

## 7. Performance of the Triglav Group and Zavarovalnica Triglav

- In 2017, the challenging competitive conditions on the insurance markets of the Triglav Group continued.
- Premium growth was recorded in all insurance segments and in most insurance markets.
- The Triglav Group maintained its leading market position in Slovenia, Montenegro and Macedonia. Furthermore, the Group improved its position in Serbia and Croatia.
- With respect to mass loss events, the reporting period was unfavourable.
- Exceptionally low interest rates no longer enable high returns on investment.

### 7.1 The general economic environment worldwide and in Slovenia

Both advanced economies and emerging markets are experiencing economic growth. In 2017, global trade and industrial production strengthened, while economic sentiment indicators suggested that the positive trend would continue. Political insecurity in Europe and the announced protectionist policy in the United States did not have any significant economic impact. China successfully reined in its credit expansion. Growth in the euro area of over 2% was driven not only by strengthened private consumption due to higher employment and disposable income but also by investment consumption resulting from corporate profits and favourable financing conditions. Inflationary pressures remained weak. Inflation in the euro area rose to nearly 1.5% on average.

Slovenia experienced a high economic growth. According to the autumn forecast of the Institute of Macroeconomic Analysis and Development (IMAD), in 2017 the **growth rate of Slovene GDP** in real terms was **4.4%**, which was more than one percentage point higher over the preceding year and considerably higher than the euro area average. Private consumption and export activity were strengthened by favourable labour market trends, disposable income growth and a high consumer confidence. Employment went up considerably, while the unemployment fell below 90,000 registered unemployed persons on average, which accounts for 9.5% of the population of working age. The growing international demand and export performance maintained the vigorous Slovene export activity, once again increasing the positive contribution of international trade to the total economic growth. Supported by favourable financing conditions and the favourable economic climate, investment consumption saw strong growth. Government consumption remained moderate. According to the autumn forecast of the European Commission, budget deficit was only slightly negative, and the gross government debt further considerably decreased to 76.4% of GDP. Throughout the year, Slovenia's inflation rate somewhat increased, reaching on average a similar level as recorded by the euro area.

The financial markets were characterised by the positive sentiment with a noticeable price growth and the continued record-low return on bonds. In addition to the favourable macroeconomic situation, the markets were affected by political and geopolitical tensions. In the first half of the year, uncertain results of elections in Europe in particular contributed thereto. In the second half of the year, insecurity increased primarily due to Catalonia's push for secession and the arming of North Korea. In October, the European Central Bank (ECB) announced that it would reduce bond purchases within its quantitative easing programme, while

its interest policy would not be changed. In contrast to the ECB, the U.S. central bank (the FED) increased the key interest rate three times and announced that it would begin to reduce its total assets.

Characterised by noticeable rises and falls, the return on 10-year German government bond stood at around 0.38% throughout the year. Compared to the beginning of the year, it grew by over one fifth of a percentage point, ending the year at 0.43%. Following a strong but uneven rise in early 2017, a downward trend was seen in the return on the bonds of peripheral countries. A significant decrease was recorded in the bonds of countries with a poor credit rating, which resulted from an upgrade in their ratings, the ECB's measures and demand from certain investors for bond investments with higher returns. The return on the Slovene 10-year bond stood at 0.89% as at the year-end, which is close to its starting level at the beginning of the year. Among the stock markets characterised by high growth, emerging markets stood out in particular. The German DAX and the American S&P 500 hit their record high towards the end of the year. A significant depreciation was seen in the value of the US dollar, which fell by as much as 14% compared to the euro.

Short-term forecasts of global economic developments remained favourable. The emerging markets will once again contribute the most to the relatively rapid global economic growth in 2018, supported by increasingly noticeable growth in advanced economies. Medium-term forecasts are accompanied by a number of uncertainties. In view of the existing protectionist policies and geopolitical tensions, uncertainties are mainly related to the expected normalisation of monetary policies and the financial stability of sensitive sectors as well as countries and their regions. The outlook for the Slovene economy is again favourable. According to the forecasts of international institutions for 2018, Slovenia's economy is expected to record a slightly lower but still high growth of around 4%. The risks for the realisation of the baseline scenario of this forecast are broadly balanced.

Considering their past high growth and the continued positive investor sentiment, it is expected that 2018 will be moderately favourable and particularly uncertain for the stock markets. Regional allocation will play a more important role in investment decisions. In contrast, 2018 will be unfavourable for the bond markets, given the gradual reduction of quantitative easing of central banks and in some countries further increases in interest rates. There are some indications that the FED will continue to slowly increase the key interest rates, whilst the ECB will stop its net asset purchases by the end of 2018. Following higher inflationary expectations and favourable economic conditions, return on bonds is expected to noticeably increase.

## 7.2 Environmental impact on the performance of the Triglav Group<sup>18</sup>

The economic recovery positively affected the premium growth. Nevertheless, fierce price competition and the challenging competitive conditions on the insurance markets of the Triglav Group continued. The Company and its subsidiaries respond to the market conditions by adapting their marketing, sales and price policies, launching new products and redesigning the existing ones, upgrading their business processes and taking measures to improve the insurance technical result in insurance. See [→ *Section 11. Development and sales activities*] for more details.

The unfavourable conditions on the financial markets continued, and the record low interest rates resulted in a lower return on investment.

Unlike the year before, the reporting year was less favourable in terms of mass loss events. Moreover, the reporting year saw several mass loss events in the amount of EUR 33.5 million, which impacted the Group's performance. In January, wind storms in Western Slovenia caused approximately EUR 730 thousand of damage, and in April a hail storm with frost resulted in EUR 4.5 million of damage. Summer storms with hail (4 loss events) resulted in claims of EUR 16.2 million. Frost and hail storms caused substantial damage to crops and fruit, mostly in orchards, vineyards and hop fields. In December, the entire Slovenia was hit by strong wind and floods, which caused damage of EUR 4.5 million.

In Croatia, frost caused damage of EUR 338 thousand. Summer hailstorms and stormy wind caused damage of EUR 845 thousand to real properties, cars and crops, whilst drought caused damage of EUR 637 thousand. The Irma hurricane caused damage to vessels worth EUR 2.4 million, whilst the September floods and winds in vicinity of Zadar caused claims in real property totalling EUR 2.2 million. In Macedonia, frost and hail caused damage to crops in the amount of EUR 1.0 million, whilst the June hail resulted in damage to cars in the amount of EUR 204 thousand.

- The reporting year saw several mass loss events in the amount of EUR 33.5 million, which impacted the Group's performance.

## 7.3 Global insurance market in 2017<sup>19</sup>

In the **global insurance market**, which recorded a 3% growth in 2016 (according to the latest official data by Swiss Re) and a 4% growth the year before, the relations among the leading continents continued to change

America (North and South America) accounted for 34.1% of total global premium (0.5 percentage point less than the year before), remaining the market leader. The highest growth of 8% was again achieved by Asia. Its market share increased by 2.2 percentage points to 31.6%. In contrast, Europe's market share was down 1.4 percentage point to 31.1% of total global premium. A slight premium decrease was also seen in Oceania (2.0% vs. 2.1% in 2015) and Africa (1.3% vs. 1.4% in 2015).

## 7.4 Operations of the Triglav Group in the Adria region (South-East Europe)<sup>20</sup>

### 7.4.1 South-East Europe

The Triglav Group operates on the insurance markets in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia. The Group sells non-life and life insurance in all of its insurance markets.

In the Slovene insurance market, which is particularly well-developed, insurance business is conducted by Zavarovalnica Triglav and the specialised insurers Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba. Pozavarovalnica Triglav Re offers its services in the entire region. Other insurance markets remain relatively undeveloped with an estimated major development potential.

All countries of the region recorded premium increase at moderate economic growth. The highest premium growth was recorded in Bosnia and Herzegovina, significantly stronger were the Slovene and the Serbian market, whereas Macedonia, Montenegro and Croatia saw lower growth.

In total written premium, non-life insurance remained by far the largest segment. Motor vehicle insurance strongly prevailed in the markets outside Slovenia. The life insurance market is again growing in Slovenia, whilst in the other countries of the region it is gradually increasing.

The Triglav Group increased its market share in Croatia and Serbia, while maintaining it in Slovenia, Macedonia and Bosnia and Herzegovina. The leading position of the Group was maintained in Slovenia, Montenegro and Macedonia.

#### Main macroeconomic indicators for 2017 by insurance market of the Triglav Group

Macroeconomic indicators	Slovenia	Croatia	Bosnia and Herzegovina	Montenegro	Serbia	Macedonia
Population (in million)	2.1	4.2	3.8	0.6	7.0	2.1
GDP growth (estimate in %)	4.0	2.9	2.5	3.0	3.0	2.5
2017 GDP (estimate in USD million)	48.1	53.5	17.5	4.4	39.4	11.4
2017 GDP per capita (estimate in USD)	23,277	12,863	4,540	7,071	5,600	5,500
2017 inflation rate (estimate in %)	1.6	1.1	1.8	2.1	3.4	0.3
2017 unemployment rate (estimate in %)	6.8	13.9	20.5	17.7*	16.0	23.4

Source: IMF, World Economic Outlook, October 2017, \* Agency for Statistics of Montenegro (Q3 2017)

#### Market share trends in the insurance subsidiaries of the Triglav Group in 2017

Market	Market share	Market share trend	Ranked in 2017	Ranked in 2016
Slovenia	35.6%	■ 0.0-percentage point	1	1
Croatia	4.4%	▲ +0.2-percentage point	9	9
Bosnia and Herzegovina	7.8%	■ 0.0-percentage point	5	4
- Federation of BiH	8.9%	▼ -0.1-percentage point	7	6
- Republic of Serbia**	5.3%	▲ +0.1-percentage point	7	7
Montenegro	38.2%	▼ -0.7-percentage point	1	1
Serbia*	5.8%	▲ +1.0-percentage point	5	5
Macedonia (non-life insurance)*	17.5%	■ 0.0-percentage point	1	1

\* Data from January to September 2017

\*\* The data for the Republic of Srpska include the market shares of Triglav Osiguranje, Banja Luka and subsidiary of Triglav Osiguranje, Sarajevo.

In the markets where the Group holds a high market share and the leading position, the consolidation strategy was pursued, whilst on the remaining markets, where the Group's presence is still being built, focus was on strengthening the Group's position. The Group will strive to ensure long-term profitability and increased productivity through its recognisable Triglav brand and other competitive advantages, while taking into account the applicable local legislation and risks.

Presented below are the characteristics of individual markets and the market position of the Group members.

#### 7.4.1.1 The Slovene insurance market

Despite its small size, the Slovene insurance market is well-developed. On a global scale, the Slovene market ranked 55<sup>th</sup> in 2016, two places higher over 2015. It accounts for only 0.05% of the global insurance market and is 135 times smaller than the British market, the largest European insurance market. Its good development is reflected in relative indicators. On a global scale, Slovenia ranked 33<sup>rd</sup> in premium per capita (two ranks lower than the year before) and 30<sup>th</sup> in insurance penetration (premiums as a percentage of GDP), which is three ranks higher than in the preceding year.

#### Premium per capita and market penetration in Slovenia and some other European countries in 2016

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(% of GDP)	World rank
Slovenia	1,108*	33	5.2%	30
Austria	2,177	25	4.9%	31
Croatia	307	53	2.6%	51
Czech Republic	592	39	3.1%	45
Great Britain	4,064	11	10.2%	8
Switzerland	6,934	3	8.9%	12
Turkey	164	60	1.6%	73
Poland	360	44	2.9%	46
Serbia	115	64	2.1%	61
Europe	1,620	-	6.7%	-
EU	2,383	-	7.4%	-

Source: Swiss RE, SIGMA 3/2017

\* Data for Slovenia: Slovenian Insurance Association

In 2016, premium as a percentage of GDP accounted for 5.2%, which is the lowest share in the last ten years. After three years, average premium per capita again exceeded EUR 1,000 or more accurately EUR 1,001 (such an amount was last recorded in 2012: EUR 1,030 per capita).

#### Insurance market development in Slovenia

Premium per capita (2016 data)	EUR 1,001
Premium as a percentage of GDP (2016 data)	5.2%
Insurance market growth index in 2017	106.2

Source: Slovenian Insurance Association

**35.6%**  
market share of Triglav Group  
(Zavarovalnica Triglav,  
Triglav, Zdravstvena zavarovalnica,  
Skupna pokojninska družba)

**EUR 1,001**  
premium per capita

In 2017, there were 14 insurance companies, 4 foreign branch offices and 2 reinsurance companies active in the Slovene insurance market, all members of the Slovenian Insurance Association (hereinafter: SZZ). As of 1 March 2017, the portfolio of ERGO, a life insurer, was transferred to the ERGO subsidiary. In May, Prva osebna zavarovalnica joined the Slovenian Insurance Association.

There were 8 composite and 10 specialised insurers (life, health and non-life insurance) among the insurance companies. These data exclude direct insurance transactions of the insurers from other EU Member States (foreign-owned subsidiaries – FOS). Even though their share is growing, it is still negligible. Zavarovalnica Triglav directly operates in all 28 EU Member States.

The insurance companies recorded gross written premium amounting to EUR 2,194.2 million, up by 6.2%. Non-life insurance grew by 5.6% and accounted for 70% of total premium. Excluding health insurance, non-life insurance premium growth would be 6.0%, as its premium growth was slightly lower (4.7%). Non-life insurance premium increased foremost as the result of higher premium from motor vehicle insurance, which is characterised by the highest degree of price competitiveness: comprehensive motor vehicle insurance premium (a 10% growth), other damage to property insurance (a 13% growth), assistance insurance (a 19% growth) and health insurance. Life insurance premium increased by 7.7%, the highest growth rate was achieved by unit-linked life insurance (10%).

The Slovene insurance market continues to be characterised by a high degree of concentration as the four largest insurers held a 71.8% market share. With a 28.3% market share, Zavarovalnica Triglav remains the market leader (2016: 28.7%). The second largest market share was held by Zavarovalnica Sava, a company 1.7 times smaller. With a 35.6% market share, the Triglav Group (the parent company, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba) remained at the 2016 level.

Due to fierce price competition, maintaining the leading market position is demanding and depends on the speed of responding to market changes. In the conditions of high market concentration, the competition is directed at the existing clients.

The market shares of the Triglav Group by segment:

- non-life insurance (excluding health insurance): 43.6% (2016: 43.5%);
- life insurance: 31.1% (2016: 32.9%);
- health insurance: 25.3% (2016: 23.4%).

The market shares of Zavarovalnica Triglav by segment:

- non-life insurance: 29.0% (an increase of 0.1 percentage point);
- life insurance: 26.6% (a decrease of 1.5 percentage point).

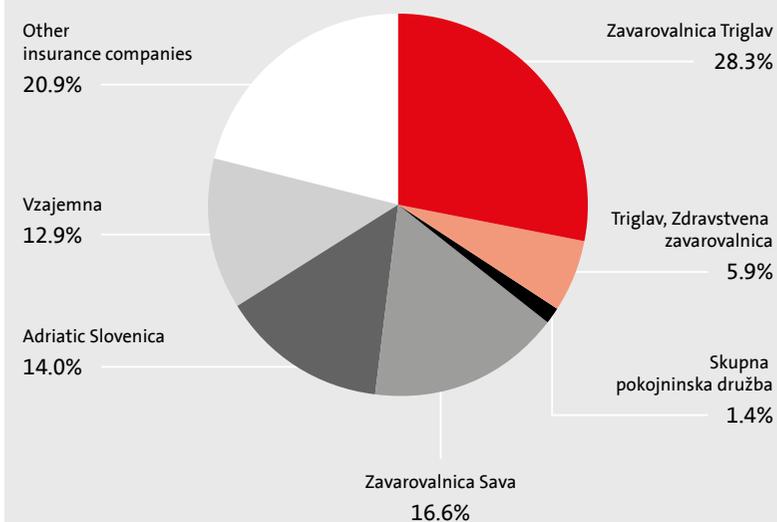
The market share of Triglav, Zdravstvena zavarovalnica:

- health insurance: 25.2% (an increase of 1.9 percentage point and premium growth of 13.2%, the highest among the top three health insurance providers, which together account for 99.0% of the health insurance market).

The market share of Skupna pokojninska družba:

- Supplemental voluntary pension insurance (SVPI): 19.1% (market leader, 2016 data).

