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. In accordance with the Pension and Disability Insurance Act (ZPIZ-2), the Company also provides pension insurance and other ancillary services in relation to insurance and pension funds in the framework of life insurance.

In the life insurance segment, the following funds, which are posted separately, operated in 2017:

- the group of guarantee funds PDPZ (registration no. 5063345032), includes three guarantee funds through which the lifecycle investment policy is implemented. All three guarantee funds serve to implement pension schemes of group supplemental voluntary pension insurance bearing the codes PN–ZT–01/15–9, PN–ZT–03/15–9, PN–ZT–05/15–9 as well as schemes of individual supplemental voluntary pension insurance bearing the codes PN–ZT–02/15–9, PN–ZT–04/15–9, 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).

Statement of financial position and income statements for funds posted separately are shown in [→ *Section 5.13*].

The manager of the Triglav PDPZ-zmerni and Triglav PDPZ-drzni guarantee funds is Triglav Skladi d.o.o. Zavarovalnica Triglav manages the other abovementioned guarantee funds. The custodian of all PDPZ guarantee funds is Abanka d.d.

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 separate 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 2017, the Supervisory Board had the following members:

Name	SB	AC	ACC	SC	NC	Notes
Igor Stebernak	M					since 2 June 2016
	P					since 18 August 2016
			P			since 18 August 2016 until 12 June 2017 and since 21 June 2017
					P	since 18 November 2016 until 30 May 2017
Andrej Andoljšek	M					since 13 June 2017
	DP					since 21 June 2017
				M		since 21 June 2017
Milan Tomaževič	M					since 13 June 2017
				P		since 21 June 2017
Žiga Škerjanec	M					since 13 June 2017
			M			since 21 June 2017
				M		since 21 June 2017
Nataša Damjanovič	M					since 13 June 2017
		M				since 21 June 2017
			M			since 21 June 2017
Mario Gobbo	M					since 12 June 2013
		P				since 1 July 2013 until 12 June 2017 and since 21 June 2017
				M		since 1 July 2013 until 12 June 2017
Peter Celar	M					since 30 May 2011
				M		since 1 July 2013 until 12 June 2017 and since 21 June 2017
					M	since 18 November 2016 until 30 May 2017
Boštjan Molan	M					since 31 May 2015
			M			since 20 August 2015 until 12 June 2017 and since 21 June 2017
Ivan Sotošek	M					since 31 May 2015
		M				since 20 August 2015 until 12 June 2017 and since 21 June 2017
Simon Kolenc		M				since 18 August 2017
Gregor Kastelic	M					since 12 June 2013 until 12 June 2017
	DP					since 1 July 2013 until 12 June 2017
				P		since 1 July 2013 until 12 June 2017
					M	since 18 November 2016 until 30 May 2017
Dubravko Štimac	M					since 12 June 2013 until 12 June 2017
			M			since 1 July 2013 until 12 June 2017
Rajko Stanković	M					since 12 June 2013 until 12 June 2017
		M				since 1 July 2013 until 12 June 2017
Matija Blažič	M					since 12 June 2013 until 12 June 2017
Barbara Nose		M				since 22 August 2013 until 12 June 2017
Mitja Svoljšak					M	since 18 November 2016 until 30 May 2017
Milena Pervanje					M	since 18 November 2016 until 30 May 2017

Legend:
SB – Supervisory Board
AC – Audit Comittee
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 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 2017, the Management Board had the following composition:

- Andrej Slapar, President,
- Uroš Ivanc, member,
- Tadej Čoroli, member,
- Barbara Smolnikar, member (since 17 October 2017),
- Marica Makoter, member, employee representative;
- Benjamin Jošar, member (until 2 November 2017).

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-1).

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,
- 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.

Disclosures relating to risks arising from financial instruments are not included in the Accounting Report. They can be found in [→ *the Risk Management chapter on pages from 144 to 166*].

