31 December 2016	2,335,449	0	9,100,925	794,964	0	12,231,338

Analysis of changes in gross insurance technical provisions for Zavarovalnica Triglav

in EUR						
NON-LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2015	182,489,705	489,862,786	15,380,257	3,963,555	0	691,696,303
Increase	154,534,870	158,785,126	11,889,019	3,226,060	0	328,435,075
Use	-156,883,005	-181,615,083	-10,451,748	-3,963,555	0	-352,913,391
31 December 2015	180,141,569	467,032,829	16,817,528	3,226,060	0	667,217,986
Increase	160,600,400	154,510,374	12,612,277	3,776,436	0	331,499,486
Use	-152,674,426	-168,165,891	-10,934,426	-3,226,060	0	-335,000,803
31 December 2016	188,067,543	453,377,312	18,495,379	3,776,436	0	663,716,669

in EUR						
LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2015	412,831	904,858,200	19,136,346	986,715	442,952,449	1,368,346,541
Increase	417,422	107,134,384	12,547,332	1,899,366	56,147,839	178,146,343
Use	-412,831	-86,589,686	-12,468,786	-195,150	-60,180,131	-159,846,585
31 December 2015	417,422	925,402,898	19,214,892	2,690,931	438,920,157	1,386,646,300
Increase	420,333	115,341,780	12,517,184	1,481,685	60,306,997	190,067,980
Use	-417,422	-81,475,741	-13,868,613	-264,208	-68,101,846	-164,127,830
31 December 2016	420,333	959,268,937	17,863,463	3,908,408	431,125,308	1,412,586,450

Analysis of the decrease in gross mathematical provisions

in EUR				
	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Surrenders	29,922,860	19,318,721	15,320,526	18,572,649
Endowments	59,673,486	60,871,515	56,853,767	58,177,388
Deaths	2,811,826	2,601,021	2,210,721	2,464,865
Other	17,057,724	7,398,749	7,090,727	7,374,785
TOTAL	109,465,896	90,190,006	81,475,741	86,589,686

Other releases primarily concern life pension annuity pay-outs. The disclosed amount also includes releases of additional provisions as a result of shadow accounting in the PDPZ guarantee fund and releases of additional mathematical provisions for credit risk.

Analysis of changes in loss events for non-life insurance for Triglav Group

	Year of occurrence											TOTAL
	Before 2007	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Cumulative loss assessment												
- at the end of year of occurrence		452,588,309	580,563,977	560,952,881	535,615,958	509,028,152	537,773,397	540,980,548	523,335,884	494,721,974	497,610,909	5,233,171,988
- 1 year after year of occurrence		441,568,602	558,871,106	502,868,739	492,902,084	461,311,067	539,573,012	447,917,990	481,304,284	477,337,992		4,403,654,876
- 2 years after year of occurrence		437,542,206	531,833,942	492,609,753	473,335,579	474,755,005	500,921,267	463,342,293	466,027,510			3,840,367,556
- 3 years after year of occurrence		429,583,969	530,609,243	484,758,847	479,637,277	455,085,444	496,641,454	439,583,068				3,315,899,302
- 4 years after year of occurrence		430,229,469	526,347,769	484,136,193	467,602,633	458,416,153	487,381,079					2,854,113,297
- 5 years after year of occurrence		426,895,003	527,163,911	479,931,802	467,642,819	450,071,089						2,351,704,625
- 6 years after year of occurrence		429,407,513	529,614,877	477,637,233	459,856,973							1,896,516,596
- 7 years after year of occurrence		434,504,519	524,701,655	471,160,939								1,430,367,112
- 8 years after year of occurrence		429,749,459	519,372,405									949,121,864
- 9 years after year of occurrence		426,390,524										426,390,524
- 10 years after year of occurrence	68,428,825											68,428,825
Cumulative loss assessment		426,390,524	519,372,405	471,160,939	459,856,973	450,071,089	487,381,079	439,583,068	466,027,510	477,337,992	497,610,909	26,769,736,564
Cumulative payments until balance sheet date		412,572,617	505,940,310	454,978,554	437,753,558	422,741,092	444,187,633	402,860,406	414,415,940	398,745,153	292,672,796	4,186,868,060
Claim provisions balance	68,428,825	13,817,907	13,432,095	16,182,385	22,103,415	27,329,997	43,193,446	36,722,662	51,611,570	78,592,840	204,938,112	576,353,254

Analysis of changes in loss events for non-life insurance for Zavarovalnica Triglav

	Year of occurrence											TOTAL
	Before 2007	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Cumulative loss assessment												
- at the end of year of occurrence		375,371,479	474,044,321	428,334,819	397,894,156	344,766,188	357,523,991	317,835,549	320,473,605	288,017,455	287,798,336	3,592,059,899
- 1 year after year of occurrence		350,847,419	439,920,329	379,229,569	349,567,530	303,201,976	304,864,538	266,546,400	276,286,823	244,620,306		2,915,084,891
- 2 years after year of occurrence		340,005,493	419,626,410	365,975,020	333,049,538	288,324,957	296,542,971	256,384,328	265,047,929			2,564,956,645
- 3 years after year of occurrence		329,957,813	411,548,525	356,293,810	326,228,216	282,155,740	289,326,478	249,972,030				2,245,482,611
- 4 years after year of occurrence		325,364,482	405,638,003	352,427,627	320,837,129	281,692,146	283,750,168					1,969,709,555
- 5 years after year of occurrence		321,506,313	404,027,863	347,853,432	317,082,345	278,889,676						1,669,359,628
- 6 years after year of occurrence		319,930,935	401,458,477	344,803,291	313,090,207							1,379,282,910
- 7 years after year of occurrence		317,114,795	397,942,137	341,842,194								1,056,899,126
- 8 years after year of occurrence		315,370,469	395,478,987									710,849,456
- 9 years after year of occurrence		314,316,809										314,316,809
- 10 years after year of occurrence	65,525,702											
Cumulative loss assessment		314,316,809	395,478,987	341,842,194	313,090,207	278,889,676	283,750,168	249,972,030	265,047,929	244,620,306	287,798,336	2,974,806,642
Cumulative payments until balane sheet date		303,718,742	384,691,440	328,744,872	296,611,038	256,852,456	247,380,790	222,521,017	227,623,002	195,654,278	153,839,634	2,617,637,269
Claim provisions balance	61,616,673	10,598,068	10,787,547	13,097,322	16,479,169	22,037,220	36,369,377	27,451,012	37,424,927	48,966,028	133,958,702	418,786,047

3.15 Employee benefits

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Provisions for unused leave	4,265,313	3,585,033	3,553,625	2,928,334
Provisions for retirement benefits	7,544,294	6,743,572	5,753,856	5,006,984
Provisions for jubilee payments	1,740,657	1,896,526	1,240,033	1,253,720
TOTAL	13,550,264	12,225,131	10,547,514	9,189,038

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 differed tax charge is accounted for.

Analysis of the movement of employee benefits for the Triglav Group

	Provisions for unused leave	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2015	3,674,116	6,924,311	1,667,155	12,265,582
Use of provisions in the year	-3,317,163	-523,195	-26,182	-3,866,539
Release of provisions in the year	-2,770	-70,369	-6,432	-79,571
Creation of provisions in the year	3,230,520	654,218	342,689	4,227,428
Acquisition	0	148,800	61,374	210,174
Non-current assets held for sale	0	-390,303	-142,750	-533,053
Exchange rate difference	330	110	671	1,111
As at 31 December 2015	3,585,033	6,743,572	1,896,526	12,225,131
Use of provisions in the year	-3,306,538	-61,206	-67,265	-3,435,009
Release of provisions in the year	0	-29,853	-181,800	-211,653
Creation of provisions in the year	3,984,754	1,038,077	156,484	5,179,315
Change in Group	0	-147,913	-64,570	-212,483
Exchange rate difference	2,064	1,622	1,282	4,968
As at 31 December 2016	4,265,313	7,544,294	1,740,657	13,550,264

Analysis of the movement of employee benefits for the Zavarovalnica Triglav

	Provisions for unused leave	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2015	3,163,254	5,198,930	1,046,470	9,408,654
Use of provisions in the year	-3,163,254	-422,154	0	-3,585,408
Creation of provisions in the year	2,928,334	230,208	207,250	3,365,792
As at 31 December 2015	2,928,334	5,006,984	1,253,720	9,189,038
Use of provisions in the year	-2,928,334	0	-13,687	-2,942,021
Creation of provisions in the year	3,553,625	746,872	0	4,300,497
As at 31 December 2016	3,553,625	5,753,856	1,240,033	10,547,514

Development of provisions for retirement benefits and jubilee payments in Triglav Group

			in EUR
	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2015	6,758,751	1,667,155	8,425,906
Current service cost	303,076	174,200	477,276
Interest cost	62,705	6,760	69,465
Actuarial gains/losses due to:			
- changes in demographic assumptions	-8,776	-450	-9,226
- changes in financial assumptions	34,469	14,178	48,647
- experience adjustments	-168,939	-5,378	-174,317
Past service cost	96,641	254,668	351,309
Benefits paid during the year	-97,632	-69,398	-167,030
Gains/losses upon payment	-196,360	-64,505	-260,865
Liabilities assumed in business combinations	148,800	61,374	210,174
Non-current assets held for sale	-390,303	-142,750	-533,053
Exchange rate difference	108	671	779
As at 31 December 2015	6,542,540	1,896,526	8,439,066
Current service cost	609,208	173,305	782,513
Interest cost	52,985	4,135	57,120
Actuarial gains/losses due to:			
- changes in demographic assumptions	-59,314	-12,680	-71,994
- changes in financial assumptions	156,681	108,578	265,259
- experience adjustments	343,651	-50,424	293,227
Past service cost	-8,955	-138,041	-146,996
Benefits paid during the year	-142,752	-186,360	-329,112
Gains/losses upon payment	-222	8,906	8,684
Liabilities assumed in business combinations	48,849	-64,568	-15,719
Exchange rate difference	1,622	1,282	2,904
As at 31 December 2016	7,544,294	1,740,657	9,284,950

Sensitivity analysis of parameter changes for Triglav Group

		in EUR	
Parameter	Parameter change	2016	2015
Interest rate	shift in the discount curve by +0.25 %	-765,447	-423,528
	shift in the discount curve by -0.25 %	829,445	436,039
Wage growth	change in annual wage growth by +0.5 %	985,766	614,874
	change in annual wage growth by -0.5 %	-846,390	-536,075
Mortality rate	constant increase in mortality by +20 %	-715,368	-365,219
	constant increase in mortality by -20 %	744,809	373,494
Early employment termination	shift in the expense curve by +20 %	-789,376	-468,803
	shift in the expense curve by -20 %	855,831	487,074

Development of provisions for retirement benefits and jubilee payments in Zavarovalnica Triglav

	in EUR		
	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2015	5,198,929	1,046,471	6,245,400
Current service cost	193,964	83,264	277,228
Interest expenses	38,350	3,726	42,076
Actuarial gains/loss due to:			
- change in demographic assumptions	0	0	0
- change in financial assumptions	-66,115	-3,481	-69,596
- experience adjustments	-173,462	-5,378	-178,839
Past service cost	0	255,304	255,304
Profit/loss upon payment	-167,716	-119,447	-287,163
Termination payments during the year	-16,967	-6,738	-23,704
As at 31 December 2015	5,006,984	1,253,720	6,260,704
Current service cost	459,427	132,577	592,004
Interest expenses	38,350	3,726	42,076
Actuarial gains/loss due to:			
- change in demographic assumptions	-51,898	-12,680	-64,578
- change in financial assumptions	99,052	95,028	194,080
- experience adjustments	354,044	-51,702	302,342
Past service cost	0	0	0
Profit/loss upon payment	0	-14,450	-14,450
Termination payments during the year	-152,103	-166,185	-318,288
As at 31 December 2016	5,753,856	1,240,033	6,993,889

Sensitivity analysis of parameter changes for Zavarovalnica Triglav

		in EUR	
Parameter	Parameter change	2016	2015
Interest rate	shift in the discount curve by +0.25%	-160,749	-146,514
	shift in the discount curve by -0.25%	167,804	139,321
Wage growth	change in annual wage growth by +0.5%	289,963	292,153
	change in annual wage growth by -0.5%	-253,298	-257,593
Mortality rate	constant increase in mortality by +20%	-89,734	-85,757
	constant increase in mortality by -20%	91,641	88,172
Early employment termination	shift in the expense curve by +20%	-106,316	-92,513
	shift in the expense curve by -20%	110,552	96,086

3.16 Other provisions

	in EUR	
	Triglav Group	Zavarovalnica Triglav
As at 1 January 2015	3,946,874	399,080
Increase	1,046,793	0
Decrease	-446,698	-17,318
Acquisition	1,824,621	0
Changes in Group	38,310	0
Transfer to non-current assets held for sale	-2,553,110	0
Exchange rate difference	-1,947	0
As at 31 December 2015	3,854,844	381,762
Increase	3,155,228	548,000
Decrease	-938,186	-240,093
Release	-2,094,599	0
Changes in Group	-1,017	0
Exchange rate difference	-5,050	0
As at 31 December 2016	3,971,217	689,669

The maturity of over 90% of other provisions is above 12 months. The largest portion of total provisions is accounted for provisions for legal disputes. The increase in other provisions is shown as »Other income« in the income statement.

3.17 Deferred tax assets and liabilities

	in EUR	
	Triglav Group	Zavarovalnica Triglav
DEFERRED TAX ASSETS		
As at 1 January 2015	20,472,194	15,013,596
- merger of Triglav Naložbe as at 1 January 2015	0	2,633,747
- transfer to non-current assets held for sale - Avrigo	-370,947	0
- increase	3,361,732	2,724,086
- decrease	-7,469,291	-5,644,442
As at 31 December 2015	15,993,688	14,726,987
- increase	2,951,099	2,874,467
- decrease	-4,869,495	-4,413,735
- increase due to change in tax rate	1,717,822	1,551,496
As at 31 December 2016	15,793,114	14,739,215
DEFERRED TAX LIABILITIES		
As at 1 January 2015	30,752,195	27,986,637
- increase	0	0
- decrease	-7,563,399	-6,991,497
As at 31 December 2015	23,188,796	20,995,140
- increase	0	0
- decrease	-628,245	-1,485,686
- increase due to change in tax rate	2,839,993	2,295,170
As at 31 December 2016	25,400,544	21,804,624
NET DEFERRED TAX ASSETS		
As at 31 December 2015	-7,195,108	-6,268,154
As at 31 December 2016	-9,607,430	-7,065,409

Deferred tax assets are recognised for temporary differences arising from the impairment of receivables, financial assets and investment property, formation of post-employment benefits, jubilee benefits, actuarial losses and unused tax losses. Deferred tax assets are not recognized from impairments of investments in subsidiaries and associates disclosed in the stand-alone financial statements.

Deferred tax liabilities are recognised due to the valuation of available-for-sale financial assets and credit risk equalisation reserves.

The change in deferred tax assets is recognised in the income statement, increasing and/or decreasing income tax expense, except for actuarial losses for which deferred tax is recognised in other comprehensive income. 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 4.15].

3.18 Other financial liabilities

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Long-term liabilities for a finance lease	329,074	187,828	0	0
Loans from banks	275,303	1,242,264	0	0
Financial liabilities for acquired securities	1,139,421	1,134,885	1,139,421	1,134,885
Loans from other institutions	0	0	0	0
Loans secured by fixed-return securities	0	0	0	0
Liabilities for dividends	707,945	604,359	707,945	604,359
Liabilities from derivative financial instruments	0	0	0	0
Liabilities for profit-sharing bonuses for employees	0	9,404	0	9,404
Other financial liabilities	2,836,949	605,542	5,344	4,341
TOTAL	5,288,692	3,784,282	1,852,710	1,752,990

3.19 Operating liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
DIRECT INSURANCE LIABILITIES	16,020,020	16,617,928	11,202,342	10,985,581
Liabilities to policyholders	10,609,008	9,841,586	7,563,911	7,726,187
Liabilities to insurance brokers	1,469,226	1,437,370	1,137,024	882,127
Other liabilities from direct insurance operations	3,919,778	5,319,292	1,693,292	1,719,481
Liabilities from direct insurance operations to Group companies	22,008	19,680	808,115	657,785
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	23,129,245	28,053,630	11,507,585	10,264,596
Liabilities for re/co-insurance premiums	14,537,488	14,575,061	2,303,166	1,234,140
Liabilities for co-insurers' share of claims	2,747,847	6,927,490	4,470	743
Other re/co-insurance liabilities	5,843,910	6,551,079	9,199,949	9,029,713
CURRENT TAX LIABILITIES	2,878,930	3,717,167	1,742,023	2,636,536
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	42,028,195	48,388,725	24,451,951	23,886,713

All operating liabilities are short-term and are to be settled within 12 months.

3.20 Other liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Short-term liabilities to employees	18,719,094	17,553,397	15,411,414	15,144,644
Trade payables	9,154,522	6,887,357	9,154,522	6,887,357
Other short-term liabilities from insurance operations	12,671,005	12,358,102	5,684,432	5,647,260
Other short-term liabilities	9,398,029	14,010,310	1,900,842	2,163,531
Other long-term liabilities	51,885	19,857	18,000	19,500
Accrued interest on issued bonds	981,584	978,902	981,584	978,902
Short-term deferred income from charged interest on arrears	1,264,981	1,418,808	1,264,981	1,418,808
Other accruals	10,398,246	13,115,242	514,673	6,168,097
TOTAL OTHER LIABILITIES	62,639,346	66,341,975	34,930,448	38,428,098

In 2015, the Company created guarantee provisions for receivables from overdue premium in Triglav Pojišt'ovna in the amount of EUR 5.6 million within other accruals. In 2016, an amount of EUR 4.2 million was cashed in on a guarantee, while the remaining part of the provision was released and recognised under other income.

4. Notes to the Income Statement

4.1 Premium income

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
NON-LIFE INSURANCE				
Gross written premium ¹⁰⁰	607,765,361	596,278,020	421,757,150	410,144,721
Assumed co-insurance written premium	1,490,019	1,917,039	1,102,902	1,391,448
Ceded co-insurance written premium	-1,751,956	-1,579,444	-1,197,786	-664,645
Reinsurance written premium	-77,311,182	-75,445,453	-76,901,321	-71,409,223
Changes in gross provisions for unearned premiums	-8,417,240	-6,242,048	-6,561,970	1,933,335
Changes in reinsurers' share of unearned premiums	1,610,135	3,322,468	1,709,472	1,311,164
Net premium income on non-life insurance	523,385,137	518,250,582	339,908,447	342,706,800
LIFE INSURANCE				
Gross written premium	212,562,325	212,546,504	170,268,959	174,724,776
Reinsurance written premium	-17,811	-20,737	-409,291	-386,750
Changes in gross provisions for unearned premiums	-20,890	-4,785	-2,912	-4,590
Changes in reinsurers' share of unearned premiums	-127,692	210	0	0
Net premium income on life insurance	212,395,932	212,521,192	169,856,756	174,333,436
HEALTH INSURANCE				
Gross written premium	114,186,110	108,374,702	0	0
Changes in gross provisions for unearned premiums	-373,177	20,748	0	0
Net premium income on health insurance	113,812,933	108,395,450	0	0
TOTAL NET PREMIUM INCOME	849,594,001	839,167,224	509,765,203	517,040,236

100 The recorded gross premiums written also comprise gross insurance premium from reinsurance operations, as follows: in the consolidated financial statements in the amount of EUR 57,772,296 and the financial statements of Zavarovalnica Triglav in the amount of EUR 16,298,520.

Overview of premium income by insurance class for Triglav Group¹⁰¹

	in EUR				
2016	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
NON-LIFE INSURANCE					
Accident insurance	43,175,682	125,004	-215,826	-607,916	42,476,944
Health insurance	115,849,083	3,333	0	-232,365	115,620,051
Land motor vehicle insurance	117,715,478	3,298	-3,858	-7,599,728	110,115,190
Railway insurance	3,143,814	0	0	-649,481	2,494,333
Aircraft insurance	2,300,932	0	0	-1,326,561	974,371
Marine Insurance	3,527,033	81,693	0	-307,040	3,301,686
Cargo insurance	8,079,185	6,489	-653,928	-1,167,416	6,264,330
Fire and natural forces insurance	88,571,299	962,872	-479,628	-30,630,478	58,424,065
Other damage to property insurance	107,469,250	194,703	-295,595	-16,734,696	90,633,662
Motor TPL insurance	145,633,723	0	0	-4,296,262	141,337,461
Aircraft liability insurance	1,297,844	0	0	-673,349	624,495
Marine liability insurance	729,183	0	0	-56,464	672,719
General liability insurance	41,131,248	111,241	-102,422	-6,638,872	34,501,195
Credit insurance	24,719,096	0	0	-2,903,756	21,815,340
Suretyship insurance	2,055,032	0	-699	-359,345	1,694,988
Miscellaneous financial loss insurance	5,145,672	1,386	0	-2,918,498	2,228,560
Legal expenses insurance	618,697	0	0	-10,228	608,469
Travel assistance insurance	10,789,220	0	0	-198,727	10,590,493
Total non-life insurance	721,951,471	1,490,019	-1,751,956	-77,311,182	644,378,352
LIFE INSURANCE					
Life insurance	93,596,693	0	0	-17,811	93,578,882
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	103,867,238	0	0	0	103,867,238
Tontines	0	0	0	0	0
Capital redemption insurance	15,041,116	0	0	0	15,041,116
Loss of income due to illness	57,278	0	0	0	57,278
Total life insurance	212,562,325	0	0	-17,811	212,544,514
TOTAL	934,513,796	1,490,019	-1,751,956	-77,328,993	856,922,866

	in EUR				
2015	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
NON-LIFE INSURANCE					
Accident insurance	45,082,297	237,212	-262,403	-714,684	44,342,422
Health insurance	108,932,567	0	0	-69,398	108,863,169
Land motor vehicle insurance	114,024,141	33,299	-8,522	-8,045,576	106,003,342
Railway insurance	3,116,940	0	0	-598,383	2,518,557
Aircraft insurance	2,399,653	0	-26,630	-906,417	1,466,606
Marine Insurance	3,820,450	231,810	-2,148	-308,451	3,741,661
Cargo insurance	7,471,080	5,254	-304,698	-1,389,709	5,781,927
Fire and natural forces insurance	87,276,768	1,040,938	-461,975	-29,831,223	58,024,508
Other damage to property insurance	103,710,335	45,401	-353,260	-17,022,501	86,379,975
Motor TPL insurance	149,635,535	150,533	-43,269	-5,065,565	144,677,234
Aircraft liability insurance	899,103	0	-2,441	-622,311	274,351
Marine liability insurance	636,831	103,215	0	-36,361	703,685
General liability insurance	36,467,851	69,377	-112,723	-5,119,974	31,304,531
Credit insurance	24,195,667	0	0	-2,416,886	21,778,781
Suretyship insurance	2,117,086	0	-1,104	-499,565	1,616,417
Miscellaneous financial loss insurance	4,506,530	0	-271	-2,559,910	1,946,349
Legal expenses insurance	813,764	0	0	-7,997	805,767
Travel assistance insurance	9,546,125	0	0	-230,542	9,315,583
Total non-life insurance	704,652,723	1,917,039	-1,579,444	-75,445,453	629,544,865
LIFE INSURANCE					
Life insurance	93,434,259	0	0	-20,343	93,413,916
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	76,181,824	0	0	0	76,181,824
Tontines	0	0	0	0	0
Capital redemption insurance	42,879,265	0	0	0	42,879,265
Loss of income due to illness	51,155	0	0	-394	50,761
Total life insurance	212,546,503	0	0	-20,737	212,525,766
TOTAL	917,199,226	1,917,039	-1,579,444	-75,466,190	842,070,631

¹⁰¹ Non-life insurance also includes health insurance.