The market share of insurance companies in Slovenia in 2017



Source: Slovenian Insurance Association

#### 7.4.1.2 Croatia

The Croatian economy recorded solid growth rates for the third consecutive year: international trade, domestic consumption and investments all increased. Especially high growth was recorded in tourism.

Gross government debt remained at around 81% of GDP, which is still relatively high. The GDP growth was 3%, with GDP growth forecast for 2018 and 2019 at 2.6%. The service sector generates 70% of GDP and employs almost 60% of the working-age population. Tourism remains the most important sector. Industry generates 26% of GDP, with textile, wood, metal and food sectors being the most important sectors.

In 2017, Croatia exited the Excessive Deficit Procedure led by the European Commission, as the budget deficit was less than 3% of GDP the year before. Stability and lower budget deficit are foreseen for 2018 and beyond.

#### Insurance market

##### Insurance market development in Croatia

Premium per capita (2016 data)	EUR 278
Premium as a percentage of GDP (2016 data)	2.6%
Insurance market growth index in 2017	103.4

Source: Swiss RE, SIGMA 3/2017, Croatian Insurance Bureau

As many as 21 insurance companies (two fewer than in 2016) were active in the Croatian market, of which 9 were composite insurers, 8 non-life insurers and 4 life insurers. Since the merger of Velebit and Velebit životno osiguranje in November 2016, they are a subsidiary of Zavarovalnica Sava.

Written premium was higher than in 2016. Together, the insurance companies booked written premium in the total amount of HRK 9.1 billion (EUR 1.2 billion), up by 3.4% compared to 2016. Non-life and life insurance premiums both increased, by 4.7% and 0.7% respectively. In total written premium, non-life insurance premium increased to 67.5% (2016: 66.7%) and life insurance accounted for the rest.

In the highly concentrated Croatian insurance market, the top three insurers hold almost a 50% share. With a 26.9% market share, Croatia osiguranje maintained its leading position (1.0 percentage point less than in the preceding year). With a 4.4% market share, having increased by 0.2 percentage point, **Triglav Osiguranje, Zagreb** maintained its ninth rank. Its growth was higher than the Croatian insurance market growth by almost 5 percentage points.

# 4.4%

market share  
Triglav Osiguranje, Zagreb

# EUR 278

premium per capita

### 7.4.1.3 Bosnia and Herzegovina

The economic, social and political situation in Bosnia and Herzegovina has improved over the recent years. The estimated GDP growth in 2017 was 3%, the forecasts for 2018 and 2019 are similar. The industrial sector generates 27% of GDP and employs a third of the working-age population. The most important sectors are steel, mining, textile, tobacco and furniture industries, manufacture of domestic appliances and vehicle assembly.

The average unemployment rate is around 39% (the Employment Service of Bosnia and Herzegovina) and is gradually declining. High unemployment and a significant budget deficit are the main macroeconomic problems of the country. Mostly decentralised organisation of the country hinders the coordination of economic policies and reforms, while foreign investors are discouraged by the high level of red tape and the fragmented market. The situation in the banking sector considerably improved. Many foreign banking institutions are active in the banking market, giving companies access to capital and high-quality banking services.

As a potential EU candidate, Bosnia and Herzegovina strives for accession to the EU, which largely depends on the effective implementation of many reforms in the areas where it most lags behind the European standards, the priority being the economy, social affairs and public administration. In the coming period, Bosnia and Herzegovina must honour its reform commitments to the International Monetary Fund (IMF) in order to continue to receive funds from the three-year loan agreement of EUR 5.5 billion, approved in 2016 to support its economic reforms.

#### Insurance market

##### Insurance market development in Bosnia and Herzegovina

Premium per capita (2016 data)	EUR 92
Premium as a percentage of GDP (2016 data)	2.2%
Insurance market growth index in 2017	107.8

Source: FBiH Insurance Supervision Agency, RS Insurance Agency

As many as 27 insurance companies operated in the insurance market of the Federation of BiH, of which 13 are domiciled in the Federation of BiH and 14 in the Republic of Srpska. The competition on the small insurance market is strong. The insurance companies operating in the insurance market of Bosnia and Herzegovina as a whole collected BAM 683.2 million (EUR 349 million) in written premium, representing an increase over the preceding year. In the entire insurance market of Bosnia and Herzegovina and the Federation of BiH, it increased by 7.8% and in the Republic of Srpska by 7.6%. In total written premium, non-life insurance premium prevailed, accounting for 79.6%.

In the Federation of Bosnia and Herzegovina, the Agram Group (Bosna Sunce Osiguranje and Euroherc) is the market leader with a 21.0% market share. With the market share of 8.9%, down by 0.1 percentage point compared to the year before, **Triglav Osiguranje, Sarajevo** ranked seventh (sixth the year before).

In the Republic of Srpska, Drina Osiguranje became the leading insurer with a 9.7% market share (in 2016 Wiener Osiguranje held the largest share). With a 4.9% market share, having decreased by 0.1 percentage point compared to the year before, **Triglav Osiguranje, Banja Luka** maintained its ninth place. The subsidiary **Triglav Osiguranja, Sarajevo**, which only sells life insurance, increased its market share to 0.4% (2016: 0.3%).

In the insurance market of Bosnia and Herzegovina as a whole, the **two insurance subsidiaries of the Triglav Group** taken together ranked fifth (down one place compared to the previous year) and maintained a 7.8% market share.

# 7.8%

market share

**Triglav Osiguranje, Banja Luka and  
Triglav Osiguranje, Sarajevo**

# EUR 92

premium per capita

#### 7.4.1.4 Montenegro

Montenegro has been improving its economic position in the region. The estimated GDP growth for 2017 was 3.3%, the same forecast is for 2018, whereas a 2.7% growth is expected in 2019. The unemployment rate is around 17%.

The industrial sector generates 21% of GDP. The main industries are steel and aluminium industry, production of consumer goods, food industry, logistics and transport. Since the beginning of the privatisation process in 1991, 85% of state-owned companies had been privatised by 2015. An important development role is played by tourism and related services.

In 2017, Montenegro became a member of NATO. Its EU accession negotiations began in 2012. Its priorities are the implementation of market reforms, attracting foreign investors and the development of the private sector, in addition to a number of economic and legal reforms.

#### Insurance market

##### Insurance market development in Montenegro

Premium per capita (2016 data)	EUR 129
Premium as a percentage of GDP (2016 data)	2.1%
Insurance market growth index in 2017	102.0

Source: Insurance Supervision Agency of Montenegro

The number of insurers in the insurance market of Montenegro fell to 10 (5 life insurers and 5 non-life insurers), as Grawe acquired Merkur osiguranje. They earned EUR 81.8 million in premium or 2.0% more than in the previous year. Compared to 2016, non-life and life insurance premiums both increased, by 1.7% and 3.6% respectively. In total written premium, non-life insurance remained the largest segment with an 82.7% share.

The insurance subsidiaries of the Triglav Group, **Lovćen Osiguranje** and its subsidiary **Lovćen životna osiguranja**, together hold a 38.2% market share (0.7 percentage point less than in 2016), maintaining the leading position. Lovćen Osiguranje is followed by Sava Montenegro and Uniqa (non-life and life insurance together) with a 15.1% market share.

# 38.2%

market share  
Lovćen Osiguranje and  
Lovćen životna osiguranja

# EUR 129

premium per capita

#### 7.4.1.5 Serbia

Serbia is a country with a high development and market potential, especially due to the dynamic domestic demand and its openness to foreign investments. The GDP growth was 2.6%, with GDP growth forecast for 2018 and 2019 at 3.0% and 3.5% respectively. The unemployment rate is around 19% and is gradually declining.

As the most important, the service sector generates 49% of GDP and employs almost the half of the working-age population. The industrial sector accounts for 41% of GDP and employs nearly 27% of the working-age population. The key industries are machine, chemical, metal, food, furniture, textile and pharmaceutical industries. Over the last few years, the automobile industry has been developing at an accelerated pace, attracting foreign investors.

Serbia is an EU candidate country and, therefore, has expedited the implementation of the required reforms.

#### Insurance market

##### Insurance market development in Serbia

Premium per capita (2016 data)	EUR 103
Premium as a percentage of GDP (2016 data)	2.1%
Insurance market growth index in 2017 (Q1-3)	106.3

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

The Serbian insurance market was characterised by premium growth and market concentration. As many as 17 insurance companies (two fewer than in 2016) were active in the Serbian market, of which 6 were composite insurers, 7 non-life insurers and 4 life insurers. Axa and Axa život joined Wiener Städtische osiguranje. The top three insurers (Dunav, Delta Generali and DDOR) continued to control 61% of the market.

In the first nine months, total written premium was 6.3% higher and amounted to RSD 70.9 billion (EUR 581 million). Non-life insurance products recorded a 7.3% growth, whilst life insurance products grew by 3.1%. In total written premium, the largest segment remained non-life insurance (77.5%).

Compared to the corresponding period in 2016, **Triglav Osiguranje, Belgrade** recorded a 28.5% rise in written premium in the first nine months of 2017, which is 22.2 percentage points above the growth rate of the Serbian insurance market as a whole. Its market share rose to 5.8% (2016: 4.8%), thus remaining the fifth largest insurer in the country.

# 5.8%

market share  
Triglav Osiguranje, Beograd  
(Q1-3)

# EUR 103

premium per capita

#### 7.4.1.6 Macedonia

The improving situation in the region and higher attractiveness to foreign investors have also become characteristic of Macedonia in the recent period. Nevertheless, Macedonia remains one of the poorest European countries, as the purchasing power of population reaches only around 37% of the EU average.

The estimated GDP growth in 2017 is 2%, while in the next two years it is expected to reach 3% and 3.2% respectively. The unemployment rate is around 25% and gradually decreasing.

The service sector generates 60% of GDP and employs a good half of the working-age population. Its key sectors are transport, telecommunications and energy. The industrial sector including mining accounts for 30% of GDP and employs almost the same share of the working-age population. The most important industrial sectors are steel production and processing, chemical, machine and textile industries.

Political developments in Macedonia increase the economic uncertainty and significantly impede the process of joining NATO and becoming a full EU Member State.

#### Insurance market

##### Insurance market development in Macedonia

Premium per capita (2016 data)	EUR 68
Premium as a percentage of GDP (2016 data)	1.4%
Insurance market growth index in 2017 (Q1-3)	102.7

Source: Insurance Supervision Agency of Macedonia

As at the end of Q3 2017, 15 insurance companies were active on the Macedonian insurance market, of which 11 were non-life insurers and 4 life insurers. Makedonija Osiguruvanje also holds a reinsurance licence. In the reporting period, the insurance companies booked MKD 6.8 billion (EUR 95 million) in written premium or 2.7% more than the year before. Life insurance products recorded a high 14.9% growth rate, whilst the growth of non-life insurance products was only 0.9% (accounting for as much as 86.1% of total premium on the market). The five largest insurers operating in the concentrated insurance market booked 53% of total premium. The market concentration was particularly high in the life insurance segment, with Croatia život and Grawe controlling 78% of the market.

With a 15.1% market share, **Triglav Osiguruvanje, Skopje** continues to hold the leading market position in the Macedonian insurance market. The subsidiary is specialised in non-life insurance, holding 17.5% of the non-life insurance market (the same as in 2016). It is followed by Osiguruvanje Makedonija (the VIG Group) with 10.3% and Eurolink, holding a 10.0% market share.

In October 2017, the life insurance company **Triglav Osiguruvanje Život, Skopje** was established.

# 17.5%

market share  
premoženjskih zavarovanj  
Triglav Osiguruvanje, Skopje  
(Q1-3)

# EUR 68

premuim per capita

## 7.5 Gross written premiums from insurance, co-insurance and reinsurance contracts

Higher premium was collected in all business segments in the reporting period. The Triglav Group posted a total of EUR 999.9 million in consolidated gross insurance, co-insurance and reinsurance premiums or 7% more than in 2016. Premium by segments:

- **non-life insurance:** EUR 652.4 million, index 107;
- **life insurance:** EUR 218.3 million, index 103;
- **health insurance:** EUR 129.3 million, index 113.

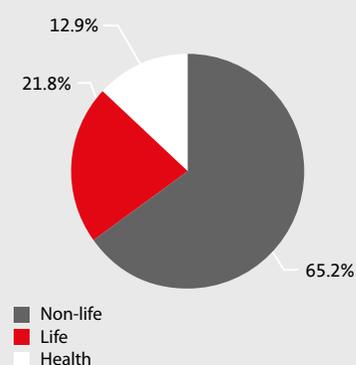
The share of health insurance premium in total gross written premium increased, whereas the share of life insurance premium went down:

- **non-life insurance:** 65.2% (in 2016 65.1%);
- **life insurance:** 21.8% (in 2016 22.7%);
- **health insurance:** 12.9% (in 2016 12.2%).

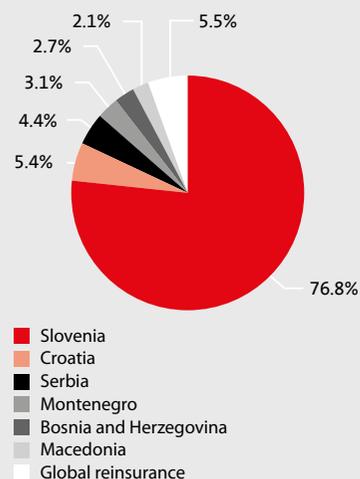
The share of the insurance written premium on the markets outside Slovenia is gradually increasing. Compared to 2016, it went up by 0.4 percentage point. A total of 76.8% of consolidated gross written premium was charged in the Slovene insurance market, 17.7% of premium was booked in the markets outside Slovenia, while global reinsurance premium accounted for 5.5% of written premium.

Premium growth was recorded in most insurance markets (see overview by insurance companies below). Insurance subsidiaries of the Triglav Group (excluding the Triglav Re reinsurance) booked EUR 959.2 million in non-consolidated gross insurance premiums, or 7% more than the year before.

Consolidated insurance, co-insurance and reinsurance premiums of the Triglav Group by segment



Consolidated insurance, co-insurance and reinsurance premiums of the Triglav Group by market



Consolidated gross written insurance, co-insurance and reinsurance premiums of the Triglav Group by market

Country	Gross written premium			Index		Structure		
	2017	2016	2015	2017/2016	2016/2015	2017	2016	2015
Slovenia	768,106,145	724,385,060	712,716,729	106	102	76.8%	77.4%	77.5%
Croatia	53,548,115	48,937,278	45,168,268	109	108	5.4%	5.2%	4.9%
Serbia	43,730,967	34,407,999	28,238,446	127	122	4.4%	3.7%	3.1%
Montenegro	31,265,239	31,169,916	30,433,416	100	102	3.1%	3.3%	3.3%
Bosnia and Herzegovina	27,181,479	25,483,087	23,671,756	107	108	2.7%	2.7%	2.6%
Macedonia	21,358,432	21,555,079	21,043,998	99	102	2.1%	2.3%	2.3%
Czech Republic	0	0	9,636,056	0	0	0.0%	0.0%	1.0%
Global reinsurance	54,726,249	50,065,396	48,207,596	109	104	5.5%	5.3%	5.2%
<b>Total</b>	<b>999,916,626</b>	<b>936,003,815</b>	<b>919,116,265</b>	<b>107</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Gross written insurance, co-insurance and reinsurance premiums in 2017 by insurance company of the Triglav Group

Insurance company	Gross written premium			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	2017
Zavarovalnica Triglav*	448,565,298	173,472,195	622,037,493	106	102	105	64.8%
Triglav, Zdravstvena zavarovalnica	130,107,900	0	130,107,900	113	0	113	13.6%
Skupna pokojninska družba	0	29,980,254	29,980,254	0	103	103	3.1%
Triglav Osiguranje, Zagreb	45,864,839	7,683,276	53,548,115	112	97	109	5.6%
Triglav Osiguranje, Sarajevo	15,923,090	5,943,114	21,866,204	103	117	107	2.3%
Lovćen Osiguranje, Podgorica	29,891,418	0	29,891,418	100	0	100	3.1%
Triglav Osiguranje, Belgrade	39,744,159	3,987,424	43,731,583	123	184	127	4.6%
Triglav Osiguranje, Banja Luka	5,343,896	0	5,343,896	106	0	106	0.6%
Triglav Osiguruvanje, Skopje	21,358,432	0	21,358,432	99	0	99	2.2%
Lovćen životna osiguranja, Podgorica	0	1,373,821	1,373,821	0	110	110	0.1%
<b>Total</b>	<b>736,799,032</b>	<b>222,440,084</b>	<b>959,239,116</b>	<b>108</b>	<b>103</b>	<b>107</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	123,713,912	0	123,713,912	105	0	105	
Consolidation eliminations	-78,879,022	-4,157,380	-83,036,402	102	128	103	
<b>Total consolidated</b>	<b>781,633,922</b>	<b>218,282,704</b>	<b>999,916,626</b>	<b>108</b>	<b>103</b>	<b>107</b>	

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

### 7.5.1 Non-life insurance

In the main business segment, non-life insurance, Triglav Group charged EUR 736.8 million or 8% more of non-consolidated insurance, co-insurance and reinsurance premiums.

