




The Triglav Group
and
Zavarovalnica
Triglav d.d.
**Annual Report
2017**

Energy of the Group

A woman with long brown hair, wearing a grey patterned dress, is on the left, smiling and adjusting a Samsung VR headset. A man in a dark suit and red tie is on the right, also wearing a VR headset and gesturing with his hands. The background is white with various grey and red squares floating in the air.

Dragan Marković
Triglav Osiguranje, Belgrade

”I’m convinced that new technologies are an opportunity for all generations and for the region as a whole. They open up new possibilities and provide development support.”

Alenka Jančar
Zavarovalnica Triglav

”Digital and traditional services are complementary.

I see them as a coherent whole and as a constant upgrade of our services.”



Marica Makoter
Zavarovalnica Triglav

”Being open to new ideas and joint cooperation are a prerequisite for creative development. Only then can we understand modernity while stepping into the future.”

Edib Galijatović
Triglav Osiguranje, Sarajevo

”Life is dynamic and innovative. It makes us cope with completely new risks and needs for security.”

Biljana Lukić
Triglav Osiguranje, Banja Luka

”I support the exchange of different positions and the diversity of teams. We can learn a lot from one another.”

A group of four professionals—two men and two women—are standing in a modern office with large glass windows. They are all smiling and have their hands stacked on top of each other on a white table. The man on the far left is wearing a light blue shirt and dark trousers. The woman next to him is wearing a white blouse. The man next to her is wearing a dark suit and a red tie. The woman on the far right is wearing a dark blue cardigan with white polka dots over a white top and dark trousers. The background shows the office interior with glass partitions and modern lighting.

Mateja Geržina

Triglav INT

”With the renewed organisational culture we’ll be even more closely connected. We know what we want and together we can achieve it. The first steps are behind us.”

Darko Popovski

Triglav INT

”I’m pleased that there’s increasingly more circulation of good practices and teamwork. The co-workers’ incentives are valuable to all.”

Table of Contents

The Triglav Group and
Zavarovalnica Triglav d.d.

Audited annual report for
the year ended 31 December
2017

Business Report

1. Address by the President of the Management Board	8
2. The Triglav Group and Zavarovalnica Triglav in 2017	11
3. Report of the Supervisory Board	22
4. Strategy and Plans of the Triglav Group	28
5. Corporate Governance Statement	35
6. The Share and Shareholders of Zavarovalnica Triglav	47
7. Performance of the Triglav Group and Zavarovalnica Triglav	53
8. Financial Result of the Triglav Group and Zavarovalnica Triglav	77
9. Financial Standing of the Triglav Group and Zavarovalnica Triglav	83
10. Cash Flow Statement	88
11. Development and Sales Activities	89
Non-Financial Statement	97
12. Sustainable Development in the Triglav Group	98
13. Information on the Triglav Group as at December 2017	123
14. Business Network of the Triglav Group	127
15. Performance Indicators of Zavarovalnica Triglav	129

Risk Management

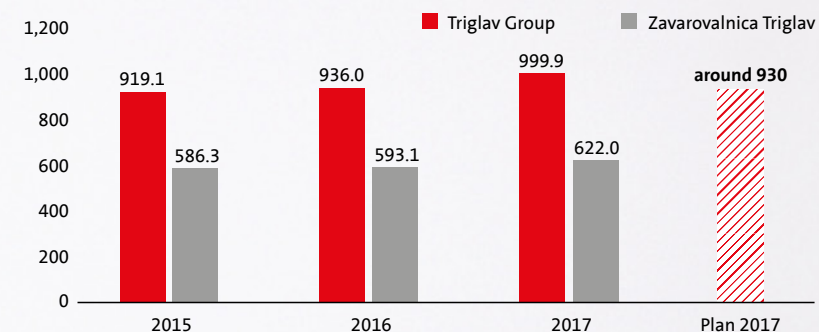
1. Risk Management System	145
2. Disclosures and Risk Management	151

Accounting Report

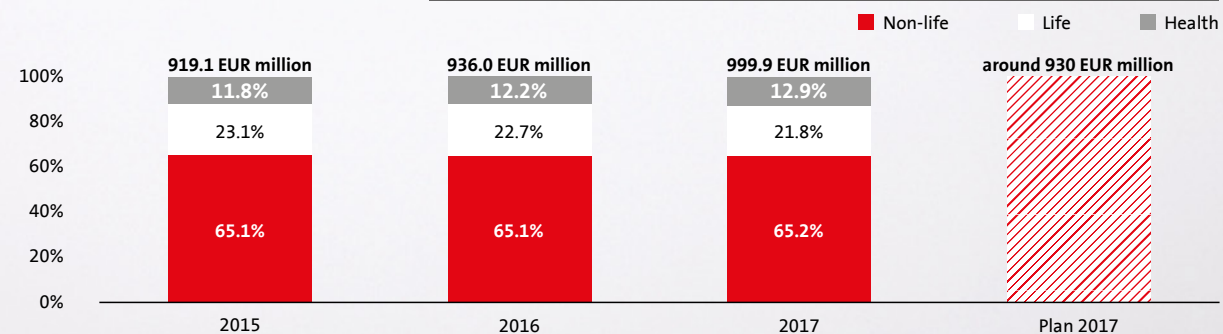
Statement of Management's Responsibilities	169
Independent Auditor's Report	170
1. Financial Statements	172
2. General Information	177
3. Notes to the Statement of Financial Position	200
4. Notes to the Income Statement	236
5. Other Information	263
Table of contents GRI	307

The Triglav Group and Zavarovalnica Triglav in 2017

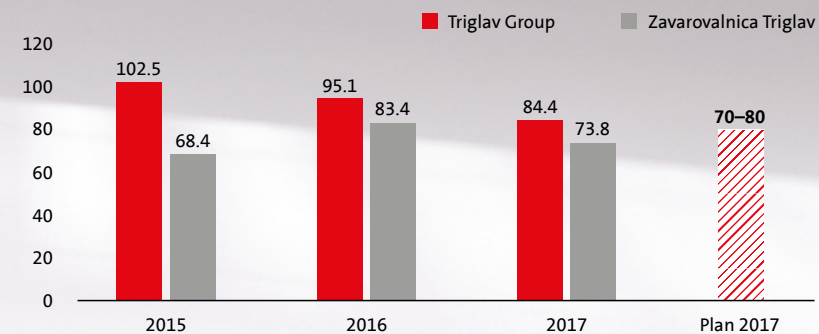
Gross written premium for insurance, co-insurance and reinsurance contracts in EUR million



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

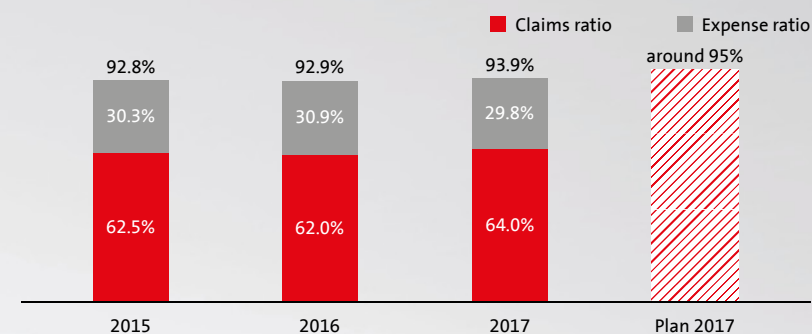


Net profit before tax in EUR million

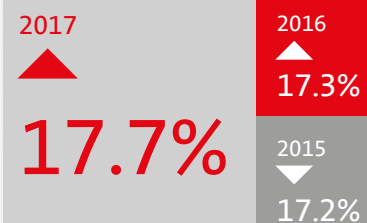


Credit rating
“A”
 of the Triglav Group
 with a stable
 long-term outlook

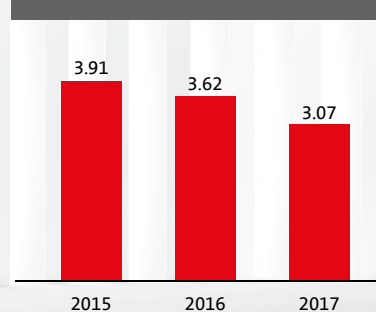
Combined ratio of the Triglav Group



Consolidated gross written premium charged in the markets outside Slovenia

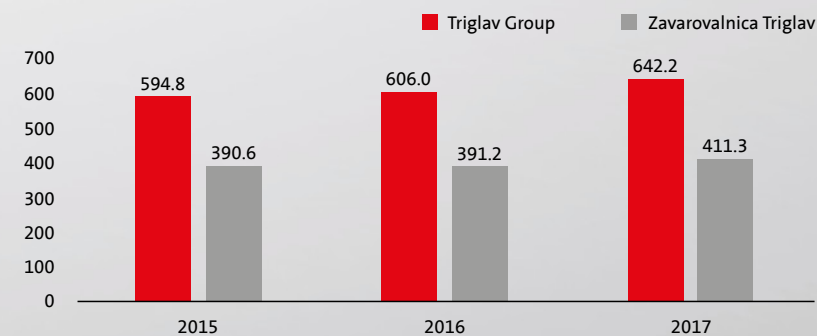


Net earnings per share* in EUR



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

Gross claims paid in EUR million



1. Address by the President of the Management Board¹

Andrej Slapar, President of the Management Board of Zavarovalnica Triglav, gives his view on the 2017 business results and presents main highlights of the first year of implementing the Triglav Group 2017-2020 Strategy.

■ The highly unfavourable claims experience was effectively compensated with high premium growth and well-managed expenses.

■ The year 2017 was the first year of implementing the planned strategic development activities.

How would you assess the performance of the Triglav Group in 2017?

The reporting year was characterised by extraordinary mass claims resulting from natural disasters, which affected the whole insurance industry. We were no exception, as mass claims were 59% above the five-year average or 22% above the ten-year average. Nevertheless, the Group performed well and surpassed the budgeted results. Consolidated profit before tax stood at EUR 84.4 million (planned at between EUR 70 and 80 million). The highly unfavourable claims experience was effectively compensated with high premium growth and well-managed expenses. Returns on investment further fell in 2017, but less than expected; however, they were positively affected particularly by specific one-off events.

The Group recorded a high 7% premium growth and collected EUR 1 billion in premiums. Although the claims ratio increased, the combined ratio of the Group remained strong at 93.9%. In line

with our growth and development strategy, the share of premium written in the markets outside Slovenia grew as well.

How would you summarise the current position of the Triglav Group?

The Triglav Group remains the strong market leader in the Adria region. According to the 2016 data, our market share additionally increased to 20%. We are pleased that both credit rating agencies, i.e. S&P Global Ratings and A.M. Best, assessed our position, performance and financial stability as strong. In 2017, they both reassigned the Triglav Group the high »A« credit ratings with a stable medium-term outlook.

On what did you concentrate your development efforts in 2017?

All five strategic guidelines were actively pursued – namely, comprehensive client relationships, digitalisation and internal redesigning of operations, efficient asset management, modern corporate culture development and

organisational commitment, maintaining profitable operations and greater value of the Triglav Group.

We placed additional focus on our clients and their needs. Moreover, we tailored our product range and other activities to the specific and concrete needs of individual markets and clients. We widened the range of our assistance services, involving overall solutions. Roadside assistance was introduced in all of our markets, in parallel with

developing other products. We believe in the concept of all channel sales enabling clients to choose the channel that fits them best. Bearing that in mind, we bundled the existing sales channels with the alternative sales channels, including banks, leasing companies and travel agencies, as well as boosted on-line and mobile sales.

By changing business processes in the Group we are creating an advanced, computerised and innovative business



■ In the markets outside of Slovenia, a high growth of 10% on average was achieved. On the largest Slovene market, a 6% growth was recorded.

environment. Large-scale activities will be performed throughout the strategy period and cover all processes – from insurance contracting and providing insurance to loss adjustment. With special attention on loss adjustment new technology and process are being introduced as a result of ever greater digitalisation and mobile service launches.

In identifying and introducing new solutions we cooperate with start-ups and business accelerators. Moreover, we are forging new forms or partnerships by entering business ecosystems as an insurer who co-creates an integrated range of different product and service contents.

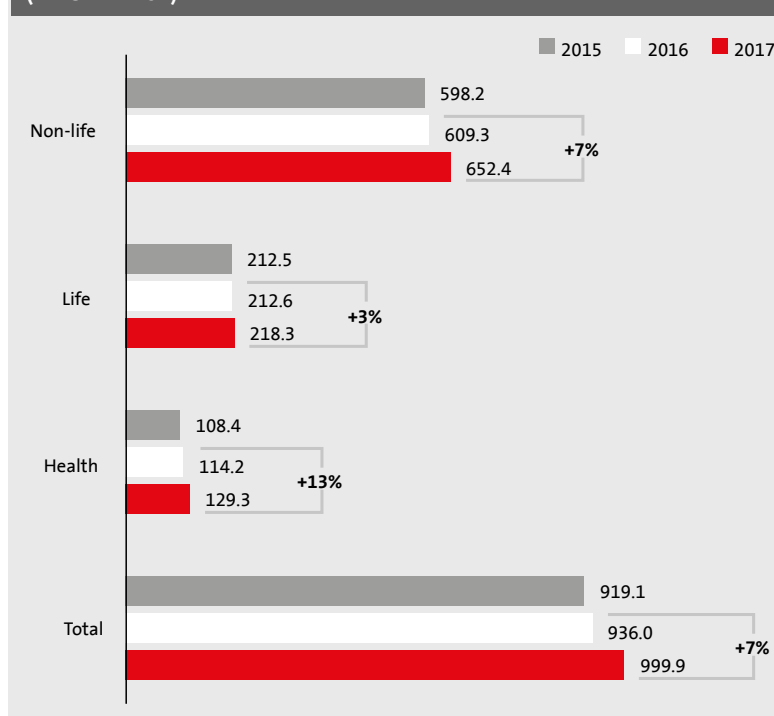
In the Triglav Group, decision-making is upgraded by including a risk assessment to the greatest extent possible. We continue to strengthen the risk management culture with the aim of making it part of the business decisions taken across all our segments and in all Group members.

How was the insurance business of the Group?

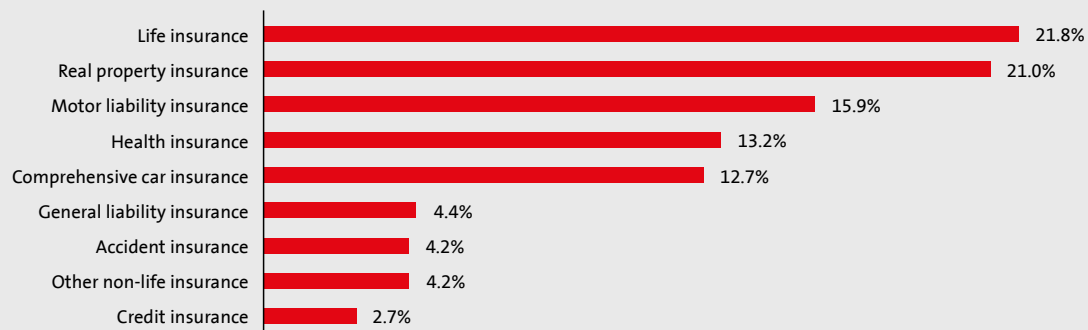
We are witnessing a strong recovery of the insurance markets in the region combined with unprecedented competition. Our business results were good nevertheless. Consolidated gross insurance, co-insurance and reinsurance written premiums were planned at EUR 930 million, but we collected EUR 1 billion. As I have already mentioned, total premium growth was high at 7%. In addition, growth was recorded in most markets covered by Triglav and in all three insurance segments. Premium from non-life insurance, the largest premium group, grew by 7%. A high premium growth of 13% was seen in health insurance and 3% in life insurance, despite the high maturity of insurance policies.

In terms of claims, 2017 was not a favourable year for the Group. Gross claims paid increased by 6% compared

Gross written premiums of the Triglav Group by segments (in EUR million)



Well balanced structure of consolidated gross written premium in 2017



to 2016. In mass claims, extreme loss events were experienced. The majority of mass claims resulted from multiple hail storms, spring frost and floods in Slovenia, Croatia and Macedonia. Claims ratio was 64%, which means it deteriorated by 2 percentage points. In contrast, expense ratio improved by 1.1 percentage point to 29.8% and combined ratio remained favourable at 93.9%. According to plans the latter should have been around 95%, which is also the average target value of combined ratio to 2020.

How did the Group perform in different insurance markets?

Written premium increased in all the markets covered by the Triglav Group, except in Macedonia. In Slovenia, our largest market, written premium increased by 6%, which equals the growth of the Slovene market. All three insurance undertakings in Slovenia reported premium growth: the parent company, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba. The Group did well in foreign markets too, with high premium growth rates of 10% on average.



■ Our long-term interest in the Adria region remains unchanged. We find these markets promising.

We developed individual markets depending on their level of development and requirements. All Group members share their experience, knowledge and development achievements. The results achieved so far show that we decided to go in the right direction.

Your plans for the region?

Our long-term interest in the Adria region remains unchanged. We find these markets promising and we are glad to see them grow. Already we are the market leader, but we want organic growth and we do not exclude any takeovers in case an opportunity arises. Although for the Group Slovenia is the largest market, we still plan that the share of total

premium generated outside Slovenia will continue to grow. In 2017 it did increase to 17.7%.

We will continue to play an active role in developing insurance markets. Our plan is to invest more in life, pension and health insurance, where we expect to have the highest growth rates. Some steps have already been taken. In Macedonia we established a new life insurance company, whilst in Bosnia and Herzegovina we were the first to offer voluntary pension insurance schemes through a specialised joint-venture. In health insurance we widened our range and established ourselves as a health insurer in practically all markets in the region.

How did financial markets influence the performance of the Triglav Group?

We expected unfavourable market trends would continue in 2017 and influence the returns on our financial investments, which did happen. Although our investment policy remained unchanged, we adjusted our investment classes. Net interest income decreases continued. Return on financial investments, excluding unit-linked insurance contract investments, amounted to EUR 78 million and were 4% lower compared to 2016. The decline in return on investment was lower than expected, with some impact resulting from specific one-off events such as realised capital gains.

In the new strategy period the focus is to develop the second pillar of asset management further. How do you intend to do that?

The Triglav Group provides asset management primarily in the form of health insurance services and our mutual funds. The latter are now also available from the newly-founded company Triglav, which is a regional platform for alternative investments.

Our strategic objective is to become a key asset management player in the Adria region. Our aim is to increase the volume of assets under management, both of the Triglav Group in total and by client. In order to achieve that objective, we will rely on the synergies within the Group and possibilities to connect with partners from other business ecosystems – keeping an eye on new opportunities brought about by the consolidation of the industry in the region.

Does your strategy include modern corporate culture development and organisational commitment?

To our existing values of safety, responsibility, professionalism and simplicity, the new strategy added a new value: pursuit of the modern. This proves we want to be open to new ideas, to understand diversity and to overcome challenges of modern times by probing the needs of all generations. We are creating a more nimble organisation that will provide a balance between stability and dynamism. We are aware that our success is based on

our employees, which is why we laid grounds for revamping the corporate culture of the Triglav Group. We intend to build environment which will appreciate creativity, the quality of work and personal development. It is our conviction that such corporate culture is the best incentive for employees.

In 2017, Slovenia enacted non-financial reporting. How were you prepared for this new legal requirement?

I could say that we have been well prepared for this ever since 2009, when we first reported on non-financial performance according to international GRI Standards. The improvements recorded by the key sustainability and development indicators are also measured by strategy indicators.

In risk management we pay great attention to non-financial risks, which are getting increasingly complex due to technological, environmental and societal changes. We are fully aware how important it is to recognize, verify and consider the interests of our key stakeholders as well as the expectations of society on the financial industry to act ethically and with integrity, without forgetting the responsibilities of our social role.

I should add that the financial security of citizens and companies will improve mainly by developing the insurance markets in Slovenia and the entire region. By developing its own business the Triglav Group will continue to actively contribute to this end.

2. The Triglav Group and Zavarovalnica Triglav in 2017

- The Triglav Group and Zavarovalnica Triglav d.d. operated profitably and safely and surpassed the key budgeted business results.
- The new Strategy was successfully implemented in the first year of its application.
- The Group strengthened its leading position in the Adria region, while remaining the market leader in Slovenia.
- Premium growth was recorded in all insurance segments and on most insurance markets in which the Group operates and increased the value of assets under management.
- The Group maintained a favourable »A« credit rating with a stable medium-term outlook.

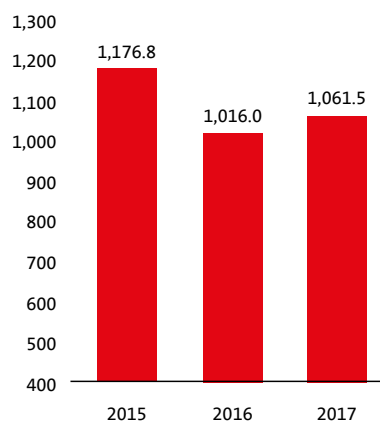
2.1 Financial highlights of the Triglav Group²

	in EUR million				
	2017	2016	2015	Index	
				2017/2016	2016/2015
Gross written premium from insurance, co-insurance and reinsurance contracts	999.9	936.0	919.1	107	102
Net premium income	891.2	849.6	839.2	105	101
Gross claims paid	642.2	606.0	594.8	106	102
Net claims incurred	620.0	577.1	570.3	107	101
Gross operating expenses	274.0	277.1	297.6	99	93
Profit before tax	84.4	95.1	102.5	89	93
Net profit	69.7	82.3	88.9	85	93
Net profit attributable to the controlling company	69.3	81.9	88.8	85	92
Combined ratio	93.9%	92.9%	92.8%	101	100
Insurance technical provisions as at 31 December	2,732.2	2,660.8	2,600.4	103	102
Equity as at 31 December	756.6	744.3	704.0	102	106
Equity attributable to the controlling company as at 31 December	749.8	734.0	692.9	102	106
Return on equity	9.29%	11.37%	12.77%	82	89
Return on equity attributable to the controlling company	9.34%	11.48%	12.93%	81	89
Number of employees as at 31 December	5.151	5.046	5.379	102	94
Book value per share (in EUR)*	32.98	32.28	30.48	102	106
Net earnings per share (in EUR)	3.07	3.62	3.91	85	93

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

2.2 Financial highlights of Zavarovalnica Triglav³

	in EUR million				
	2017	2016	2015	Index	
				2017/2016	2016/2015
Gross written premium from insurance, co-insurance and reinsurance contracts	622.0	593.1	586.3	105	101
Net premium income	522.1	509.8	517.0	102	99
Gross claims paid	411.3	391.2	390.6	105	100
Net claims incurred	376.3	350.7	349.6	107	100
Gross operating expenses	167.7	164.5	161.0	102	102
Profit before tax	73.8	83.4	68.4	88	122
Net profit	62.5	75.3	58.5	83	129
Combined ratio	89.6 %	87.9 %	86.2 %	102	102
Insurance technical provisions as at 31 December	2,103.4	2,076.3	2,053.9	101	101
Equity as at 31 December	571.4	563.4	530.6	101	106
Return on equity	11.02%	13.77%	10.89%	80	126
Number of employees as at 31 December	2.285	2.335	2.341	98	100
Book value per share (in EUR)	25.13	24.78	23.34	101	106
Net earnings per share (in EUR)	2.75	3.31	2.57	83	129

Economic value distributed of the Triglav Group (in EUR million)

For additional information please contact:⁴

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

	2017	2016	2015	Index	
				2017/2016	2016/2015
1. Other economic impacts (in EUR million)					
Economic value generated*	1,087.6	1,054.5	1,224.8	103	86
Economic value distributed	1,061.5	1,016.0	1,176.8	104	86
- Net claims incurred and other insurance expenses	680.9	624.8	627.8	109	100
- Expenses from financial assets	31.3	39.9	176.8	78	23
- Other expenses	15.0	14.7	16.9	102	87
- Operating costs**	109.2	114.6	129.8	95	88
- Dividend payments	56.8	56.8	56.8	100	100
- Tax expense (income tax expense)	14.7	12.8	13.6	115	94
- Community investments (prevention activities, donations, sponsorships)	5.8	6.3	6.7	91	95
- Employee wages, allowances and benefits	147.7	145.9	148.4	101	98
Economic value retained	26.2	38.6	48.0	68	80
2. Social impact (Zavarovalnica Triglav)					
Average training hours per employee	27	28	26	96	108
Number of insurance policies (products, services) sold online	18	18	13	100	138
Number of insurance products encouraging preventive actions	62	62	62	100	100
Personal data protection (number of fines received - target is zero)***	1	1	0	100	0
Fair business practices (share of investigated fraud cases in %)	91	91	92	100	99
3. Impact on the environment					
Electricity consumption in MWh (Zavarovalnica Triglav)****	5,031	5,475	5,092	92	108
Carbon footprint*****:					
- Zavarovalnica Triglav (tons of CO ₂ equivalent)	4,793	5,117	4,944	94	103
- Triglav Osiguranje, Sarajevo (tons of CO ₂ equivalent)	151	165	174	92	95
- Triglav Osiguranje, Belgrade (tons of CO ₂ equivalent)	743	668	471	111	142
- Lovćen Osiguranje, Podgorica (tons of CO ₂ equivalent)	206	252	195	82	129
- Triglav Osiguruvanje, Skopje (tons of CO ₂ equivalent)	201	179	372	112	48
- Triglav Osiguranje, Zagreb (tons of CO ₂ equivalent)	602	709	0	85	0
- Triglav Osiguranje, Banja Luka (tons of CO ₂ equivalent)	72	71	0	101	0
- Zavarovalnica Triglav (tons of CO ₂ equivalent per employee)*****	2.1	2.2	2.1	95	105
Waste sorting (share of employees participating in Zavarovalnica Triglav in %)	94	91	91	103	100

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

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

*** See [→ Section 12.5 Responsibility towards clients, Fair Business Practice] for more details.

**** The Company headquarters and the 12 regional units' head offices are included in the calculation. If the commercial building at Dunajska cesta 22 is taken into account (the data apply to the whole building, including all tenants most of whom are not employees of Zavarovalnica Triglav), electricity consumption is 8,593 MWh.

***** In 2016, the manner of capturing data changed, therefore the data are not fully comparable with the previous year.

***** Considering the building on Dunajska 22, tons of CO₂ equivalent per employee amounts to 3.38, however this calculation includes all inhabitants of the building, most of whom are not employed by Zavarovalnica Triglav.

2.4 Major business events and achievements in 2017

- **Good business results.** The Triglav Group again operated at a profit and surpassed the budgeted business results. Premium growth was recorded in all insurance segments and on most insurance markets in which the Group operates.
- **A high credit rating of »A« maintained:** The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's credit rating of »A« with a stable medium-term outlook. See [→ *Section 6.6 Credit rating*] for more details.
- **Dividend payment:** Dividend payments accounted for 69% of net profit of the Triglav Group for 2016. See [→ *Section 6.4. Dividends*] for more details.
- **Entry on the Macedonian life insurance market and the pension insurance market in Bosnia and Herzegovina:** On the Macedonian market, the Triglav Group established a new life insurer. Together with the European Bank for reconstruction and Development (EBRD), Penzijski rezervni fond Republike Srpske (The Pension Reserve Fund Of Republic of Srpska) and the Enterprise Expansion Fund (ENEF), Skupna pokojninska družba established a pension fund management company in Bosnia and Herzegovina. See [→ *Section Changes in the structure of the Triglav Group*].
- **Establishment of a trading platform for alternative investments Triglav:** Together with the German partner KGAL Group, Zavarovalnica Triglav established a company with the aim to obtain funds from institutional investors and invest them in various types of investments such as real property, infrastructure projects and other alternative investments.
- **Changes to the Supervisory Board and the Management Board of Zavarovalnica Triglav:** Due to the expiry of the term of office of five Supervisory Board members, shareholder representatives, the shareholders appointed five new members. See [→ *Section 5.3.3 Supervisory Board*] for more details. Barbara Smolnikar was appointed a new Management Board member, who is in charge of life insurance. The five-year term of office of the Management Board Member Benjamin Jošar expired. See [→ *Section 5.3.2 Management Board*] for more details.
- **Mass loss events:** On a global scale, 2017 was unprecedented in terms of catastrophic loss events. Mass loss events affected the performance of the Triglav Group, as hail storms, frost, the Irma hurricane, floods, drought and stormy winds resulted in damage claims of EUR 33.5 million. See [→ *Section 7.2 Environmental impact on the performance of the Triglav Group*] for more details.

2.5 Financial calendar 2018

Monday, 5 March 2018	Friday, 30 March 2018	Thursday, 26 April 2018	Thursday, 17 May 2018	Tuesday, 29 May 2018
Preliminary information of the performance of Zavarovalnica Triglav d.d. and the Triglav Group in 2017	Annual Report for 2017	Convening of the General Meeting of Shareholders of Zavarovalnica Triglav, d.d. which will make a decision on the distributable profit	Interim Report for the period from 31 January to 31 March 2018	General Meeting of Shareholders and its resolutions
from Monday 12 February 2018	from Friday, 16 March 2018		from Thursday, 3 May 2018	
Wednesday, 13 June 2018	Thursday, 14 June 2018	Friday, 17 August 2018	Thursday, 15 November 2018	
Information about the dividend date payment	Dividend payment date to Centralno klirinška depotna družba	Semi-annual Report for 2018	Interim Report for the period from 31 January to 30 September 2018	
		from Friday, 3 August 2018	from Friday, 2 November 2018	

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

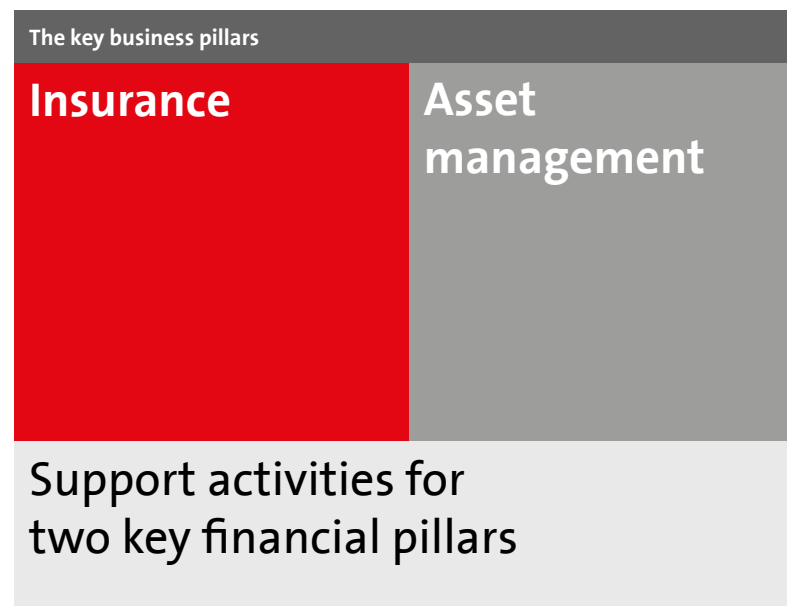
- Planned date of announcement*
- Type of announcement
- Silent period**

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

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

2.6 Activities, markets and position of the Triglav Group⁵

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



The business model of the Triglav Group

Dynamic challenges in the environment

■ Competition ■ New client needs ■ Technological development ■ Financial and macroeconomic factors ■ Development of the regulatory framework ■

Value generated for

- Shareholders and investors
- Policyholders and clients
- Employees
- Suppliers
- Social and natural environment

Resources

- Employees
- Financial capital
- Intellectual capital
- Brand
- Partnerships in the social environment
- Regional presence
- Sales channels
- Operational resources

Value generation through products and services

- Comprehensive range of insurance and financial products and services
 - Insurance services
 - Assistance services
 - Investment services

Verification and improvement of the generated value

- Strategic performance indicators
- Operational performance indicators

Results

- Client satisfaction and loyalty
- Motivated and competent employees
- Financial stability
- Profitability and growth of shareholders' assets
- Financial safety of clients
- Innovative and comprehensive insurance and financial products and services
- The Group's growth in value
- Strong brand reputation
- Improved traffic and fire safety and balanced development of local communities

Generation of value

- Implementation of the Triglav Group Strategy
- HR development
- Efficient risk management
- Efficient asset management
- Adjustment of insurance products and services to client needs
- Omni-channel client approach
- Active role on markets in the region
- Digitalisation of operations
- Modern business models and technologies
- Strategic partnerships and integration into dynamic business ecosystems
- Cooperation with partners in the social environment
- Comprehensive and transparent communication

■ Environmental changes ■ Demographic and social changes ■ Economic and political factors ■

■ In 2016 the Triglav Group increased its market share to 19.9% and thus maintained its leading position as insurer in the Adria region.

2.6.2 Insurance

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

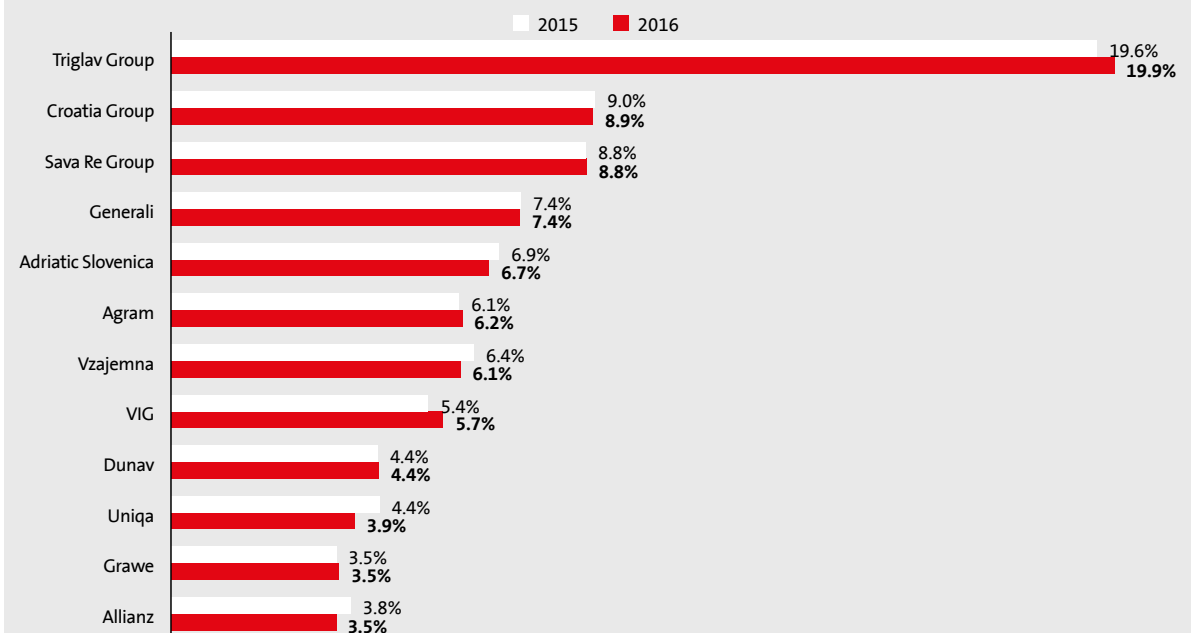
The insurance-oriented part of the Group encompasses:

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

2.6.2.1 Position on the regional insurance market

In 2016 the Triglav Group increased its market share to 19.9% and thus maintained its leading position as insurer in the Adria region, which includes Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia.

The market share of the Triglav Group in the Adria region in 2016 and 2015 (in %)



Source: Calculation of Zavarovalnica Triglav based on data of national insurance supervisory agencies and insurance associations

The parent company, Zavarovalnica Triglav, again in 2016, remained the market leader in South-East Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldavia, Montenegro, Romania, Serbia and Slovenia). According to the SeeNews survey, of the 100 largest insurers of the South-East Europe 7 insurance companies of the Triglav Group and 14 were Slovene insurers in terms of gross written premium. Zavarovalnica Triglav is 1.7 times larger than the second ranked Slovene Zavarovalnica Sava.

Largest insurance companies in South-East Europe by written premium in 2016 (in million EUR)









Source: SeeNews 2017

2.6.3 Asset management

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

2.6.4 Structure of the Triglav Group

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

	Insurance	Asset management	Other
 Slovenia	<ul style="list-style-type: none"> ■ Zavarovalnica Triglav d.d. ■ Pozavarovalnica Triglav Re d.d. ■ Triglav, Zdravstvena zavarovalnica d.d. ■ Skupna pokojninska družba d.d. 	<ul style="list-style-type: none"> ■ Triglav Skladi d.o.o. ■ Triglav, Upravljanje nepremičnin d.d. ■ Trigal d.o.o. 	<ul style="list-style-type: none"> ■ Triglav INT d.d. ■ Triglav Svetovanje d.o.o. ■ Triglav Avtoservis d.o.o. ■ Triglavko, d.o.o.
 Croatia	<ul style="list-style-type: none"> ■ Triglav Osiguranje d.d., Zagreb 		<ul style="list-style-type: none"> ■ TRI-LIFE d.o.o.
 Serbia	<ul style="list-style-type: none"> ■ Triglav Osiguranje a.d.o., Belgrade 		<ul style="list-style-type: none"> ■ Triglav Savetovanje d.o.o.
 Montenegro	<ul style="list-style-type: none"> ■ Lovćen Osiguranje a.d., Podgorica ■ Lovćen životna osiguranja a.d., Podgorica 		<ul style="list-style-type: none"> ■ Lovćen Auto a.d.
 Bosnia and Herzegovina	<ul style="list-style-type: none"> ■ Triglav Osiguranje d.d., Sarajevo ■ Triglav Osiguranje a.d., Banja Luka ■ Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka 	<ul style="list-style-type: none"> ■ PROF-IN d.o.o. 	<ul style="list-style-type: none"> ■ Triglav Savjetovanje d.o.o. ■ Triglav Auto d.o.o. ■ Autocentar BH d.o.o. ■ Unis automobili i dijelovi d.o.o.
 Macedonia	<ul style="list-style-type: none"> ■ Triglav Osiguruvanje a.d., Skopje ■ Triglav Osiguruvanje Život a.d., Skopje 		

The Triglav Group and Zavarovalnica Triglav in 2017

The Triglav Group

1st place

in the Adria region

Slovenia

35.6

% market share*

1st place

* market share of Zavarovalnica Triglav, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba

Croatia

4.4

% market share

9th place

Serbia

5.8

% market share*

5th place

* Q1–3 2017

Montenegro

38.2

% market share*

1st place

* market share of Lovćen Osiguranje and Lovćen životna osiguranja

Bosnia and Herzegovina

7.8

% market share*

5th place

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

Macedonia

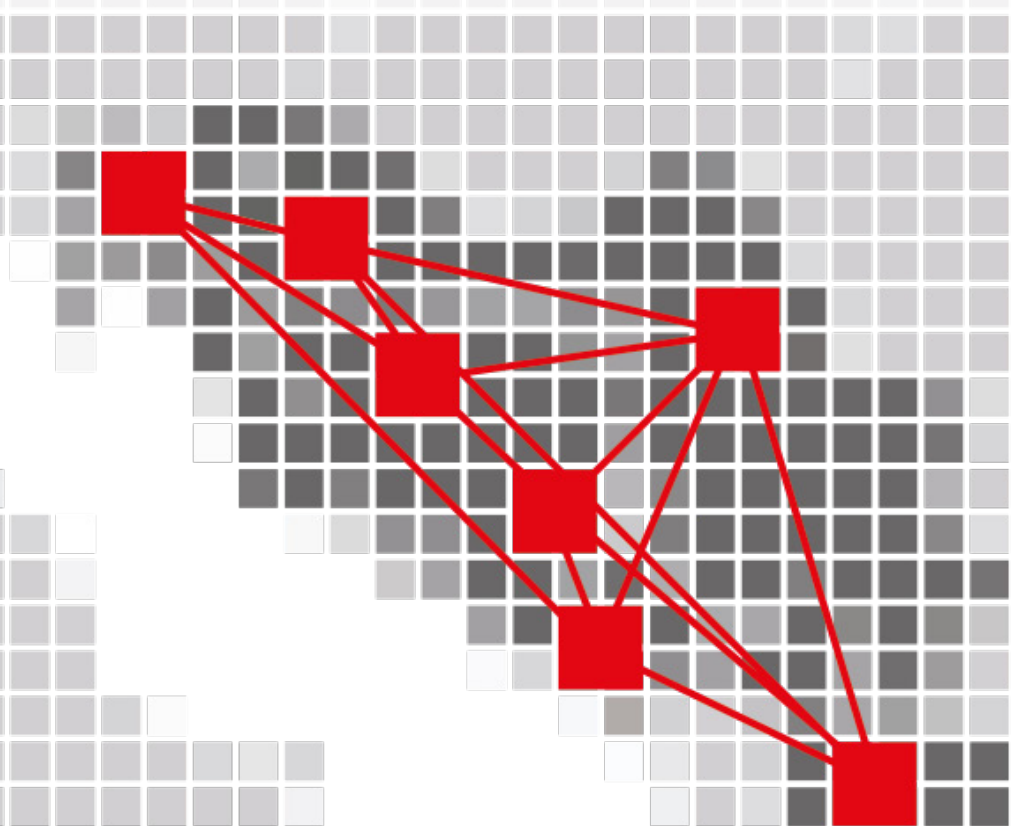
17.5

% market share*

(non-life insurances)

1st place

* Q1–3 2017



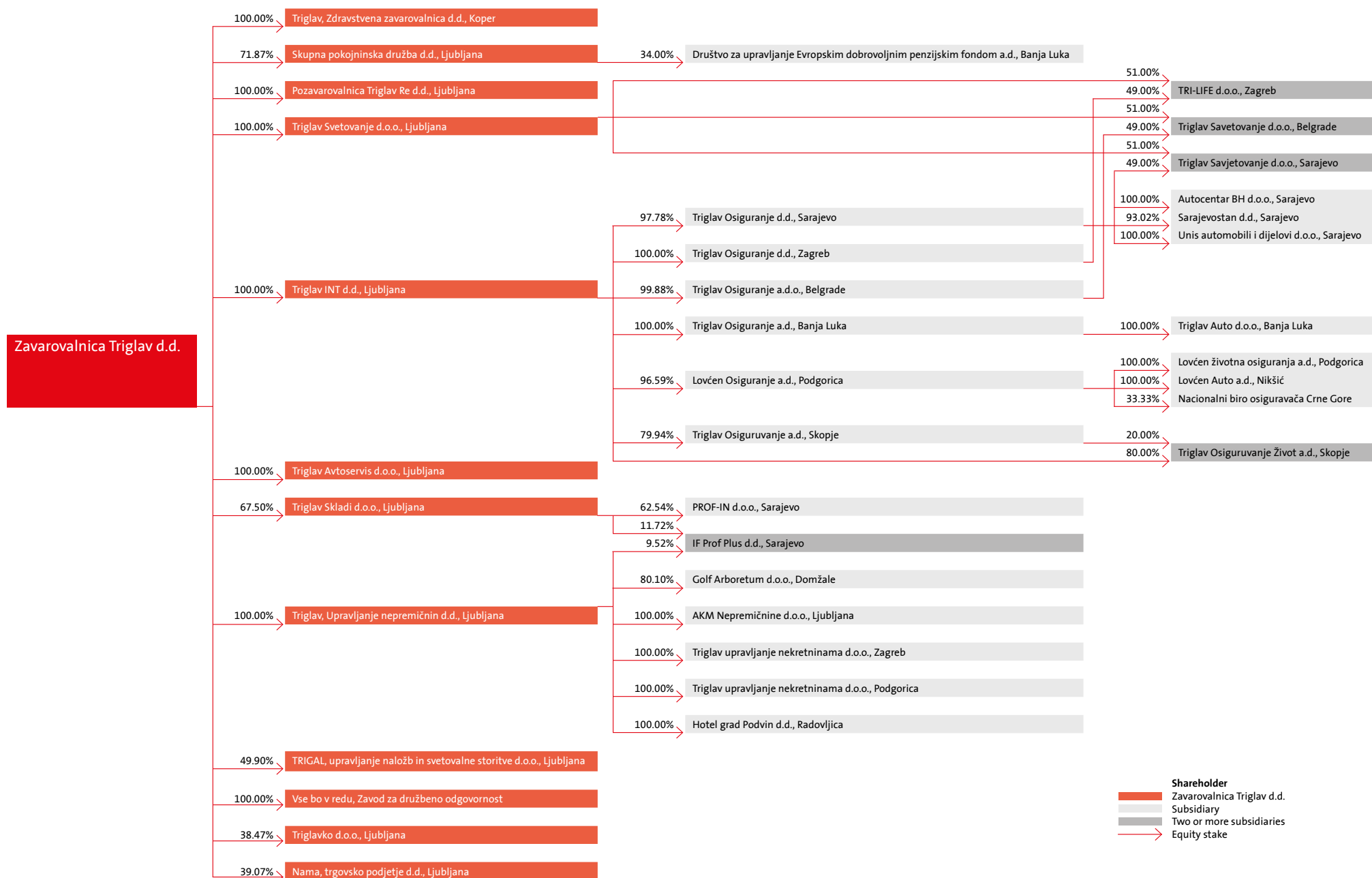
2.6.4.1 Changes to the Triglav Group composition in 2017⁶

- In February 2017, Zavarovalnica Triglav and KGAL Beteiligungsverwaltungs GmbH (hereinafter: the KGAL Group) established the company TRIGAL d.o.o., Ljubljana. The share capital of this company amounted to EUR 1 million. With a payment of EUR 499,000 of Zavarovalnica Triglav, the Company became a 49.9% owner of Triglav. As at the reporting date, the capital increase procedure started. The Triglav share capital was increased by EUR 7,350,000. Zavarovalnica Triglav paid in EUR 3,667,650 and thus maintained its 49.9% equity stake. The capital increase was entered into the Companies Register on 10 January 2018.
- Triglav INT acquired a 19.0% equity stake from non-controlling interest holders of Triglav Osiguranje, Sarajevo, thereby becoming its 88.0% owner. The acquisition price amounted to BAM 8,756,665 or EUR 4,477,212. Triglav Osiguranje, Sarajevo purchased 4,156 shares from non-controlling interest holders or 10% of treasury shares. The purchase price amounted to BAM 4,594,458 or EUR 2,349,109. The stake of non-controlling shareholders dropped from 31.0% to 2.0%, thereby reducing the value of minority interest by EUR 3,316,564. As at the 2017 year-end, the company reduced its share capital by decreasing its own stake, thereby increasing the equity stake of Triglav INT to 97.78%.
- Triglav INT acquired a 0.09% equity stake from non-controlling interest holders of Triglav Osiguranje, Zagreb, thereby becoming its 100% owner. The acquisition price was HRK 100,570 or EUR 13,625.
- Together with Penzijski rezervni fond Republike Srpske from Banja Luka (The Pension Reserve Fund Of Republic of Srpska a.d. Banja Luka), the European Bank for Reconstruction and Development (EBRD) and the Enterprise Expansion Fund (ENEF), Skupna pokojninska družba established Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka. The share capital of this company amounted to BAM 4,400,000. With the payment of BAM 1,496,000 or EUR 764.893, Skupna pokojninska družba acquired a 34.0% equity stake of the said company.
- Triglav INT acquired a 0.12% equity stake from non-controlling interest holders of Lovćen Osiguranje, Podgorica, thereby becoming its 96.59% owner. The purchase price equalled EUR 10,540.
- Triglav INT acquired a 6.56% equity stake from non-controlling interest holders of Triglav Osiguranje a.d., Skopje, thereby becoming its 79.94% owner. The acquisition price of the equity stake amounted to BAM 57,769,440 or EUR 942,000.

- Triglav INT and Triglav Osiguranje, Skopje established a new life insurance company, Triglav Osiguranje Život, a.d., Skopje on the Macedonian market. The share capital of the company amounted to MAK 307,572,900 or EUR 5,000,000. With the payment of EUR 4,000,000, Triglav INT became an 80% owner of the new insurance company. A 20% equity stake was acquired by Triglav Osiguranje, Skopje with the payment of MAK 61,627,500 or EUR 1,000,000. Triglav Osiguranje Život, a.d., Skopje was entered into the Companies Register on 4 October 2017 and was included in the annual consolidated financial statements of the Triglav Group for 2017 for the first time.
- On 26 July 2017, Zavarovalnica Triglav and its subsidiary Salnal d.o.o. signed an agreement on the sale of equity stakes in Geoplin d.o.o. and Plinhold d.o.o. with Petrol d.d. and the Republic of Slovenia. The Triglav Group holds a 7.8% stake in the said companies. The total purchase price amounted to EUR 14.5 million. The agreement was signed under suspensive conditions which must be met prior to its validity.
- Following the simplified procedure without liquidation, Salnal d.o.o. was stricken out from the Companies Register in December 2017. After Salnal was removed from the Companies Register, its total assets were transferred to and taken over by its sole shareholder, Zavarovalnica Triglav.

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

Subsidiaries and associated companies of the Triglav Group as at 31 December 2017 and their equity stake



2.7 The management Board of Zavarovalnica Triglav

As at the 2017 year-end, the Management Board of the Company was composed of the following members:

- Andrej Slapar, President;
- Uroš Ivanc, Member;
- Tadej Čoroli, Member;
- Barbara Smolnikar, Member;
- Marica Makoter, Member and Employee Representative.

On 2 November 2017, the term of office of Benjamin Jošar as a Management Board member expired. Barbara Smolnikar started serving on the Management Board on 17 October 2017.



■ Marica Makoter ■ Tadej Čoroli ■ Andrej Slapar ■ Uroš Ivanc ■ Barbara Smolnikar

3. Report of the Supervisory Board

Report of the Supervisory Board of Zavarovalnica Triglav d.d. on the Verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017

and

Opinion of the Supervisory Board of Zavarovalnica Triglav d.d. on the Annual Internal Audit Report by the Internal Audit Department of Zavarovalnica Triglav d.d. for 2017

In 2017, the Supervisory Board of Zavarovalnica Triglav responsibly supervised the operations of Zavarovalnica Triglav d.d. and the Triglav Group. It discussed the various aspects of their business and development, and on that basis adopted appropriate resolutions and followed up their implementation. Individual issues were first discussed within the framework of the Supervisory Board's committees. On the basis of their findings and proposals and careful assessment, the Supervisory Board passed appropriate resolutions. In 2017, most Supervisory Board members began a new term of office, but appropriate continuity of the membership and the induction of new Supervisory Board members enabled fast and quality performance of duties even in the Supervisory Board's changed composition.

The Supervisory Board performed its work within the scope of its powers and competences set out by law, the Articles of Association and its own Rules of Procedure.

3.1 Introduction

Pursuant to Article 282 of the Companies Act and Article 69 of the Insurance Act, the Supervisory Board hereby presents its Report on the Verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017 (hereinafter: the Report) and its Opinion on the Annual Internal Audit Report for 2017.

The findings are based on the supervision of the operations of Zavarovalnica Triglav d.d. (hereinafter: the Company, the controlling company or the parent company) in 2017 and on the verification of the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017 (hereinafter: Annual Report), which includes the reports by the chief actuarial officers for non-life and life insurance categories for 2017.

The Opinion of the Supervisory Board on the work of the Internal Audit Department in 2017 and the Annual Internal Audit Report by the Internal Audit Department of Zavarovalnica Triglav d.d. for 2017 are also integral parts of the Report.

3.2 General Information

The Supervisory Board and its committees in 2017

The composition of the Supervisory Board in 2017 is described in [→ *Section 5. Corporate Governance Statement (Supervisory Board in 2017)*] in the business report of the Annual Report. In 2017, the Supervisory Board held nine sessions and had four committees: the Audit Committee, the Appointment and Remuneration

Committee, the Strategy Committee and the Nomination Committee. The composition of the Supervisory Board committees in 2017 as well as the significant duties and competences of individual committees are described in [→ *Section 5. Corporate Governance Statement (Composition of Supervisory Board committees and their activities in 2017)*] in the business report of the Annual Report.

The Audit Committee

In 2017, the Audit Committee held nine meetings, at which it, among others:

- monitored and discussed financial reporting procedures and the external audit of the annual financial statements of the Triglav Group and Zavarovalnica Triglav;
- assessed the compilation of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016;
- monitored and discussed the risk management systems, the functioning of internal controls, the Internal Audit Department's reports, recommendations, annual work plan for 2018 and guidelines for the 2019–2021 period, including the external quality assessment of the IAD. Furthermore, it discussed the amendments to the Zavarovalnica Triglav d.d.'s Internal Auditing Policy, the appointment of the Director of the Internal Audit Department and the policy of its remuneration;
- supervised and discussed the conclusion of agreements with audit firms and the independence of the certified auditor; approved the amendments to the Policy on the Supervision of Agreements Concluded with Audit Firms and
- discussed the annual report of the Compliance Office for 2016, risk reports, investments, the state of entries in the Land Register for the real property owned by the Triglav Group, the progress of individual IT development projects and submitted a proposal to the Supervisory Board regarding the appointment of a committee member – an independent accounting and audit expert.

The external expert Jure Vehovec provided his expertise and support to the work of the Audit Committee in relation to information technology issues. The Audit Committee conducted a performance self-assessment with the aim of ensuring continued improvement and quality of its work and adopted an action plan for the improvement of its performance.

Appointment and Remuneration Committee

The key activities of the Appointment and Remuneration Committee in 2017 included:

- drafting of assessment proposals or fit and proper assessments of the members or candidates for the members of the Management and Supervisory Boards and of the two bodies as a whole;
- discussion of the proposal of the President of the Management Board to appoint a Management Board member;
- discussion of the report on the development of key promising staff in Zavarovalnica Triglav d.d. in 2016, the proposal for giving the approval to the powers granted to the key function holders and the Diversity Policy;
- discussion of the methodology for the calculation of the performance factor and the factor on which the variable part of remuneration of the Management Board members depends.

The Committee held ten meetings in 2017.

Strategy Committee

The Strategy Commission, which held one meeting in 2017, devoted special attention to the realisation of strategic projects and starting points for the development of the business plan of the Triglav Group for 2018.

Nomination Committee

Since the four-year term of office of five Supervisory Board members, shareholder representatives, expired on 12 June 2017, on 18 November 2016 the Supervisory Board established a Supervisory Board Nomination Committee. The Committee held three meetings in 2016 and seven meetings in 2017, at which it carried out the required selection procedures for Supervisory Board member candidates and submitted a nomination proposal to the Supervisory Board. In addition to the statutory conditions and criteria set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d., recommendations arising from good practices were taken into account in drawing up a nomination proposal. The diversity of the candidates was taken into account in such a manner that all selected candidates collectively possess the relevant knowledge and experience relating to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates. Diversity in terms of gender, age, education and internationality was also taken into account.

3.3 Operations of the Supervisory Board and the Scope of Supervision over the Company's Governance in 2017

The description of the Supervisory Board's operations and the scope of monitoring and supervision over the governance of the Company and the Triglav Group in 2017 are based on the supervision of the Company's and the Group's operations performed by the Supervisory Board in 2017, acting within its powers.

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

a) With regard to its core competences, in 2017 the Supervisory Board:

- adopted the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016, the Report by the Supervisory Board of Zavarovalnica Triglav d.d. on the Verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016 and the Opinion of the Supervisory Board of Zavarovalnica Triglav d.d. on the Annual Internal Audit Report for 2016 by the Internal Audit Department of Zavarovalnica Triglav d.d.;
- adopted the business policy and the business plan of the Triglav Group for 2018;
- approved the Solvency and Financial Condition Report of Zavarovalnica Triglav and the Triglav Group as at 31 December 2016;
- discussed the Annual Internal Audit Report of the Internal Audit Department for 2016;
- approved the Internal Audit Department's work plan for 2018 and the guidelines of the Internal Audit Department for the 2019–2021 period;
- proposed to the General Meeting of Shareholders of Zavarovalnica Triglav d.d. to grant a discharge to the Management Board for its work in 2016 and to appoint five new Supervisory Board members. It approved the resolution of the General Meeting of Shareholders on the distribution of accumulated profits as at 31 December 2016;
- appointed Barbara Smolnikar as a Management Board member for a five-year term;
- considered the findings of the Insurance Supervision Agency, Tax Authority and other supervisory bodies involved in supervision procedures as well as

followed up procedures that resulted from the findings and requirements of the above stated;

- adopted the amendments to the Management Board Rules; and
- approved the amendments to the Governance System and Policy of Zavarovalnica Triglav d.d. as well as to the internal documents of the Company related to risk management, capital management, outsourcing, internal auditing, and compliance.

b) With regard to the supervision of the Company's conduct of business, in 2017 the Supervisory Board:

- was briefed on the reports on the performance of Zavarovalnica Triglav d.d., the Triglav Group and the subsidiaries of Zavarovalnica Triglav d.d.;
- was briefed on the implementation of the Triglav Group Strategy;
- was briefed on the assessed performance indicators of the Company in each period, the implementation of the business plan and any measures taken;
- took note of the reports on risks and capital adequacy;
- oversaw the work of the Internal Audit Department and was briefed on the internal audit reports by the Internal Audit Department and the Annual Report of the Compliance Office for 2016;
- was briefed on the Letter to the Management following the audit of financial statements for 2016;
- took note of the Report of the Life Insurance Actuarial Function Holder in Zavarovalnica Triglav d.d. and the Report of the Non-Life Insurance Actuarial Function Holder in Zavarovalnica Triglav d.d.;
- was briefed on insurance products;
- took note of the report on the work of the Marketing Department and the report on key activities and projects of the Corporate Communications Department;
- was briefed on the self-assessment of Zavarovalnica Triglav d.d. under the EFQM model;
- discussed the reports of the Audit Committee, the Appointment and Remuneration Committee, the Strategy Committee and the Nomination Committee;
- was briefed on other information regarding Zavarovalnica Triglav d.d., the Triglav Group and its subsidiaries.

c) Other major actions of the Supervisory Board in 2017:

- The Supervisory Board approved the fit and proper assessments of the candidates for the Management and Supervisory Board members and of the two bodies as a whole.

- The Supervisory Board adopted the Diversity Policy.
- The Supervisory Board discussed and approved the proposals of the Appointment and Remuneration Committee with regard to employment agreements of Management Board members.
- The Supervisory Board approved the establishment of a special purpose entity for the management of alternative investments and the acquisition or sale of equity stakes of Zavarovalnica Triglav d.d., when the approval of the Supervisory Board for the decisions of the Management Board is required in accordance with the Rules of Procedure of the Supervisory Board.
- The Supervisory Board approved the powers granted to the key function holders, the appointment of the Director of the Internal Audit Department and the policy of its remuneration as well as, based on the proposal of the Audit Committee, appointed Simon Kolenc, an independent accounting and audit expert, an Audit Committee member.
- The Supervisory Board performed other activities related to the supervision or work of the Supervisory Board or its committees.

Operating costs of the Supervisory Board other than the remuneration paid to its members and committees (disclosed in the [→ *Section 5.5 Management and Supervisory Bodies and their Remuneration in the Accounting report of the Annual Report*] and in [→ *Section 5.3.3.2 The Supervisory Board in 2017 in the business report of the Annual Report*]), mostly included the costs of translation of material for Supervisory Board's sessions and the meetings of its committees, the costs of interpreting at sessions and the rental costs of interpretation equipment, training costs of the members of the Supervisory Board and its committees, and the outsourced IT services for the Audit Committee. In 2017, these costs amounted to EUR 108 thousand.

3.4 Performance Self-Assessment

The Supervisory Board's committees drafted resolutions to be adopted by the Supervisory Board and carried out other tasks within the scope of their powers. The committee chairs regularly reported on their work at the sessions of the Supervisory Board, which discussed the adopted decisions, submitted recommendations and opinions and passed appropriate resolutions after due consideration.

All members were involved in the Supervisory Board's work. With their attendance at sessions and active participation in discussions and decision-making, they contributed to the effective discharge of the Supervisory Board's duties. The work of the Supervisory Board is well managed and supported, whilst the frequency of its sessions is adequate. The Rules of Procedure of the Supervisory

Board include the rules regulating potential conflicts of interest. The Supervisory Board amended these rules by incorporating the relevant provisions of the Rules of Zavarovalnica Triglav d.d. on managing conflict of interest pertaining to the Supervisory Board and its members. The members of the Supervisory Board signed and submitted statements of independence in accordance with the Slovene Corporate Governance Code, which the Company published on its website. All members of the Supervisory Board and the external member of the Audit Committee (an independent accounting and audit expert) are independent. In the event of a conflict of interest, which in 2017 was identified in relation to two members of the Supervisory Board in separate matters and was not relevant, both members took the necessary action, made an appropriate disclosure, excluded themselves from the discussion and abstained from the vote on the matter in which they might be affected by the conflict of interest.

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

The fit and proper criteria as set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. apply to both the Supervisory Board as a collective body and to its members as individuals. The fit and proper assessment is made by the Supervisory Board or the Appointment and Remuneration Committee before the appointment, periodically, extraordinarily or after the appointment of an individual Supervisory Board member. The Supervisory Board as a collective body was assessed as fit and proper, taking into account the adequate range of qualifications, skills and experience in view of the circumstances and requirements under which the Company operates.

The Supervisory Board regularly carries out the self-assessment procedure. Based on the findings of the self-assessment, it adopts an action plan containing a series of proposals and measures aimed at improving its future performance. The implementation of the action plan is monitored on an ongoing basis. By implementing the self-assessment procedures, the quality of work of the Supervisory Board is improved, which is reflected in a higher quality of supervision of the operations and the areas material for the Company and the Group.

The Supervisory Board is of the opinion that its composition in 2017 was proportionate to the size, business activities and set objectives of the Company and the Triglav Group, which allowed the Supervisory Board to make quality decisions.

In view of the above, the Supervisory Board is of the opinion that its work and the work of its committees in 2017 were successful.

3.5 Opinion on the Annual Internal Audit Report for 2017

In accordance with the third paragraph of Article 165 of the Insurance Act (ZZavar-1), the Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2017 was submitted to the Supervisory Board, which took note of it at its session on 29 March 2018. The report contains an overview of the implementation of the Internal Audit Department's planned activities in 2017 and a summary of material audit findings, including an assessment of the adequacy and effectiveness of the internal control and risk management systems in the audited areas, the assessment of the adequacy of the Internal Audit Department's funding and the statement of independence and impartiality of the Internal Audit Department and its employees.

The Internal Audit Department conducted the planned internal audits in the Company and other companies of the Triglav Group and presented its internal audit findings to the relevant persons in charge and made recommendations for improving the internal control and risk management systems. On the basis of the performed internal audits and the follow-up of implementation of the recommendations, the Internal Audit Department assessed that risk management and the internal control system of the audited areas within the Company and at the Group level were overall appropriate and were constantly improving. The Internal Audit Department also engaged in advisory activities, followed up on the implementation of recommendations made by external auditors, and carried out tasks related to quality assurance and improvement of the Internal Audit Department and the internal audit departments of other Group members. The Internal Audit Department reported on the implementation of its work plan, material audit findings and the implementation of recommendations on a quarterly basis to the Audit Committee and on a semi-annual basis to the Supervisory Board.

On the basis of the submitted Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2017 and the monitoring of the work of the Internal Audit Department in 2017, the Supervisory Board is of the opinion that the Internal Audit Department operated in line with its work plan

for 2017, which was adopted by the Management Board with the approval of the Supervisory Board, and the expectations of the Supervisory Board and that its work contributed to the better functioning of the internal control system and improved risk management at both the Company and the Group level. The Supervisory Board has no objection to the Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2017.

3.6 Findings of the Supervisory Board Regarding the Operations of Zavarovalnica Triglav d.d. in 2017

On the basis of its monitoring and supervision of the Company's performance in 2017 and its examination and verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017, the Supervisory Board hereby establishes that the Company performed well and firmly adhered to its strategic objectives.

Insurance subsidiaries of the Triglav Group generated insurance, co-insurance and reinsurance premiums of EUR 999.9 million in 2017 (index 107), of which EUR 622.0 million (index 105), was earned by the parent company. Premium growth was recorded in all insurance segments.

The Group generated consolidated profit before tax of EUR 84.4 million and consolidated net profit of EUR 69.7 million, thereby surpassing the planned business results. Net profit of the parent company amounted to EUR 62.5 million. Compared to the preceding year, lower profit was primarily affected by the higher claims paid and a slightly lower return on financial investments. Gross claims paid of the Triglav Group totalled EUR 642.2 million, which was 6% more over 2016, whilst those of the parent company amounted to EUR 411.3 million (index 105).

Total consolidated gross operating expenses of the Triglav Group decreased by 1% to EUR 274.0 million nominally, while those of the parent company grew by 2% to EUR 167.7 million.

The Triglav Group further strengthened its capital position in 2017. The Group's total equity capital amounted to EUR 756.6 million as at the 2017 year-end, up by 2% compared to the year before. Return on equity was 9.3%.

The Triglav Group's financial stability, high capital adequacy and high profitability in 2017 were again confirmed by the two renowned rating agencies S&P Global Ratings and A.M. Best by assigning an »A« rating to the Group with a stable medium-term outlook.

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

- Report of the Non-Life Insurance Actuarial Function Holder for 2017,
- Report of the Life Insurance Actuarial Function Holder for 2017,
- Annual Internal Audit Report of the Internal Audit Department for 2017.

The Supervisory Board has no objection to the aforementioned reports.

3.7 Annual Report

On 9 March 2018, the Management Board submitted the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017 to the Supervisory Board.

The Supervisory Board hereby ascertains that the Annual Report was compiled within the legally prescribed period and submitted to the appointed auditor. The Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017 was audited by the audit firm Ernst & Young Revizija, poslovno svetovanje d.o.o., Ljubljana, which on 9 March 2018 issued a positive opinion on the stand-alone and consolidated financial statements in the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017. In their report as an independent auditor, they took a stance on key audit issues regarding the assessments which are the basis for the calculation of insurance technical provisions, deferred acquisition costs and the liability adequacy test (LAT) and expressed their opinion on other information contained in the Annual Report as to their consistency with the stand-alone and consolidated financial statements and their compliance with the applicable legislation and other regulations.

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

On the basis of a detailed verification, the Supervisory Board established that the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017, which was prepared by the Management Board and verified by a certified auditor, was compiled in a clear and transparent manner and that it was a true and fair view of the assets, liabilities, financial position and profit or loss of the Triglav Group and Zavarovalnica Triglav d.d. The Supervisory Board is of the opinion that the Corporate Governance Statement, which is included in the Annual Report, is appropriate and has no objections to it.

In accordance with the aforementioned findings, the Supervisory Board expresses no objection to the positive opinion of the certified audit firm Ernst & Young Revizija, poslovno svetovanje d.o.o., Ljubljana, which found that in all material respects, the consolidated and stand-alone financial statements presented a true and fair view of the financial position of the Triglav Group and Zavarovalnica Triglav d.d. as at 31 December 2017, their profit or loss, comprehensive income and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as endorsed by the EU.

In view of the above, the Supervisory Board hereby approves the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for the Year Ended 31 December 2017.

3.8 Proposal for the Distribution of Accumulated Profits

The Supervisory Board examined the Management Board's proposal for the distribution of accumulated profits as at 31 December 2017, subject to a final decision by the General Meeting of Shareholders of Zavarovalnica Triglav d.d., and approved the following draft resolution on the distribution of accumulated profits proposed by the Management Board to the General Meeting of Shareholders:

"The accumulated profits, which amounted to EUR 58,085,121.96 as at 31 December 2017, shall be distributed as follows:

- a part of the accumulated profits in the amount EUR 56,837,870.00 shall be distributed for dividend payments. The gross dividend per share of EUR 2.50 shall be paid to the shareholders entered in the Shareholders' Register as at 13 June 2018. On 14 June 2018, the Company shall ensure funds for the payment of all dividends on the account of KDD – Centralno klirinška depotna družba d.d., intended to execute the corporate action of paying out dividends to the shareholders in accordance with the common European standards for corporate actions;
- the distribution of the remaining accumulated profits of EUR 1,247,251.96 shall be decided on in subsequent years."

The Supervisory Board hereby proposes to the General Meeting of Shareholders to grant a discharge to the Management Board for its work in 2017.

Ljubljana, 29 March 2018

Igor Stebernak,
Chairman of the Supervisory Board

4. Strategy and Plans of the Triglav Group

- The Triglav Group is actively developing into a modern, innovative and dynamic insurance/financial group, which firmly remains the leader both in Slovenia and the wider region.
- The budgeted profit level for 2017 was surpassed.
- In 2018, profit before tax of the Triglav Group is planned between EUR 80 million and EUR 90 million, whilst gross written premium is set to exceed EUR 1 billion.

The Triglav Group Strategy for the 2017–2020 period was adopted in December 2016. It is a development-oriented strategy, with its main focus on comprehensive client relationships while maintaining the profitability and safety of the Group's operations and being committed to sustainable and responsible development.

Last year was the first year of implementing the revised values of the Group, whose aim is to build a common culture and implement the new, highly development-oriented vision.

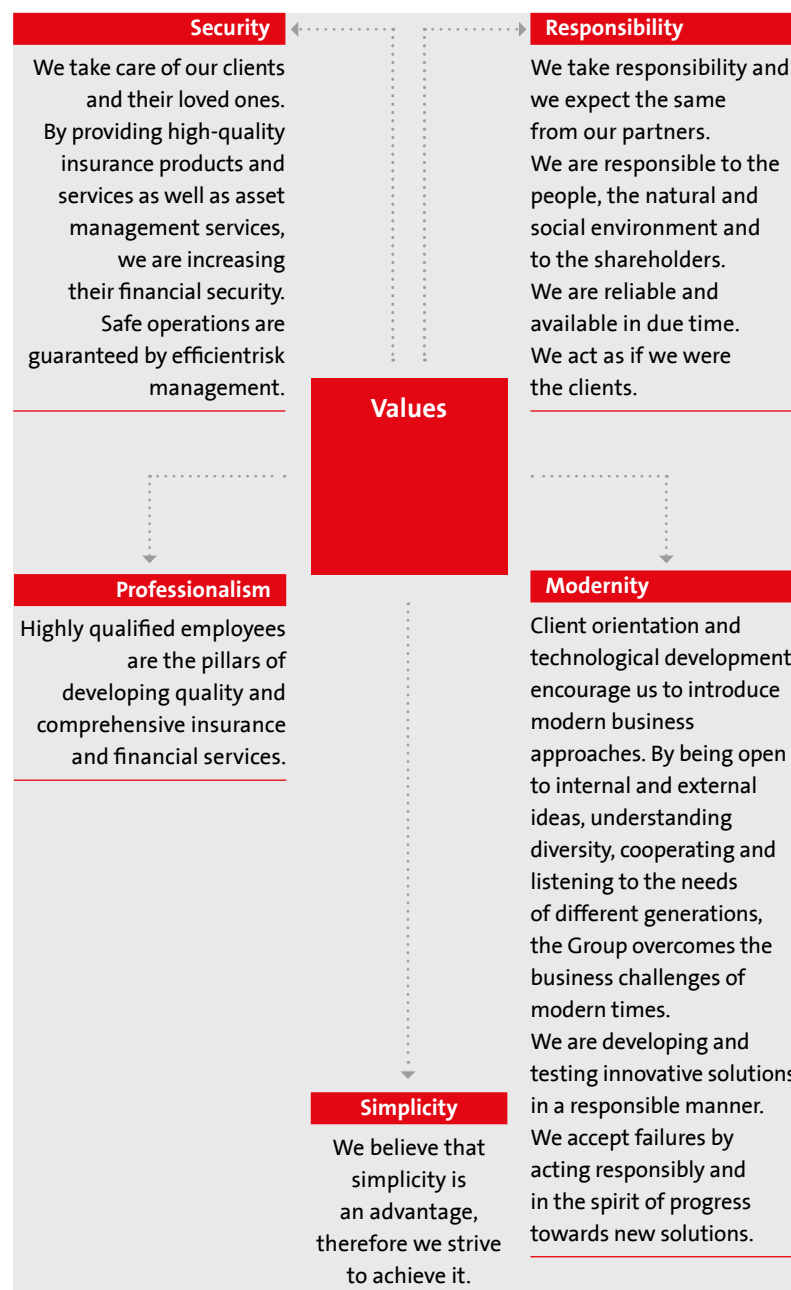
4.1 Mission, values and vision of the Triglav Group

Mission

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

Values

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



Vision of the Triglav Group

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

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

4.2 The Triglav Group Strategy for the 2017–2020 period⁷

Main strategic activities

Insurance

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

Asset management

- Own insurance portfolios (asset backing liabilities and guarantee funds)
- Mutual funds and individual asset management

Key strategic guidelines

1. Profitable operations and greater value of the Triglav Group
2. Efficient asset management of the Triglav Group
3. Comprehensive client relationships
4. Transformed operations of the Triglav Group
5. Development of a modern culture and dedicated staff

Sound and profitable performance while strengthening the competitive advantages of the Triglav Group: The performance of the Triglav Group will be profitable and aimed at increasing its value. In the long term, the core insurance business will be profitable, whilst the average target combined ratio in non-life insurance will be around 95%. In 2020, the return on equity (ROE) of the Group will surpass 10%.

The Group will ensure effective and comprehensive management of risks, cost-effectiveness, its financial stability and appropriate capital adequacy. The Group will maintain its »A« credit ratings.

In its operations, the Group will not only exploit but also enhance its competitive advantages. The Triglav Group has a strong, trustworthy brand, a large client portfolio – users of its services and products, and extensive and developed sales channels, in addition to being known for its range of quality products and services and quick settlement of claims. Furthermore, the Group is set apart from its competitors by its attitude towards the market. Its long-term focus on the markets in the region requires the Group to both actively and responsibly invest in the market and its relations with the stakeholders.

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

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

Client orientation: All of the Group's activities are centred around its clients, who are monitored individually and throughout their whole lifelong path as users. The Group's increasingly digitised processes will be adapted thereto, in addition to

developing innovative products, which will be both simple and known for their multi-channel availability through a mix of traditional and digital sales approaches.

A modern and innovative insurance/financial group: The digital strategy will be implemented and dynamically upgraded. The goal is that at the end of the strategic period, i.e. in 2020, the Group will be the leading provider of innovative and comprehensive insurance-service products and asset management services in South-East Europe. The Group will implement strategic projects aimed at developing sales channels and the multi-channel sale, as well as upgrade its insurance products with assistance services.

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

Strategic objectives were classified into four balanced scorecard strategy levels:

Strategic objectives

Financial operations	Clients	Processes and organisation	Employees, competences and learning
<ul style="list-style-type: none"> ▪ Profitable operations ▪ Growth in the volume of operations (in terms of written premium, the Triglav Group remains the largest insurance company in South-East Europe) ▪ Maintaining the »A« credit ratings ▪ Capital adequacy and optimal capital allocation by segment/subsidiary of the Group ▪ Comprehensive risk management 	<ul style="list-style-type: none"> ▪ Comprehensive and responsible client relationship management and multi-channel communication with clients ▪ Satisfied and loyal clients ▪ Growth in the number of active clients, their understanding of the Group's services and higher insurance coverage of individual clients ▪ Insurance products with a high degree of related services ▪ New business models 	<ul style="list-style-type: none"> ▪ A high degree of automation, optimisation and cost-effectiveness of business processes ▪ The digital way of doing business and new business processes ▪ Developed multi-matrix organisation and business productivity growth ▪ Efficient use of data (internal and external) so as to make the right business decisions ▪ Innovation ▪ Exploitation of synergies within the Group ▪ Simplicity of business processes and cost efficiency 	<ul style="list-style-type: none"> ▪ Renewed organisational culture (openness, acceptance of changes and promotion of diversity, orientation to internal and external clients, ensuring cooperation outside the formal organisational forms, respect for diversity and dignity and taking responsibility) ▪ An appropriate number, structure and commitment of employees to renewed and optimised processes ▪ Adequate competences and digital skills of employees ▪ Stability and appropriate structure of key promising employees ▪ Employee mobility

4.3 Implementation of the Triglav Group Strategy in 2017⁸

To realise the adopted strategic guidelines, the Group continued the work started in previous years and launched several new projects. In the first year, tangible results were achieved in some areas, whereas in relation to more extensive projects quality foundations for further work were laid.

- In the reporting period, the Triglav Group generated a profit before tax of EUR 84.4 million.
- Increased volume of operations was seen in all business segments of the Group.

Profitable operations and greater value of the Group

- The launch of the new IT system for improved capital and asset-liability management.
- Continued gradual centralised asset management at the Group level.
- Establishment of a regional platform for alternative investments (Trigal).

Efficient asset management

- Adaptation of the management of all segments of both activities (non-life, life, health and pension insurance, reinsurance and asset management).
- The continued development of online and mobile sale as well as other alternative sales channels (via banks, travel agencies and leasing houses).
- The revised client satisfaction and loyalty measurement and the introduction of in-depth client analyses.
- The upgrade of the existing products and the development of new, more flexible and understandable products.
- Further upgrade of products with assistance services.
- The introduction of paperless, mobile and simple business with clients and partners as well as the digitisation of business processes.
- The launch of interdisciplinary activities so as to achieve synergies in different areas at the Group level.
- The transfer of business solutions and practices to the Group members, which are adapted to the specificities of each market.
- The development of a business model for the digital entry of the Group to the selected markets outside the region.

Comprehensive client relationships

- The Business Intelligence (BI) Department was established, which is in charge of the data warehouse, the reporting system and analytical support to business decisions.
- Completed multi-annual project of constructing the data warehouse in the parent company and its expansion at the Group level.
- The geographical information system of the parent company was upgraded and integrated into risk underwriting, reinsurance and claim settlement.
- Established project bases for centralised management of information technology and infrastructure in the Group.

Transformation of operations

- The analyses were carried out and the foundations were laid for the project of renovating the organisational culture within the Group.

Development of a modern culture and dedicated staff

■ The Triglav Group implemented the set strategic objectives in the challenging situation on financial markets and in demanding market conditions, while also dealing with mass loss events.

■ The Group's profit before tax reached EUR 84.4 million and thus surpassed the budgeted net profit. In addition, total written premium increased by as much as 7%.

4.4 Objectives achieved by the Triglav Group in 2017⁹

The Group implemented the set strategic objectives in the challenging situation on financial markets and in demanding market conditions, while also dealing with mass loss events. The Group's **profit before tax** reached **EUR 84.4 million** and thus surpassed the budgeted net profit (see [→ *Section 8. Financial result*] for more details).

The Group **maintained its financial stability, capital adequacy and the profitability of its operations**. The credit rating agencies S&P Global Ratings and A.M. Best affirmed the Group's »A« **credit ratings**. Both ratings have a **stable medium-term outlook**. Achievement of the »A« credit rating is in line with the Strategy of the Group. Such a credit rating ensures an appropriate competitive position of the Triglav Group in insurance, reinsurance and financial markets, as it confirms its financial strength and solid performance. See [→ *Section 6.6 Credit rating*] for more details.

The **combined ratio** of the Triglav Group was 93.9%, which is within the expected target range (the combined ratio is a measure of profitability in the core non-life and health insurance operations excluding investment return). See [→ *Section 8. Financial result and Section 7.2 Environmental impact on the performance of the Triglav Group*] for more details.

Total written premium of the Triglav Group was **higher than planned** despite the challenging market conditions and fierce competition. Growth was recorded in all insurance segments and in most markets of the Group. In the Slovene insurance market, 5% more in written premium was charged by the parent company, whereas Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba recorded 13% and 3% higher written premium respectively. Triglav Osiguranje, Belgrade recorded as much as 27% premium growth, while a 10% premium growth was seen in Lovćen životna osiguranja. Written premiums were higher in Triglav Osiguranje, Zagreb (9%), Triglav Osiguranje, Sarajevo (7%) and in Triglav Osiguranje, Banja Luka (6%). The premium charged by Lovćen Osiguranje, Podgorica remained at approximately the same level as the year before, whereas that of Triglav Osiguruvanje, Skopje decreased by 1%. Insurance premium is discussed in greater detail in [→ *Section 7.5*].

4.5 Plans of the Triglav Group for 2018

The Triglav Group Strategy for the 2017–2020 Period, the market potential and competition conditions on the markets in which the Group operates, and the forecasts of macroeconomic trends and development of financial markets for 2018 were the basis for drafting the Triglav Group Business Plan for 2018.

Expected situation in insurance markets: In 2018, the macroeconomic environment will be relatively favourable for the business of the Triglav Group, taking into account the moderate probability of a positive rather than a negative scenario. Because of more favourable macroeconomic conditions, extremely aggressive competition is expected among insurance companies, which will try to improve their market position. In the countries of South-East Europe, the expected economic growth may still be threatened by high macroeconomic imbalances.

The Group's insurance companies will continue to be exposed to certain risks, particularly the risks of lower demand for some insurance products, policyholders defaulting on the payment of premiums, the risks related to the selection of underwritten risks and the regulatory risk, foremost in the health insurance segment.

On the largest, Slovene insurance market, the Group's performance in the life insurance segment will further be affected by a high number of maturities due to the aging of the portfolio and surrenders, which is slightly decreasing compared to past years. The non-life insurance premium will be affected by the measures for retaining solid and loyal clients with client loyalty programmes, repricing to match competition and measures to improve insurance technical results in individual insurance classes. Approximately the same number and extent of large individual loss events (flood, hail, storm) as in past years is foreseen.

Expected financial environment for the return on investments: Under the baseline scenario, the financial environment for the return on investments will remain unfavourable in 2018, with the risks of realisation of this scenario being significantly high. The expected lower interest income will have a negative impact on the business result of the Group.

Global economic growth forecasts are favourable, as the International Monetary Fund (IMF) forecasts a 3.6% growth, which will be mostly generated by emerging markets, while advanced economies will see a moderate growth of 2%. These forecasts are full of uncertainties. Forecasts are accompanied by the uncertainties that are more pronounced in the medium term, rising mainly from the financial sector. Considering the 2017 visible economic trends and the ECB's relatively stimulative policy, the return on Bund is expected to remain low or to stabilise at

a slightly higher level due to potential major fluctuations. Following the anticipated reduction in the ECB's purchases, the movement of spreads on bonds of peripheral countries will much more depend on specific economic and political factors within a particular country. Given the current outlook, spreads on corporate bonds are not expected to significantly change in 2018, remaining at historical lows. The outlook for the stock markets is again favourable. Nevertheless, there is a strong likelihood of correction, primarily due to relatively high valuations of most stock indices.

Business Plan of the Triglav Group for 2018

Profit before tax: The Triglav Group is expected to generate profit before tax of EUR 80–90 million. The budgeted profit is based on the assumptions of the Group's projected insurance operations and asset management, taking into account the anticipated conditions on the financial markets, which will affect the return on investments of the Group.

Insurance premium: Consolidated gross written premium of the Triglav Group is planned to increase to over EUR 1 billion. The Group will not only use and strengthen its strong competitive advantages but also adapt its marketing strategy to the anticipated harsh competitive situation. The sales activities will remain focused on client needs and adapted to individual markets. The Group will continue to implement strategic activities, aimed at multi-channel selling. To this end, the traditional and new digital sales channels will be combined and aligned, while clients will choose the best suitable for them.

Mass claims: Approximately the same development as in past years is foreseen, particularly in mass loss events (flood, hail, storm...). The Group will maintain adequate reinsurance coverage, which will mitigate any unfavourable claims experience. In claim settlement, the Group will continue to constantly improve its claim handling processes by introducing improvements in technology, processes and organisation.

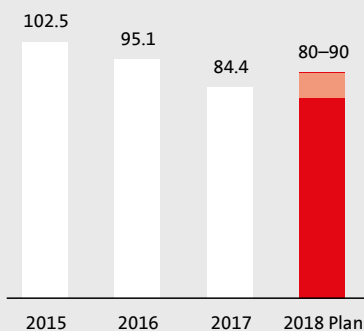
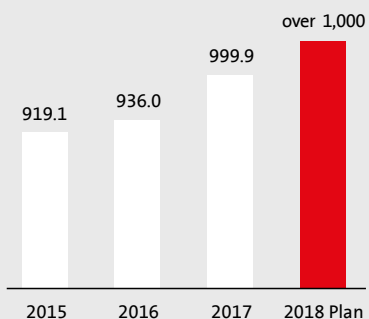
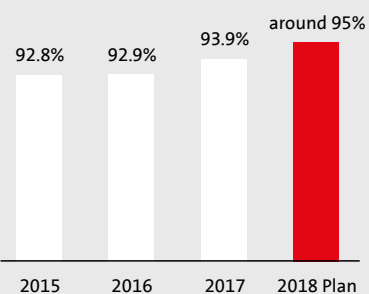
Combined ratio: A gradual growth of the share of written premium on the markets outside Slovenia is anticipated, in addition to continuous improvement of performance of the Group's insurance subsidiaries, which will be reflected in their combined ratios upon meeting the relevant assumptions. The combined ratio of the Group is projected to be favourable at around 95%, which is its average target strategic value.

Gross operating expenses: Gross operating expenses will be affected by higher insurance acquisition costs (marketing campaigns, advertising, fees and commissions, labour costs of the agent network) and higher depreciation of property, plant and equipment resulting from high past and planned investments in information technology. Furthermore, gross operating expenses will be affected by

the streamlining measures, which will be predominantly focused on the types of costs not directly related to insurance acquisition. The planning of staffing levels and labour costs, which account for the bulk of total operating expenses of the Group's insurance subsidiaries, will follow the strategic guidelines, changes in business processes and concrete requirements of individual work areas.

Asset management: The strategic objectives will be to increase the volume of assets under management (AUM) from non-compulsory saving and effective asset management. The Group will continue to actively pursue any opportunities arising from the consolidation of the asset management industry in the region and continue with asset management centralisation at the Group level.

Investment policy of the Group and the expected return on investments: The basic investment guidelines governing the insurance portfolios of the Group will remain unchanged, with the focus being on maintaining appropriate investment security and liquidity, followed by achieving adequate profitability. The Group will not only maintain but also strengthen its relatively conservative investment structure with the emphasis on fixed-rate investments. Moreover, the Group will continue to invest on the financial markets which ensure higher liquidity, diversification and expected return. Considering the persisting low interest rate environment, some activities will further focus on capacity building for investing in alternative investment classes and strategies. Based on the expected situation, lower returns on investments are expected (excluding unit-linked insurance assets).

Budgeted net profit/loss before tax of the Triglav Group for 2018**Budgeted gross written premium for insurance, co-insurance and reinsurance contracts of the Triglav Group for 2018****Budgeted combined ratio of the Triglav Group for 2018**

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

Maintaining high credit ratings: By retaining strong financial stability, high capital adequacy and high profitability, the Group is expected to maintain high credit ratings assigned by the established rating agencies S&P Global Ratings and A.M. Best.

The ambitious business plan for 2018 is the continuation of the consistent implementation of the Group's planned strategic guidelines by 2020 and a step towards the realisation of its vision.

Financial highlights of the Triglav Group business plan for 2018 (in EUR million)

	2015	2016	2017	2018 Plan
Profit/loss before tax	102.5	95.1	84.4	80-90
Gross written premiums form insurance, co-insurance and reinsurance contracts	919.1	936.0	999.9	over 1,000
Combined ratio	92.8%	92.9%	93.9%	around 95%

Disclaimer

The planned figures for 2018 are based on the outlook, expectations about events and circumstances, and forecasts available to the Company when drafting the plan. The actual results, performance and events may considerably deviate from those taken into account in the plan. When publishing the interim results of the Triglav Group in 2018, the Company will each time comment on the Group's planned annual profit before tax.

5. Corporate Governance Statement

- The management and governance of the Triglav Group is guided by common values.
- The Management Board and the Supervisory Board developed and adopted the Diversity Policy, which was used in the appointment to both bodies.
- The term of office of new Supervisory Board members, shareholder representatives, and a new Management Board member commenced.
- Special attention was devoted to strengthening the development of subsidiaries on the markets outside Slovenia, the focus remaining on the latter also in the future.

5.1 Governance policy

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

5.2 Statement of Compliance with the Corporate Governance Code¹⁰

In its operations, Zavarovalnica Triglav abides by the Corporate Governance Code (hereinafter: the Code), which was adopted on 27 October 2016 and published in Slovene and English on the Ljubljana Stock Exchange website <http://www.ljse.si>.

The Statement of Compliance with the Corporate Governance Code for the period from 1 January 2017 to the day of publication in 2018 is available on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav www.triglav.eu.

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

- Point 15.3: The Chairman of the Supervisory Board is the Chairman of the Appointment and Remuneration Committee; between 18 November 2016 and 30 May 2017, he was also the Chairman of the Nomination Committee, an ad-hoc committee of the Supervisory Board, established to carry out a nomination procedure for Supervisory Board members, shareholder representatives. In order to facilitate coordination and implementation of procedures, it is reasonable that the Chairman of the Supervisory Board is also the Chairman of the said committees.
- Point 19.6: The members of the Management Board did not obtain the approval of the Supervisory Board before being appointed to the management of supervisory bodies of other companies. The Management Board members informed the Supervisory Board of the appointments to the said bodies in accordance with the Insurance Act, which stipulates that the member of the Management Board is required to immediately inform in writing the Supervisory Board that they were appointed or that their term of office in management or supervisory bodies of other legal entities ceased.

In its operations, the Company abides to the Insurance Code, available on the website of the Slovenian Insurance Association at www.zav-zdruzenje.si.