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 9 March 2018, 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. 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

Goodwill can arise from the acquisition of a subsidiary and is recognised in consolidated financial statements as the surplus of the sum of the paid consideration measured at fair value over the net amount of the acquired assets and liabilities of the subsidiary. If the difference is negative, the profit is recognised in its entirety in the income statement.

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 [→ *Section 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

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 polices. In separate financial statements investments in equity instruments of associated companies (shares, stakes) are measured at fair value.

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 [→ *Sections 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[110] 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*].

[110] 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). As part of the share premium, the impact of the acquisition of non-controlling shares is also recognised in the consolidated financial statements.

Reserves from profit are legal reserves, statutory and other reserves, treasury share reserves, credit risk equalisation 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 1.25%. 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 an 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. In relation to available-for-sale financial instruments, all revaluation surpluses are accounted for in other comprehensive income upon recognition; on the balance sheet date, the transfer to mathematical provisions is made for the part that will go to the insurer upon realisation in line with the provisions of the insurance contract or internal regulations.

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. The abovementioned difference must amount to at least 10 percent of the payment at the beginning of the insurance. Other contracts, including contracts on asset management and lease contracts, are not relevant for disclosure proposes.

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:
  - the discount rate taking account of the yield of sovereign securities at the balance sheet date; and
  - 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 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 and operating expenses of non-insurance companies. 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 19% tax rate and in other countries where subsidiaries operate at tax rates enacted by local tax laws (as shown in [→ *Section 2.7*]). The same applies to the calculation of deferred taxes.

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 2.9% p.a. for the contracts containing a fixed interest rate guarantee of 3.25% or more.

The guaranteed technical interest rate used for valuation ranges between 0.75% 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 0.75% p.a. and 4.5% p.a. For the pension annuity pay-out period, a prudently set lower interest rate of 2.9% 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 1.0% p.a. to 2.9% 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 1.0% to 2.9%.

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 and additional insurance-technical provisions are established to cater for credit risk.

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 cash-generating unit or the insurance company are also considered a homogenous group. Any deficit is determined at the level of the individual insurance company. 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 uses the probability of an early termination of the insurance contract or discontinuation of premium payments determined on the basis of the analysis of early terminations of life insurance contracts in the past years. 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 2017 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 0.85%;
- the yield curve of Croatian sovereign debt securities denominated in euros as at 31 December 2017 was applied to Triglav Osiguranje, Zagreb. The reference value for a period of 10 years is 2.46%;
- 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 4.31%) as well as in Serbian dinars (the reference value for a period of 10 years is 5.47%) as at 31 December 2017.
- In the calculation of liabilities for Skupna pokojninska družba, the following estimated annual net rates of return on funds in personal accounts were used:
  - 4.00% for DKS guarantee fund;
  - 3.00% for MKS guarantee fund;
  - 2.25% for OKS guarantee fund.

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. For Zavarovalnica Triglav the calculation also takes into account the assumption that 62% of supplemental voluntary pension insurance policyholders and 85% of voluntary pension insurance policyholders will choose to receive a pension annuity, while the rest will opt for a lump-sum payout. In the calculation for Skupna pokojninska družba, it is additionally taken into account that 60% of the policyholders will opt to receive pension annuity upon meeting the applicable conditions.

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 are the guarantee funds backing supplemental voluntary pension insurance during the period of annuity payments by Zavarovalnica Triglav, showing a deficit of EUR 4,849,379 as at 31 December 2017. 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, Beograd	Lovćen životna osiguranja
An increase in mortality rates by 10%	-873,455	0	0	0	0
A decrease in mortality rates by 10%	959,022	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%	284,611	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 1.25%.

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 financial income from other investing activities

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).

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 2017 and business plans of individual companies for 2017 as approved by their supervisory bodies as well as strategic plans of individual companies for the 2018-2021 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 2017, 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].