Overview of premium income by insurance class for Zavarovalnica Triglav

	in EUR				
	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
2016					
NON-LIFE INSURANCE					
Accident insurance	28,798,922	0	0	-1,184,559	27,614,362
Health insurance	422,483	0	-295,776	0	126,707
Land motor vehicle insurance	97,776,203	7,521	0	-8,711,553	89,072,172
Railway insurance	3,000,826	0	0	-545,948	2,454,878
Aircraft insurance	1,039,498	0	0	-902,665	136,833
Marine Insurance	316,659	81,693	0	-75,373	322,979
Cargo insurance	5,066,567	0	-653,920	-1,929,788	2,482,860
Fire and natural forces insurance	54,364,203	940,270	-135,547	-22,409,607	32,759,319
Other damage to property insurance	71,229,040	0	-14,610	-18,506,122	52,708,309
Motor TPL insurance	87,328,336	0	0	-6,219,151	81,109,185
Aircraft liability insurance	810,377	0	0	-737,414	72,963
Marine liability insurance	343,659	0	0	-43,890	299,769
General liability insurance	33,122,833	73,417	-97,934	-9,704,421	23,393,895
Credit insurance	24,622,038	0	0	-3,288,452	21,333,587
Suretyship insurance	1,453,625	0	0	-376,273	1,077,352
Miscellaneous financial loss insurance	2,653,327	0	0	-1,732,988	920,339
Legal expenses insurance	568,538	0	0	-41,343	527,196
Travel assistance insurance	8,840,017	0	0	-491,776	8,348,241
Total non-life insurance	421,757,150	1,102,902	-1,197,786	-76,901,321	344,760,945
LIFE INSURANCE					
Life insurance	83,319,257	0	0	-409,291	82,909,966
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	71,908,586	0	0	0	71,908,586
Tontines	0	0	0	0	0
Capital redemption insurance	15,041,116	0	0	0	15,041,116
Loss of income due to illness	0	0	0	0	0
Total life insurance	170,268,959	0	0	-409,291	169,859,668
TOTAL	592,026,109	1,102,902	-1,197,786	-77,310,612	514,620,613

	in EUR				
	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
2015					
NON-LIFE INSURANCE					
Accident insurance	29,255,847	0	0	-1,169,508	28,086,339
Health insurance	0	0	0	0	0
Land motor vehicle insurance	94,134,045	30,425	0	-9,165,565	84,998,905
Railway insurance	2,972,106	0	0	-532,351	2,439,754
Aircraft insurance	896,584	0	0	-435,064	461,519
Marine Insurance	341,035	231,810	0	-75,534	497,310
Cargo insurance	5,153,901	0	-304,697	-1,392,259	3,456,945
Fire and natural forces insurance	53,800,144	1,060,535	-126,151	-22,324,989	32,409,539
Other damage to property insurance	68,504,409	0	-127,564	-17,148,502	51,228,343
Motor TPL insurance	88,848,154	-340	0	-6,327,373	82,520,440
Aircraft liability insurance	728,616	0	0	-552,808	175,808
Marine liability insurance	354,939	0	0	-41,584	313,355
General liability insurance	29,178,517	69,018	-106,233	-6,637,014	22,504,288
Credit insurance	24,009,921	0	0	-3,140,829	20,869,092
Suretyship insurance	1,605,357	0	0	-519,733	1,085,623
Miscellaneous financial loss insurance	1,900,466	0	0	-1,473,719	426,747
Legal expenses insurance	786,043	0	0	-44,340	741,703
Travel assistance insurance	7,674,638	0	0	-428,051	7,246,588
Total non-life insurance	410,144,721	1,391,448	-664,645	-71,409,223	339,462,301
LIFE INSURANCE					
Life insurance	86,778,846	0	0	-386,750	86,392,096
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	73,332,570	0	0	0	73,332,570
Tontines	0	0	0	0	0
Capital redemption insurance	14,613,360	0	0	0	14,613,360
Loss of income due to illness	0	0	0	0	0
Total life insurance	174,724,777	0	0	-386,750	174,338,026
TOTAL	584,869,497	1,391,448	-664,645	-71,795,973	513,800,327

4.2 Income from financial assets

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
INTEREST INCOME FROM FINANCIAL ASSETS				
- available for sale	34,697,056	33,195,995	26,174,739	25,731,665
- loans and deposits	4,478,712	6,575,939	2,559,498	3,559,207
- held to maturity	11,215,102	12,208,566	8,181,640	8,742,333
- at fair value through profit and loss	11,897,418	11,980,848	6,146,594	6,068,429
- derivative financial instruments	0	37	0	0
- cash or cash equivalents	18,956	64,809	787	5,280
- interest on late payments of insurance receivables	987,499	1,256,669	884,453	1,133,638
- interest income from subrogated receivables	5,061,087	5,288,166	4,935,164	5,155,294
- other interest income from insurance operations	479,744	671,519	330,842	506,880
Total interest income	68,835,574	71,242,548	49,213,716	50,902,726
DIVIDENDS FROM				
- available-for-sale financial assets	3,137,151	2,683,559	2,359,012	2,018,680
- financial assets at fair value through profit and loss	162,248	534,961	8,633	465,373
- subsidiaries and associates	57,370	0	62,153	29,318,186
TOTAL DIVIDENDS	3,356,769	3,218,520	2,429,798	31,802,239
Fair value gains	31,268,041	132,167,603	24,784,329	118,126,053
Realised gains on disposals	33,979,089	81,907,308	38,164,304	68,918,402
Profits from disposals of subsidiaries	2,928,469	0	0	0
Profit on investments accounted for using the equity method	188,105	1,024,797	0	0
Other financial income	5,461,438	11,347,798	1,404,969	5,133,749
TOTAL INVESTMENT INCOME	146,017,485	300,908,574	115,997,115	274,883,169

Fair value gains are described in detail in [→ Section 4.4], and realised gains on disposals in [→ Section 4.5].

4.3 Expenses from financial assets and liabilities

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Interest expense from derivative financial instruments held for trading	0	0	0	0
Interest expense from current debt	187,293	365,016	123,266	119,050
- on bank loans	20,158	20,718	0	0
- other loans	28,932	180,979	0	0
- other interest expense	138,203	163,319	123,266	119,050
Interest expense from noncurrent debt	24,043	169,357	0	0
- bank loans	0	94,714	0	0
- other loans	9,329	3,807	0	0
- other interest expense	14,714	70,836	0	0
Interest expense from bonds issued	1,103,168	1,643,073	1,259,798	1,781,192
Total interest expense	1,314,504	2,177,446	1,383,064	1,900,242
Fair value losses	8,394,274	132,970,263	3,243,799	117,501,323
Realised loss on disposals	19,450,943	22,669,050	18,702,950	21,384,755
Loss on disposals of subsidiaries	2,926,458	0	0	0
Loss on equity investments in associates accounted for using the equity method	247,812	295,258	0	0
Loss on impairment of financial assets	3,197,025	3,827,449	3,097,058	46,582,800
Other finance costs	7,002,861	18,427,790	3,736,523	12,697,995
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	42,533,879	180,367,256	30,163,394	200,067,115

Fair value losses are described in detail in [→ Section 4.4], and realised loss on disposals of financial assets in [→ Section 4.5].

4.4 Fair value gains and losses

	Triglav Group		Zavarovalnica Triglav		in EUR
	2016	2015	2016	2015	
Financial assets recognised at fair value through profit/loss	23,352,184	-4,113,137	22,018,926	-1,668,089	
- gains	31,268,041	127,004,034	24,784,329	113,980,141	
- losses	-7,915,857	-131,117,171	-2,765,403	-115,648,230	
Derivative financial instruments	-478,417	3,310,477	-478,397	2,292,819	
- gains	0	5,163,569	0	4,145,911	
- losses	-478,417	-1,853,092	-478,397	-1,853,092	
NET GAINS FROM CHANGES IN FAIR VALUE	22,873,767	-802,660	21,540,529	624,730	

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.

4.5 Realised gains and losses

	Triglav Group		Zavarovalnica Triglav		in EUR
	2016	2015	2016	2015	
Financial assets recognised at fair value through profit/loss	3,257,037	17,182,570	3,144,057	16,556,564	
- realised gains on disposals	4,516,429	24,318,431	4,223,909	23,493,112	
- realised losses on disposals	-1,259,392	-7,135,861	-1,079,852	-6,936,548	
Available-for-sale financial assets	17,634,647	41,641,824	22,771,547	31,195,761	
- realised gains on disposals	20,603,704	56,801,597	25,172,150	45,337,595	
- realised losses on disposals	-2,969,057	-15,159,773	-2,400,603	-14,141,834	
Loans and deposits	90,712	481,276	0	-218,309	
- realised gains on disposals	90,712	785,715	0	86,130	
- realised losses on disposals	0	-304,439	0	-304,439	
Derivative financial instruments	-6,454,250	-400	-6,454,249	-400	
- realised gains on disposals	8,768,244	1,533	8,768,245	1,533	
- realised losses on disposals	-15,222,494	-1,933	-15,222,494	-1,933	
Held-to-maturity financial assets	0	-67,012	0	32	
- realised gains on disposals	0	32	0	32	
- realised losses on disposals	0	-67,044	0	0	
TOTAL REALISED GAINS AND LOSSES	14,528,146	59,238,258	19,461,355	47,533,648	

4.6 Other insurance income

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Fees and commission income	252,793	2,494,636	15,201,866	12,996,626
- reinsurance commission income	187,584	2,184,907	15,136,657	12,686,896
- investment management services	65,209	309,729	65,209	309,730
Other income from insurance operations	5,139,379	4,936,322	3,958,283	4,687,205
- income from sale of green cards for motor vehicles	2,180,042	2,036,026	983,282	1,016,317
- income from claims settled for other insurance companies	759,927	752,060	454,200	463,691
- income from assistance services	9,944	39,430	3,842	33,292
- other income from insurance operations	2,189,466	2,108,806	2,516,959	3,173,905
OTHER INSURANCE INCOME	5,392,172	7,430,958	19,160,149	17,683,831

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

4.7 Other income

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Income from investment property	5,261,684	5,966,424	5,265,158	3,763,183
Income from disposal of investment property	5,251,702	171,336	327,402	170,319
Income from disposal of intangible assets	29,726	0	0	0
Income from disposal of property, plant and equipment	207,893	270,127	153,374	121,811
Income from other services	3,060,247	2,889,069	6,845,988	5,148,603
Income from non-insurance companies in the Group	39,419,625	67,644,580	0	0
Fair value gains	150,557	129,577	0	120,000
Claims refund	155,741	189,143	53,693	55,036
TOTAL OTHER INCOME	53,537,175	77,260,256	12,645,615	9,258,952

4.8 Claims

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
NON-LIFE INSURANCE				
Gross claims settled	345,543,952	347,013,253	240,650,286	244,433,885
Income from gross subrogated receivables	-16,002,594	-17,001,266	-13,029,123	-13,961,178
Reinsurers' share of gross claims settled	-21,263,732	-24,035,839	-20,784,547	-24,900,097
Co-insurers' share of gross claims settled	-420,150	516,517	264,852	594,950
Change in gross claims provisions	-7,128,123	-18,508,858	-13,655,518	-22,829,957
Change in gross claims provisions for re/co-insurer's share	-5,594,782	8,931,308	-4,789,667	6,627,241
Net claims incurred on non-life insurance	295,134,571	296,915,115	188,656,283	189,964,845
LIFE INSURANCE				
Gross claims settled	182,237,935	178,448,266	163,615,157	160,094,850
Reinsurers' share in gross claims	-8,138	-16,075	-159,671	-613,810
Change in gross claims provisions	-1,188,573	21,875	-1,351,430	78,546
Change in reinsurers' share in gross claims provisions	-20,573	73,878	-20,573	73,878
Net claims incurred on life insurance	181,020,651	178,527,944	162,083,483	159,633,465
HEALTH INSURANCE				
Gross claims settled	94,251,423	86,422,887	0	0
Subrogation income	-11,147	-42,624	0	0
Change in gross claims provisions	-243,149	1,050,802	0	0
Equalisation scheme expenses	6,950,069	7,469,170	0	0
TOTAL NET CLAIMS INCURRED on health insurance	100,947,196	94,900,235	0	0
NET CLAIMS INCURRED TOTAL	577,102,418	570,343,294	350,739,765	349,598,310

in EUR

Overview of net claims incurred by insurance class

in EUR

Triglav Group 2016	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	24,272,679	-17,118	-165,970	24,089,591
Health insurance	94,657,195	-11,147	-66,500	94,579,548
Land motor vehicle insurance	88,117,253	-2,880,615	-2,185,260	83,051,378
Railway insurance	2,308,401	-6,820	0	2,301,581
Aircraft insurance	2,939,214	0	-1,375,244	1,563,970
Marine Insurance	2,638,514	-38,260	-81,216	2,519,038
Cargo insurance	2,670,505	-165,623	-192,032	2,312,850
Fire and natural forces insurance	34,579,973	-165,438	-5,352,886	29,061,649
Other damage to property insurance	62,059,455	-312,354	-8,236,065	53,511,036
Motor TPL insurance	84,680,405	-3,514,631	-1,210,771	79,955,003
Aircraft liability insurance	659,349	0	-481,477	177,872
Marine liability insurance	99,058	0	-2,660	96,398
General liability insurance	15,284,816	-286,103	-266,153	14,732,560
Credit insurance	12,113,255	-8,467,276	-583,551	3,062,428
Suretyship insurance	1,176,978	-108,903	-35,404	1,032,671
Miscellaneous financial loss insurance	2,114,641	0	-917,209	1,197,432
Legal expenses insurance	66,682	0	-264	66,418
Travel assistance insurance	9,357,004	-39,453	-111,071	9,206,480
Total non-life insurance	439,795,377	-16,013,741	-21,263,733	402,517,903
LIFE INSURANCE				
Life insurance	92,921,775	0	-8,138	92,913,637
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	81,232,937	0	0	81,232,937
Tontines	0	0	0	0
Capital redemption insurance	8,059,245	0	0	8,059,245
Loss of income due to illness	23,976	0	0	23,976
Total life insurance	182,237,933	0	-8,138	182,229,795
TOTAL	622,033,310	-16,013,741	-21,271,871	584,747,698

	in EUR			
Triglav Group 2015	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	25,129,092	-8,975	-229,186	24,890,931
Health insurance	86,820,082	-43,824	-59,351	86,716,907
Land motor vehicle insurance	86,611,322	-2,584,970	-2,383,496	81,642,856
Railway insurance	2,536,352	-118,249	0	2,418,103
Aircraft insurance	68,121	0	-84	68,037
Marine Insurance	2,942,050	-1,874	-17,734	2,922,442
Cargo insurance	2,252,616	-241,737	-98,308	1,912,571
Fire and natural forces insurance	38,066,991	-140,157	-9,042,932	28,883,902
Other damage to property insurance	58,695,177	-176,146	-4,812,763	53,706,268
Motor TPL insurance	85,986,395	-3,637,571	-4,177,087	78,171,737
Aircraft liability insurance	884,310	0	-313,523	570,787
Marine liability insurance	123,420	0	-409	123,011
General liability insurance	17,020,649	-257,227	-399,698	16,363,724
Credit insurance	13,258,389	-9,626,106	-504,952	3,127,331
Suretyship insurance	1,215,544	-173,650	-76,284	965,610
Miscellaneous financial loss insurance	3,097,841	-3,807	-1,820,386	1,273,648
Legal expenses insurance	64,118	0	-224	63,894
Travel assistance insurance	8,663,672	-29,597	-99,422	8,534,653
Total non-life insurance	433,436,141	-17,043,890	-24,035,839	392,356,412
LIFE INSURANCE				
Life insurance	95,180,478	0	-16,075	95,164,403
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	63,630,224	0	0	63,630,224
Tontines	0	0	0	0
Capital redemption insurance	19,603,354	0	0	19,603,354
Loss of income due to illness	34,209	0	0	34,209
Total life insurance	178,448,265	0	-16,075	178,432,190
TOTAL	611,884,406	-17,043,890	-24,051,914	570,788,602

	in EUR			
Zavarovalnica Triglav 2016	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	13,080,658	-15,498	-352,295	12,712,865
Health insurance	1,679	0	-670	1,008
Land motor vehicle insurance	73,601,927	-1,814,095	-3,637,197	68,150,635
Railway insurance	2,220,015	-6,820	0	2,213,194
Aircraft insurance	377,187	0	-19,635	357,552
Marine Insurance	249,316	-6,913	-7,529	234,874
Cargo insurance	1,858,470	-114,060	-937,916	806,495
Fire and natural forces insurance	18,002,931	-140,014	-3,350,262	14,512,654
Other damage to property insurance	40,736,552	-288,925	-7,175,342	33,272,285
Motor TPL insurance	54,834,398	-2,161,120	-2,656,594	50,016,684
Aircraft liability insurance	225,233	0	-183,607	41,626
Marine liability insurance	47,900	0	-692	47,208
General liability insurance	12,987,418	-273,327	-637,568	12,076,523
Credit insurance	11,699,939	-8,076,250	-596,485	3,027,204
Suretyship insurance	559,595	-93,509	-11,934	454,152
Miscellaneous financial loss insurance	1,426,092	0	-826,344	599,748
Legal expenses insurance	66,358	0	-171	66,187
Travel assistance insurance	8,674,620	-38,593	-390,306	8,245,721
Total non-life insurance	240,650,285	-13,029,123	-20,784,547	206,836,616
LIFE INSURANCE				
Life insurance	86,948,253	0	-159,671	86,788,582
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	68,607,658	0	0	68,607,658
Tontines	0	0	0	0
Capital redemption insurance	8,059,245	0	0	8,059,245
Loss of income due to illness	0	0	0	0
Total life insurance	163,615,158	0	-159,671	163,455,486
TOTAL	404,265,443	-13,029,123	-20,944,218	370,292,102

in EUR

Zavarovalnica Triglav 2015	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	13,229,246	-7,787	-351,170	12,870,289
Health insurance	0	0	0	0
Land motor vehicle insurance	72,230,499	-1,577,455	-3,684,763	66,968,281
Railway insurance	2,536,352	-118,249	0	2,418,103
Aircraft insurance	33,224	0	-487	32,736
Marine Insurance	236,320	-1,874	-8,585	225,861
Cargo insurance	1,121,132	-238,147	-261,197	621,788
Fire and natural forces insurance	21,431,524	-103,745	-6,303,744	15,024,035
Other damage to property insurance	36,975,917	-132,365	-4,860,427	31,983,124
Motor TPL insurance	57,926,297	-2,238,411	-5,189,019	50,498,867
Aircraft liability insurance	872,692	0	-806,318	66,374
Marine liability insurance	62,619	0	-1,500	61,119
General liability insurance	14,219,456	-235,382	-973,229	13,010,845
Credit insurance	12,774,316	-9,107,557	-476,751	3,190,007
Suretyship insurance	401,627	-170,108	-66,994	164,525
Miscellaneous financial loss insurance	2,121,190	-1,621	-1,548,719	570,851
Legal expenses insurance	59,292	0	-453	58,839
Travel assistance insurance	8,202,183	-28,477	-366,738	7,806,968
Total non-life insurance	244,433,885	-13,961,178	-24,900,097	205,572,610
LIFE INSURANCE				
Life insurance	88,473,478	0	-613,810	87,859,669
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	62,570,579	0	0	62,570,579
Tontines	0	0	0	0
Capital redemption insurance	9,050,793	0	0	9,050,793
Loss of income due to illness				0
Total life insurance	160,094,850	0	-613,810	159,481,040
TOTAL	404,528,735	-13,961,178	-25,513,906	365,053,650

4.9 Reinsurance result

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Reinsurance premiums	-77,328,993	-75,466,190	-78,508,398	-72,460,618
Changes in reinsurers' share of unearned premiums	1,482,442	3,322,678	1,709,472	1,311,164
Reinsurers' share of claims	21,271,871	24,051,914	20,944,218	25,513,906
Changes in claims provisions for reinsurers' shares	5,615,355	-9,005,186	4,810,240	-6,701,119
Net result from reinsurance operations	-48,959,325	-57,096,784	-51,044,468	-52,336,667
Reinsurance commission	138,614	2,109,692	15,136,657	12,686,896
GROSS REINSURANCE RESULT	-48,820,711	-54,987,092	-35,907,811	-39,649,771

4.10 Change in other insurance-technical provisions

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Change in other insurance technical provisions	47,211,326	60,340,392	28,758,525	39,257,225
- changes in gross provisions for cancellations	-570,865	-54,837	127,186	-160,008
- changes in gross provisions for unexpired risks	-703,744	-241,593	423,190	-577,487
- changes in gross provisions for other catastrophic risks	3,644	0	0	0
- changes in gross provisions for life insurance	46,216,048	55,467,144	25,941,906	34,825,042
- changes in gross provisions for bonuses from with-profits life insurance	2,266,243	5,169,678	2,266,243	5,169,678
Change in gross provisions for unit-linked insurance contracts	776,648	-1,882,145	-7,469,473	-4,032,292
TOTAL CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	47,987,974	58,458,247	21,289,052	35,224,933

4.11 Expenses for bonuses and discounts

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Settled bonuses and discounts	7,888,170	8,755,172	7,430,852	6,827,769
Changes in gross provisions for bonuses and discounts	3,443,461	1,447,787	1,677,851	1,437,271
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	11,331,630	10,202,959	9,108,703	8,265,040

4.12 Acquisition costs and other operating expenses

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Acquisition costs	141,003,013	136,158,419	102,587,533	99,608,988
Other operating costs	67,672,695	65,637,714	39,642,065	38,252,981
Claim handling costs*	25,775,074	26,229,076	20,254,278	20,067,306
Costs of asset management**	2,592,444	3,562,397	2,063,343	3,036,890
Operating expenses from non-insurance operations***	40,014,814	66,026,770	0	0
TOTAL	277,058,040	297,614,376	164,547,219	160,966,165

* 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.