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

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

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

Two-tier governance of
Zavarovalnica TriglavGeneral Meeting
of ShareholdersSupervisory
BoardManagement
Board

5.3 Management bodies of Zavarovalnica Triglav¹¹

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

5.3.1 General Meeting of Shareholders

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

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

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

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

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

- Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Institute of Pension and Invalidity Insurance of Slovenia; hereinafter: ZPIZ) is the direct holder of 7,836,628 shares or 34.47% of the share capital of Zavarovalnica Triglav. Its share in 2017 remained unchanged. On behalf of and for the account of ZPIZ, the shareholder's rights attached to the shares were managed by Slovenski državni holding d.d. (hereinafter: SDH).

- SDH was the direct holder of 6,386,644 shares or 28.09% of the share capital of Zavarovalnica Triglav. Its share in 2017 remained unchanged.
- Addiko Bank d.d., Zagreb (fiduciary account) held 1,453,894 shares or 6.39% of the share capital of Zavarovalnica Triglav, representing an increase of 13,564 shares over the 2016 year-end.

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

General Meeting of Shareholders in 2017

The shareholders of Zavarovalnica Triglav had one general meeting in the reporting period. The 42nd General Meeting of Shareholders was held on 30 May 2017. The total number of shares and voting rights represented at the General Meeting was 17,442,505 or 76.80% of all shares to which voting rights are attached.

- The shareholders took note of the Annual Report of the Triglav Group and Zavarovalnica Triglav for 2016, including the opinion given by the audit firm, and the Annual Internal Audit Report for 2016.
- Furthermore, they took note of the Supervisory Board's report on the verification of the Annual Report for 2016 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2016.
- The shareholders adopted a resolution on the following distribution of the accumulated profit of EUR 82,421,880.73 as at 31 December 2016:
 - a part of accumulated profits in the amount of EUR 56,837,870.00 shall be used for dividend payments amounting to EUR 2.50 gross per share payable on 16 June 2017 to the shareholders appearing in the Shareholder Register on 15 June 2017;
 - the distribution of the remaining accumulated profit of EUR 25,584,010.73 shall be decided in the next few years.
- The shareholders granted a discharge for the business year 2016 to both the Management and the Supervisory Board of Zavarovalnica Triglav.
- The General Meeting of Shareholders took note that the term of office of five Supervisory Board members, shareholder representatives, i.e. Dubravko Štimac, Mario Gobbo, Gregor Rok Kastelic, Rajko Stanković and Matija Blažič, would expire on 12 June 2017.
- Nataša Damjanovič, Mario Gobbo, Žiga Škerjanc, Andrej Andoljšek and Milan Tomažević were appointed new Supervisory Board members, shareholder representatives, for the four-year term of office, starting as of 13 June 2017.

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

5.3.2 Management Board

The Management Board of Zavarovalnica Triglav manages the Company independently and at its own responsibility, as well as presents and represents the Company without limitations. In legal transactions, the Company is always jointly presented and represented by two members of the Management Board, one of whom must be its President.

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

In August 2017, before her appointment, the professional competence and adequacy assessment procedure was carried out for Barbara Smolnikar, the candidate for a Management Board member. In addition, the assessment procedure of the Management Board as a collective body was performed, taking into account the said candidate. It was assessed that Barbara Smolnikar was appropriately qualified and a suitable candidate for a Management Board Member. Furthermore, taking into account the said candidate, it was assessed that the Management Board as a collective body was suitably qualified and appropriate. In November 2017, the periodic assessment of all the other members of the Management Board and the Management Board as a collective body was performed. It was assessed that the Management Board as a collective body was suitably qualified and appropriate.

Composition and appointment of the Management Board

According to the Articles of Association, the Management Board has no less than three and no more than six members, of whom one is the President. The number of Management Board members, their competences, the manner of representation and presentation and the transfer of the Management Board's authorities are determined by the Supervisory Board in the Management Board Rules.

The Management Board is appointed by the Supervisory Board. The term of office of an individual Management Board member is up to five years, with the possibility of reappointment. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

The appointment or recall of all members or an individual member is proposed to the Supervisory Board by the President of the Management Board. Any individual member or President of the Management Board may be dismissed by the Supervisory Board if legal grounds for their dismissal have been established.

5.3.2.1 Management Board competence to increase the share capital

In accordance with the Company's Articles of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 14,740,278.36 through new shares issued for cash contributions within five years as of 2 June 2016. The issue of new shares, the amount of capital increase, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Upon a share capital increase, the Supervisory Board is authorised to make amendments to the Company's Articles of Association.

5.3.2.2 Presentation of the Management Board, its functioning and powers

On 17 August 2017, the Supervisory Board appointed Barbara Smolnikar a new Management Board member, starting her five-year term of office on 17 October 2017.

On 2 November 2017, the term of office of the Management Board member Benjamin Jošar expired. Benjamin Jošar was at the helm of the Business Intelligence Department, the Risk Management Department, the Strategic Planning and Controlling Department and the Subsidiary Management Department. He was also responsible for Triglav INT d.d.

Composition of the Management Board in 2017¹²

Name and surname	Post	Area of work in the Management Board (as at 31 December 2017)	Start of term of office (the first)	End of term of office	Gender	Nationality	Date of birth	Education	Professional profile	Membership in the supervisory or management bodies of other companies
Andrej Slapar	President	As the President of the Management, he manages and directs the work of the Management Board and the head office support departments (the Management Board Office, the Legal Office, the Internal Audit Department, the Corporate Communication Department, the Compliance Office, the Business Intelligence Department) as well as the Non-Life Insurance Development and Actuarial Department and the Investment Department. He is in charge of the Corporate Accounts Division, senior management staffing, arbitration, Nuclear Pool, Commercial Association of Slovenian Insurance Companies, reinsurance and asset management.	22 May 2013	11 Nov. 2019	Male	Slovene	1972	LL.B.	Management, strategic management, commercial law, insurance and reinsurance, actuarial science	Krka d.d. Pozavarovalnica Triglav Re d.d. Triglav Skladi d.o.o. (as of 22 November 2017) Triglav INT d.d. (as of 23 November 2017)
Uroš Ivanc	Member	In charge of the following head office support departments: the Strategic Purchasing Department, the Risk Management Department, the Strategic Planning and Controlling Department, the Subsidiary Management Department, Accounting and Finance excluding the Investment Department.	14 July 2014	14 July 2019	Male	Slovene	1975	Master of Science in Business and Organisation	Management and organisation, strategic management, insurance, financial management, financial markets and analysis, asset management, risk management	NLB d.d. (until 7 April 2017) Adriatic Fund B.V. – in liquidation (until 2 February 2017) Triglav INT d.d. Triglav, upravljanje naložb in svetovalne storitve d.o.o. (as of 17 February 2017) Triglav, upravljanje nepremičnin d.d. (as of 24 June 2017)
Tadej Čoroli	Member	In charge of the Innovation and Digitisation Department, the Client Contact Unit, the Marketing Department, the Non-Life Insurance Division, the Non-Life Insurance Claims Division and the Non-Life Insurance Sales Division	29 July 2014	29 July 2019	Male	Slovene	1975	LL.M.	Management, strategic management, commercial law, insurance, marketing	Triglav, Zdravstvena zavarovalnica d.d. Triglav INT d.d. Skupna pokojninska družba d.d.
Barbara Smolnikar	Member	In charge of the Life Insurance Division and the Life Insurance Development and Actuarial Department. Responsible for health insurance, pension insurance and money laundering prevention.	17 Oct. 2017	17 Oct. 2022	Female	Slovene	1967	PhD in Management	Management, strategic management, banking, bancassurance, financial markets and analysis, risk management	Triglav INT d.d. (as of 27 November 2017)
Marica Makoter	Member and Worker Director	As the Worker Director, she represents workers' interests in compliance with the Worker Participation in Management Act. She is in charge of the Organisation Development and Business Process Management Department, the Fraud Prevention, Detection and Investigation Department and the Change and Project Portfolio Management Department. Moreover, she is responsible for the IT Division, the Back Office Division and the Human Resource Management Division, excluding senior management staffing.	21 Dec. 2011	22 Dec. 2021	Female	Slovene	1972	LL.B.	Management, strategic management, commercial law, insurance, human resources and organisation, worker representation	Triglav INT d.d.
Benjamin Jošar	Member	See Section 5.3.2.2. for the description of the areas of work in the Management Board in 2017.	2 Nov. 2012	2 Nov. 2017	Male	Slovene	1973	Master of Science in Business and Organisation	Management and organisation, strategic management, insurance, corporate finance, financial markets and analysis, banking, investment banking, risk management	Triglav INT d.d. (as of 22 November 2017) Triglav Skladi d.o.o. (as of 26 October 2017) Triglav, upravljanje naložb in svetovalne storitve d.o.o. (as of 17 February 2017)

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

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

Composition and remuneration of the Management Board in 2017

Name and surname	Function (President, Member)	Fixed remuneration – gross (1)	Variable remuneration – gross		Total (2)	Deferred remuneration (3)	Severance pay (4)	Benefits and SVPI (5)	Bonus clawback (6)	Total gross (1+2+4+5+6)	Total net (1+2+4+5-6)
			based on quantitative criteria	based on qualitative criteria							
Slapar Andrej	President	164,449	45,049		45,049	46,130	0	53,463	0	262,961	78,368
Ivanc Uroš	Member	155,725	32,629		32,629	43,824	0	36,491	0	224,845	68,243
Čoroli Tadej	Member	155,501	30,828		30,828	43,824	0	39,813	0	226,142	65,428
Smolnikar Barbara	Member	19,287	0		0	0	0	4,880	0	24,167	6,960
Makoter Marica	Member	155,501	43,432		43,432	43,824	0	38,550	0	237,483	71,105
Jošar Benjamin	Member	143,889	43,432		43,432	43,824	0	33,775	0	221,096	67,717
Total		794,352	195,370	0	195,370	221,426	0	206,972	0	1,196,694	357,821

* For the purposes of this disclosure, it is not required to disclose travel expenses, accommodation costs and daily allowance as, by their nature, they are not considered remuneration for the Management Board.

** The data under item (2) contains the 2nd portion of the bonus for 2014 and the 1st portion of the bonus for 2016 paid in 2017.

*** The data under item (3) contains the 2nd and 3rd portions of the bonus for 2015 and the 2nd and 3rd portions of the bonus for 2016, which will be paid out in the coming years.

**** The data in item (5) contains the benefits and the premium for supplemental voluntary pension insurance.

5.3.3 Supervisory Board

The Supervisory Board is composed of six shareholder representatives and three employee representatives. As a supervisory body, it supervises the Company's business conduct with full responsibility.

The former are elected by the General Meeting of Shareholders and the latter by the Works Council. The Chairman and Vice Chairman of the Supervisory Board are elected from among its members representing shareholders. Their appointment and recall are made in accordance with the law and the applicable documents of the Company. Members of the Supervisory Board are given a four-year mandate and may be re-elected without limitation. The professional competence and adequacy criteria as set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. also applies to both the Supervisory Board as a collective body and to Supervisory Board members as individuals. Professional competence and adequacy are assessed before the appointment, periodically, extraordinarily or after the appointment of an individual Supervisory Board member. In assessing the competence of the Supervisory Board as a collective body, the Supervisory Board takes into account diversity in such a manner that all members must collectively possess the relevant knowledge and experience relating to insurance and financial markets,

the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates.

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

In March 2017, before their appointment, the professional competence and adequacy assessment procedure was carried out for five candidates for Supervisory Board members, shareholder representatives, i.e. Nataša Damjanovič, Žiga Škerjanc, Mario Gobbo, Andrej Andoljšek and Milan Tomaževič. In addition, the assessment procedure of the Supervisory Board as a collective body was performed, taking into account the previously mentioned candidates. It was assessed that all the above candidates were appropriately qualified and suitable candidates for Supervisory Board members. The Supervisory Board as a collective body, taking into account the said candidates, was assessed to be suitably qualified and appropriate. In November 2017, the periodic assessment of the other members of the Supervisory Board and the Supervisory Board as a collective body was performed, which was assessed to be suitably qualified and appropriate.

The Management Board together with the Supervisory Board developed and adopted the **Diversity Policy**, which defines the commitment of Zavarovalnica Triglav to take account of the different aspects of diversity in relation to representation in the Management Board and the Supervisory Board, such as professional qualifications, experience, skills, knowledge, competences, gender and age, and sets out the objectives, holders, method of implementation and reporting on the results achieved during the reporting period. Its objectives are to ensure:

- complementarity and diversity in the Management Board and the Supervisory Board by taking into account various qualifications, experience and knowledge defined in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d., which allow not only prudent and careful management or supervision of the Company but also the implementation of strategic objectives, thereby ensuring the long-term value for all key stakeholders;
- gender balance;
- representation of various age groups.

On 18 November 2016, upon setting up the Nomination Committee to carry out a nomination procedure for new Supervisory Board members – shareholder representatives, the Supervisory Board adopted the decision to take into account, in the context of regulatory conditions, diversity both in terms of knowledge, skills and experience as well as in terms of other circumstances, such as gender, age or education, in the selection procedure of the candidates for Supervisory Board members.

In drawing up the proposal for the candidates for new Supervisory Board members – shareholder representatives, the Supervisory Board took into account diversity in such a manner that all members must collectively possess the relevant knowledge and experience relating to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates. Diversity in terms of gender, age, education and internationality was also taken into account. Among the proposed candidates are female candidates, candidates of different ages and a candidate who is solely active in the international environment.

5.3.3.1 Competences of the Supervisory Board

The competences and decision-making rules of the Supervisory board are set out by law, the Articles of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board (available at www.triglav.eu). Besides the competences specified in the Companies Act and the Insurance Act, the Supervisory Board has the competence to give consent to the decisions of the Management Board where the value or an investment exceeds the amount set out in the Rules of Procedure of the Supervisory Board, i.e., in the event of:

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

In accordance with the law and the provisions of its Rules of Procedure, the Supervisory Board holds at least one session per quarter, or more if necessary.

5.3.3.2 Supervisory Board in 2017

On 12 June 2017, the term of office of following Supervisory Board members, shareholder representatives, expired: Dubravko Štimac, Mario Gobbo, Gregor Kastelic, Rajko Stanković and Matija Blažič. Nataša Damjanovič, Mario Gobbo, Žiga Škerjanc, Andrej Andoljšek and Milan Tomažević were appointed new Supervisory Board members, shareholder representatives, for the four-year term of office, starting as of 13 June 2017. The four-year term of office of Igor Stebernak began on 2 June 2016. Boštjan Molan, Peter Celar and Ivan Sotošek were elected as Supervisory Board members, employee representatives, for a four-year term of office commencing on 31 May 2015.

At its session on 18 August 2016, the Supervisory Board appointed Igor Stebernak its Chairman, and on 21 June 2017 Andrej Andoljšek was appointed its Vice Chairman, as the term of office of the previous Vice Chairman, Gregor Kastelic, expired on 12 June 2017.

Composition of the Supervisory Board in 2017¹³

Name and surname	Post	Start of term of office (the first)	End of term of office	Attendance of sessions of the Supervisory Board / total number of Supervisory Board sessions	Gender	Nationality	Date of birth	Education	Professional profile	Independence pursuant to Article 23 of the Corporate Governance Code	Existence of conflict of interest in 2017	Membership in the supervisory or management bodies of other companies while serving as a SB member	Membership in Supervisory Board committees	Function in Supervisory Board committees	Attendance of meetings of Supervisory Board committees / total number of meetings of Supervisory Board committees
Igor Stebernak	Chairman	18 Aug. 2016	2 June 2020	9 of 9	Male	Slovene	1968	BSc in Electrical Engineering, MBA	Banking, insurance, strategic management, financial markets and analysis, controlling, accounting and business process reengineering	YES	YES (twice, self-exclusion)	/	Appointment and Remuneration Committee	Chairman	10 of 10
													Nomination Committee	Chairman	6 of 7
Andrej Andoljšek	Member Vice Chairman	13 June 2017 21 June 2017	21 June 2017 13 June 2021	5 of 5	Male	Slovene	1970	BSc in Economics	Financial and general management, financial markets and analysis, banking, corporate governance, business and financial restructuring of companies	YES	NO	/	Strategy Committee	Member	1 of 1
Milan Tomaževič	Member	13 June 2017	13 June 2021	5 of 5	Male	Slovene	1946	BSc in Economics	Insurance and reinsurance, informatics, management and actuarial science	YES	NO	/	Strateška komisija	Chairman	1 of 1
Žiga Škerjanec	Member	13 June 2017	13 June 2021	5 of 5	Male	Slovene	1978	LL.B.	Corporate law and finance and the operation of the supervisory boards	YES	YES (once, self-exclusion)	Luka Koper d.d.	Strategy Committee Appointment and Remuneration Committee	Member Member	1 of 1 5 of 5
Nataša Damjanovič	Member	13 June 2017	13 June 2021	4 of 5	Female	Slovene	1965	Bachelor of Economics	Financial markets and analysis, banking, marketing and strategic management	YES	NO	/	Audit Committee Appointment and Remuneration Committee	Member Member	3 of 4 4 of 5
Mario Gobbo	Member	12 June 2013	13 June 2021	8 of 9	Male	Italian	1953	PhD in Economics	Banking, financial management, financial markets and analysis, investment banking, investment, restructuring, acquisition of financial assets and privatisation	YES	NO	/	Audit Committee Strategy Committee	Chairman Member	9 of 9 /
Peter Celar	Member	30. 5. 2011	31. 5. 2019	9 of 9	Male	Slovene	1958	Bachelor of Economics	Insurance	YES	NO	/	Strategy Committee Nomination Committee	Member Member	1 of 1 7 of 7
Boštjan Molan	Member	31. 5. 2015	31. 5. 2019	9 of 9	Male	Slovene	1973	Bachelor of Economics	Insurance	YES	NO	/	Appointment and Remuneration Committee	Member	10 of 10
Ivan Sotošek	Member	31 May 2015	31 May 2019	9 of 9	Male	Slovene	1969	LL.M.	Insurance	YES	NO	/	Audit Committee	Member	9 of 9
Gregor Kastelic	Vice Chairman	1 July 2013	12 June 2017	3 of 4	Male	Slovene	1968	BSc in Economics, MBA	Financial management, financial markets and analysis, banking, investment banking and marketing	YES	NO	/	Strategy Committee Nomination Committee	Chairman, Member	/ 6 of 7
Dubravko Štimac	Member	12 June 2013	12 June 2017	2 of 4	Male	Croatian	1966	PhD in Economics	Investment banking, capital markets and pension fund management	YES	NO	Podravka d.d. Zagrebska borza d.d.	Appointment and Remuneration Committee	Member	2 of 5
Rajko Stanković	Member	12 June 2013	12 June 2017	3 of 4	Male	Slovene	1968	Senior administrative worker	Administrative procedures, organisation, management and logistics	YES	NO	Žito d.d.	Audit Committee	Member	4 of 5
Matija Blažič	Member	12 June 2013	12 June 2017	4 of 4	Male	Slovene	1946	BSc in Administrative Organisation	Organisation of work, economics and management accounting, human resources and finance, quality system auditor	YES	NO	Petrol d.d.	/	/	/

External members of the Supervisory Board Committees in 2017

Name and surname	Supervisory Board committee	Attendance of meetings of Supervisory Board committees / total number of committee meetings	Gender	Nationality	Education	Date of birth	Professional profile	Membership in the supervisory bodies of other companies while serving as a SB committee member in 2017
Barbara Nose	Audit Committee	5 of 5	Female	Slovene	BSc in Economics, audit specialist	1964	Accounting, audit, certified auditor	/
Mitja Svoljšak	Nomination Committee	7 of 7	Male	Slovene	BSc in Economics	1974	Corporate finance, asset management	GEN energija d.o.o.
Milena Pervanje	Nomination Committee	7 of 7	Female	Slovene	BSc in Economics	1959	HR Advisor	/
Simon Kolenc	Audit Committee	3 of 3	Male	Slovene	BSc in Economics	1977	Finance, accounting, audit	/

By signing the Statement of Independence and *Loyalty* (www.triglav.eu), the members of the Supervisory Board declared themselves on their meeting of the criteria of conflict of interest laid down in Appendix B of the Corporate Governance Code.

Data on remuneration of the Supervisory Board members are disclosed in [→ *Section 5.5 of the Accounting report of the Annual Report*]. Remuneration of the Supervisory Board members was in line with the resolution passed by the 41st General Meeting of Shareholders of Zavarovalnica Triglav.

Composition and remuneration of the Supervisory Board and its committees in 2017

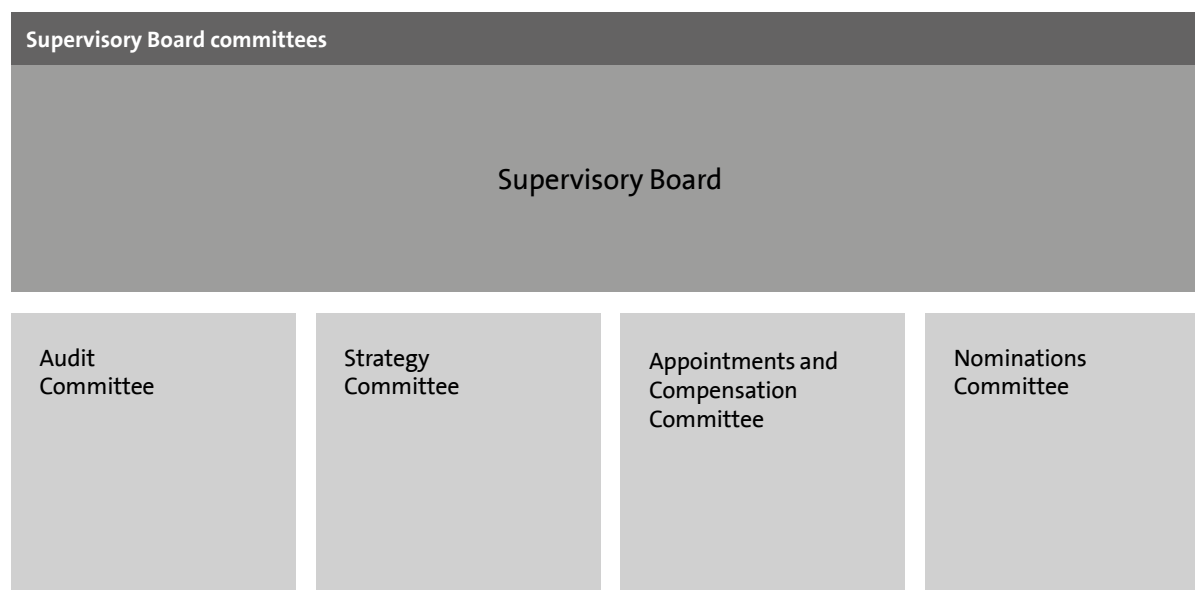
Name and surname	Function (Chairman, Vice Chairman, Member, External committee member)	Remuneration for performing the function – gross per year (1)	Attendance fees for SB sessions and committee meetings – gross per year (2)	Total gross (1+2)	Total net*	Gross travel expenses	Gross travel expenses*
Igor Stebernak	Chairman	28,000	5,863	33,863	24,629	0	0
Andrej Andoljšek	Member	11,021	1,595	12,616	9,175	0	0
Milan Tomaževič	Member	11,219	1,595	12,814	9,319	171	125
Žiga Škerjanec	Member	12,208	2,607	14,815	10,775	0	0
Nataša Damjanovič	Member	12,208	2,508	14,716	10,703	0	0
Mario Gobbo	Member	21,281	4,092	25,373	16,715	36,141	23,808
Boštjan Molan	Member	18,667	4,543	23,210	16,880	627	456
Peter Celar	Member	18,667	4,235	22,902	16,656	0	0
Ivan Sotošek	Member	18,667	4,367	23,034	16,752	1,561	1,136
Matija Blažič	Member	6,750	1,100	7,850	5,709	468	341
Gregor Kastelic	Member	10,738	2,145	12,883	9,984	3,489	2,704
Rajko Stanković	Member	8,438	1,661	10,099	7,345	0	0
Dubravko Štimac	Member	0	0	0	0	0	0
Simon Kolenc	External committee member	3,125	770	3,895	2,833	51	37
Barbara Nose	External committee member	3,375	1,320	4,695	3,415	0	0
Mitja Svoljšak	External committee member	1,565	1,540	3,105	2,258	0	0
Milena Pervanje	External committee member	1,565	1,540	3,105	2,258	0	0
Total		187,494	41,481	228,975	165,406	42,508	28,607

* The amount paid to an individual's account as the payment after deducting the income tax prepayment, which does not take into account any subsequent payments of an individual's personal income tax.

5.3.3.3 Composition of Supervisory Board committees and their activities in 2017

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

In 2017, the Supervisory Board committees were the following: the Audit Committee, the Appointment and Remuneration Committee, the Strategy Committee and the Nomination Committee as an ad-hoc committee.



Audit Committee

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

- monitoring the accounting reporting process, creating reports and drafting proposals for ensuring its comprehensiveness;
- monitoring the efficiency and effectiveness of internal controls, internal audit and risk management systems;
- monitoring the mandatory audit of annual and consolidated accounting statements and reporting on the audit findings to the Supervisory Board;

- being in charge of the auditor selection procedure and proposing a candidate to the Supervisory Board to audit the Company's annual report and participating in the drafting of an agreement between the auditor and the Company;
- supervising the integrity of financial information provided by the Company; evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board;
- cooperation with the Internal Audit Department, monitoring their interim reports, examination of the internal documents of the Internal Audit Department, the Rules of Operation of the Internal Audit Department and the annual plan of the Internal Audit Department;
- examination of decisions on the appointment, dismissal and remuneration of the Head of the Internal Audit Department.

In 2017, the Audit Committee was composed of the following members:

- until 12 June 2017: Mario Gobbo as its Chairman, Rajko Stanković and Ivan Sotošek as its members, and Barbara Nose as the outsourced independent expert;
- from 21 June 2017: Mario Gobbo as its Chairman, Nataša Damjanovič and Ivan Sotošek as its members, and Simon Kolenc as the outsourced independent expert as of 19 August 2017.

Appointment and Remuneration Committee

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

- drafting proposals regarding the criteria for membership in the Management Board;
- drafting proposals regarding the policy of remuneration, compensation and other benefits for the Management Board members;
- preliminary consideration of proposals made by the President of the Management Board related to the management of the Company, pursuant to the third paragraph of Article 13 of the Articles of Association;
- performance of the professional competence and adequacy assessment for the Management and Supervisory Board members in line with the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d.;
- support and making proposals on matters that concern the Supervisory Board (e.g. conflicts of interest, design and implementation of a remuneration system for Supervisory Board members, assessment of the Supervisory Board's work against the Code of Corporate Governance).

Until 12 June 2017, the Appointment and Remuneration Committee had the following composition: Igor Stebernak as its Chairman, Dubravko Štimac and Boštjan Molan as its members; from 21 June 2017, its composition was the following: Igor Stebernak as its Chairman and Nataša Damjanovič, Žiga Škerjanec and Boštjan Molan as its members.

Strategy Committee

The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board's resolutions. The main areas of its operation include discussing and preparing proposals related to strategic development and planning of the Triglav Group and the realisation of its strategic plans.

The Strategy Committee was composed of Gregor Kastelic as its Chairman and Mario Gobbo and Peter Celar as its members. From 21 June 2017, its composition was the following: Milan Tomažević as its Chairman and Andrej Andoljšek, Žiga Škerjanec and Peter Celar as its members.

Nomination Committee

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

Since the four-year term of office of five Supervisory Board members, shareholder representatives, expired on 12 June 2017, on 18 November 2016 the Supervisory Board established a Supervisory Board Nomination Committee for a period of time ending with the appointment of new Supervisory Board members, i.e. until 30 May 2017. The Committee was composed of Igor Stebernak as its Chairman, Gregor Kastelic and Peter Celar as its members, and Mitja Svoljšak and Milena Pervanje as its external members.

5.4 Governance and management of subsidiaries¹⁴

The subsidiaries are managed in line with the Triglav Group Strategy. With respect to the subsidiaries in Slovenia, the Subsidiary Management Department is responsible for comprehensive supervision of the governance of subsidiaries, for identifying and achieving synergies and for the supervision of the implementation of the planned activities, while Triglav INT is in charge of the subsidiaries abroad. Each subsidiary is managed in accordance with the Governance Policy of Zavarovalnica Triglav's Subsidiaries, which lays down all fundamental principles of governance, while its subsidiaries are managed in line with the Governance Policy of Triglav INT's Subsidiaries.

Adhering to the values of the Triglav Group is an ongoing process in all subsidiaries and the key guideline in their management. The values of simplicity, professionalism and modernity are followed by transferring the minimum standards and seeking the possibilities of business process centralisation in subsidiaries. Responsibility and safety are ensured through efficient management and supervision of subsidiaries. The Company actively encourages and connects subsidiaries so as to effectively implement and transfer good practices by continuously monitoring their operations and the achievement of the set objectives. Long-term effort to increase the value of the Group's assets is also an important objective.

The subsidiaries of the Group adhere to the key strategic objectives and goals. In their management, the Company promptly monitors the implementation of the set strategy and identifies the opportunities for improvement in order to not only adapt to the situation but also take advantage of the business opportunities in the environment, with the aim of achieving optimal development of both individual subsidiaries and the Group as a whole. In 2017, special attention was paid to the strengthening of business development of insurance subsidiaries abroad and their competitive position, which will continue to be the key focus in the coming year.

The Group members cooperate in the realisation of strategic projects (in particular joint digital sales, digitisation of insurance business processes, renovation of the organisational culture). Particular attention is devoted to the planning of the foundations of the single information-data system, which will allow the Company to use the data even more efficiently for fast, timely and quality decision-making as well as for improving the operations at the Group level. In order to meet this objective, adequate and centralised information infrastructure as well as uniform application support are needed in all subsidiaries. In the coming period, greater focus will be on strengthening and achieving synergies in various areas, especially at a horizontal level, i.e. among the basic segments or activities of the Group.

¹⁴ GRI GS 102-10, GS 102-18

The composition of governance and management bodies as at 31 December 2017

Subsidiary	Management	Supervisory function
Slovenia		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gregor Stražar – President, Tomaž Rotar – Member, Stanislav Vrtunski – Member	Supervisory Board: Andrej Slapar – Chairman, Tomaž Žust, Sebastjan Debevc, David Benedek
Triglav, Zdravstvena zavarovalnica d.d., Koper	Meta Berk Skok – President, Simon Vidmar – Member	Supervisory Board: Tadej Čoroli – Chairman, Blaž Jakič, Tomaž Krevatin
Skupna pokojninska družba d.d., Ljubljana	Aljoša Uršič – President, Peter Krassnig – Member	Supervisory Board: Tadej Čoroli – Chairman, Miha Grilec, Aleš Vahčič, Primož Plantarič, Jaka Kirn, Miran Kalčič, Lotti Natalija Zupančič, Vesna Vodopivec, Branko Miklavčič, Rok Pivk, Aleš Aberšek
Triglav Skladi, družba za upravljanje d.o.o., Ljubljana	Igor Kušar – President, Andrej Petek – Member	Supervisory Board: Andrej Slapar – Chairman, Blaž Kmetec, Meta Berk Skok
Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale	Edvard Kranjčič – Director, Tedo Djekanović – Authorised Officer	Supervisory Board: Primož Plantarič – Chairman, Matjaž Novak, Lidija Breznik
Triglav INT, holdinška družba d.d., Ljubljana	David Benedek – Chief Executive Officer, Tedo Djekanović – Executive Director	Board of Directors: Andrej Slapar – Chairman, Barbara Smolnikar, Marica Makoter, Uroš Ivanc, Tadej Čoroli, David Benedek, Tedo Djekanović
Triglav Avtoservis d.o.o., Ljubljana	Edvard Zabukovnik – Director, Boris Kuhelj – Director	Supervisory Board: Matej Ferlan – Chairman, Nataša Novak Priveršek, Aleš Klement
Triglav, Upravljanje nepremičnin d.d., Ljubljana	Mitja Selan – President, Aleš Vahčič – Member	Supervisory Board: Uroš Ivanc – Chairman, Ksenija Zajc, Polona Peterle, Nataša Novak Priveršek
Croatia		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca – President, Denis Burmaz – Member, Mišo Čepak – Authorised Officer	Supervisory Board: David Benedek – Chairman, Tomaž Žust, Gorazd Jenko, Darko Popovski, Nives Matijević
Montenegro		
Lovćen Osiguranje a.d., Podgorica	Matjaž Božič – Executive Director	Board of Directors: David Benedek – Chairman, Tomaž Žust, Darko Popovski
Lovćen životna osiguranja a.d., Podgorica	Zorka Milić – Executive Director	Board of Directors: Igor Zupan, Janez Rožmarin, Rok Dremelj
Bosnia and Herzegovina		
Triglav Osiguranje d.d., Sarajevo	Edib Galijatović – President, Edin Muftić – Member	Supervisory Board: Tedo Djekanović – Chairman, Janko Šemrov, Matej Gostiša
Triglav Osiguranje a.d., Banja Luka	Matej Žlajpah – Director	Board of Directors: David Benedek – Chairman, Blaž Jakič, Iztok Šekoranja, Draško Milinović
Serbia		
Triglav Osiguranje a.d.o., Belgrade	Dragan Marković – General Manager, Blaž Jakič – Member of the Board of Directors	Supervisory Board: Tedo Djekanović – President, Radenko Purić, Vuk Šušić, Gorazd Jenko, Fejsal Hrustanović
Macedonia		
Triglav Osiguruvanje a.d., Skopje	Gjorge Vojnović – Chief Executive Officer, Sanja Tančevska – Executive Officer Rok Pivk – Executive Officer	Board of Directors: Tedo Djekanović – President, Darko Popovski, Matej Ferlan, Blaž Kmetec, Gjorge Vojnović, Sanja Tančevska, Rok Pivk
Triglav Osiguruvanje Život a.d., Skopje	Aleksandar Andonovski – Chief Executive Officer	Board of Directors: Tedo Djekanović – President, Igor Donevski, Aleksandar Andonovski

5.5 Internal and external audit

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

The report on the work of the Internal Audit Department is included in [[→ Risk Management, Section 1.1](#)].

5.6 Internal controls and risk management in relation to accounting reporting¹⁵

The Triglav Group has an efficiently designed and integrated internal control and risk management system, which is promptly adapted to the development of the Group, organisational changes and best practices. The system exceeds the basic statutory requirements for insurance companies set out in the Companies Act and the Insurance Act, as well as special implementing regulations of the Insurance Supervision Agency on the establishment and maintenance of a suitable internal control and risk management system.

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

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

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

The characteristics and operation of the risk management system are discussed in detail in [[→ Section 1 of Risk Management](#)].

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

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

5.7 Notes on the takeover legislation

The provisions of the Takeover Act (hereinafter: ZPre-1) are also applicable to Zavarovalnica Triglav.

The share capital structure of Zavarovalnica Triglav, the rights and obligations attached to the shares, the restriction on transfer of shares and the absence of shares that would grant their holders special control rights are described in detail in [[→ Section 6. Share and shareholders of Zavarovalnica Triglav](#)].

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

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

The Management Board of Zavarovalnica Triglav is not authorised by the general Meeting of Shareholders to buy its own shares. The Management Board's competence to increase the share capital is described under [[→ Section 5.3.2.1](#)]. The issue of new shares, the amount of capital increase, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board.

Zavarovalnica Triglav has no employee share scheme.

The Company is not aware of any agreements that would become effective, change or expire on the basis of a changed control of the Company as a consequence of an offer as defined by the Takeover Act (ZPre-1).

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

Andrej Slapar,
President of the Management Board

Uroš Ivanc,
Member of the Management Board

Tadej Čoroli,
Member of the Management Board

Barbara Smolnikar,
Member of the Management Board

Marica Makoter,
Member of the Management Board

6. The Share and Shareholders of Zavarovalnica Triglav

- Zavarovalnica Triglav's share won the Ljubljana Stock Exchange *Prime Market Share of the Year Award*.
- In 2017, there were no significant changes in the shareholder structure. Strengthening of the share of international shareholders continued.
- High »A« credit ratings with a stable long-term outlook were reassigned.

6.1 The share of Zavarovalnica Triglav

In December 2017, the share of Zavarovalnica Triglav (ZVTG) won the Ljubljana Stock Exchange Prime Market Share of the Year Award. In the assessment, the criteria such as turnover, price increase, increase in turnover and the number of trading days in a one-year period were taken into account. This award affirms the Company's performance in terms of its position, information and the active promotion of the share among investors.

The year 2017 was successful for the share of Zavarovalnica Triglav also in other aspects. Its price went up by 24.6% at an annual level, which is more than twice the growth of the SBITOP index and more than four times the growth of the BEIN-SUR insurance index. Compared to the preceding year, share turnover grew by 45%, reaching EUR 40.9 million. ZVTG was the second most traded share on the Ljubljana Stock Exchange, accounting for 11.8% of total turnover, and ranked third in terms of market capitalisation.

Starting at EUR 23.20 on the first trading day, the share peaked to its highest price of EUR 28.90 as at the reporting day. The share price significantly dropped as the result of dividend payment because on 14 June 2017 holding the share no longer meant being entitled to the dividend payment for 2016. In 2017, its value stood at EUR 2.50 gross per share, which made it one of the best dividend yielding stocks on the Ljubljana Stock Exchange.

Key figures for the shares of Zavarovalnica Triglav

Items	31 December 2017	31 December 2016	31 December 2015
Maximum closing price in the year	29.30	27.38	30.15
Minimum closing price in the year	23.21	21.80	20.92
Closing price	28.90	23.20	23.50
Book value per share (parent company)*	25.13	24.78	23.34
Book value per share (consolidated data)*	32.98	32.28	30.48
Net earnings per share (consolidated data)**	3.07	3.62	3.91
Market capitalisation	657,045,777	527,455,434	534,275,978
Average daily trading volume	166,345	114,845	142,878
Payed dividend per share for the previous business year	to be defined	2.50	2.50
No. of shares	22,735,148	22,735,148	22,735,148
The percentage of floating stock***	31.04%	30.98%	31.13%
Traded on	Ljubljana Stock Exchange - LJSE		
ISIN code	SI0021111651		
Ticker symbol	ZVTG		
Bloomberg	ZVTG SV		
Reuters	ZVTG.LJ		
Credit rating (S&P Global Ratings, AM Best)	»A«, stable medium term outlook	»A«, stable medium term outlook	»A-«, positive medium term outlook

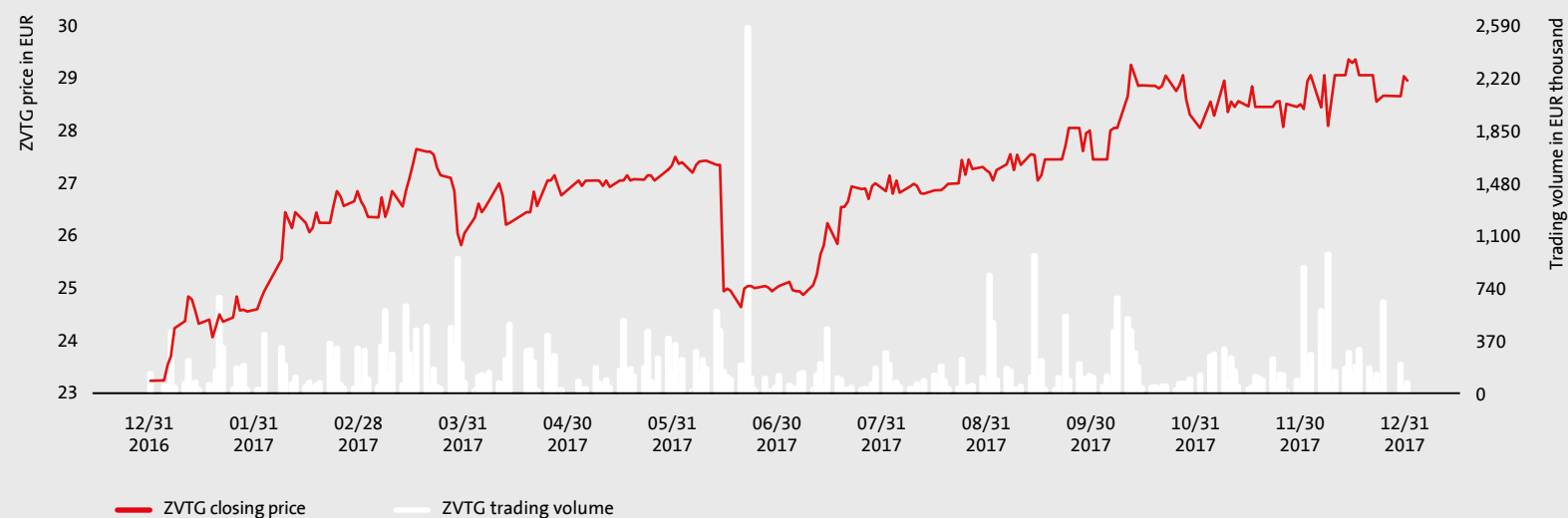
* In calculating the book value per share (parent company), the equity of the Triglav Group and the number of shares as at the reporting date were taken into account, whilst in calculating the book value per share (consolidated data), the equity and the number of shares as at the reporting date were taken into account.

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

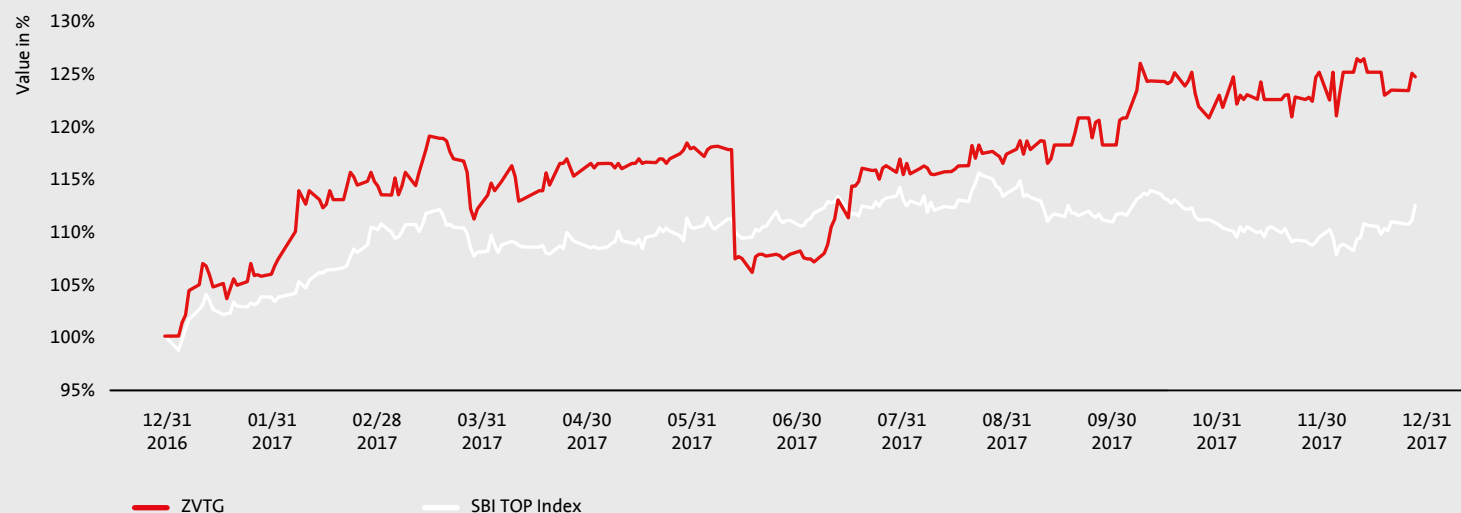
*** The shares held by shareholders with a 5% or higher stake are deducted from the total number of shares.

- Starting at EUR 23.20 on the first trading day, the share peaked to its highest price of EUR 28.90 as at the reporting day.

Movements in the closing price (left axis) and trading volume (right axis) of the ZVTG share in 2017



The relative stock price change of the ZVTG share and the value of the SBI TOP Index in 2017



ZVTG share trading data by individual month of 2017 (in EUR)

Month	Maximum closing price	Minimum closing price	Average daily trading volume
January	24.80	23.21	122,746
February	26.80	24.90	146,624
March	27.60	25.78	251,045
April	27.10	26.17	166,127
May	27.45	26.88	150,524
June	27.38	24.60	254,827
July	26.95	24.83	90,902
August	27.40	26.75	121,024
September	28.00	27.00	148,250
October	29.20	27.40	152,365
November	28.90	28.02	153,684
December	29.30	28.04	211,969
Year 2017	29.30	23.21	166,345

6.2 Equity

As at the 2017 year-end, the share capital of Zavarovalnica Triglav remained at the same level with EUR 73,701,391.79. It was divided into 22,735,148 ordinary registered no-par value shares. All the ZVTG shares are of the same class, freely transferable and issued in a dematerialised form. Each represents the same stake and a corresponding amount in the share capital. All have been fully paid in. Each ZVTG share gives its holder the right to one vote at the General Meeting of Shareholders, proportional dividends from the profit intended for the payment of dividends and a proportional share of the remaining bankruptcy or liquidation estate after the payoff of priority shareholders in the case of bankruptcy or liquidation.

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

- the acquisition of shares of an insurance company by which a person directly or indirectly acquires or exceeds a qualifying holding (the qualifying holding is a direct or indirect holding of shares or other rights that gives the holder a minimum 10% share of voting rights or equity interest, or that gives the holder a share of voting rights or equity interest that is smaller than 10%, but nevertheless allows the holder to significantly influence the management of the company). In the operative part of its decision on issuing an authorisation to acquire a qualifying holding, the Insurance Supervision Agency lays down the

amount of participation in the voting rights or participation in the insurance undertaking's capital for which the authorisation is issued as the ceiling for one of these thresholds:

- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than the qualifying holding and lower than 20%;
- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 20% and lower than 1/3;
- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 1/3 and lower than 50%;
- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 50%;
- participation based on which a future qualifying holder becomes the parent entity of the insurance undertaking;
- before any further acquisition of shares by which a qualified holder would surpass the threshold for which an authorisation for the acquisition of a qualifying holding had been issued;
- for the entities that agree to a concerted acquisition of the shares of the insurance undertaking or a concerted exercising of management rights arising from the shares (joint qualifying holders) and intend to acquire a holding by which they would jointly reach or exceed a qualifying holding of the undertaking;
- before any further acquisition of shares of the joint qualifying holders, by which their joint holding would surpass the threshold for which an authorisation to acquire a qualifying holding had already been issued.

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

6.3 Shareholder structure¹⁶

In the reporting period, ownership concentration measured by equity stakes of the top ten shareholders increased by 0.4 percentage point and accounted for 76.7% of total shares. The shareholder Clearstream Banking SA, Luxembourg – fiduciary account decreased its stake and fell from the top ten shareholders. Therefore, there was a new shareholder among the top ten shareholders: Forplan d.o.o., Ljubljana. Among the top ten shareholders, the top two shareholders maintained their stake, whilst Unicredit Bank Austria – fiduciary account increased its stake the most, i.e. by 1.6 percentage point.

■ As the reporting date, top ten shareholders held 73.7% of total shares.

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2017 (ownership in %)

Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Slovenia	34.47%
SDH d.d., Slovenia	28.09%
Addiko Bank d.d., Croatia - fiduciary account	6.39%
Unicredit Bank Austria, Austria - fiduciary account	2.79%
Hrvatska poštanska banka d.d., Croatia - fiduciary account	1.42%
East Capital - East Capital Balkans, Luxembourg	0.98%
Kuwait Investment Authority, Kuwait	0.85%
Pozavarovalnica Sava Re d.d., Slovenia	0.73%
The Bank of New York Mellon, USA - fiduciary account	0.57%
Forplan d.o.o., Slovenia	0.36%

- The number of international shareholders and their stake again went up. Their equity stake accounted for 18.0% as at the reporting date.

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2017 and 31 December 2016

Shareholder	Number of shares		Ownership (in %)	
	2017	2016	2017	2016
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	7,836,628	7,836,628	34.47	34.47
SDH d.d., Ljubljana	6,386,644	6,386,644	28.09	28.09
Addiko Bank d.d., Zagreb, Croatia – fiduciary account	1,453,894	1,467,458	6.39	6.45
Unicredit Bank Austria, Vienna, Austria – fiduciary account	634,792	267,356	2.79	1.18
Hrvatska poštanska banka d.d., Zagreb, Croatia – fiduciary account	322,004	322,004	1.42	1.42
East Capital - East Capital Balkans, Luxembourg, Luxembourg	221,700	290,278	0.98	1.28
Kuwait Investment Authority, Safat, Kuwait	193,827	158,571	0.85	0.70
Pozavarovalnica Sava Re d.d., Ljubljana	166,678	166,678	0.73	0.73
The Bank of New York Mellon, New York, USA – fiduciary account	128,576	157,157	0.57	0.69
Forplan d.o.o., Ljubljana	82,568	82,568	0.36	0.36

As at the year-end, Zavarovalnica Triglav had 14,297 shareholders, having decreased by 22% over the preceding year, mostly due to the withdrawal of Slovene shareholders – natural persons, holding only a small number of ZVTG shares. Their sale was expected as this was the effect of the abolition of free registry accounts kept by KDD – Centralno klirinška depotna družba d.d., which existed since the beginning of the privatisation of Slovene companies in the 1990s. This trend was most pronounced in 2016 and continued in particular in the first months of 2017. The other shareholders – natural persons were active traders in 2017. Their share increased by 0.25 percentage point to 10.7% as at the year-end. The majority of shareholders – legal entities remained in the Company's shareholder structure. Moreover, the share of international shareholders slightly increased.

The bulk of the ZVTG shareholders are from Slovenia, whereas international shareholders from 37 countries accounted for 3.1%. The number of international shareholders and their stake again went up. The growth of their stake over several years came to a halt in 2015 but again continued. Their equity stake accounted for 18.0% as at the reporting date, having increased by 0.9 percentage point over the 2016 year-end. The observed trend is also the result of the promotion of the Triglav Group among international investors and an active investor relations policy implemented by Zavarovalnica Triglav.

Shareholder structure of Zavarovalnica Triglav as at 31 December 2017

	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	18,647,609	4,087,539	20,299,275	2,435,873
Number of shareholders	14,297	13,857	440	500	13,797
Number of shares - percentage	100.00%	82.02%	17.98%	89.29%	10.71%
Number of shareholders - percentage	100.00%	96.92%	3.08%	3.50%	96.50%

The number of shares held by the Management and Supervisory Boards equalled 4,484 as at the end of the reporting period.

The number of shares owned by members of the Management and Supervisory Boards as at 31 December 2017

Name and surname	Post	No. of shares	Equity stake
Management Board		80	0.00 %
Andrej Slapar	President of the Management Board	-	-
Uroš Ivanc	Member	80	0.00%
Tadej Čoroli	Member	-	-
Barbara Smolnikar	Member	-	-
Marica Makoter	Member, Employee Representative	-	-
Supervisory Board		4,404	0.02%
Shareholder representatives		4,004	0.02%
Igor Stebernak	Chairman	-	-
Andrej Andoljšek	Deputy Chairman	-	-
Mario Gobbo	Member	-	-
Nataša Damjanovič	Member	-	-
Žiga Škerjanec	Member	-	-
Milan Tomaževič	Member	4,004	0.02%
Employee representatives		400	0.00%
Boštjan Molan	Member	-	-
Peter Celar	Member	400	0.00%
Ivan Sotošek	Member	-	-
Management and Supervisory Board combined		4,484	0.02%

6.4 Dividends

In recent years, the Company has paid dividends in the amounts as shown in the table below.

Overview of dividend payments for the business years 2014–2017

Items	2017	2016	2015	2014
Total dividends (in EUR)	to be defined	56,837,870	56,837,870	56,837,870
Dividend per share (in EUR)	to be defined	2.50	2.50	2.50
General Meeting of Shareholders	29 May 2018	30 May 2017	31 May 2016	9 June 2015

6.5 Investor relations management¹⁷

In order to achieve a fair value of the ZVTG share and its expected liquidity, the share is promoted by actively managing investor relations.

Transparency is achieved with active and open communication. As the company whose shares are listed on the Ljubljana Stock Exchange Prime Market, Zavarovalnica Triglav exceeds the standards of this market segment and actively co-develops them. The Company's publications regarding its strategy, plans, performance and other material information are announced in the financial calendar for the coming year. Published information is available in both Slovene and English. All shareholders are treated equally. All publications are available on the Company's website www.triglav.eu, the SEOnet information system of the Ljubljana Stock Exchange and the INFO HRAMBA system.

The Company proactively cooperates with analysts, institutional investors and shareholders and is available to them at the meetings at investment conferences in Slovenia and abroad, at individual meetings, via conference calls and by e-mail. In 2017, investor relations activities were further strengthened. In 2017, Triglav participated in eight meetings with institutional investors and analysts in the financial centres across Europe and the USA and took part in two webcasts. Once again, Zavarovalnica Triglav held an annual meeting with analysts and investors at its headquarters. The calendar of past conferences, including the presentation material, and the calendar of future conferences is available on the Company's website.

Special attention is devoted to small shareholders. The Investor Relations subpage at www.triglav.eu contains a special section devoted to small shareholders, providing daily trading information about the ZVTG share and all key information on the Company's business operations and financial standing. For quality information of the Slovene shareholders about the effect of the amended legislation, a call centre with a toll-free telephone number was made available to the investors, who were also able to receive any clarifications in all Zavarovalnica Triglav's branches across Slovenia.

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

Information for shareholders:

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

6.6 Credit rating of the Triglav Group and Zavarovalnica Triglav

Maintaining the »A« credit rating is one of the strategic objectives of the Triglav Group. The credit ratings of the Triglav Group – and consequently its parent company Zavarovalnica Triglav and its subsidiary Pozavarovalnica Triglav Re – are assigned by two established credit rating agencies: S&P Global Ratings and A.M. Best. In 2017, both agencies assigned the Group an **»A« standalone credit rating** with a stable medium-term outlook.

The credit rating assigned by S&P Global Ratings exclusively reflects the Group's standalone credit profile and does not include any uplift from the Group's status as a government-related entity. In its report, the rating agency assessed the business risk profile of the Triglav Group as strong, its financial risk profile as very strong and its capital adequacy as extremely strong. In addition, the rating agency stated in its report that the Group had adequate reinsurance protection. S&P Global Ratings pointed out the notable advantages arising from the consistent strategic guidelines of the Triglav Group. The emphasis on profitability and safety of its operations was preserved in the new strategy period up to 2020, in which the Group's operations focus on only two business pillars: insurance and asset management. S&P Global Ratings expressed the same

positive opinion in respect of growing strategic importance, development of asset management and the new, particularly development-oriented components of the Group's operations, which include digitisation, integrated client management, and the development of new products and sales channels, which have already been assessed as favourable by the rating agency.

The high rating affirmations of Zavarovalnica Triglav by the credit rating agency A.M. Best reflect the strong balance sheet strength of the Triglav Group, constant excellent operating performance over the past five years and appropriate risk management. The Agency pointed out that the Group was supported by solid capitalisation, prudent management of provisions and strong financial flexibility. The Group's operations are affected by the low interest rate environment and the situation in the life insurance segment, which however is improving. A.M. Best pointed out the benefits of the Group's leading position in both the Slovene market and the region. In its opinion, the Group demonstrated improvement in its operations on the markets outside Slovenia as it actively sought alternative lower cost distribution channels. Furthermore, the economic conditions in the region partly improved, which also impacted the insurance markets, albeit the highly competitive and challenging operating conditions remained. A.M. Best also pointed out the key role of Pozavarovalnica Triglav Re as the reinsurer of all Triglav Group members.

6.7 Bonds of Zavarovalnica Triglav

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

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

7. Performance of the Triglav Group and Zavarovalnica Triglav

- In 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 Group¹⁸

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 2017¹⁹

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)²⁰

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 55th 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 33rd in premium per capita (two ranks lower than the year before) and 30th 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).

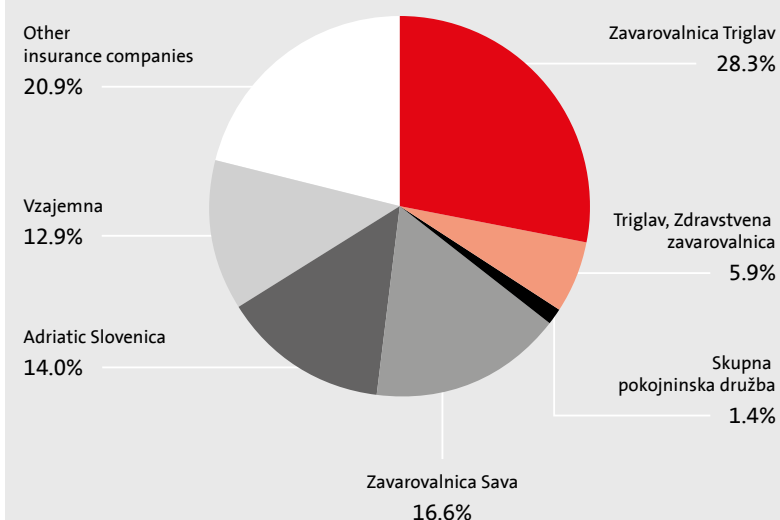
The market share of **Triglav, Zdravstvena zavarovalnica**:

- 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

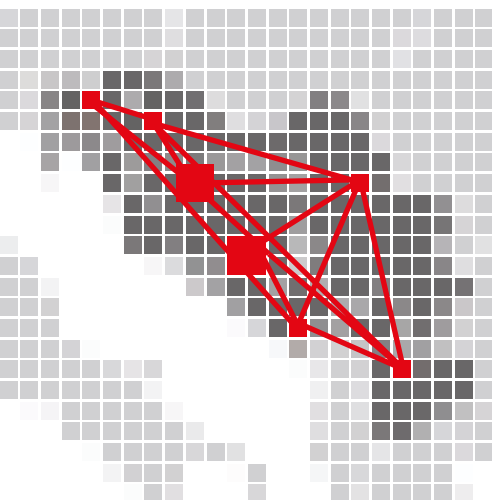
As many as 21 insurance companies (two fewer than in 2016) were active in the Croatian market, of which 9 were composite insurers, 8 non-life insurers and 4 life insurers. Since the merger of Velebit and Velebit životno osiguranje in November 2016, they are a subsidiary of Zavarovalnica Sava.

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.

7.8%

market share

Triglav Osiguranje, Banja Luka and
Triglav Osiguranje, Sarajevo

EUR 92

premium per capita

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.

7.4.1.4 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%).

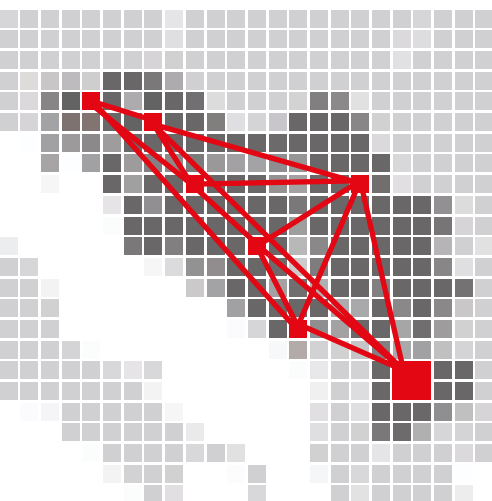
Compared to the corresponding period in 2016, **Triglav Osiguranje, Belgrade** recorded a 28.5% rise in written premium in the first nine months of 2017, which is 22.2 percentage points above the growth rate of the Serbian insurance market as a whole. Its market share rose to 5.8% (2016: 4.8%), thus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

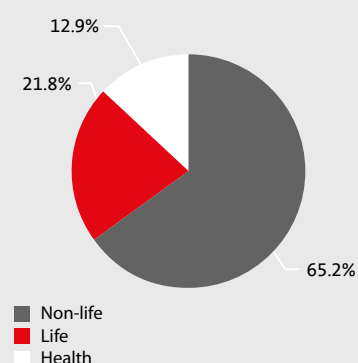
The share of health insurance premium in total gross written premium increased, whereas the share of life insurance premium went down:

- **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%).

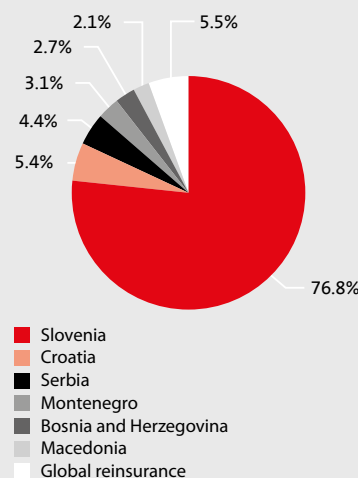
The share of the insurance written premium on the markets outside Slovenia is gradually increasing. Compared to 2016, it went up by 0.4 percentage point. A total of 76.8% of consolidated gross written premium was charged in the Slovene insurance market, 17.7% of premium was booked in the markets outside 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%
Total	999,916,626	936,003,815	919,116,265	107	102	100.0%	100.0%	100.0%

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%
Total	736,799,032	222,440,084	959,239,116	108	103	107	100.0%
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	
Total consolidated	781,633,922	218,282,704	999,916,626	108	103	107	

* 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 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

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

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

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 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%
Non-life insurance	736,799,032	683,071,390	665,073,276	108	103	76.8%
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%
Life insurance	222,440,084	215,816,302	216,583,351	103	100	23.2%
Total	959,239,116	898,887,692	881,656,627	107	102	100.0%

* 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%
Non-life insurance	448,495,641	422,860,052	411,536,169	106	103	72.1%
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%
Life insurance	173,475,695	170,268,959	174,724,776	102	97	27.9%
Total	621,971,336	593,129,011	586,260,945	105	101	100.0%

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%
Total	426,006,747	193,022,851	619,029,598	108	104	107	100.0%
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	
Total - consolidated	452,708,086	189,454,483	642,162,569	107	104	106	

* 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%
Non-life insurance	426,006,747	395,024,239	388,707,199	108	102	68.8%
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%
Life insurance	193,022,851	184,949,753	181,887,631	104	102	31.2%
Total	619,029,598	579,973,992	570,594,830	107	102	100.0%

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

Gross claims paid of Zavarovalnica Triglav by insurance class

Insurance class	Gross claims paid			Index		Structure
	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%
Non-life insurance	240,420,167	227,621,165	230,472,708	106	99	58.5%
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%
Life insurance	170,885,357	163,615,155	160,094,849	104	102	41.5%
Total	411,305,524	391,236,320	390,567,557	105	100	100.0%

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.

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

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%
Total	290,964,614	293,642,858	314,655,906	99	93	100.0%
Consolidation eliminations	-16,919,317	-16,584,818	-17,041,530	102	97	
Total consolidated	274,045,297	277,058,040	297,614,376	99	93	

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%
Total	167,744,757	164,547,219	160,966,168	102	102	100.0%

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
Total	2,732,245,591	2,660,788,315	2,600,442,123	103	102

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
Total	2,103,360,033	2,076,303,119	2,053,864,286	101	101

- **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

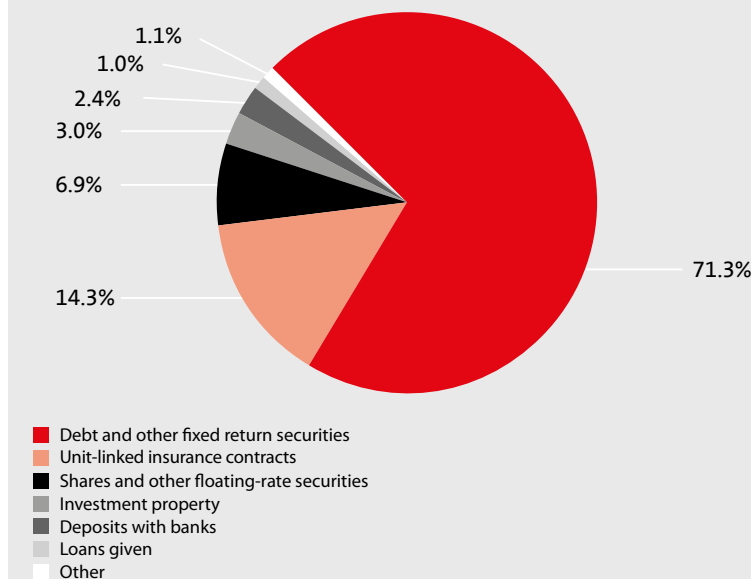
The Triglav Group follows a relatively conservative investment policy, focusing on investment security and liquidity governed by adequate profitability. The investment activities in 2017 adhered to these guidelines. The structure of financial investments did not significantly change, but the Group actively 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	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%
Total	3,138,543,554	3,076,972,401	102	100.0%	100.0%

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%	
Total	2,237,729,265	2,134,902,600	105	100.0%	100.0%	

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%	
Total	2,237,729,265	2,134,902,600	105	100.0%	100.0%	

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%	
Total	2,237,729,265	2,134,902,600	105	100.0%	100.0%	

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%	
Total	224,206,170	245,276,350	91	100.0%	100.0%	

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 2017/2016	Structure	
	31 Dec. 2017	31 Dec. 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%
Total	224,206,170	245,276,350	91	100.0%	100.0%

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 2017/2016	Structure	
	31 Dec. 2017	31 Dec. 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%
Total	2,454,990,500	2,436,290,771	101	100.0%	100.0%

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.
The Triglav Group	93.9%	92.9%	1.0 p.p.

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.

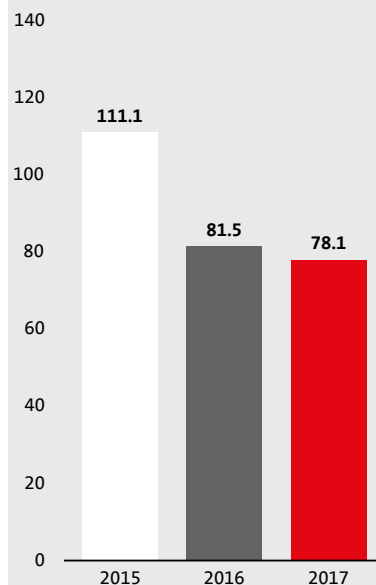
8.1.2 Income and expenses from financial assets

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
Net premium income	891,197,369	849,594,001	105
- 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
Income from financial assets	139,837,442	146,017,485	96
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
Other income from insurance operations	22,568,835	5,392,172	419
- fees and commission income	16,487,470	252,793	6,522
- other income from insurance operations	6,081,365	5,139,379	118
Other income	34,033,116	53,537,175	64
Net claims incurred	619,958,781	577,102,418	107
- 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
Change in other insurance technical provisions (excluding ULI)	60,281,190	47,211,325	128
Change in insurance technical provisions for unit-linked insurance contracts	-8,250,712	776,648	
Expenses for bonuses and discounts	9,342,891	11,331,630	82
Operating expenses	220,762,633	208,675,708	106
- acquisition costs	147,942,412	141,003,013	105
- other operating costs	72,820,221	67,672,695	108
Expenses from financial assets and liabilities	33,611,711	42,533,879	79
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
Other insurance expenses	26,855,289	17,038,345	158
- fees and commission expenses	15,688,547	0	0
- other expenses from insurance operations	11,166,742	17,038,345	66
Other expenses	40,629,897	54,732,790	74
Profit before tax	84,445,082	95,138,090	89
Income tax expense	14,737,130	12,806,316	115
Net profit for the accounting period	69,707,952	82,331,774	85
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

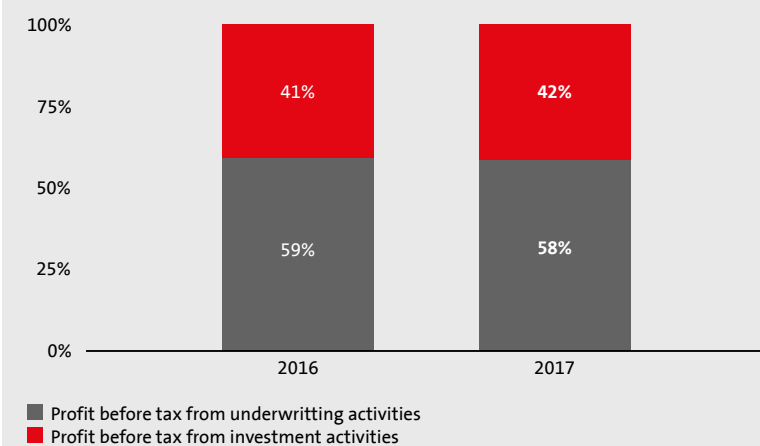
* Only the employees of the insurance companies and the reinsurance company of the Triglav Group were taken into account.

Profit/loss before tax of the Triglav Group*

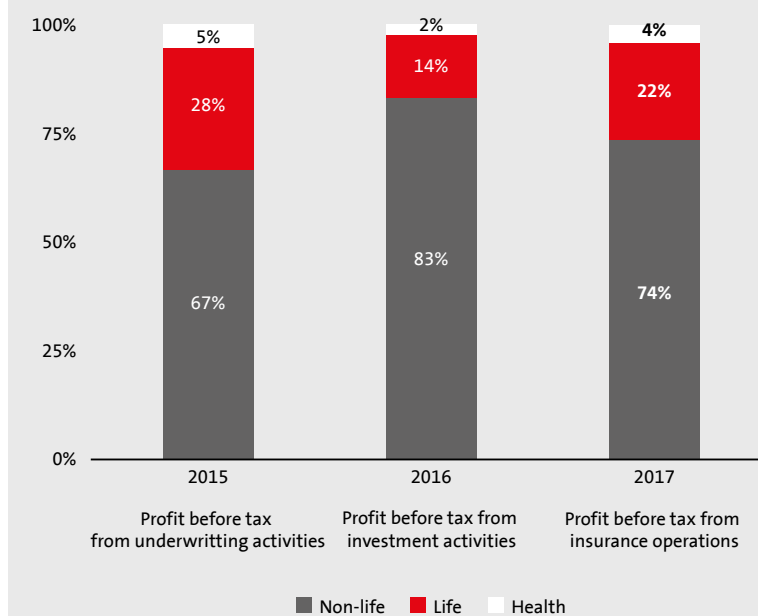
	2017				2016			
	Non-life	Life	Health	Total	Non-life	Life	Health	Total
Profit before tax from underwriting activities	32,806,680	13,895,913	2,607,645	49,310,238	38,843,797	13,286,716	2,427,265	54,557,778
Profit before tax from investment activities	29,363,482	5,004,247	853,063	35,220,792	32,046,207	4,426,697	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
Total profit before tax				84,445,082				95,138,089

* 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

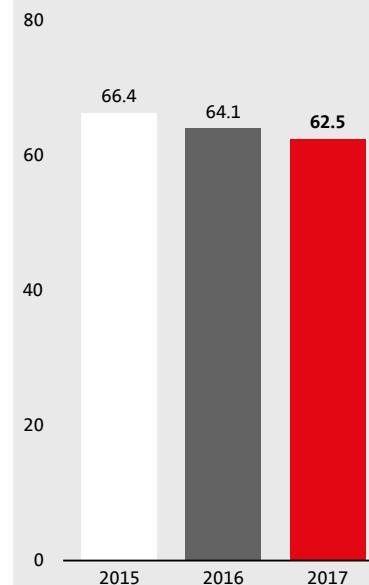
Changes in other insurance technical provisions totalled EUR 35.4 million, accounting for an increase of 23% primarily due to higher mathematical provisions (EUR 36.1 million). The growth resulted from higher volume of supplemental voluntary pension insurance and payments into the guaranteed return fund.

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 Pojiš'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
Net premium income	522,057,353	509,765,204	102
- 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
Income from financial assets	112,144,711	115,997,114	97
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
Other income from insurance operations	21,938,604	19,160,149	115
- fees and commission income	18,011,730	15,201,866	118
- other income from insurance operations	3,926,874	3,958,283	99
Other income	10,951,423	12,645,615	87
Net claims incurred	376,292,830	350,739,765	107
- 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
Change in other insurance technical provisions (excluding ULI)	35,366,975	28,758,525	123
Change in insurance technical provisions for unit-linked insurance contracts	-14,678,837	-7,469,473	197
Expenses for bonuses and discounts	8,073,088	9,108,703	89
Operating expenses	145,922,909	142,229,598	103
- acquisition costs	105,301,136	102,587,533	103
- other operating costs	40,621,773	39,642,065	102
Expenses from financial assets and liabilities	21,992,479	30,163,394	73
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
Other insurance expenses	6,980,751	8,476,079	82
- fees and commission expenses	2,211,487	0	0
- other expenses from insurance operations	4,769,264	8,476,080	56
Other expenses	13,319,580	12,143,689	110
Profit before tax	73,822,316	83,417,802	88
Income tax expense	11,300,366	8,084,200	140
Net profit for the accounting period	62,521,950	75,333,602	83

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 Osiguruvanje, 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: Trigal 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
ASSETS	3,674,676,193	3,574,885,423	103	100.0%	100.0%
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%
EQUITY AND LIABILITIES	3,674,676,193	3,574,885,423	103	100.0%	100.0%
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
ASSETS	2,786,489,540	2,740,333,045	102	100.0%	100.0%
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%
EQUITY AND LIABILITIES	2,786,489,540	2,740,333,045	102	100.0%	100.0%
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
A. Cash flow from operating activities			
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
Total cash flow from operating activities	49,682,349	41,786,344	119
B. Cash flows from investing activities			
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
Total cash flow from investing activities	23,335,017	33,932,419	69
C. Cash flows from financing activities			
Cash inflows from financing activities	0	0	0
Cash outflows from financing activities	-60,407,207	-57,900,352	104
Total cash flow from financing activities	-60,407,207	-57,900,352	104
D. Opening balance of cash and cash equivalents	65,714,474	47,928,768	137
E1. Net cash flow for the period	12,610,159	17,818,411	71
E2. Foreign exchange differences	93,214	-32,705	0
F. Closing balance of cash and cash equivalents	78,417,847	65,714,474	119

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
A. Cash flow from operating activities			
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
Total cash flow from operating activities	6,994,538	17,017,553	41
B. Cash flows from investing activities			
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
Total cash flow from investing activities	58,985,384	61,047,381	97
C. Cash flows from financing activities			
Cash inflows from financing activities	0	0	0
Cash outflows from financing activities	-58,118,823	-57,961,246	100
Total cash flow from financing activities	-58,118,823	-57,961,246	100
D. Opening balance of cash and cash equivalents	27,653,646	7,549,958	366
E. Net cash flow for the period	7,861,100	20,103,688	39
F. Closing balance of cash and cash equivalents	35,514,746	27,653,646	128

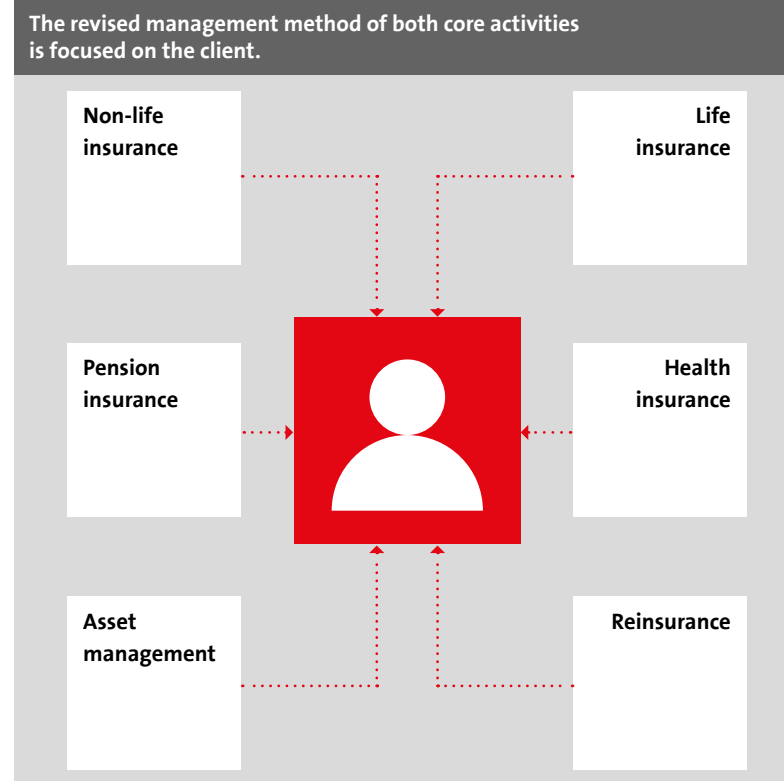
11. Development and Sales Activities

- The year 2017 was marked by dynamic development activities in accordance with the strategic guidelines.
- The management method of both core activities, i.e. insurance and asset management, was adapted to the client-focused approach.
- New products were developed, while upgrading the existing ones. Furthermore, the claim settlement and subrogation recovery processes were redesigned.
- Digital platforms for more effective cooperation with partners were launched.
- A life insurance company was established in Macedonia. The Group was the first to offer voluntary pension insurance in Bosnia and Herzegovina.
- In all markets, the Group's range of products and services was not only expanded but also upgraded to include assistance services, in addition to the promotion of alternative sales channels.
- Together with its partners, the Company provided additional benefits to its clients and effectively implemented marketing campaigns by including innovative solutions.

The Group responds to the challenges of social, technological, demographic, economic, political and environmental changes by realising its vision of becoming a modern, innovative and dynamic insurance/financial group, the leader both in Slovenia and the wider region. The activities aimed at realising the Group's five strategic guidelines (see [→ *Section 4. Strategy and Plans of the Triglav Group*]) are interdisciplinary and carried out by the parent company and through active cooperation of all Group members. This ensures **continued profitable operations and a further increase in the value of the Group**. The Group pursues development-oriented objectives at all four strategic levels (financial performance, clients, processes and organisation, and employees, learning and knowledge), therefore achievements in development are summarised not only in this section but also in other sections such as [→ *Risk Management and Section 12. Sustainable Development in the Triglav Group*].

11.1 Comprehensive client relationships

In the new strategy, the focus on the clients who are at the centre of the Company's operations not only continues but is also further enhanced. Clients perceive Triglav as a coherent, strong brand; keeping this in mind, **the management method of both core activities was adapted thereto by creating six segments** (non-life, life, health and pension insurance, reinsurance and asset management).



It is important to well understand the needs of clients. A new step was taken not only in the development of an operational system for client relationship management but also in the method for measuring client satisfaction and loyalty (Net Promoter Score). This increases the ability to collect and analyse data in real time, which is supported by the increasingly digitised environment, as it will become even more important in the future. Apart from that, the use of rapid indicators and an analysis of potential and existing client profiles were introduced so as to help customise products, services, processes, methods of

work and communication with clients. The Company is aware of the importance of **responsible management of the clients' personal data**, which is why a lot of attention is paid to it (more in [→ *Section 12.5 Responsibility toward clients*]).

Business processes, position and performance were again subject to self-assessment under the **European EFQM excellence model**. The numerical assessment further improved, which confirms the adequate organisation of processes and good results in terms of understanding the importance of balance and effective management of the stakeholders' needs and expectations.

The omni-channel approach

The competitive advantage of the Company is its **extensive sales network** with appropriately qualified sales teams. To this end, the role of intergenerational cooperation was increased, the training model was upgraded, the motivation, selling power and efficiency of the sales staff were boosted and new IT solutions were implemented.

The clients' omni-channel approach



The clients' omni-channel approach to the Company's products and services is being developed in a strategic manner, because clients themselves should be able to choose the method of communication and doing business with the Company. In addition to the traditional channels, the Company strengthens its digital channels such as **online and mobile sale**. The i.triglav web office was regularly expanded with upgraded and new products. Apart from mobile applications, online sale is linked with other digital solutions, such as the online portal, where clients are able to monitor their life and non-life insurance policies. In 2017, the online sale of the parent company included a number of products. In the non-life insurance segment, the Company provided online renewal and taking out of new car insurance, the ordering of green cards and car insurance quotes, taking out of travel and health insurance while travelling abroad, accident insurance for children and adolescents, bicycle and cyclist insurance, insurance for sports activities, insurance for hikers and mountaineers, payment card insurance and dog insurance. In the life insurance segment, clients were able to take out i.fleks unit-linked insurance, whole life insurance and individual supplemental voluntary pension insurance.

Apart from that, other **alternative sales channels** were strengthened, such as the sale **via banks, travel agencies and leasing companies**, which contributed to premium growth in individual markets (see [→ *Gross written premiums from insurance, co-insurance and reinsurance contracts in Section 7.5*] for more details). In addition to sales targets, the focus was on the **acquisition of new and quality contractual partners** and on an appropriate structure of the existing partner network. The IT support for contractual partners was upgraded. Among other things, the **B2B application for selling insurance** via leasing companies and a **new ŽKrog 2 underwriting application** were upgraded.

Digitalisation of operations

The Company is in the process of establishing an advanced, computerised and innovative business environment. **In the context of the digitisation of business operations, business processes** are being modified while continuing with the gradual introduction of paperless, mobile and simplified operations with clients and business partners. The number of activities to be implemented throughout the strategy period covers all processes, from taking out and processing insurance to claim settlement. They are optimised and upgraded by using digital technology. As the result, the work of the sales staff in the field was made more efficient and the claim settlement process was accelerated in the reporting period. The solutions were developed to simplify the formalities that the clients are required to undergo, thereby making the procedures even more simple and effective. With an even more automated risk assessment and underwriting process, the response



Fresh development ideas were also sought at two hackathons.

time in dealing with separate applications of policyholders was further improved. In trade receivables insurance, an online connection with the policyholders (the B2B application) was established to ensure a higher quality of insurance processing, etc. With the introduction of mobile platforms, the Company increased the effectiveness of cooperation with its business partners, assistance service providers and outsourcers for making repairs.

Special attention is paid to **claim settlement and subrogation recovery**. New technological and process improvements are implemented in support of digitisation and mobile services. At the same time, services for the clients who choose to report a claim using the traditional channels continue to be developed.

- Most functionalities for full digitisation and settlement of most claims solely in electronic form and for full automation of some simple claims and subrogations (straight-through processing) were upgraded.
- A mobile application was developed that enables clients to report a claim, monitor the progress of the claim settlement process and order assistance services.
- Simplified settlement of low-value claims was introduced (also see [→ 12. *Sustainable Development in the Triglav Group*]). The settlement process for electronically reported real property claims lower than EUR 500 is centralised, without an on-site inspection and with rapid communication with the client.
- Subrogation files where debtors are natural persons in insolvency proceedings were centralised, thereby achieving better control, lower costs and easier monitoring of insolvency proceedings.
- The network of contractors was expanded and online correspondence via the Contractor Portal mobile platform was introduced. By redesigning and modernising operational processes, the settlement of claims involving damage to buildings now begins with the help of contractors.
- A **mass claims** monitoring solution was developed. The Company's organisation of work continues to be specially adapted to the settlement of mass claims. In the mass claim reporting process, policyholders' property risk and their personal circumstances are taken into consideration, public calls are published and instructions on what to do in such a situation are issued. Simple property damage claims can be reported by calling the toll-free telephone number 080 555 555, online or via the Triglav Asistenca mobile application.²¹

The Company is strategically oriented to seek **new business methods and opportunities**. This type of a project with a development and innovation component is **the development of a business model for the digital entry of the Triglav Group to the selected markets outside the region**. The development part of the project was completed. It was based on numerous analyses and fresh ideas, some generated at **two hackathons**.

Product upgrade and development

The Company continued to upgrade the existing products and to develop new, more flexible and understandable products. Increasingly more products are upgraded with **assistance services**, because the Company aims to provide to its clients not only insurance coverage but comprehensive solutions for their needs.

- In property and interest in property insurance, new insurance terms and conditions were developed for personal protection insurance, which covers liability insurance, accident insurance and cyber insurance and which complies with the Insurance Distribution Directive.
- In motor vehicle insurance, motor vehicle liability insurance for mopeds was designed on the basis of the mandatory registration effective from May 2017. Driver's bodily injury insurance (AO plus) was redesigned to include the option of a higher insurance cover. The extended warranty product was adapted to the needs of major car dealers (the warranty on new vehicles is effective after the factory warranty expires, whereas for used vehicles the warranty is extended). In cooperation with Petrol d.d., tyre insurance and assistance services in the case the tyres have been damaged were developed.
- In agricultural insurance, the option was introduced to choose the amount of the deductible for additional insurance of vineyards against the risk of frost based on past claims. In hop insurance, it is possible to reduce the deductible from the sum insured, while insurance may be taken out for already yielding fields in the context of permanent crop insurance.
- In accident insurance, insurance terms and conditions for group accident insurance were revised to provide greater flexibility and to include new medical and insurance developments and trends. In the context of the comprehensive personal protection insurance product, accident insurance covering accidental death, serious injuries, fractures, dislocations, burns and soft tissue injuries was developed. Apart from that, assistance after suffering an injury was added. Through Abanka, accident insurance for the elderly who are Senior account holders began to be sold.
- In health insurance, assistance after suffering an injury was developed for life and non-life insurance, the Specialisti+ (Specialists+) and Operacije (Surgeries) insurance packages were redesigned and additional health insurance Zobje (Teeth) and Specialisti (Specialists) was unified. Moreover, the option to take out long-term insurance Specialisti+ was provided as individual, family and group insurance (for 4 or 10 years), the triglavzdravje.si website was redesigned and updated, the mobile application was upgraded to enable the submission of cost reimbursement applications for Zobje and Zobje+ insurance and to take out insurance.





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Additional health insurance Zobje (Teeth) and Specialiti (Specialists) was unified.

- In transport insurance, the key insurance products were redesigned, particularly by including the range of insurance covers that reflect the current risks of policyholders.
- In accounts receivable insurance, credit insurance products were upgraded through segmentation of products for low-value loans. The documentation for assessing creditworthiness in traditional consumer and housing loans was simplified. The range of insurance products for loans that banks approve via modern sales channels for their clients and non-clients was expanded. Additional guarantees were added to insurance covering unemployment, death and permanent disability, financial gap insurance and payment card insurance if the insured is a borrower or a lessee.
- In life insurance, the product range continued to be consolidated. The investment strategy "Financial objectives" for Fleks unit-linked life insurance for the elderly was adjusted (in addition to the saving period, it is possible to choose the financial objectives based on the policyholder's age). Second medical opinion insurance was redesigned (the right to a second opinion no longer depends on the predefined list of illnesses). The range of additional insurance products was expanded to include additional assistance after suffering an injury, which includes the following insurance covers: specialist treatment, major diagnostic procedures and outpatient rehabilitation. Apart from that, higher limits of sums insured for the referral of policyholders to a health check were introduced. Support for taking out supplemental health insurance with ŽKrog 2 was developed.

New forms of partnerships

The Company established new forms of **partnerships**, within which it enters the business ecosystems as an insurance provider that co-creates an integrated offering of various products and services. By using modern technology, particularly smart connected devices, a suitable environment for building partnerships is created; therefore, when seeking and introducing new solutions, the Company **cooperates with startups and accelerators**.

The **multi-year partnership** with the Chamber of Craft and Small Business of Slovenia (OZS), the ABC accelerator, the Finance newspaper in the context of the Entrepreneurship Forums and the Dnevnik newspaper in the context of the Golden Thread and Gazelle was complemented with the new partnership: with Podim (a regional startup ecosystem epicentre, which contributes to the development of the Alpe-Adria region and the Western Balkans) and with CEED (promotion of economic growth through development, integration and mentoring of entrepreneurs).

11.2 Activities in the markets of the Triglav Group outside Slovenia

In Macedonia, a life insurance company was established. Through the co-founded voluntary pension insurance company, Zavarovalnica Triglav was the first to offer these products in Bosnia and Herzegovina.

At the Group level, numerous activities were implemented throughout the reporting year, with the aim of achieving synergies in various areas, especially at a horizontal level, i.e. between the operating segments of the Group. Foundations are already set. When developing services and processes, solutions and good practices are transferred to the Group members and adapted to the specificities of each market.

The development activities focused on the **health insurance segment**. Triglav, Zdravstvena zavarovalnica was in charge of the development and sale of health insurance in the Triglav Group. The health insurance products were offered on practically all markets of the Group, where the subsidiaries continued to establish the outsourced network of health care providers, recruit new employees, expand their product range and simplify the underwriting procedures.

- In Lovćen Osiguranje, Podgorica, the outpatient treatment product was launched.
- In Triglav Osiguranje, Sarajevo, the cover for the treatment of flu and acute infections of upper respiratory organs was added to the outpatient treatment product.
- In Triglav Osiguruvanje, Skopje, a loyalty programme for the policyholders who have concluded long-term insurance policies was launched.
- In Triglav Osiguranje, Zagreb, the sale of supplemental health insurance products, which began in 2016, continued with great success in the reporting year.

In the **non-life insurance** segment, roadside assistance insurance products were launched on all markets outside Slovenia. Insurance subsidiaries launched or upgraded the real property package insurance modelled according to DOM home insurance, continued the inward reinsurance programme and began to provide fronting for trade receivables insurance. With respect to suretyship insurance, the parent company cooperated with subsidiaries in passive and active fronting. The DRAJV application was launched in Croatia and Serbia.

Several innovative partnerships were established, especially in relation to loyalty programmes, and cross-selling was further strengthened. The remaining activities in the markets of the Group included:

- **Triglav Osiguranje, Zagreb** offered new non-life insurance packages and carried out cross-selling campaigns with an emphasis on the sale of additional covers for bonus protection, legal protection, a replacement vehicle and rejection of motor vehicle registration.