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 de-consolidated 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[111]

No.	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %) 2017	EQUITY STAKE (in %) 2016	SHARE OF VOTING RIGHTS (in %) 2017	SHARE OF VOTING RIGHTS (in %) 2016	VALUE OF EQUITY AS AT 31 DECEMBER (in EUR) 2017	VALUE OF EQUITY AS AT 31 DECEMBER (in EUR) 2016
1	Pozavarovalnica Triglav RE d.d.	Miklošičeva 19, Ljubljana, Slovenia	19	Reinsurance	100.00	100.00	100.00	100.00	82,010,418	81,328,213
2	Triglav, Zdravstvena zavarovalnica d.d.	Pristaniška 10, Koper, Slovenia	19	Insurance	100.00	100.00	100.00	100.00	30,986,326	29,592,588
3	Triglav Osiguranje d.d., Zagreb	Antuna Heinza 4, Zagreb, Croatia	18	Insurance	100.00	99.91	100.00	99.91	29,014,630	27,419,102
4	Triglav Osiguranje d.d., Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	10	Insurance	97.78	68.94	98.87	78.71	21,454,439	22,658,656
5	Lovćen Osiguranje a.d., Podgorica	Slobode 13a, Podgorica, Montenegro	9	Insurance	96.59	96.47	96.59	96.47	8,811,540	7,770,568
6	Lovćen životna osiguranja a.d., Podgorica	Marka Miljanova 29/III, Podgorica, Montenegro	9	Insurance	96.59	96.47	96.59	96.47	2,644,428	2,382,768
7	Triglav Osiguranje a.d.o., Beograd	Milutina Milankovića 7a, Novi Beograd, Serbia	15	Insurance	99.88	99.88	99.88	99.88	16,200,927	13,521,384
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	3,748,175	3,494,592
9	Triglav Osiguruvanje a.d., Skopje	Bulevar 8–mi Septemvri 16, Skopje, Macedonia	10	Insurance	79.94	73.38	79.94	73.38	13,604,323	12,139,218
10	Triglav Osiguruvanje Život a.d., Skopje	Bulevar sv. Kiril i Metodij 18, Skopje, Macedonia	10	Insurance	95.99	-	95.99	-	4,856,501	-
11	Skupna pokojninska družba d.d.	Trg republike 3, Ljubljana, Slovenia	19	Fund management	71.87	71.87	71.87	71.87	17,546,852	16,432,337
12	Triglav INT d.d.	Dunajska 22, Ljubljana, Slovenia	19	Holding company	100.00	100.00	100.00	100.00	63,578,265	65,755,704
13	Triglav Skladi d.o.o.	Slovenska 54, Ljubljana, Slovenia	19	Fund management	67.50	67.50	100.00	100.00	43,112,426	38,196,737
14	Triglav Avtoservis d.o.o.	Verovškova 60b, Ljubljana, Slovenia	19	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	64,954	63,854
15	Triglav Svetovanje d.o.o.	Ljubljanska 86, Domžale, Slovenia	19	Insurance agency	100.00	100.00	100.00	100.00	547,383	519,117
16	Salnal d.o.o.[112]	Slovenska 54, Ljubljana, Slovenia	19	Real estate management	-	100.00	-	100.00	-	15,147,112
17	AKM Nepremičnine d.o.o.	Plemljeva 8, Ljubljana, Slovenia	19	Retail trade	100.00	100.00	100.00	100.00	3,987,601	3,870,822
18	Golf Arboretum d.o.o.	Volčji potok 43g, Radomlje, Slovenia	19	Sport facilities management	80.10	80.10	80.10	80.10	379,001	456,742
19	Triglav Upravljanje Nepremičnin d.d.	Dunajska 22, Ljubljana, Slovenia	19	Real estate management	100.00	100.00	100.00	100.00	34,552,246	33,694,052
20	Triglav Savjetovanje d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo,Bosnia and Herzegovina	10	Insurance agency	98.91	89.57	98.91	89.57	68,153	40,362
21	TRI-LIFE d.o.o., Zagreb	Republike Austrije 1, Zagreb, Croatia	18	Insurance	100.00	99.96	100.00	99.96	-260,976	-156,907
22	Triglav Savetovanje d.o.o., Beograd	Milutina Milankovića 7a, Novi Beograd, Serbia	15	Insurance agency	99.94	99.94	99.94	99.94	-39,704	32,317
23	Autocentar BH d.o.o.	Grbavićka 14c, Sarajevo, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	97.78	68.94	98.87	78.71	1,717,726	1,599,543
24	Unis automobili i dijelovi d.o.o.	Mehmeda ef. Pandze 13, Sarajevo, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	97.78	65.62	98.87	78.71	133,394	193,300
25	Sarajevostan d.o.o.	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	10	Real estate management	90.95	61.04	91.97	73.22	3,302,360	3,333,285
26	Lovćen Auto AD, Podgorica	Novaka Miloševa 6/2, Podgorica, Montenegro	9	Maintenance and repair of motor vehicle	96.59	96.47	96.59	96.47	897,843	574,441
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	18	Real estate management	100.00	100.00	100.00	100.00	3,258,264	3,282,127
29	Trigav upravljanje nekretninama d.o.o., Podgorica	Džordža Vašingtona 44, Podgorica, Montenegro	9	Real estate management	100.00	100.00	100.00	100.00	3,299,284	3,317,918
30	PROF-IN d.o.o.	Svetozara Markovića 515, Banja luka, Bosnia and Herzegovina	10	Fund management	62.54	62.54	62.54	62.54	3,442,397	3,208,378
31	Hotel Grad Podvin d.d.	Miklošičeva 19, Ljubljana, Slovenia	19	Tourism	100.00	100.00	100.00	100.00	647,225	411,304
32	Zavod Vse bo v redu	Miklošičeva 19, Ljubljana, Slovenia	19	Insitute for corporate social responsibility	100.00	100.00	100.00	100.00	100,000	100,000