4.12.1 Gross operating expenses by nature and business segment

	in EUR					
Triglav Group 2016	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
Acquisition costs	27,621,831	4,651,136	2,019,051	34,292,018	0	34,292,018
Cost of goods sold	0	0	0	0	10,273,611	10,273,611
Depreciation of operating assets	9,219,532	1,770,927	293,430	11,283,889	1,731,247	13,015,136
Labour costs	102,015,990	18,490,657	4,127,199	124,633,846	15,357,446	139,991,292
Wages and salaries	70,862,296	13,036,225	3,133,303	87,031,824	10,822,990	97,854,814
Social security and pension insurance costs	16,488,840	2,656,289	530,049	19,675,178	2,731,763	22,406,941
Other labour costs	14,664,854	2,798,143	463,847	17,926,844	1,802,693	19,729,537
Costs of services provided by natural persons other than SPs, including related taxes	777,557	212,058	151,978	1,141,593	0	1,141,593
Other operating costs	50,702,832	10,462,828	4,526,219	65,691,879	12,652,510	78,344,389
Costs of entertainment, advertising, trade shows	14,557,161	2,016,981	635,555	17,209,697	1,104,969	18,314,666
Costs of material and energy	5,015,828	981,571	253,293	6,250,692	2,102,702	8,353,394
Maintenance costs	7,480,474	2,065,626	1,667,497	11,213,597	990,228	12,203,825
Reimbursement of labour-related costs	3,978,665	508,630	144,458	4,631,753	761,927	5,393,680
Costs of intellectual and personal services	2,882,266	725,949	340,285	3,948,500	921,826	4,870,326
Membership fees and charges	1,942,954	382,547	72,065	2,397,566	870,371	3,267,937
Costs of services - transport and communications	3,226,932	886,497	590,281	4,703,710	294,715	4,998,425
Costs for insurance premiums	1,238,562	178,448	1,348	1,418,358	78,505	1,496,863
Payment transaction costs and banking services	1,470,397	698,199	287,283	2,455,879	659,691	3,115,570
Rents	3,926,522	800,724	11,700	4,738,946	951,078	5,690,024
Costs of professional training services	466,194	134,444	64,121	664,759	118,165	782,924
Other costs of services	4,516,877	1,083,212	458,333	6,058,422	3,798,330	9,856,752
TOTAL OPERATING EXPENSES	190,337,743	35,587,606	11,117,877	237,043,226	40,014,814	277,058,040

	in EUR					
Triglav Group 2015	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
Acquisition costs	27,029,765	4,506,860	1,843,062	33,379,687	0	33,379,687
Cost of goods sold	0	0	0	0	17,384,659	17,384,659
Depreciation of operating assets	9,292,813	1,836,829	300,388	11,430,030	4,448,897	15,878,927
Labour costs	97,985,970	17,957,490	3,435,037	119,378,497	22,937,892	142,316,389
Wages and salaries	68,806,421	12,898,853	2,528,172	84,233,446	16,414,483	100,647,929
Social security and pension insurance costs	16,095,086	2,550,655	443,624	19,089,365	3,618,757	22,708,122
Other labour costs	13,084,463	2,507,982	463,241	16,055,686	2,904,652	18,960,338
Costs of services provided by natural persons other than SPs, including related taxes	1,842,119	404,994	152,697	2,399,810	0	2,399,810
Other operating costs	50,068,612	10,639,973	4,290,997	64,999,582	21,255,322	86,254,904
Costs of entertainment, advertising, trade shows	13,057,284	2,131,073	462,987	15,651,344	1,129,620	16,780,964
Costs of material and energy	5,329,253	1,044,569	231,649	6,605,471	6,190,218	12,795,689
Maintenance costs	7,146,959	2,047,163	1,406,782	10,600,904	1,266,851	11,867,755
Reimbursement of labour-related costs	3,956,224	500,922	122,301	4,579,447	997,948	5,577,395
Costs of intellectual and personal services	3,276,415	847,939	561,973	4,686,327	859,132	5,545,459
Membership fees and charges	2,041,832	432,178	90,562	2,564,572	864,371	3,428,943
Costs of services - transport and communications	3,398,432	879,909	545,531	4,823,872	1,719,946	6,543,818
Costs for insurance premiums	1,499,615	228,301	19,287	1,747,203	69,767	1,816,970
Payment transaction costs and banking services	1,350,295	809,972	278,034	2,438,301	774,569	3,212,870
Rents	4,092,827	689,963	11,777	4,794,567	1,680,265	6,474,832
Costs of professional training services	435,002	106,268	47,877	589,147	178,033	767,180
Other costs of services	4,484,474	921,716	512,237	5,918,427	5,524,602	11,443,029
TOTAL OPERATING EXPENSES	186,219,279	35,346,146	10,022,181	231,587,606	66,026,770	297,614,376

	2016			2015		
	Non-life insurance	Life insurance	TOTAL	Non-life insurance	Life insurance	TOTAL
Zavarovalnica Triglav						
Acquisition costs	16,362,427	7,811,501	24,173,928	15,293,129	7,256,804	22,549,933
Depreciation of operating assets	6,624,998	1,587,730	8,212,728	6,575,644	1,571,463	8,147,107
Labour costs	77,675,812	15,547,791	93,223,603	73,655,835	15,015,758	88,671,593
Wages and salaries	55,643,417	11,112,886	66,756,303	53,868,860	10,975,210	64,844,070
Social security and pension insurance costs	9,398,745	1,890,776	11,289,521	8,920,772	1,825,503	10,746,275
Other labour costs	12,633,650	2,544,129	15,177,779	10,866,203	2,215,045	13,081,249
Costs of services provided by natural persons other than SPs, including related taxes	51,679	149,589	201,268	1,226,241	370,897	1,597,139
Other operating costs	30,305,182	8,430,510	38,735,692	31,301,298	8,699,095	40,000,394
Costs of entertainment, advertising, trade shows	6,721,469	1,795,030	8,516,499	7,854,465	1,948,321	9,802,785
Costs of material and energy	2,829,042	766,538	3,595,580	3,038,178	848,398	3,886,577
Maintenance costs	6,856,479	1,977,211	8,833,689	6,316,947	1,951,678	8,268,625
Reimbursement of labour-related costs	2,787,172	402,271	3,189,444	2,783,618	412,503	3,196,121
Costs of intellectual and personal services	1,395,159	533,680	1,928,839	1,808,447	671,992	2,480,439
Membership fees and charges	1,256,106	342,986	1,599,091	1,344,821	414,942	1,759,763
Costs of services - transport and communications	2,118,959	750,607	2,869,566	2,208,211	791,852	3,000,063
Costs for insurance premiums	779,799	144,371	924,170	1,033,418	201,426	1,234,844
Payment transaction costs and banking services	1,149,860	601,404	1,751,264	1,120,604	614,363	1,734,967
Rents	2,073,718	511,858	2,585,576	1,985,301	393,006	2,378,308
Costs of professional training services	346,865	100,675	447,540	294,868	82,671	377,539
Other costs of services	1,990,556	503,880	2,494,436	1,512,420	367,943	1,880,362
TOTAL OPERATING EXPENSES	131,020,099	33,527,120	164,547,219	128,052,148	32,914,018	160,966,165

In addition to the above-stated amount of EUR 66,756,303 (vs. EUR 64,844,070 in 2015), total wages and salaries include employee bonuses based on performance results in 2016 in the total amount of EUR 6,087,855 (vs. EUR 6,204,134 in 2015). Total costs for wages and salaries in 2016 thus amount to EUR 72,844,158 (vs. EUR 71,048,204 in 2015).

Total costs of Zavarovalnica Triglav for the above-mentioned item, including taxes and other contributions chargeable to the employer, amount to EUR 7,068,000 and are disclosed as other expenses.

4.12.2 Gross operating expenses by nature and function

						in EUR
	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations	TOTAL
Triglav Group 2016						
Acquisition costs	34,292,018	0	0	0	0	34,292,018
Cost of goods sold	0	0	0	0	10,273,611	10,273,611
Depreciation of operating assets	5,623,405	1,605,088	124,999	3,930,397	1,731,247	13,015,136
Labour costs	64,606,914	18,604,767	1,465,218	39,956,947	15,357,446	139,991,292
Wages and salaries	45,714,098	12,659,305	1,083,542	27,574,879	10,822,990	97,854,814
Social security and pension insurance costs	9,991,972	2,904,785	216,197	6,562,224	2,731,763	22,406,941
Other labour costs	8,900,844	3,040,677	165,479	5,819,844	1,802,693	19,729,537
Costs of services provided by natural persons other than SPs, including related taxes	558,434	191,522	5,526	386,111	0	1,141,593
Other operating costs	35,922,241	5,373,697	996,701	23,399,240	12,652,510	78,344,389
Costs of entertainment, advertising, trade shows	14,908,543	62,952	9,634	2,228,568	1,104,969	18,314,666
Costs of material and energy	3,252,081	984,049	55,632	1,958,930	2,102,702	8,353,394
Maintenance costs	4,258,523	1,383,675	209,419	5,361,980	990,228	12,203,825
Reimbursement of labour-related costs	3,779,735	141,331	25,975	684,712	761,927	5,393,680
Costs of intellectual and personal services	861,249	311,931	255,226	2,520,094	921,826	4,870,326
Membership fees and charges	1,038,945	259,061	16,662	1,082,898	870,371	3,267,937
Costs of services - transport and communications	2,398,792	518,495	22,156	1,764,267	294,715	4,998,425
Costs for insurance premiums	697,587	179,886	15,534	525,351	78,505	1,496,863
Payment transaction costs and banking services	646,925	13,553	120,835	1,674,566	659,691	3,115,570
Rents	2,145,340	568,186	42,440	1,982,980	951,078	5,690,024
Costs of professional training services	223,151	83,187	13,154	345,267	118,165	782,924
Other costs of services	1,711,370	867,391	210,034	3,269,627	3,798,330	9,856,752
TOTAL OPERATING EXPENSES	141,003,013	25,775,074	2,592,444	67,672,695	40,014,814	277,058,040

						in EUR
	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations	TOTAL
Triglav Group 2015						
Acquisition costs	33,379,687	0	0	0	0	33,379,687
Cost of goods sold	0	0	0	0	17,384,659	17,384,659
Depreciation of operating assets	5,405,981	1,643,602	167,174	4,213,273	4,448,897	15,878,927
Labour costs	62,481,378	17,935,954	1,957,911	37,003,254	22,937,892	142,316,389
Wages and salaries	44,882,462	12,471,411	1,465,868	25,413,705	16,414,483	100,647,929
Social security and pension insurance costs	9,931,239	2,814,559	270,380	6,073,187	3,618,757	22,708,122
Other labour costs	7,667,677	2,649,984	221,663	5,516,362	2,904,652	18,960,338
Costs of services provided by natural persons other than SPs, including related taxes	873,769	807,691	120,384	597,966	0	2,399,810
Other operating costs	34,017,604	5,841,829	1,316,928	23,823,221	21,255,322	86,254,904
Costs of entertainment, advertising, trade shows	14,412,924	63,465	12,366	1,162,589	1,129,620	16,780,964
Costs of material and energy	3,297,571	1,050,419	76,452	2,181,029	6,190,218	12,795,689
Maintenance costs	3,521,528	1,358,612	178,363	5,542,401	1,266,851	11,867,755
Reimbursement of labour-related costs	3,449,234	234,162	26,893	869,158	997,948	5,577,395
Costs of intellectual and personal services	937,554	333,163	488,249	2,927,361	859,132	5,545,459
Membership fees and charges	945,739	209,151	52,899	1,356,783	864,371	3,428,943
Costs of services - transport and communications	2,355,853	655,767	46,050	1,766,202	1,719,946	6,543,818
Costs for insurance premiums	912,253	253,571	22,935	558,444	69,767	1,816,970
Payment transaction costs and banking services	717,706	14,482	106,692	1,599,421	774,569	3,212,870
Rents	1,839,763	666,988	86,155	2,201,661	1,680,265	6,474,832
Costs of professional training services	184,796	74,886	10,670	318,795	178,033	767,180
Other costs of services	1,442,683	927,163	209,204	3,339,377	5,524,602	11,443,029
TOTAL OPERATING EXPENSES	136,158,419	26,229,076	3,562,397	65,637,714	66,026,770	297,614,376

	in EUR				
Zavarovalnica Triglav 2016	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	TOTAL
Acquisition costs	24,173,928	0	0	0	24,173,928
Depreciation of operating assets	4,532,394	1,344,558	111,088	2,224,687	8,212,728
Labour costs	51,408,845	15,082,117	1,140,576	25,592,065	93,223,603
Wages and salaries	37,113,384	10,496,760	857,268	18,288,891	66,756,303
Social security and pension insurance costs	6,301,422	1,791,562	144,362	3,052,175	11,289,521
Other labour costs	7,994,038	2,793,796	138,946	4,250,999	15,177,779
Costs of services provided by natural persons other than SPs, including related taxes	120,867	26,027	3,283	51,092	201,268
Other operating costs	22,351,499	3,801,576	808,396	11,774,221	38,735,692
Costs of entertainment, advertising, trade shows	8,225,078	32,517	4,305	254,599	8,516,499
Costs of material and energy	1,789,829	721,890	33,770	1,050,090	3,595,580
Maintenance costs	3,424,260	1,244,737	201,994	3,962,698	8,833,689
Reimbursement of labour-related costs	2,878,013	71,408	11,963	228,060	3,189,444
Costs of intellectual and personal services	502,144	73,605	240,201	1,112,889	1,928,839
Membership fees and charges	858,372	244,033	13,402	483,284	1,599,091
Costs of services - transport and communications	1,676,703	407,636	16,416	768,811	2,869,566
Costs for insurance premiums	446,168	141,212	7,026	329,763	924,170
Payment transaction costs and banking services	538,852	4,286	108,225	1,099,901	1,751,264
Rents	1,080,642	373,508	30,314	1,101,112	2,585,576
Costs of professional training services	160,972	68,999	12,451	205,117	447,540
Other costs of services	770,466	417,744	128,331	1,177,895	2,494,436
TOTAL OPERATING EXPENSES	102,587,533	20,254,278	2,063,343	39,642,065	164,547,219

	in EUR				
Zavarovalnica Triglav 2015	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	TOTAL
Acquisition costs	22,549,933	0	0	0	22,549,933
Depreciation of operating assets	4,510,190	1,327,250	139,903	2,169,764	8,147,107
Labour costs	48,504,739	14,415,319	1,644,402	24,107,133	88,671,593
Wages and salaries	36,201,012	10,372,196	1,246,283	17,024,578	64,844,070
Social security and pension insurance costs	5,938,280	1,699,508	207,673	2,900,814	10,746,275
Other labour costs	6,365,447	2,343,616	190,446	4,181,741	13,081,249
Costs of services provided by natural persons other than SPs, including related taxes	497,269	670,156	118,747	310,967	1,597,139
Other operating costs	23,546,857	3,654,581	1,133,839	11,665,117	40,000,394
Costs of entertainment, advertising, trade shows	9,525,312	43,885	8,153	225,436	9,802,785
Costs of material and energy	2,010,768	697,931	58,572	1,119,306	3,886,577
Maintenance costs	2,789,892	1,146,664	165,668	4,166,402	8,268,625
Reimbursement of labour-related costs	2,850,908	65,403	15,740	264,069	3,196,121
Costs of intellectual and personal services	620,060	66,373	474,056	1,319,950	2,480,439
Membership fees and charges	746,906	172,763	49,065	791,029	1,759,763
Costs of services - transport and communications	1,742,037	484,109	37,835	736,081	3,000,063
Costs for insurance premiums	721,294	203,083	14,798	295,669	1,234,844
Payment transaction costs and banking services	642,485	3,922	85,636	1,002,924	1,734,967
Rents	1,047,991	374,039	70,625	885,652	2,378,308
Costs of professional training services	145,080	43,962	9,398	179,100	377,539
Other costs of services	704,124	352,447	144,292	679,499	1,880,362
TOTAL OPERATING EXPENSES	99,608,988	20,067,306	3,036,890	38,252,981	160,966,165

4.13 Other expenses from insurance operations

	Triglav Group		Zavarovalnica Triglav		in EUR
	2016	2015	2016	2015	
Expenses from impairment of insurance receivables and write-offs	2,832,838	2,566,459	1,921,303	796,830	
Fire tax	4,209,023	4,205,195	3,929,798	3,928,049	
Expenses of preventive activity	2,852,487	3,145,662	1,342,749	1,448,331	
Contributions for claims from uninsured or unidentified vehicles	1,980,495	2,682,241	184,035	458,414	
Supervisory authority fees	1,442,358	1,381,336	769,318	773,945	
Other net insurance expenses	3,721,145	4,231,252	328,875	430,430	
OTHER EXPENSES FROM INSURANCE OPERATIONS	17,038,345	18,212,146	8,476,079	7,835,999	

4.14 Other expenses

	Triglav Group		Zavarovalnica Triglav		in EUR
	2016	2015	2016	2015	
Depreciation of investment property	1,465,078	1,423,100	977,485	817,623	
Expenses from impairment of investment property	213,450	4,867,849	0	996,552	
Loss from investment property disposal	230,655	116,208	215,570	108,709	
Other investment property expenses	2,552,983	2,942,483	2,850,054	1,864,712	
Expenses from disposal of property, plant and equipment	77,398	50,475	28,816	28,492	
Expenses from reversal of impairment of other receivables	300,793	383,804	49,056	-21,800	
Operating expenses of non-insurance companies	39,618,810	65,448,684	0	0	
Other expenses	10,273,620	7,676,697	8,022,707	7,785,035	
TOTAL OTHER EXPENSES	54,732,790	82,909,300	12,143,689	11,579,325	

Other expenses relate to bonuses for employees based on business results for 2016 in total amount of EUR 7.8 million (in Zavarovalnica Triglav EUR 7.1 million).

4.15 Income tax expense

4.15.1 Tax expense in the income statement

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Current tax expense	11,599,273	10,597,942	8,188,018	7,031,995
Deferred tax expense	1,207,043	3,018,541	-103,818	2,895,684
- of which: formation and reversal of the deductible temporary differences			-1,447,678	2,895,684
- of which: a change due to the restatement according to the new tax rates			1,551,496	0
TOTAL TAX EXPENSE IN THE INCOME STATEMENT	12,806,316	13,616,483	8,084,200	9,927,679

in EUR

4.15.2 Tax expense in other comprehensive income

Triglav Group	2016			2015		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available for sale financial assets	23,769,043	-8,248,373	15,520,670	-47,480,684	11,027,704	-36,452,980
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	-6,554,570	1,245,368	-5,309,202	21,373,822	-3,633,550	17,740,272
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	402,548	-76,484	326,064	-312,985	53,207	-259,778
Actuarial gains/losses	-441,038	-91,591	-532,629	143,337	-28,189	115,148
Translation differences	585,108	0	585,108	50,969	0	50,969
TOTAL OTHER COMPREHENSIVE INCOME	17,761,091	-7,171,080	10,590,011	-26,225,541	7,419,172	-18,806,369

in EUR

Zavarovalnica Triglav	2016			2015		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available-for-sale financial assets	22,189,955	-7,259,450	14,930,505	-46,075,349	10,625,046	-35,450,303
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	-6,554,570	1,245,368	-5,309,202	21,373,822	-3,633,550	17,740,272
Actuarial gains / losses	-401,199	-91,590	-492,789	239,577	-24,672	214,905
TOTAL OTHER COMPREHENSIVE INCOME	15,234,187	-6,105,672	9,128,515	-24,461,950	6,966,824	-17,495,126

in EUR

4.15.3 Reconciliation between tax expense and accounting profit

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
ACCOUNTING PROFIT	95,138,089	102,477,678	83,417,802	68,433,497
Income tax rate - tax rate average of several countries	20.13%	16.87%	17%	17%
Accounting profit multiplied by tax rate	19,151,297	17,289,768	14,181,026	11,633,695
Tax effect of income deductible for tax purposes	-6,629,980	-1,215,272	-5,066,532	-6,144,287
Tax effect of income added for tax purposes	1,125,790	1,173,752	0	9,026
Tax effect on the reduction in expenses not deductible for tax purposes	-734,004	-3,815,963	51,177	4,476,621
Tax relief, tax losses	-1,279,728	-2,850,399	-943,551	-2,959,116
Changes in temporary differences	1,207,043	3,018,541	-103,818	2,895,684
Changes due to a new accounting method	-34,102	16,056	-34,102	16,056
TOTAL TAX EXPENSE	12,806,316	13,616,483	8,084,200	9,927,679
Effective tax rate ¹⁰²	13.46%	13.29%	9.69%	14.51%
Final liabilities for corporate income tax	11,599,273	10,597,942	8,188,018	7,031,994

102 In the data of the Triglav Group, the average of all countries was taken into account in the corporate income tax rate.

In accordance with the Corporate Income Tax Act (ZDDPO–2), the applicable tax rate in Slovenia was 17% in 2016 the same as in 2015.

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 2.7].

Unused tax losses of the Group amounted to EUR 34.3 million as at 31 December 2016 (EUR 29.3 million as at 31 December 2015).

5. OTHER INFORMATION

5.1 Fair value of assets and liabilities

5.1.1 Fair value of assets and liabilities

In measuring financial assets at fair value Zavarovalnica Triglav applied the following fair value hierarchy:

- Level 1: value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (stock exchange quotations and listings provided by third parties e.g. Bloomberg). The fair value is determined purely on the basis of directly observable data and without using any indirectly observable data, whereby the share of binding listings must be at least 90% and at least three binding listings not older than one day must be available.
- Level 2: value measurement less than entirely based on quoted prices for the asset or liability. Fair value measurements may be based on indirectly observable inputs, i.e. data derived from prices of comparable financial instruments, but only up to a strictly limited percentage (10 percent).
- Level 3: value measurement based on prices that do not meet the standards for Level 1 or Level 2. The percentage of unobservable inputs used in value measurement models is considerable.

The tables below show financial assets and liabilities carried at fair value, classified according to the fair value hierarchy.