- **Triglav Osiguranje, Belgrade** upgraded its agricultural insurance products and launched the insurance product for the drop in milk production. Moreover, roadside assistance insurance was upgraded.
- **Triglav Osiguranje, Sarajevo** redesigned its motor vehicle insurance products and initiated the activities for the launch of drone insurance.
- **Triglav Osiguruvanje, Skopje** continued to redesign its non-life insurance products and to develop drone insurance.
- **Lovćen Osiguranje** launched financial gap insurance and lease insurance products.
- **Triglav Osiguranje, Banja Luka** carried out the necessary preparations for the launch of roadside assistance insurance.
- **Triglav Osiguranje, Sarajevo, Triglav Osiguranje, Belgrade and Triglav Osiguruvanje, Skopje** participated in the innovative international insurance programme for mobile phones covering a cracked screen, began to sell **earthquake microinsurance** and developed innovative tyre insurance products. Apart from that, they developed extended warranty insurance for well-known car brands and implemented many sales campaigns.

In Bosnia and Herzegovina, Serbia and Montenegro, the development of **life insurance products for the sale in banks** continued, as the banking channel is becoming an increasingly important alternative sales channel in all insurance subsidiaries. The sales staff was carefully chosen in most subsidiaries. Training teams were established in all subsidiaries so as to transfer professional and sales skills within own sales network, which already has and will continue to increase sales staff performance.

11.3 Transformed operations of the Triglav Group

Strategic transformation of the Group's operations includes **improvements in management practices and techniques, information and data system and support functions**. In 2017, the **Business Intelligence (BI) Department** was established, which is in charge of the data warehouse, the reporting system and particularly analytical support to business decisions. The multi-annual project of building the **data warehouse** in the parent company was completed but will continue at the Group level. The data warehouse provides daily updated in-house and publicly available information for a better understanding of the operations of the parent company and the connection with the effects of the external environment. The **geographical information system of the parent company** (the GIS application) was upgraded and integrated into the risk underwriting, reinsurance and claim settlement processes.

Project bases were established for **centralised management of information technology and its infrastructure**, with the aim of better exploiting internal synergies in the Group. This involves a set of activities for the creation of a platform for easier digitisation of operations and integration with business partners, the use of data sources in order to optimise the operations and a gradual transfer of most services of the Group members to the centralised IT infrastructure of the parent company. In this context, the key elements of the IT infrastructure were purchased.

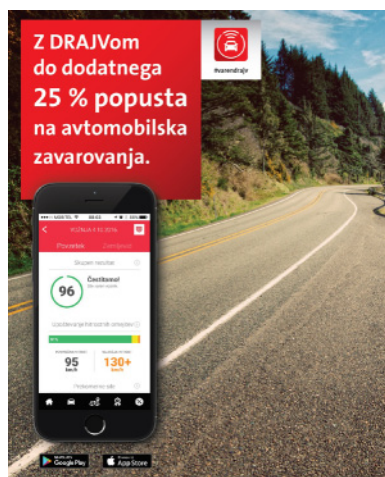
Much attention was devoted to the adaptation to the legal and regulatory requirements (the implementation of the European PRIIP Regulation, updating due to the additional requirements of the GDPR and other European directives relating to insurance, the harmonisation of the internal information system with the redesigned insurance and claims register of the Slovenian Insurance Association). The insurance fraud prevention tool was implemented in three insurance subsidiaries of the Group, and its implementation is underway in another two. The user options in the software for the support of the insurance process in insurance subsidiaries abroad (AdInsure) were upgraded and a centralised setup of the reinsurance module was introduced.

In information and cyber security, additional measures were implemented to facilitate the detection of security incidents through systematic monitoring of IT system users.

11.4 Efficient asset management in the Triglav Group

Over the past years, **capital and asset-liability management** tools have been systematically improved. In support of these processes, in 2017 a new information system was set up, while continuing with the **gradual centralisation** of asset management at the Group level.

Furthermore, a **regional platform for investing in alternative investments** (Trigal) was established (see [→ *Section 2.4 for more details*]).



triglav

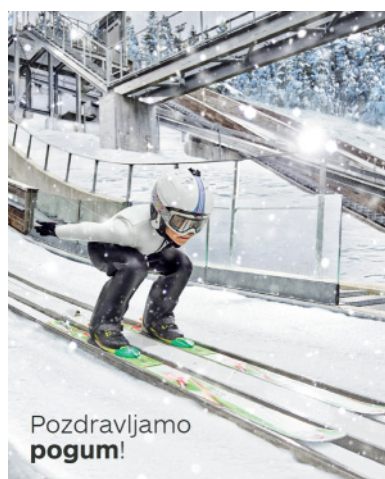
11.5 Development of a modern culture and dedicated staff

For an effective implementation of the Strategy of the Group, it is important to implement the project of renovating the organisational culture within the Group. The common values, rules and methods of operation of all employees have to enable the realisation of the set strategic guidelines. The project is being implemented in several phases. In 2017, the analysis of the situation in Group members was performed and further activities were outlined. In the uniform organisational culture of the Group, creativity, quality before quantity of work, performance of tasks and the development of individuals are much appreciated. Such an organisational culture ensures that employees are satisfied with their work, promotes their personal growth and encourages them to take on new and interesting activities (see [→ *Section 12.4 Sustainable Development*] for further details).

11.6 Marketing activities

In addition to numerous existing marketing and sales campaigns, new marketing opportunities were sought through partnerships that bring benefits to policyholders. Customer orientation was supported with the development and use of CRM tools. The most important activities included:

- For the first time, the Vinjeta (Vignette) sales campaign was organised in cooperation with Petrol. More than 120,000 policyholders received free fuel by purchasing a vignette.
- Through marketing and sales promotion activities, the renewal of insurance policies was effectively promoted (the Sprosti čas (Free Time) campaign for cyclist insurance, baggage insurance, travel insurance and insurance of rehabilitation after a traffic accident).
- A comprehensive marketing and sales campaign promoting accident insurance for children and young people (direct marketing by e-mail) was supported with the advanced CRM tool. The share of insurance policies taken out online was increased. Moreover, taking out insurance was also enabled via other sales channels.
- In the context of CRM projects, client databases were unified and consolidated and the activities were implemented to design the Client Card, which has been used since December 2017.



Gorenjska Banka



Product campaigns were used to promote insurance sale and cooperate with other recognised companies

Brand management and marketing communications

To maintain and boost brand image, company reputation, loyalty and a two-way relationship with the policyholders, the Company deepens its knowledge about consumers and market conditions. By applying a comprehensive approach to branding at corporate and product levels, brand redesign efforts and implementation of the brand identity within the entire Triglav Group continued. Furthermore, the transition to the monolithic architecture of product groups continued. The Triglav nepremičnine and Triglav Lab brands were registered, while the redesign of the graphic image of the Lovćen Osiguranje is under preparation.

Zavarovalnica Triglav adhered to the Slovenian Code of Advertising Practice. The Market Inspectorate received one complaint against Zavarovalnica Triglav. A proceeding was initiated, as the result of which the Company received a reprimand for communication in the Vinjeta campaign. No proceedings for infringements related to marketing communications were initiated against the subsidiaries.²²

The Company received many international and domestic awards for its marketing communications including: 2016 Advertiser Award, SEMPL, Sporto, Websi, Arc Award, European Excellence Award, awards from the Finance newspaper, Trusted Brand and Somo Borac (more information in [→ *Section 12.1*]).

Product campaigns

Product campaigns were used to promote insurance sale and cooperate with other recognised companies (see [→ *Section 11.6 Marketing Activities*]). The conclusion of insurance included in the Sprosti čas product was also promoted via the DRAJV application for safer driving and DRAJV challenges. In the joint campaign with Gorenjska Banka, the Company's partner in the Planica Nordic Centre project, the sale of life insurance in connection with housing loans was promoted. In cooperation with Abanka, accident insurance was offered to young people.

Assistance insurance (car and home assistance, bicycle and cyclist assistance and medical assistance abroad) was supported with the integrated advertising campaign "First Come, First Assist".

Marketing communication of insurance products is adapted to the target groups and their increased interest in them: travel insurance, agricultural insurance, insurance for motorcyclists, insurance for sports activities, etc. An innovative approach was taken in the campaign promoting accident insurance for children and young people, who were addressed with the new PAZI TO! (WATCH THIS!) brand.

Corporate campaigns, comprehensive and innovative solutions

Corporate identity was also built through the Mladi upi (Young Hopes) project (see [→ *Section 12.6.2*] for more details) in partnership with the Planica Nordic Centre and the new digital centre Triglav Lab. The mission of Triglav Lab (to be officially opened in early 2018) is to spread the knowledge of digital technologies and learn about innovative digital practices. Within its framework, smart technological solutions and paperless operations will be offered, in addition to supporting the clients to transition to the digital world. Apart from that, Triglav Lab will provide digital advice, hold events, training, workshops and seminars, linking them with sale through content marketing.

In advertising, innovative approaches are taken to build positive client relationships and to acquire new clients. Visitors of the traditional Ski Jumping World Cup in Planica were able to use the new mobile application Triglav Rekord, with which they competed in forecasting the length of ski jumps.

Verification of effectiveness and market research

With the introduction of key performance indicators (KPIs) and the first media audit conducted in 2015, Zavarovalnica Triglav was one of the first in the Slovene market to start strategic planning of media buying. At the end of 2017, the second media audit on the domestic market began and for the first time on one of the markets outside Slovenia.

Marketing analysis and research on the Company's reputation is an important criterion of its marketing communications. The impact of the undertaken activities on brand image, efficiency and effectiveness of advertising campaigns were also examined in 2017. Zavarovalnica Triglav is still among the top brands in Slovenia. Clients' feelings towards the brand as a whole or by an individual area were measured by using the Net Promoter Score (NPS) method. Furthermore, the shopping habits of policyholders in the motor vehicle insurance segment were monitored by conducting the "All Insurance" research, based on an ongoing monitoring of insurance of individuals.

The analysis of the Slovene insurance industry in 2017 (content and heuristic analysis of websites of the Slovene insurance companies and their social media profiles) provided an insight into the quality of the Company's services and its online approach to the users of its services as well as into comparability within the industry.

The effectiveness and comprehensibility of key advertising campaigns is verified by individual target groups. Among the insurers, the Company continues to rank first most often and achieves good communicativeness.

The satisfaction of participants and communication effectiveness of organised events (e.g. Triglav Run) are monitored more frequently. The fourth consecutive evaluation of the sponsorship in Planica included the measuring of visibility and performance assessment as well as segmentation.

A mix of marketing activities is carried out at all key events (Ski Jumping World Cup in Planica, Biathlon World Cup in Pokljuka, car fairs, ATP tennis tournament in Umag) and some minor events.

11.7 Investments in real property and equipment

The Triglav Group invested EUR 9.3 million in property, plant and equipment, EUR 3.5 million in investment property and EUR 9.8 million in intangible assets (software and property rights).

Zavarovalnica Triglav invested EUR 4.7 million in **property, plant and equipment**, whilst investment property amounted to EUR 640 thousand. Investments in intangible fixed assets (software and property rights) totalled EUR 7.8 million.

Growth in total real property owned by the Group is the result of investments in these real properties so as to improve the use of available capacity, functionality and energy efficiency. There were only a few new acquisitions, the largest being the purchase of land near the business complex at Dunajska cesta 20 and 22 in Ljubljana, thereby becoming the owner of all land plots at that location and increasing its development potential. Investment property was renovated most often in order to make the best use of the existing capacity and ensure compliance with state-of-the-art technological, functional and energy efficiency requirements. In the coming strategy period, several major comprehensive renovation projects of existing real properties at long-term strategic locations are planned. Moreover, small-scale retrofitting of commercial buildings of the Company's regional units are planned so as to improve their functionality and safety and to lower energy and utility costs.

In addition, these measures were designed to improve the use of own real property as well as to **reduce leasing of real properties** not owned by the Group and consequently rental and utility costs. Several relocations of employees to own real properties were carried out in 2017. Where possible, the lease or sale of redundant property will continue.

The Group will try to make the best use of the positive developments in the real property market in order to **improve its real property portfolio**. Thus, non-strategic investment properties of lower value were sold for EUR 1.2 million, because they did not meet the expected profitability. The activities to optimise the portfolio will continue. Furthermore, in some projects, property development activities will continue to be carried out, for which it is estimated that they would have a positive impact on the value of real property (large land plots and individual underused real estate complexes owned by the Group members). Good performance results will be further increased by making prudent investments in real property, including purchasing and selling, thereby improving the structure of the real property portfolio intended for investment and own activity.

Essential major investments and adaptations of business premises followed energy efficiency principles and those for improving workplace equipment to ensure health and safety at work. Over 5,800 m² of business premises were developed and renovated, i.e. 30 projects, which mainly relate to the business complex at Dunajska cesta 20 and 22 (for own use and investment).

Major maintenance will be continued so as to provide for a safe work environment for employees and clients alike, which is presented in [→ *Section 12.7 Environmental aspects (Protection of the environment in work processes)*].

11.8 Adjustment to the regulatory changes

All regulatory changes are included in the Company's business operations. Key activities in 2017 included:

- the implementation of the General Data Protection Regulation (GDPR);
- preparations for the implementation of the requirements of the European Insurance Distribution Directive (IDD) and the legislation on the prevention of money laundering and terrorism financing;
- preparation of the bases for the implementation of the European Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs) as of 1 January 2018. As of this date, key information documents (KID) will be used in the sale of investment-linked life insurance and life insurance with a savings component, the purpose of which is to provide clients with key information about a product.

All development activities comply with the applicable legal provisions and regulatory frameworks. In the Republic of Slovenia, the Insurance Act (ZZavar-1) prescribes to insurance companies the information on insurance terms and conditions they are obliged to disclose to policyholders. This information refers to insurance contracts whose content has to be disclosed to policyholders in full (including general insurance terms and conditions) and to the information to be disclosed to policyholders upon contract conclusion and during the course of its term, as set out in the ZZavar-1 (see <https://zakonodaja.com/zakon/zzavar-1>). Similarly, the Pension and Disability Insurance Act in Slovenia regulates supplemental voluntary pension insurance. Information to be sent to policyholders is also stipulated by the corresponding laws in Croatia, Macedonia, Bosnia and Herzegovina (the Federation of Bosnia and Herzegovina and the Republic of Srpska), Montenegro and Serbia.²³

NON-FINANCIAL STATEMENT

By reporting in line with the international GRI (Global Reporting Initiative) standard, the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2017 is in compliance with the requirements of the European Directive on disclosure of non-financial and diversity information by certain large undertakings and groups, which was adopted in 2015. The Directive was incorporated into Slovene legislation in 2017. The requirements of the non-financial statement in accordance with the Companies Act (ZGD-1J) are presented throughout the whole Annual Report as references to GRI disclosures.

- The information, the description of the policies and the results of the policies on environmental, social and employee matters, respect for human rights, and anti-corruption and bribery matters are presented in [[→ Section 12. Sustainable Development in the Triglav Group](#)].
- The main risks related to the above-mentioned areas are presented in [[→ Risk Management, Section 11. Development and Sales Activities and Section 12. Sustainable Development in the Triglav Group](#)].
- The description of the business model or the Group's value generation model are presented in [[→ Section 2. Triglav Group and Zavarovalnica Triglav in 2017](#)].
- The description of the diversity policies implemented in relation to administrative, management and supervisory bodies is presented in [[→ Section 5. Corporate Governance Statement](#)].

Andrej Slapar
President of the Management Board

Uroš Ivanc
Member of the Management Board

Tadej Čoroli
Member of the Management Board

Barbara Smolnikar
Member of the Management Board

Marica Makoter
Member of the Management Board and Employee Representative

About the Report²⁴

The Annual Report of the Triglav Group and Zavarovalnica Triglav refers to an individual business and calendar year. It is prepared by the relevant departments of Zavarovalnica Triglav²⁵ in line with the **International Financial Reporting Standards** (IFRS), the **Companies Act** (ZGD-1J), the **Insurance Act** (ZZavar-1) and the international sustainability reporting guidelines **GRI**. By incorporating the economic, social and environmental impacts of the Company's operations into different sections, reporting aimed to produce an integrated report.

In 2016, the latest GRI guidelines – Global Standards (GS) were followed, taking into consideration specific guidelines for the financial sector. In order to apply the new standard, the interests of stakeholders and the scope of sustainability reporting were verified. This was repeated in 2017, in which reporting in accordance with GRI GS continued. The range of topics and disclosures is presented in the GRI Content Index at the end of the Annual Report.

In this Annual Report, the reporting was upgraded with an overview of the areas where the Company contributes to achieving the sustainable development goals adopted by the United Nations.



The data on the Group's sustainable operations are collected by the relevant departments of the parent company Zavarovalnica Triglav, which is in charge of the reporting. The disclosures pursuant to the GRI standard mainly pertain to the parent company, however they are also being gradually introduced to subsidiaries. A decision about a comprehensive external verification of sustainable reporting has not yet been made.

The data on the calculation methodology for individual indicators are given in the text and the notes. There were no changes to the data provided in previous reports, which would have affected the state of affairs due to new findings or deviations. Individual minor changes are explained in the notes.²⁶

12. Sustainable Development in the Triglav Group

- The set objectives and guidelines for 2017 were fully achieved, while the stakeholders' interests and topic boundaries under the GRI GS standard were identified.
- By forming a partnership with the organisation Transparency International Slovenia, the Company further committed to developing the anti-corruption culture and implementing fair business practices.
- The expansion of the internal network in Triglav Osiguranje, Belgrade had an impact on the growth in the number of employees.
- The organisational culture was measured for the first time in the Triglav Group.
- More training courses on intergenerational cooperation and creative solving of business challenges were held.
- Once again, the total number of accidents at work significantly decreased.
- Investments in prevention made by the parent company to increase fire safety (40%) were followed by investments in health care (28%) and traffic safety (22%).
- Good results of investments in smart traffic signs in Slovenia were recorded.
- Zavod Vse bo v redu (Everything Will Be Alright Institute): Support was provided to 13 new young hopes.

12.1 Implementation of strategic guidelines and sustainable development goals of the Triglav Group and Zavarovalnica Triglav

In the new Triglav Group Strategy for the 2017–2020 period, the reputation of the Group was linked to building quality relationships with the key stakeholders, whereas business performance was linked to the main aspects of the Group's sustainable development. Two strategic indicators directly relate to the progress of the Group made in relation to sustainable development indicators.

The defined material topics and disclosures under the GRI GS standard (which began to be applied in the 2016 report) were again verified in 2017, as explained in [→ Section 12.2]. For the first time, the achievement of the global sustainable development goals (SDGs) of the United Nations was taken into account in the report. Being part of the international insurance and financial industry, the Company sees its contribution to sustainable economic, social and environmental development in responsible management of financial and non-financial risks and assets of its shareholders and clients. The Company and the Group have actively joined the efforts for building an ethical, inclusive and environmentally responsible society.

Material sustainable development topics of the Triglav Group and Zavarovalnica Triglav:²⁷

Economic impacts	<ul style="list-style-type: none"> ■ Economic performance ■ Market presence ■ Indirect economic impacts ■ Procurement practices 	<ul style="list-style-type: none"> ■ Protection of competition ■ Anti-corruption behaviour 	
Social aspects	<ul style="list-style-type: none"> ■ Employment ■ Labour/management relations ■ Occupational health and safety ■ Training and education ■ Diversity and equal opportunity ■ Labour practices grievance mechanisms 	<ul style="list-style-type: none"> ■ Local communities ■ Non-discrimination ■ Human rights grievance mechanisms ■ Supplier assessment for impacts on society 	<ul style="list-style-type: none"> ■ Marketing and labelling ■ Product and service portfolio ■ User privacy ■ Socioeconomic compliance
Environment	<ul style="list-style-type: none"> ■ Energy 	<ul style="list-style-type: none"> ■ Effluents and waste 	<ul style="list-style-type: none"> ■ Supplier environmental assessment

The goals achieved in 2017

The set goals and activities for 2017 were fully achieved. See the link *Key Sustainability Guidelines and Goals in 2017* for more details.

Commitments to external initiatives²⁸

The Triglav Group voluntarily participates in initiatives that promote business practices that are ethically, environmentally, socially and economically sustainable. Professional business practice standards are implemented in the context of the Insurance Code of the Slovenian Insurance Association, as well as by taking into account the recommendations of the Slovene Consumers' Association for improving financial literacy. In addition, the Group adheres to the codes of professional conduct that apply on the markets in which the Group members operate. The Company is active in the European Institute of Compliance and Ethics (EICE) and the Corporate Ethics and Transparency Committee of the American Chamber

of Commerce in Slovenia. As one of the first Slovene signatories of the Declaration on fair business practices, Zavarovalnica Triglav committed to raising the awareness regarding the significance of fair business practices at the national level and the implementation of the compliance programmes modelled after international practices and standards of fair business practice. In 2017, the Company further committed to developing the anti-corruption culture and implementing fair business practices by establishing a partnership with the organisation Transparency International Slovenia (See [→ Section 12.5 Responsibility towards Clients](#)] for more details).

Membership in associations²⁹

The Group's subsidiaries and their employees outside Slovenia are active members of industry associations and economic groupings in their relevant countries. Zavarovalnica Triglav and its employees actively participate in several insurance industry-related and other associations, including the Slovenian Insurance Association, the Chamber of Commerce and Industry of Slovenia, the Slovenian Directors' Association, the Ethos anti-corruption working group operating within the UNGC Slovenia, the Marketing Association of Slovenia, the Public Relations Society of Slovenia, Transparency International Slovenia and the Network for Social Responsibility of Slovenia (MDOS).

Awards and prizes

In 2017, Zavarovalnica Triglav received the following awards and prizes:

- **Ljubljana Stock Exchange Award:** Zavarovalnica Triglav received the Prime Market Share of the Year Award. The awards for the best shares on the Slovene market are awarded by the Ljubljana Stock Exchange.
- **TOP 10 Training and Education Management:** For the ninth consecutive year, Zavarovalnica Triglav ranked among the companies in Slovenia that systematically invest the most in knowledge, education and training of their employees. The award is given by Planet GV in cooperation with the SOFOS Institute of Training Management.
- **Trusted Brand 2017:** For the eleventh consecutive year, Zavarovalnica Triglav was awarded the most trusted brand in the category of insurance companies.
- **Pearl Awards:** Gold awards in the categories "Best Website" for the [Vse bo v redu](#) (Everything Will Be Alright) portal and "Best Cover" for the special issue of Obzornik magazine about depression. These international awards are given by The Content Council for the best content marketing projects.
- **European Excellence Awards:** The finalists in individual categories for the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2016, the Triglav

Rekord mobile application and the special issue of Obzornik magazine entitled Depression: Let's talk about it. The awards are given by the Communication Director magazine.

- **Advertiser of the Year 2016:** At the 26th Slovene Advertising Festival, the Slovene Advertising Association awarded Zavarovalnica Triglav with the Advertiser of the Year 2016 Award and the Grand Prix in digital communications for the DRAJV mobile application.
- **SEMP:** The Sempler Golden Award in the category "Best Technology Approach" for the Triglav Rekord mobile application at the 19th SEMPL Media Trends Conference.
- **ARC Award:** The Gold Award for the innovative approach to the Annual Report of the Triglav Group for 2016 at the largest independent international competition for annual reports.
- **Best Annual Report:** The main award of the Finance newspaper in cooperation with the Finance Academy for the best annual report amongst large public interest companies, the main award for risk management and corporate governance and the award for the best annual report among all Slovene companies.
- **SPORTO:** The SPORTO Event Award in cooperation with the Ekstrem agency for the Triglav the Rock Ljubljana project. The awards are given for the best sponsorship and sports marketing projects within the framework of the SPORTO Conference.
- **POMP Forum 2017:** The POMP Awards for Best Integrated Content Marketing Strategy, Best Video (the Prevc komplet video series), Best Content Campaign (the in-depth story entitled Earthquakes Always Shake You Up), Best Internal Communication Media (a special issue of Obzornik on depression) and Best Cover (a special issue of Obzornik on depression).
- **SoMo Borac 2017:** The Triglav Drajv application was a finalist in the category "SoMo App".
- **WEBSI 2017:** 1st place in the category "Mobile Applications" for Triglav Vreme application, which became the overall web champion 2017, 1st place in the category "Innovative Digital Projects" for the Triglav Rekord application and the award for the best user experience for both applications.

Triglav, Zdravstvena zavarovalnica received the **POMP Award** for Best Native Advertising in the context of the award for special achievements in content marketing.

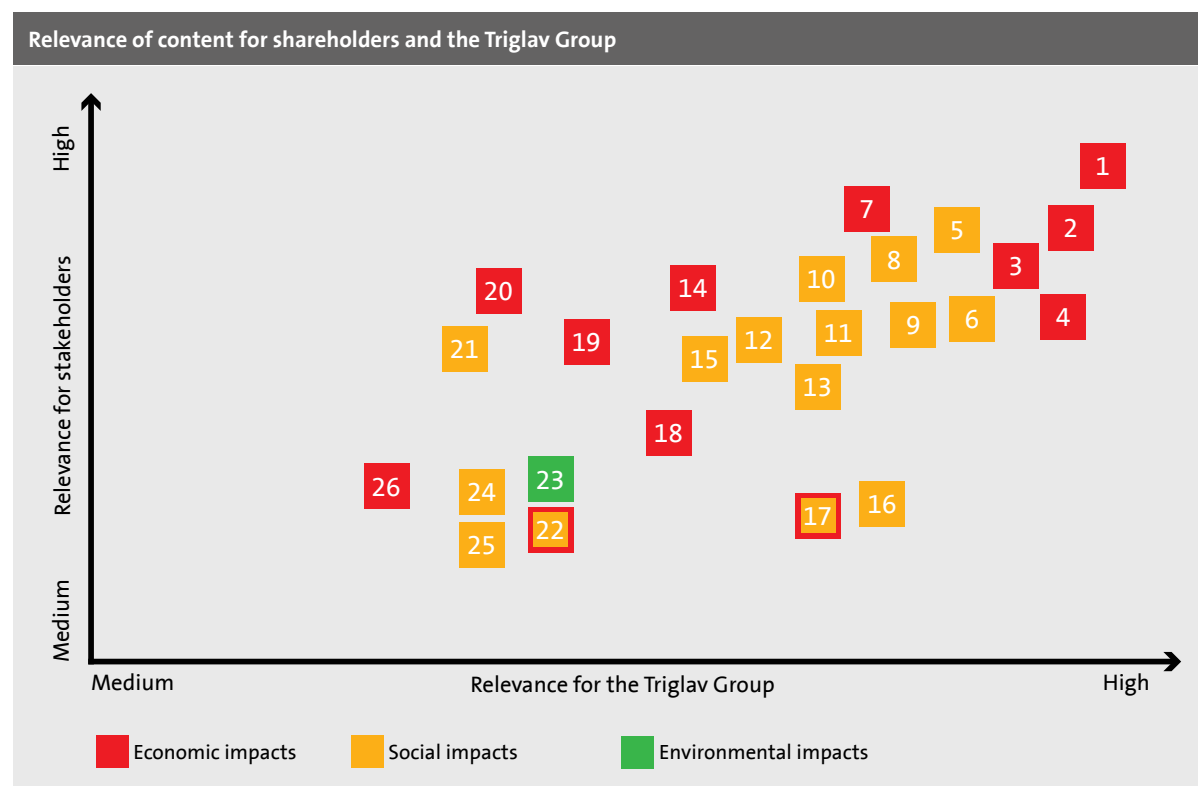


Zavarovalnica Triglav received the Prime Market Share of the Year Award, awarded by the Ljubljana Stock Exchange.

12.2 Key stakeholders³⁰

Zavarovalnica Triglav monitors the needs and interests of its stakeholders through a web of mutual relationships at the strategic and operational levels. Mutual trust and understanding between individual stakeholder groups and the Company are strengthened through proper and balanced communication and inclusion. Among the stakeholders, most attention to the Annual Report is paid by regulators, financial analysts and investors, followed by employees, the media and local communities which are interested in specific segments.

In 2017, a qualitative survey was conducted among the representatives of the Company's stakeholders. By carrying out in-depth interviews, their interests in relation to the Company and their needs and expectations regarding reporting and the content of disclosures were identified. Business partners and users of the Company's services are interested in custom-tailored content, primarily social impacts. The results of the qualitative survey will be used to upgrade stakeholder relations.



1. Capital adequacy – topic boundary: within and beyond the organisation (regulators)
2. Business strategy and plans – topic boundary: within and beyond the organisation (regulators, shareholders/investors)
3. Efficient risk management system – topic boundary: within and beyond the organisation (regulators)
4. Profitability – topic boundary: within and beyond the organisation (shareholders/investors)
5. Safety of policyholders and/or users of insurance services – topic boundary: within and beyond the organisation (regulators)
6. Reliability and trust in the Company – topic boundary: within and beyond the organisation (policyholders, shareholders/investors)
7. Fast payment of damages – topic boundary: within and beyond the organisation (policyholders)
8. In-depth information on the operations and financial position of the Group – topic boundary: within and beyond the organisation (shareholders/investors, the media)
9. Traffic and fire safety – topic boundary: beyond the organisation (policyholders, local communities)
10. Information about changes in the Company – topic boundary: within the organisation (employees)
11. Education and additional training – topic boundary: within the organisation (employees)
12. Relationships among employees – topic boundary: within the organisation (employees)
13. Access to insurance services for people with various disabilities – topic boundary: beyond the organisation (policyholders, local communities)
14. Long-term cooperation with suppliers – topic boundary: beyond the organisation (suppliers and creditors)
15. Friendly approach to clients – topic boundary: beyond the organisation (policyholders)
16. Responsible and sustainable operations – topic boundary: within and beyond the organisation (local communities, policyholders, shareholders/investors, the media)
17. Financial literacy – topic boundary: beyond the organisation (local communities, policyholders)
18. The remuneration system and performance-related pay – topic boundary: within the organisation (employees)
19. Reliability of payments – topic boundary: beyond the organisation (suppliers and creditors)
20. Favourable premium – topic boundary: within and beyond the organisation (policyholders, regulators)
21. Cooperation with local communities – topic boundary: beyond the organisation (local communities)
22. Innovative insurance products and services – topic boundary: beyond the organisation (policyholders)
23. Environmental protection – topic boundary: beyond the organisation (local communities)
24. Infrastructure investments – topic boundary: beyond the organisation (local communities)
25. Health prevention – topic boundary: beyond the organisation (local communities, policyholders)
26. Upgrading the existing cooperation – topic boundary: beyond the organisation (suppliers and creditors, policyholders)

Material topics and methods in stakeholder engagement

Stakeholders	Material topics/interest	Engagement method
Clients/policyholders	<ul style="list-style-type: none"> Fast payment of damages Good ratio between the price and quality of insurance and financial products and services Benefits for the existing and new policyholders, clients Reliability and trust in the Triglav Group Affordable insurance and strong profitability of the Group's funds Market experience Friendly approach to clients, policyholders Personal relationship with an expert Innovative financial/insurance products and services Personal data protection and care Responsible and understandable terms and conditions of insurance and financial services and products 	<ul style="list-style-type: none"> Personal contact with insurance experts, asset managers Detection of complaints and praise and responding thereto E-mail Telephone conversations Opinion polls and surveys Websites, blogs and e-newsletters Social networks Mobile applications Marketing communication
Employees	<ul style="list-style-type: none"> The remuneration system and performance-related pay Career advancement system Information about important milestones and changes in the Company Business strategy Relationships among employees Work-life balance Education and additional training Safety and health at work 	<ul style="list-style-type: none"> Management participation (the works council, trade unions, employee representatives in the supervisory boards) Career development and training system Measurement of organisational vitality Opinion polls and surveys Triglav.smo programme In-house print and online media In-house events, professional training, sports and recreational events Personal contact E-mail Telephone conversations
Shareholders/investors	<ul style="list-style-type: none"> Business strategy In-depth information on the operations, financial position and plans of the Group Financial efficiency, capital adequacy Dividend policy and return Responsible and sustainable operations 	<ul style="list-style-type: none"> General Meetings of Shareholders Sessions of the Supervisory Board and its committees Public announcements on the Ljubljana Stock Exchange SEOnet online portal Corporate website Presentation for Investors Investor conferences, individual meetings, conference calls E-mail Opinion polls and surveys
State and supervisory bodies	<ul style="list-style-type: none"> Ensuring capital adequacy Safety of policyholders and/or users of insurance services Efficient risk management system Compliance of operations and insurance and financial services and products Complying with all obligations of a public company Responsible and sustainable operations 	<ul style="list-style-type: none"> Regulatory reporting (to the Insurance Supervision Agency, the Securities Market Agency) Regular reviews by inspection and supervisory bodies Audits by certified auditors
Suppliers	<ul style="list-style-type: none"> Long-term cooperation Reliable and timely payments Upgrading the existing cooperation Delivery times, prices of services and goods Delivery of environmentally friendly material Paperless operations 	<ul style="list-style-type: none"> Public tenders and competitions Working meetings E-mail and electronic operations Telephone conversations
Local and broader community	<ul style="list-style-type: none"> Traffic safety Fire safety Health protection and care Co-development of projects in the fields of culture, sport, prevention, health, art, charity Infrastructure investments Access to insurance services for people with various disabilities Insurance and financial literacy 	<ul style="list-style-type: none"> Partnerships with non-profit organisations and educational institutions and execution of joint projects Joint projects with local communities, particularly in traffic safety Fund allocation system for sponsorships and donations Cooperation with local decision-makers E-mail Telephone conversations
Media	<ul style="list-style-type: none"> Transparent information about the operations, events and changes in the Triglav Group Information about insurance and financial products and services Cooperation with local and broader community Development and general insurance topics Professional insurance and financial topics 	<ul style="list-style-type: none"> Press releases and statements Meetings with media representatives Answers and explanations E-mail Telephone conversations Websites

Presented below are the disclosures pursuant to the GRI GS standard, which mainly pertain to the parent company, however they are also being gradually implemented by subsidiaries.

12.3 Economic aspects³¹

Economic performance is of key significance for sustainable operations of the Triglav Group in both strategic activities – insurance and asset management. The condition for its achievement is effective management of risks, which are fully understood and also include non-financial risks. The economic performance of the Group is clearly defined in the strategic objectives set at all levels.

Reporting on economic performance is included in several sections of the Annual Report, as seen in the *GRI Content Index*.

The **economic value distributed** of the Group amounted to EUR 26.2 million in 2017. It includes net claims incurred and other insurance expenses, expenses from financial assets, other expenses, operating expenses, dividend payment, tax expenses, community investments (prevention, donations, sponsorships) and employee wages and benefits. Its structure by value and share is presented in [→ *Section 2. in the table Other economic, social and environmental impacts of operations of the Triglav Group*].

The Triglav Group is the leading insurance/financial group in the Adria region. Its **market position** in individual markets is presented in [→ *Section 2.6.2 Insurance and Section 7.4 Operations of the Triglav Group in the Adria region*].

Indirect economic impacts of the Group primarily consist of prevention, sponsorships and donations as well as investments in public infrastructure. They are defined at the national and local levels, in particular:

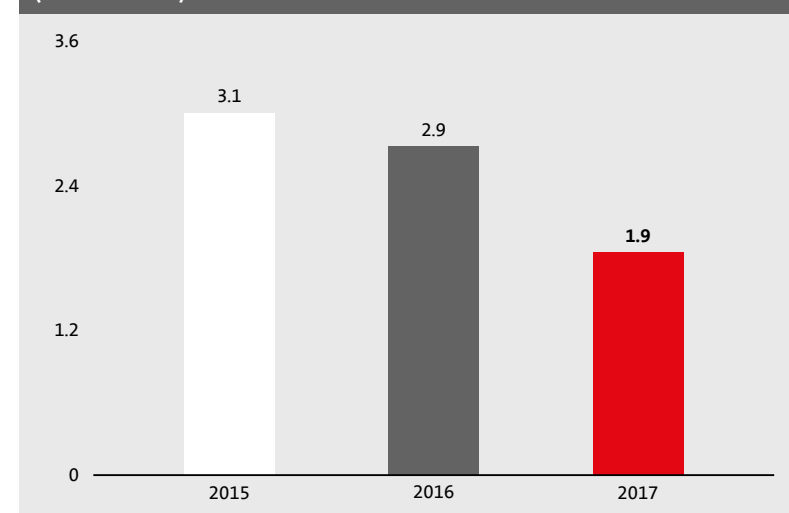
- through the results of public tenders and calls for proposals intended for local communities and non-profit organisations to participate in investments in prevention and based on calls for applications for sponsorship and donation funds;
- based on the needs identified in local environments by the Group's subsidiaries and business units;
- through the direct contact with local communities;
- based on performance analyses, especially risk and claims experience, published data of specialised organisations and institutions, as well as the needs for investments in prevention;
- with market research and public opinion surveys.

Investments in prevention³²

Investments in preventive programmes for the reduction of risks are an important dimension of economic and social impacts of the insurance industry, which are also prescribed by law. The Group invested EUR 1.9 million (index 68) and the parent company EUR 1.2 million (index 91) in prevention activities. The Group's lower investments in prevention are the result of the changes in the accounting policy of Lovćen Osiguranje.

Investments in prevention are described in detail in [→ *Section 12.4 Social Aspects*].

Funds allocated to prevention activities of the Triglav Group in 2015–2017 (in EUR million)



■ Indirect economic impacts of the Group primarily consist of prevention, sponsorships and donations as well as investments in public infrastructure.

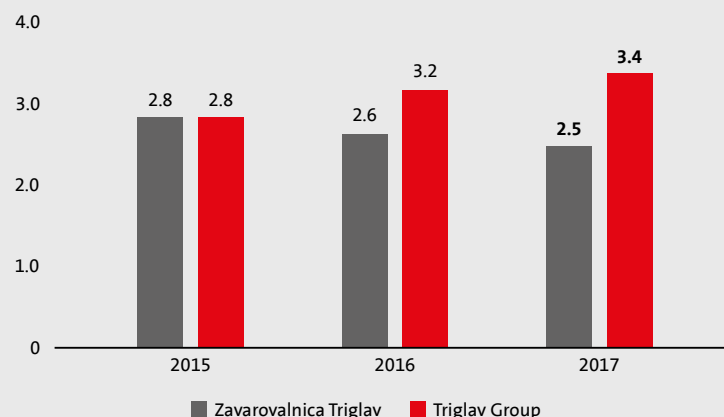


As part of the Children of Triglav campaign, in 2017, the Company helped with the reconstruction and setup of two playgrounds.

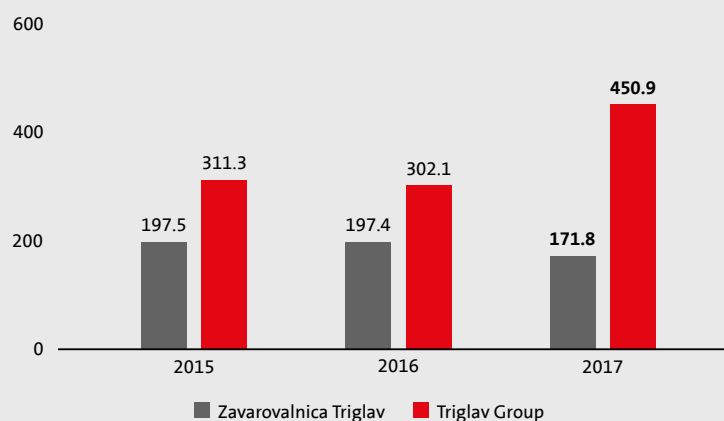
Sponsorship and donations³³

Funds allocated to sponsorships totalled EUR 3.4 million, up by 6% compared to 2016. Funds for donations amounted to EUR 451 thousand or 49% more than the year before, the bulk of which went to humanitarian projects.

Amounts for sponsorships of the Triglav Group and Zavarovalnica Triglav in 2015–2017 (in EUR million)



Amounts for donations of the Triglav Group and Zavarovalnica Triglav in 2015–2017 (in EUR thousand)



■ The vast majority of purchases in the Triglav Group was made from local suppliers.

Infrastructure investments

For the sixth consecutive year, Zavarovalnica Triglav set up new playgrounds in local communities as part of the **Children of Triglav** campaign. In 2017, the Company helped with the reconstruction and setup of two playgrounds. Since the campaign has been launched, more than twenty playgrounds have been opened.

The goal of this project is to provide appropriate spaces where families with children, adolescents and others can spend quality leisure time.

Procurement practices³⁴

In mid-2017, the Company upgraded and centralised the procurement process for a more uniform implementation of procurement with the aim of ensuring transparency and achieving cost synergies based on joint procurement terms and conditions. The process is divided into strategic and operational procurement and implemented in accordance with the updated internal regulations.

Calls for proposals and tendering are normally carried out electronically via the procurement portal, ensuring adequate traceability in addition to automation. The **supplier selection criteria** depend on the type of procurement. The obligatory criteria are the **price** and **business cooperation**. Other criteria depend on the type of procurement (the credit rating of a company, payment terms and conditions, before- and after-sales services, technical advantages, experiences and references, the date of supply or completion of work, bank guarantees, etc.).³⁵

Additional attention is devoted to the development of the criteria of quality, social responsibility, cooperation, achievement of synergies and price competitiveness, which are a suitable basis for the annual assessment of suppliers on a wider scale and even more systematically as thus far.³⁶

The strengthening of supplier relationships and the use of objective assessment criteria of financial and other impacts of cooperation are the basis for efficient development of long-term partnerships, taking into account the principles of competitiveness, risk management, transparency and sustainable development.³⁷

Locally-oriented procurement³⁸

Due to the relatively small size of Slovenia, the whole Slovene market is considered a local market. The broader market trends in key procurement groups are regularly monitored, especially due to the competitiveness of the Company's purchases. Searching for suppliers on foreign markets is not sensible (except in exceptional cases), as suppliers for most types of purchases can always be found in Slovenia under better terms and conditions and with a lower risk arising from

local suppliers. The regional units aim to include as many local suppliers as possible in the procurement process. This, however, is not justified when it causes a higher number of intermediaries, an increased quality risk and poor conditions of competition.

Other subsidiaries in the Group also follow locally-oriented procurement practices by purchasing materials or services on their own markets. On the basis of the strategic procurement function in the parent company, the Company examines which types of purchases could be more centralised in the future, thereby ensuring better terms and conditions, higher quality and lower risks.

Protection of competition

Care is taken that the supplier selection procedures are transparent and comply with fair competition rules. In its day-to-day operations, product development and marketing, the Company adheres to good business practices and respects the protected interests of competitors.³⁹

The Triglav Group denounces any arrangements with competitors, which could lead to restrictive practices, and ensures that no marketing purposes or preferences are revealed in its communication with competitors. Any information on competitors is gathered solely in compliance with the law. Furthermore, no banned advertising approaches are used in marketing

communication and advertising of the Company's services or products. As the company holding the leading position, Zavarovalnica Triglav takes great care not to abuse its power in individual markets. Zavarovalnica Triglav was not informed of any legal actions filed against the Company before the Slovenian Competition Protection Agency for violating the competition protection laws.⁴⁰

Remuneration of insurance agencies and their sales staff

As at the 2017 year-end, the Company cooperated with 445 contractual partners registered as insurance agents, (44 roadworthiness test providers, 49 car dealers, 6 leasing companies, 3 banks, 164 travel agencies, 61 life insurance agencies and 118 non-life insurance agencies). Most agreements are concluded with non-exclusive agencies.⁴¹ Before signing an agreement with a new contractual partner, the standardised selection process is carried out. Business results achieved by contractual partners are regularly monitored and measures taken for enhancing the cooperation.

The non-life insurance agencies are classified into categories based on the following criteria: exclusivity, written premium, the size of the area of operation and the range of insurance classes. The commission rate also depends on whether insurance is renewed or a new insurance policy is taken out. Contractors selling non-life insurance products are monitored on the basis of plan implementation, portfolio renewal and an increase in new policyholders, which is also linked to additional remuneration. In 2017, good overall results were achieved from the new campaign, in the context of which quarterly and annual roadworthiness test targets were linked to remuneration.

In the case of agencies selling life insurance products, the commission rate depends on trends in the portfolio and the index for maintaining client loyalty.

Subsidies⁴²

In 2017, Zavarovalnica Triglav received subsidies from the Eco Fund for the purchase of electric cars in the amount of EUR 37,818.40. This is non-refundable financial assistance.

Apart from that, the Company received subsidies for people with disabilities (bonuses for exceeding the set quotas, exemption from the payment of pension and disability insurance contributions) in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Act.

12.4 Social aspects

12.4.1 Responsibility to employees⁴³

The human resource management policy of the Triglav Group is based on its business strategy. Business objectives are pursued with competent, responsible, highly qualified and committed employees. To this end, employee motivation, commitment to personal growth and development of their potential through lifelong realisation of career goals are at the forefront.

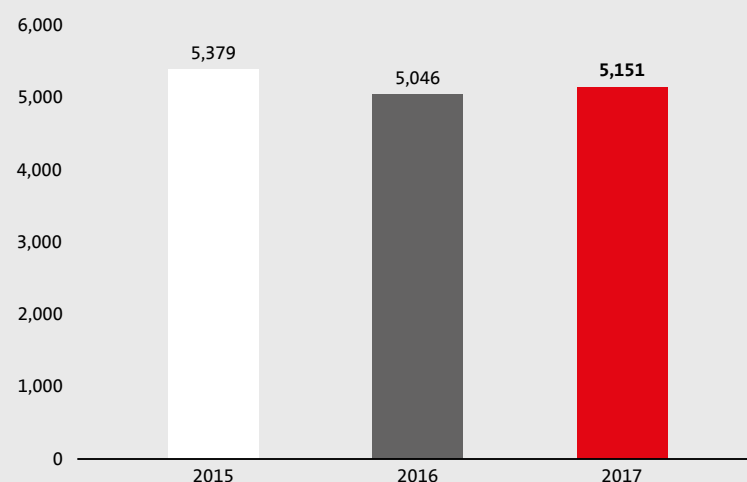
Strategic human resource management guidelines of the Group:

- The focus is on recruiting highly trained, competent and promising staff (also in cooperation with higher education institutions and through scholarships), optimising processes and ensuring mobility of employees between the parent company and its subsidiaries in order to transfer good practices and build a coherent organisational culture.
- Care is taken to develop an effective and motivation-oriented remuneration system associated with a new post classification. Promotion of health and well-being includes special programmes ([Triglav.smo](#)) and projects for employees.
- By investing in development and training, highly skilled employees are created and their competences and digital skills are strengthened, while at the same time implementing the policy on the identification and development of key promising staff.
- The business strategy is implemented by developing an organisational culture, which is based on openness, acceptance of changes, orientation to external and internal clients, promotion and respect for diversity and dignity, and taking responsibility.
- The aim is to centralise human resource development in the Group.
- A new HR information system is being implemented, which will be gradually introduced in the Group members, thereby creating an advanced connection point between the employees and the companies.

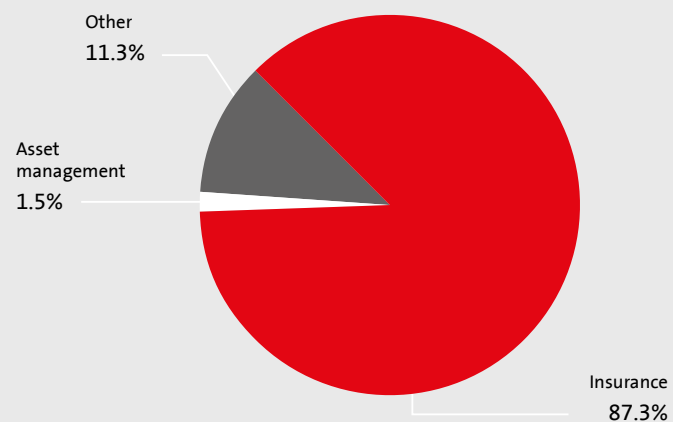
12.4.1.1 Recruitment and employee structure⁴⁴

As at the 2017 year-end, the total number of employees in the Triglav Group was 5,151 or 105 more than the year before (index 102). The increase mainly reflects the expansion of the internal network in Triglav Osiguranje, Belgrade.

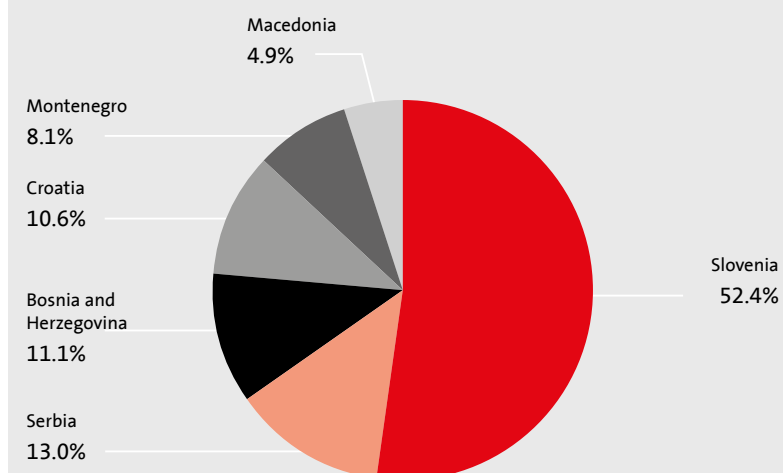
The number of employees in the Triglav Group



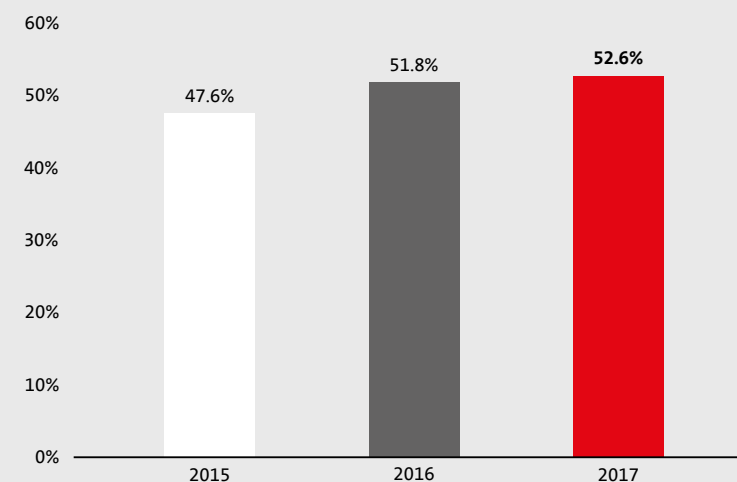
Employees by activity



Employees by market of the Group



The share of employees in the Triglav Group with at least level VI education



⁴⁴ GRI GS 102-7, 102-8

Employees in Zavarovalnica Triglav by employment type (full-time, part-time) as at 31 December 2017⁴⁵

Type of employment	2017		2016		2015	
	Number	Percentage	Number	Percentage	Number	Percentage
Part-time	91	4.0	91	3.9	89	3.8
Full-time	2,194	96.0	2,244	96.1	2,252	96.2
Total	2,285	100.0	2,335	100.0	2,341	100.0
Type of employment agreement						
Fixed-term	47	2.1	71	3.0	60	2.6
Permanent	2,238	97.9	2,264	97.0	2,281	97.4
Total	2,285	100.0	2,335	100.0	2,341	100.0

The staff turnover rate⁴⁶ in the parent company slightly increased by 0.2 percentage point to 4.9% (2016: 4.7%). Among leavers, the main reason was again retirement among the oldest age group, i.e. above 56 years (61%). The majority of new employee hires were aged between 26 and 30 years (30.9%) and between 31 and 35 years (22.1%). Even though only 19.1% of new employee hires were older than 40 years, the average age of employees rose to 44.99 years (44.63 years in 2016).

In terms of gender, the employee structure shows no significant changes in the long term and is comparable to the gender ratio in the Slovene general population.

Employees of Zavarovalnica Triglav by age and gender as at 31 December 2017⁴⁷

Age group	2017		2016		2015	
	Number	Percentage	Number	Percentage	Number	Percentage
From 18 to 19	0	0.0	1	0.0	0	0.0
From 20 to 25	26	1.1	29	1.2	17	0.7
From 26 to 30	126	5.5	140	6.0	136	5.8
From 31 to 35	219	9.6	233	10.0	260	11.1
From 36 to 40	335	14.7	367	15.7	392	16.7
From 41 to 45	434	19.0	421	18.0	430	18.4
From 46 to 50	453	19.8	467	20.0	465	19.9
From 51 to 55	415	18.2	400	17.1	379	16.2
56 and over	277	12.1	277	11.9	262	11.2
Total	2,285	100.0	2,335	100.0	2,341	100.0
Gender						
Men	1,126	49.3	1,147	49.1	1,145	48.9
Women	1,159	50.7	1,188	50.9	1,196	51.1
Total	2,285	100.0	2,335	100.0	2,341	100.0

The basic salary of women is equal to the basic salary of men in all categories of employees, locations and activities.⁴⁸ The proportion of women in top management was 31.8% (27.9% in 2016) and in middle management 35.2% (37.6% in 2016). Two women sit in the Management Board of Zavarovalnica Triglav, the share of women being 40%.⁴⁹

The average age of the Management Board members was 44.8 years.⁵⁰ Local management is employed in Slovenia.⁵¹ In foreign markets, management is mostly employed locally.

The share of employees under the collective agreement as at the 2017 year-end remained the same as the year before, i.e. 93.5%. Employees with individual agreements accounted for 6.5% (149 employees) of total employees.⁵² Benefits are the same for full-time employees, temporary employees and part-time employees.⁵³

12.4.2 Staff training and development

Training⁵⁴

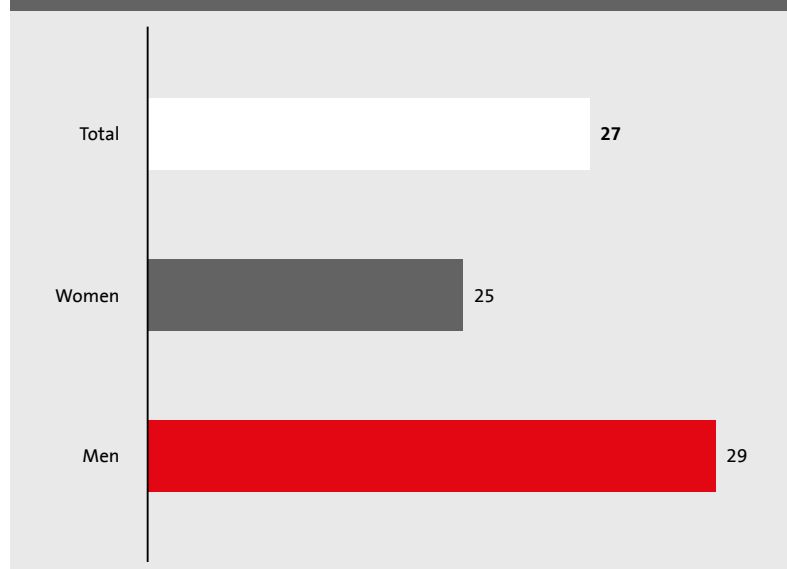
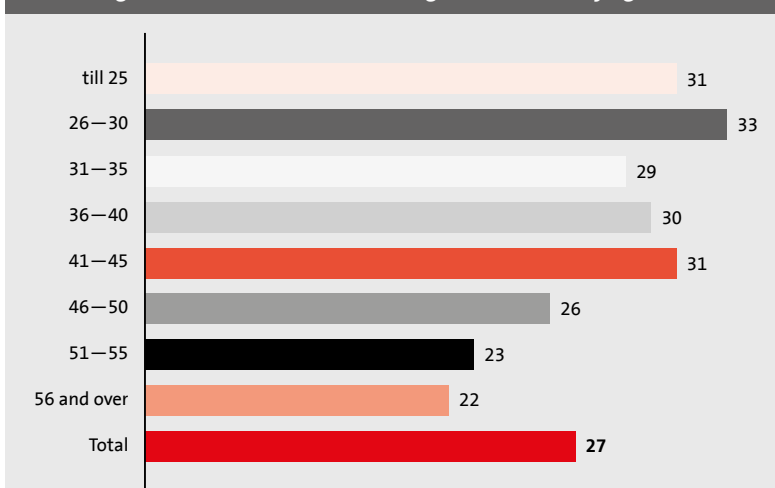
Employees receive regular professional training, while promoting their personal growth and development. Most training courses are carried out in-house because they are better tailored to the Company's needs. In-house training was attended by 95% participants of all types of training (of whom 51.3% participated in traditional forms of in-house training and 43.7% in online training). The most common topics were related to the insurance industry, business communication and sales skills. Apart from that, employees participated in computer and foreign language courses. Greater emphasis was devoted to learning about intergenerational cooperation. To encourage a more creative solving of business challenges, Design Thinking workshops were organised. In addition to professional training, the emphasis was on training intended for the well-being of employees at work.

Employees are encouraged to obtain further formal education. A slight growth in total training costs is primarily the result of higher work study costs.

In 2017, the Company cooperated with schools and universities in different ways, enabling work study to 35 pupils and students. Company scholarship was awarded to 8 recipients.

The number of functional training hours in Zavarovalnica Triglav in 2015–2017⁵⁵

	2017	2016	2015	Index	
				2017/2016	2016/2015
Total number of functional training hours	61,849	66,054	60,940	94	108
Number of hours of in-house training (traditional)	50,014	54,161	51,812	92	105
Number of hours of in-house training (e-learning)	4,059	4,650	3,386	87	137
Number of hours of external training	7,776	7,243	5,742	107	126
Number of functional training hours per employee	27	28	26	96	108

The average number of functional training hours in 2017 by gender⁵⁶The average number of functional training hours in 2017 by age⁵⁷

Training costs of Zavarovalnica Triglav in 2015–2017

	2017	2016	2015	Index	
				2017/2016	2016/2015
Total costs*	931,962	916,075	791,985	102	116

* The data include both direct (scholarships, grants, tuition fees, work study costs, trainee pay and payments to trainers and lecturers) and indirect training costs (travel expenses in Slovenia and abroad, daily allowances, overnight stay allowances and other training-related costs).



Employees receive regular professional training, while promoting their personal growth and development.

Management by objectives and annual development interviews⁵⁸

Employee performance is improved through performance reviews, feedback and personal relationships between supervisors and their employees. At annual interviews, employees set their goals for the current year in cooperation with their supervisor. Further interviews held every three months are aimed at revising future expectations, assessing the achievement of set goals and determining work performance. Due to the nature of their work, sales staff in the parent company and subsidiaries (e.g. insurance agents and call centre clerks) are subject to other forms of remuneration.

As much as 69% of all employees are included in the management-by-objective system. In 2017, the management-by-objective system was tested in the Group's subsidiaries outside Slovenia and is expected to be fully implemented in 2018.

Assessment of competences⁵⁹

In Zavarovalnica Triglav, employee competences and development potential are assessed with the DNLA tool, which is an essential tool not only for targeted employee training and development but also for career and development planning. It is also used as an additional aid in the recruitment process. The tool began to be tested in subsidiaries outside Slovenia for the development of middle management and if necessary in recruitment procedures.

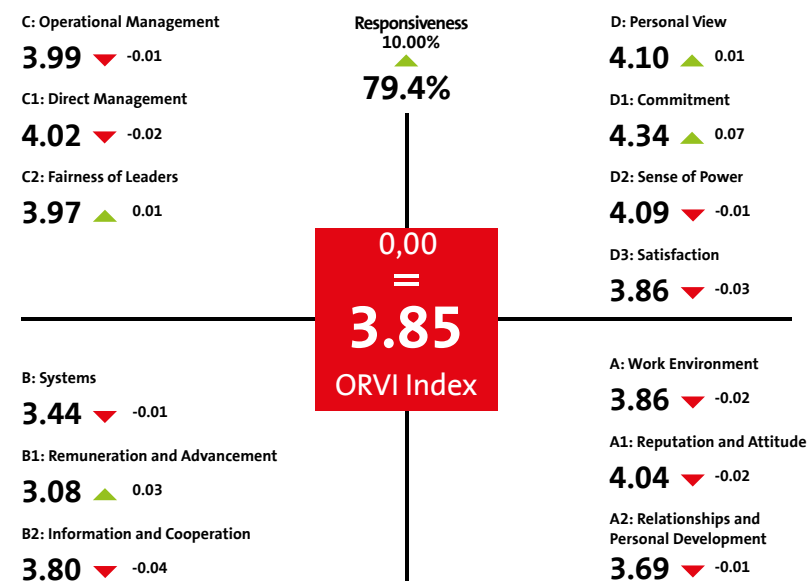
Fit and proper assessment

The Solvency II Directive requires that all persons who manage or supervise an insurance undertaking or hold a key function have adequate professional qualifications (fit) and are of good reputation and integrity (proper). The Fit and Proper Policy for the Management and Supervisory Board Members of Zavarovalnica Triglav and the Fit and Proper Policy for Key Function Holders and Business Function Holders of Zavarovalnica Triglav lay down the main rules, criteria and procedures for a fit and proper assessment. In 2017, a fit and proper assessment was performed for all persons in accordance with the said Directive.

Both policies are also implemented in all insurance subsidiaries outside Slovenia.

12.4.2.1 Measurement of organisational climate (vitality)⁶⁰

The organisational climate of Zavarovalnica Triglav was measured for the tenth time. Based on the methodology used, it is called organisational vitality. The aggregate ORVI index is composed of the indexes work environment, systems, operational management and personal view, which are classified into several categories. Employee commitment, which is part of the new strategic indicators, was measured for the first time.



Responsiveness of employees improved, with nearly 80% of employees participating (69.4% in 2016).

The aggregate ORVI index is the same as last year; the other indexes and sub-indexes are also similar to the year before (any differences are shown in the figure above). Employees remain loyal and are proud to work for Zavarovalnica Triglav, they are satisfied with the working conditions, their co-workers and direct supervisors. There is room for improvement in relation to cooperation between organisational units, remuneration and commitment.

In accordance with the strategic project of renovating the organisational culture, the organisational culture of the Group was measured for the first time in 2017, while in 2018 activities will be launched to bring the existing organisational culture closer to the target organisational culture.

In 2017, the measurement of the organisational climate was expanded to include non-insurance subsidiaries in Slovenia and Skupna pokojninska družba.

The ORVI index for the Triglav Group is 3.79.

12.4.3 Safety and health at work⁶¹

Safety and health at work is regulated by the Safety Statement and Risk Assessment, which includes the risks, assessed for a particular workplace as well as all identified and described hazards and harmful effects on the health of employees. The Statement also contains measures to reduce them. By regularly revising this area, the Company adapts to new or changed working conditions, thereby also updating and revising the Statement.

In terms of safety and health at work, great importance is placed on prevention and timely elimination of any hazards. The Company complies with the applicable legal regulations governing safety and health at work. At the level of Zavarovalnica Triglav, the following is carried out:

- the »Protecting Health« programme that promotes health (emphasising mental health),
- Triglav.smo programme and
- the measures of the full »Family-Friendly Enterprise« certificate.

The good practice of the Triglav.smo programme began to be transferred to subsidiaries, and as a result "Greeting the Seasons" was implemented in all insurance subsidiaries.

To raise the employees' awareness about the importance of physical and mental health, the Company organised workshops and events and recorded short educational videos on the importance of taking short breaks from computer work, which are available at the *Povej naprej* (Share) internal portal.

The Company is proactively facing the challenges brought by the increasing number of older people and a higher age of its employees, focusing its plans on the long-term preservation of health. In the summer of 2017, the Company took part in the Slovene study "Brains for Brains". On the basis of its findings, new programmes for the preservation of cognitive skills as well as additional programmes for inter-generational cooperation and the promotion of lifelong learning will be developed.

Employees receive advice on regular physical activity, sitting properly, eating healthy, efficient relaxation, coping with stress and breaking unhealthy habits (smoking, drinking alcohol, consuming psychoactive substances). Employees' families are also invited to attend these workshops and events.

Two suitably qualified employees are in charge of safety and health at work. The important decisions on ensuring adequate personal protective equipment are made by the representatives of the trade union and the Works Council.⁶²

In the modern e-classroom, employees are able to gain new and improve the existing knowledge about fire safety and safety and health at work (the training and exams are obligatory). The obligatory e-material was updated with the section "Healthy Workplaces for All Ages", prepared by the European Agency for Safety and Health at Work (EU-OSHA). Due to the increasing number of older workers, thinking about ageing and the workplace is of even greater importance.

Support to employees in the event of workplace violence⁶³

The employees who are in contact with clients are trained in how to respond in the event of violence, robbery or threats. Along the modern technical security measures to protect both the employees and the business premises, regulations and instructions ensuring a safe work environment are in place.

Fire safety

Good practice in fire safety of the Triglav Group is disseminated to the business partners and clients.

In fire safety, preventive measures are carried out, on-site fire safety is monitored in accordance with the applicable statutory requirements, employees undergo regular training and education and ongoing improvement of fire safety are carried out at all business locations. A Plan (instruction) on security conduct and actions in the case of emergency and other security events was drafted for all employees. In the case of emergency or a security event, employees can call the security control centre where they will receive appropriate instructions and psychosocial assistance.

Health and safety topics covered in formal agreements with trade unions and in the collective agreement⁶⁴

Safe working conditions for employees are provided in accordance with Zavarovalnica Triglav's collective agreement and the applicable legislation. Before starting their work, employees are familiarised with the dangers at work and work safety measures that they are obligated to follow. Furthermore, employees are required to use the prescribed work equipment. They are provided with the required work equipment and materials as well as personal protective gear.



In the context of the Triglav.smo programme, the initiative "Greeting the Seasons" was also implemented in the subsidiaries.



Injuries at work⁶⁵

Injuries in total again decreased heavily in 2017.

Injuries at work in Zavarovalnica Triglav in 2015-2017

	2017		2016		2015		Index	
	Number	Percentage	Number	Percentage	Number	Percentage	2017/2016	2016/2015
At work	2	50.0	6	40.0	10	43.5	33	60
On business trips	2	50.0	9	60.0	13	56.5	22	69
Total	4	100.0	15	100.0	23	100.0	27	65

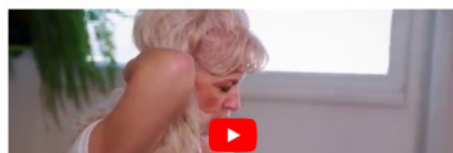
Vaja: Okrepimo vratne mišice



Opis vaje:

Vaje za krepitev vratnih mišic, ki jih poimenujemo tudi izometrične vaje, so namenjene aktivnemu raztegu zakrčenih mišic vratu. Še posebej pri višji stopnji stresa. Vajo ponovite večkrat na dan, pri vsaki vaji vedno štejte do deset.

Vaja: Poskrbimo za hrbtenico



Zaposlenim svetujemo tudi glede rednega gibanja, pravilnega sedenja, zdravega prehranjevanja, učinkovitega sproščanja, obvladovanja stresa ter opustitve nezdravih navad.

The number of lost work days due to injuries at work went down significantly. This is the result of a significant decrease in the number of work-related accidents; the injuries suffered have also been less severe.

Lost work days due to injuries at work in Zavarovalnica Triglav in 2015-2017

	2017	2016	2015	Index	
				2017/2016	2016/2015
Lost work days due to injuries at work	83	491	814	17	60

Every accident at work which would render an employee unfit for work for more than three working days, every dangerous occurrence and every established occupational disease must be reported to the Labour Inspectorate of the Republic of Slovenia. In 2017 two dangerous occurrences were recorded. Thus far no occupational diseases were identified.⁶⁶

Absenteeism⁶⁷

The absenteeism rate in Zavarovalnica Triglav increased by 0.5 percentage points to 4.77% and was 0.51 percentage points above the national level reported for the Republic of Slovenia.

Temporary absence from work due to illness or injury is measured by the number of lost working days in a year. By law, sickness benefits are divided into two categories: those reimbursed by the employer (medical leave up to 30 days) and those reimbursed by the Health Insurance Institute of Slovenia (ZZZS) (medical leave longer than 30 days, care for and/or accompanying a sick person). Compared to 2016, the share of work days lost due to sick leave reimbursed by Zavarovalnica Triglav rose by 0.15 percentage points, while the share of work days lost due to sick leave reimbursed by the Health Insurance Institute of Slovenia was higher by 0.33 percentage points.

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

Year	Paid by Zavarovalnica Triglav	Reimbursed by ZZZS	in %	
			Rate of absenteeism in Zavarovalnica Triglav	Rate of absenteeism in Slovenia ⁽¹⁾
2011	1.98	1.73	3.71	4.19
2012	1.90	1.66	3.56	4.06
2013	1.89	1.62	3.50	3.94
2014	1.87	1.51	3.37	3.80
2015	2.32	1.86	4.19	4.06
2016	2.13	2.15	4.27	4.16
2017	2.28	2.48	4.77	4.26

(1) Source: National Institute of Public Health, Records of temporary absence from work due to illness, injury, care and other causes, IVZ3

12.4.4 Ensuring employee satisfaction⁶⁸

The Triglav.smo programme and the Family-Friendly Enterprise certificate

In addition to fostering innovation, intergenerational cooperation and health promotion, the programme includes measures relating to the "Family-Friendly Enterprise" certificate.

Zavarovalnica Triglav has been the holder of the full »Family-Friendly Enterprise« certificate awarded to companies facilitating the reconciliation of work and personal life of employees. In 2017, the Company established a »care fund of work hours« for employees who have family members suffering from serious illness. The children of employees were provided with the possibility of participating in a summer holiday camp. For the first time, companies outside Slovenia also hosted children of employees. Around 450 children visited 28 work locations of their parents in six countries.

Additional benefits for employees:⁶⁹

- Zavarovalnica Triglav pays a supplemental pension insurance premium amounting to 5% of their gross salary for 96.1% of its employees;
- group accident insurance premium is paid for all employees;
- additional accident insurance for employees and their family members is available at favourable insurance terms and conditions;
- additional accident insurance is provided for all business trips;
- after one year of employment, all employees may opt for supplemental voluntary pension insurance and voluntary pension insurance;
- 78% of all employees took out the collective insurance package Celostna zdravstvena oskrba (comprehensive medical care).



Zavarovalnica Triglav has been the holder of the full »Family-Friendly Enterprise« certificate awarded to companies facilitating the reconciliation of work and personal life of employees.



Employees have submitted 24 ideas to the system Idea IN aimed at fostering innovation and collecting good ideas and suggestions for improvements; 16 of those have been recognized as good and have been rewarded.

Parental leave or part-time work in Zavarovalnica Triglav in 2017⁷⁰

	Women	Men	Total
Maternity leave, child care leave	72	0	72
Father's leave of 20 days*	0	58	58
Father's leave of 75 days (up to the child's age of three years)	0	2	2
Option to work part-time	36	1	37

* Paid paternity leave of 15 days can be used in the period up to the child's age of six months, while in 2016 additional 5 days of paid leave may be used until the child finishes the first grade.

All employees (male and female) with an employment agreement for an indefinite duration who used parental leave had the right to resume work or return to their position.

Return to work and retention rate after using parental leave in Zavarovalnica Triglav in 2017⁷¹

	Women	Men	Total
The number of employees who returned to work after parental leave	71	0	71
The number of employees who returned to work after parental leave (by gender) and who stayed employed in the Company after 12 months	71	0	71
Return rate after parental leave	99%	0%	99%
Retention rate after parental leave	100%	100%	100%

Circumstance and work requirements permitting, working hours can be adapted to the needs and wishes of employees. 103 employees who were parents of first graders took advantage of a day's paid leave on the first school day. Employees can take unpaid leave in certain cases and in agreement with their superiors. In 2017, 6 employees took short unpaid leave.

Relationship between employees and management, trade union activities⁷²

Two representative trade unions are active in Zavarovalnica Triglav. The Company concluded a special agreement and cooperates well with both of them. Before adoption, any act specifying the rights and obligations of workers is submitted to the trade unions to give their opinion.

The Company implements the provisions of the Worker Participation in Management Act and the Agreement on Worker Participation in Management. In line with the Worker Participation in Management Act, the Company has a Works

Council which allows employees to exercise their rights to participate in the management of the company in the following ways:

- through the right of initiative and the right to receive a response to any initiative;
- through the right to information;
- through the right to voicing opinions and making proposals as well as the right to receive a response;
- through the possibility or obligation of joint consultation with the employer;
- through the right of co-decision;
- through the right to veto the employer's decisions.

The Company informs the Works Council of any changes in the Company's operations at least 10 days prior to adopting such a decision.

Respecting the workers' rights and human rights of employees⁷³

In 2017, no formal cases of discrimination were recorded in Zavarovalnica Triglav.⁷⁴ There have also been no cases that would have to be resolved in line with the Rules on the Protection of Dignity at Work.

The Employment Relationship Act regulates the exercising of rights vis-à-vis the employer and judicial protection. If an employee considers that the employer has failed to fulfil the obligations arising from the employment contract or that one of the employer's rights arising from the employment contract has been violated, he or she has the right to request, in writing, that the employer remedy the violation or fulfil their obligation. If the employer fails to comply with the obligations arising from the employment contract or fails to eliminate the violation within eight working days from the receipt of the employee's written demand, the employee has the right to seek judicial protection before the competent labour court within 30 days from the expirations of the deadline for compliance or elimination of the violation by the employer.

Zavarovalnica Triglav has a well-established formal system for ensuring a safe and healthy work environment and protecting the employees' dignity, outlined in the Code of the Triglav Group and amending the Rules on the Protection of Dignity at Work. In 2015, based on the existing practises, the Code of the Triglav Group was upgraded and the Rules on Protecting Employees' Dignity at Work were revised. The Company strives to address any disagreements or conflicts in the earliest stages; the key to resolving any issues lies in a comprehensive approach with the cooperation of a wide circle of experts and competent leaders.



One of the more popular leisure activities of employees is membership in the hiking and sports association. Forty percent of Zavarovalnica Triglav employees are members of the association.



In cooperation with the Slovenian Environment Agency, the Triglav Vreme mobile application was upgraded.



Promoting innovation and improvements

Employees have submitted 24 ideas to the system Idea IN aimed at fostering innovation and collecting good ideas and suggestions for improvements; 16 of those have been recognized as good and have been rewarded. Two ideas have already been integrated in the business process; three are in the process of being implemented. Others will be implemented in the long term to the extent possible.

Care for employees outside working hours

One of the more popular leisure activities of employees is membership in the hiking and sports association. Forty percent of Zavarovalnica Triglav employees are members of the association; membership also includes employees of subsidiaries in Slovenia. The variety of social and sports activities available to employees include the traditional Triglav Group Day – Our Day, Sports Games of Financial Organisations (ŠIFO) and gatherings with retired Triglav employees.

The Company continues to run a psychological and social support programme for employees in distress.

12.5 Responsibility toward clients⁷⁵

The Company strives for long-term relationships with clients, so clients are looked after and their needs monitored. An effort is made to successfully resolve any disagreements. Emphasis is put on transparent, intelligible and accessible insurance products and services, which is a goal pursued starting with their design. Much attention is paid to high-quality after-sale services.

Marketing and labelling

Insurance contracts and other financial transactions are often complex and difficult for clients to understand. Every effort is therefore made to explain all their rights and obligations to clients concluding such contracts and to provide them with the necessary material. The Company strives for simplicity and clarity of all formats of information materials (web, print or audio-video editions).⁷⁶ No misleading, aggressive, insulting, shocking or otherwise inappropriate practices are used in promotion activities and the marketing of products and services. See also Brand management and marketing communications in [→ Section 11.6].

The Triglav Group fully complies with consumer legislation and special requirements with regard to client information when concluding distant contracts for financial services, including insurance contracts. By upgrading its digital business, Zavarovalnica Triglav also applies the recommendations of the Slovene Consumers' Association for improving financial literacy. In 2017, the Company actively participated in the implementation of the Insurance Distribution Directive (IDD) and the Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs).⁷⁷

The commitment to information of clients is further discussed in [→ Section 11.8. Adjustment to the regulatory changes].

Accessibility and product and service portfolio

Section [→ 11. Development and sales activities] provides a detailed description of activities aimed at improving the accessibility of the Company's services through the use of modern technology. The Company is using advanced technological solutions and new forms of partnerships to simplify its processes, products and services and design new ones based on clients' needs.

- **Telematics for promotion of safe driving:** The total number of downloads of the mobile application DRAJV has exceeded 100,000. The number of safe drivers who have concluded an insurance policy with a DRAJV discount has increased.
- **Mobile application for reporting claims and ordering assistance services.** The mobile application *Triglav Asistenca* enables clients to report a claim, monitor the progress of the claim settlement process and order assistance services.
- **Mobile Loss Adjustment Unit in case of mass claims.** Mobile loss-adjustment units are set up in affected areas to facilitate the reporting of claims and the estimation of hail damage to vehicles, thereby enabling a faster reporting and handling of claims.
- **Simplified handling of low-value claims.** A simplified procedure for the handling of low-value claims reported online has been introduced.
- **Web platform for prevention and promoting insurance literacy.** The web platform Vse bo v redu (Everything Will Be Alright) provides advice on prevention and contains explanations of basic insurance concepts and principles. The bul-letin Investor (Naložbenik) is also published on the platform, raising awareness of the importance of personal insurance for ensuring financial security.
- **Upgraded mobile application for weather warnings.** In cooperation with the Slovenian Environment Agency, the Triglav Vreme mobile application was upgraded. See [→ Section 12.6.1]⁷⁸ for more details about prevention activities.
- **Accessibility in communication with clients.** The Company's clients can choose from a wide variety of communication channels and tools, depending on their needs and capabilities. Clients can receive information on non-life and life

⁷⁵ GRI GS 103-1, 103-2, 103-3 | ⁷⁶ GRI G4-FS14, SDG 1.4 | ⁷⁷ GRI GS 103-1, 103-2, 103-3, GS 417-1, GS 417-2 | ⁷⁸ GRI G4-FS7 | ⁷⁹ GRI G4-FS14, SDG 1.4

insurance products by calling the **toll-free number 080 555 555**. The **assistance and general information centre** is fully operational 24/7 all year round at the special number 080 2864 (for calls from abroad: +386 2222 2864).

The www.triglav.si website provides clients with information on products and services and enables safe underwriting, quick reporting of claims and management of insurance policies to electronically literate client with reduced mobility.⁷⁹

- The **i.triglav web office** is regularly upgraded. It provides clients with insight into all insurance policies concluded with Zavarovalnica Triglav, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba. A corporate web office is available to employers. The mobile application for smartphones using the Android or IOS operating system has also been upgraded.

Insurance products and services fostering environmental responsibility

Zavarovalnica Triglav promotes a responsible attitude to the natural environment and encourages locally grown food supply through insurance products and services, mainly in agricultural insurance.

- The premium policy is designed to encourage policyholders to invest in **active protection from adverse weather conditions** through the use of anti-hail nets, greenhouses, tunnels, and irrigation and sprinkler systems for spring frost protection.⁸⁰
- The Company has co-financed the purchase of a state-of-the-art fertilizer distributor contributing to a rational distribution of mineral fertilizers on arable land as well as the purchase of a state-of-the-art tractor-mounted sprayer which allows for precise and environment-friendly dosage and use of plant protection products.⁸¹
- The Company encourages **less intensive animal production**, which is not only environmentally friendlier but also involves fewer insurance risks. Cattle insurance (the main class of livestock insurance) was adapted to local specificities, i.e. to small and medium-sized livestock farms maintaining agricultural production in less favoured areas (limiting agricultural factors).⁸²
- In agricultural insurance, **electronic commerce** was introduced in the estimation of damage in the field, which is both user- and environment-friendly (paperless operations).
- The awareness of the importance of **prevention and risk management in agricultural production** and the need to protect domestic food production is being raised:
 - through the promotion of insurance co-financed by municipalities at the level of local communities,
 - through the promotion of cooperatives by concluding insurance via cooperatives (especially with regard to hop insurance).

- When concluding fruit and crop insurance, the Company establishes communication with the Register of Agricultural Holdings so as to ensure that the insurance contract can be drafted in a simple, quick, accurate and transparent manner.
- The Company is **expanding the list of authorised veterinary clinics** it works with so as to improve the quality of insurance and health services.
- The stimulative premium policy **for young farmers** contributes to the promotion of young farmers setting up an agricultural holding, the preservation of settlement and larger land cultivation in the countryside. These goals are consistent with the interests of both the Common Agricultural Policy and the Slovene agricultural policy.⁸³
- By distributing preventive items, the possibility of the **occurrence of damage in livestock production** is reduced (dermatological veterinary ointments and sprays).
- The Company actively participates in the **Task force for the upgrade of financial risk management** in relation to natural disasters for agriculture, forestry and bee-keeping for the period 2020–2027 which has been established by the Ministry of Agriculture, Forestry and Food.
- **Conclusion of agricultural insurance with the premium co-financed by the state:** In accordance with the Decree on co-financing of insurance premiums for primary agricultural production and fisheries, the insurer and the policyholder agree on the payment of only that part of the premium which the policyholder is required to pay. On behalf of the policyholder, the insurer seeks the payment of the remaining portion of the premium, which is co-financed by the state, directly from the Agency for Agricultural Markets and Rural Development.

Access to insurance services for people with various disabilities⁸⁴

Zavarovalnica Triglav: improving the services provided to persons with disabilities and ensuring their full integration

- 65% of the Company's points of sale enable a completely independent access to people with different types of impairment (in 2017: renovation planning for three points of sale)
- 100% of the points of sale equipped with aids for visually impaired persons
- 100% of the regional units' head offices fitted with FM devices for hard-of-hearing persons
- Websites designed in compliance with the requirements of the AA standard WCAG 2.0 for visually impaired persons
- Promoting awareness about the needs of persons with disabilities: partnership with the Sports Federation for the Disabled of Slovenia and the Vozim Institute; employees volunteering at school sports days
- Financial support to TIPK TV web television, which adapts public information to hard-of-hearing, deaf, blind and visually impaired persons
- Since 2015, Zavarovalnica Triglav is the general sponsor of the Paralympic Committee of the Sports Federation for the Disabled of Slovenia



Fair business practice⁸⁵

Principles of fair and ethical conduct are defined in the Triglav Group Code (hereinafter: the Code) that is applicable to all insurance and financial companies within the Group. Its content and the fundamental ethical principles are constantly communicated and included in training (including fairness and compliance, transparency, prevention of corrupt practices, conflict of interest management, fraud management, money laundering and terrorist financing prevention, restriction of competition prevention, acts of unfair competition and fair business practices).

The Code has established a system for direct reporting of non-compliance; the reporting process is regulated by a special internal document for dealing with internal fraud and infringements of the Code of the Triglav Group. These rules are being implemented in all companies of the Triglav Group through minimum compliance standards that were

upgraded in 2017 by including additional provisions on the handling of anonymous reports of suspected compliance infringements, the assessment of the bona fide nature of such reports and the protection of bona fide whistle-blowers as well as minimum standards for purchasing procedures.

In the reporting year, two procedures relating to the infringement of the Code were investigated in Zavarovalnica Triglav. Irregularities were discovered in both cases; a warning was issued in one case, while the other case led to a labour dispute. Five cases of alleged infringements of the Code were investigated in foreign subsidiaries of the Triglav Group; none of the suspected infringements was confirmed.⁸⁶

The reporting system of the compliance function of Zavarovalnica Triglav on significant non-compliance issues in other insurance and financial companies of the Group has been upgraded. In 2017, the external supervisory body found no major non-compliance. Fines imposed on the Company totalled EUR 3,000 and a warning was issued.

Supervisory procedures in other companies of the Group detected certain deviations from expected standards particularly in the period 2011-2015, which resulted in the imposition of a fine in the total amount of EUR 712,815 (including default interest) on the company Triglav Osiguranje Belgrade.

Insurance fraud risk management⁸⁷

The Fraud Prevention, Detection and Investigation Department (FPDID) is in charge of insurance fraud in Zavarovalnica Triglav. The Company is committed to reducing its own costs and the costs of its policyholders by managing insurance fraud and other illegal activities related to insurance and the handling of claims. Employees are encouraged to identify any cases of suspected fraud and report them by using the relevant application software. Advanced IT solutions are used for identifying fraud. On the basis of reports and established indicators, investigators are able to detect suspicions of fraud very rapidly; the investigation process is quick and simple. In the light of the good experience, the use of the advanced system has been extended to most insurance companies within the Triglav Group.

As part of the Company's fraud prevention policy, employees whose work involves insurance underwriting and claim settlement participate in a fraud prevention and detection training programme. Any confirmed cases of fraud serve as the basis for improving the internal control system. In 2017, fraud was confirmed in 442 cases out of 786 reported cases of suspected fraud. The number of confirmed cases of insurance fraud was 19% higher than in 2016.⁸⁸

Anti-corruption measures and personal data protection⁸⁹

In accordance with the Declaration on Fair Business, the Slovene Corporate Integrity Guidelines and the Rules on Agreement Management, an anti-corruption clause as an obligatory contractual provision should be included in legal relationships with contractual partners. The obligatory inclusion of the anti-corruption clause was expanded to other insurance and financial companies of the Group through minimum compliance standards. In 2017, the parent company also adopted an Anti-Corruption Policy which complements the existing rules of conduct in processes where a risk of corruption has been identified. The elevated standards have been expanded by making the Anti-Corruption Policy binding on other insurance and financial companies within the Triglav Group. The adoption of the Anti-Corruption Policy was actively communicated within the Group.

Zavarovalnica Triglav was one of the first Slovene companies to become member of the Business Integrity and Transparency Forum set up by Transparency International Slovenia. In 2017, Zavarovalnica Triglav did not deal with any case of alleged corruption.

In the field of personal data protection, Zavarovalnica Triglav and the subsidiaries of the Triglav Group bound by EU legislation started with the implementation of the Regulation on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR) in 2017. Employees were informed about the novelties and made aware of the importance of the appropriate protection of personal data and the relevant procedures.⁹⁰

The Company received 9 requests from clients regarding their right of information in accordance with the Personal Data Protection Act (ZVOP-1), other subsidiaries of the Group received two. Out of 9 complaints received about an alleged infringement of the Act, 7 were justified. In 2017, the Information Commissioner brought a surveillance procedure against Zavarovalnica Triglav in one case and issued a warning in another case introduced in 2016. No irregularities in relation to personal data protection were detected in other companies of the Triglav Group in 2017.⁹¹

Value of all contributions to political parties⁹²

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



Employees are encouraged to identify any cases of suspected fraud and report them by using the relevant application software.

Client satisfaction⁹³

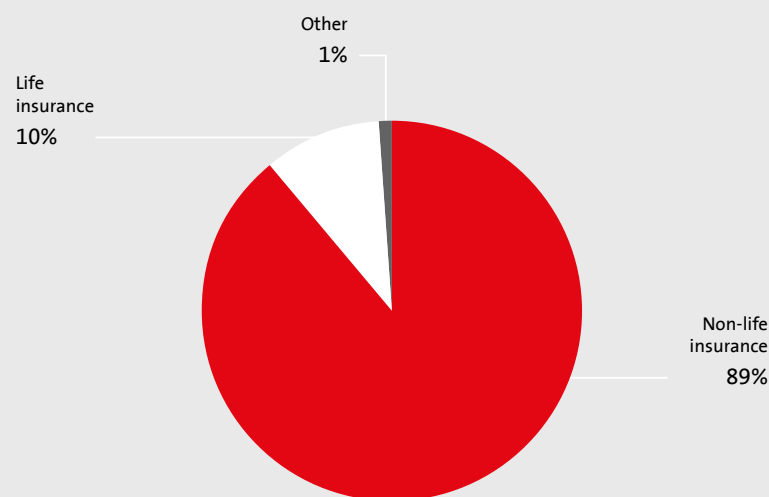
Complaints and compliments are an important indicator of client satisfaction, and are therefore regularly monitored, resolved and analysed. In the reporting year, 2,550 complaints were received, which is 7% more than the previous year. In terms of the content and the resolution process, complains are classed as substantive and general complaints and complains resolved through a fast-track procedure. Substantive complains in which clients express their dissatisfaction with the handling of their claims are the most common (91.2 percent). With respect to non-life insurance, most complaints were filed against the decision of the Company to reject the claim, against the amount of the damages paid and the grounds for the payment of damages or insurance benefits, whereas in relation to life insurance, most complaints were made against the amount

of damages or insurance benefits paid and the sales procedure. In the reporting year, 8.3% of complaints were founded and 7.3% were partly founded. Apart from that, 31 compliments were received (2016: 43).

The Company implements a range of measures aimed at improving client satisfaction, reducing the number of complaints and improving the quality of its services. Employees undergo additional training, claim handling applications are being upgraded and the sale of insurance through the internal and external sales network is monitored.

In order to measure client satisfaction and gather information on clients, the Company also uses the survey Insurance Monitor (international survey conducted annually since 2000), brand reputation measurements among residents (twice a year) and purchase factor measurements. The Net Promotor Score (NPS) which is an indicator of customers' attitude toward the brand as a whole or to individual aspects is also used for monitoring client relations.

Complaints by segment



The main focus of prevention activities was on reducing the risks of fire.