In total written premium, **motor vehicle insurance** remained the largest insurance class with a 29.4% share. The Triglav Group insurance subsidiaries collected EUR 126.4 million in **comprehensive car insurance** premium or 9% more compared to 2016. The highest growth was observed in Triglav Osiguranje, Zagreb (index 118) and Triglav Osiguranje, Belgrade (index 117) as the result of effective sales campaigns and intensified sales activities. A 10% growth of Triglav Osiguranje, Banja Luka is primarily a result of successful cooperation with a new insurance agent. The parent company, accounting for 84% of the Group's total comprehensive car insurance premiums, recorded a high 9% growth in written premium. Such a good result is a reflection of effective sales activities and sales campaigns see [[→ Section Development and sales activities](#)], the redesign of motor vehicle insurance tariffs and the increased number of sold insurance policies via leasing houses. A lower premium than in the same period last year was recorded by Triglav Osiguruvanje, Skopje (loss of premium of a major policyholder and the national regulation which abolished commercial discounts for corporate clients and natural persons for payments in instalments) and by Triglav Osiguranje, Sarajevo (non-renewal of premium of a major policyholder and a lower scope of cooperation with brokers).

■ The Triglav Group charged 8% more of consolidated non-life insurance premiums.

The Group collected EUR 155.1 million in **motor liability insurance** premium, up by 2% compared to the preceding year. This insurance class continues to account for the largest share on the markets outside Slovenia. In motor liability insurance, most insurance subsidiaries of the Group experienced premium growth. The exceptions are Triglav Osiguranje, Sarajevo (cancellation or a lower scope of cooperation with some insurance agencies and lower premium of some major policyholders) and Lovćen Osiguranje (lower premium rates and introduction of the bonus–malus system). The highest premium growth was seen in Triglav Osiguranje, Belgrade (9%), followed by Triglav Osiguranje, Zagreb (8%) and Triglav Osiguruvanje, Skopje (5%). The parent company, holding a 56% share of motor liability insurance premium, maintained approximately the same premium level as in 2016 (index 100).

In the **real property insurance** class (fire and natural disaster insurance and other damage to property insurance) a premium of EUR 174.0 million was booked, having increased by 10%. In fire and natural disaster insurance, a premium growth of 1% was recorded, while in other damage to property insurance a 16% premium growth was seen. High growth rates in written premium were recorded most insurance companies, the highest premium growth rates were experienced by Triglav Osiguranje, Belgrade (index 149), Triglav Osiguranje, Banja Luka (index 114), parent company (index 110) and Triglav Osiguranje, Sarajevo (index 110). A high premium growth of Triglav Osiguranje, Belgrade and Triglav Osiguranje, Banja Luka can be attributed to acquiring new policyholders, increasing the scope of policies of certain existing customers and to the higher volume of fronting

operations, whilst the Sarajevo insurer mainly due to acquiring new policyholders. With an 80% share of total Group's premium, the parent company achieved the highest growth in combined non-life insurance, construction insurance (acquiring new policyholders) and crop insurance (higher proportion of the Government's co-financing in fruit- and wine-growing and hop-growing and premium growth in permanent crops insurance).

A high growth of a 14% was recorded in **health insurance**, where the Triglav Group wrote EUR 133.1 million in premiums. The bulk, 13% more than the year before of EUR 130.1 million was collected by Triglav, Zdravstvena zavarovalnica. The bulk of its written premium stems from supplemental health insurance, whose premium became more expensive as of 1 February 2017. It was successful in marketing additional health insurance. Other insurance subsidiaries offering health insurance products also recorded a high premium growth.

In **general liability insurance**, the Triglav Group recorded a 6% premium growth or EUR 43.3 million in nominal terms. Zavarovalnica Triglav, accounting for 81% of total premium, saw a 6% growth in written premium compared to the preceding year. An increase in premium is a result of acquiring new policyholders in the largest insurance subclass of this insurance class, i.e., general liability insurance and the liability of medical doctors and product liability insurance. A high growth in general liability insurance was also seen in Triglav Osiguranje, Belgrade, which resulted from acquiring new large policyholders.

Only in the insurance class of **accident insurance**, the premium decreased by 3% compared to the preceding year. Accident insurance represented 4.2% of total written premium or EUR 40.4 million in nominal terms. The parent company, accounting for the bulk, 67% of the Group's total premiums, recorded the highest fall in written premium (index 94), primarily as the result of two insurance sub-classes taken out simultaneously with car insurance (the driver's bodily injury insurance or AO-plus insurance and driver and passenger accident insurance) due to lower premium as of 1 January 2017. In Lovćen Osiguranja, premium was down 1% mostly due to lower premium in group accident insurance and accident insurance for pensioners. Premium growth was recorded by other insurance companies, the largest by Triglav Osiguranje, Belgrade (index 116; growth of bank sales and accident pension insurance) and Triglav Osiguranje, Sarajevo (index 112; new policyholders and an increased scope of insurance coverage of existing policyholders in group accident insurance).

**Credit insurance** totalled EUR 26.8 million and accounted for 2.8% of total premium, which was 8% higher than the year before. Zavarovalnica Triglav, which accounted for as much as 97% of total premium, recorded a 6% growth in written premium. Good sales results were achieved in insurance in the event of unemployment, disability and death (sold by banks as an additional product taken out simultaneously with consumer and housing loans), payment card claims insurance and trade receivables insurance (covering the insolvency risk or the buyers default). The premium of consumer loan insurance, the largest credit insurance subclass (a 58% share), depends on the retail lending volume in banks was 2% higher than in the corresponding period last year. The Serbian insurer also achieved a high growth of credit insurance premium by acquiring new policyholders.

Premium from **other non-life insurance** (accounting for 3.9% of total premium) grew strongly by 16% to EUR 37.7 million. All insurance companies recorded a high growth due to acquiring new policyholders and increasing the scope of policies of certain existing clients. The strongest increase in premium written was seen in Triglav Osiguruvanje, Skopje (aircraft insurance and assistance insurance), Triglav Osiguranje, Zagreb (marine insurance), Triglav Osiguranje, Belgrade (miscellaneous financial loss insurance and assistance insurance) and Triglav Osiguranje, Banja Luka (goods in transit insurance and assistance insurance). Zavarovalnica Triglav, accounting for 71% of total premium, saw a 10% growth in written premium compared to the preceding year. This increase was primarily generated by assistance insurance (high car assistance premium growth) and goods in transit insurance.

### 7.5.2 Life insurance

In total, the Triglav Group insurance companies charged EUR 222.4 million in non-consolidated gross written premiums from **life insurance** contracts, which represents a 3% increase on 2016. This accounted for 23.2% of total gross written premiums, which was 0.8 percentage point lower than as at the 2016 year-end.

**Life insurance** premium (traditional life insurance, annuity pension insurance, pension insurance and voluntary pension insurance) increased by 2% to EUR 98.5 million (44.3% of the life insurance class total). The parent company recorded a 1% premium decrease (an 84% share), resulting from reduced premiums paid-in and lower retained sums paid out on maturity. Significant growth in premium was achieved by Triglav Osiguranje, Belgrade (mainly due to bank sales growth) and Triglav Osiguranje, Sarajevo (as a result of good sales via agencies and banking sales channels).

- The Triglav Group charged EUR 218.3 million in consolidated gross written premiums from life insurance contracts, which represents a 3% increase on 2016.

The premiums generated by **unit-linked life insurance** (life insurance linked to the units of investment funds) rose by 2% to EUR 105.9 million compared to the preceding year. They accounted for 47.6% of total written life insurance premium. The 2% premium growth achieved by the parent company is primarily the improved result of retained sums paid out on maturity. Skupna pokojninska družba experienced a growth of 3%, whilst premium earned by with the Triglav Osiguranje, Zagreb decreased by 1% (lower single premium payment).

**Supplemental voluntary pension insurance** (capital redemption insurance) generated EUR 18.1 million or 8.1% of total life insurance premiums. The 20% premium growth stemmed from transfers of assets from other insurance companies and higher regular premium payments in the parent company.

#### Non-consolidated gross written insurance, co-insurance and reinsurance premiums by insurance subsidiary of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class

Insurance class	Gross written premium			Index		Structure
	2017	2016	2015	2017/2016	2016/2015	2017
Accident insurance	40,355,334	41,671,957	42,045,659	97	99	4.2%
Health insurance	133,059,981	116,659,358	109,390,773	114	107	13.9%
Comprehensive car insurance	126,375,942	116,458,632	113,048,703	109	103	13.2%
Real property insurance	173,951,099	158,341,649	155,229,680	110	102	18.1%
Motor liability insurance	155,140,020	151,681,723	154,163,463	102	98	16.2%
General liability insurance	43,344,456	40,817,326	36,243,245	106	113	4.5%
Credit insurance	26,841,774	24,773,871	24,058,309	108	103	2.8%
Other non-life insurance	37,730,426	32,666,874	30,893,444	116	106	3.9%
<b>Non-life insurance</b>	<b>736,799,032</b>	<b>683,071,390</b>	<b>665,073,276</b>	<b>108</b>	<b>103</b>	<b>76.8%</b>
Life insurance	98,518,498	96,907,948	97,522,262	102	99	10.3%
Unit-linked life insurance*	105,851,192	103,867,238	104,447,729	102	99	11.0%
Capital redemption insurance	18,070,394	15,041,116	14,613,360	120	103	1.9%
<b>Life insurance</b>	<b>222,440,084</b>	<b>215,816,302</b>	<b>216,583,351</b>	<b>103</b>	<b>100</b>	<b>23.2%</b>
<b>Total</b>	<b>959,239,116</b>	<b>898,887,692</b>	<b>881,656,627</b>	<b>107</b>	<b>102</b>	<b>100.0%</b>

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

#### Gross written insurance, co-insurance and reinsurance premiums of Zavarovalnica Triglav by insurance class

Insurance class	Gross written premium			Index		Structure
	2017	2016	2015	2017/2016	2016/2015	2017
Accident insurance	27,032,366	28,798,922	29,255,847	94	98	4.3%
Health insurance	486,415	422,483	0	115	0	0.1%
Comprehensive car insurance	106,632,936	97,783,723	94,164,470	109	104	17.1%
Real property insurance	138,883,785	126,533,514	123,365,087	110	103	22.3%
Motor liability insurance	87,528,335	87,328,336	88,847,814	100	98	14.1%
General liability insurance	35,174,509	33,196,250	29,247,535	106	114	5.7%
Credit insurance	26,094,675	24,622,038	24,009,921	106	103	4.2%
Other non-life insurance	26,662,620	24,174,786	22,645,495	110	107	4.3%
<b>Non-life insurance</b>	<b>448,495,641</b>	<b>422,860,052</b>	<b>411,536,169</b>	<b>106</b>	<b>103</b>	<b>72.1%</b>
Life insurance	82,276,487	83,319,257	86,778,846	99	96	13.2%
Unit-linked life insurance	73,128,814	71,908,586	73,332,570	102	98	11.8%
Capital redemption insurance	18,070,394	15,041,116	14,613,360	120	103	2.9%
<b>Life insurance</b>	<b>173,475,695</b>	<b>170,268,959</b>	<b>174,724,776</b>	<b>102</b>	<b>97</b>	<b>27.9%</b>
<b>Total</b>	<b>621,971,336</b>	<b>593,129,011</b>	<b>586,260,945</b>	<b>105</b>	<b>101</b>	<b>100.0%</b>

### 7.5.3 Gross reinsurance written premiums of Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re posted a total of EUR 123.7 million in gross written reinsurance premium, up by 5% compared to the year before. In operations outside the Triglav Group, the reinsurance premiums experienced a 9% growth resulting from newly concluded contracts in the Swiss, German, Australian and South American markets. Transactions with the Triglav Group experienced a 3% premium growth.

## 7.6 Gross claims paid

In the reporting year, the consolidated gross claims of the Triglav Group (including claim handling costs and subrogation receivables) were 6% higher over the previous year. They amounted to EUR 642.2 million, all insurance segments experienced

growth. Gross claims paid in **non-life insurance**, the largest insurance segment, equalled EUR 347.3 million or 5% more than in the previous year. Gross claims paid in **life insurance** recorded a slightly lower growth of 4%, reaching EUR 189.5 million. The highest increase of gross claims paid was seen in **health insurance**, amounting to EUR 105.4 million.

The Triglav Group insurance companies (excluding Pozavarovalnica Triglav Re) posted a total of EUR 619.0 million in non-consolidated gross claims, 7% higher compared to the preceding year. A high growth in gross claims paid was observed in the following insurance companies: Triglav Osiguranje, Belgrade, Triglav Osiguranje, Zagreb, Lovćen životna osiguranja, Podgorica, Triglav, Zdravstvena zavarovalnica and Triglav Osiguruvanje, Skopje. The highest decrease in gross claims paid was recorded by Skupna pokojninska družba (17%) and Triglav Osiguranje, Banja Luka (16%).

- The consolidated gross claims of the Triglav Group were 6% higher over the previous year.

Gross claims paid in 2017 by insurance company of the Triglav Group

Insurance company	Gross claims paid			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	2017
Zavarovalnica Triglav*	240,447,763	170,885,357	411,333,120	106	104	105	66.4%
Triglav, Zdravstvena zavarovalnica	105,382,367	0	105,382,367	112	0	112	17.0%
Skupna pokojninska družba	0	11,498,129	11,498,129	0	83	83	1.9%
Triglav Osiguranje, Zagreb	30,225,104	6,061,477	36,286,581	119	128	121	5.9%
Triglav Osiguranje, Sarajevo	7,984,065	2,212,419	10,196,484	102	158	110	1.6%
Lovćen Osiguranje, Podgorica	15,945,158	0	15,945,158	92	0	92	2.6%
Triglav Osiguranje, Belgrade	14,185,175	1,374,559	15,559,734	123	253	129	2.5%
Triglav Osiguranje, Banja Luka	1,549,534	0	1,549,534	84	0	84	0.3%
Triglav Osiguruvanje, Skopje	10,287,581	0	10,287,581	112	0	112	1.7%
Lovćen životna osiguranja, Podgorica	0	990,910	990,910	0	114	114	0.2%
<b>Total</b>	<b>426,006,747</b>	<b>193,022,851</b>	<b>619,029,598</b>	<b>108</b>	<b>104</b>	<b>107</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	56,764,142	0	56,764,142	105	0	105	
Consolidation eliminations	-30,062,803	-3,568,368	-33,631,171	118	132	119	
<b>Total - consolidated</b>	<b>452,708,086</b>	<b>189,454,483</b>	<b>642,162,569</b>	<b>107</b>	<b>104</b>	<b>106</b>	

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

- In fire and natural disaster insurance, a 25% increase in gross claims was seen.

### 7.6.1 Non-life insurance

Non-consolidates gross operating claims paid in **non-life insurance** increased by 8% to EUR 426.0 million. High claims paid in non-life insurance period were also affected by higher occurrence of major loss events, which is described in greater detail in [→ *Section 7.2 Environmental impact on the performance of the Triglav Group*].

In **health insurance** gross claims significantly increased by 13% to EUR 106.5 million, accounting for 17.2% of total gross claims. The largest portion of claims, amounting to EUR 105.4 million, increased by 12% and was posted by Triglav, Zdravstvena zavarovalnica. This trend reflects an increased number of policyholders and their changed age structure. As the share of aging population is growing, the more it is closer to the Slovene average, which causes higher claims expenses. Gross claims were substantially affected by medical inflation. Due to the changed age structure, equalisation scheme expenses (index 90) were down to EUR 6.3 million.

Claims related to **motor liability insurance** increased by 10% compared to the year before. They totalled EUR 87.7 million and represented 14.2% of total gross claims settled by the Triglav Group. The high growth rates in gross claims paid were posted by most insurance subsidiaries, primarily due to the increase in the portfolio and the higher number of reported claims. In Triglav Osiguranje, Sarajevo, Triglav Osiguranje, Banja Luka and Triglav Osiguranje, Zagreb higher gross claims resulted from the payment of claims as the consequence of a court ruling (mainly payment of non-material claims). Higher claims paid by the parent company mainly resulted from higher number of reported claims (arising primarily from goods vehicle claims and claims abroad).