Triglav Group

					in EUR
As at 31 December 2016	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 December 2016	227,496,286	0	26,569,975	254,066,261
Debt securities	31 December 2016	298,016,789	1,580,719,222	0	1,878,736,011
Derivative financial instruments	31 December 2016	0	1,423,429	0	1,423,429
Unit-linked insurance assets	31 December 2016	368,826,193	84,728,138	0	453,554,331
Investments in associates	31 December 2016	0	0	6,826,400	6,826,400
Assets - fair value disclosed					
Land and buildings for insurance activities	31 December 2016	0	0	100,936,975	100,936,975
Land and buildings for investment activities	31 December 2016	0	0	95,095,996	95,095,996
Debt securities	31 December 2016	13,676,111	270,180,097	0	283,856,208
Deposits with banks	31 December 2016	0	88,205,953	0	88,205,953
Loans given	31 December 2016	0	35,100,132	0	35,100,132
Liabilities - fair value disclosed					
Subordinated bonds	31 December 2016	0	19,160,879	0	19,160,879

					in EUR
As at 31 December 2015	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 December 2015	177,134,043	0	27,715,791	204,849,834
Debt securities	31 December 2015	421,029,312	1,353,836,183	0	1,774,865,495
Derivative financial instruments	31 December 2015	1,101,100	1,607,814	0	2,708,914
Unit-linked insurance assets	31 December 2015	353,025,835	103,581,740	0	456,607,575
Assets - fair value disclosed					
Land and buildings for insurance activities	31 December 2015	0	0	126,564,580	126,564,580
Land and buildings for investment activities	31 December 2015	0	0	80,265,592	80,265,592
Held-to-maturity assets	31 December 2015	16,926,121	205,340,209	0	222,266,331
Liabilities - fair value disclosed					
Subordinated bonds	31 December 2015	21,686,280	0	0	21,686,280

Zavarovalnica Triglav

					in EUR
As at 31 December 2016	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 December 2016	130,447,648	0	9,223,701	139,671,350
Debt securities	31 December 2016	246,621,546	1,173,402,676	0	1,420,024,222
Derivative financial instruments	31 December 2016	0	1,423,429	0	1,423,429
Unit-linked insurance assets	31 December 2016	344,987,269	82,804,103	0	427,791,372
Investments in associates	31 December 2016	0	0	9,503,046	9,503,046
Assets - fair value disclosed					
Land and buildings for insurance activities	31 December 2016	0	0	63,092,680	63,092,680
Land and buildings for investment activities	31 December 2016	0	0	50,351,528	50,351,528
Debt securities	31 December 2016	9,401,400	205,112,271	0	214,513,671
Deposits with banks	31 December 2016	0	45,407,951	0	45,407,951
Loans given	31 December 2016	0	45,915,389	0	45,915,389
Liabilities - fair value disclosed					
Subordinated bonds	31 December 2016	0	23,970,102	0	23,970,102

					in EUR
As at 31 December 2015	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 December 2015	100,553,534	0	9,623,123	110,176,657
Debt securities	31 December 2015	232,252,553	1,114,956,666	0	1,347,209,218
Derivative financial instruments	31 December 2015	1,101,100	1,607,814	0	2,708,914
Unit-linked insurance assets	31 December 2015	335,500,199	103,131,709	0	438,631,908
Investments in associates	31 December 2015	0	0	7,259,875	7,259,875
Assets - fair value disclosed					
Land and buildings for insurance activities	31 December 2015	0	0	62,260,845	62,260,845
Land and buildings for investment activities	31 December 2015	0	0	52,306,224	52,306,224
Debt securities	31 December 2015	16,926,121	205,340,209	0	222,266,331
Liabilities - fair value disclosed					
Subordinated bonds	31 December 2015	24,402,840	0	0	24,402,840

5.1.2 Fair value assessment techniques

Value assessment techniques and inputs used to the development of these techniques are presented below.

Financial investment type	Value assessment method	Material parameters	Parameter weight applied	Fair value
EXTERNAL APPRAISERS (market operator)				
Debt securities - composite	Stochastic model, HW1f and HW2f network models	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, correlation matrix, volatility indices		Level 2
Equity securities	Stochastic model	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, volatility indices		Level 2
Derivatives	Black-Scholes model	Index volatility		Level 2
BLOOMBERG BVAL				
Debt securities – companies, financial institutions and government	Cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, indicative listings		Level 2
INTERNAL APPRAISERS				
Debt securities - government	Cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve	1y: -0.4279%. 2y: -0.5399%. 3y: -0.1559%. 4y: 0.0563%. 5Y: 0.045%. 6y: 0.2476%. 7Y: 0.4502%. 8Y: 0.6567%. 9y: 0.9046%. 10y: 1.091%; credit spreads between 0% and 1%	Level 2
Debt securities - companies and financial institutions ¹⁰³	Cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve, issuer credit spreads	1y: -0.4279%. 2y: -0.5399%. 3y: -0.1559%. 4y: 0.0563%. 5Y: 0.045%. 6y: 0.2476%. 7Y: 0.4502%. 8Y: 0.6567%. 9y: 0.9046%. 10y: 1.091%; credit spreads between 0.3% and 1.93%	Level 2
Loans given	Cash flow discounting	Republic of Slovenia interest rate yield curve, issuer credit spreads	Credit spreads between 0.3% and 9.0938%	Level 2
Equity securities	Cash flow discounting	g (growth rate during constant growth period)	2%	Level 3
		EBIT margin (constant growth period)	33.30%	
		Discount rate	12.68%	
		Lack of marketability discount	10%-23%	
Equity investment in associates	NAV method	Real property price changes		Level 3
	Cash flow discounting	Real property price changes	2%	
		g (growth rate during constant growth period)	3.46%	
		Net margin (constant growth period)	8.80%	
		Re-discount rate	3.5%	

103 Also applied to valuation of subordinated ZT02 bonds.

5.1.3 Financial assets classified into Level 3

	Triglav Group			in EUR Zavarovalnica Triglav
	AFS	FVTPL	TOTAL	AFS
Value as at 31 December 2014	24,191,370	1,022,563	25,213,933	14,060,363
Purchases	1,114,896	43,307	1,158,203	1,114,896
Disposals	-165,400	-106,510	-271,910	-93,889
Revaluation through profit or loss	0	-473,160	-473,160	0
Revaluation in other comprehensive income	2,084,318	0	2,084,318	2,193,223
Transfers from levels 1 and 2	0	0	0	0
Merger	0	0	0	2,963,092
Changes in Group	0	0	0	-3,354,688
Foreign exchange differentials	22	4,384	4,406	0
Value as at 31 December 2015	27,225,206	490,584	27,715,790	16,882,997
Purchases	884,320	0	884,320	1,047,017
Disposals	-551,740	0	-551,740	-551,740
Revaluation through profit or loss	-826,820	-41,287	-868,107	-989,437
Revaluation in other comprehensive income	63,240	0	63,240	2,337,911
Transfers from levels 1 and 2	-678,694	0	-678,694	0
Merger	0	0	0	0
Changes in Group	0	0	0	0
Foreign exchange differentials	-59	5,225	5,166	0
Value as at 31 December 2016	26,115,453	454,522	26,569,975	18,726,749

In 2016, the sale of financial assets classified to valuation level 3 generated:

- an increase due to the purchase of interests and shares in companies Gorenjska banka, d.d., Nervteh, raziskave in razvoj, d.o.o., ABCITI, d.o.o. and the Enterprise Innovation Fund;
- an increase due to the revaluation through equity, mainly in shares of Nama, d.d. amounting to EUR 2.2 million;
- a decrease share value recognised through profit or loss, due to an impairment of investment in ABCITI, d.o.o. and Pomurske mlekarne, d.d.;
- a loss in the amount of EUR 106 recognised in profit or loss due to the sale of shares of companies Thermana, d.d. and Adriatic venture B.V.

5.1.4 Sensitivity analysis of non-marketable equity securities

Sensitivity analysis of financial assets, classified in Level 3 is disclosed below. In analysis Zavarovalnica Triglav includes equity investment in associates. 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. The sensitivity analysis considered a median scenario of value appraisals.

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Non-marketable assets (Level 3)	28,185,747	27,715,790	9,223,701	9,623,123
Estimated value deviation-/+	-900,000/+2,600,000	-1,100,000/+2,300,000	-558,000/+2,320,000	-610,000/+2,110,000
Equity investment in associates	6,826,400	n/a	9,503,047	7,259,875
Estimated value deviation-/+	n/a	n/a	-1,340,000/+1,350,000	-920,000/+1,000,000

In the discounted cash flow method, the assumptions of +/-1% of the cost of capital (WACC) and +/-0.5% of growth rate (g) were taken into account. In non-marketable assets, +/-10% of the change in asset value was taken into account in the calculation of deviation.

In appraising the value of the associate Nama d.d., Ljubljana, an estimate of the company's value was made using the discounted cash flow method and the net asset value method under the assumption of regular liquidation of commercial activity and the continued activity of leasing investment properties. Under the first method, the value of investment amounted to EUR 4,847,786 (current use of financial asset), while under the second method it was valued at EUR 9,464,548 (highest and best use of financial asset). For accounting purposes, the value under the net asset value method was used, which differs from the current use of financial asset; however, the applicable strategy also provides for such use of asset as one of available options.

5.1.5 Reclassification of financial assets between levels

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Reclassification from level 1 to level 2	287,624,469	568,557,618	126,348,358	503,945,690
Reclassification from level 2 to level 1	149,473,959	3,384,252	136,506,888	3,107,873

In 2016, the method of measuring fair value did not change. Reclassifications between levels were a result of market factors. At the end of 2016, some financial assets showed greater liquidity and depth of the market than at the end of 2015, thus meeting the requirements for classification to level 1. One part of financial assets no longer fulfilled the conditions to be classified to level 1 of the fair value hierarchy and was reclassified to level 2. Reclassification between levels has no impact on fair value.

5.1.6 Reclassification of financial assets between categories

In 2016, there were no reclassifications of financial assets. The table below shows the effects of reclassifications made in previous years.

Reclassifications from AFS to HTM	Triglav Group	Zavarovalnica Triglav
Date of reclassification	1 July 2008	1 July 2008
Amount of reclassified financial assets (in EUR)	73,746,981	73,746,981
Effective interest rate at the date of reclassification	5.8%	5.8%

	Triglav Group		Zavarovalnica Triglav	
Reclassifications from AFS to HTM	2016	2015	2016	2015
Carrying amount of reclassified assets as at 31 December	42,405,675	48,516,751	23,473,374	29,677,491
Fair value of reclassified assets as at 31 December	50,312,190	56,949,159	29,000,745	35,299,913
Impact on comprehensive income if not reclassified	5,527,372	5,622,422	5,527,372	5,622,422
Estimated cash flows	30,784,182	38,669,814	29,639,018	37,521,726

	Triglav Group		Zavarovalnica Triglav	
Reclassifications from AFS to L&R	2016	2015	2016	2015
Carrying amount of reclassified assets as at 31 December	26,433	0	0	0
Fair value of reclassified assets as at 31 December	27,219	0	0	0
Estimated cash flows	29,474	0	0	0

5.2 Additional notes to the cash flow statement

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 3.1, 3.2 and 3.3].

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 consolidated cash flow statement is composed of the combined cash flows of all Triglav Group companies, taking into account intercompany eliminations.

5.3 Amounts spent on auditors

The audit of separate and consolidated financial statements for 2016 and 2015 was performed by the auditing company Ernst&Young, Revizija, poslovno svetovanje d.o.o., Ljubljana, while the financial statements of the companies of Lovćen Group were audited by Deloitte Revizija d.o.o., Ljubljana. The amounts, paid for auditing services were as follows.

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
Auditing of the Annual Report	384,852	412,039	118,828	130,234
Other auditing services	175,685	114,680	175,685	114,680
Other assurance services	62,397	54,011	610	610
Other non-auditing services	9,052	739	0	0
TOTAL	631,986	581,469	295,123	245,524

Other audit services in Zavarovalnica Triglav refer to consulting services in relation with the Solvency 2 project, for which a consulting contract was concluded in 2015.

5.4 Related party transaction

Related party transactions are disclosed separately for the Group and Zavarovalnica Triglav:

- Transactions with subsidiaries are disclosed only at the level of Zavarovalnica Triglav and include transactions with entities in which Zavarovalnica Triglav has a dominant influence (presented in [→ Section 3.4]). At the level of the Triglav Group, these transactions are eliminated in the consolidation processes.
- Associates in whom the Group and Zavarovalnica Triglav have significant influence – these are presented in [→ Section 3.5].
- Transactions with shareholders and shareholder-related companies.

The largest shareholders of Zavarovalnica Triglav are Zavod za pokojninsko in invalidsko zavarovanje (ZPIZ), holding an equity stake of 34.47% and Slovenski državni holding (SDH) with a 28.09% shareholding.

The shareholder-related companies are those in which the SDH and the Republic of Slovenia together directly hold at least a 20% stake. As at 31 December 2016, there were 53 of such companies; the list is published on the SDH website (<http://sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

Business with the two largest shareholders and the state-related parties is limited to regular business cooperation. In the reporting period, there were no individual significant transactions between the above-stated companies. Total transaction value is shown in the table below.

The services exchanged between Group companies are rendered at prices that are applied to other companies outside the Group. Pricing methods include external comparable, internal comparable and cost contribution arrangement.

Outstanding balances referring to the above-mentioned related parties as at the reporting date and income and expenses during the period are shown below.

Transactions with subsidiaries

	in EUR	
	31 December 2016	31 December 2015
ASSETS		
Stakes and shares	130,632,437	134,689,036
Debt securities and loans given to members of the Group	19,331,938	18,223,726
Other financial investments	0	924,125
Receivables from insurance premium	2,600,718	1,914,689
Co-insurance receivables	11,381	22,812
Receivables for reinsurer's share in claims	5,622,496	10,147,257
Other short-term receivables from insurance operations	14,369	18,060
Short-term receivables from financing	1,172,759	13,656,651
Other short-term receivables	825,663	810,511
LIABILITIES		
Liabilities to insureds	444,617	344,344
Liabilities to agents and brokers	340,930	294,961
Liabilities to insurances for coinsurance premium	14,697	0
Liabilities for reinsurance premiums	9,183,540	9,028,603
Liabilities for shares in claims from coinsurance	1,712	1,110
Other short-term liabilities	190,746	189,389

	in EUR	
	2016	2015
INCOME AND EXPENSES		
Gross written premium	12,628,100	10,948,070
Assumed coinsurance written premium	10,364	36,981
Outward reinsurance premium (–)	-60,421,156	-60,525,507
Net premium income	-47,782,692	-49,540,456
Reinsurance commission income	12,209,795	10,787,451
Other income from insurance operations	4,600,334	4,712,061
Interest income	857,579	1,985,141
Other insurance income	1,792,434	2,295,231
Income from land and buildings	526,079	323,036
Income from disposal of financial assets	8,911,599	329,158
Other income	203,482	197,611
Dividends	0	29,172,864
Other income from financial assets	5,450	8,399
TOTAL INCOME	-18,675,940	270,496
Gross claims settled	999,133	1,211,401
Reinsurers' share in gross claims	-18,000,951	-21,199,636
Shares in indemnities from assumed co-insurances abroad	602	0
Net claims	-17,001,217	-19,988,235
Loss on disposal from financial assets	544,414	882,000
Other financial expenses	7,340	59,097
Other expenses	0	16,878
TOTAL EXPENSES	-16,449,463	-19,030,260

Transactions with associates

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
ASSETS				
Stakes and shares	6,826,400	6,939,700	9,503,047	7,259,875
Insurance premium receivables from policyholders	800	987	364	769
Other short-term receivables	18,100	0	18,100	0
LIABILITIES				
Liabilities to agents and brokers	22,008	19,681	20,919	18,480
Other short-term liabilities	436	553	0	0
Accrued costs and expenses	60	116	0	0

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
INCOME AND EXPENSES				
Gross written premium	35,277	97,511	32,866	95,158
Income from dividends and stakes	0	0	62,153	145,322
Income from disposal of financial assets	0	0	0	47,255
Other income	0	0	0	0
TOTAL INCOME	35,277	97,511	95,019	287,735
Gross claims settled	20,628	60,498	20,628	60,498
Acquisition costs	16,083	30,959	0	0
TOTAL EXPENSES	36,711	91,457	20,628	60,498

Transactions with shareholders and shareholder-related companies

	in EUR	
	Triglav Group	Zavarovalnica Triglav
	31 December 2016	31 December 2016
ASSETS		
Stakes and shares	10,829,436	6,020,206
Debt securities	111,600,197	81,917,309
Operating receivables	428,376	426,184
Other assets	28,085,644	20,760,486
LIABILITIES		
Operating liabilities	2,449,808	1,263,124

	in EUR	
	Triglav Group	Zavarovalnica Triglav
	2016	2016
INCOME		
Gross written premium	24,448,590	24,080,645
Financial income	6,632,202	4,526,623
Other income	99,605	92,687
EXPENSES		
Gross claims settled	7,574,150	7,496,524
Financial expenses	523,276	261,577
Other expenses	8,782,294	6,785,728

5.5 Members of the Management Board and Supervisory Board

In 2016, the Management Board members were paid the following amounts as compensation for their work:

	in EUR						
Management board	Fixed salary (gross)	Other additional payments*	Bonuses	Net pay received	Insurance premiums **	Other benefits***	Reimbursements
Slapar Andrej	153,264	2,105	37,601	70,607	48,266	3,372	2,749
Makoter Marica	145,601	2,457	36,402	64,559	33,577	3,777	517
Jošar Benjamin	145,601	2,395	36,402	63,257	32,764	6,062	992
Ivanc Uroš	145,601	1,837	21,998	59,988	33,613	1,037	1,143
Čoroli Tadej	145,601	1,837	21,998	60,226	33,589	670	2,161
TOTAL	735,668	10,631	154,401	318,637	181,809	14,918	7,562

* 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.

As at 31 December 2016, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

	in EUR	
Management board	Receivables as at 31 December 2016	Liabilities as at 31 December 2016
Slapar Andrej	27	22,021
Makoter Marica	16	21,281
Jošar Benjamin	1,792	21,311
Ivanc Uroš	6	17,109
Čoroli Tadej	30	16,583
TOTAL	1,871	98,305

In 2016, 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	
Blažič Matija	14,172	2,420	1,314	17,906	13,023	
Celar Peter	17,715	3,960	192	21,867	15,904	
Gobbo Mario	21,258	4,741	23,579	49,578	32,660	
Kastelic Gregor	22,675	3,685	9,317	35,677	27,650	
Molan Boštjan	17,715	4,224	1,027	22,966	16,703	
Nose Barbara*	7,083	2,970	0	10,053	7,312	
Pervanje Milena*	449	660	0	1,109	806	
Runjak Matej	10,166	2,453	166	12,785	9,298	
Sotošek Ivan	17,715	4,521	1,352	23,588	17,155	
Stanković Rajko	17,715	4,796	166	22,677	16,493	
Štebernak Igor	13,577	2,376	0	15,953	11,603	
Svoljšak Mitja*	1,180	1,320	0	2,500	1,818	
Štimac Dubravko	0	0	0	0	0	
TOTAL	161,420	38,126	37,113	236,659	170,425	

*External committee members.

As at 31 December 2016, Zavarovalnica Triglav the outstanding payables to the above stated members of the Supervisory Board, its committees and commission were as follows:

			in EUR
Surname and name	Receivables as at 31 December 2016	Liabilities as at 31 December 2016	
Gobbo Mario	0	356	
Runjak Matej	20	0	
Štimac Dubravko	287	0	
TOTAL	307	356	

Proposed criteria for the assessment of the performance of Management Board members are proposed by the Appointments and Compensation Committee and approved by the Supervisory Board. The purpose of these criteria is to maximise the objective monitoring of existing goal achievement and to periodically evaluate the performance of Management Board members. The performance criteria are designed to follow the long-term business objectives of the Company, making part of the annual business plans and other strategic documents of the Company. The definition of an individual objective includes the following: its description, expected target value, assigned weight and method for measuring or assessing its achievement. According to this method, a Management Board member is entitled to a bonus in the case of over-performance and a pay deduction in the case of underperformance.

A one-off annual bonus for good performance is paid in two parts: the first half within 30 days of the Supervisory Board approving the annual report and adopting a resolution on the bonus amount, or, in the event the annual report is approved at the General Meeting of Shareholders, within 30 days of the General Meeting of Shareholders approving the annual report and the Supervisory Board adopting a resolution on the bonus amount. The remaining 40% of the bonus is paid after two years, and 10% after three years; however, both payments must be proportionate to the period of the office being held in any calendar year.

Management Board members are entitled to severance pay equalling six time average monthly salary they received as board members, if they are dismissed on economic and business grounds, and their employment is terminated as a consequence. Severance is paid within one month of dismissal.

5.6 Contingent assets and contingent liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Outstanding subrogated receivables	50,815,616	48,830,683	44,791,232	42,875,344
Derivatives - futures	111,151,895	0	111,151,895	0
Alternative investments	19,889,990	0	19,889,990	0
Bonds, guarantees and other sureties issued	332,925	9,280,276	54,000	5,895,180
Contingent assets	3,327,806	3,558,941	1,896,311	2,207,358
Receivables from option agreements	1,363,886	16,555,886	0	15,192,000
Receivables from forward contracts	0	50,000,000	0	50,000,000
Contingent liabilities	563,667	637,745	0	0
Properties under acquisition	162,675	170,172	0	0
Assets under management	31,335,362	25,499,557	0	0
TOTAL OFF-BALANCE SHEET ITEMS	218,943,822	154,533,259	177,783,428	116,169,882

At the reporting date, Zavarovalnica Triglav disclosed a contingent liability in the amount of EUR 3.6 million for a guarantee in relation to liabilities for due premium of Triglav Pojišt'ovna a.s. Final settlement of these receivables was realised in 2016. A guarantee amounting to EUR 4.2 million was cashed (see [→ Section 3.20]). As at the balance sheet date, the Company therefore had no obligations and the off-balance-sheet contingent liability related to that guarantee was released.

5.7 Employees

The table below shows the number and educational structure of employees in the Group and Zavarovalnica Triglav.

Level of education	Triglav Group		Zavarovalnica Triglav	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Primary and vocational	975	1,267	136	154
Secondary school	1,461	1,553	864	908
Post-Secondary Education	598	622	380	371
Higher Education and University	1,815	1,773	871	837
Masters and Doctorates	197	164	84	71
TOTAL	5,046	5,379	2,335	2,341
Average number of employees	5,005	5,251	2,357	2,357

5.8 Significant legal disputes

- Matjaž Rakovec as the plaintiff against Zavarovalnica Triglav for the annulment of the resolution of the Supervisory Board dated 22 May 2013 referring to the dismissal of Matjaž Rakovec from the office of President of the Management Board and appointment of Andrej Slapar as President of the Management Board and for the payment of damages

On 3 June 2013 the District Court in Ljubljana dismissed the application to issue a temporary injunction filed by Matjaž Rakovec, in which he proposed to suspend the implementation of a Supervisory Board's resolution dated 22 May 2013 in the part referring to the recall of Matjaž Rakovec, President of the Management Board, and appointment of Andrej Slapar as temporary President of the Management Board. The plaintiff also asked the Court to verify that Matjaž Rakovec is the only President of the Company's Management Board. The Court dismissed the temporary injunction arguing that the plaintiff's claim was probably shown; however, there was no risk supporting the issue of the requested temporary injunction.

On 19 August 2013, Zavarovalnica Triglav received a claim filed by Matjaž Rakovec in which he requests the annulment of the Supervisory Board's resolution dated 22 May 2013 with respect to the dismissal of Matjaž Rakovec from the office of President of the Management Board and the appointment of Andrej Slapar as temporary President of the Management Board, the annulment of the entry of changes related to the President of the Management Board into the Court Register and the payment of damages amounting to EUR 516,399. In the alternative the plaintiff requests that the defendant reappoint him President of the Management Board and recognise an uninterrupted service as the President and all the rights arising from the employment contract for the entire duration of unlawful dismissal from the office of the until his reappointment. Zavarovalnica Triglav responded to the claim lodged by Matjaž Rakovec within the period specified by law. On 3 November 2014, Zavarovalnica Triglav was served a partial judgement of the District Court in Ljubljana in the case of Mr Matjaž Rakovec claiming the nullity and voidness of the Supervisory Board's resolution of 22 May 2013, reinstatement and damages. The court decided that the challenged resolution of the Supervisory Board on the dismissal of Matjaž Rakovec as the President of the Management Board was null and void, since the grounds for his dismissal were not in compliance with the Companies Act (ZGD-1). On the grounds of the lack of legal interest, the Court rejected the claim of Mr Rakovec for nullity and voidness of the resolution of 22 May 2013 on the appointment of an acting President of the Management Board of Zavarovalnica Triglav, as his term of office had already been terminated and any decision of the Court in this matter was devoid of purpose. On the same grounds the Court refused the claim by Mr Rakovec for the nullity and voidness of the entry into the Companies Register (of the President of the Management Board) on 29 May 2013 was. The damages for material loss claimed by Mr. Rakovec were also denied by the Court on the grounds of *lis pendens*. On the claimed amount of EUR 80,000 of damages for immaterial loss the Court will decide when and if the partial decision becomes final. In the event the partial decision becomes final, the damages for material loss of approximately EUR 430,000 Mr. Rakovec claims in a labour dispute will also be decided on. Zavarovalnica Triglav lodged an appeal against the above-stated judgement. The Higher Court of Ljubljana confirmed the partial judgement rendered by the District Court of Ljubljana dated 3 November 2014 and set aside the resolution with respect to the nullity and voidness of the claim of Matjaž Rakovec for the payment of material damage; at the same time, the Court referred this part of the claim to the Labour and Social Court in Ljubljana. Zavarovalnica Triglav appealed against the decision of the Higher Court of Ljubljana on a point of law. The appeal is pending before the Supreme Court.