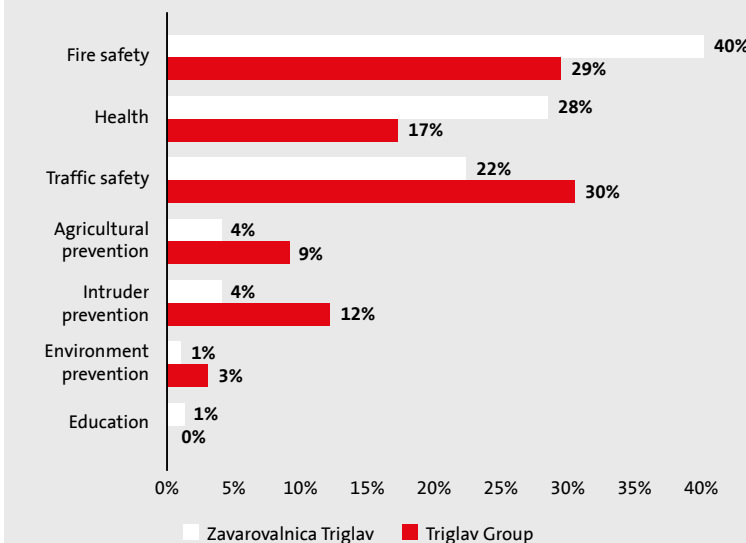
12.6 Responsibility to the community

The Triglav Group is closely involved in the environment in which it operates and fulfils its corporate social responsibility through various prevention activities, partnerships with the local and wider communities and voluntary work.

12.6.1 Investments in prevention⁹⁴

Investments in prevention are described along with sponsorships in the section Indirect economic influences. The main focus of prevention activities was again on reducing the risks of fire.

The share of Zavarovalnica Triglav's funds and the Triglav Group's funds for prevention activities by purpose



Prevention projects⁹⁵

Insurance companies of the Triglav Group marketing non-life insurance provide policyholders with a financial incentive to maintain and improve anti-fire systems, purchase fire alarms and access control/intruder detection systems. Investments are made in the maintenance and purchase of equipment for volunteer fire services. Other insurance companies also co-financed fire safety measures.



In two years, the Group helped to install 24 intelligent systems for improving traffic signals on dangerous road sections.



High profile and comprehensive prevention activities of the Triglav Group in 2017⁹⁶

Segment: Road safety

Project Calming Traffic Together, partner company Sipronika, Slovenia

Project COPS@road, partner company Aktivna signalizacija Korun, Slovenia

Interactive workshops for secondary school students »I Still Drive But I No Longer Walk«, partner institute Vozim, Slovenia

Activities for the safety of first grade pupils in road traffic, partner Slovenian Traffic Safety Agency

University of Ljubljana, Faculty of Electrical engineering

International programme 'Safety tunes' for road safety, partner AMZS, Slovenia

Educational charity event »Motorcyclists for Motorcyclists AMZS Safe Driving Centre Vransko, Slovenia

Safe driving training, partners Health Centre Koroška and Health Centre Nazarje, Slovenia

Participation in the construction of a footpath for school children, partnership with the municipalities of Trbovlje and Rogaška Slatina, Slovenia

Traffic safety prevention programme, Macedonia

Traffic safety prevention programme, Montenegro

Segment: Air safety

Long-term research study »Safe Return«, Slovenia

Segment: Health prevention

Research project Adam, Slovenia

Co-funding of the purchase of around 20 defibrillators

Financing of a prevention programme for recreational athletes, Serbia

Impact

- 30 speed display signs in local communities at high-risk road sections and in the vicinity of schools and kindergartens (2 years).
- Reduction of speed and improved road safety.
- Cooperation with local communities, police officers, athletes, kindergartens, schools.
- 24 intelligent systems for improving traffic signs at high-risk road sections and intersections (over two years).
- Reduction in the number of traffic accidents in all road sections.
- 150 workshops where 11,154 pupils listened to personal stories of lecturers and became acquainted with the application DRAJV.
- 22.000 first grade pupils equipped with yellow neckerchiefs series of videos on traffic safety.
- Traffic safety video clip.
- Road Safety mascot Kuža Pazi (Watch Out Doggy) in over 60 elementary schools.
- Neurophysiological and cognitive profiling of driving abilities.
- 5,000 secondary school students from 5 secondary schools participating in a road safety programme.
- 164 motorcyclists refreshed their driving knowledge and tested their driving abilities in critical circumstances.
- The Company co-financed the purchase of motorcycling and road accident rescue equipment.
- Testing of driving abilities in critical circumstances for drivers of ambulances.
- Safer footpaths for school children.

Impact

- Increased safety of first grade pupils in road traffic.
- Increased safety of drivers and passengers in road traffic.
- Reduction of damage upon take-off and landing due to bird strikes.
- Protection of biodiversity at airport sites and in surrounding areas.

Impact

- Earlier detection of Alzheimer's disease.
- Effective action in the event of cardiac arrest.
- Raising awareness about the risk of injury among recreational athletes.

Within the framework of the fourth New Year's prevention campaign »For a Better Tomorrow«, Zavarovalnica Triglav supported 23 prevention projects in local communities throughout Slovenia. In line with tradition, funds were donated to firefighters, health services, for traffic safety, mountain rescue, safety at ski slopes, etc. Over 100 preventive projects were supported over the course of four years.

Corporate volunteering of Zavarovalnica Triglav's employees

Initiative

Local community Gradin

Project "Giving Back to the Community", organised by the American Chamber of Commerce

Cooperation with the Sports Federation for the Disabled of Slovenia – the Paralympic Committee

Ana's Star and Trbovlje Association of Friends of Youth

Employee volunteering

Participation in the cleaning and construction of footpaths leading to local monuments

Participation in an employment fair for the blind and visually impaired and in the preparation of potential market opportunities for blind and visually impaired youth

Participation in the organisation of the Paralympic Winter Sports Days in elementary schools across Slovenia

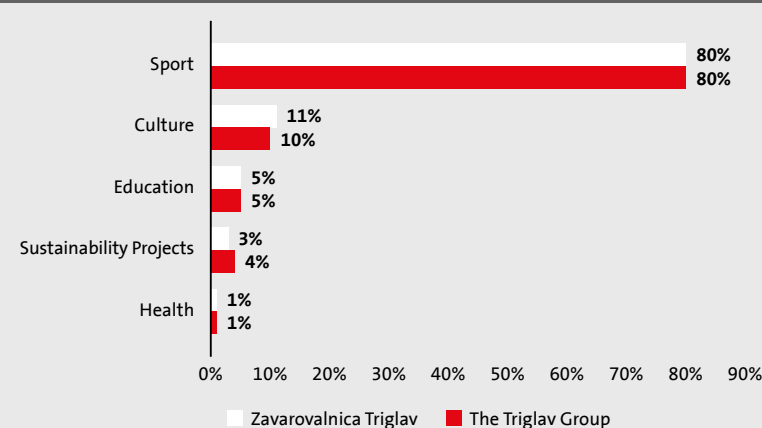
Collection of food with for socially disadvantaged people

12.6.2 Sponsorships and donations⁹⁷

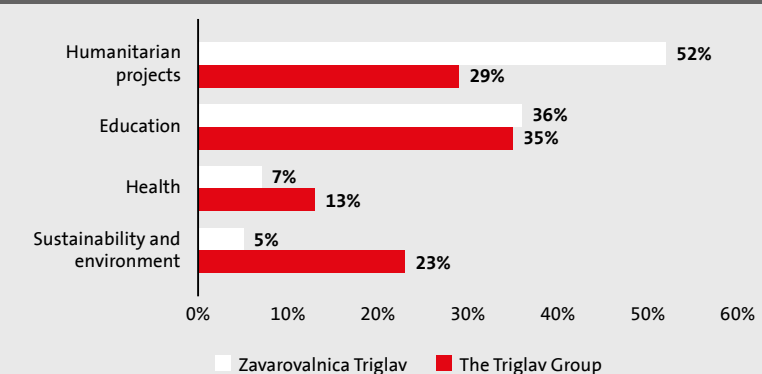
The value of the awarded sponsorships and donations is specified in the section *Economic aspects*; this section describes the causes supported by Zavarovalnica Triglav and the key projects of the Triglav Group.

The good practice of public invitations to tender for distributing sponsorships and donations was continued. Applications for partnerships in the form of sponsorships and donations were collected through the website www.triglav.eu, attracting 1,690 applications, of which 38.5% were approved. The sponsorship and donation strategy was followed, whilst attention was paid to the selection and effectiveness of sponsorships. The commissions considering the applications ensure that the partnerships are compliant with Zavarovalnica Triglav's values and brand identity.

Sponsorships of Zavarovalnica Triglav and the Triglav Group in 2017 by content



Donations of Zavarovalnica Triglav and the Triglav Group in 2017 by content



Zavarovalnica Triglav is the general sponsor of the Paralympic Committee of the Sports Federation for the Disabled of Slovenia. On photo: Jernej Slivnik

Major sponsorships and donations

Companies of the Triglav Group are loyal **supporters of sports** and are committed to raising awareness on the importance of a healthy life-style, placing a particular emphasis on the development of young athletes.

Zavarovalnica Triglav is widely recognised as a partner of **numerous national sports associations** – in hockey, volleyball, handball and kayak – and as a partner of teams and organizers of international sports events.

The traditional partnerships with the Petrol Olimpija, Krka – Telekom Novo Mesto and Domžale basketball clubs continued, as did the partnerships with the Radenska Creativ Sobota basketball club, the Celje Pivovarna Laško Handball Club and the Ajdovščina Women's Handball Club.

Zavarovalnica Triglav supports a number of clubs across a wide range of sporting disciplines: the Ilirija Ski Jumping Club, the ACH Volley Volleyball Club, the Puconci Female Volleyball Club, the Ljubljana Rowing Club, the Pomurje Beltinci Female Football Club, the Čarda Martjanci Football Club, the Šentjur Basketball Club, the Olimpija Hockey Club, and the Radovljica Swimming Club.

The Rog Cycling Club, the Kranj Cycling Club and the Cycling Club Rajd also received Triglav's support, as did the popular cycling event Marathon Franja.

Zavarovalnica Triglav sponsors the project HUDOdobra TELOvadnica (FIT-for-purpose BODY-building) implemented by the Faculty of Sports at elementary and secondary schools and focusing on the refurbishment of school gymnasias and improving the health of school children.



The Group members are faithful sports sponsors and support numerous national sports associations and clubs as well as individuals.

Some of the major sponsorships of the Triglav Group

The Triglav Group subsidiary	Sports sponsorship
Zavarovalnica Triglav	<ul style="list-style-type: none"> General sponsor of the Paralympic Committee of Slovenia
Zavarovalnica Triglav	<ul style="list-style-type: none"> Partner of the Ski Association of Slovenia Golden partner of national teams in biathlon and nordic skiing General sponsor of the final competition of the Ski Flying World Cup in Planica Over 3,300 school children, large families and people with special need were given the opportunity to see the competition live Over the past 30 years, more than 90,000 sports fans were taken to see the final in Planica
Zavarovalnica Triglav	<ul style="list-style-type: none"> Sponsor of the Ski Jumping World Cup Ladies in Ljubno pri Savinji Sponsor of world-class athletes Peter, Domen and Cene Prevc, Jakov Fak, Vesna Fabjan, Rok Marguč, Klemen Bauer, Špela Rogelj, Žan Košir, Timotej Lampe Ignjič, Ana Marija Lampič, Janez Lampič
Zavarovalnica Triglav	<ul style="list-style-type: none"> Partner of the climbing event The Rock Ljubljana Sponsor of the Adriatic Waterpolo League (since 2011)
Zavarovalnica Triglav	<ul style="list-style-type: none"> Main sponsor of the Triglav triathlon competition in Bled Sponsor of the Four Municipalities Mountain Run
Lovćen Osiguranje, Podgorica	<ul style="list-style-type: none"> Budučnost Female Handball Club Montenegro Olympic Committee Waterpolo and Swimming Federation of Montenegro
Triglav Osiguranje, Zagreb	<ul style="list-style-type: none"> Croatia Open Umag Personal sponsorship of the rower Damir Martin
Triglav Osiguruvanje, Skopje	<ul style="list-style-type: none"> Vardar Handball Club Auto racing club Stefanovski Sponsorship of the construction of the City Tree – ecological installations Basketball club MZT
Triglav Osiguranje, Sarajevo	<ul style="list-style-type: none"> Female Play Off Basketball Club Art Forum
Triglav Osiguranje, Belgrade	<ul style="list-style-type: none"> General sponsor of the Basketball Federation of Serbia and the Serbian male national basketball team Sponsor of the Regional Basketball Federation of East Serbia General sponsor of the ski school Snow Stars Team at Kopaonik Crvena Zvezda Judo Club
Triglav Osiguranje, Banja Luka	<ul style="list-style-type: none"> Vardar Handball Club Jahorina Ski and Mountaineering Association Sponsorship of the brother judoists Nemanja and Stefan Majdov

Culture

Music from all over the worlds was brought closer to its fans through the traditional cooperation with the Cankarjev Dom Cultural and Congress

Centre (season tickets for *the Music of the World*), the Ljubljana Festival, the Lent Ljubljana Festival and numerous other music festivals and events. Zavarovalnica Triglav continued its co-operation with the Ljubljana Puppet

Theatre. The Company supported the celebration marking the 150th anniversary of Slovene National Theatre Drama and co-financed the reprint of the book Plečnik's Ljubljana as part of the project Plečnik Year 2017 taking

place under the auspices of the Museum and Galleries of Ljubljana. Amongst the film activities supported by the Company were the events *Kino v planicah*, *Kinobalon*, *Kinodvorišče* and Open Air Cinema at Kongresni Square, all of which were organised by Kinodvor.

Other companies of the Triglav Group are also engaged in the field of culture. Triglav Osiguranje, Belgrade supported the International Medieval (Knight) Tournament »Despot Stefan Lazarević. The company Triglav Osiguruvanje, Skopje supported the series May Opera Nights and sponsored a concert by Vlatko Stefanovski and the Big Band Orchestra of the Slovene Armed Forces. The company Triglav Osiguranje, Sarajevo supported a concert by Jasna Gospić and an International Festival of Secondary School Theatre Groups; Triglav Osiguranje, Zagreb co-financed the largest summer cultural event in the region of Kvarner, while the company Lovćen Osiguranje from Podgorica once again supported the traditional Winter Kotor Festival as well as the international festival Bridges Bring People Together.

Education and training

Zavarovalnica Triglav is the partner of the intergenerational centre "To Triglav to Change the World" (Na Triglav spreminjat svet) in Ljubljana. There, young people introduce the world of computers and other innovations to the elderly, while they share their language skills, playing of instruments and other skills with young people.

The Company again supported the project "Staying Safe on Social Networks", which has been upgraded and is aimed at educating children, adolescents and parents on the safe use of social networks. The Company has also joined the project "I Like Life" aimed at educating young people and raising awareness with regard to the development of depressive disorders due to excessive use of social media.

Humanitarian activity

In cooperation with the cinema Kinodvor and the Centre for education, rehabilitation and training Vipava, a film was screened for the children at the Centre who were also entertained by the Watch Out Doggy mascot who traditionally visits them at the Paediatric Clinic.

The Company has also provided support to organisations providing assistance to persons with physical and mental disabilities, institutes and associations improving the quality of life of the elderly and children, research and health organisations, various mountaineering clubs, and many other institutions and associations that improve the quality of life in local communities.

Other forms of humanitarian aid of the Triglav Group

Donation recipient	Purpose of aid
Association for a better quality of life for people with Down syndrome Brežice and Trbovlje maternity hospitals	Fostering learning and exercise of children with Down syndrome In the context of the Triglav Run funds were donated for the purchase of the necessary equipment
Ultrasound Association	Support for the project "Slojenčki" aimed at the refurbishment of the Ljubljana maternity hospital
Slovenian Society for Dog Assisted Therapy <i>Tačke Pomagačke</i> (Helping Little Paws)	Promotion of reading literacy and communication skills of children with developmental disorders or after an accident
Humanitarian campaign "With love from brave hearts", Banja Luka	Solidarity fund for children requiring treatment abroad
Centre for Children and Youth With Mental or intellectual Disability, Belgrade	Purchase of teaching and educational materials
Podgorica Medical Centre, Montenegro	Reconstruction of the ear, nose and throat and maxillofacial surgery clinic of the Montenegro Medical Centre
Our dreams, their smile, Zagreb.	Support for an association assisting the poor

Everything Will Be Alright Institute

The mission of "Everything Will Be Alright" Institute is implementation of socially responsible activities with the help of external partners and employees. The Institute provides help and support to the weakest members of society and raises awareness on the importance of corporate social responsibility. The main projects of the Everything Will Be Alright Institute in 2016:

- Support to young talents

Talented young artists, athletes and future scientists and were supported through the project "Young Hopes" for the fifth consecutive year; para-athletes were also among the recipients for the first time in 2017, the tender attracted 79 applicants. The board of experts selected 13 finalists aged between 16 and 19. In cooperation with the Pro Plus media company, as much as EUR 51,000 was allocated to the development of talent and the achievement of goals; over the past five years, a total of EUR 261,000 has been awarded to 62 Young Hopes.

In order to provide long-term assistance and guidance to young talents in achieving top results, the Company organised a free seminar for all Young Hopes generations and everyone closely connected to their work. This year's meeting of alumni focused on public speaking training.

- Prevention activities of the Institute aimed at preventing loss events

The Institute is the partner of the "Alcohol-free for 40 days" campaign, in the context of which breathalyser tests were offered free of charge in Planica during the World Cup 2016; participants were invited to support the campaign with their signature.

Information on sponsorships and donations:

Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
E-mail: sponzorstva@triglav.si



12.7 Environmental aspects⁹⁸

Protection of the environment in work processes

Zavarovalnica Triglav continued to raise awareness about the rational use of resources and waste management among employees. Employees receive electronic notification of earnings, resulting in annual savings of approximately 300 kg of office paper. To reduce waste plastic packaging from beverage vending machines, all employees of Zavarovalnica Triglav have their own cup and water bottle. Employees in most regional units and at the headquarters can use 21 bicycles for short-distance work-related travel.

Having purchased five additional vehicles, the Company currently has seven electrical vehicles and plans to buy nine new ones in 2018. Most new service vehicles (7 out of 10) have low CO₂ emissions, which is in compliance with the guidelines of the European Commission, setting the maximum CO₂ emission target of 95 g/km by 2020. Environmental sustainability criteria are part of the supplier selection process (see Procurement practices in [→ Section 12.3. Economic Aspects]).

All computers and multi-function devices purchased in 2017 have an Energy Star certificate for energy efficiency.

Carbon footprint calculation⁹⁹

Systematic carbon footprint measurements are performed in all insurance companies of the Triglav Group (see the table below).

Carbon footprint results in tonnes of CO₂ equivalent by Triglav Group subsidiary

Location	Carbon footprint		
	2017	2016	2015
Zavarovalnica Triglav*	7,738/4,793***	5,117	4,944
Triglav Osiguranje, Sarajevo**	151	165	174
Triglav Osiguranje, Belgrade**	743	668	471
Lovćen Osiguranje, Podgorica**	206	252	195
Triglav Osiguruvanje, Skopje**	201	179	372
Triglav Osiguranje, Zagreb**	602	709	
Triglav Osiguranje, Banja Luka**	72	71	

* The calculation includes the Company headquarters, the head offices of 12 regional units and the business premises at Dunajska 22. Data for previous years did not include the business premises at Dunajska 22 and are therefore not comparable. Data for Dunajska 22 refers to the entire building including all tenants.

** The headquarters are included in the calculation.

*** Data does not include the business premises at Dunajska 22 and is therefore not comparable with previous years.

The bulk of greenhouse gas emissions is again accounted for by emissions due to electricity consumption and heating, followed by work-related transport. The introduced information system has improved the quality and efficiency of collecting data on energy consumption, emissions and waste (see *Use of Energy Products* for further details).

The calculation was performed using the methodology based on the Greenhouse Gas Protocol. The measured greenhouse gas emissions included direct emissions from heating with natural gas and fuel oil at regional units' head offices and the Headquarters as well as emissions due to the Company's vehicle fleet, which is used exclusively for work-related travel. Indirect emissions included electricity used for cooling, lighting, heating, the operation of electrical and electronic equipment, as well as district heating emissions. Furthermore, emissions due to the use of paper and emissions due to work-related travel using employees' own vehicles or public transport (train, bus, plane) were taken into account. Commuting to/from work was not considered in the calculation.

Compared to the preceding year, electricity consumption went down by 8% in Zavarovalnica Triglav, whereas the carbon footprint from heating decreased by just over 5%.

Electricity consumption and heating by location of Zavarovalnica Triglav¹⁰⁰

Location	Electricity consumption and heating in m ²		
	2017	2016	2015
Headquarters	0.065	0.067	0.065
Dunajska 22	0.080		
Ljubljana Regional Unit	0.106	0.100	0.090
Celje Regional Unit	0.042	0.051	0.051
Koper Regional Unit	0.065	0.079	0.074
Kranj Regional Unit	0.087	0.088	0.073
Krško Regional Unit	0.030	0.029	0.029
Maribor Regional Unit	0.057	0.070	0.044
Murska Sobota Regional Unit	0.077	0.081	0.083
Nova Gorica Regional Unit	0.056	0.055	0.053
Novo mesto Regional Unit	0.077	0.074	0.081
Postojna Regional Unit	0.097	0.269	0.246
Slovenj Gradec Regional Unit	0.049	0.051	0.044
Trbovlje Regional Unit	0.085	0.074	0.080
Total	0.070	0.084	0.078

Total emissions due to exclusively work-related travel (using the Company's vehicle fleet, public transport or employees' own vehicles) accounted for 420 tonnes of CO₂ equivalent or 7% more than the year before. This increase resulted mainly from the increased volume of air travel.

Lower paper consumption helps raise environmental awareness and fosters responsible employee behaviour in the office. CO₂ emissions due to office paper consumption are very low compared to other sources.

The average use of A4 printing and copy paper per Zavarovalnica Triglav's employee a day

	2017	2016	2015
Average use of paper sheets per employee a day	26.2	29.0	27.7

Use of energy products¹⁰¹

The Company has made a voluntary commitment to reduce energy consumption by around 10% in the period 2015-2018, mainly through the implementation of various organisational and investment measures. This commitment is part of a broader effort for an efficient use of all resources since the insurance industry is not bound by energy management regulations.

Energy performance certificates have been obtained and energy audits of some of the most important buildings have been performed since 2015, which will continue also in 2017. In 2017, the heating and cooling system at the Celje regional unit was refurbished and a heating furnace was replaced at the Slovenj Gradec regional unit. Since 2013, small investments have regularly been made to improve the energy efficiency of the most critical buildings. Similar future improvements are planned.

Use of energy products in Zavarovalnica Triglav in 2015-2017

Energy product type	Use of energy product by year			Index	
	2017	2016	2015	2017/2016	2016/2015
Warm water (MWh)*	5,935	3,080	2,900	193	106
Fuel oil (l)**	0	7,498	16,550	0	45
Gas (m ³)	92,936	145,048	144,697	64	100
Electricity (MWh)***	8,593	5,475	5,092	157	108

* The calculation includes the Company headquarters, the head offices of 12 regional units and the business premises at Dunajska 22. Data for Dunajska 22 refers to the entire building including all tenants.

** The only system where measures for improving energy performance are still required is the fuel oil heating system of the building in Postojna. Other heating systems have already been upgraded to heat pumps.

*** If only the data for the Company headquarters and the 12 regional units' head offices are taken into account, electricity consumption is 5,031 MWh (index 92).

In the reporting period, 51,888 gigajoules (GJ) of electricity were used for heating, cooling, lighting and the operation of electrical and electronic equipment (assuming that 10 kWh of electricity are generated from one litre of fuel oil and 9.5 kWh from a m³ of natural gas).

Zavarovalnica Triglav does not yet keep records of its energy consumption by energy source, but estimates its structure to be comparable to the structure of energy sources at the national level. The largest energy source in Slovenia are solid fuels (60%), followed by nuclear energy (35%) and renewable energy sources (5%) (latest available data from 2016).¹⁰²

Waste disposal policy¹⁰³

Paper, packaging and mixed municipal waste are collected separately in all regional units and most representative offices.

The quantity of waste in Zavarovalnica Triglav¹⁰⁴

Waste type	Zavarovalnica Triglav (in m ³)			Index	
	2017	2016	2015	2017/2016	2016/2015
Mixed waste	740*/666	743	856	100	87
Packaging	841*/784	492	448	171	110
Paper	580*/306	442	475	131	93
Glass	3*				
Biological waste	38*				
Total	2,202/1,756	1,677	1,779	131	94

* The calculation for the reporting year includes the Company headquarters, the head offices of 12 regional units and the business premises at Dunajska 22. Data for previous years did not include the business premises at Dunajska 22 and are therefore not comparable. Data for Dunajska 22 refers to the entire building including all tenants.

In the reporting year, the amount of disposed disused IT equipment including disused mobile phones (2,559 kg) was almost 50% lower than in the previous year. Toners and ink cartridges are disposed of separately. In the reporting year, 895 kg of empty cartridges were given to charity.

8th season of the Slovenia-wide campaign "Let's Clean the Mountains"¹⁰⁵

- Biodegradable rubbish bags were provided to more than 78 cottages and mountain stations.
- The Company was involved in the event »Slovenian Mountain Trail in a Day«; in collaboration with hikers, a 600 km section of the trail leading from Maribor to Ankaran was cleared of rubbish.
- In 2017, more than a tonne of waste was removed from the mountains.
- In the eighth season, the number of campaign ambassadors participating in the community of clean mountain lovers in social media exceeded 36,000.
- The campaign "Let's Clean the Mountains" provides financial support for the development of the programme SarOS aimed at helping mountain rescue services shorten the time required to locate injured persons and deliver them to professional medical care. Members of the mountain rescue service carried out demonstrations of their work at campaign events.
- 5 Slovene mountain huts were equipped with "Let's Clean the Mountains" bookshelves featuring books on mountains.
- Over the past three seasons, 67 suggestions for family hikes have been published on the interactive website www.ocistimogore.si.
- The Company encouraged education on safety in the mountains and hiking etiquette with online quizzes »Safety in the Mountains in Winter« and »How Devout a Hiker are You?« which were taken by over 2,300 hikers; First online quiz: Are you a true guardian of the mountains?
- More than 29 tons of waste removed from the mountains over 8 years.



Having purchased five additional vehicles, the Company currently has seven electrical vehicles and plans to buy nine new ones in 2018.



12.8 Key guidelines of Corporate Social Responsibility for 2018



Triglav run

Guideline	Effect
Corporate government	<ul style="list-style-type: none"> Provision of high-quality information of the financial public on the operations, financial position and plans of the Group Pro-active cooperation with analysts, institutional investors and shareholders
Fair business practices	<ul style="list-style-type: none"> Declaration on Fair Business Proactive internal communication and employee training in compliance and corporate ethics Active participation in compliance and fair dealing external working groups and ensuring the exchange of good practices Further development of ethical business practice of the Group subsidiaries An example of good practice in insurance fraud investigation and prevention in the Triglav Group Encouraging employees to identify insurance fraud cases and participate in the relevant training
Recruitment and work practices	<ul style="list-style-type: none"> Improvement of selection procedures Effective onboarding of new hires into the work and culture Unification of activities in relation to the development of employees of the Triglav Group Employee mobility Staff competency development Revision of the organisational culture Employee training Establishing a healthy and safe environment for the employees Active management of psychosocial risks among employees Intergenerational cooperation – coexistence of generations: activities and training
Human rights	<ul style="list-style-type: none"> Protection of employees' dignity with zero tolerance for discrimination, harassment or mobbing at the workplace
Responsibility to clients and suppliers	<ul style="list-style-type: none"> Preparation of a wide range of quality content and stories, focusing on the relevant areas of the insurance industry in terms of raising literacy and providing useful tips Services accessible to people with disabilities
Engagement in the community and its development	<ul style="list-style-type: none"> Traffic safety prevention programmes Employee volunteering The Triglav Generations in Planica drive Triglav Run Children of Triglav Preventive action
Reduction of environmental impacts	<ul style="list-style-type: none"> Waste management Let's Clean the Mountains and Hills Reduction of greenhouse gas emissions

13. Information on the Triglav Group as at December 2017

Insurance

Zavarovalnica Triglav d.d.

Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 72 00
Fax:	++ 386 (1) 432 63 02
E-mail address:	info@triglav.si
Website:	www.triglav.si, www.triglav.eu

Pozavarovalnica Triglav Re d.d.

Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 79 00
Fax:	++ 386 (1) 433 14 19
E-mail address:	mail@triglavre.si
Website:	www.triglavre.si
Activity:	Reinsurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	4,950,000 EUR/4,950,000 EUR

Triglav, Zdravstvena zavarovalnica d.d.

Address:	Pristaniška ulica 10, 6000 Koper, Slovenia
Phone:	++ 386 (5) 662 20 00
Fax:	++ 386 (5) 662 20 02
E-mail address:	info@zdravstvena.net
Website:	www.zdravstvena.net
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	25,822,144 EUR/25,822,144 EUR

Skupna pokojninska družba d.d.

Address:	Dunajska cesta 22, 1000, Ljubljana, Slovenia
Phone:	++ 386 (1) 47 00 840, 080 80 87
Fax:	++ 386 (1) 47 00 853
E-mail address:	info@skupna.si
Website:	www.skupna.si
Activity:	Pension funds
Equity stake of Zavarovalnica Triglav/the Triglav Group:	71.87%/71.87%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	71.87%/71.87%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	4,851,774 EUR/4,851,774 EUR

Triglav Osiguranje d.d., Zagreb

Address:	Antuna Heinza 4, 10000 Zagreb, Croatia
Phone:	++ 385 (1) 563 27 77
Fax:	++ 385 (1) 563 27 99
E-mail address:	centrala@triglav-osiguranje.hr
Website:	www.triglav.hr
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	- /100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	- /28,073,249 EUR

Lovćen Osiguranje a.d., Podgorica

Address:	Ulica Slobode 13a, 81000 Podgorica, Montenegro
Phone:	++ 382 (20) 404 400, 404 410
Fax:	++ 382 (20) 665 281
E-mail address:	info@lo.co.me
Website:	www.lo.co.me
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /96.59%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	- /96.59%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	- /10,103,242 EUR

Lovćen životna osiguranja a.d., Podgorica

Address:	Ulica Marka Miljanova 29, 81000 Podgorica, Montenegro
Phone:	++ 382 (20) 231 882
Fax:	++ 382 (20) 231 881
E-mail address:	info@lovceznivot.me
Website:	www.lovceznivot.me
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /96.59%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	- /96.59%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	- /2,124,980 EUR

Triglav Osiguranje d.d., Sarajevo

Address:	Dolina 8, 71000 Sarajevo, Bosnia and Herzegovina
Phone:	++ 387 (33) 252 110
Fax:	++ 387 (33) 252 179
E-mail address:	info@triglav.ba
Website:	www.triglav.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /97.78%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	- /98.87%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	- /10,620,215 EUR

Triglav Osiguranje a.d., Banja Luka

Address:	Trg srpskih junaka 4, 78000 Banja Luka, Bosnia and Herzegovina
Phone:	++ 387 (51) 215 262
Fax:	++ 387 (51) 215 262
E-mail address:	info@triglavrs.ba
Website:	www.triglavrs.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	- /100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	- /2,845,566 EUR

Triglav Osiguranje a.d.o., Belgrade

Address:	Milutina Milankovića 7a, 11070 Novi Beograd, Serbia
Phone:	++ 381 (11) 330 51 00
Fax:	++ 381 (11) 312 24 20
E-mail address:	office@triglav.rs
Website:	www.triglav.rs
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /99.88%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	- /99.88%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	- /14,539,234 EUR

Triglav Osiguruvanje a.d., Skopje

Address:	Bulevar 8-mi Septemvri br. 16, 1000 Skopje, Macedonia
Phone:	++ 389 (2) 510 22 22
Fax:	++ 389 (2) 510 22 97
E-mail address:	info@triglav.mk, pr@triglav.mk, osig@triglav.mk
Website:	www.triglav.mk
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /79.94%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	- /79.94%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	- /2,404,935 EUR

Triglav Osiguruvanje Život a.d., Skopje

Address:	Bulevar sv. Kiril i Metodij br. 18, 1000 Skopje, Macedonia
Phone:	++ 389 (2) 510 22 01
Fax:	++ 389 (2) 510 22 97
E-mail address:	info@triglavzivot.mk
Website:	www.triglavzivot.mk
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /95.99%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	- /95.99%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	- /4,801,704 EUR

Asset management

Triglav Skladi d.o.o.

Address:	Slovenska cesta 54, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 300 73 00
Fax:	++ 386 (1) 300 73 50
E-mail address:	info@triglavskladi.si
Website:	www.triglavskladi.si
Activity:	Management of mutual funds
Equity stake of Zavarovalnica Triglav/the Triglav Group:	67.50%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	563,345 EUR/834,585 EUR

Triglav, Upravljanje nepremičnin d.d.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 47 44 440
Fax:	++ 386 (1) 23 17 785
E-mail address:	info@triglav-upravljanje.si
Website:	www.triglav-upravljanje.si
Activity:	Asset management
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	3,160,113 EUR/3,160,113 EUR

Trigal, upravljanje naložb in svetovalne storitve d.o.o.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 51 317 019
E-mail address:	mrunjak@trigal.com
Website:	www.trigal.com
Activity:	Management of financial funds
Equity stake of Zavarovalnica Triglav/the Triglav Group:	49,90%/49,90%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	49,90%/49,90%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group*	4,166,650 EUR/4,166,650 EUR

* The company's share capital equals to EUR 8,350,000, of which the amount of EUR 7,350,000 was entered into the Companies Register on 10 January 2018.

Other

Triglav INT, holdinška družba d.d.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 430 95 34
E-mail address:	triglavint@triglav-int.si
Activity:	Holding company
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	68,010,006 EUR/68,010,006 EUR

Triglav svetovanje, zavarovalno zastopanje d.o.o.

Address:	Ljubljanska cesta 86, 1230 Domžale, Slovenia
Phone:	++ 386 (1) 724 66 50
Fax:	++ 386 (1) 724 66 75
E-mail address:	info@triglav-svetovanje.si
Website:	www.triglav-svetovanje.si
Activity:	Insurance brokerage
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	8,763 EUR/8,763 EUR

Triglav Avtoservis, d.o.o.

Address:	Verovškova 60b, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 580 68 80
Fax:	++ 386 (1) 580 68 75
E-mail address:	info@triglav-avtoservis.si
Website:	www.triglav-avtoservis.si
Activity:	Maintenance and repair of motor vehicle
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group	43,663 EUR/43,663 EUR

Vse bo v redu, zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti

Address:	Miklošičeva cesta 19, 1000, Ljubljana, Slovenia
E-mail address:	vsebovredu@triglav.si
Website:	www.vsebovredu.si
Activity:	Humanitarian and charity activities
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	100,000 EUR/100,000 EUR

14. Business Network of the Triglav Group

The business network of the Triglav Group is developed using an effective combination of traditional and new, modern sales channels based on advanced technologies.

Its own developed sales network, a number of contracted points of sale, web and assistance services make the Group's insurance services readily accessible.

Insurance agents, sales clerks and own points of sale compose the Group's own insurance sales network. In 2017 in Slovenia, the Company cooperated with 445 partners registered as insurance agents, including specialised insurance agencies, roadworthiness test providers, car dealers, leasing companies, banks and travel agencies. The Company also successfully cooperates with numerous insurance brokerage firms. Once again the number of contractual partners in claim settlement was increased. Clients have access to the insurance services via the call centre, where they receive the necessary information; furthermore, clients may take out insurance, report a claim and request assistance services via the telephone.

Many services have been made available online, and the number of their users has been increasing over the years.

14.1 Insurance

- **Zavarovalnica Triglav d.d., Ljubljana, Centrala – registered office**

Regional units:

- Celje
- Koper
- Kranj
- Krško
- Ljubljana
- Maribor
- Murska Sobota
- Nova Gorica
- Novo mesto
- Postojna
- Slovenj Gradec
- Trbovlje

- **Pozavarovalnica Triglav Re d.d., Ljubljana – registered office**

- **Triglav, Zdravstvena zavarovalnica d.d., Koper – registered office**

The insurance company has agencies set up in all 12 regional units of Zavarovalnica Triglav and a health information office at the headquarters.

- **Skupna pokojninska družba d.d., Ljubljana – registered office**
- **Triglav Osiguranje d.d., Zagreb – registered office**

Branch offices:

- Zagreb
- Čakovec
- Varaždin
- Koprivnica
- Osijek

- Reka
- Pulj
- Split
- Zadar

- **Lovćen Osiguranje a.d., Podgorica – registered office**

Branch offices:

- Podgorica
- Nikšić
- Berane
- Pljevlja
- Bijelo Polje
- Kotor
- Bar
- Budva

Offices and agencies:

- Andrijevića
- Ulcinj
- Danilovgrad
- Kolašin
- Tuzi
- Žabljak
- Plav
- Rožaje
- Mojkovac
- Tivat
- Hercegnovi
- Cetinje
- Šavnik
- Plužine

- **Triglav Osiguranje d.d., Sarajevo – registered office**

Branch offices:

- Sarajevo
- Bihać

- Tuzla
- Mostar
- Zenica
- Travnik
- Goražde
- Brčko
- Banja Luka
- Tomislavgrad
- Ljubuški
- Kiseljak
- Jelah – Tešanj

- **Triglav Osiguranje a.d.o., Banja Luka – registered office**

Regional offices:

- Banja Luka
- Doboj
- Prijedor
- Gradiška
- Istočno Sarajevo – Pale
- Bijeljina

Outlets:

- Laktaši
- Mrkonjić Grad
- Teslić
- Derventa
- Modriča
- Brod
- Novi Grad
- Kozarska Dubica
- Kostajnica
- Prnjavor
- Istočna Ilidža
- Zvornik
- Vlasenica

■ Triglav Osiguranje a.d.o., Belgrade – registered office

Branch offices:

- Beograd
- Novi Sad
- Kruševac
- Niš
- Valjevo
- Kikinda
- Subotica
- Šabac
- Kragujevac
- Čačak
- Jagodina
- Vranje
- Vršac
- Novi Pazar
- Užice
- Zrenjanin

Offices and agencies:

- Beograd 1
- Bor
- Bečej
- Negotin
- Leskovac
- Prokuplje
- Pančevo

■ Triglav Osiguruvanje a.d., Skopje – registered office

Branch offices:

- Skopje
- Bitola
- Ohrid
- Gostivar
- Tetovo
- Kumanovo

- Veles
- Gevgelija
- Prilep
- Kičevo
- Radoviš
- Kočani
- Štip
- Kavadarci
- Strumica
- Struga

Agencies:

- Kumanovo
- Tetovo (2 agencies)
- Kriva Palanka
- Negotino
- Resen
- Kočani
- Kruševo
- Berovo
- Delčevo
- Makedonska Kamenica
- Vinica
- Dolno Palčište
- Dobri Dol
- Debar
- Rosoman
- Valandovo
- Demir Hisar
- Zajas (Kičevo)
- Oslomej
- Velešta
- Vrapčište
- Skopje – Avtokomanda
- Skopje – Cento
- Skopje – Cair
- Skopje – Aerodorm
- Plasnica
- Struga

14.2 Asset management

- Triglav Skladi d.o.o.,
Ljubljana – registered office
- Triglav, Upravljanje nepremičnin d.d.,
Ljubljana – registered office
- Triglav, upravljanje naložb in
svetovalne storitve d.o.o.,
Ljubljana – registered office

14.3 Other

- Triglav INT, holdinška družba d.d.,
Ljubljana – registered office
- Triglav Svetovanje,
zavarovalno zastopanje d.o.o.,
Domžale – registered office
- Triglav Avtoservis d.o.o.,
Ljubljana – registered office

15. Performance Indicators of Zavarovalnica Triglav

15.1 Growth of gross written premium (Index)

		Gross written premium for the current year*100			Gross written premium for the preceding year		in EUR	
		Gross written premium			Index			
No.		2017	2016	2015	2017/2016	2016/2015		
1	2	3	4	5	6=3/4*100	7=4/5*100		
1	Accident insurance	27,032,366	28,798,922	29,255,847	94	98		
2	Health insurance	486,414	422,483	-	115	-		
3	Land motor vehicle insurance	106,632,936	97,783,724	94,164,470	109	104		
4	Railway insurance	3,142,650	3,000,826	2,972,106	105	101		
5	Aircraft insurance	970,750	1,039,498	896,584	93	116		
6	Marine insurance	345,918	398,352	572,844	87	70		
7	Good in transit insurance	5,324,046	5,066,567	5,153,901	105	98		
8	Fire and natural disaster insurance	54,761,073	55,304,473	54,860,678	99	101		
9	Other damage to property insurance	84,122,714	71,229,040	68,504,409	118	104		
10	Motor TPL insurance	87,528,335	87,328,336	88,847,814	100	98		
11	Aircraft liability insurance	994,150	810,377	728,616	123	111		
12	Marine liability insurance	335,514	343,659	354,939	98	97		
13	General liability insurance	35,174,509	33,196,250	29,247,535	106	114		
14	Credit insurance	26,094,676	24,622,038	24,009,921	106	103		
15	Suretyship insurance	1,601,544	1,453,625	1,605,357	110	91		
16	Miscellaneous financial loss insurance	2,821,601	2,653,327	1,900,466	106	140		
17	Legal expenses insurance	393,897	568,538	786,043	69	72		
18	Travel assistance insurance	10,732,548	8,840,017	7,674,638	121	115		
19	Total non-life insurance (No. 1-18)	448,495,641	422,860,052	411,536,169	106	103		
20	Life insurance	82,276,487	83,319,257	86,778,846	99	96		
21	Wedding insurance or birth insurance	-	-	-	-	-		
22	Unit-linked life insurance	73,128,814	71,908,586	73,332,570	102	98		
23	Tontine	-	-	-	-	-		
24	Capital redemption insurance	18,070,394	15,041,116	14,613,360	120	103		
25	Income protection insurance due to accident or illness	-	-	-	-	-		
26	Total life insurance (No. 20-25)	173,475,695	170,268,959	174,724,777	102	97		
27	Total (No. 19+26)	621,971,336	593,129,011	586,260,945	105	101		

15.2 Net written premium as % of gross written insurance premium

Net written premium*100								
Gross written premium						in EUR		
		Net written premium		Gross written premium		Net written premium as % of gross written insurance premium		
No.		2017	2016	2017	2016	2017	2016	
1	2	3	4	5	6	7=3/5*100	8=4/6*100	
1	Accident insurance	25,918,422	27,614,362	27,032,366	28,798,922	96	96	
2	Health insurance	203,661	126,707	486,414	422,483	42	30	
3	Land motor vehicle insurance	97,684,954	89,072,172	106,632,936	97,783,724	92	91	
4	Railway insurance	2,488,736	2,454,878	3,142,650	3,000,826	79	82	
5	Aircraft insurance	127,862	136,833	970,750	1,039,498	13	13	
6	Marine insurance	288,683	322,979	345,918	398,352	83	81	
7	Good in transit insurance	2,712,170	2,482,860	5,324,046	5,066,567	51	49	
8	Fire and natural disaster insurance	32,659,338	32,759,319	54,761,073	55,304,473	60	59	
9	Other damage to property insurance	52,648,985	52,708,309	84,122,714	71,229,040	63	74	
10	Motor TPL insurance	81,019,038	81,109,185	87,528,335	87,328,336	93	93	
11	Aircraft liability insurance	13,842	72,963	994,150	810,377	1	9	
12	Marine liability insurance	296,721	299,769	335,514	343,659	88	87	
13	General liability insurance	24,237,533	23,393,895	35,174,509	33,196,250	69	70	
14	Credit insurance	22,479,121	21,333,587	26,094,676	24,622,038	86	87	
15	Suretyship insurance	1,218,926	1,077,352	1,601,544	1,453,625	76	74	
16	Miscellaneous financial loss insurance	1,056,502	920,339	2,821,601	2,653,327	37	35	
17	Legal expenses insurance	360,423	527,196	393,897	568,538	92	93	
18	Travel assistance insurance	10,149,444	8,348,241	10,732,548	8,840,017	95	94	
19	Total non-life insurance (No. 1-18)	355,564,362	344,760,945	448,495,641	422,860,052	79	82	
20	Life insurance	81,685,185	82,909,966	82,276,487	83,319,257	99	100	
21	Wedding insurance or birth insurance	-	-	-	-	-	-	
22	Unit-linked life insurance	73,128,814	71,908,586	73,128,814	71,908,586	100	100	
23	Tontine	-	-	-	-	-	-	
24	Capital redemption insurance	18,070,394	15,041,116	18,070,394	15,041,116	100	100	
25	Income protection insurance due to accident or illness	-	-	-	-	-	-	
26	Total life insurance (No. 20-25)	172,884,393	169,859,668	173,475,695	170,268,959	100	100	
27	Total (No. 19+26)	528,448,755	514,620,613	621,971,336	593,129,011	85	87	

15.3 Movements in gross claims paid (Index)

		Gross claims paid for the current year*100			Gross claims paid for the preceding year			
							in EUR	
		Gross claims paid			Index			
No.		2017	2016	2015	2017/2016	2016/2015		
1	2	3	4	5	6=3/4*100	7=4/5*100		
1	Accident insurance	11,545,124	11,585,762	11,717,779	100	99		
2	Health insurance	14,210	957	-	1,485	-		
3	Land motor vehicle insurance	71,726,550	70,064,777	68,682,248	102	102		
4	Railway insurance	1,441,997	2,160,493	2,483,724	67	87		
5	Aircraft insurance	87,147	350,560	9,749	25	3,596		
6	Marine insurance	650,614	471,774	765,367	138	62		
7	Good in transit insurance	1,188,764	1,694,830	966,564	70	175		
8	Fire and natural disaster insurance	21,581,327	16,604,156	20,017,042	130	83		
9	Other damage to property insurance	42,710,558	37,756,202	34,030,148	113	111		
10	Motor TPL insurance	53,963,444	49,842,845	53,024,960	108	94		
11	Aircraft liability insurance	24,782	187,559	826,584	13	23		
12	Marine liability insurance	46,469	13,832	30,004	336	46		
13	General liability insurance	11,853,905	11,251,169	12,462,718	105	90		
14	Credit insurance	7,989,944	9,786,147	10,743,184	82	91		
15	Suretyship insurance	66,264	516,671	358,672	13	144		
16	Miscellaneous financial loss insurance	823,140	1,316,571	2,061,401	63	64		
17	Legal expenses insurance	-245	3,422	9,056	-	38		
18	Travel assistance insurance	8,538,092	7,954,543	7,509,087	107	106		
19	Total non-life insurance (No. 1-18)	234,252,085	221,562,268	225,698,289	106	98		
20	Life insurance	81,846,116	85,822,855	87,417,374	95	98		
21	Wedding insurance or birth insurance	-	-	-	-	-		
22	Unit-linked life insurance	81,504,295	67,535,885	61,546,797	121	110		
23	Tontine	-	-	-	-	-		
24	Capital redemption insurance	5,236,135	7,933,879	8,926,090	66	89		
25	Income protection insurance due to accident or illness	-	-	-	-	-		
26	Total life insurance (No. 20-25)	168,586,546	161,292,619	157,890,261	105	102		
27	Total (No. 19+26)	402,838,631	382,854,887	383,588,550	105	100		

15.4 Loss ratio

		Gross claims paid*100 Gross written premium						in EUR	
No.		Gross claims paid		Gross written premium		Loss ratio (%)		2017	2016
		2017	2016	2017	2016	2017	2016		
1	2	3	4	5	6	7=3/5*100	8=4/6*100		
1	Accident insurance	11,545,124	11,585,762	27,032,366	28,798,922	43	40		
2	Health insurance	14,210	957	486,414	422,483	3	-		
3	Land motor vehicle insurance	71,726,550	70,064,777	106,632,936	97,783,724	67	72		
4	Railway insurance	1,441,997	2,160,493	3,142,650	3,000,826	46	72		
5	Aircraft insurance	87,147	350,560	970,750	1,039,498	9	34		
6	Marine insurance	650,614	471,774	345,918	398,352	188	118		
7	Good in transit insurance	1,188,764	1,694,830	5,324,046	5,066,567	22	33		
8	Fire and natural disaster insurance	21,581,327	16,604,156	54,761,073	55,304,473	39	30		
9	Other damage to property insurance	42,710,558	37,756,202	84,122,714	71,229,040	51	53		
10	Motor TPL insurance	53,963,444	49,842,845	87,528,335	87,328,336	62	57		
11	Aircraft liability insurance	24,782	187,559	994,150	810,377	2	23		
12	Marine liability insurance	46,469	13,832	335,514	343,659	14	4		
13	General liability insurance	11,853,905	11,251,169	35,174,509	33,196,250	34	34		
14	Credit insurance	7,989,944	9,786,147	26,094,676	24,622,038	31	40		
15	Suretyship insurance	66,264	516,671	1,601,544	1,453,625	4	36		
16	Miscellaneous financial loss insurance	823,140	1,316,571	2,821,601	2,653,327	29	50		
17	Legal expenses insurance	-245	3,422	393,897	568,538	-	1		
18	Travel assistance insurance	8,538,092	7,954,543	10,732,548	8,840,017	80	90		
19	Total non-life insurance (No. 1-18)	234,252,085	221,562,268	448,495,641	422,860,052	52	52		
20	Life insurance	81,846,116	85,822,855	82,276,487	83,319,257	99	103		
21	Wedding insurance or birth insurance	-	-	-	-	-	-		
22	Unit-linked life insurance	81,504,295	67,535,885	73,128,814	71,908,586	111	94		
23	Tontine	-	-	-	-	-	-		
24	Capital redemption insurance	5,236,135	7,933,879	18,070,394	15,041,116	29	53		
25	Income protection insurance due to accident or illness	-	-	-	-	-	-		
26	Total life insurance (No. 20-25)	168,586,546	161,292,619	173,475,695	170,268,959	97	95		
27	Total (No. 19+26)	402,838,631	382,854,887	621,971,336	593,129,011	65	65		

15.5 Operating expenses as % of gross written premium

		Operating expenses*100 Gross written premium						in EUR	
				Operating expenses		Gross written premium		Operating expenses as % of gross written premium	
No.		2017	2016	2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100		
1	Accident insurance	9,972,603	9,538,828	27,032,366	28,798,922	37	33		
2	Health insurance	155,029	101,964	486,414	422,483	32	24		
3	Land motor vehicle insurance	27,313,680	26,384,762	106,632,936	97,783,724	26	27		
4	Railway insurance	378,264	385,687	3,142,650	3,000,826	12	13		
5	Aircraft insurance	171,838	221,447	970,750	1,039,498	18	21		
6	Marine insurance	180,417	208,879	345,918	398,352	52	52		
7	Good in transit insurance	1,333,542	1,414,680	5,324,046	5,066,567	25	28		
8	Fire and natural disaster insurance	18,087,999	17,848,688	54,761,073	55,304,473	33	32		
9	Other damage to property insurance	25,403,154	24,637,886	84,122,714	71,229,040	30	35		
10	Motor TPL insurance	25,623,209	26,224,681	87,528,335	87,328,336	29	30		
11	Aircraft liability insurance	176,445	204,980	994,150	810,377	18	25		
12	Marine liability insurance	185,841	216,988	335,514	343,659	55	63		
13	General liability insurance	10,581,942	10,653,014	35,174,509	33,196,250	30	32		
14	Credit insurance	6,210,725	5,750,339	26,094,676	24,622,038	24	23		
15	Suretyship insurance	528,597	547,191	1,601,544	1,453,625	33	38		
16	Miscellaneous financial loss insurance	771,033	741,170	2,821,601	2,653,327	27	28		
17	Legal expenses insurance	270,602	383,380	393,897	568,538	69	67		
18	Travel assistance insurance	7,261,977	5,555,536	10,732,548	8,840,017	68	63		
19	Total non-life insurance (No. 1-18)	134,606,896	131,020,099	448,495,641	422,860,052	30	31		
20	Life insurance	16,386,252	17,198,224	82,276,487	83,319,257	20	21		
21	Wedding insurance or birth insurance	-	-	-	-	-	-		
22	Unit-linked life insurance	14,809,608	14,335,541	73,128,814	71,908,586	20	20		
23	Tontine	-	-	-	-	-	-		
24	Capital redemption insurance	1,942,001	1,993,355	18,070,394	15,041,116	11	13		
25	Income protection insurance due to accident or illness	-	-	-	-	-	-		
26	Total life insurance (No. 20-25)	33,137,861	33,527,120	173,475,695	170,268,959	19	20		
27	Total (No. 19+26)	167,744,757	164,547,219	621,971,336	593,129,011	27	28		

15.6 Acquisition costs as % of gross written insurance premium

		Acquisition costs*100 Gross written premium						in EUR	
				Acquisition costs		Gross written premium		Acquisition costs as % of gross written insurance premium	
No.		2017	2016	2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100		
1	Accident insurance	1,808,877	1,130,318	27,032,366	28,798,922	6.7	3.9		
2	Health insurance	5,801	6,461	486,414	422,483	1.2	1.5		
3	Land motor vehicle insurance	2,674,337	2,668,706	106,632,936	97,783,724	2.5	2.7		
4	Railway insurance	3,499	342	3,142,650	3,000,826	0.1	0.0		
5	Aircraft insurance	8,894	45,067	970,750	1,039,498	0.9	4.3		
6	Marine insurance	5,439	11,225	345,918	398,352	1.6	2.8		
7	Good in transit insurance	286,721	367,181	5,324,046	5,066,567	5.4	7.3		
8	Fire and natural disaster insurance	1,752,532	2,189,860	54,761,073	55,304,473	3.2	4.0		
9	Other damage to property insurance	2,643,036	2,958,897	84,122,714	71,229,040	3.1	4.2		
10	Motor TPL insurance	3,402,021	3,372,981	87,528,335	87,328,336	3.9	3.9		
11	Aircraft liability insurance	9,353	24,851	994,150	810,377	0.9	3.1		
12	Marine liability insurance	7,594	7,472	335,514	343,659	2.3	2.2		
13	General liability insurance	1,693,504	2,329,030	35,174,509	33,196,250	4.8	7.0		
14	Credit insurance	1,157,736	827,763	26,094,676	24,622,038	4.4	3.4		
15	Suretyship insurance	2,256	94	1,601,544	1,453,625	0.1	0.0		
16	Miscellaneous financial loss insurance	131,541	142,553	2,821,601	2,653,327	4.7	5.4		
17	Legal expenses insurance	18,441	26,910	393,897	568,538	4.7	4.7		
18	Travel assistance insurance	401,586	252,716	10,732,548	8,840,017	3.7	2.9		
19	Total non-life insurance (No. 1-18)	16,013,168	16,362,427	448,495,641	422,860,052	3.6	3.9		
20	Life insurance	3,370,879	3,730,519	82,276,487	83,319,257	4.1	4.5		
21	Wedding insurance or birth insurance	-	-	-	-	-	-		
22	Unit-linked life insurance	4,865,449	4,006,066	73,128,814	71,908,586	6.7	5.6		
23	Tontine	-	-	-	-	-	-		
24	Capital redemption insurance	73,210	74,915	18,070,394	15,041,116	0.4	0.5		
25	Income protection insurance due to accident or illness	-	-	-	-	-	-		
26	Total life insurance (No. 20-25)	8,309,539	7,811,501	173,475,695	170,268,959	4.8	4.6		
27	Total (No. 19+26)	24,322,707	24,173,928	621,971,336	593,129,011	3.9	4.1		

15.7 Net loss ratio

(Net settled claims + Change in claims provisions)*100

Net premium income

in EUR

No.		Net settled claims + Change in claims provisions		Net premium income		Net loss ratio (%)	
		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	10,438,660	8,783,974	26,602,838	27,696,529	39	32
2	Health insurance	39,112	5,656	255,140	55,556	15	10
3	Land motor vehicle insurance	66,040,962	63,812,889	94,479,436	87,168,677	70	73
4	Railway insurance	1,748,823	1,448,480	2,480,399	2,464,907	71	59
5	Aircraft insurance	-11,273	384,261	129,649	184,310	-	208
6	Marine insurance	546,461	334,528	276,479	328,348	198	102
7	Good in transit insurance	591,048	693,407	2,709,399	2,696,649	22	26
8	Fire and natural disaster insurance	21,585,635	12,903,381	32,708,139	32,910,636	66	39
9	Other damage to property insurance	32,594,656	27,052,455	50,567,149	50,912,534	64	53
10	Motor TPL insurance	38,070,663	36,793,456	80,928,536	81,730,609	47	45
11	Aircraft liability insurance	152,918	-229,684	39,580	42,678	386	-
12	Marine liability insurance	92,042	43,134	297,772	300,712	31	14
13	General liability insurance	5,897,294	9,181,083	24,377,910	22,729,624	24	40
14	Credit insurance	389,356	313,049	21,097,579	20,491,766	2	2
15	Suretyship insurance	-865,117	-188,617	1,050,341	933,713	-	-
16	Miscellaneous financial loss insurance	791,267	497,765	1,050,492	929,449	75	54
17	Legal expenses insurance	-10,959	-50,087	379,875	645,511	-	-
18	Travel assistance insurance	7,969,500	7,524,281	9,728,206	7,686,239	82	98
19	Total non-life insurance (No. 1-18)	186,061,048	169,303,413	349,158,917	339,908,447	53	50
20	Life insurance	82,170,825	84,319,709	110,822,794	111,077,892	74	76
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	81,504,295	67,521,622	44,005,246	43,737,748	185	154
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	5,236,135	7,919,615	18,070,394	15,041,116	29	53
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	168,911,255	159,760,945	172,898,435	169,856,756	98	94
27	Total (No. 19+26)	354,972,303	329,064,359	522,057,352	509,765,203	68	65

15.8 Combined loss ratio

		(Net settled claims + Change in claims provisions + Operating expenses)*100					
		Net premium income				in EUR	
		Net settled claims + Change in claims provisions + Operating expenses		Net premium income		Combined loss ratio (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	320,667,944	300,323,512	349,158,917	339,908,447	92	88

15.9 Expense ratio

		Operating expenses*100					
		Net premium income				in EUR	
		Operating expenses		Net premium income		Expense ratio (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Life insurance	33,137,861	33,527,120	172,898,435	169,856,756	19	20

15.10 Utility ratio

		(Paid claims + Change in insurance technical provisions)*100					
		Net written premium				in EUR	
		Paid claims + Change in insurance technical provisions		Net written premium		Utility ratio (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Life insurance	188,696,648	180,813,817	172,884,394	169,859,668	109	106

15.11 Investment return as % of average balance of investments

		Investment return*100					
		(starting balance for the year + ending balance for the year)/2				in EUR	
		Investment return		Average balance of in investments		Investment return as % of average balance of investments	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Asset backing liabilities	19,364,105	21,890,758	699,997,393	717,925,326	2.8	3.1
2	Guarantee fund backing traditional life insurance	26,229,116	24,725,563	761,392,976	747,773,493	3.4	3.3
3	Guarantee fund backing SVPI	4,039,326	7,132,116	191,799,668	185,705,844	2.1	3.8
4	Guarantee fund backing SVPI during the annuity payout period	1,184,858	1,572,621	37,173,883	32,352,860	3.2	4.9
5	Guarantee fund backing unit-linked insurance	30,815,830	23,878,356	425,700,232	440,316,414	7.2	5.4
6	Investments not financed from insurance technical provisions	10,358,309	8,697,649	304,483,884	275,391,886	3.4	3.2
7	Total	91,991,545	87,897,063	2,420,548,035	2,399,465,822	3.8	3.7

15.12 Net claims provisions as % of net premium income

		Net claims provisions*100		Net premium income		in EUR	
		Net claims provisions		Net premium income		Net claims provisions as % of net premium income	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	26,849,256	27,583,017	26,602,838	27,696,529	101	100
2	Health insurance	33,223	5,369	255,140	55,556	13	10
3	Land motor vehicle insurance	17,601,201	17,588,411	94,479,436	87,168,677	19	20
4	Railway insurance	4,575,180	4,268,354	2,480,399	2,464,907	184	173
5	Aircraft insurance	144,616	177,506	129,649	184,310	112	96
6	Marine insurance	504,794	536,422	276,479	328,348	183	163
7	Good in transit insurance	1,302,720	1,451,319	2,709,399	2,696,649	48	54
8	Fire and natural disaster insurance	16,970,011	13,594,876	32,708,139	32,910,636	52	41
9	Other damage to property insurance	22,501,918	21,831,494	50,567,149	50,912,534	45	43
10	Motor TPL insurance	166,685,042	176,260,355	80,928,536	81,730,609	206	216
11	Aircraft liability insurance	230,448	78,589	39,580	42,678	582	184
12	Marine liability insurance	125,166	77,269	297,772	300,712	42	26
13	General liability insurance	119,188,566	123,588,616	24,377,910	22,729,624	489	544
14	Credit insurance	3,006,584	3,145,235	21,097,579	20,491,766	14	15
15	Suretyship insurance	75,368	863,842	1,050,341	933,713	7	93
16	Miscellaneous financial loss insurance	1,195,744	786,874	1,050,492	929,449	114	85
17	Legal expenses insurance	64,591	75,317	379,875	645,511	17	12
18	Travel assistance insurance	2,014,010	2,128,437	9,728,206	7,686,239	21	28
19	Total non-life insurance (No. 1-18)	383,068,438	394,041,303	349,158,917	339,908,447	110	116
20	Life insurance	18,408,603	17,824,397	110,822,794	111,077,892	17	16
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	0	0	44,005,246	43,737,748	-	-
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	0	0	18,070,394	15,041,116	-	-
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	18,408,603	17,824,397	172,898,435	169,856,756	11	10
27	Total (No. 19+26)	401,477,041	411,865,700	522,057,352	509,765,203	77	81

15.13 Gross profit/loss for the year as % of net written premium

		Gross profit/loss*100 Net written premium				in EUR	
		Gross profit/loss		Net written premium		Gross profit/loss for the year as % of net written premium	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	58,942,749	67,094,334	355,564,361	344,760,945	16.6	19.5
2	Life insurance	14,879,560	16,323,466	172,884,394	169,859,668	8.6	9.6
3	Total	73,822,309	83,417,800	528,448,755	514,620,613	14.0	16.2

15.14 Gross profit/loss for the year as % of average equity

		Gross profit/loss*100 (equity starting balance for the year + equity ending balance for the year)/2				in EUR	
		Gross profit/loss		Average balance of equity		Gross profit/loss for the year as % of average equity	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	58,942,749	67,094,334	458,768,287	432,486,072	12.9	15.5
2	Life insurance	14,879,560	16,323,466	108,632,421	114,488,623	13.7	14.3
3	Total	73,822,309	83,417,800	567,400,708	546,974,695	13.0	15.3

15.15 Gross profit/loss for the year as % of average assets

		Gross profit/loss*100 (assets starting balance for the year + assets ending balance for the year)/2				in EUR	
		Gross profit/loss		Average balance of assets		Gross profit/loss for the year as % of average assets	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	58,942,749	67,094,334	1,215,860,529	1,186,068,985	4.9	5.7
2	Life insurance	14,879,560	16,323,466	1,567,537,083	1,548,551,583	1.0	1.1
3	Total	73,822,309	83,417,800	2,783,397,612	2,734,620,568	2.7	3.1

15.16 Gross profit/loss for the year per share

Gross profit/loss*100		Number of shares				in EUR	
		Gross profit/loss*100		Number of shares		Gross profit/loss for the year per share	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5	8=4/6
1	Non-life insurance	58,942,749	67,094,334	15,837,350	15,837,350	3.7	4.2
2	Life insurance	14,879,560	16,323,466	6,897,798	6,897,798	2.2	2.4
3	Total	73,822,309	83,417,800	22,735,148	22,735,148	3.3	3.7

15.17 Receivables from reinsurance and reinsurers share of insurance technical provisions as % of equity

Receivables from reinsurance and reinsurer's share of insurance technical provisions*100		Equity				in EUR	
		Receivables from reinsurance and reinsurer's share of insurance technical provisions		Equity		Receivables from reinsurance and reinsurer's share of insurance technical provisions as % of equity (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	89,866,756	76,416,042	469,422,354	448,114,222	19.1	17.1
2	Life insurance	32,360	39,065	101,989,945	115,274,895	-	-
3	Total	89,899,116	76,455,107	571,412,299	563,389,117	15.7	13.6

15.18 Net written premium as % of average balance of equity and insurance technical provisions

Net written premium*100		Average balance of equity and insurance technical provisions				in EUR	
		Net written premium		Average balance of equity and insurance technical provisions		Net written premium as % of average balance of equity and insurance technical provisions (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	355,564,361	344,760,945	1,043,914,536	1,024,786,928	34.1	33.6
2	Life insurance	172,884,394	169,859,668	1,532,426,372	1,514,076,219	11.3	11.2
3	Total	528,448,755	514,620,613	2,576,340,908	2,538,863,147	20.5	20.3

15.19 Average balance of net insurance technical provisions as % of net premium income

		Average balance of net insurance technical provisions*100 Net premium income				in EUR	
		Average balance of net insurance technical provisions		Net premium income		Average balance of net insurance technical provisions as % of net premium income (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	585,146,249	592,300,857	349,158,917	339,908,447	167.6	174.3
2	Life insurance	1,423,793,952	1,399,587,596	172,898,435	169,856,756	823.5	824.0
3	Total	2,008,940,200	1,991,888,452	522,057,352	509,765,203	384.8	390.8

15.20 Equity as % of liabilities

		Equity * 100 Liabilities				in EUR	
		Equity		Liabilities		Equity as % of liabilities (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	469,422,354	448,114,222	1,234,239,638	1,197,481,419	38.0	37.4
2	Life insurance	101,989,945	115,274,895	1,571,072,807	1,564,001,358	6.5	7.4
3	Total	571,412,299	563,389,117	2,805,312,445	2,761,482,778	20.4	20.4

15.21 Net insurance technical provisions as % of liabilities

		Net insurance technical provisions*100 Liabilities				in EUR	
		Net insurance technical provisions		Liabilities		Net insurance technical provisions as % of liabilities (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	582,991,869	587,300,628	1,234,239,638	1,197,481,419	47.2	49.0
2	Life insurance	1,435,040,519	1,412,547,384	1,571,072,807	1,564,001,358	91.3	90.3
3	Total	2,018,032,388	1,999,848,012	2,805,312,445	2,761,482,778	71.9	72.4

15.22 Net life insurance technical provisions as % of net insurance technical provisions

Net life insurance technical provisions*100		Net insurance technical provisions				in EUR	
		Net life insurance technical provisions		Net insurance technical provisions		Net life insurance technical provisions as % of net insurance technical provisions (%)	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Total	1,410,988,265	1,390,394,245	2,018,032,388	1,999,848,012	69.9	69.5

15.23 Gross written premium as % of number pf permanent employees

Gross written premium		Average number of employees				in EUR	
		Gross written premium		Average number of employees		Gross written premium as % of number of permanent employees	
No.		2017	2016	2017	2016	2017	2016
1	2	3	4	5	6	7=3/5	8=4/6
1	Total	621,971,336	593,129,011	2,302	2,357	270,187	251,646

RISK MANAGEMENT

Table of Contents

Risk Management

Risk Management	144
1. Risk management system	145
1.1. Powers and responsibilities	145
1.2. Risk management framework	148
1.3. Capital management	149
1.4. Risk types	150
2. Disclosures and risk management	151
2.1. Capital and capital adequacy management	151
2.2. Risk profile	152
2.3. Underwriting risks	152
2.3.1. Non-life insurance underwriting risks	153
2.3.2. Life insurance underwriting risks	156
2.4. Market risks	158
2.4.1. Credit spread risk	159
2.4.2. Equity risk	159
2.4.3. Property risk	160
2.4.4. Currency risk	160
2.4.5. Interest rate risk	160
2.5. Credit risk	161
2.6. Liquidity risk	161
2.7. Operational risk	164
2.7.1 Ensuring business continuity and functioning of systems material for smooth business process implementation	165
2.8. Non-financial risks	165
2.8.1. Strategic risk	165
2.8.2. Reputational risk	165
2.9. Stress tests	166
2.10. Summary and focus of risk management in the future	166

Risk Management

- Zavarovalnica Triglav established a comprehensive and integrated risk management system at the Group level, which is regularly and continuously upgraded.
- The Triglav Group continues to have a strong capital base and high liquidity.
- The established risk management processes and system ensure controlled taking of risks and safe operations.
- Individual types of material risks are effectively managed and controlled.
- The own risk assessment, which is performed by using the standard formula in the context of Solvency II, showed strong resilience of the Group even in the case of stress situations.

The capital management process enables the Group to ensure adequate safety and profitability of its operations and a high degree of confidence of all stakeholders. The main goal of this process is to make efficient use of the available capital to ensure a long-term and stable return on investment for the shareholders of Zavarovalnica Triglav by paying out dividends based on the predefined criteria in the dividend policy and taking into account the interests of other stakeholders and regulatory restrictions.

The key preconditions for the implementation of these objectives are comprehensive identification, measurement, monitoring and management of assumed and potential risks as well as an ongoing own risk and solvency assessment. Comprehensive risk management enables regular measurement and monitoring of the level, return and use of economic capital. On this basis, the capital structure is optimised and business decisions are made.

The Group monitors capital adequacy, which complies with Solvency II regulatory requirements, based on mark-to-market valuation. Capital adequacy is calculated using the standard formula. To ensure the long-term target capital adequacy, own risk assessment is regularly performed so as to assess the current and future solvency requirements and to define the necessary capital management measures. According to the own risk assessment for 2017, the capital adequacy of the Group remains at a high level despite the adverse situation in the financial markets and an increased number of devastating weather events and thereto related growth of non-life insurance claims.

The Group continues to be well capitalised. Its capital strength is confirmed by its capital structure, which almost entirely consists of the highest-quality capital, composed of share capital and reconciliation reserve. Subordinated liabilities account for a small portion of available capital. Compared to the previous year, the quality of available capital remained mostly unchanged. A slight increase was seen in reconciliation reserve. The market value of subordinated bonds changed and slightly fell as the result of discounting using a higher risk-free interest rate and a shorter maturity in 2017.

After the coordination with the Insurance Supervision Agency, in 2017 Zavarovalnica Triglav amended its methodology for calculating capital requirements, particularly in relation to ring-fenced funds, which include supplemental voluntary pension insurance. In accordance with the new methodology, the additional capital requirement of ring-fenced funds is taken into account in the overall capital requirement; in determining available capital, the amount needed to cover the capital requirement of ring-fenced funds is not deducted. The change in the methodology does not have material impact on the capital adequacy of the Group. See [→ Section 2.1.] for further details.

The Group provides for adequate short-term and medium-term liquidity by ensuring adequate liquidity of every subsidiary, particularly Zavarovalnica Triglav, which is an institution with strong liquidity. Exposure to liquidity risk primarily arises from the probability of catastrophic loss events and is adequately managed with an efficient reinsurance programme.

Compared to the 2016 year-end, the risk profile of the Group remained largely unchanged. Changes in exposure mainly arise from underwriting risks, especially due to the increase in the volume of the non-life insurance portfolio and claims experience due to devastating weather events; the latter also caused an increase in the claims ratio. In the context of market risks, exposure to credit spread risk increased. In contrast, exposure to equity risk decreased (see [→ Section 7.9 of the Business Report] for more details).

Zavarovalnica Triglav established a comprehensive and integrated risk management system at the Group level, which is regularly and continuously upgraded.

The key development activities at the Group level in 2017:

- The internal rules for the operation of the committees which are part of the risk management system were upgraded by defining their powers and responsibilities even more clearly.
- The upgrading of the risk management system in all insurance subsidiaries of the Group continued. In this context, insurance subsidiaries have been establishing a risk management system as defined in the minimum standards of the Group.
- Effective cooperation with insurance undertakings from the EU continued with respect to the drafting of regular reports on capital adequacy in the context of Solvency II. On the basis of experience and workshops, especially with the insurance subsidiaries of the Triglav INT Group, which do not conduct their business in accordance with the Solvency II requirements, the quality of data and the reporting system were further improved at the Group level.
- With the aim of strengthening the risk management culture, training workshops on risk management were organised both for Zavarovalnica Triglav's employees and for the employees involved in risk management in the subsidiaries.
- Improvement of the established risk measurement and monitoring processes based on the experience gained continued, resulting in an upgraded operational risk system and a redesigned application for reporting loss events.

Adequate capital and financial strength of the Group are reflected in the credit rating of the rating agencies S&P Global Ratings and A.M. Best, which in 2017 again assigned the Triglav Group the long-term credit rating and financial strength rating of "A". Both credit ratings have a stable medium-term outlook (See [→ Section 6.6. of the Business Report] for more details).

1. Risk Management System

The comprehensive risk management system is a fundamental part of the governance system in the Triglav Group and ensures the achievement of the Group's strategic objectives. The risk management system of Zavarovalnica Triglav is clear, transparent and well-documented. Through minimum standards, it is effectively transferred to the other Group members, taking into account the principle of proportionality. It ensures timely identification of all material risks and standardised set of procedures, which provides for the understanding of the consequences of realised potential risks. Furthermore, it includes the processes that enable effective management of individual risks or exposures.

The quality of the whole system is closely connected with the **own risk and solvency assessment process**. Its main purpose is to prepare own risk assessments at the Group level, which define the impact on current or future capital requirements, and on the basis of these assessments to make decisions on risk retention or transfer, optimisation of capital management and improved setting of premium rates. All of this is the basis for making other strategic decisions. The risk management system is well incorporated into the operations of the Group. This means that risks are partly managed in the first line of defence, which allows a quality assessment of present and future risks.

1.1 Powers and responsibilities

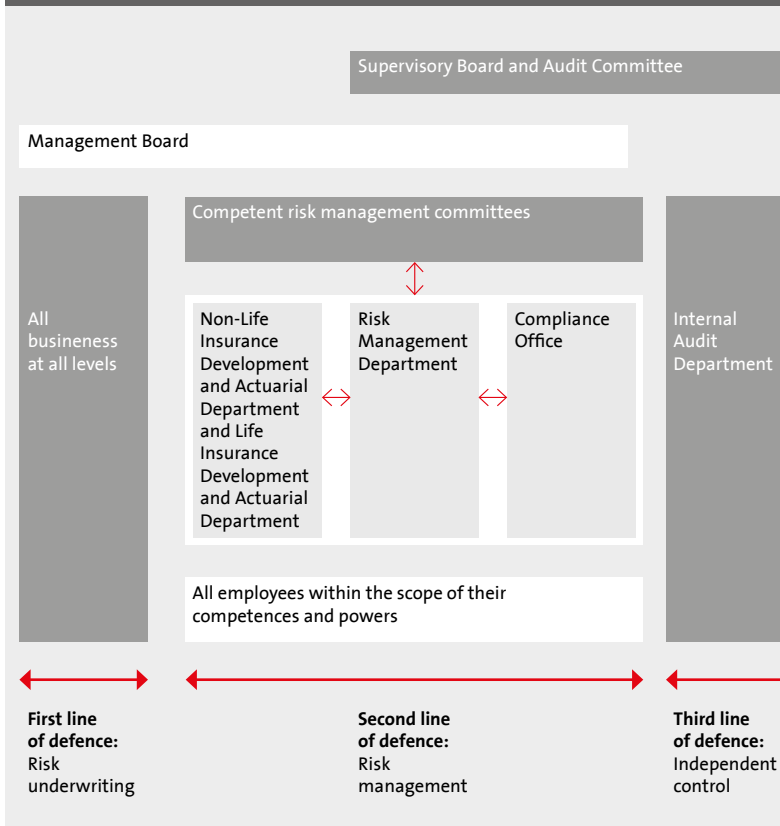
The key element of comprehensive risk management is a corporate governance system, which ensures that the risk profile is within the frameworks set in the Risk Appetite Statement.

The risk management system is designed based on the **"Three Lines of Defence"** model.

- **The first line of defence** consists of the business functions, which actively manage concrete business risks through their business decisions and which are primarily responsible for risk identification and underwriting.
- **The second line of defence** is composed of business functions and decision-making bodies, forming the risk management system, which includes exposure identification, measurement and monitoring as well as the exposure limit system.
- **The third line of defence** includes the internal audit function. This function executes regular adequacy and efficiency reviews of the internal control environment and of the risk management system in individual functional areas.

The Management Board and the Supervisory Board are not directly part of the three lines of defence, however they do play a key role in the risk management system. They are the primary stakeholders serviced by the three lines of defence, who are also in charge of the operation of the three lines of defence within the system of risk management and control processes.

The decision-making bodies participating in the integrated corporate risk management process and the three lines of defence



The Supervisory Board of the Company gives consent to the Management Board with respect to the written rules of the risk management system at the highest level. Within the scope of its powers and responsibilities, it takes note of the reports of key functions. At its sessions, the Supervisory Board regularly monitors the risk profile and capital adequacy and the findings of the own risk and solvency assessment. Furthermore, it gives the Management Board its approval to the Solvency and Financial Condition Report in the context of discussing the comprehensive risk report. The Supervisory Board established a working body, which provides expert assistance and support in the formulation of positions on risk management.

The Audit Committee of the Supervisory Board supervises the adequacy and effectiveness of the risk management system and monitors the comprehensive risk profile of the Company.

The Management Board of the Company defines the business objectives and the risk appetite and approves the risk management strategy and policies. It is responsible for ensuring the effectiveness of the risk management system. The Management Board approves policies and plans of individual key functions, it is regularly briefed on capital adequacy and approves the most important reports drafted by the key functions, including the Regular Supervisory Report and the Solvency and Financial Condition Report. Independently or within a committee, the Management Board not only actively participates in and directs the own risk and solvency assessment but also ensures its compliance with and integration into the capital planning and management processes.

The business functions in Zavarovalnica Triglav and individual subsidiaries are responsible for risk underwriting and identification in their respective work area in accordance with the guidelines of the Management Board, as well as for the management of concrete risks within the allowed exposure limits.

The second line of defence includes the key functions of the risk management system: the Risk Management Department, the Non-Life Insurance Development and Actuarial Department, the Life Insurance Development and Actuarial Department, and the Compliance Office. The third line of defence includes the Internal Audit Department as one of the key functions. **The key functions in Zavarovalnica Triglav are organised as independent organisational units**, which carry out their duties and responsibilities independently from one another and from the other organisational units of the Company. All four key functions cooperate with one another and regularly exchange information necessary for their operation. The key function holders meet the fit and proper requirements in line with the applicable internal rules.

The risk management function is responsible for the establishment and coordinated and continuous operation of the integrated risk management system in accordance with the guidelines of the Management Board. Furthermore, it is in charge of monitoring the general risk profile, developing risk measurement methodologies and risk valuation models, performing the underlying risk analyses, reporting on risk exposures, and undertaking capital adequacy valuation using the standard Solvency II formula and other capital models. In accordance with the guidelines of the Management Board, the risk management function also performs own risk and solvency assessment, prepares disclosures on risks and the solvency and financial condition for publication, as well as reports to regulatory bodies.

The compliance function monitors compliance of the Company's operations with the applicable regulations and any other commitments and informs the Management and Supervisory Boards thereof. Furthermore, the compliance function assesses the compliance risks of the Company's operations and the potential impact of

any changes in the legal environment on the operations, advises on coordination, as well as assesses the adequacy and effectiveness of the procedures and measures to adapt the Company's operations to changes in the legal environment. The compliance function also plays a major role in ensuring fair and transparent practices.

The actuarial function primarily coordinates and calculates the insurance technical provisions:

- to ensure the appropriateness of the methods and models used as well as the assumptions made in the calculation of insurance technical provisions;
- to assess the appropriateness, sufficiency and quality of data required for the calculation of insurance technical provisions;
- to verify the appropriateness of the overall underwriting risk policy.

In addition, it forms an opinion whether the amount of the premium of individual products is sufficient to cover all the liabilities arising from these insurance contracts, as well as checks the adequacy of reinsurance. Furthermore, the actuarial function actively participates in the introduction and implementation of the risk management system, particularly in the development, application and monitoring of the appropriateness of capital requirement calculation models and in conducting own risk and solvency assessment. In the context of the second line of defence, the main task of the actuarial function holders is to regularly monitor the implementation of the actuarial function and to inform the Supervisory Board and the Management Board of any major findings.

The internal audit function performs an ongoing and comprehensive control over the operations of the Company. This is achieved by assessing the adequacy and effectiveness of the Company's governance, risk management and control procedures in an impartial, systematic and methodical manner and by making recommendations for their improvement. Apart from that, the internal audit function provides advice in agreement with the Management Board and the management of functional areas, cooperates with external auditors and other supervisory bodies, monitors the implementation of internal and external auditors' recommendations, participates in the performance of internal audits in other Group members, maintains the quality and provides for continuous development of internal auditing. The internal audit function periodically reports on its activities and findings to the Management Board, the Audit Committee and the Supervisory Board. In their work, internal auditors must be impartial and must avoid any conflict of interest. Furthermore, they are not allowed to perform any development and operational tasks that could cause a conflict of interest and weaken their objectivity, nor do they decide on activities in the areas subject to internal auditing.

All key functions are in charge not only of transferring the know-how and good practices to the Group members but also of ensuring coordinated operations within the Group members.

In the Group members, the risk management system is established based on the principles of the controlling company, which are laid down in the Minimum Standards, taking into account the size, complexity and business profile of a particular subsidiary. Risk management within the Group is primarily performed at the level of individual subsidiaries and secondarily at the Group level. In line with the Minimum Standards, the Risk Management Department of Zavarovalnica Triglav in cooperation with the management bodies of subsidiaries and their appointed responsible persons, the Subsidiary Management Department and Triglav INT are responsible for setting up and ensuring the operation of the risk management system at the level of individual subsidiaries. Particularly important are effective communication and quality exchange of data and information (time availability, methodological consistency, accounting verifiability, integrity).

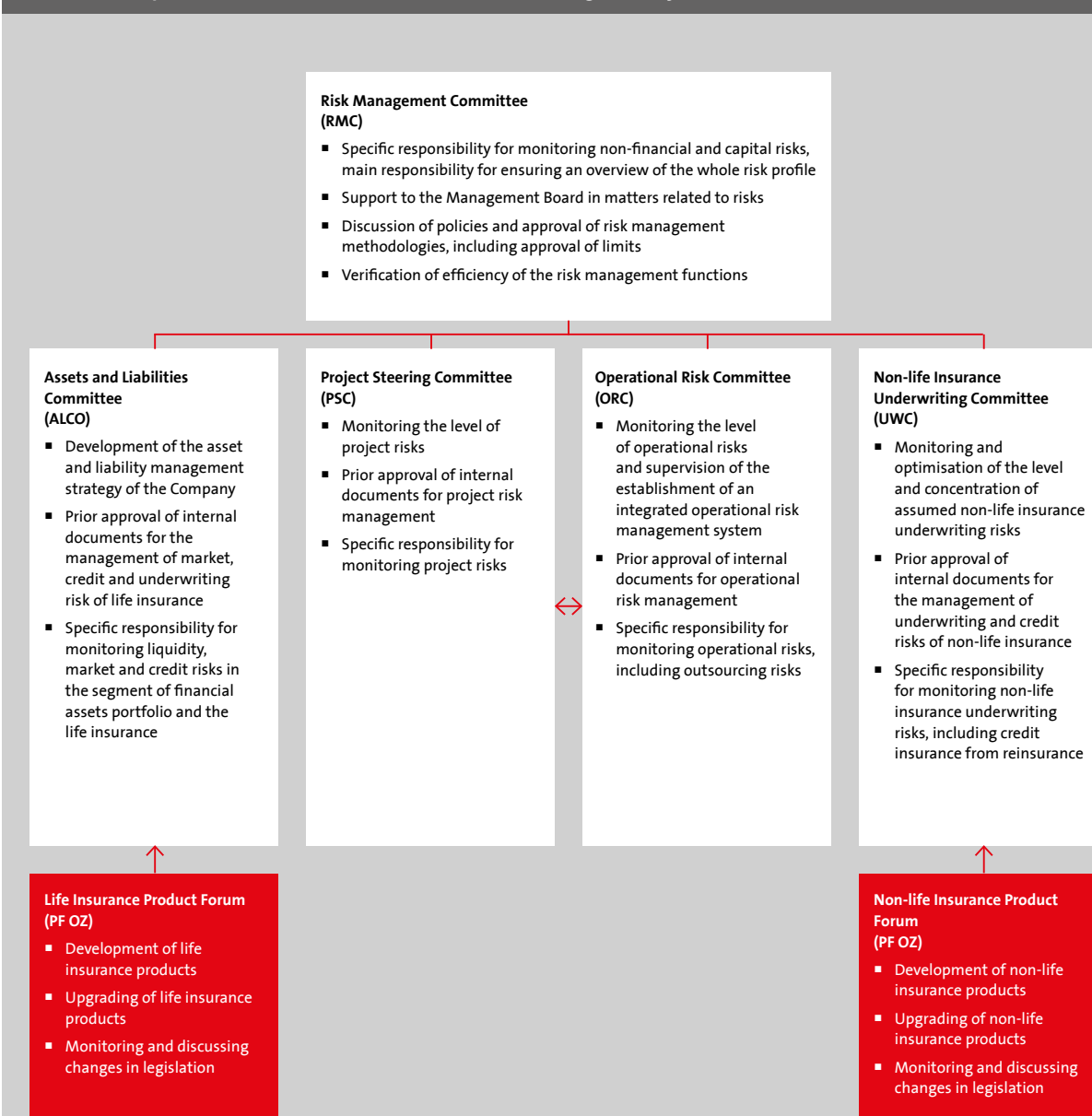
In terms of risk management, the role of **Triglav INT d.d. holding company** as the direct owner of insurance subsidiaries operating on the markets outside Slovenia is particularly to supervise the implementation of the system, policies and processes so as to ensure the implementation of the strategy and

the achievement of the objectives, vision and mission of the Triglav Group abroad.

The second line of defence of the risk management system includes the committees appointed by the Management Board. They have an advisory role or are granted certain decision-making rights by the Management Board. The purpose of the committees is to provide support to the Management Board in regular monitoring, coordination and information about risk management. Over the past year, the powers and responsibilities of the committees were revised in relation to comprehensive monitoring and reporting of all risk categories.

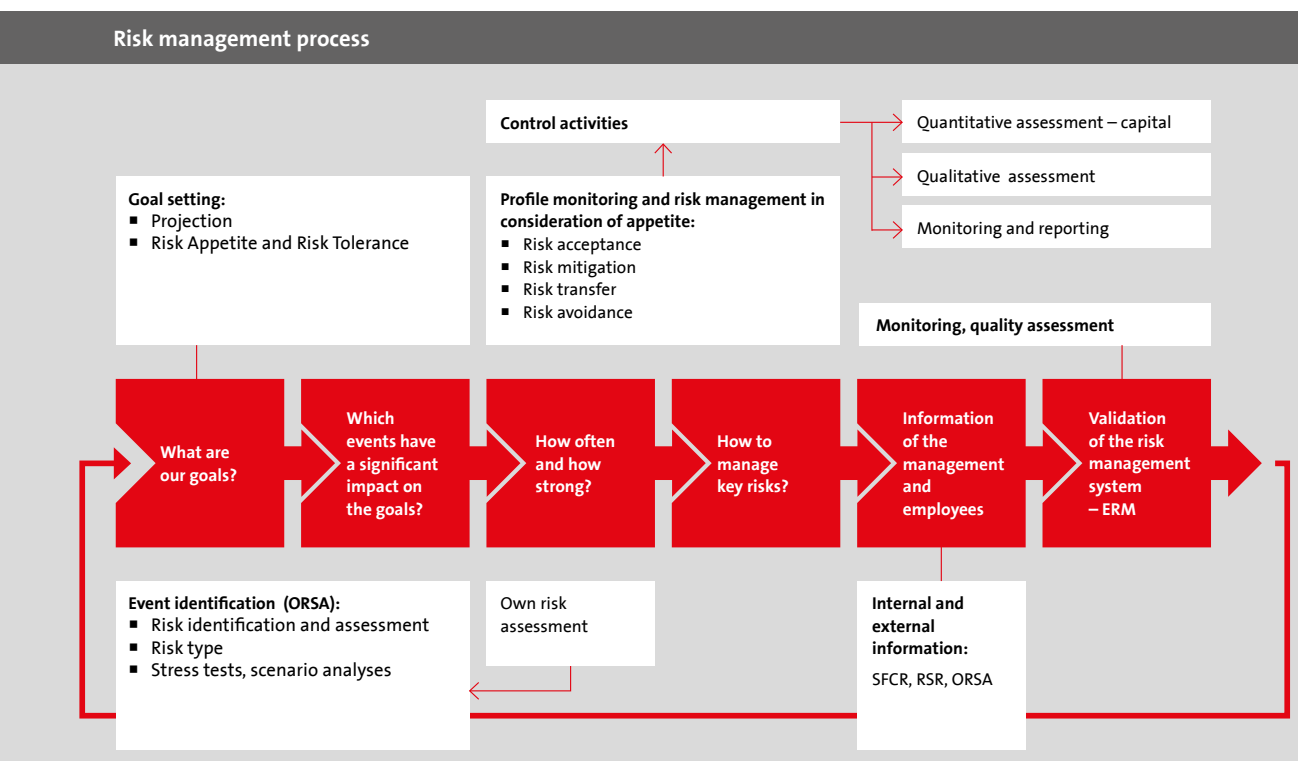
The committees are notified on an as-needed basis. In the event of significant changes in the risk profile, the identified risks are also dealt with by the Risk Management Committee or the Management Board.