Slightly lower increase in gross claims paid of 3% was observed in **comprehensive car insurance**. They represented 14.2% or EUR 87.6 million nominally of total gross claims settled by the Triglav Group. The strongest increase in gross claims was observed in Triglav Osiguranje, Skopje (index 147), Triglav Osiguranje, Banja Luka (index 134) and Triglav Osiguranje, Belgrade (index 113). High growth in the Macedonian insurer was affected by payment of some substantial individual claims and mass claims, resulting June hail. Growth in gross claims by the Serbian insurer mainly resulted from a larger portfolio and due to the higher number of reported claims, whereas gross claims by Triglav Osiguranje, Banja Luka increased as the result of one substantial individual claim payment and higher number of reported claims. In Zavarovalnica Triglav, which accounts for 84% of total gross claims settled, gross claims paid saw a 2% increase. Gross claims paid by other insurance companies were lower compared to the year before.

In **real property insurance**, claims paid were up 14%, amounting to EUR 84.4 million (accounting for a 13.6% share in total gross claims). In fire and natural disaster

insurance, a 25% increase in gross claims was seen, along with a 10% growth in other damage to property insurance. Zavarovalnica Triglav, holding a 80% share of this insurance class, recorded a 16% increase in claims, as a result of claim payment caused by damages in crop and fruit insurance caused by spring frost and hail storms, larger claims due to fire (fire insurance of civil risks) and higher claims paid in property and interest in property insurance of individuals (storms, floods). High growth rates in gross claims paid were recorded by Lovćen Osiguranje (due to the payment of some substantial individual claims in fire and fronting insurance), Triglav Osiguranje, Skopje (fruit and crops claims insurance due to April frost), Triglav Osiguranje, Belgrade (due to the payment of some substantial individual claims in fire insurance, claims due to hail and larger damages in agriculture).

Claims from **accident insurance** increased by 2%, amounting to EUR 23.0 million. The increase in claims in this insurance class primarily resulted from the high growth in gross claims paid in Lovćen Osiguranje (higher number of reported claims from accident insurance for pensioners and occupational accident insurance), Triglav Osiguranje, Skopje (high claims arising from insurance of managers) and in Triglav Osiguranje, Zagreb (increased number of reported claims and payment of some substantial individual claims). Higher gross claims paid were also recorded by Triglav Osiguranje, Banja Luka (higher number of reported claims and higher average claim payment), whilst in the parent company they remained approximately at the 2016 level.

Gross claims paid in **general liability insurance** amounted to EUR 14.9 million or 1% more than the year before. Growth in this insurance class was particularly affected by gross claims settled by Zavarovalnica Triglav, accounting for 89% of total gross claims of the Group. A 4% increase seen in the parent company was affected mainly by the payment of some substantial individual claims in product liability insurance and doctors professional indemnity insurance.

Gross claims paid in **credit insurance** decreased by 21% compared to 2016 and totalled EUR 2.9 million. Gross claims paid by the parent company (index 73) accounted for the majority of total claims, as a decrease was seen in almost all credit insurance subclasses.

Gross claims paid from **other non-life insurance** decreased by 8% to EUR 19.0 million. Zavarovalnica Triglav, holding a 71% share of this insurance class, recorded a 29% decrease in claims. In contrast, high growth in gross claims was posted by Triglav Osiguranje, Zagreb (payment of major claims arising from marine insurance caused by the Irma hurricane) and Triglav Osiguranje, Belgrade (settlement of some substantial claims arising from goods in transit insurance).

## 7.6.2 Life insurance

Non-consolidated gross claims paid in **life insurance segment** increased by 4% to EUR 193.0 million. Their share in total non-consolidated claims paid fell by 0.7 percentage point to 31.2%.

Gross claims from **life insurance** (traditional life insurance, annuity insurance, annuity pension insurance, voluntary pension insurance) fell by 2% to EUR 91.1 million compared to the 2016 year-end mainly due to a decrease in sums paid out on maturity and the decreased number of surrenders in Zavarovalnica Triglav (index 95). Other insurance subsidiaries of the Group selling this insurance class recorded a growth in gross claims paid.

The bulk of total claims settled was accounted for by **unit-linked life insurance**, amounting to EUR 96.5 million, having increased by 15%. Higher gross claims paid resulted primarily from an increase in sums paid out on maturity in Zavarovalnica Triglav (index 120) and Triglav Osiguranje, Zagreb (index 158). Gross claims paid by Skupna pokojninska družba were down 17%.

Gross claims paid in **supplemental voluntary pension insurance**, sold by the parent company, decreased by 33%, foremost due to reduced payments arising from the withdrawals from insurance contracts.

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

Insurance class	Gross claims paid			Index		Structure
	2017	2016	2015	2017/2016	2016/2015	2017
Accident insurance	23,019,389	22,639,484	23,064,153	102	98	3.7%
Health insurance	106,519,452	94,651,607	86,682,236	113	109	17.2%
Comprehensive car insurance	87,626,067	85,351,958	83,274,316	103	102	14.2%
Real property insurance	84,422,815	73,796,966	75,167,036	114	98	13.6%
Motor liability insurance	87,670,650	79,535,216	82,791,181	110	96	14.2%
General liability insurance	14,880,210	14,712,114	16,560,500	101	89	2.4%
Credit insurance	2,871,513	3,646,000	3,632,285	79	100	0.5%
Other non-life insurance	18,996,651	20,690,894	17,535,492	92	118	3.1%
<b>Non-life insurance</b>	<b>426,006,747</b>	<b>395,024,239</b>	<b>388,707,199</b>	<b>108</b>	<b>102</b>	<b>68.8%</b>
Life insurance	91,119,134	92,946,327	95,215,388	98	98	14.7%
Unit-linked life insurance*	96,537,828	83,944,181	77,621,450	115	108	15.6%
Capital redemption insurance	5,365,889	8,059,245	9,050,793	67	89	0.9%
<b>Life insurance</b>	<b>193,022,851</b>	<b>184,949,753</b>	<b>181,887,631</b>	<b>104</b>	<b>102</b>	<b>31.2%</b>
<b>Total</b>	<b>619,029,598</b>	<b>579,973,992</b>	<b>570,594,830</b>	<b>107</b>	<b>102</b>	<b>100.0%</b>

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

### Gross claims paid of Zavarovalnica Triglav by insurance class

Insurance class	Gross claims paid			Index		Structure
	2017	2016	2015	2017/2016	2016/2015	2017
Accident insurance	13,035,715	13,065,160	13,221,459	100	99	3.2%
Health insurance	20,464	1,679	0	1.219	0	0.0%
Comprehensive car insurance	73,168,562	71,787,832	70,653,044	102	102	17.8%
Real property insurance	67,908,280	58,310,544	58,171,331	116	100	16.5%
Motor liability insurance	57,003,661	52,673,278	55,687,886	108	95	13.9%
General liability insurance	13,194,829	12,714,091	13,984,074	104	91	3.2%
Credit insurance	2,660,748	3,623,690	3,666,759	73	99	0.6%
Other non-life insurance	13,427,908	15,444,891	15,088,155	87	102	3.3%
<b>Non-life insurance</b>	<b>240,420,167</b>	<b>227,621,165</b>	<b>230,472,708</b>	<b>106</b>	<b>99</b>	<b>58.5%</b>
Life insurance	82,932,299	86,948,252	88,473,477	95	98	20.2%
Unit-linked life insurance	82,587,169	68,607,658	62,570,579	120	110	20.1%
Capital redemption insurance	5,365,889	8,059,245	9,050,793	67	89	1.3%
<b>Life insurance</b>	<b>170,885,357</b>	<b>163,615,155</b>	<b>160,094,849</b>	<b>104</b>	<b>102</b>	<b>41.5%</b>
<b>Total</b>	<b>411,305,524</b>	<b>391,236,320</b>	<b>390,567,557</b>	<b>105</b>	<b>100</b>	<b>100.0%</b>

■ Insurance business expenses increased by 5% over the preceding year. In contrast, non-insurance business expenses decreased by 36%.

### 7.6.3 Gross claims paid by Pozavarovalnica Triglav Re

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 56.8 million, or 5% more compared to the previous year. This increase was primarily a result of an increase in operations within the Triglav Group (index 119) due to a high growth of gross claims in motor vehicle liability insurance (high claims paid arising from three contacts) and marine insurance (damages caused by the Irma hurricane). Gross claims in operations outside the Triglav Group decreased by 8%.

## 7.7 Gross operating expenses

Total consolidated gross operating expenses of the Triglav Group equalled EUR 274.0 million, which was 1% less compared to the preceding year. **Insurance business expenses** totalled EUR 248.4 million, having increased by 5% over the preceding year. In contrast, **non-insurance business expenses** decreased by 36%, reaching EUR 25.6 million, mainly due to the sale of the stakes in Slovenijales Trgovina and the Avrigo Group as their costs are no more included in the consolidated financial statements of the Triglav Group. Increased expenses of insurance business were mainly caused by higher acquisition costs, costs of entertainment, advertising, trade shows and higher labour costs due to strong premium growth.

Operating expenses of the insurance business accounted for 24.8% of gross written premium, which was 0.5 percentage point less than in 2016. Operating expenses in **non-life insurance** increased by 5% (EUR 199.6 million), in the **life-insurance** segment they were up by 2% (EUR 36.2 million) and in **health insurance** they climbed by 13% (EUR 12.6 million).

Acquisition costs (fees and commissions) amounted to EUR 43.6 million, up by 2% compared to the year before, mostly due to higher acquisition costs in Triglav Osiguranje, Zagreb, Triglav Osiguranje, Belgrade and the parent company as the result of higher underwriting commissions paid to insurance brokers, agencies and leasing houses. The costs of goods sold were down to EUR 231 thousand (in the same period of 2016: EUR 10.3 million), primarily as the result of the sale of the stake in Slovenijales Trgovina. A 2% growth in depreciation costs (amounting to EUR 13.2 million) primarily resulted from the use of new software in the parent company and in Triglav, Zdravstvena zavarovalnica. With 48.9%, labour costs continued to account for the largest portion of total expenses. They amounted to EUR 142.4 million, having increased by 1%. Among other operating expenses, which were up by 5% to EUR 90.6 million, the highest increase was seen in costs of entertainment, advertising and trade shows (foremost due to the growth in

Lovćen Osiguranje and Triglav Osiguranje, Belgrade), maintenance costs (mostly due to the higher costs of computer software and hardware maintenance in the parent company and in Triglav, Zdravstvena zavarovalnica) and costs of intellectual and personal services.

In total gross operating expenses, broken down by functional group, acquisition costs accounted for a slightly higher share of 59.6% (2016: 59.5%), followed by other operating expenses accounting for 29.3% (2016: 28.5%). Claim handling costs and asset management costs went down to 10.2% (a decrease of 0.7 percentage point) and 0.9% (2016: 1.1%) respectively.

## Gross operating expenses of the Triglav Group by nature

Operating expenses by nature	Gross operating expenses			Index		Structure
	2017	2016	2015	2017/2016	2016/2015	2017
Acquisition costs (fees and charges)	43,571,169	42,724,005	40,864,484	102	105	15.0%
Costs of goods sold	230,774	10,273,611	17,384,659	2	59	0.1%
Depreciation of operating assets	13,222,256	13,015,136	15,878,927	102	82	4.5%
Labour costs	142,350,871	140,524,957	142,787,896	101	98	48.9%
- wages and salaries	98,913,028	97,854,815	100,917,730	101	97	34.0%
- social security and pension insurance costs	22,890,436	22,618,667	22,909,828	101	99	7.9%
- other labour costs	20,547,407	20,051,475	18,960,338	102	106	7.1%
Costs of services provided by natural persons other than SPs, including related taxes	1,019,815	1,141,593	2,399,810	89	48	0.4%
Other operating expenses	90,569,729	85,963,556	95,340,130	105	90	31.1%
- costs of entertainment, advertising, trade shows	22,133,067	18,359,495	16,797,446	121	109	7.6%
- costs of material and energy	7,608,524	8,398,156	12,850,806	91	65	2.6%
- maintenance costs	14,134,554	13,351,914	12,897,999	106	104	4.9%
- reimbursement of labour-related costs	5,395,372	5,397,007	5,587,929	100	97	1.9%
- costs of intellectual and personal services	5,782,774	5,091,816	6,132,729	114	83	2.0%
- non-income related costs, excluding insurance	3,126,976	3,273,907	3,436,861	96	95	1.1%
- costs of transport and communication services	5,180,429	5,018,286	6,737,430	103	74	1.8%
- costs for insurance premiums	1,620,212	1,764,757	2,552,013	92	69	0.6%
- payment transaction costs and banking services	7,280,330	6,998,942	7,318,672	104	96	2.5%
- rents	7,154,264	7,086,596	7,896,577	101	90	2.5%
- costs of professional training services	881,851	783,577	774,024	113	101	0.3%
- other costs of services	10,271,234	10,438,107	12,343,117	98	85	3.5%
- long-term employee benefits	142	996	14,527	14	7	0.0%
<b>Total</b>	<b>290,964,614</b>	<b>293,642,858</b>	<b>314,655,906</b>	<b>99</b>	<b>93</b>	<b>100.0%</b>
Consolidation eliminations	-16,919,317	-16,584,818	-17,041,530	102	97	
<b>Total consolidated</b>	<b>274,045,297</b>	<b>277,058,040</b>	<b>297,614,376</b>	<b>99</b>	<b>93</b>	

## Gross operating expenses of Zavarovalnica Triglav by nature

Operating expenses by nature	Gross operating expenses			Index		Structure
	2017	2016	2015	2017/2016	2016/2015	2017
Acquisition costs (fees and charges)	24,322,707	24,173,928	22,549,933	101	107	14.5%
Depreciation of operating assets	8,759,768	8,212,728	8,147,107	107	101	5.2%
Labour costs	94,573,784	93,223,604	88,671,596	101	105	56.4%
- wages and salaries	67,346,222	66,756,303	64,844,072	101	103	40.1%
- social security and pension insurance costs	11,476,946	11,289,521	10,746,274	102	105	6.8%
- other labour costs	15,750,615	15,177,779	13,081,250	104	116	9.4%
Costs of services provided by natural persons other than SPs, including related taxes	277,655	201,268	1,597,139	138	13	0.2%
Other operating expenses	39,810,842	38,735,692	40,000,393	103	97	23.7%
- costs of entertainment, advertising, trade shows	8,816,687	8,516,499	9,802,785	104	87	5.3%
- costs of material and energy	3,237,214	3,595,580	3,886,576	90	93	1.9%
- maintenance costs	9,358,251	8,833,689	8,268,624	106	107	5.6%
- reimbursement of labour-related costs	3,351,434	3,189,444	3,196,122	105	100	2.0%
- costs of intellectual and personal services	2,279,967	1,928,839	2,480,441	118	78	1.4%
- non-income related costs, excluding insurance	1,510,185	1,599,091	1,759,763	94	91	0.9%
- costs of transport and communication services	2,895,170	2,869,566	3,000,062	101	96	1.7%
- costs for insurance premiums	886,868	924,170	1,234,844	96	75	0.5%
- payment transaction costs and banking services	1,540,592	1,751,264	1,734,966	88	101	0.9%
- rents	2,799,533	2,585,576	2,378,308	108	109	1.7%
- costs of professional training services	447,741	447,540	377,540	100	119	0.3%
- other costs of services	2,687,200	2,494,436	1,880,362	108	133	1.6%
<b>Total</b>	<b>167,744,757</b>	<b>164,547,219</b>	<b>160,966,168</b>	<b>102</b>	<b>102</b>	<b>100.0%</b>

## 7.8 Risk equalisation

### 7.8.1 Insurance technical provisions

The Triglav Group equalised 90% of the risks within its own equalisation capacities. The Group was able to equalise risks that exceeded its own equalisation capabilities by reinsurance and, to a lesser extent, by co-insurance arrangements. Within own equalisation capacities, losses were covered by the current inflow of technical premium by insurance class and allocated insurance contract provisions.

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured persons. As at the reporting date, the Group allocated EUR 2,732.2 million to gross insurance technical provisions, which in total represented an increase of 3% compared to the preceding year. The amount of gross insurance technical provisions increased in **life insurance** (index 103) and **non-life insurance** (index 102), whereas in **health insurance** it was 4% lower.