[111] The companies listed under numbers 1 to 29 have been included in the consolidated financial statements using the full consolidation method. The companies listed under numbers 30 to 32 have not been included using the full consolidation method, as they are not of importance to the Group. GRI GS 102-45
[112] The company was wound-up through a fast-track procedure without liquidation. Details can be found below.

Summary financial information on subsidiaries

in EUR

	ASSETS		LIABILITIES		EQUITY		INCOME		NET PROFIT/LOSS	
COMPANY	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Pozavarovalnica Triglav Re d.d., Ljubljana	279,644,959	265,654,558	197,634,541	184,326,345	82,010,418	81,328,213	14,477,660	108,694,973	6,347,139	6,509,356
Triglav, Zdravstvena zavarovalnica d.d., Koper	56,434,979	50,565,069	25,448,653	20,972,481	30,986,326	29,592,588	131,252,617	116,193,838	1,257,492	1,223,345
Triglav Osiguranje d.d., Zagreb	152,619,957	142,615,661	123,605,327	115,196,559	29,014,630	27,419,102	61,014,413	54,895,411	107,418	27,770
Triglav Osiguranje d.d., Sarajevo	53,718,177	51,245,294	32,263,738	28,586,638	21,454,439	22,658,656	24,617,992	22,567,637	919,088	590,830
Lovćen Osiguranje a.d., Podgorica	56,253,110	55,410,428	47,441,570	47,639,860	8,811,540	7,770,568	33,728,246	33,449,507	130,782	29,650
Lovćen životna osiguranja a.d., Podgorica	6,150,004	5,845,548	3,505,576	3,462,780	2,644,428	2,382,768	1,688,180	1,550,974	129,580	6,179
Triglav Osiguranje a.d.o., Beograd	64,448,280	52,038,224	48,247,353	38,516,840	16,200,927	13,521,384	48,303,613	37,967,391	195,412	829,368
Triglav Osiguranje a.d., Banja luka	9,501,867	9,760,081	5,753,692	6,265,489	3,748,175	3,494,592	5,827,767	5,613,384	219,961	157,977
Triglav Osiguruvanje a.d., Skopje	36,755,702	36,037,249	23,151,379	23,898,031	13,604,323	12,139,218	23,211,300	23,293,363	1,419,813	885,491
Triglav Osiguruvanje život a.d., Skopje	4,999,246	-	142,745	-	4,856,501	-	9,007	-	-167,305	-
Skupna pokojninska družba d.d., Ljubljana	309,433,327	284,016,983	291,886,475	267,584,646	17,546,852	16,432,337	43,670,266	46,303,206	926,454	1,335,945
Triglav INT d.d., Ljubljana	70,039,115	66,126,996	6,460,850	371,292	63,578,265	65,755,704	10,457	200,386	-2,182,380	-2,260,492