Powers and responsibilities of the committees in the risk management system



1.2 Risk management framework

The risk management system includes all areas, with an emphasis on those that materially affect the operations and the set business objectives. It is very important to build an appropriate culture in the Company, especially in relation to knowledge, cooperation and open communication about risks; the Management Board and the management of individual Group members play the key role in this. The main building blocks of comprehensive risk management in the Company are the Triglav Group Strategy and the Business Plan of Zavarovalnica Triglav. The figure shows the comprehensive risk management process described below.



The risk appetite determines the key indicators for each material risk and their target and limit values. The Company has zero tolerance for all types of risks which it does not want to assume in the course of its operations.

The Risk Management Department regularly monitors the matching of the risk profile (actual exposure to risks) and the appetite and briefs the Management Board by drafting periodic risk reports. If it establishes that the values of the indicators are near the figures defined in the risk appetite or that there has been a significant change in the level of exposure, it submits draft measures for limiting the exposure to an acceptable level to the Management Board. Based on the prepared risk analyses, the Management Board decides on a risk management approach, choosing among the following: accept, transfer, mitigate or avoid the risk.

The selection of the approach depends on the ratio between the risk profile and the values laid down in the risk appetite as shown in the figure below.



The risk exposure monitoring mechanisms enable the Company not only to detect and identify any negative trends but also to take appropriate measures. Operationally, risk identification is performed at several levels, i.e. at the level of functional areas and competent committees. Material identified risks are included in the own risk and solvency assessment process.

Risks are regularly measured and monitored using various methods:

- **Regulatory method:** This method is based on capital adequacy calculation and risk measurement in accordance with the Solvency II standard formula and is used to explain substantial changes in the period.
- **Internal methods:** Through internal risk measurement, own calculations of the defined key risk indicators are regularly performed, thereby assessing the risk level of a particular category. In addition, the limits are defined in order to limit the underwriting of risks. These limits are used in the ordinary course of operations.
- **S&P risk assessment method:** Capital adequacy is also calculated by using the methodology of the S&P rating agency.

At least once a year, in the context of the own risk and solvency assessment process, an analysis is performed to assess the appropriateness of the Solvency II standard formula for the measurement of own risks. The results of the internal risk measurement method are also taken into account in the final assessment of appropriateness. The Company assessed that the standard formula was an appropriate tool for measuring the risk profile in 2017.

Internal reporting enables the Management Board and the Supervisory Board to be regularly briefed on exposure to risks by individual category and the overall exposure at the level of the Company and the Group. The quarterly risk report is a documented result of regular risk measurement and monitoring, as it covers all key risk indicators risks, including trends, limits and recommendations of the Risk Management Department.

The Company regularly documents any deficiencies identified within the risk management system, including proposals for improvements, as well as prepares measures and recommendations for its upgrade.

1.3 Capital management

At any given time, the Triglav Group has sufficient capital, which allows it to assume a specific, measurable quantity of acceptable risks. Capital is the first criterion for assessing the solvency of the Group. The primary goal of capital management is to guarantee the sufficient and suitable capital adequacy level on both a consolidated and an individual basis. In setting the level of acceptable risk, generation of appropriate profit for owners has to be ensured. The goal of capital management is to guarantee the safety and profitability of operations as well as a long-term and stable return on investment for the shareholders by paying out dividends based on the predefined criteria in the dividend policy. In previous years as well as throughout 2017, the Group was adequately capitalised, safe and profitable. It was assessed that the Group had an adequate capital level also as at 31 December 2017.

As required by the applicable legislation, the amount of available capital is regularly measured to make sure it is in line with the regulatory capital requirements, both at the level of individual insurance subsidiaries and at the Group level.

At the Group level, Zavarovalnica Triglav maintains a surplus of available capital in excess of the capital requirements for its core business and covering potential losses. This surplus provides protection against losses due to unforeseen unfavourable events and volatile capital requirements. In addition to current capital adequacy levels, the Company plans and assesses future capital and capital adequacy levels. This allows it to detect any influences from the environment affecting capital adequacy and to ensure optimum capital allocation. Capital adequacy is an essential part of the credit rating. Decisions concerning capital management are supported by the results of the capital models, based on which the credit ratings are assigned. The Group's capital adequacy model is assessed by the credit rating agencies S&P Global Ratings (hereinafter: S&PGR) and A.M. Best. Credit rating is discussed in greater detail in [[→ Section 6.6 of the Business Report](#)].

In order to ensure a comprehensive and effective approach to capital management, the Group defined the economic capital management criteria.

The capital management criteria are included in the Triglav Group Strategy in accordance with the guidelines set out in the Risk Appetite Statement. The criteria are based on regulatory requirements, internal goals set in the Risk Appetite Statement, the requirements of credit rating agencies, the business and organisational structure, and the specifics of the macroeconomic and political environment. Apart from that, the criteria of the dividend policy and the capital management guidelines were set. These include a range of activities for ensuring the necessary capital strength, which remained unchanged last year.

1.4 Risk types

The main risk types are described below, whereas the risk management methods and exposure to a specific risk type are described in greater detail in [→ [Section 2](#)].

The basis for defining the risk appetite is identification of the risks to which the Company is exposed in the course of its operations. The risk identification process is ongoing. It involves all functional areas in accordance with their respective powers and responsibilities. Its purpose is to ensure the inclusion of all material risk types in the risk management system, to set up the risk exposure measurement process and to achieve uniform risk management and understanding at all management levels. In its operations, the Company assumes the following risks:

- **Underwriting risk** is the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions taken into account in the calculation of insurance technical provisions. Through risk underwriting, the Company is exposed to premium risk, the risk of insurance technical provisions and catastrophe risk.
- **Market risk** is the risk of loss or of adverse changes in the financial situation, resulting from fluctuations in the level and the volatility of market prices of assets, liabilities and financial instruments. It includes interest rate risk, equity risk, property risk, credit spread risk and market concentration risk.
- **Liquidity risk** is the risk of loss that may occur if the Group is not able to meet all past-due payment obligations or is forced to provide the required funding at costs significantly higher than normal. Liquidity risk is also the risk of limited access to funding needed to meet the payment obligations from insurance and other contracts. Normally, it materialises in the form of the inability to liquidate assets without having to make the sale at a substantial discount based on the current market price.
- **Credit risk** is the risk of loss or of adverse changes in the financial situation, resulting from fluctuations in the credit position of counterparties and potential debtors, to which an insurance undertaking is exposed in the form of counterparty default risk and concentration risk.
- **Operational risk** is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events and their impact. It includes information technology risk, legal risk, compliance risk, conduct risk, model risk, project risk and outsourcing risk.
- The **non-financial risks** include strategic risk, reputational risk, capital risk and the Group risks:
 - *Strategic risks* are the risk of loss due to adverse business decisions, improper implementation of adopted strategic decisions and insufficient responsiveness to changes in the business environment (including legal and regulatory risks).
 - *Reputational risk* is the risk of loss arising from a negative image held regarding the future or existing operations of the Company or the Group by its clients, business partners, employees, shareholders and investors and/or competent or supervisory bodies and the public.
 - *Capital risk* is the risk of loss due to inadequate capital structure with regard to the business volume and method or problems encountered when acquiring fresh capital, especially in the case of unfavourable operating conditions or the need for a rapid capital increase.
 - *The Group risks* arise from the business model of the Company, which is a parent undertaking or a group of related parties. They include the risks that might threaten the achievement of strategic objectives due to an ineffective governance system of the Group and insufficient understanding of the business environment in which its companies operate, e.g. changed circumstances relating to environmental, social, employee, anti-corruption and bribery matters. The Company's risk profile can also be influenced by the transactions between the associated companies and the high complexity of concentration risk management.

2. Disclosures and Risk Management

Presented below is the Group's and Zavarovalnica Triglav's exposure to all material risks.

The quantitative presentation of risk exposure is primarily based on accounting data. Risk exposure from the economic aspect will be presented in greater detail in the Solvency and Financial Condition Report.

The data on capital requirements and capital adequacy are also presented from the economic aspect. Capital requirements represent a regulatory risk assessment, which was assessed as adequate within the own risk and solvency assessment process.

2.1 Capital and capital adequacy management

Capital management enables the Group to optimise its operations, adopt appropriate business decisions and maintain its competitive advantages. Capital management is centralised at the Group level. Through capital concentration in the parent company, active capital management and allocation is ensured in line with the strategic objectives and the interests of a broad range of stakeholders.

The amount of available capital for meeting the regulatory solvency capital requirements at the level of individual subsidiaries and the Group level was regularly calculated in the reporting year. Capital requirements remained the same during the year as there were no significant changes in the risk profile.

In 2017, the level of available capital at the Group level was not only within the set strategic objectives but even considerably exceeded the regulatory capital level required to cover the underwritten risks. Due to the new methodology used, capital adequacy as at 31 December 2016 changed from the reported 246% to 242% at the Group level and from 303% to 295% for Zavarovalnica Triglav. In coordination with the Insurance Supervision Agency, the methodology applied to ring-fenced funds (supplemental voluntary pension insurance) was amended because they are subject to separate capital adequacy and were considered separately in the previous period. The amended methodology affected both the denominator and numerator of the capital adequacy ratio. In accordance with the new methodology, the capital requirement of the Group and the Company increased by the capital requirement of the ring-fenced funds, while the available capital of the Group and the Company increased by the amount required to cover the capital requirements of ring-fenced funds.

	Triglav Group		Zavarovalnica Triglav	
	30 Sept. 2017	31 Dec. 2016	30 Sept. 2017	31 Dec. 2016
Available capital (in million EUR)	907	855	916	854
Capital requirement (in million EUR)	353	354	289	289
Solvency ratio (in %)*	257	242	317	295

* In accordance with the Solvency II methodology, capital requirements are calculated at an annual level. The table shows the unaudited current best estimate of the solvency ratio under the Solvency II Directive requirements as at 30 September 2017. Available capital as at 30 September 2017 includes total market profit generated in Q1–3 excluding dividend payments for 2017.

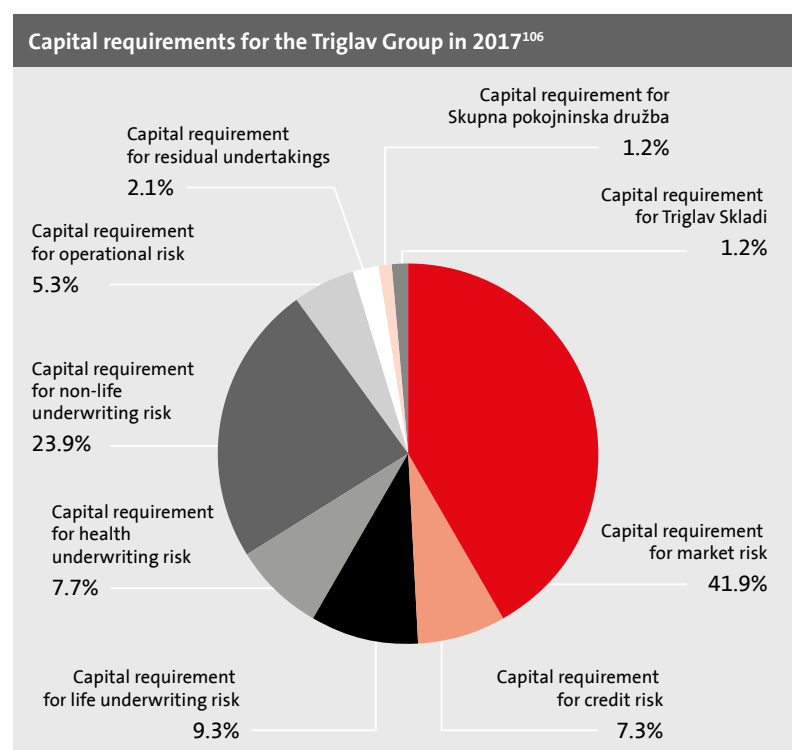
In view of the forecast EIOPA activities concerning the amendment to the standard formula, especially in relation to the adjustment for the loss-absorbing capacity of deferred taxes (LAC DT), and considering the identified diverse practices of insurance undertakings in its calculation, the Company will adjust its capital adequacy calculation methodology for the Company and the Group for the first time as at the reporting date. By preserving the existing methodology and taking into account the announced amendment to the standard formula, regulatory and subsequently business risks would dramatically increase, as shown by the results of the expert analyses performed in cooperation with external consultants. Thus, the Company will assess the amount of the adjustment for deferred taxes more conservatively, thereby increasing the capital requirement. As a result, the capital adequacy ratio will decrease.

Even after the amendment, both the Company and the Group continue to have a strong capital base, with the objective of maintaining high solvency ratios. The detailed disclosures of individual capital adequacy items in 2017 will be made in the Solvency and Financial Condition Report of the Company and the Group.

2.2 Risk profile

The level of underwritten risks is measured by applying the prescribed regulatory standard formula, which is a suitable tool for measuring the risk profile also based on the results of own risk and solvency assessment.

The level of underwritten risks is in line with the defined risk appetite. The group is most exposed to market and underwriting risks, followed by credit and operational risks. Within the Group, Zavarovalnica Triglav assumes the bulk of the risks.



2.3 Underwriting risks

The Group assumes the underwriting risks in all insurance companies when performing transactions, which represent its insurance business. Underwriting risk management enables the Group to achieve and maintain the size and quality of the portfolio that provides for stable and safe operations while generating maximum returns.

The underwriting risk appetite defines the level of risk or the potential loss that the Group is willing to accept in the course of its operations without jeopardizing the attainment of its business and strategic objectives. The underwriting risks are managed through the relevant procedures and segregation of duties and powers.

Insurance operations are performed via four key processes, through which the assumed and potential underwriting risks are identified, measured, monitored and managed: product development, underwriting, underwriting risk transfer and claim settlement.

The risk appetite limits are considered already in **product development** by setting the underwriting criteria and the premium amount.

The primary responsibility for the active management of **underwriting risk** relating to underwriting lies with the functional areas that are involved

in the core business activity. Clearly structured competences and powers include segregation of duties, underwriting limits and an authorisation system. Moreover, a range of actuarial techniques is used in underwriting risk management. The Company also conducts regular performance monitoring, verifies the adequacy of insurance technical provisions and optimises its reinsurance protection. The basic tool for managing underwriting risk is a quality risk assumption process that limits assumed risks to acceptable levels.

Reinsurance is one of the main underwriting risk management tools used in **risk transfer**. The annual planned reinsurance programme includes calculated own shares by individual insurance class and the maximum coverage table prepared on this basis, as well as procedures, bases and criteria for determining the maximum possible loss with regard to individual insurance perils. The choice of reinsurers depends, to a great extent, on their credit rating. By resolving and settling claims, the Group fulfils its obligations to the policyholders. The Group strives for rapid claim settlement and payment so as to provide financial security to the clients who experienced a loss event. At the same time, its aim is to ensure stable operations and control loss events, which includes determining the merits of claims and controlling the amount to be paid out. The Group set up procedures to process the claims and assess the damage in proportion

to the amount, nature and complexity, which also includes the assessment of incurred but not yet reported claims. Every type of insurance has its own specific risks, which are duly managed. In the context of direct insurance operations, the Group is predominantly faced with traditional underwriting risks, which are divided into:

- **non-life insurance** underwriting risks (including health insurance) and
- **life insurance** underwriting risks.

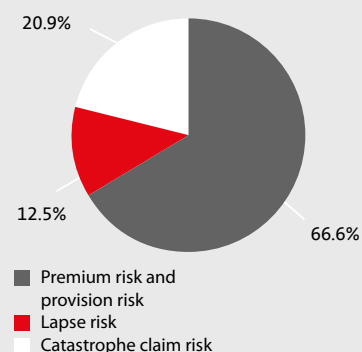
The Triglav Group mainly operates in Slovenia and the countries of the Adria region. The table below summarises the annual consolidated gross written premium in the countries where the insurance companies of the Group operate. The Group's main exposure is in Slovenia, as over 76.8% of the premium income is generated in the Slovene market (2016: 77.4%).

Consolidated gross written premium from insurance and co-insurance contracts of the Triglav Group by the abovementioned segments is presented in [[→ Section 7.5 Gross written premium from insurance and co-insurance contracts](#)].

The Group also provides reinsurance and fronting services, ceding most of the business to foreign insurance companies. An adequate reinsurance cover is provided for thereto related risk concentrations.

¹⁰⁶ In accordance with the Solvency II methodology, capital requirements are calculated at an annual level. The information in this and the following figures is based on the current best estimate of capital requirements under the Solvency II requirements as at 31 December 2016, taking into account the change relating to the ring-fenced funds during the year, which had an impact on the solvency ratio.

Capital requirements for the Triglav Group by non-life underwriting risk type including health underwriting risks in 2017



2.3.1 Non-life insurance underwriting risks

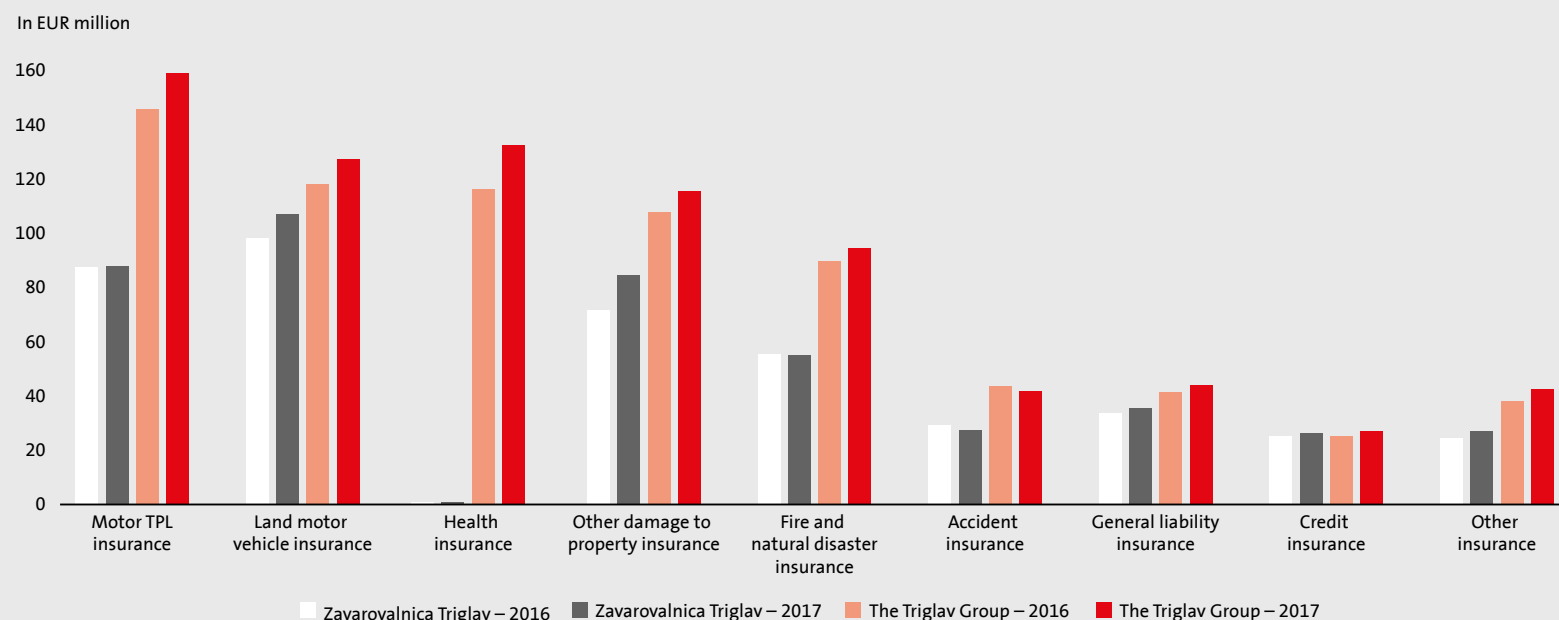
Non-life insurance underwriting risks include: premium risk, provision risk, non-life catastrophe risk, lapse risk and the risks related to the volume of new business, product development risks, underwriting process risks, expense risk, external macroeconomic environment risk and claim settlement risk. As Požarovalnica Triglav Re and Triglav, Zdravstvena zavarovalnica are also part of the Triglav Group, non-life insurance underwriting risks also include the risks related to the performance of active reinsurance operations and the risks associated with health insurance.

Non-life underwriting risks account for around a third of all non-diversified risks in the Group. The level of assumed risks in non-life insurance is in line with the defined risk appetite. The Group is most exposed to premium and provision risks, followed by catastrophe claim risk and lapse risk. Within the Group, Zavarovalnica Triglav assumes the bulk of the non-life underwriting risks.

Exposure to non-life underwriting risks is monitored based on the volume of written premium and by assessing the expected range of combined ratios in relation to the past realisation (see Sections 2, 3, 4 and 8 in the Business Report). In 2017, the combined ratio in non-life insurance at the Group level was 93.9% (2016: 92.9%), which reflects sound underwriting risk management. The combined ratios of the Group and Zavarovalnica Triglav for the last three years are presented in [→ Section 8.1] and [→ Section 8.2] respectively.

Premium risk is the risk that the written premium will be insufficient to meet future obligations arising from concluded insurance policies. It depends on the volume of the portfolio of individual insurance segments and on the range of various insurance segments. In the case of a large quantity of insurance similar in size, the relative deviation from the claims ratio decreases compared to the expected due to the law of large numbers. In the event of a broad range of various insurance covers, the whole portfolio becomes more diversified and less susceptible to externalities, such as price pressure on individual products.

Gross written premium from insurance and co-insurance contracts



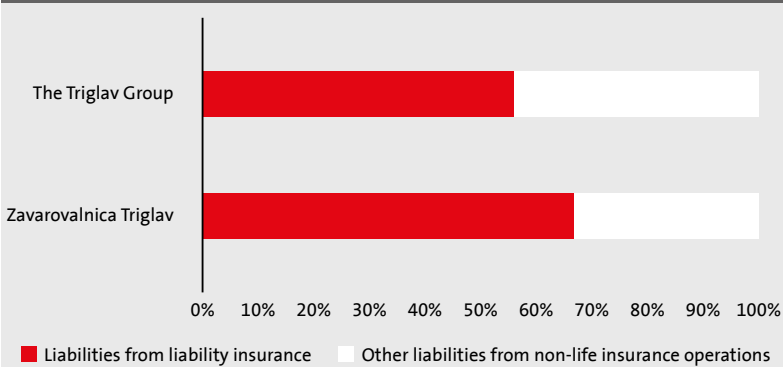
The Triglav Group pursues a balanced diversification of its non-life insurance portfolio in different insurance segments.

Premium rates for non-life insurance were high enough considering reasonable actuarial expectations regarding the movement of the amount of benefits or claims ratios and expenses or expense ratios and the rational behaviour of all market participants. More specifically, premium risk only includes the risks related to the usual claims. In terms of risk and event, the risk of major claims is treated as catastrophe risk, which is presented below.

Provision risk, including claims risk, is the risk that the actual claims arising from insurance will significantly deviate from the foreseen claims included in insurance technical provisions, or that the insurance technical provisions will be higher than they would be if all the relevant information were known in advance. Separately and in more detail, the risks of subrogation, non-life insurance annuity and appraisal costs can be defined. Provision risk is balanced by regularly monitoring the claims experience by individual insurance class, calculating the run-off analysis and promptly adjusting the insurance technical provisions to the new findings of the analyses performed. The described methodological appropriateness of provisions for individual insurance classes (see [→ *Section 2.6 of the Financial Report*]) is verified by regularly performing the liability adequacy test based on the balance as at the last day of the business year and by regularly calculating the best estimate of insurance technical provisions. Special attention in the creation of insurance technical provisions for non-life insurance is paid to incurred but not reported (IB-NR) claims. The triangle method is used as the adequacy test of insurance technical provisions for loss events characterised by late claim reporting. The results showed that the level of formed insurance technical provisions was appropriate as at the 2017 year-end (see [→ *Sections 2.6.2 and 3.14 of the Financial Report*]).

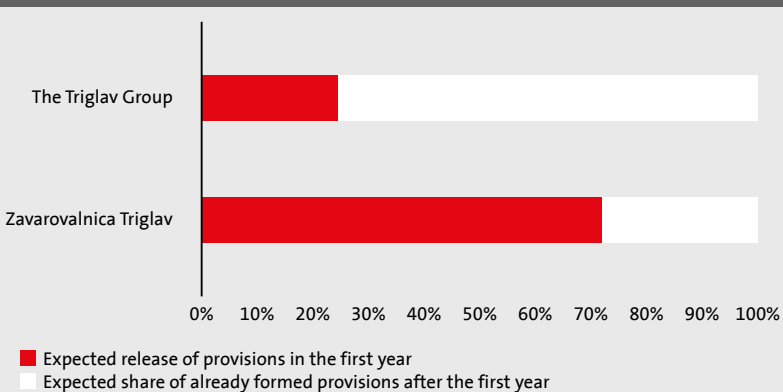
The provision risk can be influenced *inter alia* by the amount of the provisions set aside and the maturity of the liabilities. The latter represents the average duration of claim settlements for which provisions were made. With respect to liability insurance, more than half of the claims are settled after one year, while in other insurance segments more than half of the claims are paid within one year. As a general rule, provisions with long maturity are relatively riskier in the long term than short-term provisions, whereas in the period of one year they are less risky.

Ratio between liabilities from insurance with long maturity and short-term insurance in 2017



The share of long-term provisions of the Group is lower, primarily due to the significant impact of short-term insurance of Triglav, Zdravstvena zavarovalnica.

Expected release of provisions after one year



After one year, it is expected that almost a quarter of provisions for long-term liabilities and three quarters of provisions for short-term liabilities relating to non-life insurance will be released. Long-term provisions are released at a slower pace, which is why they are slightly more stable than short-term provisions in a one-year period. By setting aside provisions on a precautionary basis, this effect becomes even stronger.

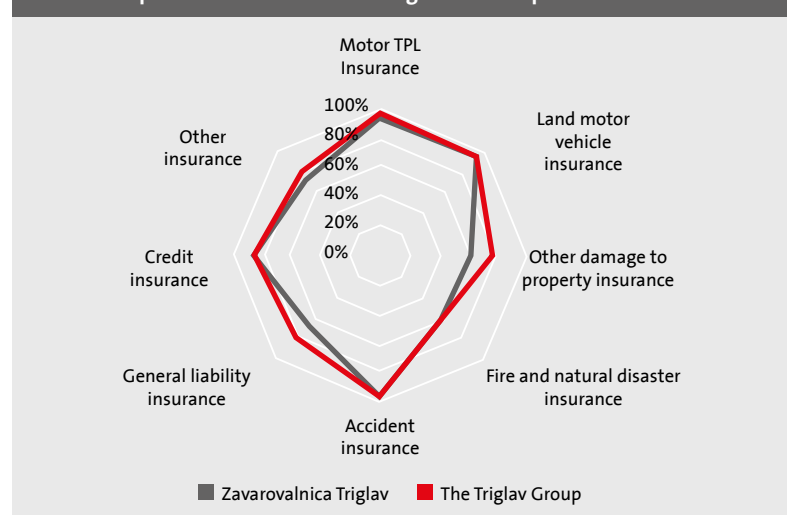
Supplemental voluntary health insurance, regulated by the Health Care and Health Insurance Act, accounts for the bulk of the operations of Triglav, Zdravstvena zavarovalnica. As a result, in addition to the previously mentioned non-life insurance underwriting risks, the Group is exposed to strategic risk, political risk and the risk of changes in legislation, which is related to significant changes in health legislation in Slovenia. With regard to regulating the reinsurance cover in the Triglav Group, Pozavarovalnica Triglav Re plays an important role as it assumes the underwriting risks based on reinsurance agreements concluded with individual subsidiaries of the Group. Pozavarovalnica Triglav Re concludes outward reinsurance agreements (retrocession agreements) for a portion of the risks it reinsures in order to better control its exposure and to protect its own assets, while indirectly protecting the assets of the Group's insurance subsidiaries.

Non-life underwriting risk concentration

Underwriting risk concentration is the consequence of the concentration of an insurance operation in a geographic area, sector or industry, or insurance peril. It may also occur as the result of correlation between individual insurance classes. Underwriting risk concentration is managed with adequate reinsurance schemes, which are based on the tables of maximum net retained lines. Even a single such event in a business segment may have a material impact on the Company's ability to settle its obligations.

The aim of underwriting risk concentration management is to establish appropriate procedures for minimising the probability of loss occurrence and limiting the loss arising from underwriting risk concentration.

Net written premium share in relation to gross written premium in 2017



Larger claim amounts can occur in the case of substantial individual damages, such as a fire in a large building, or a high number of minor damages caused simultaneously, e.g. in the event of an earthquake. Both categories of exposure are managed using the reinsurance cover. The fire and natural disaster insurance portfolio includes the largest number of individual major risks as well as cover for the risk of natural disasters. Reinsurance cover is therefore most needed in this segment. The fire and natural disaster insurance segment has the highest share of reinsurance premium in relation to gross written premium.

With a 25% market share, the Triglav Group is one of three providers of **supplemental health insurance**, and with a 44%¹⁰⁷ share one of the two reinsurance providers. This is why in both insurance peril segments the Group was exposed to supply concentration risk in the insurance and the reinsurance market in 2017. The concentration risk arising from the reinsurance portfolio is managed through the international geographical diversification of risk arising from transactions outside the Group and with adequate retrocession for transactions related to the Group.

Low-frequency and high severity risk

Insurance perils with a low frequency and a high severity risk are managed by the reinsurance cover. The reinsurance scheme includes different types of reinsurance covers by insurance segment, depending on the nature of insurance perils.

The Triglav Group's largest retention amounts to EUR 10 million per insurance peril, with the exception of nuclear perils, and EUR 7.5 million per natural disaster. With regard to nuclear perils with an even lower frequency, the retention of the Group amounts to EUR 13.8 million.

Particular attention is paid to natural disasters such as earthquakes, storms, hail and floods. The results of various models are taken into consideration when assessing the damage potential of catastrophe events and then used to determine the reinsurance cover.

In this segment, the threat of an earthquake in Ljubljana represents the biggest potential risk for the Group. It is covered with quota share reinsurance, while retention is additionally protected with excess-of-loss reinsurance in the event of a catastrophe. The reinsurance cover for retention in the event of a catastrophe is designed as excess of loss reinsurance with four layers and has been activated twice since 2010. The protection against a possible increased occurrence of natural disasters in a particular year is also arranged for the Group. Past events have shown that the reinsurance scheme is suitable.

¹⁰⁷ The data as at 30 September 2017 was used as the basis.

The earthquake damage model with return periods for 2017

Return period in years	2017	
	Share of total exposure in %	Gross claims in EUR
100	0.33	69,916,976
250	0.71	149,200,016
500	1.35	283,629,366
1000	2.85	598,068,914

* The table is prepared based on the data of Zavarovalnica Triglav. Exposures at the Group level do not deviate significantly.

Another potentially catastrophic loss occurrence could arise from the nuclear peril, which Zavarovalnica Triglav has assumed from the Slovenian Nuclear Pool. Such a loss occurrence is characterised by an extremely low frequency, as no major loss event has been reported in 25 years, and by a low or null correlation with other potential liabilities that would arise in relation to such an event. There were no such significant low frequency and high severity events in 2017.

Assumed capacity of nuclear risk for 2016 and 2017

	Assumed capacity in EUR	
	2017	2016
Zavarovalnica Triglav d.d.	10,000,000	7,500,000
Pozavarovalnica Triglav Re d.d.	2,520,000	2,520,000
Triglav Osiguranje d.d., Zagreb	850,000	650,000
TOTAL AFTER THE EVENT	13,370,000	10,670,000

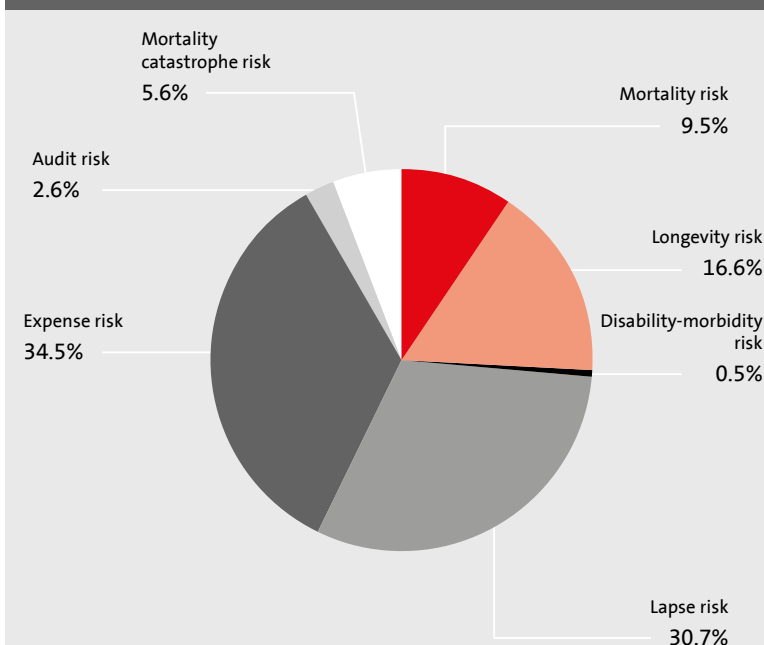
Individual policies of large companies represent great insurance perils. The largest probable gross claim for individual perils amounts to EUR 1.4 billion, while the largest net claim is limited with retention.

2.3.2 Life insurance underwriting risks

The life insurance portfolio includes traditional, unit-linked and pension insurance policies. Supplementary insurance (also known as riders) can be added to unit-linked and traditional insurance policies. **Life insurance underwriting risks** are all underwriting risks arising from life insurance underwriting processes and from maintaining the life insurance portfolio. The Group underwrites mortality risk, longevity risk, morbidity risk and total permanent disability risk. As supplementary insurance cover, the Group underwrites disability risk, accidental death risk, critical illness or injury risk, medical expense risk, daily benefit risk, second medical opinion etc.

Life underwriting risks account for around 10% of total non-diversified risks in the Group. The level of assumed risks is in line with the defined risk appetite. Zavarovalnica Triglav is most exposed to life expense risk and the lapse risk. Within the Group, Zavarovalnica Triglav assumes the bulk of the life underwriting risks.

Capital requirements for the Triglav Group by life underwriting risk type in 2017



Life insurance policies are also associated with the **lapse risk** (requested by the policyholder), i.e. the difference between the future realised and expected surrenders, capitalisation and any other changes to policies. The types of impacts on this risk are similar to those on mortality risk. The lapse risk may arise from changes in the general economic environment, which affect policyholders' behaviour, and in any other sources leading to an incorrect estimate.

Life expense risk is the risk that the future actual life insurance expenses will differ from the expected. In the insurance industry, expense risk is no longer considered an operational risk but a separate risk category within the underwriting risks. This risk is reflected in inadequately calculated premium, insufficient insurance technical provisions and the difference between the actual and expected result. Expense risk may be a consequence of miscalculations and incorrect allocation of actual expenses (the inadequacy of the cost model) and incorrectly estimated level, trend or volatility of expenses.

Mortality risk is the risk that the actual future mortality rate will be different than expected, which affects the adequacy of:

- the amount of calculated premium,
- the level of insurance technical provisions,
- the amount and type of risk transfer (reinsurance, co-insurance) and
- the difference between the actual and the expected result of the Company.

Mortality risk can arise from:

- inappropriate risk assessment in the underwriting process (mainly arising from information asymmetry between the policyholder and the Company);
- incorrectly estimated level, trend or volatility of future mortality rates for a particular homogeneous risk group (e.g. the lack of empirical data);
- catastrophic events that affect mortality (e.g. a pandemic), as well as other sources leading to an incorrect estimate.

Moreover, mortality risk includes **longevity risk**, which is closely monitored primarily in annuity and pension insurance.

As in the case of mortality risk, similar also applies to the other abovementioned underwriting risks covered by life insurance policies.

Adequate risk pooling, which is the basic principle on which the insurance industry functions, is achieved through sufficiently large homogeneous risk groups, which constitute the entire portfolio of the above risks. An important prerequisite for adequate pooling is efficient and correct classification of risks in underwriting, based on which a specific risk is assessed and classified into an appropriate group. Also considered in underwriting are the new findings, know-how and procedures of reinsurers who accept a portion of our risks.

Premium risk and the risk of insufficient insurance technical provisions are managed in the context of the actuarial cycle, where deviations of the realised effects compared to the estimated are periodically checked. In the event any deviations outside the set limits are detected, appropriate action is taken, e.g. adapting the design or parameters of an insurance product, appropriately adjusting the parameters for the calculation of insurance technical provisions, etc.

The adequacy of provisions is regularly tested using the liability adequacy test (LAT) and calculating the "realistic provisions" based on the present value of the best estimate of future expected contractual and other cash flows. The test is performed at least once a year based on the balance as at the last day of the business year (see [\[→ Section 2.6 of the Financial Report\]](#)). The test results for 2017 show that an adequate level of insurance technical provisions for life insurance was formed at the level of both the Group and individual subsidiaries, with the exception of an identified shortfall in the cover fund backing pension payouts from accumulated supplementary voluntary pension insurance (SVPI), for which additional other insurance technical provisions were created.

A part of life insurance risk management is the transfer of a corresponding portion of risks to reinsurers under the adopted reinsurance programme, which is also part of regular checks in the context of the actuarial cycle.

Traditional life insurance policies with a savings component and a guaranteed interest rate are exposed to asset-liability mismatch risk, where the assets are insufficient to cover the mentioned liabilities. Similar risks due to a special guarantee for the return arise from the SVPI policies during the saving period. These risks are described in detail among market risks in [\[→ Section 2.4.\]](#).

Contractual financial options and guarantees are embedded in a number of policies, therefore the risks related thereto are assessed in the context of regular portfolio valuation. Among them is the guaranteed interest rate risk, which occurs in the products with a savings component. The guaranteed interest rate is set at the time of concluding an insurance policy and remains valid for the entire policy term. The risk arises when the realised rates of investment return, which cover the benefits under such policies, are lower than the guaranteed interest rate. This risk is reduced by achieving the maximum possible matching of assets and liabilities arising from these policies. A secondary measure is to create additional provisions, especially in relation to the liabilities in the older portion of the portfolio.

This risk group also includes the guaranteed annuity conversion rate risk, which arises from the annuity rates set at the time of concluding certain older pension insurance policies, i.e. in the savings phase. The policyholder will be entitled to them at the end of the savings period and the transition to the payout period

when they will receive life annuity, which will then be calculated based on the accumulated assets and by applying the aforementioned fixed rates. This guarantee exposes the Company also to longevity risk (in addition to the abovementioned interest rate risk). This risk is not transferred to reinsurers, instead additional provisions are formed if necessary.

The most important type of a contractual financial option is the possibility to lapse the payment of premium and transform the policy into a paid-up policy or to surrender the policy. The fulfilment of this risk depends on the policyholders' actions, and therefore it is more difficult to manage. The Company reduces this risk by designing the products that meet the clients' needs and by carefully managing the existing portfolio.

2.3.3 Concentration of life insurance underwriting risks

The concentration of **life insurance** underwriting risks is assessed as low, because the life insurance risk portfolio is well diversified by all relevant criteria and due to the fact that most policies originate from geographically dispersed retail sale. Any risk concentration in the portfolio is reduced by transferring a portion of the risks to reinsurers based on the reinsurance programme. The risk sum insured in the event of death is less than EUR 60,000 for 82.4% of the whole life insurance portfolio and less than EUR 35,000 for 99.9% for the other life insurance portfolio. For additional accidental death insurance, the sum insured is lower than EUR 50,000 and accounts for 98.3% of the respective portfolio, while for additional disability insurance the sum insured is less than EUR 100,000 for 98.2% of the respective portfolio. Both sums insured represent the stipulated retention in line with the reinsurance contract for most insurance policies.

2.4 Market risks

Asset management is a significant part of operations of the Group. In this way, insurance liabilities and capital requirements are covered while ensuring an appropriate return. The Group is exposed to market risks which are mostly related to exposure to different asset classes.

For the purpose of market risk management, methods and processes with clearly defined powers and responsibilities were established so as to promptly identify, measure, monitor and manage market risks. The market risk management system enables quality analyses and reporting on market risks, as well as preparing, proposing and implementing measures aimed at preventing the reduction of surplus of assets over liabilities due to changes in financial markets, including the real property market.

For its market risk appetite, the Group defined the level of unexpected losses, which is still acceptable in relation to its strategic objectives and capital strength. On this basis, the limit system specifies the desired investment portfolio structure and maximum acceptable exposure to counterparties.

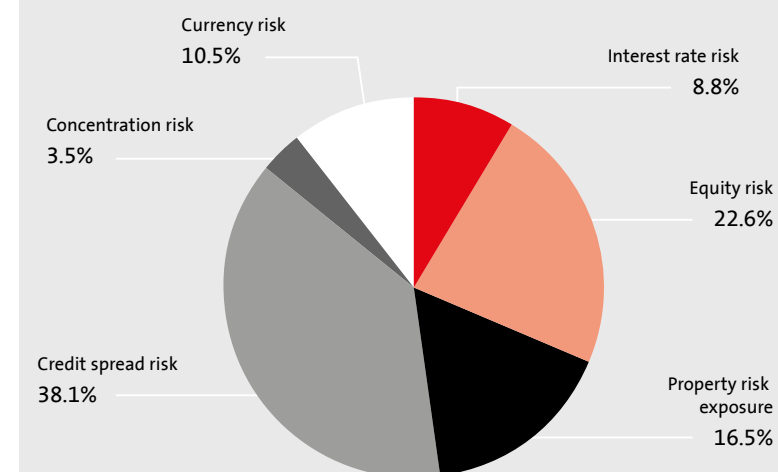
Apart from an appropriately diversified investment portfolio, the Group uses derivatives as a risk reduction technique.

The Group is exposed to the following market risk types:

- interest rate risk,
- equity risk,
- property risk,
- credit spread risk,
- currency risk,
- market concentration risk.

Market risks consists of slightly more than 40% of non-diversified risks of the Group. Based on the investment structure (see [→ *Section 7.9 of the Business Report*]), the Group is most exposed to debt securities, followed by equity securities and investment property. The highest exposure of the Group, measured as the non-diversified capital requirement arising from market risk, is credit spread risk, followed by equity risk and property risk. Currency risk, interest rate risk and market concentration risk represent a lower exposure.

Capital requirements for the Triglav Group by market risk type in 2017



2.4.1 Credit spread risk

The value of debt securities, which account for over 71% of the Group's investments, also depends on the level and volatility of credit spreads. Half of these investments is associated with exposure to countries, followed by exposure to the financial sector, accounting for more than a fifth of investments in debt securities.

Credit risk exposure resulting from debt securities is limited by the investment policy aimed at investing in high-quality securities. In its investment portfolio, the Group is exposed to counterparties with high credit quality. Over 43% of investments in debt securities have at least an A credit rating. An overwhelming majority (nearly 80%) of debt securities in the investment portfolio of the Group are investments with an investment grade credit rating of at least BBB.

The structure of debt securities is presented in detail in the Business Report, in [→ Section 7.9]. The investment structure in terms of credit rating is shown in greater detail in [→ Section 2.5 Credit risk].

2.4.2 Equity risk

Equity securities account for over 19% of the Group's investment portfolio.

The Group manages the equity risk of the securities in its portfolio through exposure limits as well as through geographical and sectoral diversification. In addition, due to different degrees of development of capital markets and local statutory limitations in the strategic markets of the Triglav Group, investment policies adapted to individual markets are pursued.

The major share of equity investments is globally diversified, followed by shares issued by issuers based in the European Union.

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Equities in the EU	198,466,682	323,249,208	116,161,531	231,384,899
Equities in the USA	10,800,877	3,755,561	2,985,278	453,264
Equities in Asia**	6,020,532	67,979	5,845,250	67,979
Equities in emerging markets	23,948,525	61,213,205	14,588,535	56,192,389
Global equities*	381,880,388	233,794,996	355,080,954	196,560,088
TOTAL	621,117,004	622,080,949	494,661,549	484,658,619

* Equity investments in developed Asian countries (Japan, Hong Kong).

** Globally diversified equity investments

The sensitivity analysis of the change in prices of other equity securities and its impact on comprehensive income or profit or loss of the Group showed that a 10% increase in the market price of equities in the portfolio would have a positive impact on both the equity and profit of the Group in the amount of EUR 17 million and EUR 45.1 million, respectively. In contrast, a 10% drop in market prices of other equity securities would reduce the equity and profit of the Group by EUR 15 million and EUR 47.2 million, respectively. The assessment of the impact on profit or loss presented in the table below would be lower if the impact of changes in liabilities were taken into account in the analysis.

	Triglav Group				Zavarovalnica Triglav			
	31 Dec. 2017		31 Dec. 2016		31 Dec. 2017		31 Dec. 2016	
	10%	-10%	10%	-10%	10%	-10%	10%	-10%
Equities in the EU	19,846,668	-19,846,668	32,324,921	-32,324,921	11,616,153	-11,616,153	23,138,490	-23,138,490
Equities in the USA	1,080,088	-1,080,088	375,556	-375,556	298,528	-298,528	45,326	-45,326
Equities in Asia**	602,053	-60,053	6,798	-6,798	584,525	-584,525	6,798	-6,798
Equities in emerging markets	2,394,853	-2,394,853	6,121,321	-6,121,321	1,458,853	-1,458,853	5,619,239	-5,619,239
Global equities*	38,188,039	-38,188,039	23,379,500	-23,379,500	35,508,095	-35,508,095	19,656,009	-19,656,009
Total	62,111,700	-62,111,700	62,208,095	-62,208,095	49,466,155	-49,466,155	48,465,862	-48,465,862
Impact on equity	16,999,209	-14,956,900	18,641,767	-18,641,767	12,350,262	-10,307,953	12,720,918	-12,720,918
Impact on profit or loss***	45,112,492	-47,154,801	43,565,754	-43,565,754	37,115,893	-39,158,202	35,744,943	-35,744,943

* Equity investments in developed Asian countries (Japan, Hong Kong).

** Globally diversified equity investments

*** Presented are the impacts of changes in assets that do not include the impacts of liabilities, which occur in the event of changes in the price of equity securities, and that are classified as "available for sale" due to revaluation adjustment.

2.4.3 Property risk

The property risk of the Group arises from the real properties for own use and investment properties owned by the Group. Total exposure amounts to EUR 192.3 million. In the financial investment portfolio, investment properties account for almost a half of the real property portfolio. Real property of the Group is primarily located in Slovenia.

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Investment property	94,007,483	95,842,720	48,214,401	49,611,417
Real property for own use*	98,302,376	96,746,971	60,295,362	60,167,549
Total	192,309,859	192,589,691	108,509,763	109,778,966

* Investment property is disclosed at cost in the financial statements. The fair value of investment property is shown in the Financial Report in Section 3.2., where the deducted other land and buildings for the direct performance of the insurance activity are included in "property, plant and equipment". Fair value is determined using the valuation techniques. Valuation of real property based on the existing methodology is performed by an authorised valuer.

2.4.4 Currency risk

The Group is exposed to currency risk to a lesser extent, as the currency structure of assets almost fully matches the currency structure of liabilities.

In 2017, the system for measuring and monitoring currency risk exposure at the Group level was upgraded. Open positions are limited and monitored both in absolute amounts and through value-at-risk (VaR) calculations, supplemented by tail value-at-risk (tVar) calculations and stress test analyses.

2.4.5 Interest rate risk

The Group is exposed to interest rate risk in the event of mismatch of asset and liability cash flows. In the financial statements, the interest rate sensitivity of assets is presented, whereas in the Solvency and Financial Condition Report the interest rate sensitivity of assets and liabilities in terms of economic impacts is described in greater detail.

In accounting terms, the Group is exposed to interest rate risk on the assets side, specifically debt securities classified as "measured at fair value through profit or loss" and "available-for-sale financial assets" categories and derivatives. The change in the market interest rate has an impact on the level of insurance technical provisions only in relation to the impact of revaluation adjustment of debt securities classified as "available-for-sale".

The share of debt securities in the total portfolio is shown in [→ *Section 3.6 of the Financial Report*]. The carrying amounts of debt securities as the most important interest rate-sensitive financial investments by sectoral breakdown for the Triglav Group and Zavarovalnica Triglav are presented in [→ *Section 7.9 of the Business Report*].

	Triglav Group				Zavarovalnica Triglav			
	31 Dec. 2017		31 Dec. 2016		31 Dec. 2017		31 Dec. 2016	
	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp
Debt securities issued by countries	-37,481,679	39,914,410	-39,339,300	42,114,784	-25,229,170	27,030,116	-28,919,156	31,116,692
Debt securities issued by financial institutions	-18,096,971	19,284,015	-19,103,053	20,507,883	-15,950,721	17,027,274	-16,813,023	18,086,978
Debt securities issued by companies	-24,941,285	26,527,927	-23,058,962	24,443,159	-20,878,156	22,378,895	-19,091,774	20,394,715
Compound securities	-1,404,774	1,479,613	-588,162	1,064,514	-1,404,774	1,479,613	-584,398	1,060,675
Other	9,632,028	-10,643,994	9,707,396	-10,726,699	9,632,028	-10,643,994	9,707,396	-10,726,699
Total	-72,292,681	76,561,971	-72,382,081	77,403,641	-53,830,793	57,271,905	-55,700,955	59,932,361
Impact on comprehensive income	-65,660,303	70,376,918	-69,840,458	74,996,286	-54,651,033	58,555,833	-57,895,272	62,261,040
Impact on profit or loss*	-6,144,822	5,681,233	-2,541,623	2,407,355	820,240	-1,283,928	2,194,317	-2,328,679

* Presented are the impacts of changes in assets that do not include the impacts of liabilities, which result from an increase in the price of debt securities, and that are classified as "available for sale" due to revaluation adjustment.

The asset sensitivity analysis of the change in interest rate and its impact on comprehensive income or profit or loss of the Group showed that a decrease of 100 basis points would have a positive impact on both the equity and profit of the Group in the amount of EUR 70.4 million and EUR 5.7 million, respectively. In contrast, if the interest rate were 100 basis points higher, the equity and profit of the Group would be lower by EUR 65.7 million and EUR 6.1 million, respectively. The positive and negative changes in interest rates have the strongest impact on the securities issued by countries, accounting for the bulk of the Group's and the Company's investment portfolio.

The actual net impact of changes is lower due to changes in liabilities which are not included in the analysis.

2.5 Credit risk

The Triglav Group assumes credit risk in the following cases:

- management of investments at which the risk of downgrade or insolvency of issuers of securities and counterparties exists; furthermore, the Group monitors any exposure to debtor, country or sector that is large enough to pose a threat to the solvency or financial position of the Group;
- conclusion of agreements with reinsurers as there is the risk of inability to pay out claims in the case of deteriorated credit position of a reinsurer or in the case of a loss event;
- insurance transactions with clients who are in different financial positions at the time of existence of the obligation to pay the premium.

The investment portfolio credit risk is managed by performing an expert analysis of counterparties' credit quality and through a sufficient degree of portfolio diversification. The credit ratings of external institutions are regularly monitored and the exposure to non-rated counterparties is limited.

The maximum permissible exposure to individual counterparties or a group of related parties as well as limits to similar groups of counterparties are set.

The credit quality of the Group's investment portfolio is high, as almost 80% of financial investments are accounted for by investments in investment grade securities. One tenth of all investments has the highest rating of AAA.

The share of exposures to investments by issuer credit rating

	31 Dec. 2107	31 Dec. 2106
AAA	10.0%	9.9%
AA to BBB	68.1%	67.6%
Below BBB	17.2%	18.4%
NR	4.6%	4.1%

* Presented are only own exposures excluding investments on behalf and for the account of policyholders.

The credit risk of securities issuer default is managed in the context of the market risk management system, specifically in the context of credit spread risk management. See [→ *Section 2.4.1.*] for more details.

In the framework of managing credit risk arising from reinsurance transactions, prudential consideration of the eligibility of business partners for reinsurance (in terms of credit quality and diversification) and regular monitoring of their eligibility are of key importance. Exposure to reinsurers is measured by the reinsurers' share of insurance technical provisions.

The Group is exposed to reinsurers with a high credit quality, as over 91% of exposures have the credit rating equal to or higher than A–.

The share of exposures arising from reinsurance transactions

	31 Dec. 2107	31 Dec. 2106
AA+ to A–	91.9%	90.9%
Below A–	3.5%	1.0%
NR	4.6%	8.1%

* Presented are the data based on the Group's exposures ceded via Zavarovalnica Triglav and Pozavarovalnica Triglav Re.

Receivables of the Group from insurance transactions with clients are presented in [→ *Section 3.8 of the Accounting Report*].

2.6 Liquidity risk

Liquidity is an important element of the risk appetite. The Group pursues the goal of being able to meet, at any given moment, all of its matured liabilities. For this purpose, the Group maintains a surplus of liquid assets, allowing it to settle its obligations in stress situations.

The liquidity management framework provides a comprehensive overview of liquidity. It takes into account the sources of liquidity (cash flows from investments and premiums) and liquidity needs (e.g. payments of claims) and allows for the analysis of potential impacts of exceptional circumstances on both the sources of liquidity and liabilities.

The Group ensures that individual subsidiaries maintain an appropriate structure of assets in terms of their nature, duration and liquidity. An adequate liquidity position is ensured by planning actual and potential net cash outflows, having an appropriate level and structure of liquid investments, and monitoring the structure of liabilities and financial assets. The liquidity position is regularly monitored at various time intervals, under assumed normal and stress situations and by establishing a limit system that adequately limits exposure to liquidity risk.

The guidelines set the liquidity management framework at the Group level. Every subsidiary ensures compliance with both general liquidity requirements and the liquidity requirements set by local regulators.

The Group has sufficient liquidity thanks to regular inflows from premium payments. In order to achieve sufficient liquidity in stress situations, additional safety mechanisms were set up and actions to be taken were planned (credit lines, re-purchase agreements, etc.).

Financial assets and liabilities of the Triglav Group¹⁰⁸ by remaining maturity

	in EUR					
Triglav Group as at 31 Dec. 2017	NOT DEFINED	UNDER 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	TOTAL
FINANCIAL ASSETS						
Financial investments	640,017,238	193,345,537	1,175,999,872	877,126,274	151,597,820	3,038,086,741
Debt securities	245,149	153,037,652	1,124,588,368	875,995,337	149,980,697	2,303,847,203
Held to maturity	0	28,777,936	69,657,035	82,736,846	40,218,760	221,390,577
At fair value through profit and loss	0	31,300,673	220,735,576	145,128,286	19,313,217	416,477,752
Available for sale	5,905	85,793,484	829,224,555	648,130,205	82,417,932	1,645,572,081
Loans and receivables	239,244	7,165,559	4,971,202	0	8,030,788	20,406,793
Equity securities	620,468,540	0	603,050	45,414	0	621,117,004
At fair value through profit and loss	452,706,246	0	0	0	0	452,706,246
Available for sale	167,762,294	0	603,050	45,414	0	168,410,758
Derivatives	26,261	0	2,574,396	0	0	2,600,657
Loans and receivables	19,277,288	40,307,885	48,234,058	1,085,523	1,617,123	110,521,877
Reinsurers' share of insurance technical provisions	3,374,690	41,153,547	18,219,465	14,189,134	6,878,740	83,815,576
Operating receivables	14,766,819	143,858,996	5,050,674	201,865	0	163,878,354
Cash and cash equivalents	55,934,307	22,483,540	0	0	0	78,417,847
Total	714,093,054	400,841,620	1,199,270,011	891,517,273	158,476,560	3,364,198,518
FINANCIAL LIABILITIES						
Insurance technical provisions	421,041,341	704,107,796	478,300,110	495,127,657	633,668,687	2,732,245,591
Other financial liabilities	1	5,081,769	489,881	17,724	13	5,589,388
Total	421,041,342	709,189,565	478,789,991	495,145,381	633,668,700	2,737,834,979

Total financial assets exceed total financial liabilities of the Triglav Group. As at the 2017 year-end, the Group had a significantly higher surplus of financial assets over financial liabilities in the maturity buckets of 1–5 years and 5–10 years, whereas in other buckets the value of assets was below the value of liabilities. Considering the fact that the table above shows the contractual maturity of assets and liabilities and that the vast majority of the Group's assets is invested in highly liquid investments, the deficits in individual maturity buckets do not represent a liquidity risk. Liquidity of the Group is appropriate.

	in EUR					
Triglav Group as at 31 Dec. 2016	NOT DEFINED	UNDER 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	TOTAL
FINANCIAL ASSETS						
Financial investments	624,766,323	198,012,598	1,057,744,705	884,978,459	208,801,192	2,974,303,277
Debt securities	0	156,763,206	1,017,990,862	855,806,745	197,763,104	2,228,323,917
Held to maturity	0	8,937,340	85,739,157	67,182,497	69,483,398	231,342,392
At fair value through profit and loss	0	56,828,734	220,072,642	82,141,293	59,476,355	418,519,024
Available for sale	0	78,846,301	698,207,492	693,661,323	68,803,351	1,539,518,467
Loans and receivables	0	12,150,831	13,971,571	12,821,632	0	38,944,034
Equity securities	612,660,255	0	0	0	9,420,694	622,080,949
At fair value through profit and loss	425,034,903	0	0	0	0	425,034,903
Available for sale	187,625,352	0	0	0	9,420,694	197,046,046
Derivatives	19,042	1,357,920	1,885,594	0	0	3,262,556
Loans and receivables	12,087,026	39,891,472	37,868,249	29,171,714	1,617,394	120,635,855
Reinsurers' share of insurance technical provisions	4,225,777	37,347,708	19,225,435	9,797,756	6,488,107	77,084,783
Operating receivables	19,399,170	124,447,771	8,828,513	254,636	0	152,930,090
Cash and cash equivalents	52,146,238	13,568,236	0	0	0	65,714,474
Total	700,537,508	373,376,313	1,085,798,653	895,030,851	215,289,299	3,270,032,624
FINANCIAL LIABILITIES						
Insurance technical provisions	436,463,310	679,305,837	422,723,632	457,603,329	664,692,207	2,660,788,315
Other financial liabilities	17,728	4,392,437	742,323	99,629	36,576	5,288,693
Total	436,481,038	683,698,274	423,465,955	457,702,958	664,728,783	2,666,077,008

¹⁰⁸ The mismatch of cash flows in the table above results from the properties of insurance liabilities and the investment policy of the Group as well as the availability of investments of appropriate maturity with respect to the structure of liabilities. Liquidity is ensured not only with short-term investments with the maturity of less than 1 year but also with other highly liquid assets in other maturity buckets (e.g. government bonds of EEA countries and the OECD, shares in ETF funds, etc.).

Financial assets and liabilities of Zavarovalnica Triglav by remaining contractual maturity

	in EUR					
Zavarovalnica Triglav as at 31 Dec. 2017	NOT DEFINED	UNDER 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	TOTAL
FINANCIAL ASSETS						
Financial investments	512.846.045	96.459.883	829.242.356	706.393.895	133.663.936	2.278.606.114
Debt securities	0	85,957,365	768,371,011	706,391,533	132,065,082	1,692,784,992
Held to maturity	0	11,846,503	40,599,376	74,329,168	40,218,760	166,993,807
At fair value through profit and loss	0	18,557,321	127,522,154	76,255,405	19,313,217	241,648,097
Available for sale	0	54,550,557	600,249,481	555,806,961	66,543,370	1,277,150,369
Loans and receivables	0	1,002,984	0	0	5,989,735	6,992,719
Equity securities	494,661,549	0	0	0	0	494,661,549
At fair value through profit and loss	371,158,929	0	0	0	0	371,158,929
Available for sale	123,502,619	0	0	0	0	123,502,619
Derivatives	0	0	2,574,396	0	0	2,574,396
Loans and receivables	18,184,496	10,502,518	58,296,949	2,361	1,598,854	88,585,178
Reinsurers' share of insurance technical provisions	0	47,372,263	26,631,283	8,184,860	3,139,239	85,327,645
Operating receivables	0	87,209,951	0	0	0	87,209,951
Cash and cash equivalents	35,514,745	0	0	0	0	35,514,745
Total	548,360,790	231,042,097	855,873,639	714,578,755	136,803,175	2,486,658,455
FINANCIAL LIABILITIES						
Insurance technical provisions	416,250,767	427,082,723	397,431,494	415,987,854	446,607,195	2,103,360,033
Other financial liabilities	0	1,845,188	0	0	0	1,845,188
Total	416,250,767	428,927,911	397,431,494	415,987,854	446,607,195	2,105,205,221

	in EUR					
Zavarovalnica Triglav as at 31 Dec. 2016	NOT DEFINED	UNDER 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	TOTAL
FINANCIAL ASSETS						
Financial investments	495,577,425	104,330,576	705,720,150	728,874,355	192,709,427	2,227,211,932
Debt securities	0	94,844,225	679,033,654	700,604,727	191,110,302	1,665,592,909
Held to maturity	0	0	42,068,581	57,431,727	69,483,398	168,983,706
At fair value through profit and loss	0	43,539,499	118,937,211	47,111,463	59,476,355	269,064,528
Available for sale	0	51,304,726	518,027,863	596,061,537	62,150,550	1,227,544,675
Loans and receivables	0	0	0	0	0	0
Equity securities	484,658,619	0	0	0	0	484,658,619
At fair value through profit and loss	348,635,283	0	0	0	0	348,635,283
Available for sale	136,023,336	0	0	0	0	136,023,336
Derivatives	0	1,357,920	1,885,594	0	0	3,243,514
Loans and receivables	10,918,806	8,128,430	24,800,902	28,269,628	1,599,125	73,716,890
Reinsurers' share of insurance technical provisions	0	2,834,169	3,835,906	1,686,119	2,485,463	10,841,657
Operating receivables	42,228	69,408,794	2,549,299	31,959	0	72,032,280
Cash and cash equivalents	27,653,646	0	0	0	0	27,653,646
Total	523,273,299	176,573,538	712,105,355	730,592,433	195,194,890	2,337,739,515
FINANCIAL LIABILITIES						
Insurance technical provisions	431,125,308	419,247,953	350,633,462	388,091,281	487,262,659	2,076,360,662
Other financial liabilities	0	1,288,665	427,844	99,630	36,576	1,852,714
Total	431,125,308	420,536,617	351,061,306	388,190,911	487,299,234	2,078,213,376

2.7 Operational risk

The aim of effective operational risk management is mainly to effectively eliminate the consequences of realised operational loss events, mitigate and prevent future losses and thereto related additional costs, and to conduct business in a professional, diligent and ethical manner. To achieve this goal, processes with clearly defined competences and responsibilities and own methodology of operational risk management were established. In the Company's own methodology, all seven main operational risk groups are taken into account (internal fraud or unauthorised activity of employees; external fraud or unauthorised activity of third parties; system failure and the related business disruption; damage to physical assets; inadequate management of human resources and the safety of the work environment; non-compliance with the applicable regulations, improper business or market practice as well as clients and products; inadequate implementation and management of processes and the control environment, including suppliers and business partners).

The methodology is based on three key sets:

- identification and assessment of potential operational risks;
- the database of realised operational loss events;
- key operational risk indicators, which include early warning signals.

The established system enables the Company quality and prompt operational risk identification, measurement, assessment, monitoring and management. The system is upgraded on a regular basis. It is incorporated into subsidiaries in accordance with the principles of proportionality and materiality.

The Company established the processes register and internal control register, where the responsible persons (owners and managers) are appointed for each process and control. They are both regularly updated, taking into account any changes in the Company and the business environment. Apart from that, a data quality management (DQM) process was established, a part of which is a list of the data and key controls from the input to the end-use.

In operational risk management, the primary focus is on the critical business processes or segments of operational risk. In 2017, a comprehensive operational risk identification and assessment was performed, which also included the identification of internal controls as one of the key methods of operational risk management. The internal control system mainly focuses on:

- effectiveness and reliability of business process implementation;
- ensuring compliance of the Company's operations with the internal documents and legal regulations;
- accuracy and reliability of financial and accounting reporting;
- protection of property.

In 2017, the Company upgraded its reporting system for realised operational loss events with the reporting application, which allows the employees to report these events also anonymously. Operational loss events are collected in one place which, in addition to monitoring key operational risk indicators and their comparison with the operational risk appetite, enables the Company to take action fast and effectively should the risk appetite be exceeded (the level of risks or potential losses which the Company is ready to accept).

In the reporting year, the Group identified regulatory risk and external fraud risk, especially cyber risk, as the key operational risk types.

Due to the ever-increasing reporting requirements in accordance with the existing regulatory requirements (Solvency II) as well as extensive changes and novelties in the regulatory environment, regulatory risk is gaining importance. In 2018, the General Data Protection Regulation (GDPR) and the Insurance Distribution Directive (IDD) will be fully effective. The Company began intensive preparations for compliance with the said EU legislation at the end of 2016, which included allocation of appropriate resources, preparation of an implementation plan, and adjustment or establishment of the required processes and internal controls. Apart from that, preparations for the implementation of IFRS 17 requirements are underway, which also includes new financial reporting standards for insurance contracts.

The new legislative framework increases the disclosure requirements of information to clients, thereby increasing conduct risk, to which adequate attention is paid by the Company. Even though the Group is mostly exposed to insurance fraud, its fraud prevention, detection and investigation policy encompasses all business areas. As an important external fraud risk, cyber risk is increasing with computerisation, digitisation and more sophisticated cyber attacks. Bearing this in mind, in the context of own risk and solvency assessment (ORSA) in 2017, scenarios were developed for the Group, which represent maximum vulnerability and are linked to the events that may adversely affect the processes and data security. In order to ensure adequate cyber risk management, the Group accelerated the existing activities and the implementation of the new security functionality.

2.7.1 Ensuring business continuity and functioning of systems material for smooth business process implementation

The appropriate functioning of information technology, particularly key applications, is important for the operations of the Group. Consequently, special attention is devoted to IT risk management, information security, business disruptions and failures. Based on the already identified risks arising from the use and development of IT applications, appropriate measures for their reduction were and will continue to be taken. The main activities include process adjustment, especially the entire change development and management process, introduction of complete and more appropriate testing, as well as information and application infrastructure optimisation.

To ensure continuity of key business processes, the business continuity management system was set up. In addition to business continuity plans for critical business processes and disaster recovery plans, it also provides for:

- a crisis management team, who is activated in the case of stress situation which cause the interruption or failure of business processes;
- a disaster recovery team for IT extraordinary events that cause major disruption to IT services;
- a recovery team for commercial buildings, who is activated in the event of disruption of the operation of the Company's headquarters and regional units.

2.8 Non-financial risks

The material non-financial risks are strategic risks, reputational risk and the Group risk. These risks can materialise in the form of major or minor deviations from the business and financial plans due to losses incurred or lost business opportunities.

The internal culture, the governance system and business practices of the Group are set up to avoid these risks and minimise their negative effects.

2.8.1 Strategic risk

As the attainment of strategic objectives is significantly affected by external factors, strategic risks are defined as material. A high degree of political uncertainty worldwide and the developments in the financial markets are important factors that may affect the operations of the Group. In addition, changes in the insurance industry brought about by technological development, risks associated with the digitisation of operations as well as the increasing regulatory and supervisory

requirements are also taken into account. An appropriate response to these circumstances is one of the key elements of the Group's business strategy.

Strategic decisions are made by the management of the Group, who is also responsible for strategic risk management. The strategic risk management system is based on a well-established strategic planning process and related elements, which enable in-depth discussions by the relevant decision-making committees, a regular review of strategic priorities and monitoring of their implementation. The powers and responsibilities of the bodies involved in strategic risk management are clearly defined. Furthermore, the implementation of the strategy is supervised with adequate internal controls and the achievement of the Group's strategic objectives is monitored on a regular basis. The business strategies of individual Group members are aligned with one another and with the strategy of the Group.

2.8.2 Reputational risk

The basic element of the reputational risk management system is a strong corporate governance system, supported by adequate and well-documented business processes.

An important element of effective reputational risk management is also an efficient internal information flow and communication system, which ensures proper knowledge and sufficient understanding of the strategy, business operations, plans and current circumstances by all employees. Also important is to provide balanced, consistent and up-to-date information to the general public on the business operations and activities of the Triglav Group, which ensures a long-term relationship with all external stakeholders based on trust. The system also includes monitoring and analysing the presence of the Group in the public.

2.9 Stress tests

The Group regularly conducts stress tests for all material types of risks as well as monitors and assesses the potential impact of a stress situation on its risk profile.

Stress testing and scenario analysis are part of the Group's own risk and solvency assessment process. Stress tests are used to determine the effect of a simultaneous change in several parameters, e.g. simultaneous change in different risk categories that influence an insurance transaction and investment values. The analysis of potential effects and exposures takes into account the actual or planned exposure to:

- adverse circumstances that can last for long periods of time;
- sudden and major events;
- combinations of circumstances and events from the first and second indents.

The established stress testing framework enables that the stress tests are prepared on the basis of workshops held with functional areas, at which the scenarios relevant for the current and future operations are assessed.

In 2017, stress testing was performed in the context of own risk and solvency assessment. The conducted analyses confirm that sufficient capital is available to the Group to offset the effect of the stress scenarios used.

2.10 Summary and focus of risk management in the future

Throughout the year, the Company and the Group regularly assessed risk exposure and compared it to the defined risk appetite. It is estimated that both the risk profile and the risk management system are adequate.

To a large extent, the business performance of the Group depends on a number of more or less foreseeable circumstances. The aim of the Group's strategy is to achieve sustainable growth and an adequate return by monitoring, analysing and finding appropriate responses to the present and future challenges.

High risk management standards significantly contribute to the achievement of strategic objectives. The Triglav Group is committed not only to continuous upgrading of the risk management system but also to enhancing its use both in the strategic planning process and when making current business decisions.

In the coming years, the risk management culture will be further enhanced at the Group level. The Group will face important challenges in the areas where major changes or increased risks are expected, particularly in relation to cyber risks and the upgrading of the internal control environment, which will be necessary due to regulatory changes.

ACCOUNTING REPORT

Table of Contents

Accounting Report

Statement of management's responsibilities	169	3.17. Deferred tax assets and liabilities	233
Independent auditor's report	170	3.18. Other financial liabilities	234
1. FINANCIAL STATEMENTS	172	3.19. Operating liabilities	234
1.1. Statement of financial position	172	3.20. Other liabilities	235
1.2. Income statement	173	4. NOTES TO THE INCOME STATEMENT	236
1.3. Comprehensive income	174	4.1. Premium income	236
1.4. Statement of changes in equity	175	4.2. Income from financial assets	241
1.5. Cash flow statement	176	4.3. Expenses from financial assets and liabilities	242
2. GENERAL INFORMATION	177	4.4. Fair value gains and losses	243
2.1. Profile of Zavarovalnica Triglav and Triglav Group	177	4.5. Realised gains and losses	244
2.2. Management and supervisory bodies	178	4.6. Other insurance income	245
2.3. Statement of compliance	179	4.7. Other income	245
2.4. Reporting basis	179	4.8. Claims	246
2.5. Main accounting policies	179	4.9. Reinsurance result	251
2.6. Main assumptions	190	4.10. Change in other insurance-technical provisions	251
2.7. Consolidation and Triglav Group	195	4.11. Expenses for bonuses and discounts	251
3. NOTES TO THE STATEMENT OF FINANCIAL POSITION	200	4.12. Acquisition costs and other operating expenses	252
3.1. Intangible assets	200	4.13. Other expenses from insurance operations	260
3.2. Property, plant and equipment	202	4.14. Other expenses	260
3.3. Investment property	204	4.15. Income tax expense	261
3.4. Investments in subsidiaries	206	5. OTHER INFORMATION	263
3.5. Investments in associates	207	5.1. Fair value of assets and liabilities	263
3.6. Financial assets	208	5.2. Additional notes to the cash flow statement	269
3.7. Reinsurers' share of technical provisions	213	5.3. Amounts spent on auditors	270
3.8. Receivables	214	5.4. Related party transaction	271
3.9. Other assets	218	5.5. Members of the Management Board and Supervisory Board	274
3.10. Cash and cash equivalents	218	5.6. Contingent assets and contingent liabilities	276
3.11. Non-current assets held for sale	218	5.7. Employees	276
3.12. Equity	219	5.8. Major legal and arbitrary disputes	277
3.13. Subordinated liabilities	221	5.9. Reviews by supervisory bodies	279
3.14. Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts	222	5.10. Subsequent events	281
3.15. Employee benefits	229	5.11. New and amended standards with interpretations	281
3.16. Other provisions	232	5.12. Segment reporting	285
		5.13. Reporting by guarantee funds posted separately for Zavarovalnica Triglav	299

Statement of management's responsibilities

The Management Board herewith confirms the financial statements Zavarovalnica Triglav, d.d. and Triglav Group for the year ended 31 December 2017, and the accompanying accounting policies and notes to the accounting policies.

The Management Board is responsible for preparing the Annual Report so that it is true and fair presentation of the Company's and Group's assets and liabilities, financial position and profit for the year ended 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU.

The Management Board additionally confirms that the appropriate accounting policies were consistently used and that the accounting estimates were prepared according to the principles of prudence and good management. The Management Board furthermore confirms that the financial statements, together with the notes are prepared on a going concern basis and that they comply with the applicable legislation and International Financial Reporting Standards as adopted by the EU.

The Management Board confirms that the Business Report includes a fair presentation of the development and financial position of the Company and the Group, including a description of the major risks to which the Company and the Group are exposed to.

The Management Board is also responsible for appropriate accounting practices, for the adoption of appropriate measures for the protection of property, and for the prevention and identification of fraud and other irregularities or illegal acts.

The tax authorities may, at any time within the period of five years since the day the tax become chargeable, review the operations of the Company, which may result in additional tax liabilities, default interest and penalties related to corporate income tax and/or other taxes or levies. The Management Board of the Company is unaware of any circumstances that could potentially result in any such significant liability.

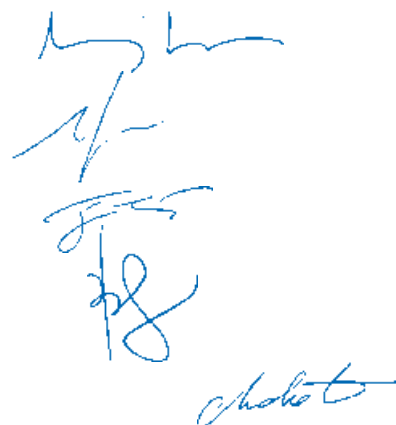
Andrej Slapar,
President of the Management Board

Uroš Ivanc,
Member of the Management Board

Tadej Čoroli,
Member of the Management Board

Barbara Smolnikar,
Member of the Management Board

Marica Makoter,
Member of the Management Board

The image shows five distinct blue ink signatures arranged vertically, corresponding to the names listed to their left. The signatures are written in a cursive, handwritten style. The first signature is the largest and most prominent, followed by four smaller ones. The fifth signature is located further to the right, below the fourth one.

Independent auditor's report



This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zavarovalnica Triglav, d.d.

Opinion

We have audited the separate financial statements of Zavarovalnica Triglav, d.d. ("Triglav" or "the Company") and the consolidated financial statements of Triglav Group ("Triglav Group" or "the Group"), which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2017, the income statement and the consolidated income statement, the statement of other comprehensive income and the consolidated statement of other comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the Zavarovalnica Triglav d.d. and Triglav Group as at 31 December 2017 and separate and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

Estimates used in calculation of insurance liabilities, DAC and Liability Adequacy Test (LAT)

The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities, both in the insurance contract liabilities as reported in the statement of financial position and in the reserve adequacy test. We determined this to be a significant item for our audit and a key auditing matter.

We used actuarial specialists to assist us in performing our audit procedures. In particular, our audit focused on the models considered material and more complex and/or requiring significant judgement in the setting of assumptions, particularly long-tail business in non-life operations and Liability Adequacy Test (LAT) cash flows in life products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim reserves calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the Group's/Company's modelling

approach in the areas considered higher risk as a result of complexity and/or magnitude. We also assessed the Group's/Company's approach and methodology for the actuarial analyses including estimated versus actual results and experience studies. We assessed the experience analyses performed by the Group/Company in their assumption setting processes. Our assessments included evaluation, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied. We compared applicable industry information considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with International Financial Reporting Standards as adopted by the European Union. Furthermore, we performed audit procedures to evaluate if the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's liability adequacy testing which is a test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessment of the projected cash flows and of the assumptions adopted in the context of both the Group/Company and industry experience and specific product features.

We assessed the adequacy of the disclosures included in note 2.6 and 3.14 of the separate and consolidated financial statements.

Other information

Other information comprises the information included in the Annual Report other than the separate and consolidated financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate and consolidated financial statements is, in all material respects, consistent with the separate and consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company and the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.



Responsibilities of management, audit committee and the supervisory board for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee and the supervisory board are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Company on 6 September 2016 based on our approval by the General Meeting of Shareholders of the Company on 31 May 2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 6 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 5 March 2018.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and its controlled undertakings and we remain independent from the Company and its controlled undertakings in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the separate and consolidated financial statements, no other services which were provided by us to the Company and its controlled undertakings.

Ljubljana, 9 March 2018

Janez Uranic
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Simon Podvinski
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

1. Financial Statements¹⁰⁹

1.1 Statement of financial position

				in EUR	
		Triglav Group		Zavarovalnica Triglav	
	Notes	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
ASSETS		3,674,676,193	3,574,885,423	2,786,489,540	2,740,333,045
Intangible assets	3.1	78,840,612	73,823,588	59,786,283	55,884,567
Property, plant and equipment	3.2	111,210,437	107,933,428	67,526,775	66,230,456
Deferred tax assets	3.17	13,769,115	15,793,114	0	0
Investment property	3.3	94,007,483	95,842,720	48,214,401	49,611,417
Investments in subsidiaries	3.4	0	0	118,167,937	130,632,438
Investments in associates	3.5	6,449,324	6,826,400	10,002,047	9,503,047
Financial assets	3.6	3,038,086,748	2,974,303,281	2,278,606,115	2,246,543,870
Financial investments		2,587,850,704	2,514,320,459	1,860,998,156	1,812,500,601
– loans and deposits		125,251,487	148,731,638	91,428,595	82,397,894
– held to maturity		221,390,576	231,342,393	166,993,807	168,983,706
– available for sale		1,815,323,900	1,738,043,072	1,400,652,988	1,365,449,446
– recognised at fair value through profit and loss		425,884,741	396,203,356	201,922,766	195,669,555
Unit-linked insurance assets		450,236,044	459,982,822	417,607,959	434,043,269
Reinsurers' share of technical provisions	3.7	83,815,576	77,084,783	85,327,645	76,455,107
Receivables	3.8	163,878,354	152,921,089	81,350,417	75,869,085
– receivables from direct insurance operations		85,722,492	84,059,166	54,731,853	58,491,603
– receivables from reinsurance and coinsurance operations		44,939,702	35,099,850	13,889,792	7,538,096
– current tax receivables		32,211	890,276	0	0
– other receivables		33,183,949	32,871,797	12,728,772	9,839,386
Other assets	3.9	3,922,257	3,622,253	1,993,174	1,949,412
Cash and cash equivalents	3.10	78,417,847	65,714,474	35,514,746	27,653,646
Non-current assets held for sale	3.11	2,278,440	1,020,293	0	0
EQUITY AND LIABILITIES		3,674,676,193	3,574,885,423	2,786,489,540	2,740,333,045
Equity	3.12	756,645,683	744,349,747	571,412,305	563,389,117
Controlling interests		749,838,244	733,955,514	571,412,305	563,389,117
– share capital		73,701,392	73,701,392	73,701,392	73,701,392
– share premium		50,403,656	53,488,690	53,412,884	53,412,884
– reserves from profit		333,407,073	305,535,457	318,962,643	288,962,643
– treasury share reserves		364,680	364,680	0	0
– treasury shares		-364,680	-364,680	0	0
– fair value reserve		95,398,236	87,735,128	67,250,264	64,890,318
– net profit brought forward		160,647,992	173,192,869	25,563,172	44,688,278
– net profit/loss for the year		39,133,955	44,216,477	32,521,950	37,733,602
– currency translation differences		-2,854,060	-3,914,499	0	0
– reserve of disposal group held for sale		0	0	0	0
Non-controlling interests	2.7	6,807,439	10,394,233	0	0
Subordinated liabilities	3.13	15,459,132	16,869,102	20,608,180	21,103,108
Insurance technical provisions	3.14	2,282,701,026	2,203,105,224	1,687,109,267	1,645,177,811
– unearned premiums		278,112,719	263,639,620	196,528,185	188,487,876
– mathematical provisions		1,333,055,389	1,273,538,608	994,737,498	959,268,937
– claims provisions		638,473,713	635,240,895	469,230,900	471,240,775
– other insurance technical provisions		33,059,205	30,686,101	26,612,684	26,180,223
Insurance technical provisions for unit-linked insurance contracts		449,544,565	457,683,091	416,250,767	431,125,308
Employee benefits	3.15	13,979,843	13,550,264	10,700,463	10,547,514
Other provisions	3.16	3,794,647	3,971,217	724,961	689,669
Deferred tax liabilities	3.17	26,396,579	25,400,544	9,301,053	7,065,409
Other financial liabilities	3.18	5,589,381	5,288,693	1,845,184	1,852,710
Operating liabilities	3.19	49,381,602	42,028,195	27,740,050	24,451,951
– liabilities from direct insurance operations		18,875,323	16,020,020	11,354,265	11,202,342
– liabilities from reinsurance and co-insurance operations		28,758,158	23,129,245	15,249,797	11,507,586
– current tax liabilities		1,748,121	2,878,930	1,135,988	1,742,023
Other liabilities	3.20	71,183,735	62,639,346	40,797,310	34,930,448
Non-current liabilities held for sale and discontinued operations		0	0	0	0

¹⁰⁹ Notes on pages from 177 to 298 are part of financial statements.