- Zavarovalnica Triglav d.d. as the plaintiff against Skupna pokojninska družba d.d., Ljubljana, as the defendant and counterclaim

On 26 February 2013, Zavarovalnica Triglav lodged a claim in which it requested the payment of dividend amounting to EUR 750,904.00 with interest and any other related costs. The defendant counters by arguing that the liability was offset in the amount of EUR 926,170 with interest and

any other related costs disclosed by Skupna pokojninska družba d.d., Ljubljana to the plaintiff based on a concluded contract on the payment of additional pensions pursuant to the retirement plan from 2000. On 23 April 2013, the defendant responded to the plaintiff's claim and at the same time filed a counterclaim for the payment of EUR 926,170 with interest and any other related costs. Zavarovalnica Triglav responded by rejecting all the allegations of Skupna pokojninska družba d.d., Ljubljana as unfounded.

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 in dividend payments which fell due in 2013. On 24 March 2014, the defendant filed a defence statement and a counterclaim against Zavarovalnica Triglav for EUR 642,473 on the basis of an agreement on the payment of supplemental pensions under a pension scheme by 2000. Zavarovalnica Triglav filed a defence statement against the counterclaim in which it negates all the claims by Skupna pokojninska družba d.d., Ljubljana, in their entirety.

- Nova Ljubljanska banka d.d., Ljubljana, Maksima holding d.d., Ljubljana, FMR d.d., Idrija and Helios d.d., Domžale as the moving parties against Zavarovalnica Triglav d.d. Ljubljana as the opposing party – non-litigious civil case requiring judicial review of the adequacy of the amount of monetary compensation

The General Meeting of Shareholders (GMS) of Pozavarovalnica Triglav RE d.d., Ljubljana on 18 April 2012, based on a proposal by Zavarovalnica Triglav d.d. as its largest shareholder, passed a resolution on the transfer of the remaining shares held by minority shareholders (the moving parties) for a monetary compensation of EUR 1,441 per share. In their application for judicial review of the adequacy of the amount of that monetary compensation, in a non-litigious civil case started before the District Court in Ljubljana, the moving parties allege that the offered compensation, set by Zavarovalnica Triglav based on a valuation by a certified business appraiser in accordance with applicable valuation standards defined by law, failed to account for the actual asset and profit position of Pozavarovalnica Triglav RE d.d., Ljubljana, at the time the GMS adopted the exclusion of minority shareholders. On the contrary, Zavarovalnica Triglav alleges to have offered such an amount of monetary compensation which fully accounted for the asset and profit position of Pozavarovalnica Triglav RE d.d., Ljubljana, in compliance with the Companies Act (ZGD-1), as proven by both documents submitted by it at the GMS before it decided on the exclusion: i.e. a report explaining the assumptions for the transfer of shares and the adequacy of the amount of monetary compensation and an auditors' report in which a court-appointed auditor verified that the amount of offered monetary compensation is adequate. In the course of the procedure, the Court obtained the opinion of the settlement committee regarding the exchange rate testing, and an expert opinion of the court nominated expert. The expert opinions show that an appropriate cash compensation per share of excluded minority shareholders of Triglav Re, d.d., Ljubljana should be significantly higher than that adopted by the General Meeting of Triglav Re, d.d., Ljubljana. Based on interviews with all parties involved regarding the possibility of a settlement, all parties to the proceedings reached a court settlement before the District Court in Ljubljana on 18 January 2017. The parties agreed that Zavarovalnica Triglav would pay the difference between the already paid indemnity in the amount of EUR 1,441 per share and the amount of EUR 2.891 per share, i.e. an additional amount of 1.450 euros per share plus interest in the amount of 2 per cent per annum for the period from 26 April 2012 to 30 November 2016. The total amount of required payments to applicants thus totaled EUR 2,137,590, of which the principal is EUR 1,957,500 and accrued interest EUR 180,090. The parties have also agreed to bear their own costs of the litigious procedure.

The Management Board of Zavarovalnica Triglav assumes that there is no need to form provisions for potential costs arising from the abovementioned disputes.

■ Triglav osiguranje d.d., Sarajevo, versus SCT BBM d.o.o., Sarajevo

After a failed mediation, the company Triglav osiguranje d.d., Sarajevo proceeded with its action against the defendants SCT BBM d.o.o., Sarajevo, and JP Ceste Federacije BiH. The dispute concerns a claim for compensation in the amount of BAM 6,385,104, of which BAM 2,065,759 refers to the company Triglav osiguranje d.d., Sarajevo. The legal basis is the payment of a performance bond. Three preliminary hearings have taken place where the appointment of experts was discussed. The case is still pending.

■ Triglav osiguranje Belgrade vs. Dunav Re

On 14 April 2014, Triglav osiguranje Belgrade, filed an application for enforcement on the basis of an authentic document claiming EUR 1,934,707. The party against whom enforcement is sought appealed and the court referred the parties to litigation. At the hearing on 25 February 2015, the defendant entered a counterclaim for the rescission of the reinsurance contract. At the hearing on 29 June 2015, witnesses were heard and a financial analysis was presented. At hearings on 13 January 2016 and 15 March 2016, witnesses were heard. After the Court the financial analysis on 5 May 2016, je Triglav Osiguranje a.d.o. Beograd, set the amount of the payment claim at RSD 236,690,436 and interest accrued from 17 March 2013 onwards, and decided to reject the counterclaim for the cancellation of the reinsurance contract. Dunav RE proposed the exclusion of the financial expert, yet on 6 October 2016, the Court rejected the request as ungrounded. Dunav RE then filed a repeated request for the exclusion of the financial expert. The case is still pending.

■ Minority shareholders of Triglav osiguranje a.d., Skopje (plaintiff) versus Zavarovalnica Triglav and Triglav osiguranje a.d., Skopje (defendants)

In May 2013, the minority shareholders Triglav osiguranje 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 statement of defence was submitted by Triglav Osiguranje a.d., Skopje, but Zavarovalnica Triglav d.d. was only served with the claim in January 2016. Zavarovalnica Triglav submitted a statement of defence in due time, contesting the claim in its entirety. The Court upheld the objection of Zavarovalnica Triglav regarding the jurisdiction of the Macedonian court and rejected the claim of the plaintiff.

■ Stojan Klopčevski versus Triglav Osiguranje a.d., Skopje

In April 2012, the former general manager of Triglav Osiguranje 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. On the grounds of shortcomings of the action, the Court dismissed the action on 5 March 2013. The Court upheld the objection and the case was referred back to the Court of First Instance for reconsideration. The Court adopted a decision by which it rejected the subject matter jurisdiction of the Macedonian court. The case is still pending.

■ 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 612,727 plus cost and interest on late payment which as at 31 December 2015 totalled EUR 31.888. 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.

5.9 Reviews by supervisory bodies

■ Order of the Insurance Supervision Agency (ISA)

Based on the Order of the Insurance Supervision Agency (hereinafter: AZN) issued to Zavarovalnica Triglav d.d., on 11 February 2016 Ivan Sotošek and Boštjan Molan as the Supervisory Board members – Employee Representatives do not meet the legal requirements to serve on the insurer's Supervisory Board as set out in Article 67(1)(1) of the Insurance Act (ZZavar-1), which defines that a person with adequate professional qualifications and knowledge and experience required to supervise the insurance business operations shall be appointed Supervisory Board Member of an insurance company. In line with the Worker Participation in Management Act, both above-mentioned members were elected into the Supervisory Board by the Works Council of Zavarovalnica Triglav in 2015.

On 19 February 2016, Zavarovalnica Triglav d.d. received the Insurance Supervision Agency Decision rejecting as unfounded the objection filed by Zavarovalnica Triglav d.d. on 14 December 2010 against the Insurance Supervision Agency Order to terminate the stated infringement.

In accordance with the order the Company's Management Board proposed the Works Council to convene a meeting of the Works Council and submitted a proposal for the dismissal of members of the Supervisory Board Ivan Sotoška and Sebastian Molan. On 18 May 2016, the Works Council discussed the presented proposal of the Management Board and did not adopt the proposed decision on the dismissal of Ivan Sotoška and Sebastian Molan. In compliance with the order and within the period specified therein, the Company presented a report on the execution of the ISA order.

■ Termination of authorisation for brokering the purchase and sale of mutual funds investment coupons

On 22 February 2016, the Company is received the Insurance Supervision Agency decision on the termination of the authorisation for the business of brokering the purchase or sale of mutual fund investment coupons regulated under the law governing investment funds and management companies. The authorisation was terminated pursuant to Article 633(1) of the Insurance Act, which provides that with effect from 1 January 2016 the authorisation of insurance undertakings acquired on the basis of Article 14(7) of the Insurance Act shall cease to be in force, while insurance companies shall cease to perform the operations within four months after the entry into force of the Insurance Act (ZZavar-1).

■ Issue of authorisation to perform reinsurance operations

On 25 April 2016 the Company was issued a decision by the Insurance Supervision Agency authorising it to perform reinsurance operations in the non-life insurance segment. The Company filed the application for the authorisation in order to comply with Article 635 of the Insurance Act, as at the date of entry into force of the revised Insurance Act (ZZavar-1) the Company performed reinsurance operations under Article 14(10) of the Insurance Act and intends to perform such operations also in the future.

■ Inspections performed by the Insurance Supervision Agency (hereinafter: ISA) in Zavarovalnica Triglav

■ On 17 November 2016 the Company received a request for inspection by the Insurance Supervision Agency on the basis of which, on 24 November 2016 the ISA began to review the operations related to the work and cooperation of the insurance company with medical examiners. On 7 February 2017 the ISA informed the Company that on the basis of the findings of the review no imposition of measures was needed and thereby the inspection of operations was completed.

- On 17 November 2016 the Company received a request for inspection by the Insurance Supervision Agency on the basis of which, on 28 November 2016 the ISA began to review the operations related primarily to the investment-linked life insurance.
- In 2014, the Insurance Supervision Agency (hereinafter: ISA) performed a review of operations, in order to inspect whether the Company's operations are in compliance with the Insurance Act and other applicable acts and implementing regulations, regulating its operating and accounting activities. Based on the said review, on 10 June 2015 the ISA issued the Order to eliminate the violations pertaining to the evaluation of certain investments and to the amendment and testing of the business continuity plan (hereinafter: the Order). In line with the issued Order, Zavarovalnica Triglav is required to implement the additional measures imposed by the Order: to revise the internal documents which define the values of such investments and to take them into account in the future when evaluating and/or categorising investments, as well as to amend and test the business continuity plan. On 22 June 2015, Zavarovalnica Triglav lodged an appeal against that Order, stating that the said violations were not mentioned in the Order. The Insurance Supervision Agency rejected the Company's appeal and established that the Company eliminated the violations pertaining to the evaluation of certain investments in due time. In addition, On 8 March 2016 the ISA further established that the alleged violation was eliminated in the part related to completing and testing the business continuity plan. On 7 August 2015, Zavarovalnica Triglav brought legal proceedings before the Administrative Court of the Republic of Slovenia, challenging the validity of the ISA Order and stating that the said violations were not mentioned in the issued Order. On 27 February 2017, the Company received the judgement of the The Supreme Court upheld the action and delivered a judgement of the Administrative Court by which the action was rejected.

■ Lovćen Osiguranje, a.d., Podgorica

In March 2016, the Insurance Supervision Agency of Montenegro in cooperation with the Slovenian Insurance Supervision Agency carried out an inspection in the areas of corporate governance, related party transactions, information systems and accounting of technical reserves.

In August 2016, the Agency imposed the following measures on the Company: revision of the Rules for the Work of the Audit Committee, disclosure of information about transactions with related natural persons since the beginning of 2016, inclusion of the company INPRO in the record of related parties since 2016, revision of the rules concerning transactions with related persons, adoption of internal rules on advances paid to the representation company. On 28 December 2016, the Company notified the Agency of the fulfilment of all the imposed measures.

On 24 July 2015 the Competition Protection Office of Montenegro adopted a decision on the basis of which it found that Lovćen and Sava Montenegro violated competition rules in the area of non-life insurance by arranging, conclusion and execution of the agreement, which restricted and prevented competition. By the same decision, it was found that the agreements were null and void and that all parties were prohibited to further execute the agreements. Based on the decision of 21 August 2015, the Office upheld the claim of Lovćen to postpone the enforcement of the Office's decision until the final decision of the Administrative Court of Montenegro. On 25 August 2015 Lovćen brought the action against the decision of the Office. The action was finally rejected as ungrounded. The Office also filed a complaint against Lovćen and the person responsible with the Misdemeanor Court in Podgorica. On 2 March 2016, the Misdemeanor Court issued a decision terminating the proceedings due to statute of and illegal retroactive application of regulations. The complaint of the Office was rejected and the case has become final.

The tax authority carried out an inspection in the Company in 2016, which included checking the correctness and timeliness of tax returns and contribution payments, examination of operations of taxpayers, checking of updatedness, accuracy and veracity of bookkeeping and other records. Certain irregularities were found in the course of inspection. The Company has paid additional obligations in the amount of EUR 18,092.

■ Triglav Osiguranje, d.d., Sarajevo

In 2016, the Insurance Supervision Agency FBIH carried out two inspections of business operations on the basis of submitted reports and documentation which the Company in accordance with the rules regularly submitted to the Agency. The inspection concentrated on insurance policies for motor vehicle liability insurance has not yet been completed to the reporting date. In the second inspection, the Agency ordered the Company to pay some claims that have been resolved. The Company has already met its obligation and informed the Agency accordingly.

Additional inspection was also carried out by the Insurance Supervision Agency of the Republic of Srpska. Based on the inspection, the Agency issued a decision, ordering the Company to organise the work in the Banja Luka branch in such a way that all the original documentation for life insurance is kept in an appropriate manner. The Company has already complied with the obligations imposed.

■ Triglav Osiguranje, a.d.o., Beograd

In 2016, the National Bank of Serbia started an inspection in the Company, looking into cost accounting, real estate and equity, classification of financial assets, market behavior, business planning, monitoring the adequacy of the provisions for unearned premiums, and mathematical reserves. To the reporting date, the inspection was not completed.

In addition, a tax inspection by the Tax Administration is underway. This time, the subject of inspection is the calculation and payment of the corporate income tax for the 2011–2015 period.

■ Triglav Osiguranje, d.d., Zagreb

In 2016, the Croatian Financial Services Supervisory Agency (hereinafter: HANFA) performed a direct inspection of the Company's operations. On 14 October 2016, the HANFA adopted a decision imposing elimination of some deficiencies. The Company has to meet its obligations by 31 July 2017.

■ Triglav Osiguruvanje, a.d., Skopje

The Insurance Supervision Agency of Macedonia undertook a compliance review in the company and concluded that premiums passed for reinsurance are not recorded in the appropriate manner. The Company has corrected the deficiencies and submitted some comments to the minutes, to which the Agency agreed and completed the review on 18 May 2016.

In addition to the above, the Agency carried out two field inspections related to the Company's operations. Two offences were found and two fines imposed in total amount of EUR 15,925. The fines were paid in October 2016.

5.10 Subsequent events

In the period from the end of the reporting period and the date of approval of the financial statements, no adjusting events occurred that would affect the prepared consolidated and separate financial statements of the guarantee fund of Zavarovalnica Triglav for 2016, as well as no material non-adjusting events.

The events after the reporting date that are important for the operations in 2017 are the following:

- On 2 February 2017, Zavarovalnica Triglav d.d. and KGAL Beteiligungsverwaltungs GmbH (hereinafter: the KGAL Group) signed an agreement on the establishment of the company TRIGAL d.o.o., Ljubljana. Upon its establishment, the newly founded company will have EUR 1 million of capital, of which EUR 499 thousand will be paid in by Zavarovalnica Triglav. By founding a new company, Zavarovalnica Triglav d.d. is launching the project of setting up a regional platform for alternative investments. The purpose of the platform will be to obtain funds from institutional investors and invest them in various types of investments such as real property, infrastructure projects and other alternative investments, primarily in the Adria region.
- On 5 January 2017, Zavarovalnica Triglav was informed by the Insurance Supervision Agency (hereinafter: ISA) on the completed inspection of operations related to the Company's own models for valuation of subsidiaries, which had started on 23 February 2015. In its notice, the ISA informed the Company that due to the self-commitment of the Company to adjust the valuation model for its subsidiaries, complement the valuation bases and apply an additional control method in valuation its insurance subsidiaries, no imposition of measures in this area was needed and thereby the inspection of operations was completed.

5.11 Improvements in standards and interpretations

New standards and interpretations not yet in force

The accounting policies used in the preparation of the consolidated and separate financial statements are consistent with those of the consolidated and separate annual financial statements for the year ended 31 December 2015, except for new and amended standards in force as of 1 January 2016 presented below.

Amendments to the IFRS 11 Joint Arrangements Accounting for Acquisitions of Interests in Joint Operation:

In accordance with the amendments to IFRS 11, an entity that is a party to a joint operation should on accounting for the acquisition of an interest in a joint operation whose activity constitutes a business apply the relevant accounting policies as defined in IFRS 3 Business Combinations. The amendments also contain additional interpretation that on acquisition of additional interests in the same joint operation the entity shall not remeasure its existing interests in the same joint operation, as long as such joint operation exists. In addition, the Board included some exceptions to IFRS 11, stating that the amendments shall not apply to parties participating in a joint operation (including the reporting party), if they are controlled by the same parent company.

The amendments apply to the accounting for acquisition of both existing and additional interests in the same joint operation. The Amendments apply to future periods. These amendments will not have an impact on the consolidated and separate financial statements of the Company.

Amendments to the IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

With these amendments the Board clarifies the accounting policies of IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets providing that revenues reflect the pattern of economic benefits that the entity generates in its operation (also embodied in the asset), and not the economic benefits arising from the consumption of the asset. Since revenue-based methods of depreciation cannot be used for property, plant and equipment, it can only in limited circumstances be used for the amortisation of intangible assets. It is not expected that the amendment will have an impact on the Group's separate and consolidated financial statements.

Amendments to the IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments are changing the requirement in accounting for biological assets meeting the definition of bearer plants. In accordance with these amendments biological assets defined as bearer plants, are no longer accounted for under IAS 41 Agriculture, but rather under IAS 16. That means that under the requirements of IAS 16, after the initial recognition bearer plants shall be measured at accumulated costs (before maturity) and by applying either the cost model or the revaluation model (after maturity). In addition, the amendment requires that the produce growing on bearer plants be measured at fair value less the cost of sales in accordance with the provisions of IAS 41. Government subsidies for bearer plants shall be accounted for in accordance with IAS 20, including the accounting for state subsidies and disclosure of state aid. These amendments have no impact on the Company's separate and consolidated financial statements.

Amendments to IAS 27: Equity method in the separate financial statements

Amendments to IAS 27 allow companies to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures. Companies that already prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) and wish to make the transition to the equity method shall also apply these amendments to the separate financial statements of the preceding period. These amendments have no impact on separate financial statements.

Amendment to IAS 1: Disclosure initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. Among other things, the amendments clarify:

- the requirements of IAS 1 in relating to materiality,
- that an entity may neglect individual items in the income statement, comprehensive income and statement of financial position,
- that an entity may freely choose their order of presentation of notes to the financial statements, and
- that an entity shall recognise the share in comprehensive income of an associated or jointly controlled entity using the equity method to show the total amount in one item and then allocate it to the items that subsequently will not be reclassified to profit or loss.

The amendments further clarify the requirements for additional presentation of interim amounts in the statement of financial position, income statement and statement of comprehensive income. These amendments will have no impact on the separate and consolidated financial statements of the Company.

Amendments to IFRS 10, IFRS 12 and IFRS 28: Applying the consolidation exception

The amendments clarify the issues faced by entities when applying the consolidation exceptions in investment entities based on the provisions of IFRS 10 Consolidated Financial Statements. The amendments clarify that the exemption from preparing consolidated financial statements only applies to a parent entity that is a subsidiary of an investment entity parent in cases where the investment entity measures its interests in all its subsidiaries at fair value. In addition, the amendments clarify that consolidation only includes subsidiaries that themselves are not investment entities and only provide ancillary services to the investment entity. All other subsidiaries of an investment entity are measured at fair value. Amendments to IFRS 28 Investments in Associates and Joint Ventures, allows investors to keep the fair value method along with the equity method, so that all associates and joint ventures apply the fair value method when measuring their interests in subsidiaries. These amendments will not have an impact on consolidated financial statements of the Company.

Annual Improvements to IFRSs 2012–2014 Cycle

IFRS 5 Non-current assets held for sale and discontinued operations

In general, an entity disposes of assets (or disposal groups) through either sale or distribution to owners. The amendment clarifies that the change of asset disposal method (by sale or distribution to owners) does not constitute a new sales plan but rather a continuation of the original plan, which in no way discontinues the requirements of IFRS 5. Entities shall follow the amendment in future periods.

IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract specifying the price of services constitutes continuing involvement in the financial asset. To establish whether disclosure is required or not, an entity shall assess the type and price of the servicing contract and on that basis determine whether or not the contract represents continuing involvement in the financial assets in accordance with IFRS 7. Furthermore, assessing whether a servicing contract represents continuing involvement in the financial assets. However, disclosure is not required for period preceding the year in which an entity observes the amendment for the first time.

IAS 19 Employee Benefits

The amendment clarifies that the entity shall assess market depth of high-quality corporate bond rate based on the currency in which the obligation is expressed and not taking into account the currency of the country in which the obligation exists. In the absence of market depth, high-quality corporate bonds in a particular currency, the entity shall apply the rate of return on government bonds. The amendment shall be applied to future periods.

New IFRSs and interpretations not yet in force

A number of new standards and interpretations adopted by the EU were not yet effective when these separate and consolidated financial statements were prepared. The Company intends to follow these standards and interpretations in its financial statements after they have become effective. So far, the Company has adopted none of these standards prior to their required effective date.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board promulgated the final version of IFRS 9 Financial Instruments, containing the requirements of all intermediate stages of the project to adjust IFRS 9 and replace IAS 39 Financial instruments. The new standard introduces new requirements for classification and measurement of financial assets and liabilities. The interpretation is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Companies must apply the amended standard for the previous periods, whereby the disclosure of comparative information is not required.