Provisions by type as at 31 December 2017 compared to the same day of the preceding year:

#### Gross insurance technical provisions of the Triglav Group as at 31 December 2017

	Gross insurance technical provisions			Index	
	31 December 2017	31 December 2016	31 December 2015	2017/2016	2016/2015
Unearned premiums	278,112,719	263,639,620	252,057,956	105	105
Mathematical provisions	1,782,599,954	1,731,221,699	1,676,784,639	103	103
Claims provisions	638,473,713	635,240,895	642,687,051	101	99
Provisions for bonuses and discounts	18,943,606	19,105,924	17,382,035	99	110
Other insurance technical provisions	14,115,599	11,580,177	11,530,442	122	100
<b>Total</b>	<b>2,732,245,591</b>	<b>2,660,788,315</b>	<b>2,600,442,123</b>	<b>103</b>	<b>102</b>

#### Gross insurance technical provisions of Zavarovalnica Triglav as at 31 December 2017

	Gross insurance technical provisions			Index	
	31 December 2017	31 December 2016	31 December 2015	2017/2016	2016/2015
Unearned premiums	196,528,185	188,487,876	180,558,991	104	104
Mathematical provisions	1,410,988,265	1,390,394,245	1,364,323,055	101	102
Claims provisions	469,230,899	471,240,775	486,247,721	100	97
Provisions for bonuses and discounts	18,349,804	18,495,379	16,817,528	99	110
Other insurance technical provisions	8,262,880	7,684,844	5,916,991	108	130
<b>Total</b>	<b>2,103,360,033</b>	<b>2,076,303,119</b>	<b>2,053,864,286</b>	<b>101</b>	<b>101</b>

- **Gross provisions for unearned premium** were 5% higher and amounted to EUR 278.1 million. Unearned premium from non-life insurance amounted to EUR 275.2 million (index 105), unearned premium from life insurance totalled EUR 426 thousand (index 95) and unearned premium from health insurance reached EUR 2.5 million (index 108). Gross unearned premium is in line with the trend and duration of gross written premium as well as with the nature of underwritten risks.
- **Gross claims provisions** increased by 1% and amounted to EUR 638.5 million. Claims provisions from non-life insurance totalled EUR 609.1 million (index 100), those from the life-insurance segment stood at EUR 19.5 million (index 103) and those from health insurance amounted to EUR 9.9 million (index 109). Gross claims provisions are adequate for covering the claims incurred in the past but which were not yet settled by the end of the accounting period; moreover, the amount of claims provisions was also influenced by favourable development of claims provisions in previous years.
- **Mathematical provisions** increased by 3% and amounted to EUR 1,782.6 million. Mathematical provisions for life insurance totalled EUR 1,333.1 million (index 105), while insurance technical provisions for unit-linked life insurance contracts equalled EUR 449.5 million (index 98). **Mathematical provisions of Zavarovalnica Triglav** stood at EUR 1,411.0 million, accounting for the bulk, and increased by 1% over the 2016 year-end. Of that amount, mathematical provisions for life insurance amounted to EUR 994.7 million (index 104) and insurance technical provisions for unit-linked life insurance contracts totalled EUR 416.3 million (index 97). The movement of mathematical provisions for life insurance reflected the dynamics of premium payments and benefit payouts. The growth resulted foremost from higher volume of accumulated assets from supplemental voluntary pension insurance and additional payments into the guaranteed return fund. There were no changes in the calculation methodology for mathematical provisions, with the exception of reduced internally set maximum interest rate that the Company uses for the valuation of life insurance liabilities. As the result of the said decrease, mathematical provisions for the guarantee fund backing life insurance grew by EUR 2.9 million.
- **Other insurance technical provisions** amounted to EUR 14.1 million, having increased by 22%. A high growth in other insurance technical provisions was seen in Triglav, Zdravstvena zavarovalnica (index 286) due to the increase in provisions for unexpired risks arising from the sale of Zobje and Zobje+ insurance. Other insurance technical provisions of Zavarovalnica Triglav totalled EUR 8.3 million, up by 8% compared to the preceding year. Provisions for the guarantee fund backing supplemental voluntary pension insurance during the annuity payout period were higher by 34% following the liability adequacy test (LAT). This increase resulted from the lower interest rate curve of the Slovene government bonds.

## 7.8.2 Reinsurance and co-insurance

The Triglav Group operates on the global reinsurance market via Pozavarovalnica Triglav Re and Zavarovalnica Triglav. In 2017, optimum coverage terms and conditions were achieved in all reinsurance and co-insurance contracts. The Group allocated EUR 95.7 million of reinsurance premiums to external equalisation, which was 24% more over the 2016 year-end. Ceded reinsurance premium accounted for 9.6% of total gross written premium or 1.3 percentage point more than the year before. The change in unearned premium related to the reinsurance portion totalled EUR 284 thousand. The reinsurers' and co-insurer's share in gross claims paid amounted to EUR 24.6 million (index 117). The change in gross claims provisions for the reinsurance portion equalled EUR 6.8 million (index 120). The Group also received EUR 16.4 million in reinsurance commissions. The reinsurance result was negative and amounted to EUR -47.4 million (2016: EUR -48.8 million).

The reinsurance result of Zavarovalnica Triglav was negative and amounted to EUR -41.6 million (2016: EUR -35.9 million).

## 7.9 The structure of financial investments of the Triglav Group and Zavarovalnica Triglav

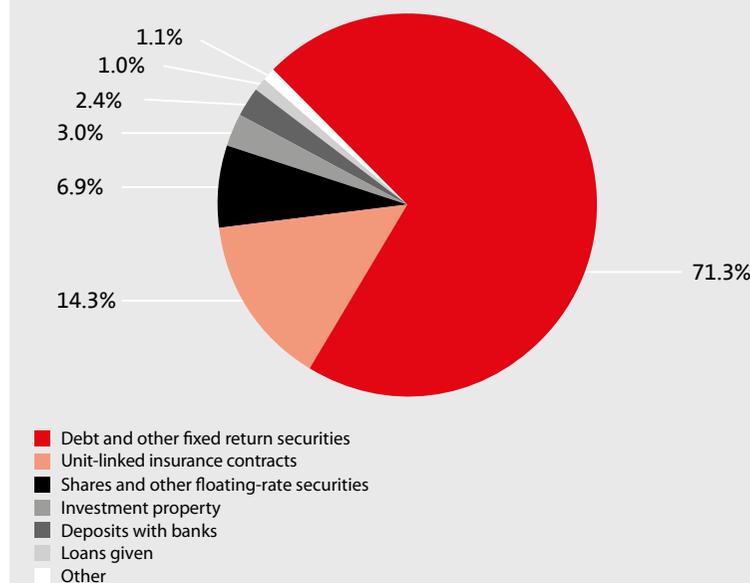
The Triglav Group follows a relatively conservative investment policy, focusing on investment security and liquidity governed by adequate profitability. The investment activities in 2017 adhered to these guidelines. The structure of financial investments did not significantly change, but the Group actively adapted the shares of individual investment classes in order to maintain a high overall credit rating of the whole investment portfolio.

Financial investments of the Triglav Group including investment properties increased by 2% to EUR 3,139.0 million. Their share in total financial assets of the Group was down by 0.7 percentage point to 85.4%.

Debt and other fixed-return securities accounted for the bulk of total financial investments. In terms of share, excluding unit-linked life insurance assets, equity investments are followed by investment properties and bank deposits.

In 2017, individual investment classes of the portfolio were slightly adjusted. The share of total debt and other fixed-return securities grew by 1.9 percentage point to 71.3%. In contrast, the share of equity investments dropped by 0.9 percentage point, the share of investment properties fell by 0.1 percentage point and the share of bank deposits decreased by 0.2 percentage point.

Financial investments of the Triglav Group as at 31 December 2017



Below is presented in detail the structure of debt securities, the largest investment grade of the Group, broken down by issuer sector, issuer rating and issuer country.

By issuer sector, government bonds accounted for almost one half of total debt securities. Compared to the 2016 year-end, their volume increased by 5%, whereas their share remained almost unchanged. Corporate bonds accounted for 26.9%, followed by financial bonds with a 22.6% share. Due to the harmonisation of the structure, the share of corporate bonds slightly increased, whereas the share of financial bonds fell. The already low share of structured bonds further decreased in 2017.

Financial investments (including investment properties) of the Triglav Group as at 31 December 2017 and 31 December 2016

	Financial investments		Index 2017/2016	Structure	
	31 Dec. 2017	31 Dec. 2016		31 Dec. 2017	31 Dec. 2016
Investment property	94,007,483	95,842,720	98	3.0%	3.1%
Shares in associates	6,449,324	6,826,400	94	0.2%	0.2%
Shares and other floating-rate securities	217,756,846	238,449,950	91	6.9%	7.7%
Debt and other fixed return securities	2,237,729,266	2,134,902,600	105	71.3%	69.4%
Loans given	30,095,727	29,824,585	101	1.0%	1.0%
Deposits with banks	73,807,472	81,237,845	91	2.4%	2.6%
Other financial investments	22,793,778	24,733,673	92	0.7%	0.8%
Financial investments of reinsurance companies in reinsurance contracts with cedents	5,667,613	5,171,806	110	0.2%	0.2%
Unit-linked insurance contracts	450,236,045	459,982,822	98	14.3%	14.9%
<b>Total</b>	<b>3,138,543,554</b>	<b>3,076,972,401</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>

## Debt securities of the Triglav Group by issuer sector in 2017 and 2016

Issuer sector	Debt securities		Index		Structure	
	31 Dec. 2017	31 Dec. 2016	2017/2016	31 Dec. 2017	31 Dec. 2016	
Government	1,119,983,226	1,068,719,391	105	50.0%	50.1%	
Corporate	602,260,650	504,467,444	119	26.9%	23.6%	
Financial	505,597,282	543,495,982	93	22.6%	25.5%	
Structured	9,888,107	18,219,783	54	0.4%	0.9%	
<b>Total</b>	<b>2,237,729,265</b>	<b>2,134,902,600</b>	<b>105</b>	<b>100.0%</b>	<b>100.0%</b>	

Unit-linked life insurance contract investments excluded.

The Group's investment portfolio mostly consists of investments in debt securities with a high **credit rating**, primarily in developed markets, which ensures adequate liquidity for the Group. In terms of **issuer rating**, with 78.2%, the bulk of the portfolio is accounted for by debt securities of issuers having an investment grade credit rating of at least BBB.

## Debt securities of the Triglav Group by issuer credit rating in 2017 and 2016

Credit rating	Debt securities		Index		Structure	
	31 Dec. 2017	31 Dec. 2016	2017/2016	31 Dec. 2017	31 Dec. 2016	
AAA	224,091,714	211,893,186	106	10.0%	9.9%	
AA	135,030,742	126,423,500	107	6.0%	5.9%	
A	608,061,142	576,015,797	106	27.2%	27.0%	
BBB	781,708,302	741,012,325	105	34.9%	34.7%	
Below BBB	385,803,394	392,749,250	98	17.2%	18.4%	
Not rated	103,033,971	86,808,541	119	4.6%	4.1%	
<b>Total</b>	<b>2,237,729,265</b>	<b>2,134,902,600</b>	<b>105</b>	<b>100.0%</b>	<b>100.0%</b>	

Unit-linked life insurance contract investments excluded.

The structure of debt securities **by issuer credit rating** in 2017 was adjusted due to price fluctuations and changes in some positions, e.g. a lower exposure to bonds of Spanish issuers. In the reporting period, most purchases were made in investments of Italian, Dutch and German issuers. The lower exposure to Slovenia as at the 2016 year-end mainly resulted from the maturity of some debt securities in 2017.

## Debt securities of the Triglav Group by issuer country in 2017 and 2016

Country of issuer	Debt securities		Index		Structure	
	31 Dec. 2017	31 Dec. 2016	2017/2016	31 Dec. 2017	31 Dec. 2016	
Slovenia	370,950,356	443,032,245	84	16.6%	20.8%	
Netherlands	182,670,364	171,442,648	107	8.2%	8.0%	
Germany	171,947,794	160,150,513	107	7.7%	7.5%	
Italy	140,023,509	121,225,847	116	6.3%	5.7%	
France	136,588,287	136,772,348	100	6.1%	6.4%	
Spain	125,155,289	165,634,669	76	5.6%	7.8%	
Other	1,110,393,666	936,644,331	119	49.6%	43.9%	
<b>Total</b>	<b>2,237,729,265</b>	<b>2,134,902,600</b>	<b>105</b>	<b>100.0%</b>	<b>100.0%</b>	

Unit-linked life insurance contract investments excluded.

The volume of **equity investments of the Group** (shares and other floating rate securities and investments in associates) decreased by 9%, primarily due to the sale of units of target equity and monetary funds. Equity investments also include the category "other funds", which consists of real property, alternative and allocation funds. This category accounts for the smallest portion, only 4.9% of equity investments, but compared to 2016 it grew the most in relative terms (index 186).

## Equity investments of the Triglav Group in 2017 and 2016

Equity investment type	Equity investments		Index		Structure	
	31 Dec. 2017	31 Dec. 2016	2017/2016	31 Dec. 2017	31 Dec. 2016	
Shares	80,546,247	68,892,275	117	35.9%	28.1%	
Equity funds	79,375,253	89,046,478	89	35.4%	36.3%	
Bond funds	40,971,423	39,428,528	104	18.3%	16.1%	
Money market funds	12,438,719	42,053,747	30	5.5%	17.1%	
Other funds	10,874,528	5,855,322	186	4.9%	2.4%	
<b>Total</b>	<b>224,206,170</b>	<b>245,276,350</b>	<b>91</b>	<b>100.0%</b>	<b>100.0%</b>	

The majority of equity investments of the Group is invested in *developed markets* (61.5%), followed by *Slovenia* (27.7%), while *emerging markets* and the *Balkans* both account for less than 6%.

## Equity investments of the Triglav Group by geographic area in 2017 and 2016

Geographic area	Equity investments		Index	Structure	
	31 Dec. 2017	31 Dec. 2016	2017/2016	31 Dec. 2017	31 Dec. 2016
Slovenia	62,230,851	59,816,111	104	27.8%	24.4%
Developed markets	138,198,029	160,652,378	86	61.6%	65.5%
Developing markets	12,763,426	15,428,349	83	5.7%	6.3%
Balkans	11,013,865	9,379,512	117	4.9%	3.8%
<b>Total</b>	<b>224,206,170</b>	<b>245,276,350</b>	<b>91</b>	<b>100.0%</b>	<b>100.0%</b>

In **Zavarovalnica Triglav**, financial investments, including investment properties, amounted to EUR 2,455.0 million, up by 1% compared to the 2016 year-end.

## Financial investments of Zavarovalnica Triglav as at 31 December 2017 and 31 December 2016

	Financial investments		Index	Structure	
	31 Dec. 2017	31 Dec. 2016	2017/2016	31 Dec. 2017	31 Dec. 2016
Investment property	48,214,401	49,611,417	97	2.0%	2.0%
Investments in subsidiaries and associates	128,169,985	140,135,485	91	5.2%	5.8%
Shares and other floating-rate securities	135,783,991	139,671,350	97	5.5%	5.7%
Debt and other fixed return securities	1,638,907,656	1,589,007,928	103	66.8%	65.2%
Loans given	48,781,121	43,651,675	112	2.0%	1.8%
Deposits with banks	33,974,540	37,045,982	92	1.4%	1.5%
Other financial investments	1,680,215	1,700,237	99	0.1%	0.1%
Derivative financial instruments	1,870,633	1,423,429	131	0.1%	0.1%
Unit-linked insurance contract investments	417,607,959	434,043,269	96	17.0%	17.8%
<b>Total</b>	<b>2,454,990,500</b>	<b>2,436,290,771</b>	<b>101</b>	<b>100.0%</b>	<b>100.0%</b>

## 7.10 Asset management

The asset management activity in the Triglav Group is primarily performed by Zavarovalnica Triglav for the Group's own insurance portfolios (assets backing liabilities and guarantee funds) and the subsidiary Triglav Skladi by managing mutual funds and through individual asset management. Apart from that, the Group is an important partner of the alternative investment management platform Triglav d.o.o.