1.2 Income statement

in EUR					
	Notes	Triglav Group		Zavarovalnica Triglav	
		2017	2016	2017	2016
Net premium income	4.1	891,197,369	849,594,001	522,057,353	509,765,204
– gross written premium		999,916,626	936,003,815	621,971,336	593,129,011
– ceded written premium		-97,550,733	-79,080,949	-93,522,581	-78,508,398
– change in unearned premiums		-11,168,524	-7,328,865	-6,391,402	-4,855,409
Income from financial assets	4.2	139,837,442	146,017,485	112,144,711	115,997,114
Income from financial assets in subsidiaries and associates		224,605	3,116,574	7,106,829	9,836,781
– profit on equity investments accounted for using the equity method		224,605	188,105	0	0
– interest income		0	0	845,981	857,579
– dividends		0	0	6,172,954	62,153
– fair value gains	4.4	0	0	0	0
– realised gains on disposals	4.5	0	2,928,469	83,290	8,911,599
– other financial income		0	0	4,604	5,450
Income from other financial assets		111,165,371	119,446,634	77,277,446	83,084,119
– interest income		63,990,562	68,835,574	44,655,685	48,356,136
– dividends		5,346,451	3,356,769	2,787,574	2,367,645
– fair value gains	4.4	8,172,265	7,813,764	2,767,288	1,708,114
– realised gains on disposals	4.5	29,790,480	33,979,089	25,370,295	29,252,705
– other financial income		3,865,613	5,461,438	1,696,604	1,399,519
Net unrealised gains on unlinked life insurance assets	4.4	28,447,466	23,454,277	27,760,436	23,076,214
Other income from insurance operations	4.6	22,568,835	5,392,172	21,938,604	19,160,149
– fees and commission income		16,487,470	252,793	18,011,730	15,201,866
– other income from insurance operations		6,081,365	5,139,379	3,926,874	3,958,283
Other income	4.7	34,033,116	53,537,175	10,951,423	12,645,615
Net claims incurred	4.8	619,958,781	577,102,418	376,292,830	350,739,765
– gross claims settled		642,162,569	606,019,569	411,305,524	391,236,320
– reinsurers' share		-24,573,610	-21,692,020	-24,624,035	-20,679,367
– changes in claims provisions		-3,915,964	-14,175,200	-10,388,659	-19,817,188
– equalisation scheme expenses for supplementary health insurance		6,285,786	6,950,069	0	0
Change in other insurance technical provisions	4.10	60,281,190	47,211,325	35,366,975	28,758,525
Change in insurance technical provisions for unit-linked insurance contracts	4.10	-8,250,712	776,648	-14,678,837	-7,469,473
Expenses for bonuses and discounts	4.11	9,342,891	11,331,630	8,073,088	9,108,703
Change in liabilities from financial contracts		0	0	0	0
Operating expenses	4.12	220,762,633	208,675,708	145,922,909	142,229,598
– acquisition costs		147,942,412	141,003,013	105,301,136	102,587,533
– other operating costs		72,820,221	67,672,695	40,621,773	39,642,065
Expenses from financial assets and liabilities	4.3	33,611,711	42,533,879	21,992,479	30,163,394
Expenses from financial assets and liabilities in subsidiaries and associates		3,126,853	3,174,191	4,435	551,754
– loss on investments accounted for using the equity method		1,981,853	247,812	0	0
– interest expense		0	0	0	0
– fair value losses	4.4	0	0	0	0
– realised loss on disposals	4.5	1,145,000	2,926,379	0	544,414
– loss on impairment of financial assets		0	0	0	0
– other expenses from financial assets and liabilities		0	0	4,435	7,340
Expenses from other financial assets and liabilities		30,173,975	37,853,884	21,845,151	28,252,856
– interest expense		1,631,023	1,314,505	1,549,066	1,383,064
– fair value losses	4.4	4,217,218	6,888,471	1,614,514	1,885,016
– realised loss on disposals	4.5	11,083,596	19,451,022	10,588,355	18,158,535
– loss on impairment of financial assets		335,255	3,197,025	200,000	3,097,058
– other expenses from financial assets and liabilities		12,906,883	7,002,861	7,893,216	3,729,183
Net unrealised losses on unit-linked life insurance assets	4.4	310,883	1,505,804	142,893	1,358,784
Other insurance expenses	4.13	26,855,289	17,038,345	6,980,751	8,476,079
Other expenses	4.14	40,629,897	54,732,790	13,319,580	12,143,689
Profit before tax		84,445,082	95,138,090	73,822,316	83,417,802
Income tax expense	4.15	14,737,130	12,806,316	11,300,366	8,084,200
NET PROFIT FOR THE ACCOUNTING PERIOD		69,707,952	82,331,774	62,521,950	75,333,602
Earnings per share (basic and diluted)		3,07	3,62	-	-
Net profit attributable to the controlling company		69,256,560	81,935,753	-	-
Net profit attributable to non-controlling interest holders	2.7	451,391	396,021	-	-

1.3 Comprehensive income

				in EUR	
	Notes	Triglav Group		Zavarovalnica Triglav	
		2017	2016	2017	2016
Net profit for the year after tax	3.12	69,707,952	82,331,774	62,521,950	75,333,602
Other comprehensive income after tax		9,018,012	10,590,011	2,339,106	9,128,515
Items which will not be transferred in income statement in future periods		391,597	-532,629	350,717	-492,789
Actuarial gains/losses on defined benefit pension plans	3.15	391,597	-441,038	350,717	-401,198
Tax on items which will not be transferred in income statement		0	-91,591	0	-91,591
Items which could be transferred into income statement in future periods		8,626,415	11,122,640	1,988,389	9,621,304
Fair value gains/losses on available-for-sale financial assets	3.12	7,982,377	23,768,954	2,935,382	22,189,955
– net gains/losses recognized directly in equity		32,023,082	33,188,122	24,405,582	28,580,317
– transfers from equity to income statement		-24,040,705	-9,419,168	-21,470,200	-6,390,362
Fair value gains/losses on non-current assets held for sale		204,793	89	0	0
Fair value gains/losses on cashflow hedges		0	0	0	0
Share of OCI of entities accounted for using the equity method		603,255	402,548	0	0
Liabilities from insurance contracts with DPF		-487,190	-6,554,570	-487,190	-6,554,570
Currency translation differences		1,080,805	585,108	0	0
Tax on other comprehensive income	4.15	-757,625	-7,079,489	-459,803	-6,014,081
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX		78,725,963	92,921,785	64,861,056	84,462,117
Controlling interest		78,173,753	92,689,187		
Non-controlling interest		552,210	232,598		

1.4 Statement of changes in equity

in EUR

Triglav Group	Share capital	Share premium	Reserves from profit										TOTAL EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY	Non-controlling interests	TOTAL
			Contingency reserves	Treasury share reserves	Legal and statutory reserves	Treasury shares	Credit risk reserves	Other reserves from profit	Fair value reserve	Reserve of disposal group held for sale	Net profit brought forward	Net profit/loss			
As at 1 January 2016	73,701,392	54,955,912	592,269	20,371,784	452,880	-452,880	33,281,412	246,700,000	77,567,319	-40,167	104,503,874	85,802,552	692,925,865	11,118,634	704,044,499
Comprehensive income for the year after tax	0	0	0	0	0	0	0	0	10,167,809	0	-10,359	81,935,753	92,689,187	232,598	92,921,785
New paid-in capital	0	0	0	0	0	0	0	0	0	0	0	0	0	5,403	5,403
Transfer to retained earnings	0	0	0	0	0	0	0	0	0	0	85,802,552	-85,802,552	0	0	0
Dividend payment	0	0	0	0	0	0	0	0	0	0	-56,776,976	0	-56,776,976	0	-56,776,976
Release of Credit risk provisions	0	0	0	0	0	0	-33,280,648	0	0	0	33,280,648	0	0	0	0
Transfer of net profit to reserves from profit	0	0	0	270,638	0	0	0	37,600,000	0	0	-151,362	-37,719,276	0	0	0
Offset of loss from previous years	0	-1,339,895	0	0	0	0	0	0	0	0	1,339,895	0	0	0	0
Change in Group	0	-127,327	0	0	-88,200	88,200	0	0	0	0	0	0	-127,327	-959,404	-1,086,731
Other	0	0	0	0	0	0	0	0	0	40,167	5,204,598	0	5,244,765	-2,998	5,241,767
As at 31 December 2016	73,701,392	53,488,690	592,269	20,642,424	364,680	-364,680	764	284,300,000	87,735,128	0	173,192,869	44,216,477	733,955,514	10,394,233	744,349,747
Comprehensive income for the year after tax	0	0	0	0	0	0	0	0	7,663,108	0	193,644	69,256,560	78,173,753	552,210	78,725,963
Transfer to retained earnings	0	0	0	0	0	0	0	0	0	0	44,216,477	-44,216,477	0	0	0
Dividend payment	0	0	0	0	0	0	0	0	0	0	-56,777,086	0	-56,777,086	-4,312	-56,781,398
Transfer of net profit to reserves from profit	0	0	0	553,416	0	0	0	30,000,000	0	0	-430,811	-30,122,605	0	0	0
Offset of loss from previous years	0	0	0	-252,900	0	0	0	0	0	0	252,900	0	0	0	0
Change in Group	0	-3,186,028	0	-2,428,901	0	0	0	0	0	0	0	0	-5,614,929	-4,134,692	-9,749,621
Other	0	100,994	0	0	0	0	0	0	0	0	0	0	100,994	0	100,994
As at 31 December 2017	73,701,392	50,403,656	592,269	18,514,040	364,680	-364,680	764	314,300,000	95,398,236	0	160,647,992	39,133,955	749,838,244	6,807,439	756,645,686

Zavarovalnica Triglav	Share capital	Reserves from profit				Fair value reserve	Net profit brought forward	Net profit/loss	TOTAL
		Share premium	Legal and statutory reserves	Credit risk reserves	Other reserves form profit				
As at 1 January 2016	73,701,392	53,412,884	4,662,643	31,303,638	246,700,000	55,751,443	7,210,810	57,817,462	530,560,272
Comprehensive income for the year after tax	0	0	0	0	0	9,138,875	-10,360	75,333,602	84,462,117
Dividend payment	0	0	0	0	0	0	-56,837,870	0	-56,837,870
Net profit allocations to reserves from profit	0	0	0	0	37,600,000	0	0	-37,600,000	0
Distribution of net profit/loss	0	0	0	0	0	0	57,817,462	-57,817,462	0
Release of Credit risk provisions	0	0	0	-31,303,638	0	0	31,303,638	0	0
Other	0	0	0	0	0	0	5,204,598	0	5,204,598
As at 31 December 2016	73,701,392	53,412,884	4,662,643	0	284,300,000	64,890,318	44,688,278	37,733,602	563,389,117
Comprehensive income for the year after tax	0	0	0	0	0	2,359,946	-20,839	62,521,950	64,861,056
Dividend payment	0	0	0	0	0	0	-56,837,869	0	-56,837,869
Net profit allocations to reserves from profit	0	0	0	0	30,000,000	0	0	-30,000,000	0
Distribution of net profit/loss	0	0	0	0	0	0	37,733,602	-37,733,602	0
As at 31 December 2017	73,701,392	53,412,884	4,662,643	0	314,300,000	67,250,264	25,563,172	32,521,950	571,412,305

1.5 Cash flow statement

		v EUR			
		Triglav Group		Zavarovalnica Triglav	
		2017	2016	2017	2016
A.	OPERATING CASH FLOW				
	Income statement items	47,763,405	35,691,434	2,402,118	12,967,999
	Net written premium for the period	4.1	931,192,941	882,520,102	528,448,755
	Investment income (excluding financial income)	4.2	21,583,243	20,342,436	12,038,000
	Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables		34,492,062	46,483,550	10,097,825
	Net claims paid	4.8	-626,345,459	-592,586,186	-386,681,490
	Bonuses and rebates paid	4.11	-9,258,381	-9,655,595	-8,218,663
	Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	4.12	-220,091,770	-212,539,933	-120,912,122
	Investment expenses (excluding financial expenses)	4.13	-10,115,412	-8,550,474	-7,077,627
	Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	4.14	-59,658,304	-76,933,187	-15,161,832
	Corporate income tax and other taxes excluded from operating expenses		-14,035,515	-13,389,279	-10,130,728
	Changes in net current assets-operating balance sheet items		1,918,944	6,094,910	4,592,420
	Movements in receivables from direct insurance operations	3.8	2,408,225	-1,284,824	4,875,196
	Movements in receivables from reinsurance operations		-8,946,527	14,254,438	-6,351,696
	Movements in other receivables from (re)insurance operations		-2,058,178	-228,375	1,147,648
	Movements in other receivables and assets		-352,320	3,970,832	-585,626
	Movements in deferred tax assets		54,034	-206,566	0
	Movements in inventories		170,131	54,976	-24,706
	Movements in debts from direct insurance operations	3.19	2,519,871	-1,039,716	151,923
	Movements in debts from reinsurance operations		1,738,719	-10,862,237	3,742,212
	Movements in operating debts		1,921,919	2,240,426	-494,928
	Movements in other liabilities (excluding unearned premiums)	3.20	2,972,253	-901,051	2,132,397
	Movements in deferred tax liabilities		1,490,817	97,007	0
	Operating cash flow		49,682,349	41,786,344	6,994,538
B.	CASH FLOWS FROM INVESTING ACTIVITIES				
	Cash inflows from investing activities		1,295,036,003	1,363,785,772	1,077,968,813
	Cash inflows from interest from investing activities	3.6	56,592,362	58,759,633	39,336,018
	Cash inflows from dividends received and profit sharing	3.6	4,900,674	4,848,278	8,868,008
	Cash inflows from the disposal of intangible assets	3.1	0	100,000	0
	Cash inflows from the disposal of property, plant and equipment	3.2	2,947,661	20,761,444	952,716
	Cash inflows from the disposal of financial investments	3.6	1,216,090,016	1,263,835,341	1,014,306,782
	Cash inflows from the disposal of investments in subsidiaries and associates	3.4, 3.5	14,505,290	15,481,076	14,505,290
	Cash outflows from investing activities		-1,271,700,986	-1,329,853,353	-1,018,983,429
	Cash outflows for the purchase of intangible assets	3.1	-7,013,310	-6,990,545	-5,164,016
	Cash outflows for the purchase of property, plant and equipment	3.2	-11,294,823	-6,137,586	-4,285,331
	Cash outflows for the purchase of financial investments	3.6	-1,241,825,690	-1,315,837,615	-1,003,409,933
	Cash outflows for the purchase of investments in subsidiaries and associates	3.4, 3.5	-11,567,163	-887,607	-6,124,150
	Total cash flow from investing activities		23,335,017	33,932,419	58,985,384
C.	CASH FLOWS FROM FINANCING ACTIVITIES				
	Cash inflows from financing activities		0	0	0
	Cash inflows from paid-in capital		0	0	0
	Cash inflows from long-term loans received		0	0	0
	Cash inflows from short-term loans received		0	0	0
	Cash outflows from financing activities		-60,407,207	-57,900,352	-58,118,823
	Cash outflows for paid interest		-1,227,366	-1,257,116	-1,227,366
	Cash outflows for purchase of treasury shares		-2,349,109	0	0
	Cash outflows for payments of long-term financial liabilities	3.18	0	0	0
	Cash outflows for payments of short-term financial liabilities	3.18	0	0	0
	Cash outflows from dividends paid and profit sharing	3.12	-56,830,732	-56,643,236	-56,891,457
	Total cash flow from financing activities		-60,407,207	-57,900,352	-58,118,823
D.	Opening balance of cash and cash equivalents		65,714,474	47,928,768	27,653,646
E1.	Net cash flow for the period		12,610,159	17,818,411	7,861,100
E2.	Foreign exchange differences		93,214	-32,705	0
F.	Closing balance of cash and cash equivalents		78,417,847	65,714,474	35,514,746

2. General Information

2.1 Profile of Zavarovalnica Triglav and Triglav Group

Zavarovalnica Triglav d.d. (hereinafter: Zavarovalnica Triglav or the controlling company) is a public limited company, with its registered office at Miklošičeva 19 in Ljubljana, Slovenia. The controlling interest in Zavarovalnica Triglav is held by the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije) and the Slovenian Sovereign Holding (Slovenski državni holding), which participate with 34.47% and 28.09% of the share capital, respectively.

Zavarovalnica Triglav offers a broad range of life and non-life insurance, as well as ancillary insurance and pension fund services. In accordance with the Pension and Disability Insurance Act (ZPIZ-2), the Company also provides pension insurance and other ancillary services in relation to insurance and pension funds in the framework of life insurance.

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

- the group of guarantee funds PDPZ (registration no. 5063345032), includes three guarantee funds through which the lifecycle investment policy is implemented. All three guarantee funds serve to implement pension schemes of group supplemental voluntary pension insurance bearing the codes PN-ZT-01/15-9, PN-ZT-03/15-9, PN-ZT-05/15-9 as well as schemes of individual supplemental voluntary pension insurance bearing the codes PN-ZT-02/15-9, PN-ZT-04/15-9, PN-ZT-06/15-9. The PDPZ group of guarantee funds comprises the following three guarantee funds:
 - Guarantee fund Triglav PDPZ-zajamčeni (registration number 5063345029);
 - Guarantee fund Triglav PDPZ-zmerni (registration number 5063345030);
 - Guarantee fund Triglav PDPZ-drzni (registration number 5063345031);
- guarantee fund PDPZ during the payout period of pension annuities – rent 1 (registration number 5063345028);
- guarantee fund PDPZ during the payout period of pension annuities – rent 2 (registration number 5063345033);
- unit-linked life insurance contracts (registration number 5063345023).

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

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

Zavarovalnica Triglav is the controlling company of the Triglav Group. The structure of the Triglav Group is presented in detail in [→ [Section 2.7](#)]. The Triglav Group is the leading insurance/financial group in Slovenia and the Adria region and one of the leading groups in South-East Europe. Insurance is the core business of the Group, including asset management and other services.

Both separate and consolidated financial statements are prepared.

2.2 Management and supervisory bodies

Supervisory Board

The Supervisory Board monitors and supervises the management and performance of Zavarovalnica Triglav. According to the Articles and Memorandum of Association, the Supervisory Board has nine members (six representatives of shareholders and three representatives of employees). Members of the Supervisory Board are given a four-year mandate and can be re-elected without limitation. In 2017, the Supervisory Board had the following members:

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

Legend:

SB – Supervisory Board
AC – Audit Committee
ACC – Appointments and Compensation Committee
SC – Strategy Committee
NC – Nominations Committee
P – President
DP – Deputy President
M – Member

Management Board

The Management Board directs, represents and acts on behalf of Zavarovalnica Triglav, independently and on its own responsibility. In compliance with the Articles and Memorandum of Association, the Supervisory Board can appoint three to six members to the Management Board. The President and members of the Management Board are appointed for a five-year term with the possibility of reappointment or early termination of office in the case of a serious breach of obligations. In 2017, the Management Board had the following composition:

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

2.3 Statement of compliance

The separate financial statements and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter: IFRS), the Companies Act (hereinafter: ZGD-1) and the Insurance Act (hereinafter: ZZavar-1).

2.4 Reporting basis

The financial statements of Triglav Group and Zavarovalnica Triglav are compiled under the going concern assumption. These consolidated financial statements have been prepared on the historical cost basis, except in the following cases in which the fair value was used instead:

- derivative financial instruments,
- financial assets measured at fair value through profit and loss,
- financial assets available-for-sale.

Investments in associates are recognised at fair value in individual financial statements and accounted for using the equity method in the consolidated financial statements.

The methods used for measuring fair value are described in [→ *Section 2.5.13*].

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the amount of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge of current events and activities, actual results may differ from these estimates. The estimates and assumptions are regularly reviewed and their corrections are recognised in the period of change. The use of estimates and assumptions is presented in more detail in [→ *Section 2.6*].

For the preparation of the statement of financial position, individual items are classified into groups of assets and liabilities depending on their nature, listed in the order of their liquidity and/or maturity. In additional disclosures current and non-current assets as well as current and non-current liabilities are posted as separate items, depending on whether they are expected to be paid or settled within 12 months of the balance sheet date (current) or after more than 12 months from the balance sheet date (non-current).

Financial assets and liabilities on the statement of financial position are offset only when there exists a legal right to offset the amounts, and intend to either settle them on a net basis or to settle the asset and the liability simultaneously. Income and expenses on the income statement are offset only if so provided by the standards, explained in the notes or required by the accounting policies of the Company.

The accounting policies used in the preparation of financial statements are consistent with those of financial statements for the comparable period.

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

The Annual Report is adopted by the Management Board and approved by the Supervisory Board. In the event the Supervisory Board fails to approve the report, it is discussed by the General Meeting of Shareholders.

On 9 March 2018, the Management Board approved the Annual Report, which is available at the headquarters of Zavarovalnica Triglav and on its website.

2.5 Main accounting policies

2.5.1 Foreign currency translation

Functional and presentation currency

Items included in the separate financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the respective entity operates (functional currency). The financial statements are presented in euros, which is the presentation currency of the Group. In the financial statements, the amounts and disclosures are rounded to one euro.

Translation of business events and items

Transactions in foreign currencies are translated into the functional currency at the related exchange rate from the reference exchange rates of the European Central Bank, published by the Bank of Slovenia. Exchange-rate differences arising from the settlement of these transactions or from the translation of cash items are recognised in the Profit and Loss Account.

Foreign exchange differences arising from changes in the amortised cost of monetary items, denominated in foreign currency and classified as available-for-sale financial assets, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as financial assets measured at fair value through profit or loss, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as available for sale financial assets, are recognised in equity as fair value reserve together with the effects of the measurement at fair value under other comprehensive income.

Translation from the functional into the presentation currency

The financial statements of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the final exchange rate as at the balance sheet date,
- income, expenses and costs at the average exchange rate for the year,
- capital components are translated at a historical rate,
- all the resulting exchange rate differences are recognised in other comprehensive income.

Goodwill and adjustment of acquired assets of a subsidiary abroad to fair value are recognised in the same way as assets of a subsidiary abroad and translated into the presentation currency at the closing rate.

In the consolidated financial statements, exchange rate differences resulting from the translation of a net investment in a subsidiary abroad are recognised in the statement of comprehensive income. When the Group loses control over a subsidiary abroad, previously recognised exchange rate differences arising from the translation into the presentation currency are reclassified from other comprehensive income into the income statement as part of gain or loss from sale.

2.5.2 Intangible assets

Intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Amortisation is calculated using the straight-line amortisation method.

	Annual amortisation rate
Software	20%
Other economic rights	1–20%

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each business year. If the expected useful life of an asset differs from previous estimates, the amortisation period is adjusted accordingly.

Intangible assets with an indefinite useful life are not amortised, but are subject to impairment tests on an annual basis. These assets are impaired if their carrying amount exceeds their recoverable amount.

Deferred acquisition costs for non-life insurance contracts are also a part of intangible assets. Decrease or increase in deferred acquisition costs is recognised as a change in unearned premium provision in the income statement, within net premium income.

Deferred acquisition costs for life insurance contracts are considered in the calculation of mathematical provisions using the Zillmer method. A change in the deferred acquisition cost of life insurance contracts is recognised as a change in the mathematical provision.

Accounting policies regarding the impairment of intangible assets are described in [→ [Section 2.5.14](#)].

2.5.3 Goodwill

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

Accounting policies and consolidation methods are described in [→ [Section 2.7](#)].

2.5.4 Property, plant and equipment

Property, plant and equipment are accounted for using the cost model. The cost of an item of property, plant and equipment comprises its purchase price and any other costs directly attributable to bringing the asset to the location and the conditions necessary for it to be capable of operating.

After initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line depreciation method. Depreciation rates are given below.

	Annual depreciation rate
Buildings	1.5–5.0%
Transport vehicles	12.5%
Computers and hardware	50%
Office and other furniture	10–20%
Other equipment	6.7–25.0%

The assets acquired in the current year become subject to depreciation on the first day of the month following the month in which they are put into use. Depreciation of an asset being constructed begins when it is available for use. Depreciation of an asset ceases as at the date that the asset is derecognised.

The residual value and useful life of an asset are reviewed as at the reporting date and adjusted in the event expectations differ from previous estimates.

The gain or loss from the derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is included in profit or loss when it is derecognised.

Maintenance and repair costs are recognised in the income statement as incurred. Further investments that increase future economic benefits increase the value of property, plant and equipment.

Accounting policies regarding the impairment of property, plant and equipment are described in [→ Section 2.5.14].

2.5.5 Investment property

Investment property is property held to earn rentals. Property is classified as investment property if not used by the holder for performing its business activities or if only a minor part of the building is used for that purpose.

After initial recognition investment property is measured at historical cost, including costs for the purpose of acquiring the asset. Investment property is accounted for using the cost model. Investment property is depreciated and impaired using the same method as that used for property, plant and equipment described under [→ Section 2.5.2 and 2.5.4].

Fair values for disclosure purposes are based on a valuation by an independent appraiser who holds a recognised and relevant professional qualification.

All income arising from investment property is rental income and is shown in the income statement under Other income. Expenses arising from investment property consist of the depreciation charges and maintenance costs of the investment property. In the income statement, they are disclosed under Other expenses.

Accounting policies regarding the impairment of investment property are described in [→ Section 2.5.14].

2.5.6 Investments in subsidiaries

In separate financial statements, investments in equity instruments of subsidiaries (shares, stakes) are measured at cost. Investments in subsidiaries represent investments in the companies (investees) over which Zavarovalnica Triglav has controlling influence and where the following conditions are met:

- Zavarovalnica Triglav has influence over the investee that arises either from the voting rights resulting from capital instruments or from other rights resulting from contractual agreements;
- Zavarovalnica Triglav is exposed to variable returns or has the right to variable returns from its involvement with the investee;
- Zavarovalnica Triglav has the ability to affect those returns through its power over the investee.

Initial recognition follows as soon as the shares or equity interest has been entered into the Court Register.

Increase in the share capital of subsidiaries with in-kind contributions solely owned by Zavarovalnica Triglav is initially measured at the carrying amount of the contributions in kind. The carrying amount of the contributions in kind as at

the date of investment equals the value of assets invested as the in-kind contribution recorded in the financial statements of Zavarovalnica Triglav as at that date.

Accounting policies regarding the impairment of investments in subsidiaries are described in [→ *Section 2.5.14*].

Subsidiaries are included in the consolidated financial statements under the full consolidation method. The consolidation procedures are presented in detail in [→ *Section 2.7*].

2.5.7 Investments in associated companies

Investments in associates represent investments in the companies (investees) over which Zavarovalnica Triglav has significant influence arising from its power to participate in financial and operating policy decisions of an investee, but not joint control or control of those policies. In separate financial statements investments in equity instruments of associated companies (shares, stakes) are measured at fair value.

For associated companies with no quoted price on the stock exchange, internal models of valuating are used (listed comparable companies method, comparable transactions method, discounting of cash flows, contract value). The valuation assumptions applied are presented in greater detail in [→ *Sections 2.6.5*]. The effects of the valuation at fair value are disclosed in other comprehensive income.

Associates of the Triglav Group are those companies in which the Company directly or indirectly holds between 20% and 50% of the voting rights and has a significant but not dominant influence. In the consolidated financial statements of the Triglav Group, investments in associates are accounted for using the equity method. The corresponding share of the profit or loss of an associate is recognised in the consolidated profit or loss. The associated effects included in other comprehensive income of an associate are recognised in the consolidated statement of comprehensive income.

Dividends are recognised in income statement once the right to payment is obtained.

Accounting policies regarding the impairment of investments in associated companies are described in [→ *Section 2.5.14*].

2.5.8 Financial assets (excluding operating receivables and cash)

Financial assets are classified into the following groups: financial assets at fair value through profit and loss, financial assets held to maturity, loans and receivables and available-for-sale financial assets. Their classification depends on the initial intent at the time of their purchase. Management decides on the classification of assets at the date of initial recognition.

At initial recognition financial assets are measured based on their fair value. Initially recognised values are increased by transaction costs that are directly attributable to the acquisition or disposal of the financial asset (allowances to agents, consultants, and brokers, fees paid to the stock exchange and other transfer related fees). The rule does not apply to financial assets classified as assets disclosed at their fair value through profit and loss, where these costs are recognised directly in the income statement at acquisition.

The trade date is used for the initial recognition of financial assets, except for loans and deposits, for which the settlement date is used.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are classified as available for sale and not classified as loans and receivables, financial assets held to maturity, or financial assets recognised at fair value through profit and loss.

After initial recognition, financial assets classified as available for sale are measured at their fair value, without deducting transaction costs that may occur in their sale or other disposal. Financial instruments not listed on a stock exchange are measured at fair value on the basis of their prices in the latest transactions (official price offers by stock broking firms or banks for certain securities) or through a valuation model (discounting of expected cash flows). Details on valuation models are described in [→ *Section 5.1.2*]. Equity instruments not quoted in an active market and for which the fair value cannot be reliably measured are measured at cost.

Changes in fair value are recognised directly in other comprehensive income as an increase (gain) or decrease (loss) in the revaluation surplus, with the exception of asset impairments and foreign exchange differences regarding monetary items, such as debt securities recognised in the income statement.

When available-for-sale financial assets are derecognised, the accumulated losses or gains, previously recognised under other comprehensive income, are transferred to the income statement.

Held-to-maturity financial assets

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that Zavarovalnica Triglav definitely intends to hold and is able to hold to their maturity.

Financial assets held to maturity are measured at amortised cost reduced for impairment.

Financial assets at fair value through profit and loss

This category is divided into two groups: financial instruments held for trading and financial instruments measured at fair value through profit and loss.

A financial asset is classified as such if the underlying purpose of its acquisition was for resale within a short period of time, if it forms part of a portfolio of financial instruments aimed at short-term profit generation or if this classification was decided on by the management. Derivative financial instruments are always classified as financial instruments held for trading.

A financial asset designated at fair value through profit and loss is an asset:

- held in the long-term funds¹¹⁰ of Zavarovalnica Triglav for the purpose of covering liabilities arising from insurance contracts, relating to a change in the fair value of these assets; such a classification eliminates or reduces any mismatches that might arise from the measurement of assets and liabilities or the recognition of gains and losses arising from various contracts; or
- managed and its performance measured based on fair value in accordance with Zavarovalnica Triglav's investment policy.

After initial recognition, financial assets measured at fair value through profit or loss are measured at fair value on the basis of prices quoted in an active market.

Gains and losses arising from a change in fair value are recognised in the income statement.

The category of financial assets designated at fair value through profit and loss also includes financial assets with embedded derivative financial instruments. These are measured at fair value through profit and loss.

Loans and receivables

Loans and receivables (excluding receivables from insurance operations) are non-derivative financial assets with fixed or determinable payments not listed in an active market.

At initial recognition, loans and receivables are measured at cost and later at amortised cost using the effective interest method. The impairments of loans and receivables are recognised if there is objective evidence that the receivable will not be recovered in accordance with the contractual terms.

Derivative financial instruments

After initial recognition, derivatives are measured based on their fair value, with effects recognised in the income statement. The fair value is determined on the basis of the price quoted in an active market. If the price is not known, the fair value is determined on the basis of the latest transactions or by using another pricing model (discounting of expected cash flow; the Black–Scholes option pricing model). Derivatives include financial instruments used for protecting cash flows against interest rate risk as well as for protecting the cash flows of individual financial instruments and other items. All of the documented gains and losses due to changes in fair value are recognised in profit or loss through financial income or expenses.

2.5.9 Receivables from insurance operations

Receivables from insurance operations are recognised when insured persons are charged the premium. After initial recognition, receivables are measured at fair value reduced by the impairment allowance, so as to show their expected recoverable amount.

Subrogation receivables are recognised when the first instalment is paid by the debtor, after a receivable has been tested in court or based on an agreement made with the subrogation debtor. In credit insurance, subrogated receivables are recognised upon occurrence.

Accounting policies regarding the impairment of receivables are described in [→ Section 2.5.14].

¹¹⁰ Long-term business funds include the assets of insured persons arising from life insurance, supplementary voluntary pension insurance, voluntary pension insurance during the annuity pay-out period and unit-linked insurance.

2.5.10 Other assets

Other assets include inventories, short-term deferred expenses and accrued revenue.

At initial recognition inventories are measured at cost. The cost of inventory comprises all costs of purchase. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula.

Short-term deferred expenses are amounts that will impact profit or loss in the following accounting periods. They are accrued in order to ensure their even impact on profit or loss, or to accrue prepaid expenses not yet incurred.

Accrued revenue refers to revenue earned in the current accounting period, but which will be collected in a subsequent period.

2.5.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and cash in hand.

2.5.12 Non-current assets held for sale

Non-current assets held for sale are those non-financial assets whose value will be recovered through a sale transaction rather than their continued use. The condition for the classification into the category of non-current assets held for sale is fulfilled when the sale is highly probable and the asset is available for immediate sale in its present condition. The management is committed to the sales plan, which must be carried out within a period of one year from the classification of assets into this category.

These assets are measured at the lower of the carrying amount and fair value less costs to sell. The same applies to subsequent measurement of these assets. In such subsequent measurements, it is necessary to recognise impairment losses arising from initial or subsequent write-offs of assets to their fair value, less costs to sell or profits resulting from a subsequent increase in fair value less costs to sell, which may not exceed any accumulated impairment losses. If an asset is acquired through a business combination it should be measured at fair value less acquisition costs.

2.5.13 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. A fair value measurement assumes that the asset or liability is exchanged in

an orderly transaction under current market conditions in the principal (or most advantageous) market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All financial assets are measured at fair value, except for loans and held-to-maturity financial assets which are disclosed in financial statements at amortised cost. The fair value of the latter two is disclosed under [→ Section 3.6]. The fair value of land and buildings used for insurance operations and of investment property is disclosed under [→ Sections 3.2 and 3.3] that of subordinated liabilities under [→ Section 3.13].

The fair value of financial instruments traded on organised financial markets is measured on the basis of their prices quoted as at the reporting date. In the event no quoted price is available, the price offered by stock brokers is used as the reference price.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. In determining the fair value of financial assets, valuation techniques are applied, using the reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants for establishing instrument prices and if such a technique has yielded reliable estimates of prices used in actual market transactions, such a technique is applied. The applied estimates and assumptions involve certain risks as to their future realisation. With the aim of reducing this risk, the assumptions and estimates applied are verified by different methods (by comparing assumptions and estimates against the industry average, individual traded companies, etc.). Moreover, a sensitivity analysis of the following value drivers is applied in order to estimate the value range of an individual investment: net sales income, the EBITDA margin, financial intermediation margin, rate of return on the financial asset portfolio, operating expenses to total assets, cash flow growth over a forecast period and the discount rate. In the discounted cash flow method, future cash flows and discount rates are applied as estimated by the management, reflecting interest rates on comparable instruments.

If the fair value of financial instruments cannot be reliably measured, the financial instruments are measured at cost (paid or received amount) increased by expenses incurred in the underlying transaction.

For disclosure purposes, a price level hierarchy has been applied for all financial assets measured at fair value. It is determined with regard to the inputs in the valuation technique, which are used to measure fair value.

- Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The quoted prices may be adjusted only exceptionally.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and quoted prices that are observable.
- Level 3 inputs: are prices that do not meet the standards for Level 1 or Level 2. The share of unobservable inputs used in value measurement models is considerable. Unobservable inputs have to use the assumptions that market participants would use when pricing the asset or liability, including risk assumptions.

2.5.14 Impairment

Intangible assets and property, plant and equipment

The value of intangible assets and property, plant and equipment is tested as at the reporting date. It is determined whether there are any objective signs of impairment. If there are, the recoverable amount is assessed, which represents the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount of intangible assets with an indefinite useful life and of intangible assets not yet put into use is measured on an annual basis, irrespective of any objective signs of impairment. If the recoverable amount exceeds the carrying value, the assets are not impaired.

For material assets, impairments are assessed on an individual basis. The impairment of the remaining assets is carried out at the level of cash-generating units.

The previously recognised impairment losses of property, plant and equipment and intangible assets are reversed only if their recoverable amount increases and if this increase can be objectively related to an event occurring after the previous impairment was recognised. An impairment loss of an asset is derecognised only up to the amount of the carrying amount that would have resulted after the depreciation charge, if in previous periods no impairment loss had been recognised.

Goodwill

The value of goodwill and contractual rights is tested as at the reporting date so as to ascertain if there are any objective signs of impairment. Impairment of

goodwill and contractual rights is recognised for a cash generating unit, which represents an individual company. In the event there are objective signs of impairment, the recoverable amount is assessed, which represents the higher of an asset's fair value less costs to sell and its value in use. If the recoverable amount exceeds the carrying value, the goodwill is not impaired.

Goodwill impairment testing is carried out in compliance with IAS 36, while testing of valuation techniques is carried out in compliance with the International Valuation Standards (IVS). The testing and the estimation of potential impairment is carried out in accordance with the estimated recoverable amount. The basis for the explicit forecast period are the available plans of the management and assessors' estimates of market convergence towards more developed ones, taking into account the forecasted economic convergence of international financial institutions and other EU regulators. The discount rate is calculated by applying the CAPM method and surpluses for specific risks. Goodwill impairment tests are carried out on an annual basis.

Investment property

The value of investment property is estimated on an annual basis in order to determine whether there are any objective signs of impairment. In the event of any sign of impairment of investment property, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the carrying amount of investment property exceeds its recoverable amount, an impairment loss is recognised in the amount equalling the difference between the two.

Financial investments in subsidiaries and associates

In the stand-alone financial statement, financial investments in associates are accounted for at amortised cost. Signs of the impairment of investments in subsidiaries are reviewed on quarterly basis. Underperformance of a subsidiary may represent a sign of possible impairment.

In the separate financial statement, financial investments in associates are accounted for at fair value. Impairment loss is calculated in the same as for available-for-sale financial assets. Details are given below.

Financial assets

On a quarterly basis or at least at the end of the reporting period, it is assessed whether there is objective evidence that a financial asset or group of financial

assets is impaired. When such evidence exists, loss due to impairment needs to be determined.

An impairment loss on an available-for-sale financial asset is calculated on the basis of its fair value at the time. When there is objective evidence of impairment of an available-for-sale financial asset, the accumulated loss, initially recognised in other comprehensive income, is transferred to the income statement. For equity instruments, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), a significant decrease in the fair value of a security (above 40%) or a long-term decrease in the fair value of a security (continuing for more than 9 months). For debt instruments, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), payment arrears or other significant negative events related to the creditworthiness of the issuer.

The reversal of the previously recognised impairment losses on equity instruments, classified as available-for-sale financial assets, is recognised in other comprehensive income.

The impairment loss of a financial asset measured at amortised cost is calculated as the difference between that asset's carrying amount and the present value of expected future cash flows, determined on the basis of the historical effective interest rate.

A reversal of previously recognised impairment of financial assets measured at amortised cost and debt instruments classified as available for sale is recognised in the income statement. An impairment loss may be reversed, if such a reversal can be objectively related to an event occurring after the impairment was recognised.

Insurance receivables

The adequacy of the value disclosed is tested for each group of receivables. All insurance receivables are tested for impairment or impairment reversal at least at the end of the business year. Impairments are recorded as an adjustment of the value of receivables and are formed individually or collectively for receivables with similar credit risk. Credit risk is assessed based on the classification of receivables by maturity and the experience of previous years regarding the recovery of receivables with the same maturity. Impairment loss is recognised as an expense from insurance operations.

Reinsurers' share of technical provisions

Reinsurers' share of technical provisions (assets from reinsurance contracts) is tested for impairment on an annual basis. These assets are impaired only if there is objective evidence resulting from an event occurring after the initial recognition of the reinsurance asset showing that the amounts due from reinsurers in accordance with a contract may not be recovered and if the event has a reliably measurable effect on the amounts that will be recovered by Zavarovalnica Triglav from the reinsurer. An impairment loss of assets from reinsurance contracts is recognised in the income statement.

2.5.15 Equity

Share capital equals the nominal value of paid-up ordinary shares, denominated in euros. When Zavarovalnica Triglav or a subsidiary acquires shares of Zavarovalnica Triglav, their value is disclosed as a deduction from the Group's equity. The same amount is then allocated to treasury share reserves as required by the Companies Act (hereinafter: »ZGD-1«).

Share premium is formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. Share premium also includes amounts resulting from the introduction of IFRS (the reversal of a general equity revaluation adjustment). As part of the share premium, the impact of the acquisition of non-controlling shares is also recognised in the consolidated financial statements.

Reserves from profit are legal reserves, statutory and other reserves, treasury share reserves, credit risk equalisation reserves.

Legal reserves are formed and used in line with ZGD-1 and the local legislation of each subsidiary. Together with share premium, they have to amount to no less than 10% of the share capital. They represent tied capital set aside in order to protect creditors' interests.

Statutory reserves represent up to 20% of share capital of the parent company. Based on a decision by the Management Board, Zavarovalnica Triglav may allocate up to 5% of net profit to statutory reserves in any business year, decreased by any amounts used for covering losses brought forward and amounts allocated to legal reserves and reserves from profit. Statutory reserves may be used for covering loss after tax for the business year or loss brought forward, for treasury share reserves, for increasing share capital from authorised capital, as well as for dividend payment policy purposes.

According to ZGD-1, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations.

2.5.16 Subordinated liabilities

Subordinated liabilities refer to subordinated debt instruments which are, in accordance with the underlying agreements, to be paid last in the event of the issuer's bankruptcy or liquidation. Subordinated liabilities are measured at amortised cost.

2.5.17 Insurance–technical provisions

Unearned premium provisions

Unearned premium provisions are formed for the part of gross written premium that refers to the following business year(s). These are calculated separately for individual insurance contracts using the pro rata temporis method, except for insurance policies where insurance coverage changes during their term and where the expiry of insurance coverage is agreed to be more than one year after the insurance policy is taken out. Unearned premiums are calculated both for life and non-life insurance contracts.

Claims provisions

Claims provisions are formed for claims incurred but not settled until the reporting date. Claims provisions are formed for reported claims as well as for unreported and inadequately reported claims.

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Zavarovalnica Triglav are calculated as a capitalised annuity value based on the German mortality tables of 1994 and an interest rate of 1.25%. Other insurance companies in the Triglav Group use different local mortality tables.

Provisions for incurred but not reported claims (IBNR) are calculated by means of “triangle” methods (a combination of Chain Ladder and Bornhuetter-Ferguson methods). The basis for calculation is a sample of past claims experience with appropriate allowance for future trends. For this purpose a several-year-long time series of settled claims is applied.

Additional provisions for incurred but not enough reported claims (IBNER) for annuity insurance are also formed in cases when the policyholder is a minor or a young person and the insurance company can reasonably expect that the policyholder will also submit a claim for loss of income at a certain age.

With the exception of annuities, provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on an quarterly basis.

Mathematical provisions

Mathematical provisions for life, annuity, pension and unit-linked products are calculated separately for each individual policy. For life, annuity and pension contracts in the pay-out period, a modified net premium prospective method is applied, taking into account insurance contract acquisition costs. For pension contracts in the saving period, where the nature of products makes the aforementioned method inappropriate, the retrospective net premium method is applied. The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products, additional provisions are formed for covering contractual risk payments.

All calculations allow for prudent actuarial assumption bases, the legislation in force and all liabilities to policyholders arising from contracts and the respective terms and conditions.

Mathematical provisions also contain components for discretionary benefits allocated to policyholders in the past, based on the terms and conditions of the underlying contracts.

A portion of fair value reserve of available-for-sale financial assets, which will be distributed among policyholders after maturity, is also included in mathematical provisions. The principle of shadow accounting is applied. In relation to available-for-sale financial instruments, all revaluation surpluses are accounted for in other comprehensive income upon recognition; on the balance sheet date, the transfer to mathematical provisions is made for the part that will go to the insurer upon realisation in line with the provisions of the insurance contract or internal regulations.

The applied assumptions and other parameters are presented in greater detail in [→ Section 2.6.1].

Other insurance-technical provision

Provisions for bonuses in non-life insurance are formed for the part of the premium that will be reimbursed to those beneficiaries who meet certain beneficiary criteria set out in insurance conditions (total loss ratio over the last three years, financial discipline in premium payment and total insurance premium). An annual analysis and preset criteria are used to calculate the amount of premium reimbursement.

Provisions for cancellations represent that part of unearned premiums which is expected to be reimbursed in the event of early cancellation and for which deferred acquisition costs have been formed.

Provisions for unexpired risk are formed for policies where, based on past experience, it is assumed that the amount of unearned premiums will not suffice for covering all future claims.

2.5.18. Classification of insurance and financial contracts

All products in the portfolios of the Group's subsidiaries are classified as insurance contracts since they all either bear significant insurance risk or their share of the insurance premium in the entire portfolio is insignificant. The significance is determined on the basis of additional payments upon the occurrence of a loss event. The significance of additional amounts is assessed by comparing the greatest difference between the value of the payment in the event of a loss event and the payment in other cases. The abovementioned difference must amount to at least 10 percent of the payment at the beginning of the insurance. Other contracts, including contracts on asset management and lease contracts, are not relevant for disclosure purposes.

2.5.19. Employee benefits

Employee benefits comprise provisions for jubilee and retirement benefits and unused leave. The calculation of these provisions is made by using the actuarial evaluation method, i.e. the method of the estimated relevance of units or the method including profit proportionally to the work carried out. In line with IAS 19, the calculation is based on the following actuarial assumptions:

- demographic variables (employee mortality and labour turnover),
- financial assumptions, such as:
 - the discount rate taking account of the yield of sovereign securities at the balance sheet date; and
 - future salary increases taking into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the labour market.

Provisions for unused annual leave equal the amount of the total gross wage due for the period when leave was not taken. The amounts of provisions are undiscounted.

Retirement benefits and jubilee payments are upon payment recognised as operating expenses (labour costs) in the income statement. All changes of these provisions due to payments or additional provisioning are recognised in the same way. Provision adjustments due to an increase or decrease in the current value of a liability caused by changed actuarial assumptions or experience adjustments are recognised as actuarial gains and losses in other comprehensive income, i.e. only the part arising from provisions for retirement benefits.

2.5.20 Other financial liabilities

At initial recognition financial liabilities are measured at the cost arising from relevant underlying documents. They are decreased by paid amounts and increased by accrued interest. In the financial statement financial liabilities are measured at amortised cost. Interest paid on loans taken is recognised as expense and accordingly accrued over the term of the underlying loan.

2.5.21 Operating liabilities and other liabilities

Operating liabilities and other liabilities are recognised in the statement of financial position based on the contractual obligation to pay. Operating and other liabilities are measured at cost.

2.5.22 Premium income

Net premium income is calculated on the basis of gross written premium and gross outward reinsurance premium, reduced by reinsurers' and retrocessionaires' share and adjusted depending on the change in gross provisions for unearned premiums taking into account the reinsurers' and retrocessionaires' share in provisions for unearned premiums. The invoiced premium serves as the basis for recognising gross written premium.

2.5.23 Income from financial assets

Income from financial assets arises from interest income, dividends, changes in fair value, capital gains and other financial income. In the income statement, interest income is carried at amortised cost using the effective interest rate, which does not apply to financial assets recognised at fair value through profit and loss. Income from dividends is recognised in the income statement once the

right to the payment is obtained. Income from changes in fair value arises from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss. Gains on disposal arise from the derecognition of financial assets other than those recognised at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a realised gain.

Income from financial assets includes net unrealised gains on unit-linked life insurance assets. The latter arise from changes in the fair value of unit-linked life insurance assets.

2.5.24 Other income from insurance operations

Other income from insurance operations represents fees and commission income (asset management fees, reinsurance commissions and other) and includes other income from insurance operations (income from green card sales, loss adjustment services, assistance services and other). It is recognised in the income statement once a service has been provided and/or invoiced.

2.5.25 Other income

Other income includes investment property income, income from intangible assets and property, plant and equipment, as well as other income not directly related to insurance operations and sales income from non-insurance subsidiaries. Other income is recognised in the income statement when an invoice is issued.

2.5.26 Claims incurred

Net claims represent gross claims settled (claims incurred and claim handling costs), reduced by the reinsurers' share and subrogated receivables, and adjusted by the change in gross provisions for outstanding claims, taking into account the reinsurers' share of these provisions. Claim handling costs consist of external and internal costs of assessing the eligibility and amount of claims, including court fees and charges, expert fees and subrogation recovery expenses.

Gross claims are recognised in the income statement once they have been settled.

2.5.27 Operating expenses

Gross operating costs are recognised as original expenses by natural type of cost. In the income statement these costs are classified by function. Claim handling costs are a constituent part of claims incurred, asset management costs are a constituent part of investment expense, whilst insurance contract acquisition costs and other operating costs are separately disclosed in the statement. All operating costs are disclosed by natural type and function.

2.5.28 Borrowing expenses

Borrowing expenses include interest expenses and other expenses in relation to the borrowing of financial assets. Borrowing expenses can include interest on overdraft balances and interest on loans taken, exchange rate differences related to loans taken in foreign currencies and financial expenses related to finance leases. Borrowing expenses are recognised as expenses in the period when incurred and are disclosed under expenses from financial assets and liabilities.

2.5.29 Expenses from financial assets and liabilities

Other financial expenses are interest expenses, fair value losses, net realised losses on financial assets, permanent impairment losses and other financial expenses.

In the income statement, interest expense is recognised using the effective interest method, which does not apply to the financial assets measured at fair value through profit and loss.

Expenses due to changes in fair value arise from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss.

Losses on disposal arise from the derecognition of financial assets other than those measured at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a loss incurred.

Expenses from financial assets include net unrealised losses on unit-linked life insurance assets. These expenses reflect the change in the fair value of unit-linked insurance assets.

2.5.30 Other insurance expenses

Other insurance expenses include management fees, losses arising from the impairment of receivables, fire protection tax, prevention expenses and other insurance-related expenses. Other insurance expenses are recognised in the income statement once a service is provided.

2.5.31 Other expenses

Other expenses comprise other expenses not directly arising from insurance operations and operating expenses of non-insurance companies. Other expenses are recognised in the income statement once a service is provided.

2.5.32 Leases

A lease is a contractual arrangement under which the lessor transfers the right to use an asset for an agreed time period to the lessee in exchange for a payment.

In cases when the Group acts as the lessor, the lease is classified as a finance lease, if under the terms and conditions of such a lease the practically all risks and benefits incident to ownership of the leased asset are transferred to the lessee. When an asset is subject to a finance lease, the net value of the lease is recognised as a receivable. During the term of the lease financial income is recognised as a constant periodic return on the net investment in the finance lease.

In cases where the Group acts as a lessee, the tangible fixed assets acquired under a finance lease are carried at the lower of fair value or the present value of minimum payments to the end of the lease, less accumulated depreciation and impairment losses. These assets are depreciated for the duration of their useful life. In the absence of reasonable assurance that the lessee will acquire ownership before the end of the term of the financial lease, the relevant fixed assets have to be depreciated for the duration of the term of the financial lease or for the duration of their useful life, whichever is shorter.

Any lease that is not a finance lease is treated as an operating lease. For an operating lease, the book value of the leased asset is increased by the initial direct expenses incurred in relation to lease brokerage and recognised for the duration of the term of the lease on the same basis as lease income. Rents are recognised as income in the time period when generated.

2.5.33 Taxes

Tax expense for the year comprises current and deferred tax. Deferred tax is calculated for all temporary differences between the amounts of assets and liabilities used for taxation and their carrying amount. The impact of the recognition of deferred tax receivables or liabilities is disclosed as income or expense in the income statement, excluding taxes charged on a business event recognised under other comprehensive income.

In the Republic of Slovenia, current income tax is charged at a 19% tax rate and in other countries where subsidiaries operate at tax rates enacted by local tax laws (as shown in [→ *Section 2.7*]). The same applies to the calculation of deferred taxes.

In consolidation, temporary differences may be recognised, arising either from the difference between the official financial statements of a subsidiary and those adjusted for consolidation purposes, or from consolidation procedures.

2.6 Main assumptions

2.6.1 Parameters and assumptions in calculating life insurance provisions

Life and annuity insurance

For life and annuity insurance contract liabilities valuation, a modified prospective net premium method is applied by taking into account insurance acquisition costs, all of the contractual obligations and the previously allocated surplus. The insurance technical parameters used by the method are either the same as those used for calculating insurance premiums or corrected so as to reflect the subsequent circumstances which increase the value of liabilities. A correction to reflect the current circumstances applies to the annuity insurance products of Zavarovalnica Triglav, where the relevant liabilities are valued on the basis of rather conservative mortality tables and a prudently set lower interest rate. The relevant liabilities of Zavarovalnica Triglav are valued on the basis of rather conservative Slovenian mortality tables SIA65 from 2010 and an interest rate of 2.9% p.a. for the contracts containing a fixed interest rate guarantee of 3.25% or more.

The guaranteed technical interest rate used for valuation ranges between 0.75% p.a. and 5% p.a. The calculation takes into account insurance contract acquisition costs below the legally imposed level of 3.5% of the sum insured under life insurance policies.

Voluntary pension insurance

During the accumulation period, mathematical provisions are evaluated using the retrospective method. This method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, the guaranteed interest rate and the additional allocated surplus made to individual accounts arising from profit sharing. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

Voluntary pension insurance belongs to the group of insurance contracts, as it includes the option of discretionary participation in the profits from the long-term business fund. Moreover, for the majority of voluntary pension insurance contracts the annuity factors are guaranteed and defined at the time of underwriting.

The insurance technical parameters used in the calculation are either the same as those used when underwriting a policy, or they are adapted to the circumstances expected in the pension annuity pay-out period in the event these circumstances are worse than those taken into account in the premium calculation. The guaranteed technical interest rate used for the valuation of liabilities during the premium payment period ranges between 0.75% p.a. and 4.5% p.a. For the pension annuity pay-out period, a prudently set lower interest rate of 2.9% is applied to contracts containing a fixed interest rate guarantee of 3.25% or more. For the purpose of valuing its liabilities during the pay-out period of pension annuities bearing an interest rate from 1.0% p.a. to 2.9% p.a. the Company applies Slovenian mortality tables SIA65 from 2010.

Supplementary voluntary pension insurance

During the accumulation period, mathematical provisions are evaluated using the retrospective method. The method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, guaranteed interest rates and the additional allocated surplus made to individual accounts arising from extra returns on funds. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

The technical parameters used are either the same as those used when underwriting a policy or adjusted due to circumstances which will change later and increase the value of liabilities – primarily when valuing liabilities arising from

pension annuity pay-outs. For the purpose of valuing its liabilities the Company applies Slovenian mortality tables SIA from 2010. During the accumulation period, the insurance companies of the Group guarantee a minimum annual return on net premiums paid, equalling 50% of the average annual interest rate on government securities with a maturity of over one year (figures published by the Ministry of Finance of the Republic of Slovenia). During the annuity pay-out period, the insurance companies value their liabilities at an interest rate ranging from 1.0% to 2.9%.

Unit-linked insurance

The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products, additional provisions are formed to cover contractual risk payments under basic and additional policies and additional insurance-technical provisions are established to cater for credit risk.

2.6.2 The liability adequacy test (LAT) for life insurance

The purpose of LAT is to verify the adequacy of provisioning for life insurance. The test consists of comparing the amount of provisions with the best estimate of provisions, arrived at on the basis of the present value of the best estimate of the future expected contractual and other cash flows. The calculation is performed for each separate contract while the results are aggregated on the level of homogenous groups. The test is based on a unified methodology that determines, among others, the grouping of policies into homogenous groups, the choice of risk-free discount rates and the type of cash flows being modelled. The portfolio balance is tested as at the last day of the business year.

Insurance contracts are segmented into homogenous groups which feature similar risks and are kept within the same portfolio. As a rule, insurance contracts are grouped according to their insurance classes:

- traditional life insurance,
- unit-linked life insurance,
- supplemental voluntary pension insurance during the accumulation period,
- supplemental voluntary pension insurance during the pension annuity pay-out period.

The cash-generating unit or the insurance company are also considered a homogeneous group. Any deficit is determined at the level of the individual insurance company. If the test shows that the liabilities are insufficient, the total amount of the difference is recognised as an increase in provisions and an expense in the income statement.

Parameters and assumptions applied to life insurance

Mortality, longevity and morbidity assumptions

Assumptions regarding mortality, longevity and morbidity rates are based on internal analysis of the company's life insurance portfolio, on the data of national statistical offices, the data of reinsurers and other sources.

Persistency

The model uses the probability of an early termination of the insurance contract or discontinuation of premium payments determined on the basis of the analysis of early terminations of life insurance contracts in the past years. The Group continuously monitors the persistency of insurance policies by duration and type of insurance, and adapts their assumptions accordingly.

Expenses

The calculation takes into account policy handling/maintenance expenses, claim handling expenses and asset management expenses, as defined on the basis of an analysis of the individual company's expenses in preceding years. Estimated future expenses are increased every year in line with the expected inflation rate.

Increasing insurance premiums

In the case of insurance policies for which the monthly premium directly or indirectly follows the increase in salaries, the increase is calculated in line with the expected inflation rate.

Expected returns and discount interest rates

The applied methodology sets out that the yield curve should reflect the yield of government securities denominated in the same currency as the currency of insurance policy benefits. For the purpose of the LAT test:

- the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2017 was applied to Zavarovalnica Triglav d.d., Triglav Osiguranje d.d., Sarajevo, and Lovćen životna osiguranja a.d. The reference value for a period of 10 years is 0.85%;
- the yield curve of Croatian sovereign debt securities denominated in euros as at 31 December 2017 was applied to Triglav Osiguranje, Zagreb. The reference value for a period of 10 years is 2.46%;
- The yield curve of Serbian sovereign debt securities denominated in euros was applied for Triglav Osiguranje Belgrade a.d. (the reference value for a period of 10 years is 4.31%) as well as in Serbian dinars (the reference value for a period of 10 years is 5.47%) as at 31 December 2017.
- In the calculation of liabilities for Skupna pokojninska družba, the following estimated annual net rates of return on funds in personal accounts were used:
 - 4.00% for DKS guarantee fund;
 - 3.00% for MKS guarantee fund;
 - 2.25% for OKS guarantee fund.

Profit participation

The determination of the profit participation rate is at the discretion of each Group member and regulated by internal rules. The estimated future allocation of surpluses are in line with the expected performance, the previous profit allocation rates and the policyholders' reasonable expectations.

In the model, profit is allocated in an excess of the technical interests for with-profit policies. The allocation is determined on the basis of the mathematical provisions as at the end of the financial year.

Annuity factor guarantee

The liability adequacy test allows for the possibility of a change in annuity factors by the insurer in the event of insurance policies for which the mortality forecasts indicate that life expectancy is likely to increase to such an extent that the contract conditions justify such a change. For Zavarovalnica Triglav the calculation also takes into account the assumption that 62% of supplemental voluntary pension insurance policyholders and 85% of voluntary pension insurance policyholders will choose to receive a pension annuity, while the rest will opt for a lump-sum payout. In the calculation for Skupna pokojninska družba, it is additionally taken into account that 60% of the policyholders will opt to receive pension annuity upon meeting the applicable conditions.

Results of the liability adequacy test for life insurance

Liability adequacy tests based on available data show that the level of provisions formed by the insurance companies of the Group were adequate.

The only exception are the guarantee funds backing supplemental voluntary pension insurance during the period of annuity payments by Zavarovalnica Triglav, showing a deficit of EUR 4,849,379 as at 31 December 2017. The insurance company has set aside sufficient insurance technical provisions to offset this deficit.

Sensitivity analysis of LAT test to parameter changes

The valuation of liabilities depends on variables such as mortality, lapse rate, operating costs and the estimated percentage of policyholders deciding to opt for a pension annuity. Parameters are sensitivity tested in order to assess the impact of changes to the above-mentioned variables on future liabilities, the level of provisions and net profit or loss for the year. The changes represent reasonable potential changes in the parameters which could significantly impact the performance of the company.

Individual sensitivity analyses always take into account the change of a selected parameter with all the remaining variables unchanged without accounting for the value of assets backing the liabilities.

The changes under consideration were:

- an increase in mortality rates by 10%,
- a decrease in longevity rates by 10%,
- an increase in lapse rates by 10%,
- a decrease in lapse rates by 10%,
- an increase in expenses by 10%.

The table below shows how the changes of individual parameters increase the provision deficit.

					in EUR
Change in provisions due to changed parameters	Zavarovalnica Triglav	Triglav Osiguranje, Zagreb	Triglav Osiguranje, Sarajevo	Triglav Osiguranje, Beograd	Lovćen životna osiguranja
An increase in mortality rates by 10%	-873,455	0	0	0	0
A decrease in mortality rates by 10%	959,022	0	0	0	0
An increase in lapse rates by 10%	0	0	0	0	0
A decrease in lapse rates by 10%	0	0	0	0	0
An increase in expenses by 10%	284,611	0	0	0	0

2.6.3 Parameters and assumptions in calculating non-life insurance provisions

The unearned premium for most insurance policies is calculated pro-rata temporis, assuming a uniform distribution of claims frequency during the term of insurance contracts. Insurance policies with a variable sum insured are the exception to this rule. These policies include credit insurance, since the insurance cover in such cases gradually decreases, and construction and erection insurance, where the insurance cover rises. For such type of insurance, the calculation of unearned premiums is based on the assumption of a constant claim frequency throughout the duration of the insurance contract and variable insurance cover.

In general, the claims provisions are calculated as the sum of total claims reported but not settled and incurred but not reported (IBNR) claims. The majority of provisions for incurred but not reported claims are calculated using the run-off triangle method. Previous experience shows that claims from mass loss events, such as hail, floods and storms, are reported with considerable delay. None of the standard actuarial methods for determining the amount of IBNR claims after mass loss events is suitable for calculating these claims. Such claims can represent a significant part of total incurred but not reported claims. In order to ensure an up-to-date calculation of the actual amount of claims after mass loss events, additional provisions for IBNR or insufficiently reported claims after mass loss events are formed, based on a joint assessment by actuaries and the department in charge of insurance claims.

Claims provisions also include provisions for annuities in the case of liability insurance. Provisions for these claims were calculated as a capitalised annuity value as at the cut-off date based on applicable mortality tables and an interest rate of 1.25%.

2.6.4 Liability adequacy test (LAT) for non-life insurance

The insurance companies of the Group form reserves for unexpired risks for those lines of business where the expected loss ratio exceeds 100%. Additional reserves for unexpired risks are calculated as a product of unearned premiums and the difference between the value of the loss ratio and 100%.

Additional tests are performed to check the adequacy of the unearned premiums and unexpired risk reserves. The amounts of future gross claims and gross claim handling costs are applied in these tests and compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs.

The results of tests show that the level of unearned premiums reserves, together with the level of unexpired risk reserves, is sufficient. Additional provisions were not necessary to create.

2.6.5 Parameters and assumptions applied in measuring the value of financial income from other investing activities

Valuation of investments in subsidiaries

Zavarovalnica Triglav recognises its subsidiary holdings in separate financial statements, measured at historical cost. The impairment recognition is based on IAS 36 which provides the recoverable amount of an asset or a cash-generating unit as the higher of the two items:

- its fair value less costs to sell; or
- its value in use.

The valuation was made in compliance with the International Valuation Standards (IVS 2011).

When recognising an impairment, it is first ascertained whether there are any indications of impairment. In this exercise, indications from external sources of information (significant changes in the environment with an adverse effect on the entity, changes in market interest rates and return on investment of assets likely to affect the recoverable amount of assets, unexpected drops in market values of assets) and indications from internal sources of information (statutory changes, changes in the management and scope of operations, poorer performance of the company) are considered. In the event there are objective signs of impairment, the recoverable amount is assessed.

Indicator tests and impairment tests are carried out by external certified and internal business appraisers applying internal valuation models.

The valuation procedure includes at a minimum:

- general environment analysis of a company (macroeconomic and institutional);
- specific environment analysis (insurance market);
- business model and business operations analysis;
- analysis of a company's competitive position in the insurance market;
- analysis of plan attainment in terms of planning adequacy and realisation potential;
- choice of suitable valuation methodology and methods in consideration of standards, purpose (accounting purposes) and scope of valuation (including insurance class);
- derivation and assessment of assumptions in accordance with the analysis;
- derivation of cost of capital based on market parameters (time value, all relevant risks);
- valuation;
- assumption sensitivity analysis of a valuation and relevance analysis of the resulting range of valuations.

The key assumptions and sources applied in valuation included:

- information on the environment acquired from the European Central Bank, statistical offices, International Monetary Fund (IMF), supervisory bodies and other regulators;
- profit/loss and financial position estimates for 2017 and business plans of individual companies for 2017 as approved by their supervisory bodies as well as strategic plans of individual companies for the 2018-2021 period, if available;
- documentation and information acquired from the management and other key persons for company valuation;
- professional assessments by internal departments of Zavarovalnica Triglav and subsidiaries of Triglav Group.

In 2017, the impairment indications of financial investments in all insurance and non-insurance subsidiaries and Triglav INT d.d., Ljubljana were tested. No impairment indications were identified. The need for impairment of investments in subsidiaries of the Triglav INT, d.d. was not identified.

Valuation of financial income from other investing activities

The valuation methods and the assumptions used for measuring the value of non-tradable financial assets are described under [→ 5.1.2].

2.7 Consolidation and Triglav Group

Basis for consolidation

In accordance with the requirements of IFRS 10, the consolidated financial statements of the Triglav Group include all companies directly or indirectly controlled by Zavarovalnica Triglav. Zavarovalnica Triglav is deemed to have control over a company, when the following three conditions are met:

- the controlling company has influence over the entity;
- the controlling company is exposed to, or has rights, to variable returns from its involvement in the entity;
- through its power over the entity, the controlling party has the ability to affect those returns.

Subsidiaries have been included in the consolidated financial statements using the full consolidation method, from the date when effective control was transferred to the Group. In the process of full consolidation, the carrying amount of the financial investment by the controlling company in each individual subsidiary and the controlling company's portion of equity of each subsidiary are offset (eliminated). Intragroup assets and liabilities as well as income and expenses relating to transactions between entities of the Triglav Group are also eliminated in full.

Goodwill can arise from the acquisition of a subsidiary and is recognised in the consolidated financial statements as the excess of the aggregate of the consideration transferred, measured at fair value, over the net amounts of the identifiable assets acquired and the liabilities assumed. In case the difference is negative, the profit will be recognised in full in the income statement.

In case Zavarovalnica Triglav disposes of a subsidiary or loses control over it, such a subsidiary is de-consolidated from the date on which control ceases. All gains and losses arising from deconsolidation are recognised as profit or loss in the consolidated income statement.

Financial statements of Zavarovalnica Triglav and its subsidiaries used in the preparation of the consolidated financial statements all refer to the same reporting date.

All companies within the Triglav Group apply uniform accounting policies. In case the accounting policies of a particular subsidiary differ from the policies applied by the Group, appropriate adjustments are made to the financial statements of the subsidiary prior to the compilation of the consolidated financial statements to ensure compliance with the accounting policies of the Triglav Group.

In the consolidated financial statements, the profit/loss and other comprehensive income are attributed also to non-controlling interests. In case the equity stake of non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to the owners of the controlling company.

Members of Triglav Group¹¹¹

No.	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		VALUE OF EQUITY AS AT 31 DECEMBER (in EUR)	
					2017	2016	2017	2016	2017	2016
1	Pozavarovalnica Triglav RE d.d.	Miklošičeva 19, Ljubljana, Slovenia	19	Reinsurance	100.00	100.00	100.00	100.00	82,010,418	81,328,213
2	Triglav, Zdravstvena zavarovalnica d.d.	Pristaniška 10, Koper, Slovenia	19	Insurance	100.00	100.00	100.00	100.00	30,986,326	29,592,588
3	Triglav Osiguranje d.d., Zagreb	Antuna Heinza 4, Zagreb, Croatia	18	Insurance	100.00	99.91	100.00	99.91	29,014,630	27,419,102
4	Triglav Osiguranje d.d., Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	10	Insurance	97.78	68.94	98.87	78.71	21,454,439	22,658,656
5	Lovčen Osiguranje a.d., Podgorica	Slobode 13a, Podgorica, Montenegro	9	Insurance	96.59	96.47	96.59	96.47	8,811,540	7,770,568
6	Lovčen životna osiguranja a.d., Podgorica	Marka Miljanova 29/III, Podgorica, Montenegro	9	Insurance	96.59	96.47	96.59	96.47	2,644,428	2,382,768
7	Triglav Osiguranje a.d.o., Beograd	Milutina Milankovića 7a, Novi Beograd, Serbia	15	Insurance	99.88	99.88	99.88	99.88	16,200,927	13,521,384
8	Triglav Osiguranje a.d., Banja Luka	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Insurance	100.00	100.00	100.00	100.00	3,748,175	3,494,592
9	Triglav Osiguruvanje a.d., Skopje	Bulevar 8—mi Septemvri 16, Skopje, Macedonia	10	Insurance	79.94	73.38	79.94	73.38	13,604,323	12,139,218
10	Triglav Osiguruvanje Život a.d., Skopje	Bulevar sv. Kiril i Metodij 18, Skopje, Macedonia	10	Insurance	95.99	-	95.99	-	4,856,501	-
11	Skupna pokojninska družba d.d.	Trg republike 3, Ljubljana, Slovenia	19	Fund management	71.87	71.87	71.87	71.87	17,546,852	16,432,337
12	Triglav INT d.d.	Dunajska 22, Ljubljana, Slovenia	19	Holding company	100.00	100.00	100.00	100.00	63,578,265	65,755,704
13	Triglav Skladi d.o.o.	Slovenska 54, Ljubljana, Slovenia	19	Fund management	67.50	67.50	100.00	100.00	43,112,426	38,196,737
14	Triglav Avtoservis d.o.o.	Verovškova 60b, Ljubljana, Slovenia	19	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	64,954	63,854
15	Triglav Svetovanje d.o.o.	Ljubljanska 86, Domžale, Slovenia	19	Insurance agency	100.00	100.00	100.00	100.00	547,383	519,117
16	Salnal d.o.o. ¹¹²	Slovenska 54, Ljubljana, Slovenia	19	Real estate management	-	100.00	-	100.00	-	15,147,112
17	AKM Nepremičnine d.o.o.	Plemljeva 8, Ljubljana, Slovenia	19	Retail trade	100.00	100.00	100.00	100.00	3,987,601	3,870,822
18	Golf Arboretum d.o.o.	Volčji potok 43g, Radomlje, Slovenia	19	Sport facilities management	80.10	80.10	80.10	80.10	379,001	456,742
19	Triglav Upravljanje Nepremičnin d.d.	Dunajska 22, Ljubljana, Slovenia	19	Real estate management	100.00	100.00	100.00	100.00	34,552,246	33,694,052
20	Triglav Savjetovanje d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	10	Insurance agency	98.91	89.57	98.91	89.57	68,153	40,362
21	TRI-LIFE d.o.o., Zagreb	Republike Austrije 1, Zagreb, Croatia	18	Insurance	100.00	99.96	100.00	99.96	-260,976	-156,907
22	Triglav Savetovanje d.o.o., Beograd	Milutina Milankovića 7a, Novi Beograd, Serbia	15	Insurance agency	99.94	99.94	99.94	99.94	-39,704	32,317
23	Autocentar BH d.o.o.	Grbavička 14c, Sarajevo, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	97.78	68.94	98.87	78.71	1,717,726	1,599,543
24	Unis automobili i dijelovi d.o.o.	Mehmeda ef. Pandze 13, Sarajevo, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	97.78	65.62	98.87	78.71	133,394	193,300
25	Sarajevostan d.o.o.	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	10	Real estate management	90.95	61.04	91.97	73.22	3,302,360	3,333,285
26	Lovčen Auto AD, Podgorica	Novaka Miloševa 6/2, Podgorica, Montenegro	9	Maintenance and repair of motor vehicle	96.59	96.47	96.59	96.47	897,843	574,441
27	Triglav Auto d.o.o.	Trg srpskih junaka 4, Banjaluka, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicle	100.00	100.00	100.00	100.00	1,023	1,023
28	Triglav upravljanje nekretninama d.o.o., Zagreb	Republike Austrije 1, Zagreb, Croatia	18	Real estate management	100.00	100.00	100.00	100.00	3,258,264	3,282,127
29	Triglav upravljanje nekretninama d.o.o., Podgorica	Džordža Vašingtona 44, Podgorica, Montenegro	9	Real estate management	100.00	100.00	100.00	100.00	3,299,284	3,317,918
30	PROF-IN d.o.o.	Svetozara Markovića 515, Banja Luka, Bosnia and Herzegovina	10	Fund management	62.54	62.54	62.54	62.54	3,442,397	3,208,378
31	Hotel Grad Podvin d.d.	Miklošičeva 19, Ljubljana, Slovenia	19	Tourism	100.00	100.00	100.00	100.00	647,225	411,304
32	Zavod Vse bo v redu	Miklošičeva 19, Ljubljana, Slovenia	19	Insitute for corporate social responsibility	100.00	100.00	100.00	100.00	100,000	100,000

¹¹¹ The companies listed under numbers 1 to 29 have been included in the consolidated financial statements using the full consolidation method. The companies listed under numbers 30 to 32 have not been included using the full consolidation method, as they are not of importance to the Group. GRI GS 102-45¹¹² The company was wound-up through a fast-track procedure without liquidation. Details can be found below.

Summary financial information on subsidiaries

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

Non-controlling interests in the companies of the Triglav Group

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

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

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

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

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

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

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

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

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

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

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

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

Establishment of Trigal d.o.o., Ljubljana

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

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

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

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

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

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

3. Notes to the Statement of Financial Position

The Group did not pledge any intangible assets as collateral. As at 31 December 2017, trade payables for intangible assets amounted to EUR 7,942,679 (vs. EUR 3,691,710 as at 31 December 2016).

The amortisation for the current year is split between several items of the income statement. For details, see expenses by nature and function in [→ Section 4.12].

As at 31 December 2017, intangible assets with an indefinite useful life amounted to EUR 9,368 and remained the same compared to previous year. The amount refers to a licence issued for an indefinite period.

The Group has no individual intangible assets of material value to the consolidated financial statements.

3.1 Intangible assets

Triglav Group

	in EUR				
	Goodwill	Deferred acquisition cost	Licences and software	Intangible assets in course of acquisition	Total
COST					
As at 1 January 2016	0	38,539,891	61,938,477	3,296,667	103,775,035
– transfer in use	0	0	3,174,369	-3,174,369	0
– purchases	0	0	3,609,266	4,558,420	8,167,686
– disposals	0	0	-1,004,360	0	-1,004,360
– reclassification	0	0	-23,760	23,760	0
– increase	0	2,286,195	0	0	2,286,195
– decrease	0	-571,686	0	0	-571,686
– change in Group*	0	0	-844,285	0	-844,285
– exchange rate difference	0	-49,267	-25,002	871	-73,398
As at 31 December 2016	0	40,205,132	66,824,704	4,705,350	111,735,186
– transfer in use	0	0	4,340,461	-4,340,461	0
– purchases	0	0	6,840,179	2,937,072	9,777,251
– disposals	0	0	-2,427,072	-7,006	-2,434,078
– increase	0	2,247,422	0	0	2,247,422
– decrease	0	-535,812	-26,423	0	-562,235
– exchange rate difference	0	204,726	195,483	1,649	401,858
As at 31 December 2017	0	42,121,469	75,747,332	3,296,603	121,165,404
ACCUMULATED AMORTISATION					
As at 1 January 2016	0	0	-33,642,702	0	-33,642,702
– current year amortisation	0	0	-6,122,877	0	-6,122,877
– disposals	0	0	1,004,360	0	1,004,360
– impairment	0	0	0	0	0
– change in Group*	0	0	832,264	0	832,264
– exchange rate difference	0	0	17,359	0	17,359
As at 31 December 2016	0	0	-37,911,595	0	-37,911,595
– current year amortisation	0	0	-6,419,854	0	-6,419,854
– disposals	0	0	2,106,711	0	2,106,711
– impairment	0	0	26,423	0	26,423
– exchange rate difference	0	0	-126,475	0	-126,475
As at 31 December 2017	0	0	-42,324,789	0	-42,324,789
CARRYING AMOUNT					
As at 31 December 2016	0	40,205,132	28,913,109	4,705,350	73,823,588
As at 31 December 2017	0	42,121,469	33,422,543	3,296,603	78,840,612

* The change at Group level refers to the liquidation of the company Pista d.o.o., Belgrade and the disposal of the company Slovenijales Trgovina, d.d.

Zavarovalnica Triglav

				in EUR
	Deferred acquisition costs	Licenses and software	Intangible assets in course of acquisition	Total
COST				
As at 1 January 2016	28,140,815	43,990,314	2,636,333	74,767,462
– transfer in use	0	2,633,300	-2,633,300	0
– purchases	0	2,074,609	3,894,021	5,968,630
– disposal	0	-919,075	0	-919,075
– increase	1,364,004	0	0	1,364,004
– decrease	0	0	0	0
As at 31 December 2016	29,504,819	47,779,148	3,897,054	81,181,021
– transfer in use	0	2,963,410	-2,963,410	0
– purchases	0	6,245,009	1,594,706	7,839,715
– disposal	0	-2,236,406	0	-2,236,406
– increase	1,155,153	0	0	1,155,153
– decrease	0	0	0	0
As at 31 December 2017	30,659,972	54,751,161	2,528,350	87,939,483
ACCUMULATED AMORTISATION				
As at 1 January 2016	0	-21,623,816	0	-21,623,816
– amortisation	0	-4,591,711	0	-4,591,711
– disposal	0	919,075	0	919,075
As at 31 December 2016	0	-25,296,452	0	-25,296,452
– amortisation	0	-5,089,004	0	-5,089,004
– disposal	0	2,232,258	0	2,232,258
As at 31 December 2017	0	-28,153,198	0	-28,153,198
CARRYING AMOUNT				
As at 31 December 2016	29,504,819	22,482,696	3,897,054	55,884,567
As at 31 December 2017	30,659,972	26,597,963	2,528,350	59,786,283

Zavarovalnica Triglav did not pledge any intangible assets as collateral. As at 31 December 2017, trade payables for intangible assets amounted to EUR 7,819,176 (vs. EUR 2,896,500 as at 31 December 2016).

The amortisation for the current year is split between several items of the income statement. For details, see expenses by nature and function in [→ Section 4.12]. Change in deferred acquisition costs is recognised as a change in unearned premium provision in the income stated, as stated in [→ Section 4.1].

As at 31 December 2017, intangible assets with an indefinite useful life amounted to EUR 9,368, the same as in 2016. The amount refers to a licence issued for an indefinite period.

Zavarovalnica Triglav has no individual intangible assets that are material to the financial statements. Gross amount of fully depreciated intangible assets still in use represents 26.78% of the total gross amount of intangible assets.

3.2. Property, plant and equipment

Triglav Group

	in EUR				
	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2016	22,979,427	119,985,838	64,147,463	2,794,642	209,907,370
– transfer in use	0	1,115,804	931,505	-2,047,309	0
– purchases	23,903	820,834	3,510,543	1,784,120	6,139,400
– disposals	-114,600	-157,640	-6,990,584	0	-7,262,824
– impairment	0	-44,830	-198,321	0	-243,151
– transfer from investment property	0	2,759,537	0	0	2,759,537
– transfer to investment property	-11,406,033	-3,859,467	0	-230,897	-15,496,397
– exchange rate differences	44,468	107,325	-5,538	-30	146,225
As at 31 December 2016	11,527,165	120,727,400	61,395,068	2,300,526	195,950,160
– transfer in use	0	1,232,748	1,049,008	-2,281,756	0
– purchases	0	751,121	5,329,862	3,214,641	9,295,624
– disposals	-21,827	0	-4,895,991	0	-4,917,818
– impairment	0	0	-140,362	0	-140,362
– transfer from investment property	199,335	424,072	42,531	0	665,938
– exchange rate differences	69,673	446,756	174,410	688	691,527
As at 31 December 2017	11,774,345	123,582,099	62,954,526	3,234,099	201,545,069
ACCUMULATED DEPRECIATION					
As at 1 January 2016	0	-33,839,016	-54,257,994	0	-88,097,009
– depreciation for the current year	0	-2,226,223	-4,353,370	0	-6,579,593
– disposals	0	65,516	6,252,788	0	6,318,304
– impairment	0	-198,187	149,031	0	-49,156
– transfer from investment property	0	0	0	0	0
– transfer to investment property	0	406,982	0	0	406,982
– exchange rate differences	0	-14,197	-2,059	0	-16,256
As at 31 December 2016	0	-35,805,127	-52,211,605	0	-88,016,732
– depreciation for the current year	0	-2,296,475	-4,320,260	0	-6,616,735
– disposals	0	0	4,429,546	0	4,429,546
– impairment	0	0	144,371	0	144,371
– transfer from investment property	0	-79,108	1,719	0	-77,389
– exchange rate differences	0	-77,489	-120,209	0	-197,698
As at 31 December 2017	0	-38,258,199	-52,076,438	0	-90,334,637
CARRYING AMOUNT					
As at 31 December 2016	11,527,165	84,922,273	9,183,463	2,300,526	107,933,428
As at 31 December 2017	11,774,345	85,323,900	10,878,088	3,234,099	111,210,437

As at the reporting period, no property, plant and equipment were pledged as collateral by the Group. Companies within the Group have financial leases on equipment totalling EUR 714 thousand.

The depreciation charge for the current year is disclosed in several items of the income statement, as income statement expenses are recorded by functional group, as described in [→ *Section 2.5.27*]. For details, see expenses by nature and function in [→ *Section 4.12*].

A comparison between the carrying amounts and the fair values of own-account buildings and land is given below.

	in EUR	
	31 Dec. 2017	31 Dec. 2016
Carrying amount	97,098,245	96,449,438
Estimated fair value	96,640,382	100,936,975

Zavarovalnica Triglav

	in EUR				
	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2016	5,499,662	77,204,792	41,134,799	770,872	124,610,125
– transfer in use	0	448,838	343,675	-792,513	0
– purchases	0	796,457	1,858,620	482,299	3,137,376
– disposal	0	-10,526	-3,128,466	0	-3,138,992
As at 31 December 2016	5,499,662	78,439,561	40,208,628	460,658	124,608,509
– transfer in use	0	952,091	261,763	-1,213,854	0
– purchases	0	156,907	3,455,373	1,110,570	4,722,850
– disposal	0	0	-3,444,724	0	-3,444,724
– transfer from investment property	122,298	421,769	0	0	544,067
As at 31 December 2017	5,621,960	79,970,328	40,481,040	357,374	126,430,702
ACCUMULATED DEPRECIATION					
As at 1 January 2016	0	-22,748,690	-34,826,440	0	-57,575,130
– depreciation for the current year	0	-1,294,290	-2,441,633	0	-3,735,923
– disposal	0	2,807	2,930,194	0	2,933,001
As at 31 December 2016	0	-24,040,173	-34,337,879	0	-58,378,052
– depreciation for the current year	0	-1,317,851	-2,445,087	0	-3,762,938
– disposal	0	0	3,237,065	0	3,237,065
As at 31 December 2017	0	-25,358,024	-33,545,901	0	-58,903,925
CARRYING AMOUNT					
As at 31 December 2016	5,499,662	54,399,388	5,870,749	460,658	66,230,456
As at 31 December 2017	5,621,960	54,612,304	6,935,139	357,374	67,526,775

Zavarovalnica Triglav did not pledge any property, plant and equipment as collateral.

The depreciation for the current year is split between several items of the income statement. For details, see expenses by nature and function in [[→ Section 4.12](#)]. As at 31 December 2017, trade payables for property, plant and equipment amounted to EUR 1,933,129 (vs. EUR 868,146 as at 31 December 2016). Gross amount of fully depreciated property, plant and equipment still in use represents 25.27% of the total gross amount of property, plant and equipment.

Fair values of land and buildings are shown in the table below.

	in EUR	
	31 Dec 2017	31 Dec 2016
Carrying amount	60,234,264	59,899,050
Estimated fair value	61,295,538	63,092,680

3.3 Investment property

Triglav Group

	in EUR			
	Land	Buildings	IP in course of acquisition	Total
COST				
As at 1 January 2016	13,516,877	68,637,046	16,491,023	98,644,946
– transfer in use	1,775,220	15,609,540	-17,384,760	0
– purchases	359,734	435,933	18,225,274	19,020,941
– disposals	-3,745,106	-11,368,949	-1,242,834	-16,356,889
– impairment	0	-213,450	0	-213,450
– reclassification	17,556	-17,556	0	0
– transfer to property, plant and equipment	0	-3,370,383	0	-3,370,383
– transfer from property, plant and equipment	11,406,033	3,859,467	230,897	15,496,397
– exchange rate difference	29,501	-35,477	-11,634	-17,610
As at 31 December 2016	23,359,815	73,536,171	16,307,966	113,203,952
– transfer in use	2,409,440	1,330,563	-3,740,003	0
– purchases	34,291	205,704	3,296,771	3,536,766
– disposals	-340,418	-1,944,949	0	-2,285,367
– impairment	0	-34,018	0	-34,018
– transfer to non-current assets held for sale	-651,645	-1,058,341	0	-1,709,986
– transfer to property, plant and equipment	-186,382	-479,556	0	-665,938
– exchange rate difference	23,338	62,262	0	85,600
As at 31 December 2017	24,648,439	71,617,835	15,864,729	112,131,003
ACCUMULATED DEPRECIATION				
As at 1 January 2016	0	-19,169,663	0	-19,169,663
– depreciation for the current year	0	-1,465,078	0	-1,465,078
– disposals	0	3,061,165	0	3,061,165
– impairment	0	0	0	0
– transfer to property, land and equipment	0	610,846	0	610,846
– transfer from property, plant and equipment	0	-406,982	0	-406,982
– exchange rate difference	0	8,480	0	8,480
As at 31 December 2016	0	-17,361,232	0	-17,361,232
– depreciation for the current year	0	-1,413,250	0	-1,413,250
– disposals	0	718,278	0	718,278
– impairment	0	-147,152	0	-147,152
– transfer to non-current assets held for sale	0	13,229	0	13,229
– transfer to property, plant and equipment	0	77,389	0	77,389
– exchange rate difference	0	-10,785	0	-10,785
As at 31 December 2017	0	-18,123,526	0	-18,123,526
CARRYING AMOUNT				
As at 31 December 2016	23,359,815	56,174,939	16,307,966	95,842,720
As at 31 December 2017	24,648,439	53,494,309	15,864,729	94,007,483

The Group leases its investment properties, i.e. individual business premises. All leasing agreements, stipulated for an initial period from one to ten years, may be rescinded at any moment. Rents do not include conditional rents.

All investment property income relates exclusively to rents and is shown in the income statement under the item »Other income« (see [→ Section 4.7]). All investment property expenses relate to depreciation and maintenance costs arising from the investment property and are shown in the income statement under the item »Other expenses« (see [→ Section 4.14]). Fair value is disclosed below.

	in EUR	
	31 Dec 2017	31 Dec 2016
Carrying amount	94,007,483	95,842,720
Estimated fair value	101,439,216	95,095,996

Zavarovalnica Triglav

	in EUR			
	Land	Buildings	IP in course of acquisition	Total
COST				
As at 1 January 2016	5,605,081	38,722,951	16,333,556	60,661,588
– purchases	0	269,987	0	269,987
– disposal	-819,312	-975,674	-1,085,367	-2,880,353
– reclassification	17,556	-17,556	0	0
As at 31 January 2016	4,803,325	37,999,708	15,248,189	58,051,222
– transfer in use	0	480,059	-480,059	0
– purchases	0	28,311	612,751	641,062
– disposal	-36,186	-1,126,922	0	-1,163,108
– transfer to property, plant and equipment	-109,345	-434,722	0	-544,067
As at 31 December 2017	4,657,794	36,946,434	15,380,881	56,985,109
ACCUMULATED DEPRECIATION				
As at 1 January 2016	0	-7,790,776	0	-7,790,776
– depreciation	0	-862,580	0	-862,580
– disposal	0	213,554	0	213,554
As at 31 December 2016	0	-8,439,802	0	-8,439,802
– depreciation	0	-858,296	0	-858,296
– disposal	0	527,390	0	527,390
– transfer to property, plant and equipment	0	0	0	0
As at 31 December 2017	0	-8,770,708	0	-8,770,708
CARRYING AMOUNT				
As at 31 December 2016	4,803,325	29,559,906	15,248,189	49,611,417
As at 31 December 2017	4,657,794	28,175,726	15,380,881	48,214,401

Zavarovalnica Triglav leases its investment properties, i.e. individual business premises. All leasing agreements, stipulated for an initial period from one to ten years, may be rescinded at any moment. Rents do not include conditional rents. For additional notes on the rental income see [→ *Section 4.7*]. All investment property expenses relate to depreciation and maintenance costs arising from the investment property and are shown in the income statement under the item »Other expenses« (see [→ *Section 4.14*]).

Fair value of investment property is disclosed below.

	in EUR	
	31 Dec. 2017	31 Dec. 2016
Carrying amount	48,214,401	49,611,417
Estimated fair value	56,108,712	50,351,528

3.4 Investments in subsidiaries

Investments in subsidiaries are included in the consolidated financial statements under the full consolidation method. In stand-alone financial statements of Zavarovalnica Triglav, the subsidiaries directly owned by Zavarovalnica Triglav are disclosed at cost. See the tables below for detail.

Shares in subsidiaries held by Zavarovalnica Triglav

No.	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		BOOK VALUE (in EUR)	
					2017	2016	2017	2016	2017	2016
1	Pozavarovalnica Triglav Re d.d.	Miklošičeva 19, Ljubljana, Slovenia	19	Reinsurance	100.00	100.00	100.00	100.00	9,750,752	7,793,252
2	Triglav, Zdravstvena zavarovalnica d.d.	Pristaniška 10, Koper, Slovenia	19	Insurance	100.00	100.00	100.00	100.00	3,735,886	3,735,886
3	Triglav INT d.d.	Dunajska 22, Ljubljana, Slovenia	19	Holding company	100.00	100.00	100.00	100.00	70,600,000	70,600,000
4	Skupna pokojninska družba d.d.	Dunajska 22, Ljubljana, Slovenia	19	Fund management	71.87	71.87	71.87	71.87	7,031,327	7,031,327
5	Triglav Upravljanje nepremičnin d.d.	Dunajska 22, Ljubljana, Slovenia	19	Real estate management	100.00	100.00	100.00	100.00	24,493,300	24,493,300
6	Triglav Skladi d.o.o.	Slovenska 54, Ljubljana, Slovenia	19	Fund management	67.50	67.50	100.00	100.00	2,076,723	2,076,723
7	Salnal d.o.o.	Slovenska 54, Ljubljana, Slovenia	19	Real estate management	-	100.00	-	100.00	-	14,422,000
8	Triglav Avtoservis d.o.o.	Verovškova 60b, Ljubljana, Slovenia	19	Maintenance and repair of motor vehicle	100.00	100.00	100.00	100.00	100,214	100,214
9	Triglav Svetovanje d.o.o.	Ljubljanska 86, Domžale, Slovenia	19	Insurance agency	100.00	100.00	100.00	100.00	279,736	279,736
10	Zavod Vse bo v redu	Miklošičeva 19, Ljubljana, Slovenia	19	Insitute for corporate social responsibility	100.00	100.00	100.00	100.00	100,000	100,000
	TOTAL								118,167,937	130,632,438

¹¹³ The company Salnal, d.o.o. was wound-up through a fast-track procedure without liquidation. Details can be found in Chapter 2.7.

3.5 Investments in associates

In 2017, two new associated companies are included in the Triglav Group, namely Triglav, d.o.o. and Društvo za upravljanje EDPF, a.d. Details on the acquisition of shares are described in [[→ Chapter 2.7](#)].

The effects of valuation using the equity method are disclosed as items [[→ 4.2 and 4.3](#)] in the income statement. A summary of financial information for the associates and the stakes of the Triglav Group in these companies are shown in the tables below.¹¹⁴

COMPANY	ADDRESS	TAX RATE (in%)	ACTIVITY
Nama d.d.	Tomšičeva 1, Ljubljana, Slovenia	19	Retail trade
Triglavko, d.o.o.	Ulica XXX. divizije 23, Nova Gorica, Slovenia	19	Insurance agency
ZIF Prof Plus	Veselina Masleše 1, Banja Luka, Republika Srbska, Bosnia and Herzegovina	10	Investment fund
TRIGAL, upravljanje naložb in svetovanje, d.o.o.	Dunajska cesta 22, Ljubljana, Slovenia	19	Management of financial funds
Društvo za upravljanje EDPF, a.d., Banja Luka	Kralja Petra i Karađorđevića 109 Banja Luka, Republika Srbska, Bosnia and Herzegovina	10	Fund management

COMPANY	Triglav Group						Zavarovalnica Triglav					
	SHARE IN CAPITAL (in %)		VOTING RIGHTS (in %)		VALUE OF INVESTMENT (in EUR)		SHARE IN CAPITAL (in %)		VOTING RIGHTS (in %)		VALUE OF INVESTMENT (in EUR)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Nama, d.d.	39.07	39.07	39.07	39.07	4,034,178	4,125,785	39.07	39.07	39.07	39.07	9,464,548	9,464,548
Triglavko, d.o.o.	38.47	38.47	38.47	38.47	20,002	18,853	38.47	38.47	38.47	38.47	38,499	38,499
ZIF Prof Plus	21.24	21.24	21.24	21.24	1,341,278	2,681,763	0	0	0	0	0	0
TRIGAL, upravljanje naložb in svetovanje, d.o.o.	49.90	-	49.90	-	345,630	-	49.90	-	49.90	-	499,000	-
Društvo za upravljanje EDPF, a.d.	24.44	-	24.44	-	708,237	-	0	-	0	-	0	-
TOTAL					6,449,324	6,826,400					10,002,047	9,503,047

COMPANY	ASSETS		LIABILITIES		EQUITY		REVENUES		PROFIT/LOSS		in EUR
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
Nama, d.d.	12,820,157	12,878,976	2,614,789	2,456,087	10,205,368	10,422,889	16,892,981	15,581,981	214,287	390,120	
Triglavko, d.o.o.	141,685	144,651	38,579	44,530	103,607	100,120	452,810	453,017	2,987	813	
ZIF Prof Plus	18,361,902	21,390,152	49,873	208,973	18,312,023	21,181,179	545,902	586,119	-221,049	-2,126,448	
TRIGAL, upravljanje naložb in svetovanje, d.o.o.	8,186,682	-	144,039	-	8,042,643	-	12	-	-307,357	-	
Društvo za upravljanje EDPF, a.d.	2,102,086	-	19,180	-	2,082,906	-	12,124	-	-166,633	-	

¹¹⁴ Financial data for 2017 are unaudited, whilst the data for 2016 were adjusted if the audited data differed from the data published in the 2016 Annual Report.

3.6 Financial assets¹¹⁵

Triglav Group

			in EUR	
	Carrying value		Fair value	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Held to maturity	221,390,576	231,342,393	269,669,899	283,856,208
At fair value through profit and loss	425,884,741	396,203,356	425,884,741	396,203,356
– designated	424,014,108	390,433,892	424,014,108	390,433,892
– held for trading	1,870,633	5,769,464	1,870,633	5,769,464
Available for sale	1,815,323,900	1,738,043,072	1,815,323,900	1,738,043,070
Loans and deposits	125,251,487	148,731,638	127,658,663	124,028,761
Unit-linked insurance assets	450,236,044	459,982,822	450,806,041	460,760,711
– at fair value through profit and loss	445,899,916	453,130,731	445,899,916	453,130,731
– loans and deposits	4,336,128	6,428,491	4,906,125	7,206,379
– available for sale	0	423,601	0	423,601
TOTAL	3,038,086,748	2,974,303,281	3,089,343,244	3,002,892,106

The table above shows the carrying amount of financial assets (without operating receivables and cash or cash equivalents). The measuring of fair value of other financial assets is shown in [→ *Section 5.1.2*].

An overview of financial assets by type is disclosed below.