Triglav Skladi d.o.o., Ljubljana	49,435,746	42,909,165	6,323,320	4,712,428	43,112,426	38,196,737	16,423,389	15,122,644	3,590,116	4,139,831
Triglav Avtoservis d.o.o., Ljubljana	418,098	381,623	353,144	317,769	64,954	63,854	2,169,360	2,220,371	3,477	3,623
Triglav Svetovanje d.o.o., Ljubljana	1,453,333	1,406,836	905,950	887,719	547,383	519,117	4,624,641	4,311,592	35,998	60,498
Salnal d.o.o., Ljubljana	0	15,148,829	0	1,717	0	15,147,112	509,513	519,150	503,178	513,634
AKM Nepremičnine d.o.o., Ljubljana	4,253,950	4,034,726	266,349	163,904	3,987,601	3,870,822	376,101	409,513	256,908	210,937
Golf Arboretum d.o.o., Ljubljana	1,297,670	1,209,207	918,669	752,465	379,001	456,742	714,269	605,997	-77,741	-230,066
Triglav, Upravljanje nepremičnin d.d., Ljubljana	44,662,534	44,772,931	10,110,288	11,078,879	34,552,246	33,694,052	3,845,623	27,833,281	-113,682	10,024,900
Triglav Savijetovanje d.o.o., Sarajevo	210,156	184,053	142,003	143,691	68,153	40,362	910,408	926,355	27,791	51,645
TRI-LIFE d.o.o., Zagreb	53,865	52,888	314,841	209,795	-260,976	-156,907	304,044	239,388	-101,222	-123,285
Triglav Savetovanje d.o.o., Beograd	75,600	79,325	115,304	47,008	-39,704	32,317	204,649	41,451	-71,723	-114,809
Autocentar BH d.o.o., Sarajevo	2,692,475	2,320,084	974,749	720,541	1,717,726	1,599,543	1,528,673	1,375,969	143,748	26,467
Unis automobili i dijelovi d.o.o., Sarajevo	214,209	342,427	80,815	149,127	133,394	193,300	347,901	415,637	-59,906	-72,719
Sarajevostan d.d., Sarajevo	3,971,017	4,273,240	668,657	939,955	3,302,360	3,333,285	2,421,836	2,211,650	30,848	139,960
Lovćen Auto a.d., Podgorica	4,256,613	3,972,867	3,358,770	3,398,426	897,843	574,441	2,771,134	1,787,826	323,402	-1,411,719
Triglav Auto d.o.o., Banja luka	1,023	1,023	0	0	1,023	1,023	0	0	0	0
PROF-IN d.o.o., Banja luka	3,485,854	3,250,060	37,718	41,683	3,442,397	3,208,378	616,217	642,643	208,870	244,509
Hotel Grad Podvin d.d., Ljubljana	2,755,839	3,088,261	2,108,614	2,678,047	647,225	410,214	294,987	414,719	-362,989	-197,298
Zavod Vse bo v redu	158,586	124,372	58,586	24,372	100,000	100,000	30,000	70,000	8,514	15,607
Triglav Upravljanje nekretninama d.o.o., Zagreb	3,288,822	3,344,683	30,558	62,556	3,258,264	3,282,127	236,941	44,939	-76,425	-10,128
Trigav Upravljanje nekretninama d.o.o., Podgorica	3,342,858	3,346,049	43,574	28,131	3,299,284	3,317,918	124,910	33,737	-18,634	4,537