The adoption of IFRS 9 will have an effect on the classification and measurement of the financial assets and liabilities of the guarantee fund. The Company will apply the new standard together with the use of IFRS 4.

IFRS 15 Revenue from the Contracts with Customers

In May 2014, the International Accounting Standards Board issued IFRS 15. The standard establishes a five-step model of recognising revenue expected from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. At the same time, IFRS 15 provide a more structured approach to measuring and recognising revenue. The new standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early application is permitted.

The Company is currently evaluating the impact of the new standard, which will be observed from the date of its entry into force.

New standards and interpretations not yet adopted by the EU

IFRS 16: Leases

In January 2016, the International Accounting Standards Board published IFRS 16, replacing the international accounting standard IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement Contains a Lease, SIC interpretation 15 Operating Leases – Incentives and SIC interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 thus determines policies for recognition, measurement, presentation and disclosure of a lease. Standard od najemnika zahteva, da pripozna vse najeme v okviru enotnega modela bilance stanja, podobno kot pri obračunu finančnega najema v skladu z MRS 17. The standard requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal

computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). At the same time, lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. According to the new standard, they will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

In accordance with IFRS 16, the accounting treatment of the lease by the lessor remains essentially the same as in the existing IAS 17. The lessor will continue to classify all leases on the same principle as defined in IAS 17 and distinguish between two types of lease: operating and financial lease. IFRS 16 requires more extensive disclosures from both the lessor and the lessee than the existing IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted as long as the Company has already reported in compliance with IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The transitional provisions of the standard also provide for certain exceptions for the companies.

It is not expected that the amendment will have an impact on the consolidated and separate financial statements.

IFRS 14: Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity to continue applying most of its existing generally accepted accounting principles to accounting for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate or joint venture

The amendment deals with the conflict between the requirements of IFRS 10 and IAS 28 regarding the accounting for the loss of control over a subsidiary resulting from the sale or contribution of assets to an associate or joint venture. The amendments clarify that a full gain or loss should be recognised from the sale or contribution of assets that constitute a business as defined in IFRS 3, between an investor and its associate or joint venture. However, the gain or loss resulting from the sale or contribution of assets that does not constitute a business is recognised only to the extent of unrelated investor's interests in the associate or joint venture. The International Accounting Standards Board has deferred the effective date indefinitely. The company that decides on early adoption of these amendments has to apply them for future periods. It is not expected that the amendment will have an impact on the consolidated financial statements.

IAS 12: Recognition of Deferred tax Assets – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments have to be applied retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The interpretation is effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. If the amendments are applied for an earlier period, this fact has to be disclosed. It is not expected that the amendment will have an impact on the separate and consolidated financial statements.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The International Accounting Standards Board (IASB) published Amendments to IAS 7 Statement of Cash Flows as part of its endeavours to encourage disclosures. Thus, Amendments to IAS 7 require entities to include in financial statement disclosure that enable the users of financial statements to see the scope of changes in the entity's liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendments, entities are not required to provide comparative information for preceding periods.

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted. In accordance with these amendments, the Company will include additional disclosures in its annual report, if needed.

Clarifications to IFRS 15 Revenue from the Contracts with Customers

In April 2016, the International Accounting Standards Board (IASB) published amendments to IFRS 15 to address several implementation issues discussed by the »Joint Transition Resource Group for Revenue Recognition«.

The amendments clarify:

- when a promised good or service is distinct within;
- how to apply the principal versus application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators;
- when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point of time;
- The scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract.

In addition, the amendments contain two practical expedients to the transition requirements of IFRS 15 for:

- completed contracts under the full retrospective transition approach and
- contract modifications at transition to the new standard.

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard. The Group/Company is required to apply these amendments retrospectively. Early application is permitted and must be disclosed.

The Company currently assesses the impact of these clarifications that will be observed as of the effective date.

IFRS 2: Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

Within the Amendments to IFRS 2 Share-based Payments, the International Accounting Standards Board (IASB) address the following three main areas:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction,
- the classification of share-based payment transactions with net settlement features for withholding tax obligations and
- the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption of these amendments, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted only if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. It is not expected that the amendment will have an impact on the Group's separate and consolidated financial statements.

IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The amendments are effective for annual periods beginning on or after 1 January 2018. The Company is assessing the impact of the amendments on both separate and consolidated financial statements.

Annual improvements of standards in the 2014–2016 period

The improvements comprise amendments to three standards:

- IFRS 12 Disclosure of Interests in Other Entities The amendment is effective for annual periods beginning on or after 1 January 2017. The amendments clarify the scope of the standard and provide requirements with regard to disclosures (except for those in paragraphs B10 – B16), apply to an entity's interests in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5. Non-current Assets Held for Sale and Discontinued Operations.
- IFRS 1 – First-time Adoption of International Financial Reporting Standards. The amendment is effective for annual periods beginning on or after 1 January 2018. The amendments deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their purpose and are no longer needed.
- IAS 28 Investments in Associates and Joint Ventures (revised) The amendments are effective for annual periods beginning on or after 1 January 2018. The amendments clarify that, upon initial recognition, an entity may elect to measure any investment in an associate or joint venture that is a venture capital organisation, or other qualifying entity at fair value through profit or loss.

The Company is currently assessing the possible impact of the amendments on its separate and consolidated financial statements.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The Interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or nonmonetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IFRIC Interpretation 22 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Interpretation can be applied either prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period an entity first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.

The Company is currently assessing the possible impact of the amendments on its separate and consolidated financial statements.

Amendments to IAS 40 – Transfer of Investment Property

The amendments clarify the requirements on transfer to, or from, investment property. The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments are applied to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight. The Company is currently assessing the possible impact of the amendments on its separate and consolidated financial statements.

5.12 Segment reporting

Zavarovalnica Triglav is a composite insurance company, providing non-life and life insurance services. As these are integral economic units, separate accounting records and books of account are kept. Distribution of income and expenses between non-life and life insurance is described below. Assets and their sources, including equity, are also disclosed separately.

The management monitors the operations of the Group based by business segments (non-life insurance, life insurance, health insurance and non-insurance operations) and by geographical segments (separately for the Slovene market and foreign markets).

The distribution of income and expenses between segments for reporting purposes is described below.

Reconciliation of total assets

Assets and liabilities items in the statement of financial position by business segment have not been offset. Mutual receivables and liabilities arising from non-life and life insurance operations and deferred tax assets and liabilities have been offset in the consolidated statement of financial position, as shown in the following table:

	in EUR	
	31 December 2016	31 December 2015
Balance sheet total (without offsetting)	2,761,482,778	2,707,758,359
Mutual receivables and liabilities	-6,410,518	-7,598,782
Deferred tax assets and liabilities	-14,739,215	-14,726,987
Offset balance	2,740,333,045	2,685,432,591

Mutual receivables and liabilities arise from cost sharing, as explained below.

Distribution of income and expenses between business 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 also accounted for separately by insurance group.

Other income from insurance operations and other income is accounted for by insurance groups. In order to ensure an appropriate presentation of the insurance-technical result, income from non-insurance operations is disclosed as other income. Other net income from insurance operations is accounted for separately by insurance group and insurance class, partly directly and partly by using a matrix (the matrix is the same as for investment income).

All income is also accounted for separately according to geographical segmentation – 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 that 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 by 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 of Triglav Group and Zavarovalnica Triglav

Depreciation and amortisation charges by business segment are disclosed under operating expenses in [[→ Section 4.12](#)].

Values of investments in intangible assets, property, plant and equipment and investment property by business segments are shown in the table below:

						in EUR
Triglav Group 2016	Non-life	Life	Health	Non-insurance	TOTAL	
Investments in intangible assets	5,882,534	1,926,445	319,432	39,275	8,167,686	
Investments in property plant and equipment	5,096,370	236,929	201,677	604,424	6,139,400	
Investments in investment property	597,478	0	0	18,423,463	19,020,941	
Triglav Group 2015	Non-life	Life	Health	Non-insurance	TOTAL	in EUR
Investments in intangible assets	4,657,694	608,150	641,837	148,870	6,056,551	
Investments in property plant and equipment	6,138,992	150,240	290,528	4,570,828	11,150,588	
Investments in investment property	425,441	0	0	4,463	429,904	

The highest exposure of Triglav Group to individual financial institutions is:

- in non-life insurance, exposure to Nova ljubljanska banka, d.d. of EUR 17,668,797;
- in life insurance, exposure to Commerzbank AG of EUR 66,107,017;
- in health insurance, exposure to N.V.Bank Nederlandse Gemeenten of EUR 816,633;
- in non-insurance, exposure to Abanka, d.d. of EUR 10,253,509.

	in EUR		
Zavarovalnica Triglav 2016	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	4,163,365	1,805,265	5,968,630
Investments in property, plant and equipment	2,943,570	193,806	3,137,376
Investments in investment property	269,987	0	269,987
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-7,572,502	-1,617,712	-9,190,214
Expenses from the impairment of premium and subrogation receivables	-14,181,138	0	-14,181,138
Income from reversal of impairment of receivables	12,581,923	1,727	12,583,650
Expenses from impairment of investment property	0	0	0
Expenses from impairment of other receivables	-120,089	-10,724	-130,812
Income from reversal of impairment of other receivables	67,000	14,757	81,756

	in EUR		
Zavarovalnica Triglav 2015	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	4,220,723	586,034	4,806,757
Investments in property, plant and equipment	4,412,800	129,928	4,542,728
Investments in investment property	18,512,765	0	18,512,765
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-7,360,629	-1,604,101	-8,964,730
Expenses from the impairment of premium and subrogation receivables	-15,584,813	-6,667	-15,591,480
Income from reversal of impairment of receivables	14,961,629	0	14,961,629
Expenses from impairment of property, plant and equipment	-996,552	0	-996,552
Expenses from impairment of other receivables	-95,441	-17,876	-113,317
Income from reversal of impairment of other receivables	118,855	16,261	135,117

Maximum individual exposure of Zavarovalnica Triglav to financial institutions is:

- for non-life insurance: Nova ljubljanska banka, d.d.: EUR 15,036,596 and
- for life insurance: Commerzbank, AG: EUR 66,107,017.

	2016					2015					in EUR
Triglav Group Comprehensive income by business segments	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	
NET PROFIT FOR THE YEAR AFTER TAX	63,293,520	15,587,538	3,303,538	147,178	82,331,774	59,973,409	19,932,426	5,690,619	3,264,740	88,861,194	
OTHER COMPREHENSIVE INCOME AFTER TAX	5,079,234	3,929,216	432,159	1,149,402	10,590,011	-13,072,485	-5,299,412	-769,437	334,965	-18,806,369	
Items which will not be transferred in P&L in future periods	-413,840	-82,783	-18,680	-17,326	-532,629	158,819	36,305	3,605	-83,581	115,148	
Net actuarial gains/losses for pension plans	-338,072	-66,960	-18,680	-17,326	-441,038	182,824	40,489	3,605	-83,581	143,337	
Tax on items which will not be transferred in P&L	-75,768	-15,823	0	0	-91,591	-24,005	-4,184	0	0	-28,189	
Items which could be transferred into P&L in future periods	5,493,074	4,011,999	450,839	1,166,728	11,122,640	-13,231,304	-5,335,717	-773,042	418,546	-18,921,517	
Fair value gains/losses on available–for–sale financial assets	7,664,391	14,080,157	587,841	1,436,565	23,768,954	-15,939,755	-27,589,269	-931,376	994,492	-43,465,908	
- net gains/losses recognized directly in equity	11,550,817	19,433,955	766,785	1,436,565	33,188,122	-8,907,223	-3,721,391	194,931	994,492	-11,439,191	
- transfers from equity to income statement	-3,886,426	-5,353,798	-178,944	0	-9,419,168	-7,032,532	-23,867,878	-1,126,307	0	-32,026,717	
Fair value gains/losses on non–current assets held for sale	89	0	0	0	89	0	-381,226	0	0	-381,226	
Share of OCI of entities accounted for using the equity method	0	0	0	402,548	402,548	0	30,807	0	-343,792	-312,985	
Liabilities from insurance contracts with DPF	0	-6,554,570	0	0	-6,554,570	0	17,740,272	0	0	17,740,272	
Currency translation differences	634,614	51,805	0	-101,311	585,108	61,261	-16,622	0	6,330	50,969	
Tax on other comprehensive income	-2,806,020	-3,565,393	-137,002	-571,074	-7,079,489	2,647,190	4,880,321	158,334	-238,484	7,447,361	
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX	68,372,754	19,516,754	3,735,697	1,296,580	92,921,785	46,900,923	14,633,014	4,921,182	3,599,705	70,054,825	
Controlling interest	67,790,842	19,814,000	3,735,697	1,348,648	92,689,187	47,040,569	14,365,821	4,921,182	3,893,462	70,221,035	
Non-controlling interest	581,912	-297,246	0	-52,068	232,598	-139,646	267,193	0	-293,757	-166,210	

	2016			2015			In EUR
Zavarovalnica Triglav Comprehensive income by business segments	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL	
Net profit for the year after tax	61,127,344	14,206,258	75,333,602	40,333,066	18,172,752	58,505,818	
Other comprehensive income after tax	4,517,734	4,610,781	9,128,515	-9,541,648	-7,953,479	-17,495,126	
Items which will not be transferred in P&L in future periods	-410,006	-82,783	-492,789	178,600	36,305	214,905	
Actuarial gains and losses related to post-employment benefits on retirement	-334,238	-66,960	-401,198	199,088	40,489	239,577	
Tax on items which will not be transferred in P&L	-75,768	-15,823	-91,591	-20,488	-4,184	-24,672	
Items which could be transferred into P&L in future periods	4,927,740	4,693,564	9,621,304	-9,720,248	-7,989,784	-17,710,031	
Fair value gains/losses on available–for–sale financial assets	7,387,066	14,802,889	22,189,955	-11,711,142	-30,730,657	-42,441,799	
- net gains/losses recognized directly in equity	8,940,230	19,640,087	28,580,317	-4,113,934	-6,862,923	-10,976,857	
- transfers from equity to income statement	-1,553,164	-4,837,198	-6,390,362	-7,597,208	-23,867,734	-31,464,942	
Liabilities from insurance contracts with DPF	0	-6,554,570	-6,554,570	0	17,740,272	17,740,272	
Tax on other comprehensive income	-2,459,326	-3,554,755	-6,014,081	1,990,894	5,000,601	6,991,496	
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX	65,645,078	18,817,039	84,462,117	30,791,418	10,219,273	41,010,692	

5.12.1 Reporting by business segment for Triglav Group

The statement of financial position and 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

	31 December 2016						
Statement of financial position	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	1,710,431,404	1,950,198,994	50,565,069	189,872,226	3,901,067,693	-326,182,270	3,574,885,423
Intangible assets	66,610,433	2,543,966	957,696	3,711,493	73,823,588	0	73,823,588
Property, plant and equipment	87,241,429	11,088,587	1,430,541	8,172,871	107,933,428	0	107,933,428
Deferred tax asstets	13,900,553	1,336,641	270,553	285,367	15,793,114	0	15,793,114
Investment property	53,171,613	2,286,948	0	35,020,188	90,478,749	5,363,971	95,842,720
Investments in subsidiaries	128,224,747	10,578,066	0	66,439,368	205,242,181	-205,242,181	0
Investments in associates	0	4,144,637	0	2,681,763	6,826,400	0	6,826,400
Financial assets	1,027,520,871	1,881,153,435	43,172,848	47,480,986	2,999,328,140	-25,024,859	2,974,303,281
Financial investments	1,027,520,871	1,421,170,613	43,172,848	47,480,986	2,539,345,318	-25,024,859	2,514,320,459
- loans and deposits	99,799,691	65,243,436	94,678	4,384,687	169,522,492	-20,790,854	148,731,638
- held to maturity	0	231,342,393	0	0	231,342,393	0	231,342,393
- available for sale	915,935,021	739,668,176	43,078,170	43,096,299	1,741,777,666	-3,734,594	1,738,043,072
- recognised at fair value through profit and loss	11,786,159	384,916,608	0	0	396,702,767	-499,411	396,203,356
Unit-linked insurance assets	0	459,982,822	0	0	459,982,822	0	459,982,822
Reinsurers' share of technical provisions	146,560,701	45,965	65,090	0	146,671,756	-69,586,973	77,084,783
Receivables	164,484,623	5,305,518	4,490,337	10,191,907	184,472,385	-31,551,296	152,921,089
- receivables from direct insurance operations	82,083,004	613,437	4,077,473	0	86,773,914	-2,714,748	84,059,166
- receivables from reinsurance and coinsurance operations	59,119,683	9,485	36,998	0	59,166,166	-24,066,316	35,099,850
- current tax receivables	747,686	154	0	142,436	890,276	0	890,276
- other receivables	22,534,250	4,682,442	375,866	10,049,471	37,642,029	-4,770,232	32,871,797
Other assets	2,766,763	46,341	18,490	931,591	3,763,185	-140,932	3,622,253
Cash and cash equivalents	19,949,671	31,668,890	159,514	13,936,399	65,714,474	0	65,714,474
Non-current assets held for sale	0	0	0	1,020,293	1,020,293	0	1,020,293
EQUITY AND LIABILITIES	1,710,431,404	1,950,198,994	50,565,069	189,872,226	3,901,067,693	-326,182,270	3,574,885,423
Equity	591,821,655	157,208,258	29,592,588	166,050,727	944,673,228	-200,323,481	744,349,747
Controlling interests	591,821,655	157,208,258	29,592,588	166,050,727	944,673,228	-210,717,714	733,955,514
- share capital	115,729,153	42,885,603	25,822,144	92,230,534	276,667,434	-202,966,042	73,701,392
- share premium	42,947,231	13,658,827	0	25,088,124	81,694,182	-28,205,492	53,488,690
- reserves from profit	253,088,684	46,665,650	222,038	1,956,708	301,933,080	3,602,377	305,535,457
- fair value reserve	59,890,604	15,157,857	1,493,135	22,201,532	98,743,128	-11,008,000	87,735,128
- net profit brought forward	91,831,887	22,941,388	951,202	13,663,954	129,388,431	43,804,438	173,192,869
- net profit/loss for the year	31,031,308	17,001,668	1,104,069	10,995,776	60,132,821	-15,916,344	44,216,477
- currency translation differences	-2,697,212	-1,102,735	0	-85,901	-3,885,848	-28,651	-3,914,499
Non-controlling interests	0	0	0	0	0	10,394,233	10,394,233
Subordinated liabilities	11,073,221	10,029,887	1,500,000	0	22,603,108	-5,734,006	16,869,102
Insurance technical provisions	963,579,734	1,295,414,018	12,364,372	0	2,271,358,124	-68,252,900	2,203,105,224
- unearned premiums	275,336,728	462,864	2,463,639	0	278,263,231	-14,623,611	263,639,620
- mathematical provisions	0	1,272,092,349	0	0	1,272,092,349	1,446,259	1,273,538,608
- claims provisions	662,116,426	18,911,900	9,105,769	0	690,134,095	-54,893,200	635,240,895
- other insurance technical provisions	26,126,580	3,946,905	794,964	0	30,868,449	-182,348	30,686,101
Insurance technical provisions for unit-linked insurance contracts	0	457,683,091	0	0	457,683,091	0	457,683,091
Employee benefits	10,490,082	1,981,637	477,216	601,329	13,550,264	0	13,550,264
Other provisions	1,623,462	1,714,200	258,023	375,532	3,971,217	0	3,971,217
Deferred tax liabilities	13,424,776	8,868,633	0	3,107,135	25,400,544	0	25,400,544
Other financial liabilities	5,088,991	1,112,067	99,125	1,164,440	7,464,623	-2,175,930	5,288,693
Operating liabilities	57,976,553	7,925,969	2,416,732	991,817	69,311,071	-27,282,876	42,028,195
- liabilities from direct insurance operations	6,837,341	7,912,022	2,386,126	0	17,135,489	-1,115,469	16,020,020
- liabilities from reinsurance and co-insurance operations	49,252,099	13,947	30,606	0	49,296,652	-26,167,407	23,129,245
- current tax liabilities	1,887,113	0	0	991,817	2,878,930	0	2,878,930
Other liabilities	55,352,930	8,261,234	3,857,013	17,581,246	85,052,423	-22,413,077	62,639,346
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0	0	0