¹¹⁵ For presentational ease, abbreviations of individual categories of financial assets are used in the disclosures:

- HTM - financial assets held to maturity
- FVTPL - financial assets at fair value through profit and loss
- AFS - financial assets available for sale
- L&R - loans and deposits
- ULI - financial assets of long-term business fund backing unit-linked insurance

	in EUR					
		FVTPL – Held for trading	FVTPL - Classified upon acquisition			
31 December 2017	HTM			AFS	L&R	TOTAL
Debt and other fixed-return securities	221,390,576	0	416,477,753	1,646,350,504	12,796,620	2,297,015,453
Investments in shares, other floating-rate securities and fund coupons	0	0	452,706,247	168,341,950	0	621,048,197
Financial derivatives	0	2,600,657	0	0	0	2,600,657
Loans and deposits	0	0	0	631,446	111,123,382	111,754,828
– deposits with banks	0	0	0	0	78,143,598	78,143,598
– loans given	0	0	0	0	30,119,792	30,119,792
– other financial investments	0	0	0	631,446	2,859,992	3,491,438
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	5,667,613	5,667,613
TOTAL	221,390,576	2,600,657	869,184,000	1,815,323,900	129,587,615	3,038,086,748
31 December 2016	HTM	FVTPL – Held for trading	FVTPL - Classified upon acquisition	AFS	L&R	TOTAL
Debt and other fixed-return securities	231,342,393	148,907	420,906,764	1,541,299,901	29,877,836	2,223,575,801
Investments in shares, other floating-rate securities and fund coupons	0	4,216,170	420,818,732	197,146,047	0	622,180,949
Financial derivatives	0	3,243,514	0	0	0	3,243,514
Loans and deposits	0	0	0	20,723	120,110,489	120,131,212
– deposits with banks	0	0	0	0	87,487,958	87,487,958
– loans given	0	0	0	0	29,865,282	29,865,282
– other financial investments	0	0	0	20,723	2,757,249	2,777,972
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	5,171,806	5,171,806
TOTAL	231,342,393	7,608,591	841,725,496	1,738,466,671	155,160,131	2,974,303,281

The table below shows the movements of financial assets of Triglav Group in 2016 and 2017.

	in EUR					
FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	TOTAL
As at 1 January 2016	242,406,400	374,742,603	1,607,681,638	183,872,219	464,733,923	2,873,436,783
Purchases	0	271,855,683	603,135,325	467,758,174	89,048,477	1,431,797,659
Disposals	0	-162,248,902	-454,601,234	-454,300,251	-94,751,614	-1,165,902,001
Maturities	-22,298,541	-95,763,075	-89,024,530	-52,741,937	-23,684,819	-283,512,902
Amount removed from equity at disposal	0	0	-9,326,431	0	0	-9,326,431
Realized gains or losses on disposal	0	0	15,003,754	0	0	15,003,754
Valuation trough profit and loss	0	-3,462,965	0	-106,647	23,498,470	19,928,858
Valuation trough equity	0	0	34,132,573	0	0	34,132,573
Impairments	0	0	-3,939,322	-213,427	0	-4,152,749
Premiums and discounts	4,169,867	0	-4,873,963	353,723	194,208	-156,165
Interest income	7,045,235	11,047,846	38,776,650	4,421,570	909,549	62,200,850
Exchange rate difference	19,432	32,166	1,078,612	-311,786	34,628	853,052
As at 31 December 2016	231,342,393	396,203,356	1,738,043,072	148,731,640	459,982,822	2,974,303,281
Purchases	0	258,793,123	526,389,635	464,521,592	61,171,097	1,310,875,447
Disposals	0	-191,487,377	-418,156,874	-40,886,598	-72,282,273	-722,813,122
Maturities	-20,768,353	-47,946,339	-114,453,320	-420,891,374	-30,961,642	-635,021,028
Amount removed from equity at disposal	0	0	-17,743,591	0	0	-17,743,591
Realized gains or losses on disposal	0	0	15,249,695	0	0	15,249,695
Valuation trough profit and loss	0	767,045	0	70,253	31,320,216	32,157,514
Valuation trough equity	0	0	26,609,929	0	0	26,609,929
Impairments	0	0	-174,755	0	0	-174,755
Premiums and discounts	4,253,493	0	-5,126,288	311,341	202,338	-359,116
Interest income	6,364,512	9,844,352	36,235,780	3,855,759	662,099	56,962,502
Change in Group	0	0	30,744,255	-30,744,255	0	0
Exchange rate difference	198,532	-289,419	-2,293,638	283,132	141,387	-1,960,006
As at 31 December 2017	221,390,576	425,884,741	1,815,323,900	125,251,487	450,236,044	3,038,086,748

The proportion of financial assets classified as subordinated instruments by the issuer was 4.2% as at the reporting date.

Zavarovalnica Triglav

	in EUR			
	Carrying value		Fair value	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Loans and deposits	91,428,595	82,397,895	91,118,948	86,024,002
Held to maturity	166,993,807	168,983,706	209,763,561	214,513,671
Available for sale	1,400,652,988	1,365,449,446	1,400,652,988	1,365,449,446
At fair value through profit and loss:	201,922,766	195,669,555	201,922,766	195,669,555
– designated	200,052,133	194,246,126	200,052,133	194,246,126
– held for trading	1,870,633	1,423,429	1,870,633	1,423,429
Unit-linked insurance assets:	417,607,959	434,043,269	418,154,032	434,790,947
– at fair value through profit and loss	413,458,656	427,791,372	413,458,656	427,791,372
– receivables	4,149,303	6,251,897	4,695,376	6,999,575
TOTAL	2,278,606,115	2,246,543,870	2,321,612,295	2,296,447,621

An overview of financial assets of Zavarovalnica Triglav by type is disclosed below.

31 December 2017	in EUR					
	HTM	FVTPL - Classified upon acquisition	FVTPL - Held for trading	AFS	L&R	TOTAL
Debt and other fixed-return securities	166,993,807	241,648,097	0	1,277,150,369	6,992,719	1,692,784,992
Investments in shares, other floating-rate securities and fund coupons	0	371,158,929	0	123,502,619	0	494,661,549
Financial derivatives	0	0	2,574,396	0	0	2,574,396
Loans and deposits:	0	0	0	0	88,585,179	88,585,179
– deposits with banks and certificates of deposits	0	0	0	0	38,123,843	38,123,843
– loans given	0	0	0	0	48,781,121	48,781,121
– other financial investments	0	0	0	0	1,680,215	1,680,215
TOTAL	166,993,807	612,807,026	2,574,396	1,400,652,988	95,577,898	2,278,606,115

31 December 2016	in EUR					
	HTM	FVTPL - Classified upon acquisition	FVTPL - Held for trading	AFS	L&R	TOTAL
Debt and other fixed-return securities	168,983,706	271,582,130	0	1,229,426,110	0	1,669,991,946
Investments in shares, other floating-rate securities and fund coupons	0	348,635,283	0	136,023,336	0	484,658,619
Financial derivatives	0	0	3,243,514	0	0	3,243,514
Loans and deposits:	0	0	0	0	88,649,792	88,649,792
– deposits with banks and certificates of deposits	0	0	0	0	43,297,879	43,297,879
– loans given	0	0	0	0	43,651,675	43,651,675
– other financial investments	0	0	0	0	1,700,237	1,700,237
TOTAL	168,983,706	620,217,413	3,243,514	1,365,449,446	88,649,792	2,246,543,870

The table below shows the movements of financial assets of Zavarovalnica Triglav in 2016 and 2017.

	in EUR					
FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	TOTAL
As at 1 January 2016	178,250,255	192,740,593	1,268,278,321	108,581,747	446,589,561	2,194,440,477
Purchases	0	136,591,874	472,878,991	295,471,914	81,076,630	986,019,409
Maturities	-17,448,190	-57,052,954	-55,286,966	-8,335,686	-23,565,775	-161,689,571
Disposal	0	-77,383,361	-378,807,951	-315,568,899	-93,935,690	-865,695,901
Amount removed from equity	0	0	-6,390,326	0	0	-6,390,326
Realized gains or losses on disposal	0	0	11,241,211	0	0	11,241,211
Valuation trough profit and loss	0	-4,578,059	0	0	22,809,889	18,231,830
Valuation trough equity	0	0	26,337,145	0	0	26,337,145
Premiums and discounts	4,169,867	0	-4,800,939	353,685	194,208	-83,180
Interest income	4,011,773	5,322,179	31,079,198	1,895,133	874,448	43,182,732
Exchange rate difference	0	29,282	920,762	0	0	950,044
As at 31 December 2016	168,983,706	195,669,555	1,365,449,446	82,397,894	434,043,269	2,246,543,870
Purchases	0	142,569,245	430,223,298	380,474,529	53,885,958	1,007,153,030
Maturities	-9,826,062	-26,065,768	-83,026,658	-374,002,831	-30,227,173	-523,148,492
Disposal	0	-113,862,880	-350,133,517	-20,022	-70,909,782	-534,926,203
Amount removed from equity	0	0	-15,182,733	0	0	-15,182,733
Realized gains or losses on disposal	0	0	0	0	0	0
Valuation trough profit and loss	0	-614,576	13,951,238	0	30,055,217	43,391,879
Valuation trough equity	0	0	18,118,116	0	0	18,118,116
Premiums and discounts	4,253,493	0	-4,906,821	387,101	202,338	-63,889
Interest income	3,582,670	4,612,072	28,792,718	2,189,718	558,132	39,735,311
Exchange rate difference	0	-384,882	-2,632,098	2,206	0	-3,014,774
As at 31 December 2017	166,993,807	201,922,766	1,400,652,988	91,428,595	417,607,959	2,278,606,115

As at the reporting date, the portfolio of Zavarovalnica Triglav included neither received securities as collateral for loans given, nor any securities pledged as collateral for its liabilities. The proportion of financial assets classified as subordinated instruments by the issuer was 4.9% as at the reporting date.

3.7 Reinsurers' share of technical provisions

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
NON-LIFE INSURANCE				
Reinsurers' share of unearned premiums	19,815,862	19,171,160	17,573,786	17,080,033
Reinsurers' share of claims	63,894,091	57,865,822	67,721,499	59,336,009
Reinsurers' share of other technical provisions	104,737	46,819	0	0
Total non-life insurance	83,814,690	77,083,801	85,295,285	76,416,042
LIFE INSURANCE				
Reinsurers' share of unearned premiums	886	982	0	0
Reinsurers' share of claims	0	0	32,360	39,065
Reinsurers' share of other mathematical provisions	0	0	0	0
Total life insurance	886	982	32,360	39,065
TOTAL ASSETS FROM REINSURANCE CONTRACTS	83,815,576	77,084,783	85,327,645	76,455,107

in EUR

3.8 Receivables

Triglav Group

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			in EUR
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	TOTAL NET VALUE
31 December 2017										
Receivables from direct insurance operations	63,627,483	-5,524	63,621,959	22,432,390	-2,561,023	19,871,367	58,487,386	-56,258,220	2,229,166	85,722,492
Receivables from insurers	61,529,238	-5,524	61,523,714	21,370,747	-2,540,136	18,830,611	48,817,404	-46,919,199	1,898,205	82,252,530
Receivables from insurance brokers	229,627	0	229,627	441,605	-11,956	429,649	825,711	-819,302	6,409	665,685
Other receivables from direct insurance operations	1,868,618	0	1,868,618	620,038	-8,931	611,107	8,844,271	-8,519,719	324,552	2,804,277
Receivables from co-insurance and reinsurance operations	34,571,388	0	34,571,388	7,236,810	0	7,236,810	5,226,245	-2,094,740	3,131,505	44,939,702
Premium receivable from co-insurance	536,403	0	536,403	596,305	0	596,305	14,274	-3,222	11,052	1,143,760
Premium receivable from reinsurance	25,017,631	0	25,017,631	4,436,288	0	4,436,288	1,828,524	-96,070	1,732,454	31,186,373
Receivables from co-insurers' share in claims	106,521	0	106,521	11,344	0	11,344	404	0	404	118,269
Receivables from reinsurers' share in claims	6,542,919	0	6,542,919	2,179,606	0	2,179,606	3,374,445	-1,995,448	1,378,997	10,101,522
Other receivables from co-insurance and reinsurance operation	2,367,914	0	2,367,914	13,267	0	13,267	8,598	0	8,598	2,389,779
Receivables for income tax refund	32,211	0	32,211	0	0	0	0	0	0	32,211
Other receivables	24,270,916	80,089	24,351,005	8,223,383	-1,036,955	7,186,428	82,487,239	-80,840,723	1,646,516	33,183,949
Other short-term receivables from insurance operations	9,263,057	-656	9,262,401	2,779,072	-875,816	1,903,256	76,964,069	-75,710,329	1,253,740	12,419,397
Short-term receivables from financing	5,197,728	32,889	5,230,617	81,846	-14,145	67,701	639,002	-600,229	38,773	5,337,091
Other short-term receivables	8,820,449	47,856	8,868,305	3,852,230	-146,994	3,705,236	4,838,335	-4,484,332	354,003	12,927,544
Long-term receivables	989,682	0	989,682	1,510,235	0	1,510,235	45,833	-45,833	0	2,499,917
TOTAL	122,501,998	74,565	122,576,563	37,892,583	-3,597,978	34,294,605	146,200,870	-139,193,683	7,007,187	163,878,354

in EUR

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			TOTAL NET VALUE
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
31 December 2016										
Receivables from direct insurance operations	68,522,552	-229,918	68,292,634	16,494,920	-2,920,135	13,574,785	63,359,265	-61,167,518	2,191,752	84,059,166
Receivables from insurers	65,905,087	-229,918	65,675,169	15,236,019	-2,846,437	12,389,582	54,459,746	-52,413,157	2,046,589	80,111,340
Receivables from insurance brokers	16,340	0	16,340	779,863	-21,458	758,405	218,071	-213,904	4,167	778,912
Other receivables from direct insurance operations	2,601,125	0	2,601,125	479,038	-52,240	426,798	8,681,448	-8,540,457	140,991	3,168,914
Receivables from co-insurance and reinsurance operations	31,091,625	0	31,091,625	3,007,605	0	3,007,605	3,032,759	-2,032,139	1,000,620	35,099,850
Premium receivable from co-insurance	535,071	0	535,071	92,043	0	92,043	15,397	-3,093	12,304	639,418
Premium receivable from reinsurance	21,934,599	0	21,934,599	2,198,142	0	2,198,142	383,323	-113,351	269,972	24,402,713
Receivables from co-insurers' share in claims	192,150	0	192,150	8,403	0	8,403	0	0	0	200,553
Receivables from reinsurers' share in claims	6,028,654	0	6,028,654	660,380	0	660,380	2,621,565	-1,915,695	705,870	7,394,904
Other receivables from co-insurance and reinsurance operation	2,401,151	0	2,401,151	48,637	0	48,637	12,474	0	12,474	2,462,262
Receivables for income tax refund	890,276	0	890,276	0	0	0	0	0	0	890,276
Other receivables	24,157,963	-105,616	24,052,347	7,568,280	-1,297,210	6,271,070	93,400,871	-90,852,491	2,548,380	32,871,797
Other short-term receivables from insurance operations	8,436,374	-620	8,435,754	3,041,637	-1,116,748	1,924,889	86,012,502	-84,609,304	1,403,198	11,763,841
Short-term receivables from financing	1,910,224	-104,996	1,805,228	83,032	-15,275	67,757	721,302	-701,820	19,482	1,892,467
Other short-term receivables	10,726,236	0	10,726,236	3,659,955	-162,835	3,497,120	5,882,603	-5,499,429	383,174	14,606,530
Long-term receivables	3,085,129	0	3,085,129	783,656	-2,352	781,304	784,464	-41,938	742,526	4,608,959
TOTAL	124,662,416	-335,534	124,326,882	27,070,805	-4,217,345	22,853,460	159,792,895	-154,052,148	5,740,752	152,921,089

Zavarovalnica Triglav

in EUR

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			TOTAL NET VALUE
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
31 December 2017										
Receivables from direct insurance operations	46,724,432	-4,483	46,719,949	8,931,348	-1,426,027	7,505,321	24,781,996	-24,275,413	506,583	54,731,853
Receivables from insurers	45,151,521	-4,483	45,147,038	8,923,418	-1,425,380	7,498,038	23,780,187	-23,600,066	180,121	52,825,197
Receivables from insurance brokers	0	0	0	0	0	0	0	0	0	0
Other receivables from direct insurance operations	1,572,911	0	1,572,911	7,930	-647	7,283	1,001,809	-675,347	326,462	1,906,656
Receivables from co-insurance and reinsurance operations	10,457,342	0	10,457,342	1,308,057	0	1,308,057	2,124,393	0	2,124,393	13,889,792
Premium receivable from co-insurance	553,693	0	553,693	0	0	0	11,052	0	11,052	564,745
Premium receivable from reinsurance	2,401,344	0	2,401,344	929,887	0	929,887	1,240,240	0	1,240,240	4,571,471
Receivables from co-insurers' share in claims	98,775	0	98,775	0	0	0	404	0	404	99,179
Receivables from reinsurers' share in claims	7,403,530	0	7,403,530	378,170	0	378,170	872,697	0	872,697	8,654,397
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	10,225,782	0	10,225,782	2,685,342	-864,309	1,821,033	74,930,369	-74,248,412	681,957	12,728,772
Other short-term receivables from insurance operations	1,839,938	0	1,839,938	2,619,932	-853,109	1,766,823	74,594,069	-73,946,402	647,667	4,254,428
Short-term receivables from financing	5,981,909	0	5,981,909	64,731	-11,018	53,713	231,976	-198,088	33,888	6,069,510
Other short-term receivables	2,101,196	0	2,101,196	679	-182	497	104,324	-103,922	402	2,102,095
Long-term receivables	302,739	0	302,739	0	0	0	0	0	0	302,739
TOTAL	67,407,556	-4,483	67,403,073	12,924,747	-2,290,336	10,634,411	101,836,758	-98,523,825	3,312,933	81,350,417

in EUR

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			TOTAL NET VALUE
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
31 December 2016										
Receivables from direct insurance operations	55,061,473	-222,495	54,838,978	4,844,129	-1,568,429	3,275,700	28,323,470	-27,946,545	376,925	58,491,603
Receivables from insurers	52,844,646	-222,495	52,622,151	4,811,880	-1,555,853	3,256,027	27,646,254	-27,279,448	366,806	56,244,984
Receivables from insurance brokers	0	0	0	0	0	0	0	0	0	0
Other receivables from direct insurance operations	2,216,827	0	2,216,827	32,249	-12,576	19,673	677,216	-667,097	10,119	2,246,619
Receivables from co-insurance and reinsurance operations	7,538,096	0	7,538,096	0	0	0	0	0	0	7,538,096
Premium receivable from co-insurance	546,452	0	546,452	0	0	0	0	0	0	546,452
Premium receivable from reinsurance	0	0	0	0	0	0	0	0	0	0
Receivables from co-insurers' share in claims	192,150	0	192,150	0	0	0	0	0	0	192,150
Receivables from reinsurers' share in claims	6,799,494	0	6,799,494	0	0	0	0	0	0	6,799,494
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	7,598,564	-104,383	7,494,181	2,681,727	-1,096,798	1,584,929	83,998,579	-83,238,303	760,276	9,839,386
Other short-term receivables from insurance operations	2,714,698	0	2,714,698	2,654,975	-1,086,794	1,568,181	83,789,463	-83,032,222	757,241	5,040,120
Short-term receivables from financing	2,402,133	-104,383	2,297,750	26,557	-9,931	16,626	105,383	-102,348	3,035	2,317,411
Other short-term receivables	2,200,371	0	2,200,371	195	-73	122	103,733	-103,733	0	2,200,493
Long-term receivables	281,362	0	281,362	0	0	0	0	0	0	281,362
TOTAL	70,198,133	-326,878	69,871,255	7,525,856	-2,665,227	4,860,629	112,322,049	-111,184,848	1,137,201	75,869,085

The table below shows changes in impairment allowance for receivables separately for Triglav Group and Zavarovalnica Triglav.

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
VALUE ADJUSTMENT OF RECEIVABLES FROM POLICYHOLDERS				
Impairment allowance for receivables as at 1 January	55,489,511	61,726,947	29,057,796	31,751,907
– Increase of impairment allowance for receivables	4,704,741	7,325,149	2,624,043	4,771,560
– Decrease in impairment allowance for receivables	-4,823,090	-6,578,175	-3,739,489	-4,482,377
– Receivables write-off	-5,829,142	-7,031,184	-2,912,421	-2,983,294
– Acquisition	-359,338	0	0	0
– Exchange rate difference	282,179	46,774	0	0
Impairment allowance for receivables as at 31 December	49,464,861	55,489,511	25,029,929	29,057,796
IMPAIRMENT ALLOWANCE FOR OTHER SHORT-TERM RECEIVABLES				
Impairment allowance for receivables as at 1 January	85,726,679	91,982,165	84,119,015	90,385,306
– Increase of impairment allowance for receivables	8,016,656	8,705,670	7,670,259	8,529,641
– Decrease in impairment allowance for receivables	-8,194,953	-8,232,540	-8,028,402	-8,112,684
– Receivables write-off	-8,988,118	-6,711,835	-8,961,361	-6,683,248
– Changes in Group	-15,566	0	0	0
– Exchange rate difference	42,110	-16,782	0	0
Impairment allowance for receivables as at 31 December	76,586,808	85,726,679	74,799,511	84,119,015
VALUE ADJUSTMENT OF OTHER RECEIVABLES				
Impairment allowance for receivables as at 1 January	17,388,843	16,792,495	1,000,142	1,034,477
– Increase of impairment allowance for receivables	1,323,017	1,986,709	94,072	103,753
– Decrease in impairment allowance for receivables	-501,341	72,471	-73,342	-70,343
– Receivables write-off	-1,212,283	-433,073	-31,668	-67,745
– Transfer on deferred income	0	0	0	0
– Exchange rate difference	221,421	35,309	0	0
– Changes in Group	-557,742	702,227	0	0
– Merger	3,512	0	0	0
– Transfer on disposal group held for sale	0	-1,767,295	0	0
Impairment allowance for receivables as at 31 December	16,665,427	17,388,843	989,204	1,000,142
TOTAL VALUE ADJUSTMENT OF RECEIVABLES				
As at 1 January	158,605,033	170,501,607	114,176,953	123,171,690
As at 31 December	142,717,096	158,605,033	100,818,644	114,176,953

3.9 Other assets

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Inventories	577,560	584,544	225,271	200,565
Deferred costs	2,851,316	2,312,600	1,401,535	1,029,911
Sredstva, vložena v računalniške programe za Skupino	366,368	718,936	366,368	718,936
Other assets	127,013	6,173	0	0
TOTAL	3,922,257	3,622,253	1,993,174	1,949,412

3.10 Cash and cash equivalents

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Cash in bank accounts	62,249,749	53,816,146	35,492,579	27,637,328
Deposits redeemable at notice	15,781,500	11,484,922	0	0
Cash on hand and cheques	386,598	413,406	22,166	16,318
Other	0	0	0	0
TOTAL	78,417,847	65,714,474	35,514,746	27,653,646

3.11 Non-current assets held for sale

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Land and property of company Triglav Upravljanje nekretninama, Zagreb	1,521,667	0	0	0
Land and property of company Triglav Upravljanje Nepremičnin, d.d.	756,773	1,020,293	0	0
TOTAL	2,278,440	1,020,293	0	0

3.12 Equity

As at 31 December 2017, the share capital amounted to EUR 73,701,392. The share capital was divided into 22,735,148 no-par value shares. Each share represents the same stake and a corresponding amount in the share capital. The portion of each no-par value share in the share capital is determined on the basis of the number of no-par value shares issued. All of the shares have been paid up in full.

Shareholders of Zavarovalnica Triglav

Shareholders	Number of shares		Percentage of ownership	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana, Slovenia	7,836,628	7,836,628	34.47	34.47
SDH, d.d., Ljubljana, Slovenia	6,386,644	6,386,644	28.09	28.09
Addiko Bank, d.d. – fiduciary account, Zagreb, Croatia	1,453,894	1,467,458	6.39	6.45
Unicredit Bank Austria AG – fiduciary account, Vienna, Austria	634,792	267,356	2.79	1.18
Hrvatska poštanska banka, d.d. - fiduciary account, Zagreb, Croatia	322,004	322,004	1.42	1.42
East Capital – East Capital Balkans, Luksemburg, Luxemburg	221,700	290,278	0.98	1.28
Kuwait Investment Authority, Safat, Kuwait	193,827	158,571	0.85	0.70
Pozavarovalnica Sava Re, d.d., Ljubljana, Slovenia	166,678	166,678	0.73	0.73
The Bank of New York Mellon – fiduciary account, New York, USA	128,576	157,157	0.57	0.69
Forplan, d.o.o., Ljubljana, Slovenia	82,568	82,568	0.36	0.36
Other shareholders (less than 1%)	5,307,837	5,599,806	23.35	24.63
TOTAL	22,735,148	22,735,148	100.00	100.00

Share price

	in EUR	
	31 Dec. 2017	31 Dec. 2016
Quoted price of the share on the regulated securities market	28.90	23.20
Carrying amount per share	25.13	24.80

Distribution of accumulated profits of Zavarovalnica Triglav

	in EUR	
	2017	2016
Net profit for the year	62,521,950	75,333,602
Net profit brought forward	25,584,011	8,190,402
Increase in retained income	-20,839	36,497,876
Reduction in retained net profit to increase share capital	0	0
Decrease in retained income of deferred tax	0	0
Reduction in net profit or loss to create credit risk provisions	0	0
Increase of other reserves from profit based on the decision by the Management and Supervisory Boards	-30,000,000	-37,600,000
ACCUMULATED PROFITS	58,085,122	82,421,880
Distribution of accumulated profits		
– to shareholders		56,837,869
– allocation to other reserves from profit		0
– transfer to the following year		25,584,011

The distribution of the accumulated profit for 2017 will be proposed by the Management and Supervisory Board and submitted for decision to the General Meeting of Shareholders of Zavarovalnica Triglav.

Dividends

	2017	in EUR 2016
Dividends to be distributed to shareholders	Not published	56,837,869
Dividend per share	–	2.50

Authorised capital

In accordance with the Company's Articles of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 14,740,278.36 by issuing new shares against contributions in cash within five years as of 2 June 2016. The Management Board decides on new share issues, the amount of capital increases, the rights attached to new shares and the conditions of new share issues subject to the approval of the Supervisory Board.

To date, Zavarovalnica Triglav has not yet exercised the right to increase its share capital from said authorisation.

Reserves from profit

In addition to legal and treasury share reserves, reserves from profit also comprise other profit reserves.

According to the ZGD-1, the Management Board of Zavarovalnica Triglav may allocate net profit for the year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations. In addition to prudent risk management, strategic capital needs are considered when forming these profit reserves.

Reserves from treasury shares and treasury shares (as a deductible item)

The treasury shares include the shares of Zavarovalnica Triglav held by other companies of the Triglav Group, whose financial statements are included in the consolidated financial statements of the Triglav Group. Triglav, Upravljanje nepremičnin d.d. holds 24,312 shares of Zavarovalnica Triglav in the amount of EUR 364,680.

In the consolidated statement of financial position, they are disclosed as a deductible equity item of the same amount. Equivalent reserves for treasury shares are formed for these shares in the consolidated statement of financial position.

Fair value reserve

The fair value reserve represents changes in the fair value of available-for-sale financial assets. The fair value reserve is reduced by the deferred tax liabilities. Changes in the fair value reserve are specified in more detail in the statement of comprehensive income in [→ [Section 1.3](#)].

Currency translation adjustment

Currency translation differences arise from foreign exchange differences in consolidation procedures. In 2017, the currency translation adjustment totalled EUR 1,060,439 (vs. EUR 595,983 in 2016).¹¹⁶ The translation differences in majority refer to the reduction related to the growth of the Serbian dinar (RSD).

Notes to the statement of changes in equity

The following changes are shown in the statement of changes in equity for 2017:

- Based on the resolution passed by the General Meeting of Shareholders of Zavarovalnica Triglav on 30 May 2017 on the distribution of the accumulated profit for 2016, EUR 56,837,870 were allocated to dividend payments. In the preparation of consolidated financial statements, the dividends in the amount of EUR 60,780 paid to the company Triglav, Upravljanje nepremičnin, d.d. were excluded.
- Share premium decreased by EUR 3,085,034 as a result of the acquisition of minority shares in the companies Triglav Osiguranje, d.d. Sarajevo, Triglav Osiguranje a.d. Skopje, and Lovćen Osiguranje, a.d., Podgorica and due to the additional pay-out to minority shareholders of the company Triglav Re, d.d. A detailed explanation is given in [→ [Chapter 2.7](#)].
- Legal and statutory reserves decreased by EUR 2,128,384. The transfer of these reserves to the capital of minority shareholders of the company Triglav Osiguranje, d.d., Sarajevo accounts for a decrease by EUR 2,428,901, while the covering of losses of the company Sarajevostan, d.d., Sarajevo accounts for a decrease by EUR 252,900. Legal and statutory reserves increased by EUR 553,416 on account of the formation of reserves from net profit brought forward or net profit for the year.
- Other reserves from profit increased by EUR 30 million and were formed from the net profit for the year.
- As a result of the acquisition of non-controlling interests, equity decreased by EUR 9,749,621.

¹¹⁶ The amount does not include translation differences relating to non-controlling interests.

3.13 Subordinated liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Amortised cost	15,459,132	16,869,102	20,608,180	21,103,108
Fair value	17,010,568	19,160,879	22,676,360	23,970,102

As at the balance sheet date the principal of the ZT02 bonds - issued in 2009 as euro-dominant subordinated registered bonds in a dematerialised form - was recognised as a subordinated liability. A total of 30,000 bonds worth EUR 1,000 each were issued. All the bonds were sold. The fixed interest rate of the bond is 250 basis points above the 10-year mid-swap rate as at 15 December 2009 and equals 5.95% p.a. The last coupon and the principal will fall due on 21 March 2020.

Issued bonds are disclosed at amortised cost. The value of ZT02 bonds held by the companies of the Triglav Group (5,154 lots) was excluded from the consolidated financial statements. In the separate financial statements of the Company, subordinated debt was reduced by purchased bonds outside the Group (9,372 lots). For the calculation of fair values, the last known price on the Ljubljana Stock Exchange is taken into account. As at 31 December 2017, ZT02 price stood at 109.93% (113.45% as at 31 December 2016).

In the event of winding-up or liquidation, liabilities arising from the above-mentioned bond issue are subordinated to net debt instruments and payable only after the satisfaction of all non-subordinated liabilities to ordinary creditors. These bonds may not be cashed before the maturity set by the amortisation schedule, and likewise Zavarovalnica Triglav has no right to redeem them before maturity. The bonds are not convertible into capital or any other form of debt. ZT02 bonds were listed on the Ljubljana Stock Exchange in 2010.

3.14 Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
NON-LIFE INSURANCE				
GROSS PROVISIONS FOR UNEARNED PREMIUMS	275,166,193	260,854,523	196,121,893	188,067,543
Gross provision for unearned premiums	275,049,051	260,722,697	196,004,752	187,935,717
Gross provisions for unearned premiums from coinsurance	117,142	131,826	117,142	131,826
GROSS CLAIMS PROVISIONS	609,068,598	607,228,071	450,789,937	453,377,312
Gross claims provisions for IBNR and IBNER	309,084,685	322,207,652	226,634,456	246,702,719
Gross provisions for incurred and reported claims	264,481,317	245,264,840	193,212,385	172,083,327
Gross claims provisions for co-insurance	1,125,741	1,063,996	1,125,741	1,063,996
Expected subrogation	-10,525,322	-9,727,154	-10,525,322	-10,323,181
Provisions for claim handling costs	44,902,177	48,418,737	40,342,677	43,850,450
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	18,943,606	19,105,924	18,349,804	18,495,379
OTHER GROSS INSURANCE TECHNICAL PROVISIONS	6,573,642	6,838,308	3,025,520	3,776,436
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	909,752,037	894,026,826	668,287,155	663,716,669
LIFE INSURANCE				
GROSS UNEARNED PREMIUM PROVISIONS	426,149	449,648	406,292	420,333
GROSS MATHEMATICAL PROVISIONS	1,333,055,389	1,273,538,608	994,737,498	959,268,937
Gross mathematical provisions covering life insurance	812,582,423	788,426,467	750,484,060	731,757,446
Gross mathematical provisions covering SVPI	478,653,633	449,706,841	202,434,105	192,106,191
Gross mathematical provisions covering SVPI during the annuity pay-out period	41,819,333	35,405,300	41,819,333	35,405,300
GROSS CLAIMS PROVISIONS	19,476,640	18,911,899	18,440,962	17,863,463
Gross claims provisions for IBNR and IBNER	15,331,280	15,043,632	14,820,072	14,545,914
Gross provisions for incurred and reported claims	3,854,666	3,568,320	3,373,458	3,063,967
Gross claims provisions for co-insurance	247,432	253,582	247,432	253,582
Expected subrogation	0	25,103	0	0
Provisions for claim handling costs	43,261	21,262	0	0
OTHER INSURANCE TECHNICAL PROVISIONS	5,270,021	3,946,905	5,237,360	3,908,408
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	1,358,228,199	1,296,847,060	1,018,822,112	981,461,142

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
HEALTH INSURANCE				
GROSS PROVISIONS FOR UNEARNED PREMIUMS	2,520,377	2,335,449	0	0
Gross provision for unearned premiums	2,520,377	2,335,449	0	0
Gross provisions for unearned premiums from coinsurance	0	0	0	0
GROSS CLAIMS PROVISIONS	9,928,477	9,100,925	0	0
Gross claims provisions for IBNR and IBNER	8,763,014	8,346,377	0	0
Gross provisions for incurred and reported claims	864,765	534,385	0	0
Gross claims provisions for co-insurance	30,106	0	0	0
Expected subrogation	0	0	0	0
Provisions for claim handling costs	270,592	220,163	0	0
OTHER INSURANCE TECHNICAL PROVISIONS	2,271,936	794,964	0	0
TOTAL HEALTH INSURANCE TECHNICAL PROVISIONS	14,720,790	12,231,338	0	0
TOTAL INSURANCE TECHNICAL PROVISIONS	2,282,701,026	2,203,105,224	1,687,109,267	1,645,177,811
GROSS MATHEMATICAL PROVISIONS COVERING ULI	449,544,565	457,683,091	416,250,767	431,125,308

The gross insurance technical provisions, which include gross mathematical provisions for the guarantee fund backing unit-linked insurance, are disclosed in the financial statements under the separate item »Insurance technical provisions for unit-linked insurance«.

Other insurance technical provisions for non-life insurance include provisions for cancellations and provisions for unexpired risks, while other insurance technical provisions for life insurance include additional provisions for credit risks.

in EUR

Breakdown of gross and net claims provisions

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
NON-LIFE INSURANCE				
Gross provisions for incurred and unreported claims	293,151,970	310,300,309	213,303,915	233,644,007
Gross claims provisions	309,084,685	322,207,652	226,634,456	246,702,719
Reinsurers' share	-15,932,715	-11,907,343	-13,330,541	-13,058,712
Gross provisions for incurred and reported claims	215,886,669	198,690,204	138,188,156	125,189,873
Gross claims provisions	264,481,317	245,264,840	193,212,385	172,083,327
Reinsurers' and co-insurers' share	-48,594,648	-46,574,636	-55,024,229	-46,893,454
Gross claims provisions for co-insurance	1,125,741	1,063,996	1,125,741	1,063,996
Gross claims provisions	1,125,741	1,063,996	1,125,741	1,063,996
Reinsurers' share	0	0	0	0
Expected subrogation	-9,892,051	-9,110,996	-9,892,051	-9,707,023
Gross claims provisions	-10,525,322	-9,727,154	-10,525,322	-10,323,181
Reinsurers' share	633,271	616,158	633,271	616,158
Provisions for claim handling costs	44,902,177	48,418,737	40,342,677	43,850,450
Gross claims provisions	44,902,177	48,418,737	40,342,677	43,850,450
Reinsurers' share	0	0	0	0
TOTAL NON-LIFE INSURANCE GROSS CLAIMS PROVISIONS	545,174,506	549,362,250	383,068,438	394,041,303
TOTAL GROSS CLAIMS PROVISIONS	609,068,596	607,228,071	450,789,937	453,377,312
TOTAL REINSURERS' SHARE	-63,894,091	-57,865,821	-67,721,499	-59,336,009
LIFE INSURANCE				
Gross provisions for incurred and unreported claims	15,331,280	15,043,632	14,820,072	14,545,914
Gross claims provisions	15,331,280	15,043,632	14,820,072	14,545,914
Reinsurers' share	0	0	0	0
Gross provisions for incurred and reported claims	3,854,666	3,568,320	3,341,098	3,024,901
Gross claims provisions	3,854,666	3,568,320	3,373,458	3,063,967
Reinsurers' share	0	0	-32,360	-39,065
Gross claims provisions for co-insurance	247,432	253,582	247,432	253,582
Gross claims provisions	247,432	253,582	247,432	253,582
Reinsurers' share	0	0	0	0
Expected subrogation	0	25,103	0	0
Gross claims provisions	0	25,103	0	0
Reinsurers' share	0	0	0	0
Provisions for claim handling costs	43,261	21,262	0	0
Gross claims provisions	43,261	21,262	0	0
Reinsurers' share	0	0	0	0
TOTAL LIFE INSURANCE GROSS CLAIMS PROVISIONS	19,476,640	18,911,899	18,408,602	17,824,397
TOTAL GROSS CLAIMS PROVISIONS	19,476,639	18,911,899	18,440,962	17,863,463
TOTAL REINSURERS' SHARE	0	0	-32,360	-39,065

Breakdown of gross and net claims provisions

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
HEALTH INSURANCE				
Gross provisions for incurred and unreported claims	8,763,014	8,346,377	0	0
Gross claims provisions	8,763,014	8,346,377	0	0
Reinsurers' share	0	0	0	0
Gross provisions for incurred and reported claims	864,765	534,385	0	0
Gross claims provisions	864,765	534,385	0	0
Reinsurers' and co-insurers' share	0	0	0	0
Gross claims provisions for co-insurance	30,106	0	0	0
Gross claims provisions	30,106	0	0	0
Reinsurers' share	0	0	0	0
Expected subrogation	0	0	0	0
Gross claims provisions	0	0	0	0
Reinsurers' share	0	0	0	0
Provisions for claim handling costs	270,592	220,163	0	0
Gross claims provisions	270,592	220,163	0	0
Reinsurers' share	0	0	0	0
			0	0
TOTAL HEALTH INSURANCE GROSS CLAIMS PROVISIONS	9,928,477	9,100,925	0	0
TOTAL GROSS CLAIMS PROVISIONS	9,928,477	9,100,925	0	0
TOTAL REINSURERS' SHARE	0	0	0	0

in EUR

Analysis of changes in gross insurance technical provisions for Triglav Group

	in EUR					
NON-LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2016	249,653,712	613,245,760	17,382,035	7,309,307	0	887,590,817
Increase	193,382,127	184,902,318	12,893,968	5,240,004	0	396,418,417
Use	-182,080,981	-190,876,557	-11,172,783	-5,709,895	0	-389,840,216
Exchange rate difference	-100,335	-43,450	2,704	-1,108	0	-142,189
31 December 2016	260,854,523	607,228,071	19,105,924	6,838,308	0	894,026,826
Increase	203,388,154	185,463,017	12,163,924	4,856,386	0	405,871,481
Use	-190,083,460	-184,741,977	-12,332,044	-5,175,327	0	-392,332,808
Exchange rate difference	1,006,976	1,119,485	5,802	54,275	0	2,186,538
31 December 2017	275,166,193	609,068,596	18,943,606	6,573,642	0	909,752,037

	in EUR					
LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2016	441,971	1,219,737,727	20,097,218	2,730,850	457,046,912	1,700,054,676
Increase	436,402	162,897,270	12,920,953	1,481,685	67,892,606	245,628,916
Use	-428,820	-109,465,897	-14,109,972	-265,630	-67,444,177	-191,714,496
Exchange rate difference	95	369,508	3,702	0	187,750	561,055
31 December 2016	449,648	1,273,538,608	18,911,899	3,946,905	457,683,091	1,754,530,151
Increase	425,045	155,870,564	11,716,886	1,475,628	76,910,295	246,398,418
Use	-448,869	-97,114,082	-11,164,116	-152,511	-85,356,523	-194,236,101
Exchange rate difference	325	760,299	11,970	0	307,702	1,080,295
31 December 2017	426,149	1,333,055,389	19,476,640	5,270,021	449,544,565	1,807,772,763

	in EUR					
HEALTH INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2016	1,962,273	0	9,344,074	1,490,285	0	12,796,632
Increase	2,335,449	0	8,708,372	288,700	0	11,332,521
Use	-1,962,273	0	-8,951,522	-984,021	0	-11,897,816
Exchange rate difference	0	0	0	0	0	0
31 December 2016	2,335,449	0	9,100,925	794,964	0	12,231,338
Increase	2,630,206	0	9,361,685	1,537,245	0	13,529,136
Use	-2,445,278	0	-8,534,132	-60,273	0	-11,039,683
Exchange rate difference	0	0	0	0	0	0
31 December 2017	2,520,377	0	9,928,477	2,271,936	0	14,720,790

Analysis of changes in gross insurance technical provisions for Zavarovalnica Triglav

	in EUR					
NON-LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2016	180,141,569	467,032,829	16,817,528	3,226,060	0	667,217,986
Increase	160,600,400	154,510,374	12,612,277	3,776,436	0	331,499,486
Use	-152,674,426	-168,165,891	-10,934,426	-3,226,060	0	-335,000,803
31 December 2016	188,067,543	453,377,312	18,495,379	3,776,436	0	663,716,669
Increase	165,641,630	160,485,906	11,678,477	3,025,520	0	340,831,533
Use	-157,587,280	-163,073,281	-11,824,052	-3,776,436	0	-336,261,049
31 December 2017	196,121,893	450,789,937	18,349,804	3,025,520	0	668,287,154

	in EUR					
LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2016	417,422	925,402,898	19,214,892	2,690,931	438,920,157	1,386,646,300
Increase	420,333	115,341,780	12,517,184	1,481,685	60,306,997	190,067,980
Use	-417,422	-81,475,741	-13,868,613	-264,208	-68,101,846	-164,127,830
31 December 2016	420,333	959,268,937	17,863,463	3,908,408	431,125,308	1,412,586,450
Increase	406,292	110,521,211	11,325,346	1,468,328	67,221,946	190,943,123
Use	-420,333	-75,052,651	-10,747,847	-139,375	-82,096,487	-168,456,693
31 December 2017	406,292	994,737,498	18,440,962	5,237,360	416,250,767	1,435,072,879

Analysis of the decrease in gross mathematical provisions

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Surrenders	23,006,551	29,922,860	11,894,678	15,320,526
Endowments	56,353,099	59,673,486	53,092,261	56,853,767
Deaths	2,727,012	2,811,826	2,157,612	2,210,721
Other	15,027,422	17,057,724	7,908,100	7,090,727
TOTAL	97,114,084	109,465,896	75,052,651	81,475,741

Other releases refer to annuity payouts, cancellations of traditional life insurance, releases of surrenders, releases of additional valuation provisions for claims and releases of mathematical provisions for venture capital.

Analysis of changes in loss events for non-life insurance for Triglav Group

	in EUR											
	Year of occurrence											
	Before 2008	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Cumulative loss assessment												
– at the end of year of occurrence		580,563,977	560,952,881	535,615,958	509,028,152	537,773,397	540,980,548	523,335,884	494,721,974	497,610,909	523,078,938	5,303,662,618
– 1 year after year of occurrence		558,871,106	502,868,739	492,902,084	461,311,067	539,573,012	447,917,990	481,304,284	477,337,992	463,199,516		4,425,285,790
– 2 years after year of occurrence		531,833,942	492,609,753	473,335,579	474,755,005	500,921,267	463,342,293	466,027,510	463,910,257			3,866,735,606
– 3 years after year of occurrence		530,609,243	484,758,847	479,637,277	455,085,444	496,641,454	439,583,068	458,436,319				3,344,751,651
– 4 years after year of occurrence		526,347,769	484,136,193	467,602,633	458,416,153	487,381,079	433,339,855					2,857,223,682
– 5 years after year of occurrence		527,163,911	479,931,802	467,642,819	450,071,089	481,306,074						2,406,115,695
– 6 years after year of occurrence		529,614,877	477,637,233	459,856,973	448,004,684							1,915,113,767
– 7 years after year of occurrence		524,701,655	471,160,939	457,000,191								1,452,862,784
– 8 years after year of occurrence		519,372,405	468,531,214									987,903,619
– 9 years after year of occurrence		517,505,574										517,505,574
– 10 years after year of occurrence	79,257,867											79,257,867
Cumulative loss assessment		517,505,574	468,531,214	457,000,191	448,004,684	481,306,074	433,339,855	458,436,319	463,910,257	463,199,516	523,078,938	27,156,418,653
Cumulative payments until balane sheet date	5,143,132	506,914,802	456,155,094	440,542,520	425,146,462	446,635,656	406,434,468	421,822,043	416,344,521	382,782,854	312,082,933	4,220,004,485
Claim provisions balance	74,114,735	10,590,772	12,376,119	16,457,670	22,858,222	34,670,418	26,905,387	36,614,276	47,565,736	80,416,662	210,996,005	573,566,002

Analysis of changes in loss events for non-life insurance for Zavarovalnica Triglav

	in EUR											
	Year of occurrence											
	Before 2008	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Cumulative loss assessment												
– at the end of year of occurrence		474,044,321	428,334,819	397,894,156	344,766,188	357,523,991	317,835,549	320,473,605	288,017,455	287,798,336	303,002,462	3,519,690,882
– 1 year after year of occurrence		439,920,329	379,229,569	349,567,530	303,201,976	304,864,538	266,546,400	276,286,823	244,620,306	248,557,097		2,812,794,568
– 2 years after year of occurrence		419,626,410	365,975,020	333,049,538	288,324,957	296,542,971	256,384,328	265,047,929	236,877,342			2,461,828,494
– 3 years after year of occurrence		411,548,525	356,293,810	326,228,216	282,155,740	289,326,478	249,972,030	260,339,640				2,175,864,438
– 4 years after year of occurrence		405,638,003	352,427,627	320,837,129	281,692,146	283,750,168	245,898,744					1,890,243,817
– 5 years after year of occurrence		404,027,863	347,853,432	317,082,345	278,889,676	279,036,814						1,626,890,130
– 6 years after year of occurrence		401,458,477	344,803,291	313,090,207	277,885,732							1,337,237,707
– 7 years after year of occurrence		397,942,137	341,842,194	311,355,522								1,051,139,853
– 8 years after year of occurrence		395,478,987	340,231,520									735,710,507
– 9 years after year of occurrence		394,090,497										394,090,497
– 10 years after year of occurrence	70,276,281											
Cumulative loss assessment		394,090,497	340,231,520	311,355,522	277,885,732	279,036,814	245,898,744	260,339,640	236,877,342	248,557,097	303,002,462	2,897,275,370
Cumulative payments until balane sheet date		385,324,538	329,479,371	298,370,355	258,789,449	248,780,711	224,407,847	232,339,982	204,915,268	200,146,902	162,393,783	2,544,948,205
Claim provisions balance	67,519,676	8,765,958	10,752,149	12,985,166	19,096,284	30,256,104	21,490,896	27,999,658	31,962,075	48,410,195	140,608,680	419,846,841

3.15 Employee benefits

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Provisions for unused leave	4,393,109	4,265,313	3,782,886	3,553,625
Provisions for retirement benefits	7,886,897	7,544,294	5,744,460	5,753,856
Provisions for jubilee payments	1,699,836	1,740,657	1,173,117	1,240,033
TOTAL	13,979,843	13,550,264	10,700,463	10,547,514

Changes in provisions for unused annual leave and jubilee payments are fully recognised as operating expenses in the income statement. The same applies to changes in provisions for retirement benefits, excluding actuarial gains and losses. The latter are recognised in comprehensive income where the deferred tax charge is accounted for.

Analysis of the movement of employee benefits for the Triglav Group

	in EUR			
	Provisions for unused leave	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2016	3,585,033	6,743,572	1,896,526	12,225,131
Use of provisions in the year	-3,306,538	-61,206	-67,265	-3,435,009
Release of provisions in the year	0	-29,853	-181,800	-211,653
Creation of provisions in the year	3,984,754	1,038,077	156,484	5,179,315
Change in Group	0	-147,913	-64,570	-212,483
Exchange rate difference	2,064	1,622	1,282	4,968
As at 31 December 2016	4,265,313	7,544,294	1,740,657	13,550,264
Use of provisions in the year	-3,963,993	-242,747	-183,873	-4,390,613
Release of provisions in the year	-65,787	-3,145	-8,098	-77,030
Creation of provisions in the year	4,155,404	576,861	148,394	4,880,659
Exchange rate difference	2,174	11,632	2,755	16,561
As at 31 December 2017	4,393,109	7,886,897	1,699,836	13,979,843

Analysis of the movement of employee benefits for the Zavarovalnica Triglav

	in EUR			
	Provisions for unused leave	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2016	2,928,334	5,006,984	1,253,720	9,189,038
Use of provisions in the year	-2,928,334	0	-13,687	-2,942,021
Creation of provisions in the year	3,553,625	746,872	0	4,300,497
As at 31 December 2016	3,553,625	5,753,856	1,240,033	10,547,514
Use of provisions in the year	-3,553,625	-152,800	-156,403	-3,862,828
Creation of provisions in the year	3,782,886	143,404	89,487	4,015,777
As at 31 December 2017	3,782,886	5,744,460	1,173,117	10,700,463

Development of provisions for retirement benefits and jubilee payments in Triglav Group

			in EUR
	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2016	6,542,540	1,896,526	8,439,066
Current service cost	609,208	173,305	782,513
Interest cost	52,985	4,135	57,120
Actuarial gains/losses due to:			
- changes in demographic assumptions	-59,314	-12,680	-71,994
- changes in financial assumptions	156,681	108,578	265,259
- experience adjustments	343,651	-50,424	293,227
Past service cost	-8,955	-138,041	-146,996
Benefits paid during the year	-142,752	-186,360	-329,112
Gains/losses upon payment	-222	8,906	8,684
Liabilities assumed in business combinations	48,849	-64,568	-15,719
Exchange rate difference	1,622	1,282	2,904
As at 31 December 2016	7,544,294	1,740,657	9,284,950
Current service cost	870,378	157,156	1,027,534
Interest cost	36,874	2,917	39,791
Actuarial gains/losses due to:			
- changes in demographic assumptions	-563,091	-91,181	-654,272
- changes in financial assumptions	-135,686	-11,738	-147,424
- experience adjustments	306,913	35,891	342,804
Past service cost	-3,959	763	-3,196
Benefits paid during the year	-196,462	-179,075	-375,537
Gains/losses upon payment	16,002	41,690	57,692
Exchange rate difference	11,632	2,755	14,387
As at 31 December 2017	7,886,897	1,699,836	9,586,733

Sensitivity analysis of parameter changes for Triglav Group

		in EUR	
Parameter	Parameter change	2017	2016
Interest rate	shift in the discount curve by +0.25%	-216,759	-765,447
	shift in the discount curve by -0.25%	225,834	829,445
Wage growth	change in annual wage growth by +0.5%	388,668	985,766
	change in annual wage growth by -0.5%	-347,888	-846,390
Mortality rate	constant increase in mortality by +20%	-140,409	-715,368
	constant increase in mortality by -20%	146,118	744,809
Early employment termination	shift in the expense curve by +20%	-292,364	-789,376
	shift in the expense curve by -20%	308,076	855,831

Development of provisions for retirement benefits and jubilee payments in Zavarovalnica Triglav

			in EUR
	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2016	5,006,984	1,253,720	6,260,704
Current service cost	459,427	132,577	592,004
Interest expenses	38,350	3,726	42,076
Actuarial gains/loss due to:			
– change in demographic assumptions	-51,898	-12,680	-64,578
– change in financial assumptions	99,052	95,028	194,080
– experience adjustments	354,044	-51,702	302,342
Profit/loss upon payment	0	-14,450	-14,450
Termination payments during the year	-152,103	-166,185	-318,288
As at 31 December 2016	5,753,856	1,240,033	6,993,889
Current service cost	472,863	134,082	606,945
Interest expenses	21,258	2,410	23,668
Actuarial gains/loss due to:			
– change in demographic assumptions	-569,745	-91,181	-660,926
– change in financial assumptions	-80,375	-27,368	-107,743
– experience adjustments	299,403	38,746	338,149
Profit/loss upon payment	0	32,799	32,799
Termination payments during the year	-152,800	-156,403	-309,203
As at 31 December 2017	5,744,460	1,173,117	6,917,578

Sensitivity analysis of parameter changes for Zavarovalnica Triglav

		in EUR	
Parameter	Parameter change	2017	2016
Interest rate	shift in the discount curve by +0.25%	-148,801	-160,749
	shift in the discount curve by -0.25%	154,844	167,804
Wage growth	change in annual wage growth by +0.5%	276,279	289,963
	change in annual wage growth by -0.5%	-244,965	-253,298
Mortality rate	constant increase in mortality by +20%	-84,594	-89,734
	constant increase in mortality by -20%	86,318	91,641
Early employment termination	shift in the expense curve by +20%	-160,776	-106,316
	shift in the expense curve by -20%	168,839	110,552

3.16 Other provisions

	in EUR	
	Triglav Group	Zavarovalnica Triglav
As at 1 January 2016	3,854,844	381,762
Increase	3,155,228	548,000
Decrease	-938,186	-240,093
Acquisition	-2,094,599	0
Changes in Group	-1,017	0
Exchange rate difference	-5,050	0
As at 31 December 2016	3,971,217	689,669
Increase	1,076,646	35,292
Decrease	-758,877	0
Release	-509,734	0
Exchange rate difference	15,395	0
As at 31 December 2017	3,794,647	724,961

The maturity of over 90% of other provisions is above 12 months. The largest portion of total provisions is accounted for provisions for legal disputes. The increase in other provisions is shown as »Other income« in the income statement.

3.17 Deferred tax assets and liabilities

	in EUR	
	Triglav Group	Zavarovalnica Triglav
DEFERRED TAX ASSETS		
As at 1 January 2016	15,993,688	14,726,987
– increase	2,951,099	2,874,467
– decrease	-4,869,495	-4,413,735
– increase due to change in tax rate	1,717,822	1,551,496
As at 31 December 2016	15,793,114	14,739,215
– increase	46,303	3,034,123
– decrease	-2,070,302	-4,809,964
– increase due to change in tax rate	0	0
As at 31 December 2017	13,769,115	12,963,374
DEFERRED TAX LIABILITIES		
As at 1 January 2016	23,188,796	20,995,140
– increase	0	0
– decrease	-628,245	-1,485,686
– increase due to change in tax rate	2,839,993	2,295,170
As at 31 December 2016	25,400,544	21,804,624
– increase	1,249,870	459,803
– decrease	-253,835	0
– increase due to change in tax rate	0	0
As at 31 December 2017	26,396,579	22,264,427
NET DEFERRED TAX ASSETS		
As at 31 December 2016	-9,607,430	-7,065,409
As at 31 December 2017	-12,627,464	-9,301,053

Deferred tax assets are recognised for temporary differences arising from the impairment of receivables, financial assets and investment property, formation of post-employment benefits, jubilee benefits, actuarial losses and unused tax losses. Deferred tax assets are not recognized from impairments of investments in subsidiaries and associates disclosed in the stand-alone financial statements.

Deferred tax liabilities are recognised due to the valuation of available-for-sale financial assets.

The change in deferred tax assets is recognised in the income statement, increasing and/or decreasing income tax expense. The change in deferred tax liabilities is recognised in other comprehensive income. The impact of changes on the income statement and the comprehensive income is shown in [→ [Section 4.15](#)].

3.18 Other financial liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Long-term liabilities for a finance lease	513,126	329,074	0	0
Loans from banks	455,120	275,303	0	0
Financial liabilities for acquired securities	1,161,877	1,139,421	1,161,877	1,139,421
Liabilities for dividends	678,873	707,945	678,873	707,945
Other financial liabilities	2,780,384	2,836,949	4,434	5,344
TOTAL	5,589,381	5,288,693	1,845,184	1,852,710

in EUR

The long-term financial liabilities of the Triglav Group and Zavarovalnica Triglav amount to EUR 878,528 and EUR 564,052 respectively.

3.19 Operating liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
DIRECT INSURANCE LIABILITIES	18,875,323	16,020,020	11,354,265	11,202,342
Liabilities to policyholders	11,854,935	10,609,008	8,351,426	7,563,911
Liabilities to insurance brokers	1,067,486	1,469,226	828,106	1,137,024
Other liabilities from direct insurance operations	5,952,902	3,919,778	1,819,604	1,693,292
Liabilities from direct insurance operations to Group companies	0	22,008	355,129	808,115
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	28,758,158	23,129,245	15,249,797	11,507,585
Liabilities for re/co-insurance premiums	17,031,209	14,537,488	13,015,790	11,501,403
Liabilities for co-insurers' share of claims	4,425,693	2,747,847	2,234,007	6,182
Other re/co-insurance liabilities	7,301,256	5,843,910	0	0
CURRENT TAX LIABILITIES	1,748,121	2,878,930	1,135,988	1,742,023
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	49,381,602	42,028,195	27,740,050	24,451,951

in EUR

All operating liabilities are short-term and are to be settled within 12 months.

3.20 Other liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Short-term liabilities to employees	19,115,336	18,719,094	15,391,703	15,411,414
Trade payables	13,274,496	9,154,522	13,274,496	9,154,522
Other short-term liabilities from insurance operations	13,830,528	12,671,005	5,147,981	5,684,432
Other short-term liabilities	9,792,369	9,398,029	2,055,530	1,900,842
Other long-term liabilities	2,993,063	51,885	2,246,976	18,000
Accrued interest on issued bonds	958,354	981,584	958,354	981,584
Short-term deferred income from charged interest on arrears	1,010,281	1,264,981	1,010,281	1,264,981
Other accruals	10,209,308	10,398,246	711,989	514,673
TOTAL OTHER LIABILITIES	71,183,735	62,639,346	40,797,310	34,930,448

Of the disclosed other liabilities, the long-term liabilities of the Triglav Group and Zavarovalnica Triglav account for EUR 2,246,976.

4. Notes to the Income Statement

4.1 Premium income

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
NON-LIFE INSURANCE				
Gross written premium	588,139,280	557,699,965	431,190,372	421,757,150
Assumed re-insurance written premium	62,175,221	50,065,396	16,237,471	-
Assumed co-insurance written premium	2,035,926	1,490,019	1,067,798	1,102,902
Ceded co-insurance written premium	-1,870,838	-1,751,956	-1,339,637	-1,197,786
Reinsurance written premium	-95,625,499	-77,311,182	-91,591,642	-76,901,321
Changes in gross provisions for unearned premiums	-11,291,823	-8,417,240	-6,899,198	-6,561,970
Changes in reinsurers' share of unearned premiums	284,406	1,610,135	493,754	1,709,472
Net premium income on non-life insurance	543,846,673	523,385,137	349,158,918	339,908,447
LIFE INSURANCE				
Gross written premium	218,279,696	212,562,325	173,475,695	170,268,959
Assumed co-insurance written premium	3,008	0	0	0
Reinsurance written premium	-54,396	-17,811	-591,302	-409,291
Changes in gross provisions for unearned premiums	23,933	-20,890	14,041	-2,912
Changes in reinsurers' share of unearned premiums	-113	-127,692	0	0
Net premium income on life insurance	218,252,128	212,395,932	172,898,434	169,856,756
HEALTH INSURANCE				
Gross written premium	129,283,495	114,186,110	0	0
Changes in gross provisions for unearned premiums	-184,927	-373,177	0	0
Net premium income on health insurance	129,098,568	113,812,933	0	0
TOTAL NET PREMIUM INCOME	891,197,369	849,594,001	522,057,353	509,765,203

in EUR

Overview of premium income by insurance class for Triglav Group¹¹⁷

	in EUR				
	Gross written premium ¹¹⁸	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
2017					
NON-LIFE INSURANCE					
Accident insurance	41,521,924	40,990	-192,590	-618,677	40,751,647
Health insurance	132,135,186	102,821	0	-265,861	131,972,146
Land motor vehicle insurance	127,257,100	564	-8,196	-8,193,807	119,055,661
Railway insurance	3,293,165	0	0	-853,666	2,439,499
Aircraft insurance	2,026,693	0	0	-1,578,658	448,035
Marine Insurance	4,697,325	0	0	-415,184	4,282,141
Cargo insurance	8,030,434	6,489	-526,388	-1,404,198	6,106,337
Fire and natural forces insurance	93,035,217	1,104,580	-535,013	-33,796,144	59,808,640
Other damage to property insurance	114,543,643	805,658	-369,027	-25,621,392	89,358,882
Motor TPL insurance	158,620,966	0	0	-5,680,208	152,940,758
Aircraft liability insurance	1,468,319	0	0	-826,368	641,951
Marine liability insurance	974,752	0	0	-96,880	877,872
General liability insurance	43,760,894	-25,176	-234,741	-8,629,839	34,871,138
Credit insurance	26,593,398	0	0	-3,836,796	22,756,602
Suretyship insurance	2,323,580	0	0	-441,312	1,882,268
Miscellaneous financial loss insurance	5,654,309	0	-4,883	-3,117,328	2,532,098
Legal expenses insurance	418,048	0	0	-12,737	405,311
Travel assistance insurance	13,243,043	0	0	-236,443	13,006,600
Total non-life insurance	779,597,996	2,035,926	-1,870,838	-95,625,498	684,137,586
LIFE INSURANCE					
Life insurance	94,109,927	3,008	0	-53,561	94,059,374
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	105,851,192	0	0	0	105,851,192
Tontines	0	0	0	0	0
Capital redemption insurance	18,070,394	0	0	0	18,070,394
Loss of income due to illness	248,183	0	0	-836	247,347
Total life insurance	218,279,696	3,008	0	-54,397	218,228,307
TOTAL	997,877,692	2,038,934	-1,870,838	-95,679,895	902,365,893

¹¹⁷ Non-life insurance also includes health insurance.¹¹⁸ Gross written premium also includes written reinsurance premiums accepted.

	in EUR				
	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
2016					
NON-LIFE INSURANCE					
Accident insurance	43,175,682	125,004	-215,826	-607,916	42,476,944
Health insurance	115,849,083	3,333	0	-232,365	115,620,051
Land motor vehicle insurance	117,715,478	3,298	-3,858	-7,599,728	110,115,190
Railway insurance	3,143,814	0	0	-649,481	2,494,333
Aircraft insurance	2,300,932	0	0	-1,326,561	974,371
Marine Insurance	3,527,033	81,693	0	-307,040	3,301,686
Cargo insurance	8,079,185	6,489	-653,928	-1,167,416	6,264,330
Fire and natural forces insurance	88,571,299	962,872	-479,628	-30,630,478	58,424,065
Other damage to property insurance	107,469,250	194,703	-295,595	-16,734,696	90,633,662
Motor TPL insurance	145,633,723	0	0	-4,296,262	141,337,461
Aircraft liability insurance	1,297,844	0	0	-673,349	624,495
Marine liability insurance	729,183	0	0	-56,464	672,719
General liability insurance	41,131,248	111,241	-102,422	-6,638,872	34,501,195
Credit insurance	24,719,096	0	0	-2,903,756	21,815,340
Suretyship insurance	2,055,032	0	-699	-359,345	1,694,988
Miscellaneous financial loss insurance	5,145,672	1,386	0	-2,918,498	2,228,560
Legal expenses insurance	618,697	0	0	-10,228	608,469
Travel assistance insurance	10,789,220	0	0	-198,727	10,590,493
Total non-life insurance	721,951,471	1,490,019	-1,751,956	-77,311,182	644,378,352
LIFE INSURANCE					
Life insurance	93,596,693	0	0	-17,811	93,578,882
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	103,867,238	0	0	0	103,867,238
Tontines	0	0	0	0	0
Capital redemption insurance	15,041,116	0	0	0	15,041,116
Loss of income due to illness	57,278	0	0	0	57,278
Total life insurance	212,562,325	0	0	-17,811	212,544,514
TOTAL	934,513,796	1,490,019	-1,751,956	-77,328,993	856,922,866

Overview of premium income by insurance class for Zavarovalnica Triglav

	in EUR				
	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
2017					
NON-LIFE INSURANCE					
Accident insurance	27,032,366	0	0	-1,113,944	25,918,422
Health insurance	486,414	0	-282,754	0	203,661
Land motor vehicle insurance	106,632,936	0	0	-8,947,981	97,684,954
Railway insurance	3,142,650	0	0	-653,914	2,488,736
Aircraft insurance	970,750	0	0	-842,888	127,862
Marine Insurance	345,918	0	0	-57,235	288,683
Cargo insurance	5,324,046	0	-526,375	-2,085,500	2,712,170
Fire and natural forces insurance	53,754,842	1,006,231	-174,701	-21,927,034	32,659,338
Other damage to property insurance	84,122,714	0	-248,030	-31,225,699	52,648,985
Motor TPL insurance	87,528,335	0	0	-6,509,296	81,019,038
Aircraft liability insurance	994,150	0	0	-980,308	13,842
Marine liability insurance	335,514	0	0	-38,793	296,721
General liability insurance	35,112,942	61,567	-107,321	-10,829,655	24,237,533
Credit insurance	26,094,676	0	0	-3,615,555	22,479,121
Suretyship insurance	1,601,544	0	0	-382,619	1,218,926
Miscellaneous financial loss insurance	2,821,601	0	-456	-1,764,644	1,056,502
Legal expenses insurance	393,897	0	0	-33,473	360,423
Travel assistance insurance	10,732,548	0	0	-583,105	10,149,444
Total non-life insurance	447,427,843	1,067,798	-1,339,637	-91,591,642	355,564,362
LIFE INSURANCE					
Life insurance	82,276,487	0	0	-591,302	81,685,185
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	73,128,814	0	0	0	73,128,814
Tontines	0	0	0	0	0
Capital redemption insurance	18,070,394	0	0	0	18,070,394
Loss of income due to illness	0	0	0	0	0
Total life insurance	173,475,695	0	0	-591,302	172,884,393
TOTAL	620,903,538	1,067,798	-1,339,637	-92,182,944	528,448,755

	in EUR				
	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
2016					
NON-LIFE INSURANCE					
Accident insurance	28,798,922	0	0	-1,184,559	27,614,362
Health insurance	422,483	0	-295,776	0	126,707
Land motor vehicle insurance	97,776,203	7,521	0	-8,711,553	89,072,172
Railway insurance	3,000,826	0	0	-545,948	2,454,878
Aircraft insurance	1,039,498	0	0	-902,665	136,833
Marine Insurance	316,659	81,693	0	-75,373	322,979
Cargo insurance	5,066,567	0	-653,920	-1,929,788	2,482,860
Fire and natural forces insurance	54,364,203	940,270	-135,547	-22,409,607	32,759,319
Other damage to property insurance	71,229,040	0	-14,610	-18,506,122	52,708,309
Motor TPL insurance	87,328,336	0	0	-6,219,151	81,109,185
Aircraft liability insurance	810,377	0	0	-737,414	72,963
Marine liability insurance	343,659	0	0	-43,890	299,769
General liability insurance	33,122,833	73,417	-97,934	-9,704,421	23,393,895
Credit insurance	24,622,038	0	0	-3,288,452	21,333,587
Suretyship insurance	1,453,625	0	0	-376,273	1,077,352
Miscellaneous financial loss insurance	2,653,327	0	0	-1,732,988	920,339
Legal expenses insurance	568,538	0	0	-41,343	527,196
Travel assistance insurance	8,840,017	0	0	-491,776	8,348,241
Total non-life insurance	421,757,150	1,102,902	-1,197,786	-76,901,321	344,760,945
LIFE INSURANCE					
Life insurance	83,319,257	0	0	-409,291	82,909,966
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	71,908,586	0	0	0	71,908,586
Tontines	0	0	0	0	0
Capital redemption insurance	15,041,116	0	0	0	15,041,116
Loss of income due to illness	0	0	0	0	0
Total life insurance	170,268,959	0	0	-409,291	169,859,668
TOTAL	592,026,109	1,102,902	-1,197,786	-77,310,612	514,620,613

4.2 Income from financial assets

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
INTEREST INCOME FROM FINANCIAL ASSETS				
– available for sale	34,029,261	34,697,056	23,885,897	26,174,739
– loans and deposits	2,792,409	4,478,712	2,865,277	2,559,498
– held to maturity	10,618,005	11,215,102	7,836,163	8,181,640
– at fair value through profit and loss	10,430,950	11,897,418	5,120,346	6,146,594
– derivate financial instruments	0	0	0	0
– cash or cash equivalents	11,403	18,956	716	787
– interest on late payments of insurance receivables	944,142	987,499	861,029	884,453
– interest income from subrogated receivables	4,997,841	5,061,087	4,896,912	4,935,164
– other interest income from insurance operations	166,550	479,744	35,324	330,842
Total interest income	63,990,562	68,835,574	45,501,665	49,213,716
DIVIDENDS FROM				
– available-for-sale financial assets	5,011,305	3,194,521	2,695,236	2,359,012
– financial assets at fair value through profit and loss	335,146	162,248	92,338	8,633
– subsidiaries and associates	0	0	6,172,954	62,153
TOTAL DIVIDENDS	5,346,451	3,356,769	8,960,528	2,429,798
Fair value gains	36,619,731	31,268,041	30,527,723	24,784,329
Realised gains on disposals	29,790,480	33,979,089	25,453,585	38,164,304
Profits from disposals of subsidiaries	0	2,928,469	0	0
Profit on investments accounted for using the equity method	224,605	188,105	0	0
Other financial income	3,865,613	5,461,438	1,701,209	1,404,969
TOTAL INVESTMENT INCOME	139,837,442	146,017,485	112,144,711	115,997,114

Fair value gains are described in detail in [→ [Section 4.4](#)], and realised gains on disposals in [→ [Section 4.5](#)].

4.3 Expenses from financial assets and liabilities

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Interest expense from derivative financial instruments held for trading	0	0	0	0
Interest expense from current debt	563,843	187,293	315,841	123,266
– on bank loans	20,394	20,158	0	0
– other loans	2,128	28,932	0	0
– other interest expense	541,321	138,203	315,841	123,266
Interest expense from noncurrent debt	17,239	24,043	0	0
– bank loans	0	0	0	0
– other loans	17,041	9,329	0	0
– other interest expense	198	14,714	0	0
Interest expense from bonds issued	1,049,940	1,103,168	1,233,226	1,259,798
Total interest expense	1,631,023	1,314,504	1,549,066	1,383,064
Fair value losses	4,528,102	8,394,274	1,757,407	3,243,799
Realised loss on disposals	11,083,596	19,450,943	10,588,356	18,702,950
Loss on disposals of subsidiaries	1,145,000	2,926,458	0	0
Loss on equity investments in associates accounted for using the equity method	1,981,853	247,812	0	0
Loss on impairment of financial assets	335,255	3,197,025	200,000	3,097,058
Other finance costs	12,906,883	7,002,861	7,897,651	3,736,523
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	33,611,711	42,533,879	21,992,479	30,163,394

In other financial expenses, foreign exchange losses account for EUR 9.1 million (in Zavarovalnica Triglav: EUR 5.0 million), while the remaining EUR 3.8 million is accounted for by asset management costs (in Zavarovalnica Triglav: EUR 2.9 million). The increase is primarily the result of higher foreign exchange losses.

Fair value losses are described in detail in [→ [Section 4.4](#)], and realised loss on disposals of financial assets in [→ [Section 4.5](#)].

4.4 Fair value gains and losses

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Financial assets recognised at fair value through profit/loss	31,402,827	23,352,184	28,081,514	22,018,926
– gains	35,930,929	31,268,041	29,838,921	24,784,329
– losses	-4,528,102	-7,915,857	-1,757,407	-2,765,403
Derivative financial instruments	688,802	-478,417	688,802	-478,397
– gains	688,802	0	688,802	0
– losses	0	-478,417	0	-478,397
NET GAINS FROM CHANGES IN FAIR VALUE	32,091,629	22,873,767	28,770,316	21,540,529

Net income from changes in fair value of financial assets includes net unrealised gains on unit-linked life insurance assets. Net expenses from changes in fair value of financial assets include net unrealised losses on unit-linked life insurance assets.

4.5 Realised gains and losses

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Financial assets recognised at fair value through profit/loss	2,155,198	3,257,037	2,109,274	3,144,057
– realised gains on disposals	3,493,012	4,516,429	3,375,768	4,223,909
– realised losses on disposals	-1,337,814	-1,259,392	-1,266,495	-1,079,852
Available-for-sale financial assets	18,028,216	17,634,647	14,232,486	22,771,547
– realised gains on disposals	20,278,752	20,603,704	16,059,101	25,172,150
– realised losses on disposals	-2,250,536	-2,969,057	-1,826,615	-2,400,603
Loans and deposits	0	90,712	0	0
– realised gains on disposals	0	90,712	0	0
– realised losses on disposals	0	0	0	0
Derivative financial instruments	-1,409,793	-6,454,250	-1,409,796	-6,454,249
– realised gains on disposals	6,018,716	8,768,244	6,018,716	8,768,245
– realised losses on disposals	-7,428,509	-15,222,494	-7,428,510	-15,222,494
Held-to-maturity financial assets	0	0	0	0
– realised gains on disposals	0	0	0	0
– realised losses on disposals	0	0	0	0
Financial liabilities	-66,736	0	-66,736	0
– realised gains on disposals	0	0	0	0
– realised losses on disposals	-66,736	0	-66,736	0
TOTAL REALISED GAINS AND LOSSES	18,706,885	14,528,146	14,865,230	19,461,355

in EUR

4.6 Other insurance income

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Fees and commission income	16,487,470	252,793	18,011,730	15,201,866
– reinsurance commission income	16,399,287	187,584	17,923,547	15,136,657
– investment management services	88,183	65,209	88,182	65,209
Other income from insurance operations	6,081,365	5,139,379	3,926,874	3,958,283
– income from sale of green cards for motor vehicles	2,365,643	2,180,042	970,789	983,282
– income from claims settled for other insurance companies	763,106	759,927	448,300	454,200
– income from assistance services	28,214	9,944	11,817	3,842
– other income from insurance operations	2,924,402	2,189,466	2,495,970	2,516,959
OTHER INSURANCE INCOME	22,568,835	5,392,172	21,938,604	19,160,149

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

4.7 Other income

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Income from investment property	6,637,396	5,261,684	5,205,856	5,265,158
Income from disposal of investment property	325,860	5,251,702	77,514	327,402
Income from disposal of intangible assets	39,798	29,726	0	0
Income from disposal of property, plant and equipment	103,381	207,893	431	153,374
Income from other services	1,821,079	3,060,247	5,499,648	6,845,988
Income from non-insurance companies in the Group	24,506,898	39,419,625	0	0
Fair value gains	409,651	150,557	134,548	0
Claims refund	189,053	155,741	33,426	53,693
TOTAL OTHER INCOME	34,033,116	53,537,175	10,951,423	12,645,615

4.8 Claims

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
NON-LIFE INSURANCE				
Gross claims settled	332,902,222	315,523,785	250,056,103	240,650,286
Gross claims paid from inward reinsurance	29,745,087	30,020,167	2,751,897	-
Income from gross subrogated receivables	-15,335,223	-16,002,594	-12,387,832	-13,029,123
Reinsurers' share of gross claims settled	-24,825,626	-21,263,732	-24,830,340	-20,784,547
Co-insurers' share of gross claims settled	252,466	-420,150	465,802	264,852
Change in gross claims provisions	1,497,691	-7,128,123	-2,587,374	-13,655,518
Change in gross claims provisions for re/co-insurer's share	-6,801,652	-5,594,782	-8,385,490	-4,789,667
Net claims incurred on non-life insurance	317,434,965	295,134,571	205,082,765	188,656,283
LIFE INSURANCE				
Gross claims settled	189,454,483	182,237,935	170,885,356	163,615,157
Reinsurers' share in gross claims	-450	-8,138	-259,497	-159,671
Change in gross claims provisions	553,739	-1,188,573	577,500	-1,351,430
Change in reinsurers' share in gross claims provisions	6,706	-20,573	6,706	-20,573
Net claims incurred on life insurance	190,014,478	181,020,651	171,210,065	162,083,483
HEALTH INSURANCE				
Gross claims settled	105,440,900	94,251,423	0	0
Income from gross exercised subrogation receivables	-44,900	-11,147	0	0
Change in gross claims provisions	797,446	-243,149	0	0
Change in claims provisions for reinsurers' share	30,106	0	0	0
Equalisation scheme expenses	6,285,786	6,950,069	0	0
TOTAL NET CLAIMS INCURRED on health insurance	112,509,338	100,947,196	0	0
NET CLAIMS INCURRED TOTAL	619,958,781	577,102,418	376,292,830	350,739,765

in EUR

Overview of net claims incurred by insurance class

				in EUR
2017	Gross claims ¹¹⁹	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	23,728,233	-29,754	-221,688	23,476,791
Health insurance	106,578,530	-44,900	-106,415	106,427,215
Land motor vehicle insurance	91,410,178	-3,195,556	-2,347,464	85,867,158
Railway insurance	1,502,312	0	0	1,502,312
Aircraft insurance	343,520	0	-73,018	270,502
Marine Insurance	5,074,829	-67,228	-2,340,979	2,666,622
Cargo insurance	2,279,920	-125,676	-174,013	1,980,231
Fire and natural forces insurance	39,713,867	-393,224	-3,720,669	35,599,974
Other damage to property insurance	65,293,836	-351,141	-11,287,461	53,655,234
Motor TPL insurance	93,228,583	-3,049,463	-2,550,038	87,629,082
Aircraft liability insurance	320,341	-1,005	-56,195	263,141
Marine liability insurance	346,883	0	-6,113	340,770
General liability insurance	15,508,421	-450,292	-726,044	14,332,085
Credit insurance	10,305,007	-7,436,476	-568,355	2,300,176
Suretyship insurance	741,141	-195,003	-59,595	486,543
Miscellaneous financial loss insurance	1,645,767	-30	-497,277	1,148,460
Legal expenses insurance	56,928	0	0	56,928
Travel assistance insurance	10,009,913	-40,375	-90,302	9,879,236
Total non-life insurance	468,088,209	-15,380,123	-24,825,626	427,882,460
LIFE INSURANCE				
Life insurance	91,029,628	0	-450	91,029,178
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	92,969,964	0	0	92,969,964
Tontines	0	0	0	0
Capital redemption insurance	5,365,889	0	0	5,365,889
Loss of income due to illness	89,002	0	0	89,002
Total life insurance	189,454,483	0	-450	189,454,033
TOTAL	657,542,692	-15,380,123	-24,826,076	617,336,493

¹¹⁹ Gross claims paid also include gross claims paid from inward reinsurance.

Triglav Group				in EUR
2016	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	24,272,679	-17,118	-165,970	24,089,591
Health insurance	94,657,195	-11,147	-66,500	94,579,548
Land motor vehicle insurance	88,117,253	-2,880,615	-2,185,260	83,051,378
Railway insurance	2,308,401	-6,820	0	2,301,581
Aircraft insurance	2,939,214	0	-1,375,244	1,563,970
Marine Insurance	2,638,514	-38,260	-81,216	2,519,038
Cargo insurance	2,670,505	-165,623	-192,032	2,312,850
Fire and natural forces insurance	34,579,973	-165,438	-5,352,886	29,061,649
Other damage to property insurance	62,059,455	-312,354	-8,236,065	53,511,036
Motor TPL insurance	84,680,405	-3,514,631	-1,210,771	79,955,003
Aircraft liability insurance	659,349	0	-481,477	177,872
Marine liability insurance	99,058	0	-2,660	96,398
General liability insurance	15,284,816	-286,103	-266,153	14,732,560
Credit insurance	12,113,255	-8,467,276	-583,551	3,062,428
Suretyship insurance	1,176,978	-108,903	-35,404	1,032,671
Miscellaneous financial loss insurance	2,114,641	0	-917,209	1,197,432
Legal expenses insurance	66,682	0	-264	66,418
Travel assistance insurance	9,357,004	-39,453	-111,071	9,206,480
Total non-life insurance	439,795,377	-16,013,741	-21,263,733	402,517,903
LIFE INSURANCE				
Life insurance	92,921,775	0	-8,138	92,913,637
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	81,232,937	0	0	81,232,937
Tontines	0	0	0	0
Capital redemption insurance	8,059,245	0	0	8,059,245
Loss of income due to illness	23,976	0	0	23,976
Total life insurance	182,237,933	0	-8,138	182,229,795
TOTAL	622,033,310	-16,013,741	-21,271,871	584,747,698

Zavarovalnica Triglav

in EUR

2017	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	13,065,186	-29,470	-343,233	12,692,483
Health insurance	20,465	0	-2,952	17,513
Land motor vehicle insurance	75,282,043	-2,113,481	-3,584,895	69,583,667
Railway insurance	1,502,245	0	0	1,502,245
Aircraft insurance	115,129	0	-65,530	49,599
Marine Insurance	241,063	-66,074	-6,452	168,537
Cargo insurance	1,341,420	-97,872	-351,243	892,305
Fire and natural forces insurance	22,973,913	-378,671	-2,992,205	19,603,037
Other damage to property insurance	45,645,793	-332,758	-10,453,568	34,859,468
Motor TPL insurance	58,673,179	-1,669,518	-4,647,902	52,355,759
Aircraft liability insurance	58,780	-1,005	-22,718	35,057
Marine liability insurance	78,018	0	-2,323	75,695
General liability insurance	13,592,447	-397,618	-1,158,944	12,035,885
Credit insurance	9,780,693	-7,119,944	-341,993	2,318,755
Suretyship insurance	111,947	-141,097	-1,810	-30,960
Miscellaneous financial loss insurance	950,583	-30	-440,713	509,841
Legal expenses insurance	55,256	0	12	55,268
Travel assistance insurance	9,319,837	-40,293	-413,871	8,865,673
Total non-life insurance	252,808,000	-12,387,832	-24,830,340	215,589,827
LIFE INSURANCE				
Life insurance	82,932,298	0	-259,497	82,672,802
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	82,587,169	0	0	82,587,169
Tontines	0	0	0	0
Capital redemption insurance	5,365,889	0	0	5,365,889
Loss of income due to illness	0	0	0	0
Total life insurance	170,885,356	0	-259,497	170,625,860
TOTAL	423,693,356	-12,387,832	-25,089,837	386,215,687

Zavarovalnica Triglav

in EUR

2016	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	13,080,658	-15,498	-352,295	12,712,865
Health insurance	1,679	0	-670	1,008
Land motor vehicle insurance	73,601,927	-1,814,095	-3,637,197	68,150,635
Railway insurance	2,220,015	-6,820	0	2,213,194
Aircraft insurance	377,187	0	-19,635	357,552
Marine Insurance	249,316	-6,913	-7,529	234,874
Cargo insurance	1,858,470	-114,060	-937,916	806,495
Fire and natural forces insurance	18,002,931	-140,014	-3,350,262	14,512,654
Other damage to property insurance	40,736,552	-288,925	-7,175,342	33,272,285
Motor TPL insurance	54,834,398	-2,161,120	-2,656,594	50,016,684
Aircraft liability insurance	225,233	0	-183,607	41,626
Marine liability insurance	47,900	0	-692	47,208
General liability insurance	12,987,418	-273,327	-637,568	12,076,523
Credit insurance	11,699,939	-8,076,250	-596,485	3,027,204
Suretyship insurance	559,595	-93,509	-11,934	454,152
Miscellaneous financial loss insurance	1,426,092	0	-826,344	599,748
Legal expenses insurance	66,358	0	-171	66,187
Travel assistance insurance	8,674,620	-38,593	-390,306	8,245,721
Total non-life insurance	240,650,285	-13,029,123	-20,784,547	206,836,616
LIFE INSURANCE				
Life insurance	86,948,253	0	-159,671	86,788,582
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	68,607,658	0	0	68,607,658
Tontines	0	0	0	0
Capital redemption insurance	8,059,245	0	0	8,059,245
Loss of income due to illness	0	0	0	0
Total life insurance	163,615,158	0	-159,671	163,455,486
TOTAL	404,265,443	-13,029,123	-20,944,218	370,292,102

4.9 Reinsurance result

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Reinsurance premiums	-95,679,895	-77,328,993	-93,522,581	-78,508,398
Changes in reinsurers' share of unearned premiums	284,293	1,482,442	493,754	1,709,472
Reinsurers' share of claims	24,826,076	21,271,871	25,089,837	20,944,218
Changes in claims provisions for reinsurers' shares	6,764,840	5,615,355	8,378,784	4,810,240
Net result from reinsurance operations	-63,804,686	-48,959,325	-59,560,206	-51,044,468
Reinsurance commission	16,382,965	138,614	17,923,547	15,136,657
GROSS REINSURANCE RESULT	-47,421,721	-48,820,711	-41,636,659	-35,907,811

4.10 Change in other insurance-technical provisions

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Change in other insurance technical provisions	60,281,190	47,211,326	35,366,975	28,758,525
– changes in gross provisions for cancellations	53,070	-570,865	67,747	127,186
– changes in gross provisions for unexpired risks	875,957	-703,744	-818,663	423,190
– changes in gross provisions for other catastrophic risks	0	3,644	0	0
– changes in gross provisions for life insurance	57,909,518	46,216,048	34,675,246	25,941,906
– changes in gross provisions for bonuses from with-profits life insurance	1,442,645	2,266,243	1,442,645	2,266,243
Change in gross provisions for unit-linked insurance contracts	-8,250,712	776,648	-14,678,837	-7,469,473
TOTAL CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	52,030,478	47,987,974	20,688,138	21,289,052

4.11 Expenses for bonuses and discounts

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Settled bonuses and discounts	9,190,486	7,888,170	8,218,663	7,430,852
Changes in gross provisions for bonuses and discounts	152,405	3,443,461	-145,575	1,677,851
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	9,342,891	11,331,630	8,073,088	9,108,703

4.12 Acquisition costs and other operating expenses

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Acquisition costs	147,942,412	141,003,013	105,301,136	102,587,533
Other operating costs	72,820,221	67,672,695	40,621,773	39,642,065
Claim handling costs*	25,322,704	25,775,074	19,982,533	20,254,278
Costs of asset management**	2,314,673	2,592,444	1,839,313	2,063,343
Operating expenses from non-insurance operations***	25,645,287	40,014,814	0	0
TOTAL	274,045,297	277,058,040	167,744,757	164,547,219

* Claim handling costs are disclosed as a part of gross claims incurred.