Non-controlling interests in the companies of the Triglav Group

in EUR

No.	COMPANY	ADDRESS	NON-CONTROLLING INTEREST IN CAPITAL (in %) 2017	2016	VOTING RIGHTS OF NON-CONTROLLING INTERESTS (in %) 2017	2016	NET PROFIT OR LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST HOLDERS 2017	2016	RETAINED EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST HOLDERS 2017	2016
1	Triglav Osiguranje d.d., Zagreb	Antuna Heinza 4, Zagreb, Croatika	0.00	0.09	0.00	0.09	–	25	–	4,568
2	Triglav Osiguranje d.d., Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	2.22	31.06	1.13	21.09	18,560	183,514	332,329	3,625,319
3	Triglav Osiguranje a.d.o., Beograd	Milutina Milankovića 7a, Novi Beograd, Serbia	0.12	0.12	0.12	0.12	305	943	198,019	187,839
4	Triglav Osiguruvanje a.d., Skopje	Bulevar 8–mi Septemvri 16, Skopje, Macedonia	20.06	26.62	20.06	26.62	284,815	235,718	1,540,519	2,060,119
5	Lovćen Osiguranje a.d., Podgorica	Ulica Slobode 13a, Podgorica, Montenegro	3.41	3.53	3.41	3.53	4,460	58,623	298,738	274,996
6	Lovćen životna osiguranja a.d., Podgorica	Marka Miljanova 29/III, Podgorica, Montenegro	3.41	3.53	3.41	3.53	4,419	218	62,984	54,062
7	Golf Arboretum d.o.o., Volčji Potok	Volčji Potok 43g, Radomlje, Slovenia	19.90	19.90	19.90	19.90	-15,470	-45,783	73,784	89,254
8	Triglav Savjetovanje d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	1.09	10.43	1.09	10.43	302	7,860	-16,898	-17,201
9	Unis automobili i dijelovi d.o.o., Sarajevo	Mehmeda ef. Pandže 13, Sarajevo, Bosnia and Herzegovina	2.22	31.06	1.13	21.29	-1,330	-22,587	-333,372	-332,040
10	Autocentar BH d.o.o., Sarajevo	Džemala Bjedića 165b, Sarajevo, Bosnia and Herzegovina	2.22	31.06	1.13	21.29	3,191	8,221	161,281	158,090
11	Lovćen Auto a.d., Podgorica	Novaka Miloševa 6/2, Podgorica, Montenegro	3.41	3.53	3.41	3.53	11,028	-49,784	-337,325	-348,352
12	Triglav Osiguruvanje život a.d., Skopje	Bulevar sv. Kiril i Metodij 18, Skopje, Macedonia	4.01	–	4.01	–	-6,712	–	-6,741	–
13	Sarajevostan d.o.o., Sarajevo	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	9.05	38.96	8.03	26.78	2,790	50,207	420,528	422,051
14	TRI-LIFE d.o.o., Zagreb	Sarajevska 60, Zagreb, Croatia	0.00	0.04	0.00	0.04	–	-54	–	-135
15	Triglav Savetovanje d.o.o., Belgrade	Milutina Milankovića 7a, Novi Beograd, Serbia	0.06	0.06	0.06	0.06	-43	-68	-115	-68
16	Skupna pokojninska družba d.d.	Dunajska 22, Ljubljana, Slovenia	28.13	28.13	28.13	28.13	145,076	-31,032	4,413,709	4,215,732
	TOTAL						**451,391**	396,021	**6,807,439**	10,394,233

Changes occurred in the ownership structure of the Triglav Group in 2017

Purchase of shares of Triglav Osiguranje d.d., Sarajevo from non-controlling interest holders

Triglav INT d.d. acquired a 19% equity stake from non-controlling interest holders of Triglav Osiguranje d.d., Sarajevo, thereby becoming its 88% owner. The acquisition price was BAM 8,756,665 or EUR 4,477,212. Triglav Osiguranje d.d., Sarajevo purchased 4,156 shares from non-controlling interest holders or 10% of treasury shares. The acquisition price amounted to BAM 4,594,458 or EUR 2,349,109. The stake of non-controlling shareholders dropped from 31% to 2%, thereby reducing the value of minority interest to EUR 3,316,564. The effect of the acquisition of a non-controlling interest stake on the capital of controlling shareholders is recognised in the consolidated financial statements as a decrease in share premium of EUR 1,080,856 and a decrease in legal reserve of EUR 2,428,901. At the end of 2017, the company reduced its share capital by the amount of own shares, which resulted in an increase of the shareholding of Triglav INT in the company to 97.78%.