in EUR

	31 December 2015						
Statement of financial position	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations))	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	1,679,001,567	1,889,678,781	50,604,574	210,850,496	3,830,135,418	-336,678,618	3,493,456,800
Intangible assets	63,377,779	1,712,780	719,922	4,428,428	70,238,909	-106,577	70,132,332
Property, plant and equipment	86,951,057	10,775,245	1,441,300	24,002,591	123,170,193	-1,359,833	121,810,360
Deferred tax assets	14,008,148	1,289,370	560,675	511,746	16,369,939	-376,251	15,993,688
Investment property	62,922,320	2,340,472	0	14,260,530	79,523,322	-48,039	79,475,283
Investments in subsidiaries	133,536,347	11,644,151	0	55,021,301	200,201,799	-200,201,799	0
Investments in associates	0	4,206,493	0	5,516,391	9,722,884	-2,783,184	6,939,700
Financial assets	968,653,371	1,835,345,188	43,252,890	53,452,910	2,900,704,359	-27,267,576	2,873,436,783
Financial investments	968,653,371	1,370,611,265	43,252,890	53,452,910	2,435,970,436	-27,267,576	2,408,702,860
- loans and deposits	99,310,574	91,929,553	3,450,433	12,631,671	207,322,231	-23,450,012	183,872,219
- held to maturity	0	242,406,400	0	0	242,406,400	0	242,406,400
- available for sale	858,642,721	671,189,004	39,802,457	40,821,239	1,610,455,421	-2,773,783	1,607,681,638
- recognised at fair value through profit and loss	10,700,076	365,086,308	0	0	375,786,384	-1,043,781	374,742,603
Unit-linked insurance assets	0	464,733,923	0	0	464,733,923	0	464,733,923
Reinsurers' share of technical provisions	135,405,518	18,982	9,264	0	135,433,764	-66,709,459	68,724,305
Receivables	192,056,461	7,410,928	4,543,950	21,340,783	225,352,122	-58,908,389	166,443,733
- receivables from direct insurance operations	81,032,421	590,747	3,609,052	0	85,232,220	-1,983,214	83,249,006
- receivables from reinsurance and coinsurance operations	73,340,738	31,639	33,225	0	73,405,602	-30,581,934	42,823,668
- current tax receivables	293,547	154	0	7,572	301,273	0	301,273
- other receivables	37,389,755	6,788,388	901,673	21,333,211	66,413,027	-26,343,241	40,069,786
Other assets	4,216,294	95,710	41,536	4,350,746	8,704,286	-569,524	8,134,762
Cash and cash equivalents	17,874,272	14,839,462	35,037	17,073,947	49,822,718	-1,893,950	47,928,768
Non-current assets held for sale	0	0	0	10,891,123	10,891,123	23,545,963	34,437,086
EQUITY AND LIABILITIES	1,679,001,567	1,889,678,781	50,604,574	210,850,496	3,830,135,418	-336,678,618	3,493,456,800
Equity	546,002,252	154,237,056	27,937,085	164,399,854	892,576,247	-188,531,748	704,044,499
Controlling interests	546,002,252	154,237,056	27,937,085	164,399,854	892,576,247	-199,650,382	692,925,865
- share capital	114,852,545	41,915,113	25,822,144	159,318,064	341,907,866	-268,206,474	73,701,392
- share premium	42,947,231	13,658,828	0	29,208,975	85,815,034	-30,859,122	54,955,912
- reserves from profit	256,014,524	47,036,141	102,761	2,780,443	305,933,869	-4,988,403	300,945,466
- fair value reserve	55,437,376	12,282,668	1,060,976	20,795,083	89,576,103	-12,008,784	77,567,319
- net profit brought forward	40,642,684	18,952,322	0	-36,651,961	22,943,045	81,560,829	104,503,874
- net profit/loss for the year	38,725,413	21,541,846	951,204	-10,352,735	50,865,728	34,936,824	85,802,552
- currency translation differences	-2,617,521	-1,149,862	0	-698,015	-4,465,398	-45,085	-4,510,483
- reserve of disposal group held for sale	0	0	0	0	0	-40,167	-40,167
Non-controlling interests	0	0	0	0	0	11,118,634	11,118,634
Subordinated liabilities	12,437,213	10,028,667	1,500,000	0	23,965,880	-5,213,628	18,752,252
Insurance technical provisions	954,328,993	1,243,003,784	12,802,170	0	2,210,134,947	-66,739,736	2,143,395,211
- unearned premiums	264,095,070	437,990	1,967,811	0	266,500,871	-14,442,915	252,057,956
- mathematical provisions	0	1,219,737,727	0	0	1,219,737,727	0	1,219,737,727
- claims provisions	665,542,581	20,097,217	9,344,074	0	694,983,872	-52,296,821	642,687,051
- other insurance technical provisions	24,691,342	2,730,850	1,490,285	0	28,912,477	0	28,912,477
Insurance technical provisions for unit-linked insurance contracts	0	457,046,912	0	0	457,046,912	0	457,046,912
Employee benefits	9,228,780	1,844,498	377,843	1,307,063	12,758,184	-533,053	12,225,131
Other provisions	1,287,507	1,824,621	256,630	3,039,196	6,407,954	-2,553,110	3,854,844
Deferred tax liabilities	15,923,234	5,012,534	0	2,253,028	23,188,796	0	23,188,796
Other financial liabilities	2,123,870	1,111,726	98,854	17,482,923	20,817,373	-17,033,091	3,784,282
Operating liabilities	70,745,189	6,492,542	3,930,080	259,979	81,427,790	-33,039,065	48,388,725
- liabilities from direct insurance operations	7,160,205	6,464,014	3,908,662	0	17,532,881	-914,953	16,617,928
- liabilities from reinsurance and co-insurance operations	60,130,067	22,394	21,418	0	60,173,879	-32,120,249	28,053,630
- current tax liabilities	3,454,917	6,134	0	259,979	3,721,030	-3,863	3,717,167
Other liabilities	66,924,529	9,076,441	3,701,912	22,108,453	101,811,335	-35,469,360	66,341,975
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0	12,434,173	12,434,173

in EUR										
Income statement	2016					2015				
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
Net premium income	523,385,136	212,395,932	113,812,933	0	849,594,001	518,250,582	212,521,192	108,395,450	0	839,167,224
- gross written premium	609,255,380	212,562,325	114,186,110	0	936,003,815	598,195,059	212,546,504	108,374,702	0	919,116,265
- ceded written premium	-79,063,138	-17,811	0	0	-79,080,949	-77,024,897	-20,737	0	0	-77,045,634
- change in unearned premiums	-6,807,106	-148,582	-373,177	0	-7,328,865	-2,919,580	-4,575	20,748	0	-2,903,407
Total income from financial assets	51,491,182	92,331,909	1,084,435	1,109,959	146,017,485	65,263,497	231,305,439	2,081,917	2,257,721	300,908,574
Income from financial assets in associates	2,928,469	297	0	187,808	3,116,574	2,737,091	1,692,712	0	1,024,797	5,454,600
- profit on equity investments accounted for using the equity method	0	297	0	187,808	188,105	0	0	0	1,024,797	1,024,797
- 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	2,928,469	0	0	0	2,928,469	2,737,091	1,692,712	0	0	4,429,803
- other financial income	0	0	0	0	0	0	0	0	0	0
Income from other financial assets	48,562,713	68,877,335	1,084,435	922,151	119,446,634	62,526,406	136,735,933	2,081,917	1,232,924	202,577,180
- interest income	27,343,518	40,731,024	737,088	23,944	68,835,574	30,029,389	40,276,814	810,115	126,230	71,242,548
- dividends	1,929,416	778,555	0	648,798	3,356,769	1,578,310	1,070,818	0	569,392	3,218,520
- fair value gains	208,040	7,605,724	0	0	7,813,764	3,890,812	35,399,997	0	0	39,290,809
- realised gains on disposals	16,002,196	17,426,228	347,231	203,434	33,979,089	18,254,536	57,721,163	1,271,796	230,010	77,477,505
- other financial income	3,079,543	2,335,804	116	45,975	5,461,438	8,773,359	2,267,141	6	307,292	11,347,798
Net unrealised gains on unit–linked life insurance assets	0	23,454,277	0	0	23,454,277	0	92,876,794	0	0	92,876,794
Other income from insurnce operations	5,280,492	70,982	40,698	0	5,392,172	6,997,314	347,086	86,558	0	7,430,958
- fees and commission income	191,692	61,101	0	0	252,793	2,182,847	311,789	0	0	2,494,636
- other income from insurance operations	5,088,800	9,881	40,698	0	5,139,379	4,814,467	35,297	86,558	0	4,936,322
Other income	8,745,715	96,490	70,929	44,624,041	53,537,175	5,620,632	1,635,822	40,005	69,963,797	77,260,256
Net claims incurred	295,134,571	181,020,651	100,947,196	0	577,102,418	296,915,115	178,527,944	94,900,235	0	570,343,294
- gross claims settled	329,541,358	182,237,935	94,240,276	0	606,019,569	330,011,987	178,448,266	86,380,263	0	594,840,516
- reinsurers' and co–insurers' share	-21,683,882	-8,138	0	0	-21,692,020	-23,519,322	-16,075	0	0	-23,535,397
- changes in claims provisions	-12,722,905	-1,209,146	-243,149	0	-14,175,200	-9,577,550	95,753	1,050,802	0	-8,430,995
- equalisation scheme expenses for supplementary health insurance	0	0	6,950,069	0	6,950,069	0	0	7,469,170	0	7,469,170
Change in other insurance technical provisions	-575,645	48,482,291	-695,321	0	47,211,325	-294,167	60,636,822	-2,263	0	60,340,392
Change in insurance technical provisions for unit–linked insurance contracts	0	776,648	0	0	776,648	0	-1,882,145	0	0	-1,882,145
Expenses for bonuses and discounts	11,322,695	8,935	0	0	11,331,630	10,199,444	3,515	0	0	10,202,959
Operating expenses	165,281,584	32,633,456	10,760,668	0	208,675,708	159,840,354	32,246,863	9,708,916	0	201,796,133
- costs of insurance contract acquisition	118,898,565	18,935,819	3,168,629	0	141,003,013	114,029,487	19,339,326	2,789,606	0	136,158,419
- other operating costs	46,383,019	13,697,637	7,592,039	0	67,672,695	45,810,867	12,907,537	6,919,310	0	65,637,714
Expenses from financial assets and liabilities	19,444,975	20,577,551	44,482	2,466,871	42,533,879	29,200,580	150,083,982	182,081	900,613	180,367,256
Expenses from financial assets and liabilities in associates	738,755	0	0	2,435,436	3,174,191	4	18,800	0	1,141,611	1,160,415
- loss on investments accounted for using the equity method	0	0	0	247,812	247,812	0	18,800	0	276,458	295,258
- interest expense	0	0	0	0	0	0	0	0	0	0
- fair value losses	0	0	0	0	0	0	0	0	0	0
- realised loss on disposals	738,755	0	0	2,187,624	2,926,379	0	0	0	865,153	865,153
- impairments	0	0	0	0	0	4	0	0	0	4
- other financial expenses	0	0	0	0	0	0	0	0	0	0
Expenses from other financial assets and liabilities	18,706,220	19,071,747	44,482	31,435	37,853,884	29,200,576	66,632,220	182,081	-240,998	95,773,879
- –interest expense	683,523	590,025	0	40,957	1,314,505	1,115,699	687,215	0	374,532	2,177,446
- fair value losses	385,818	6,502,259	0	394	6,888,471	1,728,879	47,808,348	0	74	49,537,301
- realised loss on disposals	9,348,133	10,116,648	9,685	-23,444	19,451,022	7,232,495	15,101,943	145,488	-676,029	21,803,897
- impairments	3,162,126	34,899	0	0	3,197,025	3,638,012	189,433	0	0	3,827,445
- other financial expenses	5,126,620	1,827,916	34,797	13,528	7,002,861	15,485,491	2,845,281	36,593	60,425	18,427,790
Net unrealised losses on unit–linked life insurance assets	0	1,505,804	0	0	1,505,804	0	83,432,962	0	0	83,432,962
Other insurance expenses	14,764,900	1,870,761	402,684	0	17,038,345	16,909,788	1,042,941	259,417	0	18,212,146
Other expenses	12,639,440	1,811,607	82,068	40,199,675	54,732,790	14,300,153	1,605,296	80,293	66,923,558	82,909,300
Profit before tax	70,890,005	17,713,413	3,467,218	3,067,454	95,138,090	69,060,758	23,544,321	5,475,251	4,397,347	102,477,677
Income tax expense	7,596,485	2,125,875	163,680	2,920,276	12,806,316	9,087,349	3,611,895	-215,368	1,132,607	13,616,483
Net profit	63,293,520	15,587,538	3,303,538	147,178	82,331,774	59,973,409	19,932,426	5,690,619	3,264,740	88,861,194
Net profit attributable to the controlling company	62,831,756	15,601,233	3,303,538	199,226	81,935,753	59,978,948	19,597,367	5,690,619	3,558,501	88,825,435
Net profit attributable to non-controlling interest holders	461,764	-13,695	0	-52,048	396,021	-5,539	335,059	0	-293,761	35,759

5.12.2 Reporting by business segment for Zavarovalnica Triglav

	31 December 2016			31 December 2015			in EUR
Statement of financial position	NON - LIFE	LIFE	TOTAL	NON - LIFE	LIFE	TOTAL	
ASSETS	1,197,481,419	1,564,001,358	2,761,482,778	1,174,656,551	1,533,101,808	2,707,758,359	
Intangible assets	53,370,950	2,513,617	55,884,567	51,469,624	1,674,020	53,143,644	
Property, plant and equipment	57,112,392	9,118,064	66,230,456	57,485,007	9,549,987	67,034,994	
Deferred tax assets	13,442,264	1,296,951	14,739,215	13,476,586	1,250,401	14,726,987	
Investment property	48,345,052	1,266,365	49,611,417	51,575,234	1,295,574	52,870,808	
Investments in subsidiaries	122,086,439	8,545,999	130,632,438	126,143,038	8,545,998	134,689,036	
Investments in associates	0	9,503,047	9,503,047	0	7,259,875	7,259,875	
Financial assets	733,241,225	1,513,302,645	2,246,543,870	699,630,730	1,494,809,747	2,194,440,477	
Financial investments:	733,241,225	1,079,259,376	1,812,500,601	699,630,730	1,048,220,186	1,747,850,916	
- loans and deposits	38,389,616	44,008,278	82,397,894	40,234,999	68,346,748	108,581,747	
- held to maturity	0	168,983,706	168,983,706	0	178,250,255	178,250,255	
- available for sale	687,302,729	678,146,717	1,365,449,446	651,006,775	617,271,546	1,268,278,321	
- investments recognised at fair value	7,548,880	188,120,675	195,669,555	8,388,956	184,351,637	192,740,593	
Unit-linked insurance assets	0	434,043,269	434,043,269	0	446,589,561	446,589,561	
Reinsurers' share of technical provisions	76,416,041	39,066	76,455,107	69,916,901	18,493	69,935,394	
Receivables	79,220,347	3,059,256	82,279,603	98,253,231	5,062,276	103,315,507	
- receivables from direct insurance operations	58,026,869	464,734	58,491,603	57,484,337	474,676	57,959,013	
- receivables from reinsurance and co-insurance operations	7,536,781	1,315	7,538,096	12,204,759	14,439	12,219,198	
- current tax receivables	0	0	0	0	0	0	
- other receivables	13,656,697	2,593,207	16,249,904	28,564,135	4,573,161	33,137,296	
Other assets	1,946,367	3,044	1,949,412	2,784,635	7,044	2,791,679	
Cash and cash equivalent	12,300,342	15,353,304	27,653,646	3,921,565	3,628,393	7,549,958	
EQUITY AND LIABILITIES	1,197,481,419	1,564,001,358	2,761,482,778	1,174,656,551	1,533,101,808	2,707,758,359	
Equity	448,114,222	115,274,895	563,389,117	416,857,921	113,702,351	530,560,272	
- share capital	51,340,540	22,360,852	73,701,392	51,340,540	22,360,852	73,701,392	
- share premium	40,344,978	13,067,907	53,412,884	40,344,978	13,067,907	53,412,884	
- reserves from profit	243,448,752	45,513,891	288,962,643	237,152,390	45,513,891	282,666,281	
- fair value reserve	48,073,456	16,816,861	64,890,318	43,547,114	12,204,329	55,751,443	
- net profit brought forward	41,379,152	3,309,126	44,688,278	4,828,190	2,382,620	7,210,810	
- net profit/loss for the year	23,527,344	14,206,258	37,733,602	39,644,710	18,172,752	57,817,462	
Subordinated liabilities	11,073,221	10,029,887	21,103,108	11,072,611	10,028,667	21,101,278	
Insurance technical provisions	663,716,670	981,461,141	1,645,177,811	667,217,986	947,726,143	1,614,944,129	
- unearned premiums	188,067,543	420,333	188,487,876	180,141,569	417,422	180,558,991	
- mathematical provisions	0	959,268,937	959,268,937	0	925,402,898	925,402,898	
- claims provisions	453,377,312	17,863,463	471,240,775	467,032,829	19,214,892	486,247,722	
- other insurance technical provisions	22,271,815	3,908,408	26,180,223	20,043,588	2,690,931	22,734,518	
Insurance technical provisions for unit-linked insurance contracts	0	431,125,308	431,125,308	0	438,920,157	438,920,157	
Employee benefits	8,690,246	1,857,268	10,547,514	7,559,612	1,629,426	9,189,038	
Other provisions	577,969	111,700	689,669	381,762	0	381,762	
Deferred tax liabilities	11,434,105	10,370,519	21,804,624	14,179,377	6,815,763	20,995,140	
Other financial liabilities	1,852,710	0	1,852,710	1,752,990	0	1,752,990	
Operating liabilities	18,179,880	6,272,070	24,451,951	18,165,801	5,720,912	23,886,713	
- liabilities from direct insurance operations	4,930,272	6,272,070	11,202,342	5,270,069	5,715,512	10,985,581	
- liabilities from reinsurance and co-insurance operations	11,507,585	0	11,507,586	10,259,196	5,400	10,264,596	
- current tax liabilities	1,742,023	0	1,742,023	2,636,536	0	2,636,536	
Other liabilities	33,842,396	7,498,570	41,340,966	37,468,491	8,558,389	46,026,880	

	31 December 2016			31 December 2015		
	NON - LIFE	LIFE	TOTAL	NON - LIFE	LIFE	TOTAL
Income statement						
Net premium income	339,908,447	169,856,757	509,765,204	342,706,800	174,333,436	517,040,236
- gross written premium	422,860,052	170,268,959	593,129,011	411,536,169	174,724,776	586,260,945
- ceded written premium	-78,099,107	-409,291	-78,508,398	-72,073,868	-386,750	-72,460,618
- change in unearned premiums	-4,852,498	-2,911	-4,855,409	3,244,499	-4,590	3,239,909
Total income from financial assets	43,583,122	72,413,992	115,997,114	70,575,579	204,307,590	274,883,169
Income from financial assets in associates	9,774,628	62,153	9,836,781	29,275,772	2,412,367	31,688,139
- interest income	857,579	0	857,579	1,985,141	0	1,985,141
- dividends	0	62,153	62,153	26,905,819	2,412,367	29,318,186
- realised gains on disposals	8,911,599	0	8,911,599	376,413	0	376,413
- other financial income	5,450	0	5,450	8,399	0	8,399
Income from other financial assets	33,808,494	49,275,625	83,084,119	41,299,807	110,022,606	151,322,413
- interest income	18,803,992	29,552,144	48,356,136	20,330,127	28,587,457	48,917,584
- dividends	1,770,834	596,811	2,367,645	1,494,241	989,813	2,484,054
- fair value gains	20,948	1,687,166	1,708,114	3,525,559	22,727,877	26,253,436
- realised gains on disposals	12,285,124	16,967,581	29,252,705	12,907,061	55,634,928	68,541,989
- other financial income	927,596	471,923	1,399,519	3,042,819	2,082,531	5,125,350
Net unrealised gains on unit–linked life insurance assets	0	23,076,214	23,076,214	0	91,872,617	91,872,617
Other income from insurance operations	19,074,180	85,969	19,160,149	17,349,033	334,798	17,683,831
- fees and commission income	15,115,964	85,902	15,201,866	12,661,828	334,798	12,996,626
- other income from insurance operations	3,958,216	67	3,958,283	4,687,205	0	4,687,205
Other income	8,987,440	3,658,175	12,645,615	5,219,708	4,039,244	9,258,952
Net claims incurred	188,656,282	162,083,483	350,739,765	189,964,845	159,633,465	349,598,310
- gross claims settled	227,621,163	163,615,157	391,236,320	230,472,707	160,094,850	390,567,557
- reinsurers' share	-20,519,696	-159,671	-20,679,367	-24,305,147	-613,809	-24,918,956
- changes in claims provisions	-18,445,185	-1,372,003	-19,817,188	-16,202,715	152,424	-16,050,291
Change in other insurance technical provisions	550,376	28,208,149	28,758,525	-737,495	39,994,720	39,257,225
Change in insurance technical provisions for unit–linked insurance contracts	0	-7,469,473	-7,469,473	0	-4,032,292	-4,032,292
Expenses for bonuses and discounts	9,108,703	0	9,108,703	8,265,040	0	8,265,040
Operating expenses	111,447,026	30,782,572	142,229,598	107,699,032	30,162,937	137,861,969
- costs of insurance contract acquisition	81,862,364	20,725,169	102,587,533	78,975,624	20,633,364	99,608,988
- other operating costs	29,584,662	10,057,403	39,642,065	28,723,408	9,529,573	38,252,981
Expenses from financial assets and liabilities	16,003,185	14,160,209	30,163,394	66,316,362	133,750,753	200,067,115
Expenses from financial assets and liabilities in associates	551,754	0	551,754	47,292,586	0	47,292,586
- realised loss on disposals	544,414	0	544,414	882,000	0	882,000
- loss on impairment of financial assets	0	0	0	46,351,490	0	46,351,490
- other expenses from financial assets and liabilities	7,340	0	7,340	59,096	0	59,096
Expenses from other financial assets and liabilities	15,451,431	12,801,425	28,252,856	19,023,776	50,317,791	69,341,567
- interest expense	764,078	618,986	1,383,064	1,180,586	719,656	1,900,242
- fair value losses	309,525	1,575,491	1,885,016	1,554,335	32,514,026	34,068,361
- realised loss on disposals	8,547,686	9,610,849	18,158,535	5,595,339	14,907,416	20,502,755
- loss on impairment of financial assets	3,097,058	0	3,097,058	231,310	0	231,310
- other expenses from financial assets and liabilities	2,733,084	996,099	3,729,183	10,462,206	2,176,693	12,638,899
Net unrealised losses on unit–linked life insurance assets	0	1,358,784	1,358,784	0	83,432,962	83,432,962
Other insurance expenses	8,229,970	246,109	8,476,079	7,603,408	232,591	7,835,999
Other expenses	10,463,310	1,680,379	12,143,689	10,071,067	1,508,258	11,579,325
Profit before tax	67,094,337	16,323,465	83,417,802	46,668,861	21,764,636	68,433,497
Income tax expense	5,966,993	2,117,207	8,084,200	6,335,795	3,591,884	9,927,679
Net profit for the accounting period	61,127,344	14,206,258	75,333,602	40,333,066	18,172,752	58,505,818

in EUR

5.12.3 Reporting by geographical area for Triglav Group

in EUR

	31 December 2016				
Statement of financial position	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	3,530,198,569	370,869,124	3,901,067,693	-326,182,270	3,574,885,423
Intangible assets	60,636,141	13,187,447	73,823,588	0	73,823,588
Property, plant and equipment	72,319,690	35,613,738	107,933,428	0	107,933,428
Deferred tax assets	15,295,135	497,979	15,793,114	0	15,793,114
Investment property	76,022,350	14,456,399	90,478,749	5,363,971	95,842,720
Investments in subsidiaries	198,843,920	6,398,261	205,242,181	-205,242,181	0
Investments in associates	6,826,400	0	6,826,400	0	6,826,400
Financial assets	2,776,715,851	222,612,289	2,999,328,140	-25,024,859	2,974,303,281
Financial investments	2,335,975,934	203,369,384	2,539,345,318	-25,024,859	2,514,320,459
- loans and deposits	104,567,347	64,955,145	169,522,492	-20,790,854	148,731,638
- held to maturity	212,410,092	18,932,301	231,342,393	0	231,342,393
- available for sale	1,628,468,878	113,308,788	1,741,777,666	-3,734,594	1,738,043,072
- recognised at fair value through profit and loss	390,529,617	6,173,150	396,702,767	-499,411	396,203,356
Unit–linked insurance assets	440,739,917	19,242,905	459,982,822	0	459,982,822
Reinsurers’ share of technical provisions	126,409,373	20,262,383	146,671,756	-69,586,973	77,084,783
Receivables	139,051,920	45,420,465	184,472,385	-31,551,296	152,921,089
- receivables from direct insurance operations	62,579,234	24,194,680	86,773,914	-2,714,748	84,059,166
- receivables from reinsurance and coinsurance operations	52,836,852	6,329,314	59,166,166	-24,066,316	35,099,850
- current tax receivables	687,497	202,779	890,276	0	890,276
- other receivables	22,948,337	14,693,692	37,642,029	-4,770,232	32,871,797
Other assets	2,153,552	1,609,633	3,763,185	-140,932	3,622,253
Cash and cash equivalents	54,903,944	10,810,530	65,714,474	0	65,714,474
Non–current assets held for sale	1,020,293	0	1,020,293	0	1,020,293
EQUITY AND LIABILITIES	3,530,198,569	370,869,124	3,901,067,693	-326,182,270	3,574,885,423
Equity	843,069,531	101,603,697	944,673,228	-200,323,481	744,349,747
Controlling interests	843,069,531	101,603,697	944,673,228	-210,717,714	733,955,514
- share capital	183,946,127	92,721,307	276,667,434	-202,966,042	73,701,392
- share premium	80,238,633	1,455,549	81,694,182	-28,205,492	53,488,690
- reserves from profit	292,830,748	9,102,332	301,933,080	3,602,377	305,535,457
- fair value reserve	93,773,260	4,969,868	98,743,128	-11,008,000	87,735,128
- net profit brought forward	133,115,418	-3,726,987	129,388,431	43,804,438	173,192,869
- net profit/loss for the year	59,165,345	967,476	60,132,821	-15,916,344	44,216,477
- currency translation differences	0	-3,885,848	-3,885,848	-28,651	-3,914,499
- reserve of disposal group held for sale	0	0	0	0	0
Non–controlling interests	0	0	0	10,394,233	10,394,233
Subordinated liabilities	22,603,108	0	22,603,108	-5,734,006	16,869,102
Insurance technical provisions	2,064,922,488	206,435,636	2,271,358,124	-68,252,900	2,203,105,224
- unearned premiums	214,691,367	63,571,864	278,263,231	-14,623,611	263,639,620
- mathematical provisions	1,215,423,328	56,669,021	1,272,092,349	1,446,259	1,273,538,608
- claims provisions	607,358,659	82,775,436	690,134,095	-54,893,200	635,240,895
- other insurance technical provisions	27,449,134	3,419,315	30,868,449	-182,348	30,686,101
Insurance technical provisions for unit–linked insurance contracts	438,557,715	19,125,376	457,683,091	0	457,683,091
Employee benefits	11,734,153	1,816,111	13,550,264	0	13,550,264
Other provisions	2,817,708	1,153,509	3,971,217	0	3,971,217
Deferred tax liabilities	24,295,651	1,104,893	25,400,544	0	25,400,544
Other financial liabilities	3,262,821	4,201,802	7,464,623	-2,175,930	5,288,693
Operating liabilities	59,136,359	10,174,712	69,311,071	-27,282,876	42,028,195
- liabilities from direct insurance operations	14,216,505	2,918,984	17,135,489	-1,115,469	16,020,020
- liabilities from reinsurance and co–insurance operations	42,225,370	7,071,282	49,296,652	-26,167,407	23,129,245
- current tax liabilities	2,694,484	184,446	2,878,930	0	2,878,930
Other liabilities	59,799,035	25,253,388	85,052,423	-22,413,077	62,639,346
Non–current liabilities held for sale and discontinued operations	0	0	0	0	0