## Asset management market

In Slovenia, 7 asset management companies are currently operating, which managed the total net asset value of mutual funds of EUR 2.7 billion as at the 2017 year-end. Mutual fund assets went up by 7.9%. In the individual asset management (IAM) segment, 9 companies are operating in Slovenia, of which 3 are asset management companies. The value of these assets managed by asset management companies totalled EUR 705 million as at the 2017 year-end.

Triglav Skladi d.o.o. manages 17 mutual funds and 6 investment combinations and provides individual asset management services. As at the reporting date, it managed net assets of EUR 679.9 million in mutual funds, which was EUR 6 million more over the preceding year. Individual asset management amounted to EUR 45.6 million as at the 2017 year-end, up by EUR 14.5 million over 2016.

As at the 2017 year-end, Triglav Skladi held a 25.6% market share among asset management companies in the mutual fund segment and a 6.5% market share in the individual asset management segment.

- Triglav Skladi held a 25.6% market share among asset management companies in the mutual fund segment and a 6.5% market share in the individual asset management segment.

## 8. Financial Result of the Triglav Group and Zavarovalnica Triglav

- In 2017, the Triglav Group generated profit before tax of EUR 84.4 million and achieved a 9.3% return on equity.
- Compared to the preceding year, the Group's combined ratio deteriorated to 93.9% primarily due to higher claims incurred.
- Lower returns on financial investment mainly reflected the unfavourable conditions in financial markets.

### 8.1 The Triglav Group

The Triglav Group performed well in 2017, ending the year with a **profit above the budgeted level**. Consolidated **profit before tax** totalled EUR 84.4 million (index 89), whilst **net profit** amounted to EUR 69.7 million, or 15% less than in 2016. Compared to the year before, this decrease is mostly the result of higher claims incurred and a lower return on investment due to the unfavourable situation in financial markets. **Net return on equity (ROE)** stood at 9.3%.

Despite the higher claims ratio the combined ratio remained favourable at 93.9%. Compared to the year before, it increased by 1.0 percentage point as the result of the higher share of net claims incurred in net premium earned. The combined ratio shows profitability of operations in the non-life and health insurance segments. Any value of this ratio below 100 means that the non-life and health insurance portfolios as the core business (excluding return on investment) are earning a profit.

The combined ratios in the Triglav Group and individual insurance subsidiaries in 2017 compared to 2016

Insurance company	2017	2016	Change
Zavarovalnica Triglav	89.6%	87.9%	1.6 p.p.
Triglav, Zdravstvena zavarovalnica	99.4%	99.5%	-0.1 p.p.
Pozavarovalnica Triglav Re	93.8%	96.7%	-2.9 p.p.
Triglav Osiguranje, Zagreb	108.8%	107.3%	1.4 p.p.
Triglav Osiguranje, Sarajevo	99.3%	99.8%	-0.5 p.p.
Lovćen Osiguranje, Podgorica	99.1%	92.3%	6.8 p.p.
Triglav Osiguranje, Belgrade	99.7%	102.2%	-2.5 p.p.
Triglav Osiguranje, Banja Luka	97.2%	100.7%	-3.5 p.p.
Triglav Osiguruvanje, Skopje	97.0%	99.1%	-2.1 p.p.
<b>The Triglav Group</b>	<b>93.9%</b>	<b>92.9%</b>	<b>1.0 p.p.</b>

#### 8.1.1 Premium income, claims incurred and operating expenses

**Net premiums earned** increased by 5% to EUR 891.2 million compared to the preceding year. Net premium income from health insurance grew by 13%, net premium income from non-life insurance went up by 4% and net premium income from life insurance rose by 3%. Net premium earned is composed of gross written insurance premium in the amount of EUR 999.9 million (index 107), reduced by ceded written premium in the amount of EUR 97.6 million (index 123) and adjusted by the change in net unearned premium of EUR -11.2 million (index 152).

**Net claims incurred** increased by 7% to EUR 620.0 million. The highest increase of net claims incurred was seen in health insurance (11%) due to higher gross claims paid (see [→ Section 7.6.1 for more details]), an 8% increase was recorded in non-life insurance and a 5% growth was observed in the life insurance segment. Net claims incurred are composed of gross claims paid in the amount of EUR 642.2 million (index 106), reduced by the reinsurers' and co-insurers' shares in gross claims in the amount of EUR 24.6 million (index 113), adjusted by the change in net claims provisions of EUR -3.9 million (index 28) and increased by equalisation scheme expenses for supplemental health insurance in the amount of EUR 6.3 million.

**Operating expenses** (acquisition costs and other operating expenses) amounted to EUR 220.8 million and were 6% higher than in 2016. Acquisition costs and other operating expenses were up by 5% and 8% respectively. Total operating expenses (all functional cost groups) grew at a slower pace than written premium, which resulted in a 0.5 percentage point lower share of expenses in written premium. See [→ Section 7.7] for more details on operating expenses.

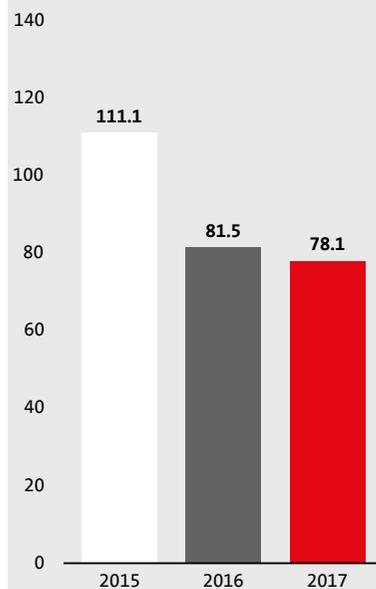
#### 8.1.2 Income and expenses from financial assets

**Income from financial assets** decreased by 4% to EUR 139.8 million. Income from financial assets in associates reached EUR 0.2 million or 93% less compared to the preceding year, primarily due to lower net gains on financial assets. Income from other financial assets decreased by 7% to EUR 111.2 million, which mainly resulted from lower interest income and gains on financial assets. Net unrealised gains on unit-linked life insurance assets increased by 21% to EUR 28.4 million.

**Financial expenses** equalled EUR 33.6 million or 21% less than in 2016. Expenses from financial assets in associates totalled EUR 3.1 million (index 99), while expenses from other financial assets equalled EUR 30.2 million. The latter went down by 20% primarily as the result of lower losses on financial assets, permanent impairments of certain investments in the preceding year and lower expenses arising from the changes in the fair value. Net unrealised losses on unit-linked life insurance assets reached EUR 311 thousand compared to EUR 1.5 million in the respective period of 2016. Permanent impairments amounted to EUR 335 thousand, down by 90% compared to the year before.

**Return on financial investments** (excluding unit-linked insurance contract investments) represents the difference between income and expenses from financial assets. They dropped by 4% to EUR 78.1 million, mostly as the result of lower net interest income and higher other financial expenses as the consequence of negative foreign exchange differences in investments, which are directly reflected in return in terms of accounting treatment despite the closed currency structure.

Return on financial investments of the Triglav Group (excluding unit-linked insurance contract investments) in the 2015–2017 period (in EUR million)



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

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

**Changes in other insurance technical provisions** summed up to EUR 60.3 million or 28% more than one year earlier, primarily due to higher mathematical provisions (EUR 59.4 million) and other insurance technical provisions for health insurance (EUR 1.5 million). Mathematical provisions were up predominantly due to higher mathematical provisions in the parent company (see [→ *Section 8.2.3*] for more details). **Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR –8.3 million (2016: EUR 777 thousand) due to a decrease in price of fund units.

**Other income from insurance operations**, excluding fees and commissions, increased by 18% and reached EUR 6.1 million. **Other expenses from insurance operations**, excluding fees and commissions, decreased by 34% to EUR 11.2 million, mainly due to the decrease in the parent company [→ *Section 8.2.3*]. **Net fee and commission income** (in the income statement for the reporting period, fee and commission income and expenses are disclosed separately) was up by 216% and amounted to EUR 799 thousand.

**Other income** was down 36%, reaching EUR 34.0 million, due to the sale of a land plot and equity stakes in subsidiaries (mainly Slovenijales Trgovina) in the preceding year. **Other expenses** decreased, primarily as the result of expenses disclosed in 2016 by the subsidiaries sold. **Other expenses** fell by 26%, reaching EUR 40.6 million.

- Return on financial investments (excluding unit-linked insurance contract investments) went down by 4%; less than expected, foremost as a result of lower net interest income and higher other financial expenses.

## Income statement of the Triglav Group for 2017 – according to IFRS

	2017	2016	Index
<b>Net premium income</b>	<b>891,197,369</b>	<b>849,594,001</b>	<b>105</b>
- gross written premium	999,916,626	936,003,815	107
- ceded written premium	-97,550,733	-79,080,949	123
- change in unearned premiums	-11,168,524	-7,328,865	152
<b>Income from financial assets</b>	<b>139,837,442</b>	<b>146,017,485</b>	<b>96</b>
Income from financial assets in associates	224,605	3,116,574	7
- profit on equity investments accounted for using the equity method	224,605	188,105	119
- realised gains on disposals	0	2,928,469	0
Income from other financial assets	111,165,371	119,446,634	93
- interest income	63,990,562	68,835,574	93
- dividends	5,346,451	3,356,769	159
- fair value gains	8,172,265	7,813,764	105
- realised gains on disposals	29,790,480	33,979,089	88
- other financial income	3,865,613	5,461,438	71
Net unrealised gains on unit-linked life insurance assets	28,447,466	23,454,277	121
<b>Other income from insurance operations</b>	<b>22,568,835</b>	<b>5,392,172</b>	<b>419</b>
- fees and commission income	16,487,470	252,793	6,522
- other income from insurance operations	6,081,365	5,139,379	118
<b>Other income</b>	<b>34,033,116</b>	<b>53,537,175</b>	<b>64</b>
<b>Net claims incurred</b>	<b>619,958,781</b>	<b>577,102,418</b>	<b>107</b>
- gross claims settled	642,162,569	606,019,569	106
- reinsurers' share	-24,573,610	-21,692,020	113
- changes in claims provisions	-3,915,964	-14,175,200	28
- equalisation scheme expenses for supplementary health insurance	6,285,786	6,950,069	90
<b>Change in other insurance technical provisions (excluding ULI)</b>	<b>60,281,190</b>	<b>47,211,325</b>	<b>128</b>
<b>Change in insurance technical provisions for unit-linked insurance contracts</b>	<b>-8,250,712</b>	<b>776,648</b>	
<b>Expenses for bonuses and discounts</b>	<b>9,342,891</b>	<b>11,331,630</b>	<b>82</b>
<b>Operating expenses</b>	<b>220,762,633</b>	<b>208,675,708</b>	<b>106</b>
- acquisition costs	147,942,412	141,003,013	105
- other operating costs	72,820,221	67,672,695	108
<b>Expenses from financial assets and liabilities</b>	<b>33,611,711</b>	<b>42,533,879</b>	<b>79</b>
Expenses from financial assets and liabilities in associates	3,126,853	3,174,191	99
- loss on investments accounted for using the equity method	1,981,853	247,812	800
- realised loss on disposals	1,145,000	2,926,379	39
Expenses from other financial assets and liabilities	30,173,975	37,853,884	80
- interest expense	1,631,023	1,314,505	124
- fair value losses	4,217,218	6,888,471	61
- realised loss on disposals	11,083,596	19,451,022	57
- loss on impairment of financial assets	335,255	3,197,025	10
- other expenses from financial assets and liabilities	12,906,883	7,002,861	184
Net unrealised losses on unit-linked life insurance assets	310,883	1,505,804	21
<b>Other insurance expenses</b>	<b>26,855,289</b>	<b>17,038,345</b>	<b>158</b>
- fees and commission expenses	15,688,547	0	0
- other expenses from insurance operations	11,166,742	17,038,345	66
<b>Other expenses</b>	<b>40,629,897</b>	<b>54,732,790</b>	<b>74</b>
<b>Profit before tax</b>	<b>84,445,082</b>	<b>95,138,090</b>	<b>89</b>
Income tax expense	14,737,130	12,806,316	115
<b>Net profit for the accounting period</b>	<b>69,707,952</b>	<b>82,331,774</b>	<b>85</b>
Net profit/loss attributable to the controlling company	69,256,560	81,935,753	85
Net profit attributable to the non-controlling interest holders	451,391	396,021	114

## Financial result ratios of the Triglav Group

Financial result ratios	2017	2016	2015
Claims ratio	64.0%	62.0%	62.5%
Expense ratio	29.8%	30.9%	30.3%
Combined ratio	93.9%	92.9%	92.8%
Operating expenses of insurance business in gross written premiums	24.8%	25.3%	25.2%
Gross written premium per company employee* (in EUR)	222,451	211,478	209,796

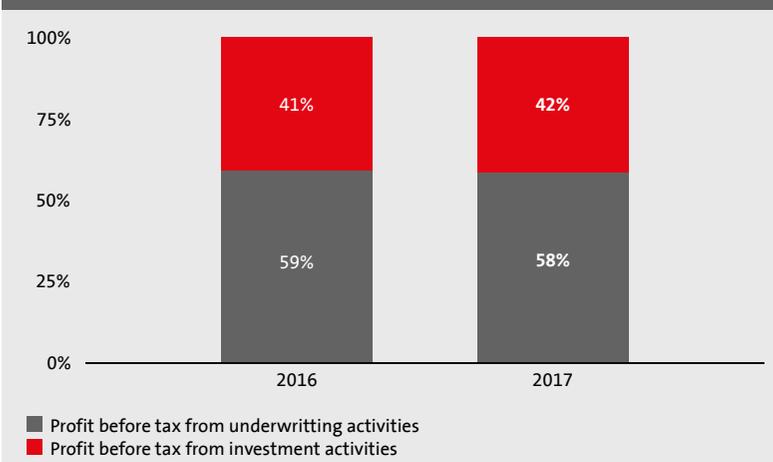
\* Only the employees of the insurance companies and the reinsurance company of the Triglav Group were taken into account.

## Profit/loss before tax of the Triglav Group\*

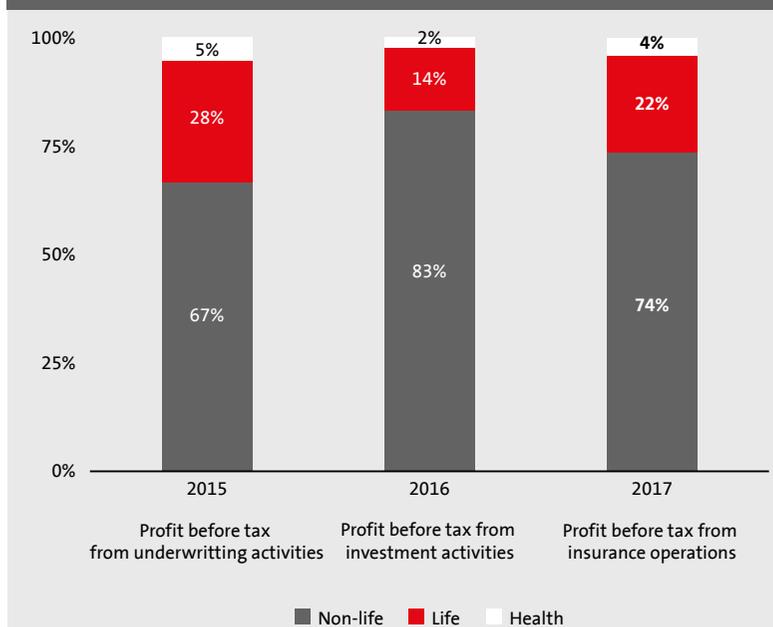
	2017				2016			
	Non-life	Life	Health	Total	Non-life	Life	Health	Total
Profit before tax from underwriting activities	32,806,680	13,895,913	2,607,645	49,310,238	38,843,797	13,286,716	2,427,265	54,557,778
Profit before tax from investment activities	29,363,482	5,004,247	853,063	35,220,792	32,046,207	4,426,697	1,039,953	37,512,857
Profit before tax from insurance operations	62,170,162	18,900,160	3,460,708	84,531,030	70,890,004	17,713,413	3,467,218	92,070,635
Profit before tax from non-insurance operations				-85,948				3,067,454
<b>Total profit before tax</b>				<b>84,445,082</b>				<b>95,138,089</b>

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

## Structure of profit before tax of the Triglav Group in 2016 and 2017



## Structure of profit before tax of the Triglav Group by insurance segments



## 8.2 Zavarovalnica Triglav

**Net profit** of the parent company stood at EUR 62.5 million, down by 17% compared to the previous year. The Company's **profit before tax** dropped by 12% to EUR 73.8 million. They both decreased foremost as the result of higher net claims incurred. **Net return on equity (ROE)** stood at 11.0%, which was 2.8 percentage points less than in 2016.