Purchase of shares of Triglav Osiguranje d.d., Zagreb from non-controlling interest holders

Triglav INT d.d. acquired a 0.09% equity stake from the non-controlling interest holders of Triglav Osiguranje d.d., Zagreb, thereby becoming its 100% owner. The acquisition price was HRK 100,570 or EUR 13,625. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as a decrease in share premium of EUR 9,403.

Purchase of shares of Triglav Osiguruvanje a.d., Skopje from non-controlling interest holders

Triglav INT d.d. acquired a 6.56% equity stake from the non-controlling interest holders of Triglav Osiguruvanje a.d., Skopje, thereby becoming its 79.94% owner. The acquisition price of the equity stake amounted to BAM 57,769,440 or EUR 942 thousand. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as a decrease in share premium of EUR 139,485.

Purchase of shares of Lovćen Osiguranje a.d., Podgorica from non-controlling interest holders

Triglav INT d.d. acquired a 0.12% equity stake from the non-controlling interest holders of Lovćen Osiguranje a.d., Podgorica, thereby becoming its 96.59% owner. The purchase price equalled EUR 10,540. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as an increase in share premium of EUR 1,215.

Establishment of the company Triglav Osiguruvanje Život a.d., Skopje

The companies Triglav INT d.d. and Triglav Osiguruvanje a.d. jointly founded a new life insurance company. The initial capital amounted to MKD 307,572,900 or EUR 5 million. The company Triglav INT paid EUR 4 million, becoming an 80% shareholder in the life insurance company. The company Triglav Osiguruvanje paid MKD 61,627,500 or EUR 1 million, becoming a 20% shareholder in the company. The newly founded company is included in the consolidated annual financial statements of the Triglav group for the first time in 2017.

Establishment of Trigal d.o.o., Ljubljana

Zavarovalnica Triglav d.d. and KGAL Beteiligungsverwaltungs GmbH established the company TRIGAL d.o.o., Ljubljana. The share capital of the newly founded company amounts to EUR 1 million, of which EUR 499 thousand was paid in by Zavarovalnica Triglav. The Company thereby became a 49.9% owner of Trigal. A capital increase process was launched in 2017. The company Trigal increased its share capital by EUR 7,350,000, of which Zavarovalnica Triglav paid EUR 3,667,650, thereby maintaining its share of 49.9%. The increase in the share capital was entered into the court register on 10 January 2018.

In the consolidated financial statements, Trigal is treated as an associate and valued in accordance with the equity method.

Establishment of Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka

Skupna pokojninska družba d.d., together with Penzijski rezervni fond Republike Srpske (The Pension Reserve Fund Of Republic of Srpska a.d. Banja Luka), European Bank of Reconstruction and Development (EBRD) and Expansion Fund – ENEF established Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka. The share capital of the newly founded company amounts to BAM 4,400,000 of which BAM 1,496,000 or EUR 764,893 was paid in by Skupna pokojninska družba. Skupna pokojninska družba thereby became a 34% owner of the abovementioned company. In the consolidated financial statements, Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka is treated as an associate and valued in accordance with the equity method.

Winding-up of the company Salnal d.o.o. through a fast-track procedure without liquidation

Based on a fast-track procedure without liquidation, the company Salnal d.o.o. was deleted from the register in December 2017. After the deletion, all of the company's assets were taken over by Zavarovalnica Triglav which fully owned the company. The impact of the liquidation is recognised in individual financial statements as profit in the amount of EUR 83,290. In the financial statements of the Group, the impact of the liquidation was negative and is recognised in the income statement as loss from the sale of financial assets in the amount of EUR 1,145,000.