in EUR

Statement of financial position	31 December 2015				
	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	3,475,955,971	354,179,447	3,830,135,418	-336,678,618	3,493,456,800
Intangible assets	58,308,428	11,930,481	70,238,909	-106,577	70,132,332
Property, plant and equipment	88,915,999	34,254,194	123,170,193	-1,359,833	121,810,360
Deferred tax r assets	15,692,464	677,475	16,369,939	-376,251	15,993,688
Investment property	62,223,242	17,300,080	79,523,322	-48,039	79,475,283
Investments in subsidiaries	191,482,451	8,719,348	200,201,799	-200,201,799	0
Investments in associates	9,722,884	0	9,722,884	-2,783,184	6,939,700
Financial assets	2,703,969,214	196,735,145	2,900,704,359	-27,267,576	2,873,436,783
Financial investments	2,257,379,652	178,590,784	2,435,970,436	-27,267,576	2,408,702,860
- loans and deposits	147,216,758	60,105,473	207,322,231	-23,450,012	183,872,219
- held to maturity	223,562,676	18,843,724	242,406,400	0	242,406,400
- available for sale	1,514,419,654	96,035,767	1,610,455,421	-2,773,783	1,607,681,638
- recognised at fair value through profit and loss	372,180,564	3,605,820	375,786,384	-1,043,781	374,742,603
Unit–linked insurance assets	446,589,562	18,144,361	464,733,923	0	464,733,923
Reinsurers’ share of technical provisions	116,118,364	19,315,400	135,433,764	-66,709,459	68,724,305
Receivables	179,223,864	46,128,258	225,352,122	-58,908,389	166,443,733
- receivables from direct insurance operations	61,568,523	23,663,697	85,232,220	-1,983,214	83,249,006
- receivables from reinsurance and coinsurance operations	66,267,315	7,138,287	73,405,602	-30,581,934	42,823,668
- current tax receivables	1,520	299,753	301,273	0	301,273
- other receivables	51,386,506	15,026,521	66,413,027	-26,343,241	40,069,786
Other assets	6,472,963	2,231,323	8,704,286	-569,524	8,134,762
Cash and cash equivalents	32,934,975	16,887,743	49,822,718	-1,893,950	47,928,768
Non–current assets held for sale	10,891,123	0	10,891,123	23,545,963	34,437,086
EQUITY AND LIABILITIES	3,475,955,971	354,179,447	3,830,135,418	-336,678,618	3,493,456,800
Equity	805,360,060	87,216,187	892,576,247	-188,531,748	704,044,499
Controlling interests	805,360,060	87,216,187	892,576,247	-199,650,382	692,925,865
- share capital	254,276,474	87,631,393	341,907,866	-268,206,474	73,701,392
- share premium	84,359,485	1,455,549	85,815,034	-30,859,122	54,955,912
- reserves from profit	289,215,855	16,718,014	305,933,869	-4,988,403	300,945,466
- fair value reserve	86,744,877	2,831,226	89,576,103	-12,008,784	77,567,319
- net profit brought forward	28,608,097	-5,665,052	22,943,045	81,560,829	104,503,874
- net profit/loss for the year	62,155,272	-11,289,544	50,865,729	34,936,824	85,802,552
- currency translation differences	0	-4,465,398	-4,465,398	-45,085	-4,510,483
- reserve of disposal group held for sale	0	0	0	-40,167	-40,167
Non–controlling interests	0	0	0	11,118,634	11,118,634
Subordinated liabilities	22,601,278	1,364,602	23,965,880	-5,213,628	18,752,252
Insurance technical provisions	2,012,095,221	198,039,726	2,210,134,947	-66,739,736	2,143,395,211
- unearned premiums	206,018,138	60,482,733	266,500,871	-14,442,915	252,057,956
- mathematical provisions	1,168,121,665	51,616,062	1,219,737,727	0	1,219,737,727
- claims provisions	613,576,044	81,407,828	694,983,872	-52,296,821	642,687,051
- other insurance technical provisions	24,379,374	4,533,103	28,912,477	0	28,912,477
Insurance technical provisions for unit–linked insurance contracts	438,920,157	18,126,755	457,046,912	0	457,046,912
Employee benefits	11,057,978	1,700,206	12,758,184	-533,053	12,225,131
Other provisions	5,387,726	1,020,228	6,407,954	-2,553,110	3,854,844
Deferred tax liabilities	22,456,661	732,135	23,188,796	0	23,188,796
Other financial liabilities	18,610,929	2,206,444	20,817,373	-17,033,091	3,784,282
Operating liabilities	69,219,963	12,207,827	81,427,790	-33,039,065	48,388,725
- liabilities from direct insurance operations	14,894,693	2,638,188	17,532,881	-914,953	16,617,928
- liabilities from reinsurance and co–insurance operations	50,796,666	9,377,213	60,173,879	-32,120,249	28,053,630
- current tax liabilities	3,528,604	192,426	3,721,030	-3,863	3,717,167
Other liabilities	70,245,998	31,565,337	101,811,335	-35,469,360	66,341,975
Non–current liabilities held for sale and discontinued operations	0	0	0	12,434,173	12,434,173

in EUR

	31 December 2016			31 December 2015		
Income statement	SLOVENIA	OTHER	TOTAL	SLOVENIA	OTHER	TOTAL
Net premium income	703,239,403	146,354,598	849,594,001	702,635,173	136,532,051	839,167,224
- gross written premium	774,450,456	161,553,359	936,003,815	760,924,325	158,191,940	919,116,265
- ceded written premium	-66,045,977	-13,034,972	-79,080,949	-60,163,244	-16,882,390	-77,045,634
- change in unearned premiums	-5,165,076	-2,163,789	-7,328,865	1,874,092	-4,777,499	-2,903,407
Total income from financial assets	136,077,184	9,940,301	146,017,485	287,979,097	12,929,477	300,908,574
Income from financial assets in associates	3,116,574	0	3,116,574	5,217,670	236,930	5,454,600
- profit on equity investments accounted for using the equity method	188,105	0	188,105	1,024,797	0	1,024,797
- 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	2,928,469	0	2,928,469	4,192,873	236,930	4,429,803
- other financial income	0	0	0	0	0	0
Income from other financial assets	109,884,396	9,562,238	119,446,634	190,888,810	11,688,370	202,577,180
- interest income	60,768,780	8,066,794	68,835,574	62,820,699	8,421,849	71,242,548
- dividends	3,224,538	132,231	3,356,769	3,182,732	35,788	3,218,520
- fair value gains	7,536,482	277,282	7,813,764	38,994,534	296,275	39,290,809
- realised gains on disposals	33,567,044	412,045	33,979,089	75,807,946	1,669,559	77,477,505
- other financial income	4,787,552	673,886	5,461,438	10,082,899	1,264,899	11,347,798
Net unrealised gains on unit–linked life insurance assets	23,076,214	378,063	23,454,277	91,872,617	1,004,177	92,876,794
Other income from insurance operations	1,470,316	3,921,856	5,392,172	3,750,073	3,680,885	7,430,958
- fees and commission income	-736,231	989,024	252,793	1,271,035	1,223,601	2,494,636
- other income from insurance operations	2,206,547	2,932,832	5,139,379	2,479,038	2,457,284	4,936,322
Other income	47,121,790	6,415,385	53,537,175	70,867,093	6,393,163	77,260,256
Net claims incurred	502,368,127	74,734,291	577,102,418	493,102,870	77,240,424	570,343,294
- gross claims settled	525,445,004	80,574,565	606,019,569	515,310,930	79,529,586	594,840,516
- reinsurers' and co–insurers' share	-15,942,335	-5,749,685	-21,692,020	-18,639,706	-4,895,691	-23,535,397
- changes in claims provisions	-14,084,611	-90,589	-14,175,200	-11,037,524	2,606,529	-8,430,995
- equalisation scheme expenses for supplementary health insurance	6,950,069	0	6,950,069	7,469,170	0	7,469,170
Change in other insurance technical provisions	43,783,805	3,427,520	47,211,325	57,288,062	3,052,330	60,340,392
Change in insurance technical provisions for unit–linked insurance contracts	-37,067	813,715	776,648	-4,032,292	2,150,147	-1,882,145
Expenses for bonuses and discounts	9,106,886	2,224,744	11,331,630	8,261,787	1,941,172	10,202,959
Operating expenses	152,430,778	56,244,930	208,675,708	147,879,451	53,916,682	201,796,133
- costs of insurance contract acquisition	102,328,037	38,674,976	141,003,013	99,688,817	36,469,602	136,158,419
- other operating costs	50,102,741	17,569,954	67,672,695	48,190,634	17,447,080	65,637,714
Expenses from financial assets and liabilities	41,041,678	1,492,201	42,533,879	176,968,682	3,398,574	180,367,256
Expenses from financial assets and liabilities in associates	3,406,619	-232,428	3,174,191	1,160,415	0	1,160,415
- loss on investments accounted for using the equity method	247,812	0	247,812	295,258	0	295,258
- interest expense	0	0	0	0	0	0
- fair value losses	0	0	0	0	0	0
- realised loss on disposals	3,158,807	-232,428	2,926,379	865,153	0	865,153
- impairments	0	0	0	4	0	4
- other financial expenses	0	0	0	0	0	0
Expenses from other financial assets and liabilities	36,276,275	1,577,609	37,853,884	92,375,305	3,398,574	95,773,879
- interest expense	1,259,386	55,119	1,314,505	2,024,386	153,060	2,177,446
- fair value losses	6,787,412	101,059	6,888,471	48,869,717	667,584	49,537,301
- realised loss on disposals	19,375,586	75,436	19,451,022	21,712,858	91,039	21,803,897
- impairments	3,098,169	98,856	3,197,025	2,641,953	1,185,492	3,827,445
- other financial expenses	5,755,722	1,247,139	7,002,861	17,126,391	1,301,399	18,427,790
Net unrealised losses on unit–linked life insurance assets	1,358,784	147,020	1,505,804	83,432,962	0	83,432,962
Other insurance expenses	10,633,917	6,404,428	17,038,345	8,898,298	9,313,848	18,212,146
Other expenses	44,067,794	10,664,996	54,732,790	70,962,831	11,946,469	82,909,300
Profit before tax	84,512,775	10,625,315	95,138,090	105,901,747	-3,424,070	102,477,677
Income tax expense	12,286,560	519,756	12,806,316	12,835,853	780,630	13,616,483
Net profit	72,226,215	10,105,559	82,331,774	93,065,894	-4,204,700	88,861,194
Net profit attributable to the controlling company	72,303,030	9,632,723	81,935,753	92,774,859	-3,949,424	88,825,435
Net profit attributable to non–controlling interest holders	-76,815	472,836	396,021	291,035	-255,276	35,759

5.12.4 Reporting by geographical area for Zavarovalnica Triglav

Zavarovalnica Triglav operates mainly in the territory of the Republic of Slovenia. As more than 99% of premium income is generated by the sale of insurance to the domestic insureds, the Company does not report by geographical area.

GRI Content Index according to GRI Global Standards - Global Standards

GENERAL STANDARD DISCLOSURES			
GRI Standard and Disclosure	Disclosure	Section/Page number(s)	Remarks/Omissions
GRI 101: Foundation 2016			
GRI 102: General Disclosures			
Organisational profile 2016			
102-1	Name of the organization	1.3./P. 7	
102-2	Activities, brands, products, and services	1.6/P. 9	
102-3	Location of headquarter	1.3./P. 7	
102-4	Location of operations	1.6/P. 9, 7.3/P. 61, 7.4/P. 63	
102-5	Ownership and legal form	6.3/P. 54	
102-6	Markets served (geographic location, sectors served and types of customers and beneficiaries)	1.6/P. 9, 7.3/P. 61, 7.4/P. 63	
102-7	Scale of the organization	1.1/P. 6, 1.2/P. 6, 4.3/P. 35, 12.3.1/P. 126	
102-8	Information on employees and other workers by employment contract, region and age	12.3.1/P. 126–128	
102-9	Supply chain	12.8/P. 149	Number of suppliers is not reported.
102-10	Significant changes to the organization's size, structure, ownership, or supply chain	1.6.4.1/P. 15, 5.4/P. 47, 6.3/P. 54, 12.8/P. 149	
102-11	Precautionary Principle or approach	Risk Management Section	
102-12	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	5.2/P. 38, 12.1/P. 123	
102-13	Membership of associations	12.1/P. 123	
Strategy and analysis			
102-14	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy for addressing sustainability	2/P. 18–21	Focusing mainly on economic and social topics. With the revised strategy, an integrated management of sustainable development was established. For the first time in 2017, two measurable strategic indicators will be implemented, reflecting the progress made in the implementation of the relevant indicators and key aspects of sustainable development of the Triglav Group by 2010.
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour and the Code of Ethics	4.1/P. 30	
Governance			
102-18	Governance structure of the organization, including committees of the highest governance body	5.3/P. 39, 5.4/P. 47	
Stakeholder engagement			
102-40	A list of stakeholder groups engaged by the organization	12.2/P.124	
102-41	Percentage of total employees covered by collective agreement	12.3.1/P. 129	
102-42	The basis for identifying and selecting stakeholders with whom to engage	12.2/P. 124	

GENERAL STANDARD DISCLOSURES			
GRI Standard and Disclosure	Disclosure	Section/Page number(s)	Remarks/Omissions
102-43	The organization's approach to stakeholder engagement, including frequency of engagement by stakeholder group	12.2/P. 124	The stakeholders were not included in the report indirectly.
102-44	Key topics and concerns that have been raised through stakeholder engagement, including how the organization has responded to those key topics and concerns, including through its reporting	12.2/P. 124, 12.6/P. 140	
Reporting practice			
102-45	Entities included in the consolidated financial statements	Accounting Report 2.7/P. 254	
102-46	Defining report content and topic Boundaries	12.1/P. 118	
102-47	List of material topics	GRI Content Index	The essential topics recognised by the Triglav Group are stated in this GRI Content Index. Nonessential topics are not reported.
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	12.1/P. 119	
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries	12.1/P. 119	Compared to the previous reports, the volume of reported topics did not significantly change.
102-50	Reporting period	12.1/P. 119	
102-51	Date of most recent report		The most recent Annual Report of the Triglav Group and Zavarovalnice Triglav d.d. for 2016 was published on 6 April 2017.
102-52	Reporting cycle (annually, quarterly)	12.1/P. 119	
102-53	Contact point for questions regarding the report	1.3/P. 7	
102-54	Claims of reporting in accordance with the GRI Standards	GRI Content Index	
102-55	GRI Content Index	P. 350–354	
102-56	External assurance		The Company has not yet decided to have the GRI standards externally assured.

TOPIC-SPECIFIC DISCLOSURES			
The management approach and its components	Material topic	Page number(s)	Reason for Omission/Notes
ECONOMIC IMPACT			
GRI 201: Economic Performance			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	4.2/P. 33–34	
201-1	Direct economic value generated and distributed	1.3/P. 7, 12.7.2/P. 144	
201-2	Financial implications and other risks and opportunities due to climate change	7.2/P. 60	
201-3	Defined benefit plan obligations and other retirement plans	12.3.4/P. 135	
GRI 202: Labour/management relations 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	4.2/P. 33–34	
202-2	Proportion of senior management hired from the local community	12.3.1/P. 129	
GRI 203: Indirect economic impacts 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.7.1/ P. 141	
203-1	Extent of development of significant infrastructure investments and services supported	12.7.1/P. 141, 12.7.2/P. 144, 147	
GRI 204: Procurement practices 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.8/P. 149	
204-1	Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation	12.8/P. 149	Share is not reported.
GRI 205: Anti-corruption 2016			
103-1, 103-2	Explanation of the material topic and its Boundary	12.5/P. 139	
205-1	Total number and percentage of operations assessed for risks related to corruption	12.5/P. 139, 140	
205-3	Total number and percentage of operations assessed for risks related to corruption, confirmed incidents of corruption and actions taken	12.5/P. 140	
GRI 206: Anti-competitive behaviour			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.8/P. 149	
206-1	Number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation	12.8/P. 149	
ENVIRONMENTAL IMPACT			
GRI 302: Energy 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.9/P. 151	
302-1	Energy consumption within the organization	12.9/P. 151	
GRI 305: Emissions 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.9/P. 150	
305-1	Direct (Scope 1) GHG emissions	12.9/P. 150	
305-2	Energy indirect (Scope 2) GHG emissions	12.9/P. 150	
305-3	Other indirect (Scope 3) GHG emissions	12.9/P. 150	
GRI 306: Effluents and waste 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.9/P. 150	
306-2	Total weight of waste, with a breakdown by the disposal methods	12.9/P. 152	Quantitative data on disposal methods are not included.

TOPIC-SPECIFIC DISCLOSURES			
The management approach and its components	Material topic	Page number(s)	Reason for Omission/Notes
GRI 308: Supplier environmental assessment 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.8/P. 149	
308-1	Percentage of new suppliers that were screened using environmental criteria	12.8/P. 149	Share is not reported. Screening of suppliers is performed in the process of obtaining bids (tender).
SOCIAL IMPACT			
GRI 401: Employment 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3/P. 125, 12.3.4/P. 135	
401-1	New employee hires and employee turnover	12.3.1/P. 127	
401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation.	12.3.1/P. 129	
401-3	Total number of employees that returned to work in the reporting period after parental leave ended, by gender	12.3.4/P. 136	
GRI 402: Labour/management relations 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3.4/P. 136	
402-1	Minimum notice periods regarding operational changes, including the information whether the notice period and provisions for consultation and negotiation are specified in collective agreements	12.3.4/P. 136	
GRI 403: Occupational health and safety 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3.3/P. 134	
403-1	Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees	12.3.3/P. 134	The indicator is reported in figures.
403-2	Types of work-related injuries	12.3.3/P. 134, 135	
403-3	Workers with high incidence or high risk of diseases related to their occupation	12.3.3/P. 135	
403-4	Health and safety topics covered in formal agreements with trade unions (collective agreement)	12.3.3/P. 134	
GRI 404: Training and education 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3.2.1/P. 130	
404-1	Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category	12.3.2.1/P. 130	Data capture does not include classification by employee category
404-3	Percentage of employees receiving regular performance and career development reviews by gender	12.3.2.2/P. 131	
GRI: 405: Diversity and equal opportunity 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3/P. 135	
405-1	Diversity of governance bodies and employees (gender, age group, representatives of minorities, other indicators of diversity)	12.3.1/P. 128, 129	
405-2	Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation	12.3.1/P. 131	

TOPIC-SPECIFIC DISCLOSURES			
The management approach and its components	Material topic	Page number(s)	Reason for Omission/Notes
GRI 412: Human rights assessment 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 139	
412-2	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations and percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations	12.5/P. 139	
GRI 406: Non-discrimination 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3.4/P. 137	
406-1	Total number of incidents of discrimination during the reporting period and actions taken	12.3.4/P. 137	
GRI 412: Human rights assessment 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 139	
412-2	Employee training on human rights policies or procedures	12.5/P. 139	
GRI 413: Local communities 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.7.2/P. 147	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs	12.7.2/P. 147	
GRI 414: Supplier social assessment 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.8/P. 149	
414-1	New suppliers that were screened using social criteria	12.8/P. 149	Share is not reported.
GRI 415: Public policy 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 140	
415-1	Political contributions	12.5/P. 140	
GRI 418 Customer privacy 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 139	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	12.5/P. 139	
GRI 419: Socioeconomic compliance 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 139	
419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	12.5/P. 139, 140	
GRI 417: Marketing and labelling 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 140	
417-1	Requirements for product and service information and labelling	11.1.1/P. 109, 12.5/P. 140	
417-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling	12.5/P. 140	
417-3	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorships by incidents of non-compliance with regulations resulting in a fine, penalty or warning	11.2.3/P. 114	

TOPIC-SPECIFIC DISCLOSURES			
The management approach and its components	Material topic	Page number(s)	Reason for Omission/Notes
Financial Services Sector Disclosures - GRI G4			
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit	12.4/P. 137, 138	The data monitoring system does not yet allow a precise calculation.
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit	12.4.2/P. 138	The data monitoring system does not yet allow a precise calculation.
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	11.1/P. 108	Quantitative data on access points are not recorded in this way.
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	11.1/P. 108, 12.4/P. 137, 12.4.1/P. 138	

Our goals. Our passion.

We stand by our clients in all stages of their life by providing them financial security and all the assistance they need in resolving day-to-day problems. The six new pillars of our business operations:
non-life insurance,
life insurance, health insurance,
pension insurance,
re-insurance and
asset management,
are consolidated through simple and innovative services and products.

We are upgrading
the know-how and wisdom
of several generations.

We believe that the future
lies in the economy
based on participation.

We are constantly seeking
new ways of creating the value,
forming new partnerships
and engaging stakeholders.

We learn together,
even from mistakes, and
achieve the objectives.

Our goals. Our passion.

Triglav Group and Zavarovalnica Triglav d.d.
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