The increased ratio of net claims incurred in net premium earned was reflected in the **combined ratio in non-life insurance**, which rose by 1.6 percentage point to 89.6%.

### 8.2.1 Premium income, claims incurred and operating expenses

**Net premium earned** increased by 2% to EUR 522.1 million compared to the preceding year. Net non-life and net life premium earned increased by 3% and 2% respectively. Net premium earned is composed of gross written insurance and co-insurance premium in the amount of EUR 622.0 million (index 105), reduced by ceded written premium in the amount of EUR 93.5 million (index 119) and adjusted by the change in gross unearned premium of EUR –6.4 million (index 132).

**Net claims incurred** increased by 7%, amounting to EUR 376.3 million. In non-life insurance and life insurance, net claims incurred went up by 9% and 6% respectively. Net claims incurred are composed of gross claims paid in the amount of EUR 411.3 million (index 105), reduced by the reinsurers' and co-insurers' shares in claims in the amount of EUR 24.6 million (index 119) and adjusted by the change in net claims provisions of EUR –10.4 million (index 52).

**Operating expenses** (acquisition costs and other operating expenses) amounted to EUR 145.9 million, up by 3% compared to 2016. Acquisition costs rose by 3% and other operating expenses by 2%. Operating expenses increased mainly as a result of higher direct and indirect insurance contract acquisition costs due to high premium growth. Total operating expenses (all functional cost groups) grew at a slower pace than written premium, which resulted in a 0.7 percentage point lower share of expenses in written premium.

### 8.2.2 Income and expenses from financial assets

**Income from financial assets** was 3% lower or EUR 112.1 million in nominal terms, whilst income from financial assets in associates totalled EUR 7.1 million or 28% less than in the preceding year, mainly as the result of lower net gains on financial assets.

Income from other financial assets fell by 7% to EUR 77.3 million, primarily as the result of lower gains on financial assets and lower interest income. Net unrealised gains on unit-linked life insurance assets increased by 20% to EUR 27.8 million.

**Financial expenses** equalled EUR 22.0 million, down by 27% compared to 2016. Expenses from financial assets in associates amounted to EUR 4 thousand compared to EUR 552 thousand in 2016 as the result of losses on financial assets. Expenses from other financial assets and liabilities decreased by 23% to EUR 21.8 million, primarily as the result of lower losses on financial assets and permanent impairments of certain investments last year. Net unrealised losses on unit-linked life insurance assets reached EUR 143 thousand, down by 89% compared to the year before.

**Return on financial investments** (excluding unit-linked insurance contract investments) dropped by 2% to EUR 62.5 million, primarily as the result of lower net gains on financial assets and lower net interest income. The loss of net gains on financial assets was partially compensated for by higher dividend income in the Triglav Group.

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

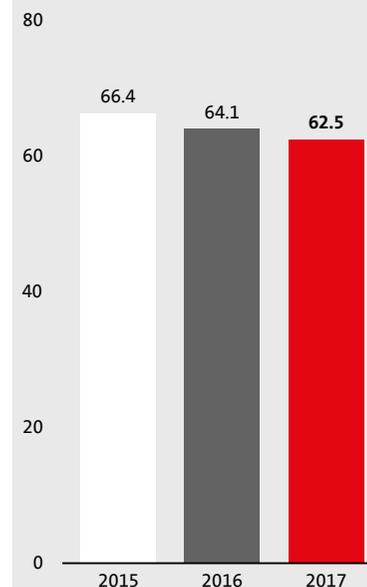
**Changes in other insurance technical provisions** totalled EUR 35.4 million, accounting for an increase of 23% primarily due to higher mathematical provisions (EUR 36.1 million). The growth resulted from higher volume of supplemental voluntary pension insurance and payments into the guaranteed return fund.

**Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR –14.7 million (index 197) due to the decrease in the price of fund units.

**Other income from insurance operations**, excluding fees and commissions, decreased by 1% to EUR 3.9 million. **Other insurance expenses**, excluding fees and commissions expenses, fell by 44% to EUR 4.8 million, mainly caused by lower expenses for the value adjustment of receivables due to impairment. **Net fee and commission income** (in the income statement for the reporting period, fee and commission income and expenses are disclosed separately) was up by 4% and amounted to EUR 15.8 million.

**Other income** was down by 13%, reaching EUR 11.0 million. In 2016, other income included the withdrawal of the guarantee for Triglav Pojišt'ovna in the amount of EUR 1.4 million. **Other expenses** grew by 10% to EUR 13.3 million, mainly due to higher provisions for performance.

The return on financial investments of Zavarovalnica Triglav (excluding unit-linked life insurance contract investments) in 2015–2017 (in EUR million)



## Income statement of Zavarovalnica Triglav for 2017 – according to IFRS

	2017	2016	Index
<b>Net premium income</b>	<b>522,057,353</b>	<b>509,765,204</b>	<b>102</b>
- gross written premium	621,971,336	593,129,011	105
- ceded written premium	-93,522,581	-78,508,398	119
- change in unearned premiums	-6,391,402	-4,855,409	132
<b>Income from financial assets</b>	<b>112,144,711</b>	<b>115,997,114</b>	<b>97</b>
Income from financial assets in associates	7,106,829	9,836,781	72
- interest income	845,981	857,579	99
- dividends	6,172,954	62,153	9.932
- realised gains on disposals	83,290	8,911,599	1
- other financial income	4,604	5,450	84
Income from other financial assets	77,277,446	83,084,119	93
- interest income	44,655,685	48,356,136	92
- dividends	2,787,574	2,367,645	118
- fair value gains	2,767,288	1,708,114	162
- realised gains on disposals	25,370,295	29,252,705	87
- other financial income	1,696,604	1,399,519	121
Net unrealised gains on unit-linked life insurance assets	27,760,436	23,076,214	120
<b>Other income from insurance operations</b>	<b>21,938,604</b>	<b>19,160,149</b>	<b>115</b>
- fees and commission income	18,011,730	15,201,866	118
- other income from insurance operations	3,926,874	3,958,283	99
<b>Other income</b>	<b>10,951,423</b>	<b>12,645,615</b>	<b>87</b>
<b>Net claims incurred</b>	<b>376,292,830</b>	<b>350,739,765</b>	<b>107</b>
- gross claims settled	411,305,524	391,236,320	105
- reinsurers' share	-24,624,035	-20,679,367	119
- changes in claims provisions	-10,388,659	-19,817,188	52
<b>Change in other insurance technical provisions (excluding ULI)</b>	<b>35,366,975</b>	<b>28,758,525</b>	<b>123</b>
<b>Change in insurance technical provisions for unit-linked insurance contracts</b>	<b>-14,678,837</b>	<b>-7,469,473</b>	<b>197</b>
<b>Expenses for bonuses and discounts</b>	<b>8,073,088</b>	<b>9,108,703</b>	<b>89</b>
<b>Operating expenses</b>	<b>145,922,909</b>	<b>142,229,598</b>	<b>103</b>
- acquisition costs	105,301,136	102,587,533	103
- other operating costs	40,621,773	39,642,065	102
<b>Expenses from financial assets and liabilities</b>	<b>21,992,479</b>	<b>30,163,394</b>	<b>73</b>
Expenses from financial assets and liabilities in associates	4,435	551,754	1
- realised loss on disposals	0	544,414	0
- other expenses from financial assets and liabilities	4,435	7,340	60
Expenses from other financial assets and liabilities	21,845,151	28,252,856	77
- interest expense	1,549,066	1,383,064	112
- fair value losses	1,614,514	1,885,016	86
- realised loss on disposals	10,588,355	18,158,535	58
- loss on impairment of financial assets	200,000	3,097,058	6
- other expenses from financial assets and liabilities	7,893,216	3,729,183	212
Net unrealised losses on unit-linked life insurance assets	142,893	1,358,784	11
<b>Other insurance expenses</b>	<b>6,980,751</b>	<b>8,476,079</b>	<b>82</b>
- fees and commission expenses	2,211,487	0	0
- other expenses from insurance operations	4,769,264	8,476,080	56
<b>Other expenses</b>	<b>13,319,580</b>	<b>12,143,689</b>	<b>110</b>
<b>Profit before tax</b>	<b>73,822,316</b>	<b>83,417,802</b>	<b>88</b>
Income tax expense	11,300,366	8,084,200	140
<b>Net profit for the accounting period</b>	<b>62,521,950</b>	<b>75,333,602</b>	<b>83</b>

## Financial result ratios of Zavarovalnica Triglav

Financial result ratios	2017	2016	2015
Return on equity	11.0%	13.8%	10.9%
Claims ratio	58.5%	55.7%	55.2%
Expense ratio	31.0%	32.3%	31.0%
Combined ratio	89.6%	87.9%	86.2%
Operating expenses of insurance business in gross written premiums	27.0%	27.7%	27.5%

## 9. Financial Standing of the Triglav Group and Zavarovalnica Triglav

- As at the reporting date, balance sheet total rose by 3% compared to the previous year, whilst total equity capital grew by 2%.
- Financial assets of the Triglav Group were up 2%.

### 9.1 The Triglav Group

#### 9.1.1 Equity and liabilities

As at the end of the reporting period, **total equity capital** of the Group reached EUR 756.6 million, which was 2% more over the previous year. The share of equity in total liabilities decreased by 0.2 percentage point to 20.6%. Equity attributable to the controlling company grew by 2% to EUR 749.8 million, whereas non-controlling interest holders had EUR 6.8 million, down by 35%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary shares.

As a result of an increase in the value of available-for-sale financial assets, **fair value reserve** rose by 9% and totalled EUR 95.4 million. **Share premium** was 6% lower, amounting to EUR 50.4 million due to an additional payment made to the minority shareholders of Pozavarovalnica Triglav Re and the acquisition of a minority stake in Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Skopje.

**Reserves from profit** were up 9%, amounting to EUR 333.4 million. They include other reserves from profit in the amount of EUR 314.3 million, which increased by EUR 30.0 million, legal and statutory reserves of EUR 18.5 million, which grew by EUR 301 thousand from net profit brought forward and decreased by EUR 2.4 million due to the acquisition of a minority stake in Triglav Osiguranje, Sarajevo, and safety reserves in the amount of EUR 0.6 million.

**Accumulated profit** decreased by 8% to EUR 199.8 million. In addition to net profit for the year, accumulated profit includes EUR 160.6 million of net profit brought forward (index 93). Compared to 2016, net profit brought forward increased by EUR 44.2 million due to the transfer of net profit of the preceding year and decreased by EUR 56.8 million due to the dividend payment. Net profit for the year disclosed in the balance sheet totalled EUR 39.1 million (index 89), which was EUR 30.1 million less than net profit disclosed in the income statement. The amount of EUR 30.1 million of net profit for the year was allocated to reserves from profit (see [\[→ Section 9.2.1\]](#) for more details).

**Subordinated liabilities** dropped by 8%, primarily due to the purchase of own bonds. They accounted for 0.4% of total liabilities or EUR 15.5 million in nominal terms.

On the liabilities side, **gross insurance technical provisions** were up 3% to EUR 2,732.2 million. Their portion in total liabilities remained at the 2016 level, accounting for 74.4%. Mathematical provisions climbed by 3% to EUR 1,782.6 million. Claims

provisions went up by 1%, provisions for gross unearned premium increased by 5% and other insurance technical provisions rose by 8%. Insurance technical provisions of the Triglav Group are discussed in greater detail in [\[→ Section 7.8\]](#).

**Other financial liabilities** equalled EUR 5.6 million, up by 6% primarily as the result of higher liabilities of Triglav Osiguranje, Belgrade. Their share accounted for 0.2% of total liabilities.

**Operating liabilities** grew by 17% compared to the 2016 year-end, amounting to EUR 49.4 million, and accounted for 1.3% of total liabilities. Liabilities from co-insurance and reinsurance operations rose to EUR 28.8 million (index 124), while liabilities from direct insurance operations grew to EUR 18.9 million (index 118). Current tax liabilities equalled EUR 1.7 million or 39% less than the year before.

**Employee benefits** of EUR 14.0 million grew by 3%, whilst **other provisions** totalled EUR 3.8 million (index 96). **Deferred tax liabilities** increased by 4% to EUR 26.4 million, primarily due to higher fair value reserve from financial investments for which deferred tax is calculated.

**Other liabilities** increased by 14% mainly due to higher trade payables for intangible assets of the parent company. They amounted to EUR 71.2 million, accounting for 1.9% of total assets.

#### 9.1.2 Assets

As at 31 December 2017, **financial assets** equalled EUR 3,038.1 million and were 2% higher over the preceding year. Their share accounted for 82.7% of total assets. Unit-linked insurance assets amounted to EUR 450.2 million and financial investments to EUR 2,587.9 million. The bulk of financial assets was accounted for by available-for-sale financial assets, which totalled EUR 1,815.3 million. In total financial assets, EUR 221.4 million was accounted for by held-to-maturity financial assets, EUR 125.3 million by deposits and loans, and EUR 425.9 million by financial assets measured at fair value through profit or loss. The structure of financial assets is discussed in greater detail in [\[→ Section 7.9\]](#).

**The Triglav Group's financial investments in associates** dropped by 6% as the result of lower profit of associates accounted for by using the equity method and the impairment of investment in ZIF Prof Plus. The Group established two new associates: Triglav and Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom, Banja Luka, increasing investments in associates by EUR 1.2 million. Investments in associates amounted to EUR 6.4 million, accounting for a 0.2% share of total assets.

**Investment property** was down 2% due to the sale of certain real properties and the transfer of these assets to non-current assets held for sale. They totalled EUR 94.0 million.

As at the reporting date, **receivables** increased by 7% and stood at EUR 163.9 million (a 4.5% share of total assets), of which receivables from direct insurance operations accounted for the bulk, totalling EUR 85.7 million (index 102). Receivables from co-insurance and reinsurance operations reached EUR 44.9 million (index 128), other receivables stood at EUR 33.2 million (index 101) and current tax receivables equalled EUR 32 thousand (2016: EUR 890 thousand).

**Insurance technical provisions transferred to reinsurance contracts** amounted to EUR 83.8 million, having increased by 9%. Assets from reinsurance contracts from claims provisions were 10% higher and totalled EUR 63.9 million, while assets from unearned premium rose by 3% to EUR 19.8 million.

**Intangible assets** stood at EUR 78.8 million, having increased by 7% primarily due to higher long-term deferred expenses and accrued income for licenses and higher long-term deferred acquisition costs of the parent company. **Property, plant and equipment** totalled EUR 111.2 million, up by 3% compared to the 2016 year-end.

**Non-current assets** held for sale equalled EUR 2.3 million due to the planned sale of specific land plots and buildings. In 2017, non-current assets held for sale increased by EUR 1.3 million due to the planned sale of a building owned by Triglav, Upravljanje nekretninama, Zagreb.

■ Insurance technical provisions transferred to reinsurance contracts increased by 9%.

#### Financial standing ratios of the Triglav Group

Financial standing ratios	2017	2016	2015
The portion of equity in total liabilities	20.6%	20.8%	20.2%
Average equity balance as % of gross written premium	75.1%	77.4%	75.7%
Return on equity	9.3%	11.4%	12.8%
Share of gross insurance technical provisions in total liabilities	74.4%	74.4%	74.4%
Average balance of gross insurance technical provisions as % of gross written premium	269.7%	281.0%	268.4%
Financial assets to total assets ratio	82.7%	83.2%	82.3%
Financial assets to gross insurance technical provisions ratio	111.2%	111.8%	110.5%

## Balance sheet of the Triglav Group as at 31 December 2017 – according to IFRS

	31 December 2017	31 December 2016	Index	Structure 2017	Structure 2016
<b>ASSETS</b>	<b>3,674,676,193</b>	<b>3,574,885,423</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>
Intangible assets	78,840,612	73,823,588	107	2.1%	2.1%
Property, plant and equipment	111,210,437	107,933,428	103	3.0%	3.0%
Deferred tax assets	13,769,115	15,793,114	87	0.4%	0.4%
Investment property	94,007,483	95,842,720	98	2.6%	2.7%
Investments in associates	6,449,324	6,826,400	94	0.2%	0.2%
Financial assets	3,038,086,748	2,974,303,281	102	82.7%	83.2%
Financial investments:	2,587,850,704	2,514,320,459	103	70.4%	70.3%
- loans and deposits	125,251,487	148,731,638	84	3.4%	4.2%
- held to maturity	221,390,576	231,342,393	96	6.0%	6.5%
- available for sale	1,815,323,900	1,738,043,072	104	49.4%	48.6%
- recognised at fair value through profit and loss	425,884,741	396,203,356	107	11.6%	11.1%
Unit-linked insurance assets	450,236,044	459,982,822	98	12.3%	12.9%
Reinsurers' share of insurance technical provisions	83,815,576	77,084,783	109	2.3%	2.2%
Receivables	163,878,354	152,921,089	107	4.5%	4.3%
- receivables from direct insurance operations	85,722,492	84,059,166	102	2.3%	2.4%
- receivables from reinsurance and co-insurance operations	44,939,702	35,099,850	128	1.2%	1.0%
- current tax receivables	32,211	890,276	4	0.0%	0.0%
- other receivables	33,183,949	32,871,797	101	0.9%	0.9%
Other assets	3,922,257	3,622,253	108	0.1%	0.1%
Cash and cash equivalents	78,417,847	65,714,474	119	2.1%	1.8%
Non-current assets held for sale	2,278,440	1,020,293	223	0.1%	0.0%
<b>EQUITY AND LIABILITIES</b>	<b>3,674,676,193</b>	<b>3,574,885,423</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>
Equity	756,645,683	744,349,747	102	20.6%	20.8%
Controlling interests	749,838,244	733,955,514	102	20.4%	20.5%
- share capital	73,701,392	73,701,392	100	2.0%	2.1%
- share premium	50,403,656	53,488,690	94	1.4%	1.5%
- reserves from profit	333,407,073	305,535,457	109	9.1%	8.5%
- treasury share reserves	364,680	364,680	100	0.0%	0.0%
- treasury shares	-364,680	-364,680	100	0.0%	0.0%
- fair value reserve	95,398,236	87,735,128	109	2.6%	2.5%
- net profit/loss brought forward	160,647,992	173,192,869	93	4.4%	4.8%
- net profit/loss for the year	39,133,955	44,216,477	89	1.1%	1.2%
- currency translation differences	-2,854,060	-3,914,499	73	-0.1%	-0.1%
Non-controlling interests	6,807,439	10,394,233	65	0.2%	0.3%
Subordinated liabilities	15,459,132	16,869,102	92	0.4%	0.5%
Insurance technical provisions	2,282,701,026	2,203,105,224	104	62.1%	61.6%
- unearned premiums	278,112,719	263,639,620	105	7.6%	7.4%
- mathematical provisions	1,333,055,389	1,273,538,608	105	36.3%	35.6%
- claims provisions	638,473,713	635,240,895	101	17.4%	17.8%
- other insurance technical provisions	33,059,205	30,686,101	108	0.9%	0.9%
Insurance technical provisions for unit-linked insurance contracts	449,544,565	457,683,091	98	12.2%	12.8%
Employee benefits	13,979,843	13,550,264	103	0.4%	0.4%
Other provisions	3,794,647	3,971,217	96	0.1%	0.1%
Deferred tax liabilities	26,396,579	25,400,544	104	0.7%	0.7%
Other financial liabilities	5,589,381	5,288,693	106	0.2%	0.1%
Operating liabilities	49,381,602	42,028,195	117	1.3%	1.2%
- liabilities from direct insurance operations	18,875,323	16,020,020	118	0.5%	0.4%
- liabilities from reinsurance and co-insurance operations	28,758,158	23,129,245	124	0.8%	0.6%
- current tax liabilities	1,748,121	2,878,930	61	0.0%	0.1%
Other liabilities	71,183,735	62,639,346	114	1.9%	1.8%

## 9.2 Zavarovalnica Triglav

### 9.2.1 Equity and liabilities

**Total equity capital** increased by 1% and reached EUR 571.4 million. The share of equity in total liabilities decreased by 0.1 percentage point to 20.5%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary registered no-par value shares. Share premium remained unchanged, amounting to EUR 53.4 million. As a result of an increase in the value of available-for-sale financial assets, fair value reserve increased by 4% to EUR 67.3 million. Over the reporting year, reserves from profit grew by 10% to EUR 319.0 million. They include legal and statutory reserves in the amount of EUR 4.7 million and other reserves from profit of EUR 314.3 million, which increased by EUR 30.0 million due to allocation of net profit/loss.

As at 31 December 2017, accumulated profit for the year was EUR 58.1 million (index 70), including net profit for the year and net profit brought forward of EUR 25.6 million (index 57). Net profit brought forward increased by EUR 37.7 million due to a transfer of net profit and decreased by EUR 56.8 million due to the dividend payment. Net profit for the year disclosed in the balance sheet totalled EUR 32.5 million, which was EUR 30.0 million less than net profit disclosed in the income statement, as the Company based on the resolution of the

Management Board used part of the net profit to form other reserves from profit.

**Subordinated liabilities** as at 31 December 2017 totalled EUR 20.6 million and were 2% lower on a year-on-year basis.

On the liabilities side, **gross insurance technical provisions** increased by 1% and stood at EUR 2,103.4 million. In total liabilities, they accounted for a 75.5% and were 0.3 percentage point lower than as at the 2016 year-end. As at the reporting date, mathematical provisions amounted to EUR 1,411.0 million, which represented an increase of 1% over the end of the previous year. Provisions for gross unearned premiums and other insurance technical provisions increased by 4% and 2% respectively. Gross claims provisions remained at the same level as in 2016. Insurance technical provisions are discussed in greater detail under [[→ Section 7.8. Risk equalisation](#)].

**Operating liabilities** grew by 13% compared to the 2016 year-end, amounting to EUR 27.7 million and (share of 1.0% of the total balance sheet liabilities). They increased mostly on the account of liabilities from co-insurance and reinsurance operations, which rose by 33% to EUR 15.2 million.

**Deferred tax liabilities**, which are balanced with deferred tax assets, increased by 32%, which was mainly due to lower deferred tax assets for temporary differences in receivables and financial investments, totalling EUR 9.3 million.

**Other liabilities** increased by 17% due to higher trade payables for intangible assets. As at the reporting date, they stood at EUR 40.8 million, representing 1.5% of total balance sheet.

### 9.2.2 Assets

**Financial assets** went up by 1% to EUR 2,278.6 million. Their share in total assets was down 0.2 percentage point, accounting for an 81.8%. **Unit-linked insurance assets** went down by 4% (EUR 417.6 million), whereas financial investments increased by 3% to EUR 1,861.0 million. In total financial investments, EUR 1,400.7 million was accounted for by investments available for sale, EUR 201.9 million by investments recognised at fair value through profit/loss, EUR 167.0 million by investments held to maturity and by deposits and loans EUR 91.4 million.

**Financial investments in subsidiaries and associates** fell by 9% and totalled EUR 128.2 million and represented a 4.6% share of total assets. Financial investments in subsidiaries were down 10% to EUR 118.2 million as a result of the winding up of Salnal following the simplified procedure. The Triglav Group's financial investments in associates rose by 5% owing to the new investments in Triglav.

**Investment properties** dropped by 3% to EUR 48.2 million due to sale of certain real properties, accounting for 1.7% of total assets.

Compared to 31 December 2016, **receivables** decreased by 7% to EUR 81.4 million, representing 2.9% of total financial assets, of which receivables from direct insurance operations accounted for the bulk, having decreased by 6% to EUR 54.7 million. Receivables from reinsurance and co-insurance operations were up 84% and reached EUR 13.9 million, whereas other receivables totalled EUR 12.7 million, having increased by 29%.

**Insurance technical provisions transferred to reinsurance contracts** stood at EUR 85.3 million, having increased by 12%. Assets from reinsurance contracts from claims provisions increased and totalled EUR 67.8 million (index 114) and those from unearned premium as well, equalling EUR 17.6 million (index 103).

**Intangible assets** stood at EUR 59.8 million, having increased by 7% due to higher long-term deferred acquisition costs for licenses and higher long-term deferred acquisition costs.

■ Total equity capital of Zavarovalnica Triglav increased by 1%.

## Balance sheet of Zavarovalnica Triglav as at 31 December 2017 – according to IFRS

	31 December 2017	31 December 2016	Index	Structure 2017	Structure 2016
<b>ASSETS</b>	<b>2,786,489,540</b>	<b>2,740,333,045</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>
Intangible assets	59,786,283	55,884,567	107	2.1%	2.0%
Property, plant and equipment	67,526,775	66,230,456	102	2.4%	2.4%
Investment property	48,214,401	49,611,417	97	1.7%	1.8%
Investments in subsidiaries	118,167,937	130,632,438	90	4.2%	4.8%
Investments in associates	10,002,047	9,503,047	105	0.4%	0.3%
Financial assets	2,278,606,115	2,246,543,870	101	81.8%	82.0%
Financial investments:	1,860,998,156	1,812,500,601	103	66.8%	66.1%
- loans and deposits	91,428,595	82,397,894	111	3.3%	3.0%
- held to maturity	166,993,807	168,983,706	99	6.0%	6.2%
- available for sale	1,400,652,988	1,365,449,446	103	50.3%	49.8%
- recognised at fair value through profit and loss	201,922,766	195,669,555	103	7.2%	7.1%
Unit-linked insurance assets	417,607,959	434,043,269	96	15.0%	15.8%
Reinsurers' share of insurance technical provisions	85,327,645	76,455,107	112	3.1%	2.8%
Receivables	81,350,417	75,869,085	107	2.9%	2.8%
- receivables from direct insurance operations	54,731,853	58,491,603	94	2.0%	2.1%
- receivables from reinsurance and co-insurance operations	13,889,792	7,538,096	184	0.5%	0.3%
- other receivables	12,728,772	9,839,386	129	0.5%	0.4%
Other assets	1,993,174	1,949,412	102	0.1%	0.1%
Cash and cash equivalents	35,514,746	27,653,646	128	1.3%	1.0%
<b>EQUITY AND LIABILITIES</b>	<b>2,786,489,540</b>	<b>2,740,333,045</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>
Equity	571,412,305	563,389,117	101	20.5%	20.6%
- share capital	73,701,392	73,701,392	100	2.6%	2.7%
- share premium	53,412,884	53,412,884	100	1.9%	1.9%
- reserves from profit	318,962,643	288,962,643	110	11.4%	10.5%
- fair value reserve	67,250,264	64,890,318	104	2.4%	2.4%
- net profit/loss brought forward	25,563,172	44,688,278	57	0.9%	1.6%
- net profit/loss for the year	32,521,950	37,733,602	86	1.2%	1.4%
Subordinated liabilities	20,608,180	21,103,108	98	0.7%	0.8%
Insurance technical provisions	1,687,109,267	1,645,177,811	103	60.5%	60.0%
- unearned premiums	196,528,185	188,487,876	104	7.1%	6.9%
- mathematical provisions	994,737,498	959,268,937	104	35.7%	35.0%
- claims provisions	469,230,900	471,240,775	100	16.8%	17.2%
- other insurance technical provisions	26,612,684	26,180,223	102	1.0%	1.0%
Insurance technical provisions for unit-linked insurance contracts	416,250,767	431,125,308	97	14.9%	15.7%
Employee benefits	10,700,463	10,547,514	101	0.4%	0.4%
Other provisions	724,961	689,669	105	0.0%	0.0%
Deferred tax liabilities	9,301,053	7,065,409	132	0.3%	0.3%
Other financial liabilities	1,845,184	1,852,710	100	0.1%	0.1%
Operating liabilities	27,740,050	24,451,951	113	1.0%	0.9%
- liabilities from direct insurance operations	11,354,265	11,202,342	101	0.4%	0.4%
- liabilities from reinsurance and co-insurance operations	15,249,797	11,507,586	133	0.5%	0.4%
- current tax liabilities	1,135,988	1,742,023	65	0.0%	0.1%
Other liabilities	40,797,310	34,930,448	117	1.5%	1.3%

# 10. Cash Flow Statement

- In 2017, cash flows from operating and investing activities of the Triglav Group and Zavarovalnica Triglav were positive, while cash flows from financing activities were negative.
- The closing balance of cash and cash equivalents of the Triglav Group amounted to EUR 78.4 million, up by 19% compared to the previous year.

## 10.1 The Triglav Group

A higher positive **cash flow from operating activities** of the Triglav Group mainly resulted from higher net premium. It amounted to EUR 49.7 million, having increased by 19% compared to the year before.

A **positive cash flow from investing activities** dropped by 31% to EUR 23.3 million nominally compared to the year before. This decrease was primarily caused by lower net income and retained investment activities due to the extremely low interest rate environment.

**Cash flow from financing activities** was negative and reached EUR –60.4 million (index 104). In addition to subordinated bond interest payments and dividend payments, an expense of EUR 2.3 million was recorded for the acquisition of minority stakes.

The **closing balance of cash and cash equivalents** increased by 19% over 2016 and totalled EUR 78.4 million.

### Summary cash flow statement of the Triglav Group

	2017	2016	Index
<b>A. Cash flow from operating activities</b>			
Income statement items	47,763,405	35,691,434	134
Changes in net current assets–operating balance sheet items	1,918,944	6,094,910	31
<b>Total cash flow from operating activities</b>	<b>49,682,349</b>	<b>41,786,344</b>	<b>119</b>
<b>B. Cash flows from investing activities</b>			
Cash inflows from investing activities	1,295,036,003	1,363,785,772	95
Cash outflows from investing activities	-1,271,700,986	-1,329,853,353	96
<b>Total cash flow from investing activities</b>	<b>23,335,017</b>	<b>33,932,419</b>	<b>69</b>
<b>C. Cash flows from financing activities</b>			
Cash inflows from financing activities	0	0	0
Cash outflows from financing activities	-60,407,207	-57,900,352	104
<b>Total cash flow from financing activities</b>	<b>-60,407,207</b>	<b>-57,900,352</b>	<b>104</b>
<b>D. Opening balance of cash and cash equivalents</b>	<b>65,714,474</b>	<b>47,928,768</b>	<b>137</b>
<b>E1. Net cash flow for the period</b>	<b>12,610,159</b>	<b>17,818,411</b>	<b>71</b>
<b>E2. Foreign exchange differences</b>	<b>93,214</b>	<b>-32,705</b>	<b>0</b>
<b>F. Closing balance of cash and cash equivalents</b>	<b>78,417,847</b>	<b>65,714,474</b>	<b>119</b>

## 10.2 Zavarovalnica Triglav

Zavarovalnica Triglav recorded a positive **cash flow from operating activities**. It amounted to EUR 7.0 million, down by 59% compared to the previous year. This decrease was mainly the result of higher claims settled.

**Cash flow from investing activities** dropped by 3% to EUR 59.0 million nominally compared to the year before. A high level of the positive cash flow was maintained in the reporting year, while the whole decrease was the result of lower interest income.

**Cash flow from financing activities** was negative and reached EUR –58.1 million. Compared to the previous year, it remained at approximately the same level (index 100). Financing expenses included dividend payments and interest paid on ZT02 treasury bonds.

The **closing balance of cash and cash equivalents** was 28% above the 2016 year-end figure, totalling EUR 35.5 million.

### Summary cash flow statement of Zavarovalnica Triglav

	2017	2016	Index
<b>A. Cash flow from operating activities</b>			
Income statement items	2,402,118	12,967,999	19
Changes in net current assets–operating balance sheet items	4,592,420	4,049,554	113
<b>Total cash flow from operating activities</b>	<b>6,994,538</b>	<b>17,017,553</b>	<b>41</b>
<b>B. Cash flows from investing activities</b>			
Cash inflows from investing activities	1,077,968,813	1,065,220,751	101
Cash outflows from investing activities	-1,018,983,429	-1,004,173,370	101
<b>Total cash flow from investing activities</b>	<b>58,985,384</b>	<b>61,047,381</b>	<b>97</b>
<b>C. Cash flows from financing activities</b>			
Cash inflows from financing activities	0	0	0
Cash outflows from financing activities	-58,118,823	-57,961,246	100
<b>Total cash flow from financing activities</b>	<b>-58,118,823</b>	<b>-57,961,246</b>	<b>100</b>
<b>D. Opening balance of cash and cash equivalents</b>	<b>27,653,646</b>	<b>7,549,958</b>	<b>366</b>
<b>E. Net cash flow for the period</b>	<b>7,861,100</b>	<b>20,103,688</b>	<b>39</b>
<b>F. Closing balance of cash and cash equivalents</b>	<b>35,514,746</b>	<b>27,653,646</b>	<b>128</b>