** Costs of asset management are disclosed as financial expenses

*** Operating expenses from non-insurance operations are disclosed as other expenses.

4.12.1 Gross operating expenses by nature and business segment

Triglav Group						in EUR
2017	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
Acquisition costs	29,143,920	4,776,143	1,934,970	35,855,033	0	35,855,033
Cost of goods sold	0	0	0	0	230,774	230,774
Depreciation of operating assets	9,471,082	1,958,532	523,766	11,953,380	1,268,876	13,222,256
Labour costs	105,154,889	18,419,295	4,446,763	128,020,947	13,772,241	141,793,188
Wages and salaries	73,250,152	12,846,200	3,377,661	89,474,013	9,406,974	98,880,987
Social security and pension insurance costs	16,894,384	2,674,702	572,606	20,141,692	2,519,614	22,661,306
Other labour costs	15,010,353	2,898,393	496,496	18,405,242	1,845,653	20,250,895
Costs of services provided by natural persons other than SPs, including related taxes	800,448	73,156	146,211	1,019,815	0	1,019,815
Other operating costs	55,060,559	10,946,451	5,543,825	71,550,835	10,373,396	81,924,231
Costs of entertainment, advertising, trade shows	16,991,352	2,502,394	663,419	20,157,165	693,732	20,850,897
Costs of material and energy	4,767,179	951,018	261,796	5,979,993	1,552,051	7,532,044
Maintenance costs	8,357,123	2,116,448	2,045,539	12,519,110	778,405	13,297,515
Reimbursement of labour-related costs	4,068,779	516,836	162,845	4,748,460	645,034	5,393,494
Costs of intellectual and personal services	3,484,199	708,542	473,628	4,666,369	669,591	5,335,960
Membership fees and charges	1,936,144	389,527	85,976	2,411,647	710,368	3,122,015
Costs of services - transport and communications	3,231,418	916,719	853,080	5,001,217	172,918	5,174,135
Costs for insurance premiums	1,152,043	155,051	16,865	1,323,959	56,554	1,380,513
Payment transaction costs and banking services	1,334,870	639,757	313,842	2,288,469	1,029,697	3,318,166
Rents	4,253,550	716,164	11,621	4,981,335	905,088	5,886,423
Costs of professional training services	543,106	115,189	71,124	729,419	149,366	878,785
Other costs of services	4,940,796	1,218,806	584,090	6,743,692	3,010,592	9,754,284
TOTAL OPERATING EXPENSES	199,630,898	36,173,577	12,595,535	248,400,010	25,645,287	274,045,297

Triglav Group	in EUR					
	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
2016						
Acquisition costs	27,621,831	4,651,136	2,019,051	34,292,018	0	34,292,018
Cost of goods sold	0	0	0	0	10,273,611	10,273,611
Depreciation of operating assets	9,219,532	1,770,927	293,430	11,283,889	1,731,247	13,015,136
Labour costs	102,015,990	18,490,657	4,127,199	124,633,846	15,357,446	139,991,292
Wages and salaries	70,862,296	13,036,225	3,133,303	87,031,824	10,822,990	97,854,814
Social security and pension insurance costs	16,488,840	2,656,289	530,049	19,675,178	2,731,763	22,406,941
Other labour costs	14,664,854	2,798,143	463,847	17,926,844	1,802,693	19,729,537
Costs of services provided by natural persons other than SPs, including related taxes	777,557	212,058	151,978	1,141,593	0	1,141,593
Other operating costs	50,702,832	10,462,828	4,526,219	65,691,879	12,652,510	78,344,389
Costs of entertainment, advertising, trade shows	14,557,161	2,016,981	635,555	17,209,697	1,104,969	18,314,666
Costs of material and energy	5,015,828	981,571	253,293	6,250,692	2,102,702	8,353,394
Maintenance costs	7,480,474	2,065,626	1,667,497	11,213,597	990,228	12,203,825
Reimbursement of labour-related costs	3,978,665	508,630	144,458	4,631,753	761,927	5,393,680
Costs of intellectual and personal services	2,882,266	725,949	340,285	3,948,500	921,826	4,870,326
Membership fees and charges	1,942,954	382,547	72,065	2,397,566	870,371	3,267,937
Costs of services - transport and communications	3,226,932	886,497	590,281	4,703,710	294,715	4,998,425
Costs for insurance premiums	1,238,562	178,448	1,348	1,418,358	78,505	1,496,863
Payment transaction costs and banking services	1,470,397	698,199	287,283	2,455,879	659,691	3,115,570
Rents	3,926,522	800,724	11,700	4,738,946	951,078	5,690,024
Costs of professional training services	466,194	134,444	64,121	664,759	118,165	782,924
Other costs of services	4,516,877	1,083,212	458,333	6,058,422	3,798,330	9,856,752
TOTAL OPERATING EXPENSES	190,337,743	35,587,606	11,117,877	237,043,226	40,014,814	277,058,040

Zavarovalnica Triglav	in EUR					
	2017			2016		
	Non-life insurance	Life insurance	TOTAL	Non-life insurance	Life insurance	TOTAL
Acquisition costs	16,013,168	8,309,539	24,322,707	16,362,427	7,811,501	24,173,928
Depreciation of operating assets	7,089,004	1,670,764	8,759,768	6,624,998	1,587,730	8,212,728
Labour costs	79,699,395	14,874,389	94,573,784	77,675,812	15,547,791	93,223,603
Wages and salaries	56,833,223	10,513,000	67,346,222	55,643,417	11,112,886	66,756,303
Social security and pension insurance costs	9,669,567	1,807,379	11,476,946	9,398,745	1,890,776	11,289,521
Other labour costs	13,196,605	2,554,010	15,750,615	12,633,650	2,544,129	15,177,779
Costs of services provided by natural persons other than SPs, including related taxes	227,587	50,068	277,655	51,679	149,589	201,268
Other operating costs	31,577,741	8,233,101	39,810,842	30,305,182	8,430,510	38,735,692
Costs of entertainment, advertising, trade shows	7,171,165	1,645,523	8,816,687	6,721,469	1,795,030	8,516,499
Costs of material and energy	2,497,926	739,288	3,237,214	2,829,042	766,538	3,595,580
Maintenance costs	7,330,919	2,027,333	9,358,251	6,856,479	1,977,211	8,833,689
Reimbursement of labour-related costs	2,918,310	433,124	3,351,434	2,787,172	402,271	3,189,444
Costs of intellectual and personal services	1,815,967	464,000	2,279,967	1,395,159	533,680	1,928,839
Membership fees and charges	1,183,708	326,478	1,510,185	1,256,106	342,986	1,599,091
Costs of services - transport and communications	2,093,070	802,099	2,895,170	2,118,959	750,607	2,869,566
Costs for insurance premiums	752,862	134,007	886,868	779,799	144,371	924,170
Payment transaction costs and banking services	1,000,570	540,022	1,540,592	1,149,860	601,404	1,751,264
Rents	2,298,994	500,538	2,799,533	2,073,718	511,858	2,585,576
Costs of professional training services	351,086	96,655	447,741	346,865	100,675	447,540
Other costs of services	2,163,163	524,037	2,687,200	1,990,556	503,880	2,494,436
TOTAL OPERATING EXPENSES	134,606,895	33,137,861	167,744,757	131,020,099	33,527,120	164,547,219

In addition to the above-stated amount of EUR 67,346,222 (vs. EUR 66,756,303 in 2016), total wages and salaries include employee bonuses based on performance results in 2017 in the total amount of EUR 6,828,596 (vs. EUR 6,087,855 in 2016). Total costs for wages and salaries in 2017 thus amount to EUR 74,174,818 (vs. EUR 72,844,158 in 2016).

Total costs of Zavarovalnica Triglav for the above-mentioned item, including taxes and other contributions chargeable to the employer, amount to EUR 7,928,000 and are disclosed as other expenses.

4.12.2 Gross operating expenses by nature and function

Triglav Group						in EUR
2017	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations	TOTAL
Acquisition costs	35,855,033	0	0	0	0	35,855,033
Cost of goods sold	0	0	0	0	230,774	230,774
Depreciation of operating assets	5,793,389	1,614,801	116,427	4,428,763	1,268,876	13,222,256
Labour costs	66,487,559	18,097,039	1,373,183	42,063,166	13,772,241	141,793,188
Wages and salaries	47,437,322	12,230,065	1,012,937	28,793,689	9,406,974	98,880,987
Social security and pension insurance costs	10,188,254	2,804,962	202,837	6,945,639	2,519,614	22,661,306
Other labour costs	8,861,983	3,062,012	157,409	6,323,838	1,845,653	20,250,895
Costs of services provided by natural persons other than SPs, including related taxes	300,074	396,993	2,078	320,670	0	1,019,815
Other operating costs	39,506,357	5,213,871	822,985	26,007,622	10,373,396	81,924,231
Costs of entertainment, advertising, trade shows	17,872,787	54,433	8,127	2,221,818	693,732	20,850,897
Costs of material and energy	3,046,893	830,052	41,089	2,061,959	1,552,051	7,532,044
Maintenance costs	4,689,729	1,401,831	213,386	6,214,164	778,405	13,297,515
Reimbursement of labour-related costs	3,734,075	147,210	19,582	847,593	645,034	5,393,494
Costs of intellectual and personal services	895,448	420,456	245,270	3,105,195	669,591	5,335,960
Membership fees and charges	1,023,827	251,496	20,771	1,115,553	710,368	3,122,015
Costs of services - transport and communications	2,513,101	489,169	18,971	1,979,976	172,918	5,174,135
Costs for insurance premiums	658,769	170,899	8,130	486,161	56,554	1,380,513
Payment transaction costs and banking services	789,283	9,319	56,017	1,433,850	1,029,697	3,318,166
Rents	2,153,194	534,123	31,647	2,262,371	905,088	5,886,423
Costs of professional training services	237,040	83,598	7,207	401,574	149,366	878,785
Other costs of services	1,892,211	821,285	152,788	3,877,408	3,010,592	9,754,284
TOTAL OPERATING EXPENSES	147,942,412	25,322,704	2,314,673	72,820,221	25,645,287	274,045,297
Drugi stroški storitev	1.892.211	821.285	152.788	3.877.408	3.010.592	9.754.284
TOTAL OPERATING EXPENSES	147.942.412	25.322.704	2.314.673	72.820.221	25.645.287	274.045.297

Triglav Group						in EUR
2016	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations	TOTAL
Acquisition costs	34,292,018	0	0	0	0	34,292,018
Cost of goods sold	0	0	0	0	10,273,611	10,273,611
Depreciation of operating assets	5,623,405	1,605,088	124,999	3,930,397	1,731,247	13,015,136
Labour costs	64,606,914	18,604,767	1,465,218	39,956,947	15,357,446	139,991,292
Wages and salaries	45,714,098	12,659,305	1,083,542	27,574,879	10,822,990	97,854,814
Social security and pension insurance costs	9,991,972	2,904,785	216,197	6,562,224	2,731,763	22,406,941
Other labour costs	8,900,844	3,040,677	165,479	5,819,844	1,802,693	19,729,537
Costs of services provided by natural persons other than SPs, including related taxes	558,434	191,522	5,526	386,111	0	1,141,593
Other operating costs	35,922,241	5,373,697	996,701	23,399,240	12,652,510	78,344,389
Costs of entertainment, advertising, trade shows	14,908,543	62,952	9,634	2,228,568	1,104,969	18,314,666
Costs of material and energy	3,252,081	984,049	55,632	1,958,930	2,102,702	8,353,394
Maintenance costs	4,258,523	1,383,675	209,419	5,361,980	990,228	12,203,825
Reimbursement of labour-related costs	3,779,735	141,331	25,975	684,712	761,927	5,393,680
Costs of intellectual and personal services	861,249	311,931	255,226	2,520,094	921,826	4,870,326
Membership fees and charges	1,038,945	259,061	16,662	1,082,898	870,371	3,267,937
Costs of services - transport and communications	2,398,792	518,495	22,156	1,764,267	294,715	4,998,425
Costs for insurance premiums	697,587	179,886	15,534	525,351	78,505	1,496,863
Payment transaction costs and banking services	646,925	13,553	120,835	1,674,566	659,691	3,115,570
Rents	2,145,340	568,186	42,440	1,982,980	951,078	5,690,024
Costs of professional training services	223,151	83,187	13,154	345,267	118,165	782,924
Other costs of services	1,711,370	867,391	210,034	3,269,627	3,798,330	9,856,752
TOTAL OPERATING EXPENSES	141,003,013	25,775,074	2,592,444	67,672,695	40,014,814	277,058,040

Zavarovalnica Triglav

in EUR

	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	TOTAL
2017					
Acquisition costs	24,322,707	0	0	0	24,322,707
Depreciation of operating assets	4,834,281	1,433,949	103,499	2,388,038	8,759,768
Labour costs	52,988,762	14,679,708	1,072,860	25,832,454	94,573,784
Wages and salaries	38,472,290	10,129,717	803,345	17,940,870	67,346,222
Social security and pension insurance costs	6,528,896	1,742,737	135,446	3,069,869	11,476,946
Other labour costs	7,987,576	2,807,254	134,069	4,821,716	15,750,615
Costs of services provided by natural persons other than SPs, including related taxes	23,995	234,576	1,527	17,557	277,655
Other operating costs	23,131,391	3,634,301	661,427	12,383,724	39,810,842
Costs of entertainment, advertising, trade shows	8,533,127	38,892	4,304	240,365	8,816,687
Costs of material and energy	1,604,998	590,670	24,605	1,016,940	3,237,214
Maintenance costs	3,948,459	1,273,710	203,745	3,932,337	9,358,251
Reimbursement of labour-related costs	2,880,088	73,546	12,499	385,301	3,351,434
Costs of intellectual and personal services	544,400	53,369	227,940	1,454,258	2,279,967
Membership fees and charges	891,620	241,321	17,568	359,677	1,510,185
Costs of services - transport and communications	1,675,184	388,710	14,816	816,460	2,895,170
Costs for insurance premiums	417,795	131,996	5,054	332,024	886,868
Payment transaction costs and banking services	644,841	830	43,266	851,655	1,540,592
Rents	1,095,476	339,543	19,006	1,345,508	2,799,533
Costs of professional training services	162,444	66,529	5,494	213,274	447,741
Other costs of services	732,960	435,187	83,128	1,435,925	2,687,200
TOTAL OPERATING EXPENSES	105,301,136	19,982,533	1,839,313	40,621,774	167,744,757

Zavarovalnica Triglav						in EUR
	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	TOTAL	
2016						
Acquisition costs	24,173,928	0	0	0	24,173,928	
Depreciation of operating assets	4,532,394	1,344,558	111,088	2,224,687	8,212,728	
Labour costs	51,408,845	15,082,117	1,140,576	25,592,065	93,223,603	
Wages and salaries	37,113,384	10,496,760	857,268	18,288,891	66,756,303	
Social security and pension insurance costs	6,301,422	1,791,562	144,362	3,052,175	11,289,521	
Other labour costs	7,994,038	2,793,796	138,946	4,250,999	15,177,779	
Costs of services provided by natural persons other than SPs, including related taxes	120,867	26,027	3,283	51,092	201,268	
Other operating costs	22,351,499	3,801,576	808,396	11,774,221	38,735,692	
Costs of entertainment, advertising, trade shows	8,225,078	32,517	4,305	254,599	8,516,499	
Costs of material and energy	1,789,829	721,890	33,770	1,050,090	3,595,580	
Maintenance costs	3,424,260	1,244,737	201,994	3,962,698	8,833,689	
Reimbursement of labour-related costs	2,878,013	71,408	11,963	228,060	3,189,444	
Costs of intellectual and personal services	502,144	73,605	240,201	1,112,889	1,928,839	
Membership fees and charges	858,372	244,033	13,402	483,284	1,599,091	
Costs of services - transport and communications	1,676,703	407,636	16,416	768,811	2,869,566	
Costs for insurance premiums	446,168	141,212	7,026	329,763	924,170	
Payment transaction costs and banking services	538,852	4,286	108,225	1,099,901	1,751,264	
Rents	1,080,642	373,508	30,314	1,101,112	2,585,576	
Costs of professional training services	160,972	68,999	12,451	205,117	447,540	
Other costs of services	770,466	417,744	128,331	1,177,895	2,494,436	
TOTAL OPERATING EXPENSES	102,587,533	20,254,278	2,063,343	39,642,065	164,547,219	

4.13 Other expenses from insurance operations

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Fee and commission expenses	15,688,547	0	2,211,487	0
Expenses from impairment of insurance receivables and write-offs	-439,219	2,832,838	-1,114,709	1,921,303
Fire tax	4,298,380	4,209,023	3,909,295	3,929,798
Expenses of preventive activity	1,934,354	2,852,487	1,218,704	1,342,749
Contributions for claims from uninsured or unidentified vehicles	1,544,342	1,980,495	-276,721	184,035
Supervisory authority fees	1,605,036	1,442,358	780,468	769,318
Other net insurance expenses	2,223,846	3,721,145	252,228	328,875
OTHER EXPENSES FROM INSURANCE OPERATIONS	26,855,289	17,038,345	6,980,751	8,476,079

4.14 Other expenses

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Depreciation of investment property	1,413,250	1,465,078	950,469	977,485
Expenses from impairment of investment property	181,170	213,450	0	0
Loss from investment property disposal	60,266	230,655	60,147	215,570
Other investment property expenses	2,158,172	2,552,983	3,077,799	2,850,054
Expenses from disposal of property, plant and equipment	56,842	77,398	12,484	28,816
Expenses from disposal of intangible assets	518,063	0	517,839	0
Expenses from reversal of impairment of other receivables	544,930	300,793	256,312	49,056
Operating expenses of non-insurance companies	25,294,105	39,618,810	0	0
Other expenses	10,403,102	10,273,620	8,444,529	8,022,707
TOTAL OTHER EXPENSES	40,629,897	54,732,790	13,319,580	12,143,689

Other expenses relate to bonuses for employees based on business results for 2017 in total amount of EUR 8.7 million (in Zavarovalnica Triglav EUR 7.9 million).

4.15 Income tax expense

4.15.1 Tax expense in the income statement

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Current tax expense	12,746,346	11,599,273	9,524,525	8,188,018
Deferred tax expense	1,990,784	1,207,043	1,775,841	-103,818
- of which: formation and reversal of the deductible temporary differences	1,990,784	-510,779	1,775,841	1,447,678
- of which: a change due to the restatement according to the new tax rates	0	1,717,822	0	-1,551,496
TOTAL TAX EXPENSE IN THE INCOME STATEMENT	14,737,130	12,806,316	11,300,366	8,084,200

in EUR

4.15.2 Tax expense in other comprehensive income

	2017			2016		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Triglav Group						
Profit from increase in fair value of available for sale financial assets	8,279,736	-735,573	7,544,163	23,769,043	-8,248,373	15,520,670
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	-579,756	92,566	-487,190	-6,554,570	1,245,368	-5,309,202
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	603,255	-114,618	488,637	402,548	-76,484	326,064
Actuarial gains/losses	391,597	0	391,597	-441,038	-91,591	-532,629
Translation differences	1,080,805	0	1,080,805	585,108	0	585,108
TOTAL OTHER COMPREHENSIVE INCOME	9,775,637	-757,625	9,018,012	17,761,091	-7,171,080	10,590,011

in EUR

	2017			2016		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Zavarovalnica Triglav						
Profit from increase in fair value of available-for-sale financial assets	3,027,949	-552,369	2,475,580	22,189,955	-7,259,450	14,930,505
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	-579,756	92,566	-487,190	-6,554,570	1,245,368	-5,309,202
Actuarial gains /losses	350,717	0	350,717	-401,199	-91,590	-492,789
TOTAL OTHER COMPREHENSIVE INCOME	2,798,909	-459,803	2,339,106	15,234,187	-6,105,672	9,128,515

in EUR

4.15.3 Reconciliation between tax expense and accounting profit

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
ACCOUNTING PROFIT	84,445,082	95,138,089	73,822,316	83,417,802
Income tax rate - tax rate average of several countries	20.49%	20.13%	19 %	17 %
Accounting profit multiplied by tax rate	17,298,592	19,151,297	14,026,240	14,181,026
Tax effect of income deductible for tax purposes	-3,687,114	-6,629,980	-3,651,737	-5,066,532
Tax effect of income added for tax purposes	1,043,386	1,125,790	0	0
Tax effect on the reduction in expenses not deductible for tax purposes	-15,356	-734,004	390,302	51,177
Tax relief, tax losses	-1,796,243	-1,279,728	-1,240,280	-943,551
Changes in temporary differences	1,889,829	1,207,043	1,775,841	-103,818
Changes due to a new accounting method	4,036	-34,102	0	-34,102
TOTAL TAX EXPENSE	14,737,130	12,806,316	11,300,366	8,084,200
Effective tax rate ¹²⁰	17.45%	13.46%	15.31 %	9.69%
Final liabilities for corporate income tax	12,746,346	11,599,273	9,524,525	8,188,018

In accordance with the Corporate Income Tax Act (ZDDPO–2), the applicable tax rate in Slovenia was 19% in 2017, whereas in 2016 it was 17%.

In subsidiaries operating outside the Republic of Slovenia, tax rates were used as applicable in the country of operation and in compliance with the local legislation. For the applied tax rates see [→ *Section 2.7*].

Unused tax losses of the Group amounted to EUR 21.8 million as at 31 December 2017 (EUR 34.3 million as at 31 December 2016).

¹²⁰ In the data of the Triglav Group, the average of all countries was taken into account in the corporate income tax rate.

5. Other Information

5.1 Fair value of assets and liabilities

5.1.1 Fair value hierarchy

In measuring financial assets at fair value Zavarovalnica Triglav applied the following fair value hierarchy:

- Level 1: value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (stock exchange quotations and listings provided by third parties e.g. Bloomberg). The fair value is determined purely on the basis of directly observable data and without using any indirectly observable data, whereby the share of binding listings must be at least 90% and at least three binding listings not older than one day must be available.
- Level 2: value measurement less than entirely based on quoted prices for the asset or liability. Fair value measurements may be based on indirectly observable inputs, i.e. data derived from prices of comparable financial instruments, but only up to a strictly limited percentage (10%).
- Level 3: value measurement based on prices that do not meet the standards for Level 1 or Level 2. The percentage of unobservable inputs used in value measurement models is considerable.

The tables below show financial assets and liabilities carried at fair value, classified according to the fair value hierarchy.

Triglav Group

					in EUR
As at 31 December 2017	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 Dec 2017	197,120,385	0	37,121,010	234,241,394
Debt securities	31 Dec 2017	250,059,051	1,755,009,165	0	2,005,068,216
Derivative financial instruments	31 Dec 2017	0	1,870,633	0	1,870,633
Unit-linked insurance assets	31 Dec 2017	387,546,784	58,353,132	0	445,899,916
Investments in associates	31 Dec 2017	0	0	6,449,324	6,449,324
Assets - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2017	0	0	98,018,275	98,018,275
Land and buildings for investment activities	31 Dec 2017	0	0	96,935,268	96,935,268
Debt securities (HTM)	31 Dec 2017	14,525,495	255,144,404	0	269,669,899
Deposits with banks	31 Dec 2017	0	79,557,101	0	79,557,101
Loans given	31 Dec 2017	0	31,640,230	0	31,640,230
Debt securities (L&R)	31 Dec 2017	0	12,536,687	0	12,536,687
Liabilities - fair value disclosed					
Subordinated bonds	31 Dec 2017	0	17,010,568	0	17,010,568

					in EUR
As at 31 December 2016	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 Dec 2016	227,496,286	0	26,569,975	254,066,261
Debt securities	31 Dec 2016	298,016,789	1,580,719,222	0	1,878,736,011
Derivative financial instruments		0	1,423,429	0	1,423,429
Unit-linked insurance assets	31 Dec 2016	368,826,193	84,728,138	0	453,554,331
Investments in associates	31 Dec 2016	0	0	6,826,400	6,826,400
Assets - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2016	0	0	100,936,975	100,936,975
Land and buildings for investment activities		0	0	95,095,996	95,095,996
Debt securities		13,676,111	270,180,097	0	283,856,208
Deposits with banks	31 Dec 2016	0	88,205,953	0	88,205,953
Loans given	31 Dec 2016	0	35,100,132	0	35,100,132
Liabilities - fair value disclosed					
Subordinated bonds	31 Dec 2016	0	19,160,879	0	19,160,879

Zavarovalnica Triglav

					in EUR
As at 31 December 2017	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 Dec 2017	102,967,036	0	32,816,954	135,783,990
Debt securities	31 Dec 2017	203,481,330	1,261,439,801	0	1,464,921,131
Derivative financial instruments	31 Dec 2017	0	1,870,633	0	1,870,633
Unit-linked insurance assets	31 Dec 2017	358,877,558	54,581,098	0	413,458,656
Investments in associates	31 Dec 2017	0	0	10,002,046	10,002,046
Assets - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2017	0	0	61,295,538	61,295,538
Land and buildings for investment activities	31 Dec 2017	0	0	56,108,712	56,108,712
Debt securities (HTM)	31 Dec 2017	14,525,495	195,238,066	0	209,763,561
Deposits with banks	31 Dec 2017	0	39,763,387	0	39,763,387
Loans given	31 Dec 2017	0	47,398,346	0	47,398,346
Debt securities (L&R)		0	6,972,376	0	6,972,376
Liabilities - fair value disclosed					
Subordinated bonds	31 Dec 2017	0	22,676,360	0	22,676,360

					in EUR
As at 31 December 2016	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 Dec 2016	130,447,648	0	9,223,701	139,671,350
Debt securities	31 Dec 2016	246,621,546	1,173,402,676	0	1,420,024,222
Derivative financial instruments	31 Dec 2016	0	1,423,429	0	1,423,429
Unit-linked insurance assets	31 Dec 2016	344,987,269	82,804,103	0	427,791,372
Investments in associates	31 Dec 2016	0	0	9,503,046	9,503,046
Assets - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2016	0	0	63,092,680	63,092,680
Land and buildings for investment activities	31 Dec 2016	0	0	50,351,528	50,351,528
Debt securities	31 Dec 2016	9,401,400	205,112,271	0	214,513,671
Deposits with banks	31 Dec 2016	0	45,407,951	0	45,407,951
Loans given	31 Dec 2016	0	45,915,389	0	45,915,389
Liabilities - fair value disclosed					
Subordinated bonds	31 Dec 2016	0	23,970,102	0	23,970,102

5.1.2 Fair value assessment techniques

Value assessment techniques and inputs used to the development of these techniques are presented below.

Financial investment type	Value assessment method	Material parameters	Parameter weight applied	Fair value
EXTERNAL APPRAISERS (market operator)				
Debt securities - composite	Stochastic model, HW1f and HW2f network models	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, correlation matrix, volatility indices		Level 2
Equity securities— compound with exposure to stock markets	Stochastic model	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, volatility indices		Level 2
Derivatives	Black-Scholes model	Index volatility		Level 2
BLOOMBERG BVAL				
Debt securities – companies, financial institutions and government	Cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, indicative listings		Level 2
INTERNAL APPRAISERS				
Debt securities - government	Cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve	1y: -0.4699%. 2y: -0.4071%. 3y: -0.2778%. 4y: -0.2281%. 5Y: -0.0732%. 6y: 0.0625%. 7Y: 0.2752%. 8Y: 0.5668%. 9y: 0.8166%. 10y: 0.9534%; credit spreads between 0% and 1.1%	Level 2
Debt securities - companies and financial institutions ¹²¹	Cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve, issuer credit spreads	1y: -0.4699%. 2y: -0.4071%. 3y: -0.2778%. 4y: -0.2281%. 5Y: -0.0732%. 6y: 0.0625%. 7Y: 0.2752%. 8Y: 0.5668%. 9y: 0.8166%. 10y: 0.9534%; credit spreads between 0.81% and 2.34%	Level 2
Equity securities	Cash flow discounting	g (growth rate during constant growth period)	2%	Level 3
		EBIT margin (constant growth period)	36.00%	
		Discount rate	12.60%	
		Lack of marketability discount	10%-23%	
Equity investment in associates	NAV method	Real property price changes		Level 3
	Cash flow discounting	g (growth rate during constant growth period)	2%	
		Net margin (constant growth period)	3.20% - 3.46%	
		Discount rate	8.8% - 11.80%	
		Lack of marketability discount	3.5% - 30.00%	

¹²¹ Also applied to valuation of subordinated ZT02 bonds.

5.1.3 Financial assets classified into Level 3

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Value as at 1 January	26,569,975	27,715,790	18,726,749	16,882,997
Purchases	9,659,494	884,320	23,755,445	1,047,017
Disposals	-312,926	-551,740	-288,197	-551,740
Revaluation through profit or loss	-210,612	-868,107	-200,000	-989,437
Revaluation in other comprehensive income	896,458	63,240	825,005	2,337,911
Transfers from/to other levels	511,320	-678,694	0	0
Foreign exchange differentials	7,300	5,166	0	0
Value as at 31 December	37,121,010	26,569,975	42,819,002	18,726,749

In 2017, the sale of financial assets classified to valuation level 3 generated:

- an increase due to the acquisition of stakes in Geoplin d.o.o. and Plinhold d.o.o. (acquisition of stakes due to the winding down of Salnal d.o.o.) in the amount of EUR 14.5 million. The said transaction has no effect on the value and movement of assets classified into level 3 in consolidated financial statements. The remaining part of the increase largely relates to the acquisition of stakes in alternative investment funds in the amount of EUR 8.7 million;
- an increase resulting from revaluation in other comprehensive income due to the revaluation of investments in alternative investment funds and investments in Elektro Primorska d.d., Hoteli Bernardin d.d. and Erste d.o.o., družba za upravljanje z obveznimi in prostovoljnimi pokojninskimi skladi;
- a decrease due to the impairment of the stake in Nervteh d.o.o. in the amount of EUR 200 thousand.

5.1.4 Sensitivity analysis of non-marketable equity securities

Sensitivity analysis of financial assets, classified in Level 3 is disclosed below. In analysis Zavarovalnica Triglav includes equity investment in associates. The sensitivity analysis shows the level of increase or decrease in the fair value of Level 3

equity financial assets in case of differently applied assumptions that are not based on available market data. The sensitivity analysis considered a median scenario of value appraisals.

	Triglav Group		Zavarovalnica Triglav	
	in EUR			
	2017	2016	2017	2016
Non-marketable assets (Level 3)	37,121,010	26,569,975	32,816,954	9,223,701
Estimated value deviation-/+	-1,716,787/+2,732,808	-900,000/+2,600,000	-1,470,158/+2,444,736	-558,000/+2,320,000
Equity investment in associates	6,449,324	6,826,400	10,002,047	9,503,047
Estimated value deviation-/+	-986,755/+241,515	n/a	-798,989/53,749	-1,340,000/+1,350,000

In the discounted cash flow method, the assumptions of +/-1% of the cost of capital (WACC) and +/-0.5% of growth rate (g) were taken into account. In non-marketable assets, +/-10% of the change in asset value was taken into account in the calculation of deviation.

In appraising the value of the associate Nama d.d., Ljubljana, an estimate of the company's value was made using the discounted cash flow method and the net asset value method under the assumption of regular liquidation of commercial

activity and the continued activity of leasing investment properties. Under the first method, the value of investment amounted to EUR 4,847,786 (current use of financial asset), while under the second method it was valued at EUR 9,464,548 (highest and best use of financial asset). For accounting purposes, the value under the net asset value method was used, which differs from the current use of financial asset; however, the applicable strategy also provides for such use of asset as one of available options.

5.1.5 Reclassification of financial assets between levels

	Triglav Group		Zavarovalnica Triglav	
	in EUR			
	2017	2016	2017	2016
Reclassification from level 1 to level 2	149,304,417	287,624,469	128,173,380	126,348,358
Reclassification from level 2 to level 1	104,823,713	149,473,959	92,900,869	136,506,888

In 2017, the method of measuring fair value did not change. Reclassifications between levels were a result of market factors. At the end of 2017, some financial assets showed greater liquidity and depth of the market than at the end of 2016, thus meeting the requirements for classification to level 1. One part of financial

assets no longer fulfilled the conditions to be classified to level 1 of the fair value hierarchy and was reclassified to level 2. Reclassification between levels has no impact on fair value.

5.1.6 Reclassification of financial assets between categories

In 2017, a reclassification of financial assets was carried out from the category »Loans and Receivables« into the category »Available-for-sale Financial Assets«.

	in EUR	
	Triglav Group	Zavarovalnica Triglav
Reclassifications from L&R to AFS		
Date of reclassification	1 October 2017	-
Amount of reclassified financial assets (in EUR)	31,448,995	-
Effective interest rate at the date of reclassification	6.33%	-
Carrying amount of reclassified assets as at 31 December	33,563,579	-
Fair value of reclassified assets as at 31 December	33,563,579	-
Impact on comprehensive income if not reclassified	-1,930,661	-

The table below shows the effects of reclassifications made in previous years.

	in EUR	
	Triglav Group	Zavarovalnica Triglav
Reclassifications from AFS to HTM		
Date of reclassification	1 July 2008	1 July 2008
Amount of reclassified financial assets (in EUR)	73,746,981	73,746,981
Effective interest rate at the date of reclassification	5.8%	5.8%

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Reclassifications from AFS to HTM				
Carrying amount of reclassified assets as at 31 December	40,197,738	42,405,675	-	23,473,374
Fair value of reclassified assets as at 31 December	46,674,250	50,312,190	-	29,000,745
Impact on comprehensive income if not reclassified	4,355,278	5,527,372	-	5,527,372
Estimated cash flows	29,162,297	30,784,182	-	29,639,018

5.2 Additional notes to the cash flow statement

Cash flows from operating activities are prepared on the basis of the indirect method. Income and expenses in profit or loss are adjusted for the effects of transactions of a non-cash nature (impairments, changes in insurance technical provisions, deferred income and expenses) and for items of income and expenses related to cash flows from investing and financing activities. In the calculation of net cash flows from operating activities, changes in assets and liabilities during the period are taken into account.

Cash flow from financing activities is prepared based on actual payments. The amount of dividend payments in the cash flow statement differs from that disclosed in the statement of changes in equity by the amount of unpaid dividends.

The consolidated cash flow statement is composed of the combined cash flows of all Triglav Group companies, taking into account intercompany eliminations.

5.3 Amounts spent on auditors

The audit of separate and consolidated financial statements for 2017 was performed by the auditing company Ernst&Young, Revizija, poslovno svetovanje d.o.o., Ljubljana. The audit of financial statements of individual Group members was also performed by Ernst & Young, except for Triglav Osiguranje, a.d.o., Belgrade (KPMG), Triglav Osiguruvanje, a.d., Skopje (PwC) and Triglav Skladi, d.o.o., Ljubljana (BDO). The amounts, paid for auditing services were as follows:

	Triglav Group		Zavarovalnica Triglav	
	2017	2016	2017	2016
Auditing of the Annual Report	398,864	384,852	114,680	118,828
Other auditing services	37,020	175,685	0	175,685
Other assurance services	610	62,397	610	610
Other non-auditing services	61,648	9,052	61,648	0
TOTAL	498,142	631,986	176,938	295,123

in EUR

5.4 Related party transaction

Related party transactions are disclosed separately for the Group and Zavarovalnica Triglav:

- Transactions with subsidiaries are disclosed only at the level of Zavarovalnica Triglav and include transactions with entities in which Zavarovalnica Triglav has a dominant influence (presented in [→ Section 3.4]). At the level of the Triglav Group, these transactions are eliminated in the consolidation processes.
- Associates in whom the Group and Zavarovalnica Triglav have significant influence – these are presented in [→ Section 3.5].
- Transactions with shareholders and shareholder-related companies.

The largest shareholders of Zavarovalnica Triglav are Zavod za pokojninsko in invalidsko zavarovanje (ZPIZ), holding an equity stake of 34.47% and Slovenski državni holding (SDH) with a 28.09% shareholding.

The shareholder-related companies are those in which the SDH and the Republic of Slovenia together directly hold at least a 20% stake. As at 31 December 2017, there were 50 of such companies; the list is published on the SDH website (<http://sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

Business with the two largest shareholders and the state-related parties is limited to regular business cooperation. The only material transaction in 2017 was the payment of dividends. In 2017, the Company paid dividends for 2016 in the total amount of EUR 56.8 million, of which the Pension and Disability Insurance Institute of the Republic of Slovenia received EUR 19.5 million and the Slovenian Sovereign Holding EUR 16 million.

In the reporting period, there were no individual significant transactions between the above-stated companies. Total transaction value is shown in the table below.

The services exchanged between Group companies are rendered at prices that are applied to other companies outside the Group. Pricing methods include external comparable, internal comparable and cost contribution arrangement.

Outstanding balances referring to the above-mentioned related parties as at the reporting date and income and expenses during the period are shown below.

Transactions with subsidiaries

	in EUR	
	31 Dec 2017	31 Dec 2016
ASSETS		
Stakes and shares	118,167,937	130,632,437
Debt securities and loans given to members of the Group	24,264,123	19,331,938
Other financial investments	0	0
Insurance premium receivables from policyholders	5,568	2,600,718
Co-insurance receivables	11,052	11,381
Re-insurance receivables	1,914,432	0
Receivables for reinsurer's share in claims	5,257,851	5,622,496
Other short-term receivables from insurance operations	30,261	14,369
Short-term receivables from financing	1,364,716	1,172,759
Other short-term receivables	804,606	825,663
Short-term deferred expenses	29,851	62
LIABILITIES		
Liabilities to insureds	0	444,617
Liabilities to agents and brokers	337,061	340,930
Liabilities to insurances for co-insurance premium	12,526	14,697
Liabilities for reinsurance premiums	9,284,238	9,183,540
Liabilities for shares in claims from co-insurance	13,712	1,712
Liabilities for shares in claims from re-insurance	1,039,881	0
Other short-term liabilities	247,793	190,746
	in EUR	
	2017	2016
INCOME AND EXPENSES		
Gross written premium and active reinsurance premium	13,430,538	12,628,100
Assumed co-insurance written premium	0	10,364
Outward re-/co-insurance premium (–)	-61,968,507	-60,421,156
Net premium income	-48,537,969	-47,782,692
Reinsurance commission income	13,712,254	12,209,795
Other income from insurance operations	4,856,221	4,600,334
Interest income	845,980	857,579
Other insurance income	1,756,505	1,792,434
Income from land and buildings	632,641	526,079
Income from disposal of financial assets	83,290	8,911,599
Other income	249,195	203,482
Dividends	6,001,549	0
Other income from financial assets	4,604	5,450
TOTAL INCOME	-20,395,730	-18,675,940
Gross claims settled	1,536,426	999,133
Re-/co-insurers' share in gross claims	-21,194,598	-18,000,951
Shares in indemnities from assumed co-insurances abroad	12,000	602
Net claims	-19,646,172	-17,001,217
Expenses for reinsurance premiums	1,122,823	0
Loss on disposal from financial assets	0	544,414
Other financial expenses	4,435	7,340
Other expenses	0	0
TOTAL EXPENSES	-18,518,914	-16,449,463

Transactions with associates

	Triglav Group		Zavarovalnica Triglav	
			in EUR	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
ASSETS				
Stakes and shares	6,449,324	6,826,400	10,002,047	9,503,047
Insurance premium receivables from policyholders	1,485	800	994	364
Other short-term receivables	0	18,100	0	18,100
LIABILITIES				
Liabilities to agents and brokers	18,443	22,008	18,068	20,919
Other liabilities from insurance operations	270,103	0	0	0
Liabilities for re-insurance premiums	42,320	0	0	0
Other short-term liabilities	785	436	0	0
Accrued costs and expenses	331	60	0	0

	Triglav Group		Zavarovalnica Triglav	
			in EUR	
	2017	2016	2017	2016
INCOME AND EXPENSES				
Gross written premium	36,405	35,277	31,172	32,866
Income from dividends and stakes	0	0	171,405	62,153
Income from disposal of financial assets	0	0	0	0
Other income	0	0	0	0
TOTAL INCOME	36,405	35,277	202,577	95,019
Gross claims settled	3,811	20,628	3,811	20,628
Acquisition costs	8,227	16,083	0	0
Other operating expenses	35	0	0	0
TOTAL EXPENSES	12,073	36,711	3,811	20,628

Transactions with shareholders and shareholder-related companies

	Triglav Group		Zavarovalnica Triglav	
	in EUR			
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
ASSETS				
Stakes and shares	16,208,433	10,829,436	17,873,045	6,020,206
Debt securities	82,710,654	111,600,197	59,960,327	81,917,309
Operating receivables	10,137	428,376	10,137	426,184
Other assets	3,917,302	28,085,644	0	20,760,486
LIABILITIES				
Operating liabilities	1,864,579	2,449,808	1,553,988	1,263,124

	Triglav Group		Zavarovalnica Triglav	
	in EUR			
	2017	2016	2017	2016
INCOME				
Gross written premium	22,382,462	24,448,590	23,025,954	24,080,645
Financial income	3,848,427	6,632,202	3,151,014	4,526,623
Other income	183,401	99,605	86,331	92,687
EXPENSES				
Gross claims settled	5,940,492	7,574,150	5,970,809	7,496,524
Financial expenses	354,988	523,276	178,102	261,577
Other expenses	9,304,115	8,782,294	8,023,156	6,785,728

5.5 Members of the Management Board and Supervisory Board

In 2017, the Management Board members were paid the following amounts as compensation for their work:

								in EUR
Management board	Fixed salary (gross)	Other additional payments*	Bonuses	Net pay received	Insurance premiums **	Other benefits***	Reimbursements	
Slapar Andrej	161,647	2,802	45,049	78,368	51,219	2,244	1,530	
Ivanc Uroš	153,565	2,160	32,629	68,243	35,639	852	1,015	
Čoroli Tadej	153,565	1,936	30,828	65,428	35,615	4,198	1,306	
Smolnikar Barbara	19,287	0	0	6,960	4,367	513	104	
Makoter Marica	153,565	1,936	43,432	71,105	35,601	2,949	723	
Jošar Benjamin	141,876	2,013	43,432	67,717	29,144	4,631	951	
TOTAL	783,505	10,847	195,370	357,821	191,585	15,387	5,629	

* Other additional payments include holiday allowances and other reimbursements.

** Insurance premiums include premiums for supplementary pension insurance, accident insurance, liability insurance and other types of insurance.

*** Other benefits include company cars.

As at 31 December 2017, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

		in EUR
Management board	Receivables as at 31 December 2017	Liabilities as at 31 December 2017
Slapar Andrej	10	60,258
Ivanc Uroš	16	56,744
Čoroli Tadej	39	56,780
Smolnikar Barbara	24	12,950
Makoter Marica	26	56,756
Jošar Benjamin	0	43,824
TOTAL	115	287,312

In 2017 the Supervisory Board members and members of Committees were paid the following amounts as compensation for their work:

Supervisory board	Compensation	Attendance fee	Reimbursements	Total gross pay	in EUR
					Total net pay
Stebernak Igor	28,000	5,863	0	33,863	24,629
Andoljšek Andrej	11,021	1,595	0	12,616	9,175
Tomažević Milan	11,219	1,595	171	12,985	9,444
Škerjanec Žiga	12,208	2,607	0	14,815	10,775
Damjanovič Nataša	12,208	2,508	0	14,716	10,703
Gobbo Mario	21,281	4,092	36,141	61,514	40,523
Celar Peter	18,667	4,235	0	22,902	16,656
Molan Boštjan	18,667	4,543	627	23,837	17,336
Sotošek Ivan	18,667	4,367	1,561	24,595	17,888
Kolenc Simon*	3,125	770	51	3,946	2,870
Kastelic Gregor	10,738	2,145	3,489	16,372	12,688
Stanković Rajko	8,438	1,661	0	10,099	7,345
Blažič Matija	6,750	1,100	468	8,318	6,050
Nose Barbara*	3,375	1,320	0	4,695	3,415
Svoljšak Mitja*	1,565	1,540	0	3,105	2,258
Pervanje Milena*	1,565	1,540	0	3,105	2,258
TOTAL	187,494	41,481	42,508	271,483	194,013

* External committee members.

All listed remuneration payments made to the members of the Management Board and the Supervisory Board represent remuneration received in Zavarovalnica Triglav. They did not receive any remuneration in the other Group members.

As at 31 December 2017, Zavarovalnica Triglav the outstanding payables to the above stated members of the Supervisory Board, its committees and commission were as follows:

Surname and name	in EUR	
	Receivables as at 31 December 2017	Liabilities as at 31 December 2017
Gobbo Mario	0	448
Štimac Dubravko	449	0
Stanković Rajko	163	0
TOTAL	612	448

Proposed criteria for the assessment of the performance of Management Board members are proposed by the Appointments and Compensation Committee and approved by the Supervisory Board. The purpose of these criteria is to maximise the objective monitoring of existing goal achievement and to periodically evaluate the performance of Management Board members. The performance criteria are designed to follow the long-term business objectives of the Company, making part of the annual business plans and other strategic documents of the Company. The definition of an individual objective includes the following: its description, expected target value, assigned weight and method for measuring or assessing its achievement. According to this method, a Management Board member is entitled to a bonus in the case of over-performance and a pay deduction in the case of underperformance.

A one-off annual bonus for good performance is paid in two parts: the first half within 30 days of the Supervisory Board approving the annual report and adopting a resolution on the bonus amount, or, in the event the annual report is approved at the General Meeting of Shareholders, within 30 days of the General Meeting of Shareholders approving the annual report and the Supervisory Board adopting a resolution on the bonus amount. The remaining 40% of the bonus is paid after two years, and 10% after three

years; however, both payments must be proportionate to the period of the office being held in any calendar year.

Management Board members are entitled to severance pay equalling six time average monthly salary they received as board members, if they are dismissed on economic and business grounds, and their employment is terminated as a consequence. Severance is paid within one month of dismissal.

5.6 Contingent assets and contingent liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Outstanding subrogated receivables	40,350,638	50,815,616	34,130,145	44,791,232
Derivatives - futures	113,176,000	111,151,895	113,176,000	111,151,895
Alternative investments	25,207,345	19,889,990	25,207,345	19,889,990
Bonds, guarantees and other sureties issued	8,182,682	332,925	39,000	54,000
Contingent assets	6,382,894	3,327,806	1,896,311	1,896,311
Receivables from option agreements	1,363,886	1,363,886	0	0
Receivables from forward contracts	0	0	0	0
Contingent liabilities	0	563,667	0	0
Properties under acquisition	139,456	162,675	0	0
Assets under management	45,560,201	31,335,362	0	0
TOTAL OFF-BALANCE SHEET ITEMS	240,363,102	218,943,822	174,448,801	177,783,428

5.7 Employees

The table below shows the number and educational structure of employees in the Group and Zavarovalnica Triglav.

Level of education	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Primary and vocational	1,020	975	121	136
Secondary school	1,423	1,461	823	864
Post-Secondary Education	614	598	373	380
Higher Education and University	1,883	1,815	875	871
Masters and Doctorates	211	197	93	84
TOTAL	5,151	5,046	2,285	2,335
Average number of employees	5,039	5,005	2,302	2,357

5.8 Major legal and arbitrary disputes

- Matjaž Rakovec as the plaintiff against Zavarovalnica Triglav for determining the annulment of the resolution of the Supervisory Board dated 22 May 2013 referring to the dismissal of Matjaž Rakovec from the office of President of the Management Board and appointment of Andrej Slapar as temporary President of the Management Board and payment of damages.

On 19 August 2013, Zavarovalnica Triglav received a claim filed by Matjaž Rakovec, in which he requests the annulment of the Supervisory Board's resolution dated 22 May 2013 with respect to the dismissal of Matjaž Rakovec from the office of President of the Management Board and the appointment of Andrej Slapar as temporary President of the Management Board, the annulment of the entry of changes related to the President of the Management Board into the Court Register and the payment of damages amounting to EUR 516,399. Apart from that, the plaintiff requests that the defendant reappoint him President of the Management Board and recognise an uninterrupted performance of function of President of the ZT's Management Board with all the rights arising from the employment contract for the entire duration of the unlawful dismissal from the office of President of the Management Board until his reappointment. The District Court in Ljubljana issued a partial judgement, ruling that the part of the resolution passed by the Supervisory Board on 22 May 2013 referring to the dismissal of Matjaž Rakovec was null and void, since the grounds for the dismissal were not adequately substantiated in line with the mandatory provisions of the Companies Act. At the same time, the Court also dismissed the action seeking the annulment of the Supervisory Board resolution dated 22 May 2013 appointing a temporary President of the Management Board as well as the action seeking the nullity of the change of legal representative (President of the Management Board) entered into the Court Register on 29 May 2013. The Court also dismissed the claim by Matjaž Rakovec for the payment of material damage on the grounds of *lis pendens*. The Court will rule on the claim for the payment of compensation for non-material damage in the amount of EUR 80,000 after the partial judgement has become final. The Higher Court in Ljubljana upheld the partial judgement of the District Court, adopting a decision to annul the part of the judgement referring to the dismissal of the claim by Matjaž Rakovec for the payment of material damage while at the same time referring this part of the claim to the Labour and Social Court in Ljubljana. Zavarovalnica Triglav filed a revision petition against the decision of the Higher Court which was dismissed as inadmissible by the Supreme Court since the value of the contested part of the final ruling did not reach the statutory threshold for revision proceedings. The admissible revision petition filed by Zavarovalnica Triglav in relation to the

nullity of the Supervisory Board resolution as an appropriate sanction when the conditions for dismissal pursuant to the Companies Act are not met was rejected by the Supreme Court.

In the labour law dispute brought against the Company by the plaintiff Matjaž Rakovec, the Labour and Social Court of Ljubljana ruled that the employment agreement remained in force, therefore Zavarovalnica Triglav owed the plaintiff compensation for salaries plus interest in the amount of around EUR 430,000. Zavarovalnica Triglav appealed against this ruling. The Higher Labour and Social Court upheld the appeal and partly modified and partly annulled the contested part of the first instance ruling. The first instance ruling was thus modified in the part relating to the unlawful termination of the employment agreement or the employment relationship, the call to return to work, the recognition of years of service and the entry of insurance period in the central record, in that the Higher Court rejected the plaintiff's claim, as well as set aside the part of the judgement which reads "including all the resulting rights" and referred the parts of the case relating to the claim for compensation for salaries, holiday allowance and legal costs back to the first instance court for fresh consideration. The plaintiff lodged an appeal on points of law against the part in which the Higher Labour and Social Court modified the ruling of the first instance court. In the retrial, the Labour and Social Court delivered a judgement on 8 December 2017 terminating the proceedings referring to the part of item 3 of the claim which reads "including all the resulting rights", to the calculation and payment of compensation for salaries from May 2016 until the return to the workplace and to the calculation and payment of holiday allowance for 2016 and all subsequent years until the return to the workplace due to the withdrawal of the claim. The primary claim for the payment of compensation for salaries for the period from June 2013 to April 2016 including the claim for the payment of holiday allowance for 2015 was rejected. The Court dismissed the part of the primary claim referring to the payment of default interest on individual net monthly salary compensation amounts (for the period from June 2013 to April 2016) while also refusing to modify the claim filed on 11 April 2017 with regard to the plaintiff's alternative claim. The plaintiff has lodged an appeal against the abovementioned judgement.

- Zavarovalnica Triglav d.d. as the plaintiff against Skupna pokojninska družba, d.d., Ljubljana, as the defendant and the countersuit

On 26 February 2013, Zavarovalnica Triglav brought an action against the company Skupna pokojninska družba d.d., Ljubljana for the payment of dividends in the amount of EUR 750,904 that should have been paid in 2012. The defendant contests this claim, stating that the obligation was set-off against

a claim in the amount of EUR 926,170 recorded by Skupna pokojninska družba from Zavarovalnica Triglav and arising from the contract on the payment of supplementary pensions according to the pension plan dating to the year 2000. On 23 April 2013, the defendant responded to the plaintiff's claim and simultaneously filed a counterclaim for the payment of EUR 926,170. Zavarovalnica Triglav responded to the counterclaim, contesting the claim by Skupna pokojninska družba in its entirety.

On 28 January 2014, Zavarovalnica Triglav brought a new action against the company Skupna pokojninska družba d.d., Ljubljana for the payment of dividends in the amount of EUR 360,844 that should have been paid in 2013. The defendant responded to the plaintiff's claim on 24 March 2014 and simultaneously filed a counterclaim against Zavarovalnica Triglav for the payment of EUR 642,473 arising from the contract on the payment of supplementary pensions according to the pension plan dating to the year 2000. Zavarovalnica Triglav responded to the counterclaim, contesting the claim by Skupna pokojninska družba in its entirety.

- Wall Street Systems Sweden AB (hereinafter: WSS) as the plaintiff versus Zavarovalnica Triglav d.d. as the defendant in arbitration proceedings in accordance with the Rules of Arbitration of the International Chamber of Commerce (ICC)

On 5 November 2004, Zavarovalnica Triglav d.d. and WSS (previously known as Trema AB, Stockholm) entered into an agreement on the acquisition and use of software licenses, which was used as IT support to the investment process, and an agreement on support and maintenance of that software. In the opinion of Zavarovalnica Triglav d.d., the software support and maintenance agreement expired on 31 December 2010, and therefore WSS provided software support and maintenance based on additional agreements on the extension of support, which the parties concluded on an annual basis for the period of one year. Because WSS has not provided any support and maintenance services since 2015 and because no agreement on the extension of support was concluded for that period, Zavarovalnica Triglav d.d. rejects the payment of any invoices issued based on the software support and maintenance agreement. Moreover, Zavarovalnica Triglav d.d. terminated this agreement in 2015. The payment of invoices issued based on the agreements on the acquisition and use of three additional licenses in the amount of EUR 107 thousand is not disputed, and Zavarovalnica Triglav d.d. has already paid them. Zavarovalnica Triglav d.d. sought to resolve the dispute by agreement. WSS requested arbitration with the ICC, making the claim in the amount of EUR 598,000 including accrued interest. Zavarovalnica Triglav d.d. received the request for arbitration on 8 January 2018. The said claim in the amount of EUR 598,000 with accrued

interest also includes the already paid and undisputed amount of EUR 107 thousand. Zavarovalnica Triglav d.d. submitted a reply to the request for arbitration within the set time limit, in which it contested the validity of the arbitration agreement.

- Triglav Osiguranje, d.d., Sarajevo, and others versus SCT BBM, d.o.o., Sarajevo

After a failed mediation, the company Triglav Osiguranje d.d., Sarajevo continued with the civil action against the defendants SCT BBM d.o.o., Sarajevo and JP Ceste Federacije BiH. The action relates to the payment of compensation in the amount of BAM 6,385,104, of which BAM 2,065,759 refers to Triglav Osiguranje d.d., Sarajevo. The legal basis for the payment is a performance guarantee. Three preparatory hearings have been held in the course of the proceedings, which focused on the appointment of experts. The case is still pending.

- Triglav Osiguranje, a.d.o., Beograd versus Dunav Re

On 14 April 2014, the company Triglav Osiguranje, a.d.o., Beograd filed a motion for enforcement on the basis of an authentic instrument for the payment of EUR 1,934,707. The enforcement debtor lodged an appeal and the court referred the parties to litigation. At the hearing on 25 February 2015, the defendant filed a counterclaim for the annulment of the reinsurance contract. At the hearing on 29 June 2015, witnesses were heard and a financial analysis was presented. At subsequent hearings on 13 January 2016 and 15 March 2016, witnesses were heard. Based on the financial analysis received by the Court on 5 May 2016, Triglav Osiguranje a.d.o. Beograd set the amount of the payment claim at RSD 236,690,436 plus default interest as of 17 March 2013 and requested that the counterclaim for the annulment of the reinsurance contract be rejected. Dunav RE challenged the appointment of a financial expert, but the Court rejected the challenge as unfounded on 6 October 2016. Dunav RE filed a new challenge against the financial expert. On 8 September 2017, the court delivered a non-final judgement upholding the claim of Triglav Osiguranje, a.d.o., Beograd and ordering the defendant to pay RSD 236,690,436 plus default interest as of 17 December 2013. The defendant lodged an appeal on 27 October 2017 and the appeal proceedings are still pending.

- Small shareholders of Triglav Osiguranje, a.d., Skopje versus Zavarovalnica Triglav and Triglav Osiguranje, a.d., Skopje

In May 2013, small shareholders of Triglav Osiguranje, a.d., Skopje brought an action for compensation of losses arising from violations of a contract establishing a call or put option in the amount of just under EUR 2.5 million. Triglav Osiguranje, a.d., Skopje filed a statement of defence in

October 2013, whereas Zavarovalnica Triglav was only notified of the action in January 2016. Zavarovalnica Triglav filed a statement of defence in due time, contesting the claim in its entirety. The Court upheld the objection of Zavarovalnica Triglav relating to the lack of jurisdiction of the Macedonian court and rejected the plaintiff's appeal, whereby the decision became final. The proceedings against Triglav Osiguruvanje, a.d., Skopje are pending. Both parties produced their evidence. The next hearing will be held in May 2018.

■ **Stojan Klopčevski versus Triglav Osiguruvanje a.d., Skopje**

In April 2012, the former general manager of Triglav Osiguruvanje a.d., Skopje, lodged a claim against the company for damages in the amount of EUR 2.6 million. The claim was based on an unlawful decision on the termination of employment and the resulting loss of the possibility to exercise the put and call options arising from the agreement establishing a call or put option concluded with Zavarovalnica Triglav. The Court dismissed the claim as insufficient on 5 March 2013. The Court upheld the appeal and the case was referred back to the court of first instance for fresh consideration. The Court issued a decision rejecting the objection to jurisdiction *ratione materiae* of the Macedonian court. The plaintiff appealed and the Higher Court rejected the appeal on 4 October 2017. Proceedings on the substance of the case are still pending.

■ **Triglav osiguranje a.d., Banja Luka, versus Republic of Srpska Public Corporation "Business Premises" and the Republic of Srpska**

In 2001, Triglav osiguranje a.d., Banja Luka, lodged a claim against the Republic of Srpska Public Corporation "Business Premises" and the Republic of Srpska seeking the payment of outstanding insurance premium of EUR 612,727 plus cost and interest on late payment which as at 31.12.2015 totalled EUR 31,888. The part of the claim referring to the Republic of Srpska was rejected, while the part referring to the Public Corporation was granted. However the Public Corporation has no assets from which the claim of Triglav osiguranje could be recovered.

5.9 Reviews by supervisory bodies

■ **Insurance Supervision Agency Order relating to two Supervisory Board Members – Employee Representatives**

On 11 February 2016, Zavarovalnica Triglav received an Order of the Insurance Supervision Agency (hereinafter: ISA) declaring that Ivan Sotošek and Boštjan Molan as Supervisory Board members – Employee Representatives do not meet the legal requirements to serve on an insurer's Supervisory Board as set

out in Article 67(1)(1) of the Insurance Act (ZZavar-1). This provision stipulates that a person with adequate professional qualifications and knowledge and experience required to supervise the insurance business operations shall be appointed Supervisory Board Member of an insurance company. In line with the Worker Participation in Management Act, both above-mentioned members were elected into the Supervisory Board by the Works Council of Zavarovalnica Triglav in 2015. On 19 February 2016, Zavarovalnica Triglav appealed against the ISA Order (the operative part of the order was partly unenforceable). Based on the appeal, the ISA issued an Order on the objection against the order and upheld the appeal, modifying the contested part of the Order. In accordance with the Order, the Management Board of Zavarovalnica Triglav proposed that the Works Council convene a session and submitted a proposal for the discharge of Supervisory Board Members Ivan Sotošek and Boštjan Molan. The Works Council discussed the proposal of the Management Board on 18 May 2016 and decided not to adopt the proposed resolution on the discharge of Supervisory Board Members Ivan Sotošek and Boštjan Molan. Zavarovalnica Triglav submitted a report on the implementation of the Order to the ISA in accordance with the Order within the set time limit.

On 12 April 2017, Zavarovalnica Triglav received the judgement in the case of Ivan Sotošek vs. the ISA for information from the Administrative Court. According to the judgement, the Court finds that the contested decision of the ISA is correct in terms of the content (i.e. with regard to the assessment of qualifications and suitability of Ivan Sotošek), but it refers to the wrong legal basis, therefore, the Court partially upheld the action and annulled the contested decision in the part referring to the wrong legal basis and replaced it with the correct legal basis (by taking into account the act in force during the appointment of Ivan Sotošek as a Supervisory Board member, i.e. the ZZavar and not ZZavar-1). On the basis of the judgement, the Management Board addressed a letter to the President of the Works Council, in which it proposed to convene a meeting of the Works Council of Zavarovalnica Triglav and to discharge Ivan Sotošek as a member of the Supervisory Board of Zavarovalnica Triglav – employee representative. The Works Council discussed the proposal but it will form an opinion concerning the Management Board's draft decision to recall Ivan Sotošek once all legal remedies available to Ivan Sotošek and the request for a constitutional review of the Insurance Act will have been ruled upon, since the Works Council considers Ivan Sotošek's appointment on 8 April 2015 legal. The handling in relation to the ruling of the Administrative Court in the case Boštjan Molan vs. ISA, which Zavarovalnica Triglav received on 21 June 2017, was, *mutatis mutandis*, the same. The action filed by Boštjan Molan against the ISA was rejected. Upon request of the ISA, the Management Board informed the ISA about the abovementioned measures.

- Review of operations of Zavarovalnica Triglav d.d. by the Insurance Supervision Agency:

- On 5 January 2017, Zavarovalnica Triglav was informed by the ISA that the review of operations with regard to the use of own valuation models for subsidiaries that started on 23 February 2015 had been completed. In the notification, the ISA informed the Company that no measures in this area would be imposed given that the Company had undertaken to modify the valuation model for subsidiaries, amend the bases for valuation and apply an additional valuation control method to the valuation of subsidiary insurance companies prior to performing a valuation of subsidiaries as at 31 December 2016 according to the improved method. The review of operations was thus completed.

- On 17 November 2016, the Company received a Request for a review of operations from the ISA, based on which the ISA started a review of operations focusing primarily on unit-linked life insurance on 28 November 2016. After the review was completed, the ISA issued a recommendation for improving operations, calling on Zavarovalnica Triglav to inform the ISA about the elimination of deficiencies and provide the relevant evidence. Zavarovalnica Triglav complied with this request and the ISA notified the Company on 14 July 2017 that, based on the findings of the review of operations, no measures needed to be imposed, thus completing the review of operations.

- Other significant ISA proceedings in Zavarovalnica Triglav:

- Based on the proceedings initiated by the ISA with regard to contractual and business relationships of Zavarovalnica Triglav with managers of multi-residential buildings, Zavarovalnica Triglav implemented all the required measures, so the ISA terminated the proceedings.

- As part of the ISA proceedings with regard to the adequacy of the content of the statement of inclusion in insurance (indication of commission or other payments to the broker) concluded through the intermediary of banks, Zavarovalnica Triglav undertook to eliminate the detected infringements within the set time limit.

- As part of the ISA proceedings with regard to the disclosure and handling of limited funds in the calculation of solvency capital requirements and the capital adequacy of Zavarovalnica Triglav, the company made the required corrections to its reports and submitted them to the ISA. Furthermore, the modified calculation of the solvency ratio for 2016 resulting from the change in methodology will be shown in the Solvency and Financial Condition Report for 2017.

- As part of the ISA proceedings with regard to the disclosure and reporting of financial statements for funds with separate accounts, Zavarovalnica Triglav complied with the request and additional explanations of the ISA and submitted the relevant reports to the ISA. Furthermore, the notes to this annual report include the financial statements for funds with separate accounts.

- Lovćen Osiguranje, a.d., Podgorica

In 2017, the Insurance Supervision Agency started a targeted control of expenditure in the segment of non-life insurance. The company provided the Agency with the breakdown of its operating expenses for the years 2014, 2015 and 2016 as well as the required internal acts. The procedure has not yet been completed.

- Triglav Osiguranje, d.d., Sarajevo

In 2017, the Insurance Supervision Agency of FBiH initiated a review of the company's operations based on the submitted reports and the documents regularly submitted to the Agency in line with regulations. The review focused on the consistent application of the terms and conditions of motor liability insurance and the premium system X-AO in line with the Guidelines of the Insurance Supervision Agency. The company fulfilled all of the imposed obligations.

- Triglav Osiguranje, a.d.o., Beograd

In 2017, the National Bank of Serbia issued a decision based on the direct and indirect audit of the company carried out between 29 September 2016 and 21 March 2017. The company was ordered to determine the exact insurance acquisition costs, correct the financial reports per insurance classes for the year 2016 and submit the corrected reports to the Serbian Business Registers Agency so that it will amend and correct the business report for 2016 and submit the corrected version to the National Bank of Serbia. The company was also ordered to provide insured persons of collective travel insurance while travelling abroad with all relevant information upon conclusion of the insurance. The company prepared a time-time line for the implementation of all the required activities and submitted it to the National Bank of Serbia within the set time limit.

In 2017, the company received a decision issued by the Tax Administration of the Republic of Serbia on the basis of an on-the-spot review of the company's operations in the period between 25 July 2016 and 22 May 2017. The area subject to scrutiny was the charging and payment of corporate income tax, withholding taxes and contributions – global tax payments for the period from 1 January 2011 until 31 December 2015. The tax administration ordered the payment of EUR 557,902 in taxes for the period in question. The company

settled its obligation in full. The company lodged an appeal against the decision on 14 July 2017 which is still pending.

■ Triglav Osiguranje, d.d., Zagreb

In 2017, the Croatian Financial Services Supervisory Agency (hereinafter: HANFA) filed an indictment with the Misdemeanour Court in Zagreb because the company in the period from 17 February 2016 until 16 March 2016 failed to provide clients with surrender value tables and paid-up value tables per year of duration of insurance prior to the conclusion of insurance contracts. The company lodged an appeal and the case is still pending.

■ Triglav Osiguranje, a.d., Banja Luka

In 2017, the company received a decision of the Insurance Supervision Agency of the Republic of Srpska ordering the company to consistently comply with the Regulation on the minimum content of databases for mandatory insurance in transport and the Instruction on the design of databases for mandatory insurance in transport. The company acted in full compliance with the decision of the regulator.

An extraordinary review of the application of the Decision on the common premium tariff and price list for motor vehicle insurance and the handling and payment of claims relating to this decision in accordance with the Act on mandatory insurance in transport is underway. The company has not yet received a report on the review.

5.10 Subsequent events

In the period from the end of the reporting period and the date of approval of the financial statements, no adjusting events occurred that would affect the prepared consolidated and separate financial statements of the guarantee fund of Zavarovalnica Triglav for 2017, as well as no material non-adjusting events. Business events in the said period do not have any impact on tax liabilities for 2017.

No events occurred after the reporting date that are important for the operations in 2018.

5.11 New and amended standards with interpretations

The accounting policies used in the preparation of the consolidated and separate financial statements are consistent with those of the consolidated and separate financial statements of Zavarovalnica Triglav for the year ended 31 December 2016, except for the new and amended standards effective as of 1 January 2017 or later and presented below.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The purpose of the amendments to the standard is to clarify the requirements in relation to the recognition of deferred tax assets for unrealised losses and in this way to address diverse practices in the application of "IAS 12 Income Taxes" in practice. In practice, entities use different approaches in the calculation of deductible temporary differences related to the reduction in fair value at asset recovery over its carrying amount in conjunction with the probable availability of future taxable profits and the joint or separate estimation of deferred tax assets for unrealised losses. The amendments do not have an impact on consolidated and separate financial statements.

Amendments to IAS 7: Disclosure Initiative

The amendments to IAS 7 require an entity to provide disclosures that shall enable users of financial statements to evaluate changes in liabilities arising from financing activities, including those which are the result of the changes which have or do not have an impact on cash flows. According to the amendments, to fulfil the disclosure requirement an entity may prepare a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities also in a table, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The amendments do not have an impact on consolidated and separate financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle

The International Accounting Standards Board (IASB) issued the annual improvements to IFRS 2014–2016 cycle. The improvements presented below have not yet been endorsed by the EU. The improvement does not have an impact on consolidated and separate financial statements.

Amendments to IAS 12: Disclosure of Interests in Other Entities

The amendments clarify that the disclosures required in IFRS 12 (with the exception of those summarised in the financial statements of subsidiaries, joint arrangements and associates) apply to an entity's interest in subsidiaries, joint arrangements or associates, which is classified as assets held for sale, distribution or discontinued operations in accordance with IFRS 5.

New standards and interpretations endorsed by the EU but not yet effective

Presented below are the standards and interpretations which have been endorsed by the EU, but have not yet become effective by the date of consolidated and separate financial statements. The Company intends to use these standards and interpretations in the preparation of financial statements when they become effective. The Company did not apply any of the standards listed below before their effective date. The Company intends to use these standards and interpretations in the preparation of financial statements when they become effective. The Company did not apply any of the standards listed below before their effective date.

IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The final version of "IFRS 9 Financial Instruments" includes all individual phases of the project to revise IFRS 9 and replaces "IAS 39 Financial Instruments: Recognition and Measurement" as well as all previous versions of IFRS 9. The standard introduces new requirements for classification, measurement and impairment of financial assets and general hedge accounting.

Due to the adoption of the new standard for insurance contracts – IFRS 17, the insurance entities may begin to apply the standard as of 1 January 2021. The condition for the deferral is that the carrying amount of liabilities connected with insurance relative to the total carrying amount of all its liabilities is at least 90%. Compliance with the conditions for the deferral is checked at the Group level and at the level of an individual subsidiary.

Zavarovalnica Triglav meets these requirements even at the Group level, therefore it will start to apply this standard as of 1 January 2021. The management is still performing the impact assessment of the new standard.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 provides a five-step model to be applied to income recognition from contracts with customers (with limited exceptions), irrespective of the nature of transactions generating income or the industry. The requirements of the standard also apply to the recognition and measurement of gains and losses on the sale of certain non-financial assets that are not an output of an entity's ordinary activities (e.g. sale of property, plant and equipment or intangible assets). The standard requires extensive disclosures, including disaggregation of total income, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The Company is still assessing the impact of the new standard, which will be applied from its effective date..

IFRS 15 Revenue from Contracts with Customers (Clarifications)

The clarifications of the standard are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The purpose of clarifications is to clarify what the IASB aimed to achieve in adopting the requirements of "IFRS 15 Revenue from Contracts with Customers", particularly in terms of accounting for liabilities from contracts with customers, which modify the identification of separate performance obligations, principal versus agent considerations, including an assessment whether an entity acts as a principal or as an agent, and the application of the principle of control and licensing, which provides additional guidance on accounting for intellectual property and royalties. Furthermore, the clarifications introduce additional practical expedients for the entities electing to apply IFRS 15 to prior periods either by using a full retrospective approach or a modified retrospective approach. The management is still examining the impact of clarifications on consolidated and separate financial statements.

IFRS 16 Leases

The new standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 provides the guidelines for the recognition, measurement, presentation and disclosure of leases of both contracting parties: the lessee and the lessor. The new standard provides a single lessee accounting model, requiring lessees to recognise most leases in their financial statements, with a few exceptions. Lessor accounting is substantially unchanged. The new standard is not expected to have a material impact on consolidated and separate financial statements.

IFRS 17 Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 or later, with earlier application permitted provided that an entity also reports in accordance with “IFRS 15 Revenue from Contracts with Customers” and “IFRS 9 Financial Instruments”. IFRS 17 provides the guidelines for the recognition, measurement, presentation and disclosure of insurance contracts concluded by an insurance entity. Furthermore, the standard requires that similar principles be applied to reinsurance contracts and investment contracts with discretionary participation features. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows. The standard has not yet been endorsed by the EU. The management is still assessing the impact of the new standard on consolidated and separate financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict identified between the requirements of IFRS 10 and IAS 28 in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that an entity recognises in full any gains or losses arising from the transaction in which the investor obtains the control of one or more businesses (or meets the conditions for being classified as a business). In December 2015, the IASB indefinitely deferred the effective date of the standard, pending the outcome of its research project on the equity method of accounting. The amendments to the standard have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments introduce the requirements regarding the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment

that changes the classification of the transaction from cash-settled to equity-settled. The amendments to the standard have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated and separate financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address the concerns arising from the application of the new “IFRS 9 Financial Instruments” before implementing the new standard, which is currently under preparation and which deals with insurance contracts; the new standard will replace IFRS 4. The amendments allow insurance entities to use two approaches in insurance contracts accounting: a temporary exemption from IFRS 9 and the overlay approach, which allows the entities issuing insurance contracts falling within the scope of IFRS 4 to reclassify certain income or expenses arising from certain financial assets from profit or loss to other comprehensive income. The management is still assessing the impact of the amendments on consolidated and separate financial statements. The Company decided for a temporary exemption from applying IFRS 9.

Amendments to IAS 40 Transfers of Investment Property

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments clarify when an entity is required to reclassify a property, including a property under construction or development, to, or from, investment property. Moreover, the amendments clarify that a change in use occurs when a property meets or ceases to meet the definition of investment property and there is evidence of a change in use. A change in the management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments to the standard have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated and separate financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments allow financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be “negative compensation”), to be measured at amortised cost or at fair value through other

comprehensive income. The amendments to the standard have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated and separate financial statements.

Amendments to IAS 28:

Long-term Interests in Associates and Joint Ventures

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments address the issue whether the measurement of long-term interests (particularly in terms of impairment requirements regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture) falls within the scope of IFRS 9, IAS 28 or a combination of both. Furthermore, the amendments clarify that an entity is required to apply “IFRS 9 Financial Instruments» in the recognition of long-term interests not measured using the equity method before applying IAS 28. When applying IFRS 9, the entity shall not take into account any adjustments to the carrying amount of long-term interests under IAS 28. The amendments have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated and separate financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

The interpretations are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The interpretation has not yet been endorsed by the EU. The management is still assessing the impact of interpretations on consolidated and separate financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle

The International Accounting Standards Board (IASB) issued the annual improvements to IFRS 2014–2016 cycle. The amendments to “IFRS 1 First-time Adoption of International Financial Reporting Standards” and “IAS 28 Investments in Associates and Joint Ventures” are effective for annual periods beginning on or after 1 January 2018. Earlier application of the amendments to IAS 28 is permitted. The improvements have not yet been endorsed by the EU. The management is still assessing the impact of the improvements on consolidated and separate financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** The amendment removes the short-term exemptions for disclosures relating to financial instruments, employee benefits and investment entities, which otherwise apply to the first-time adoption of IFRS.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that each investment in an associate or joint venture held by a venture capital organisation or other qualified entity may be measured at fair value through profit or loss at initial recognition.

Interpretation of IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of “IAS 12 Income Taxes”. The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The interpretation has not yet been endorsed by the EU. The management is still assessing the impact of the interpretation on consolidated and separate financial statements.

5.12 Segment reporting

Zavarovalnica Triglav is a composite insurance company, providing non-life and life insurance services. As these are integral economic units, separate accounting records and books of account are kept. Distribution of income and expenses between non-life and life insurance is described below. Assets and their sources, including equity, are also disclosed separately.

The management monitors the operations of the Group based by business segments (non-life insurance, life insurance, health insurance and non-insurance operations) and by geographical segments (separately for the Slovene market and foreign markets).

The distribution of income and expenses between segments for reporting purposes is described below.

Reconciliation of total assets

Assets and liabilities items in the statement of financial position by business segment have not been offset. Mutual receivables and liabilities arising from non-life and life insurance operations and deferred tax assets and liabilities have been offset in the consolidated statement of financial position, as shown in the following table:

	in EUR	
	31 Dec 2017	31 Dec 2016
Balance sheet total (without offsetting)	2,805,312,446	2,761,482,778
Mutual receivables and liabilities	-5,859,532	-6,410,518
Deferred tax assets and liabilities	-12,963,374	-14,739,215
Offset balance	2,786,489,540	2,740,333,045

Mutual receivables and liabilities arise from cost sharing, as explained below.

Distribution of income and expenses between business segments is described below.

Income

Income from insurance premiums is disclosed separately by insurance group and insurance class, as well as by geographical areas (separately for Slovenia and other countries).

Investment income is posted separately by insurance group. Income from investments of assets backing liabilities, guarantee funds and investments not financed from insurance technical provisions are posted separately. The latter are also accounted for separately by insurance group.

Other income from insurance operations and other income is accounted for by insurance groups. In order to ensure an appropriate presentation of the insurance-technical result, income from non-insurance operations is disclosed as other income. Other net income from insurance operations is accounted for separately by insurance group.

All income is also accounted for separately according to geographical segmentation – for Slovenia and for other countries.

Expenses

Net claims incurred are disclosed separately by insurance group and insurance class. Direct claim handling costs are posted by insurance class. Part of the claim handling costs, primarily accounted for by their natural type within operating costs, is shown by insurance groups and insurance classes directly and by using a matrix that is the same as that used for distributing other operating costs.

Changes in insurance technical provisions (provisions for bonuses and discounts and other insurance technical provisions) are accounted for directly by insurance group and by insurance class.

Investment expenses are posted separately by insurance groups. Within individual insurance groups, expenses from investments are disclosed separately for assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions. The latter are also accounted for separately by insurance group.

Other net insurance expenses are accounted for separately by insurance group, the same as other expenses from insurance operations and other expenses. In order to ensure the appropriate presentation of the insurance-technical result, operating expenses of non-insurance companies are disclosed as other expenses in the income statement. In the Notes to financial statements they are disclosed also by nature.

Furthermore, all expenses are accounted for by geographical area – separately for Slovenia and for other countries.

Additional disclosures of Triglav Group and Zavarovalnica Triglav

Depreciation and amortisation charges by business segment are disclosed under operating expenses in [[→ Section 4.12](#)].

Values of investments in intangible assets, property, plant and equipment and investment property by business segments are shown in the table below:

Triglav Group

in EUR

2017	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	7,448,583	1,603,363	612,802	112,503	9,777,251
Investments in property plant and equipment	7,822,535	288,238	241,349	943,502	9,295,624
Investments in investment property	884,535	0	0	2,652,231	3,536,766

2016	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	5,882,534	1,926,445	319,432	39,275	8,167,686
Investments in property plant and equipment	5,096,370	236,929	201,677	604,424	6,139,400
Investments in investment property	597,478	0	0	18,423,463	19,020,941

The highest exposure of Triglav Group to individual financial institutions is:

- in non-life insurance, exposure to Abanka, d.d. of EUR 13,132,013;
- in life insurance, exposure to AGATE ASSETS SA of EUR 30,582,157;
- in health insurance, exposure to N.V.Bank Nederlandse Gemeenten of EUR 812,937;
- in non-insurance, exposure to Abanka, d.d. of EUR 6,180,183.

Zavarovalnica Triglav

in EUR

2017	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	6,340,660	1,499,055	7,839,715
Investments in property, plant and equipment	4,622,596	100,254	4,722,850
Investments in investment property	641,062	0	641,062
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-8,010,844	-1,699,393	-9,710,237
Expenses from the impairment of premium and subrogation receivables	-10,278,414	0	-10,278,414
Income from reversal of impairment of receivables	11,714,391	25,982	11,740,373
Expenses from impairment of investment property	0	0	0
Expenses from impairment of other receivables	-343,143	-14,029	-357,173
Income from reversal of impairment of other receivables	84,886	15,974	100,860

in EUR

2016	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	4,163,365	1,805,265	5,968,630
Investments in property, plant and equipment	2,943,570	193,806	3,137,376
Investments in investment property	269,987	0	269,987
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-7,572,502	-1,617,712	-9,190,214
Expenses from the impairment of premium and subrogation receivables	-14,181,138	0	-14,181,138
Income from reversal of impairment of receivables	12,581,923	1,727	12,583,650
Expenses from impairment of property, plant and equipment	0	0	0
Expenses from impairment of other receivables	-120,089	-10,724	-130,812
Income from reversal of impairment of other receivables	67,000	14,757	81,756

Maximum individual exposure of Zavarovalnica Triglav to financial institutions is:

- for non-life insurance: Abanka, d.d.: EUR 13,132,013 and
- for life insurance: AGATE ASSETS SA: EUR 30,582,157.

in EUR

Triglav Group Comprehensive income by business segments	2017					2016				
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
NET PROFIT FOR THE YEAR AFTER TAX	52,559,577	15,189,798	3,181,924	-1,223,348	69,707,951	63,293,520	15,587,538	3,303,538	147,178	82,331,774
OTHER COMPREHENSIVE INCOME AFTER TAX	6,633,580	-79,867	136,246	2,328,053	9,018,012	5,079,234	3,929,216	432,159	1,149,402	10,590,011
Items which will not be transferred in P&L in future periods	288,286	55,133	32,279	15,899	391,597	-413,840	-82,783	-18,680	-17,326	-532,629
Net actuarial gains/losses for pension plans	288,286	55,133	32,279	15,899	391,597	-338,072	-66,960	-18,680	-17,326	-441,038
Tax on items which will not be transferred in P&L	0	0	0	0	0	-75,768	-15,823	0	0	-91,591
Items which could be transferred into P&L in future periods	6,345,294	-135,000	103,967	2,312,154	8,626,415	5,493,074	4,011,999	450,839	1,166,728	11,122,640
Fair value gains/losses on available-for-sale financial assets	7,700,015	-1,957,041	128,354	2,111,049	7,982,377	7,664,391	14,080,157	587,841	1,436,565	23,768,954
– net gains/losses recognized directly in equity	15,130,886	14,565,468	263,548	2,063,180	32,023,082	11,550,817	19,433,955	766,785	1,436,565	33,188,122
– transfers from equity to income statement	-7,430,871	-16,522,509	-135,194	47,869	-24,040,705	-3,886,426	-5,353,798	-178,944	0	-9,419,168
Fair value gains/losses on non-current assets held for sale	33,622	171,171	0	0	204,793	89	0	0	0	89
Share of OCI of entities accounted for using the equity method	-513	0	0	603,768	603,255	0	0	0	402,548	402,548
Liabilities from insurance contracts with DPF	0	-487,190	0	0	-487,190	0	-6,554,570	0	0	-6,554,570
Currency translation differences	610,001	435,032	0	35,772	1,080,805	634,614	51,805	0	-101,311	585,108
Tax on other comprehensive income	-1,997,831	1,703,028	-24,387	-438,435	-757,625	-2,806,020	-3,565,393	-137,002	-571,074	-7,079,489
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX	59,193,157	15,109,931	3,318,170	1,104,705	78,725,963	68,372,754	19,516,754	3,735,697	1,296,580	92,921,785
Controlling interest	58,852,131	14,899,208	3,318,170	1,104,244	78,173,753	67,790,842	19,814,000	3,735,697	1,348,648	92,689,187
Non-controlling interest	341,026	210,723	0	461	552,210	581,912	-297,246	0	-52,068	232,598

In EUR

Zavarovalnica Triglav Comprehensive income by business segments	2017			2016		
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
NET PROFIT FOR THE YEAR AFTER TAX	51,329,746	11,192,204	62,521,950	61,127,344	14,206,258	75,333,602
OTHER COMPREHENSIVE INCOME AFTER TAX	9,571,762	-7,232,656	2,339,106	4,517,734	4,610,781	9,128,515
Items which will not be transferred in P&L in future periods	295,584	55,133	350,717	-410,006	-82,783	-492,789
Actuarial gains and losses related to post-employment benefits on retirement	295,584	55,133	350,717	-334,238	-66,960	-401,198
Tax on items which will not be transferred in P&L	0	0	0	-75,768	-15,823	-91,591
Items which could be transferred into P&L in future periods	9,276,178	-7,287,789	1,988,389	4,927,740	4,693,564	9,621,304
Fair value gains/losses on available-for-sale financial assets	11,452,072	-8,516,690	2,935,382	7,387,066	14,802,889	22,189,955
– net gains/losses recognized directly in equity	16,512,410	7,893,172	24,405,582	8,940,230	19,640,087	28,580,317
– transfers from equity to income statement	-5,060,338	-16,409,862	-21,470,200	-1,553,164	-4,837,198	-6,390,362
Liabilities from insurance contracts with DPF	0	-487,190	-487,190	0	-6,554,570	-6,554,570
Tax on other comprehensive income	-2,175,894	1,716,091	-459,803	-2,459,326	-3,554,755	-6,014,081
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX	60,901,508	3,959,548	64,861,056	65,645,078	18,817,039	84,462,117

5.12.1 Reporting by business segment for Triglav Group

The statement of financial position and income statement by business segment are shown below for the reporting and the previous year.

In the consolidation process, the key inter-company eliminations between segments which influenced their profit/loss were the following: acquisition costs and acquisition income, premium income and operating expenses. The aforementioned eliminations had no impact on the consolidated profit/loss. The key inter-company eliminations, which did impact both the profit/loss of individual segments and the consolidated profit/loss, were the effects of the capital, business combinations, the disposal of controlling interests in subsidiaries and the elimination of investment impairments in subsidiaries. These effects are disclosed under financial income and financial expenses.

The management monitors the operations of the Group according to the following main segments:

- non-life insurance,
- life insurance,
- health insurance and
- non-insurance operations.

Statement of financial position

in EUR

	31 December 2017						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL(after eliminations)
ASSETS	1,771,644,611	2,003,539,158	56,434,979	185,413,134	4,017,031,882	-342,355,689	3,674,676,193
Intangible assets	71,318,618	3,025,618	1,288,099	3,208,277	78,840,612	0	78,840,612
Property, plant and equipment	90,742,267	10,567,978	1,427,685	8,472,507	111,210,437	0	111,210,437
Deferred tax assets	12,994,783	380,255	64,932	329,145	13,769,115	0	13,769,115
Investment property	51,244,024	2,401,488	0	34,998,000	88,643,512	5,363,971	94,007,483
Investments in subsidiaries	116,711,634	10,504,174	0	75,677,210	202,893,018	-202,893,018	0
Investments in associates	4,399,809	708,237	0	1,341,278	6,449,324	0	6,449,324
Financial assets	1,058,188,425	1,923,532,925	47,398,481	41,536,723	3,070,656,554	-32,569,806	3,038,086,748
Financial investments	1,058,188,425	1,473,296,881	47,398,481	41,536,723	2,620,420,510	-32,569,806	2,587,850,704
– loans and deposits	74,294,351	68,428,166	389,713	9,560,016	152,672,246	-27,420,759	125,251,487
– held to maturity	0	221,390,576	0	0	221,390,576	0	221,390,576
– available for sale	978,443,512	762,544,440	47,008,768	31,976,707	1,819,973,427	-4,649,527	1,815,323,900
– recognised at fair value through profit and loss	5,450,562	420,933,699	0	0	426,384,261	-499,520	425,884,741
Unit-linked insurance assets	0	450,236,044	0	0	450,236,044	0	450,236,044
Reinsurers' share of technical provisions	164,982,800	33,246	86,064	0	165,102,110	-81,286,534	83,815,576
Receivables	175,081,175	6,250,245	4,630,440	8,765,717	194,727,577	-30,849,223	163,878,354
– receivables from direct insurance operations	80,936,921	526,028	4,384,052	25,485	85,872,486	-149,994	85,722,492
– receivables from reinsurance and coinsurance operations	70,564,407	107,320	44,261	0	70,715,988	-25,776,286	44,939,702
– current tax receivables	21,706	154	0	10,351	32,211	0	32,211
– other receivables	23,558,141	5,616,743	202,127	8,729,881	38,106,892	-4,922,943	33,183,949
Other assets	3,258,596	72,269	93,026	619,445	4,043,336	-121,079	3,922,257
Cash and cash equivalents	22,722,480	46,062,723	1,446,252	8,186,392	78,417,847	0	78,417,847
Non-current assets held for sale	0	0	0	2,278,440	2,278,440	0	2,278,440
EQUITY AND LIABILITIES	1,771,644,611	2,003,539,158	56,434,979	185,413,134	4,017,031,882	-342,355,689	3,674,676,193
Equity	610,210,587	159,335,731	30,986,326	154,611,642	955,144,286	-198,498,603	756,645,683
Controlling interests	610,210,587	159,335,731	30,986,326	154,611,642	955,144,286	-205,306,042	749,838,244
– share capital	114,718,513	47,691,579	25,822,144	92,083,600	280,315,836	-206,614,444	73,701,392
– share premium	43,048,225	13,658,827	0	20,762,996	77,470,048	-27,066,392	50,403,656
– reserves from profit	283,095,556	47,156,595	344,643	1,709,241	332,306,035	1,101,038	333,407,073
– fair value reserve	65,931,902	14,646,079	1,629,381	14,853,773	97,061,135	-1,662,899	95,398,236
– net profit brought forward	76,985,684	22,765,346	2,055,271	23,281,671	125,087,972	35,560,020	160,647,992
– net profit/loss for the year	28,420,908	14,075,019	1,134,887	1,956,845	45,587,659	-6,453,704	39,133,955
– currency translation differences	-1,990,201	-657,714	0	-36,484	-2,684,399	-169,661	-2,854,060
Non-controlling interests	0	0	0	0	0	6,807,439	6,807,439
Subordinated liabilities	10,775,525	9,832,655	1,500,000	0	22,108,180	-6,649,048	15,459,132
Insurance technical provisions	990,706,110	1,356,384,332	14,831,179	0	2,361,921,621	-79,220,595	2,282,701,026
– unearned premiums	289,866,512	439,263	2,630,206	0	292,935,981	-14,823,262	278,112,719
– mathematical provisions	0	1,331,198,408	0	0	1,331,198,408	1,856,981	1,333,055,389
– claims provisions	675,322,350	19,476,640	9,929,037	0	704,728,027	-66,254,314	638,473,713
– other insurance technical provisions	25,517,248	5,270,021	2,271,936	0	33,059,205	0	33,059,205
Insurance technical provisions for unit-linked insurance contracts	0	449,544,564	0	0	449,544,564	0	449,544,565
Employee benefits	10,860,025	2,022,147	486,037	611,634	13,979,843	0	13,979,843
Other provisions	1,869,081	1,372,200	161,611	391,755	3,794,647	0	3,794,647
Deferred tax liabilities	15,511,778	7,331,797	0	3,553,004	26,396,579	0	26,396,579
Other financial liabilities	5,549,056	1,112,471	98,854	8,664,123	15,424,504	-9,835,123	5,589,381
Operating liabilities	63,014,034	8,501,117	4,126,075	301,889	75,943,115	-26,561,513	49,381,602
– liabilities from direct insurance operations	7,156,311	8,336,100	4,003,137	0	19,495,548	-620,225	18,875,323
– liabilities from reinsurance and co-insurance operations	54,516,389	146,850	36,207	0	54,699,446	-25,941,288	28,758,158
– current tax liabilities	1,341,334	18,167	86,731	301,889	1,748,121	0	1,748,121
Other liabilities	63,148,415	8,102,144	4,244,897	17,279,087	92,774,543	-21,590,808	71,183,735
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0	0	0

Statement of financial position

in EUR

	31 December 2016						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	1,710,431,404	1,950,198,994	50,565,069	189,872,226	3,901,067,693	-326,182,270	3,574,885,423
Intangible assets	66,610,433	2,543,966	957,696	3,711,493	73,823,588	0	73,823,588
Property, plant and equipment	87,241,429	11,088,587	1,430,541	8,172,871	107,933,428	0	107,933,428
Deferred tax assets	13,900,553	1,336,641	270,553	285,367	15,793,114	0	15,793,114
Investment property	53,171,613	2,286,948	0	35,020,188	90,478,749	5,363,971	95,842,720
Investments in subsidiaries	128,224,747	10,578,066	0	66,439,368	205,242,181	-205,242,181	0
Investments in associates	0	4,144,637	0	2,681,763	6,826,400	0	6,826,400
Financial assets	1,027,520,871	1,881,153,435	43,172,848	47,480,986	2,999,328,140	-25,024,859	2,974,303,281
Financial investments	1,027,520,871	1,421,170,613	43,172,848	47,480,986	2,539,345,318	-25,024,859	2,514,320,459
– loans and deposits	99,799,691	65,243,436	94,678	4,384,687	169,522,492	-20,790,854	148,731,638
– held to maturity	0	231,342,393	0	0	231,342,393	0	231,342,393
– available for sale	915,935,021	739,668,176	43,078,170	43,096,299	1,741,777,666	-3,734,594	1,738,043,072
– recognised at fair value through profit and loss	11,786,159	384,916,608	0	0	396,702,767	-499,411	396,203,356
Unit–linked insurance assets	0	459,982,822	0	0	459,982,822	0	459,982,822
Reinsurers' share of technical provisions	146,560,701	45,965	65,090	0	146,671,756	-69,586,973	77,084,783
Receivables	164,484,623	5,305,518	4,490,337	10,191,907	184,472,385	-31,551,296	152,921,089
– receivables from direct insurance operations	82,083,004	613,437	4,077,473	0	86,773,914	-2,714,748	84,059,166
– receivables from reinsurance and coinsurance operations	59,119,683	9,485	36,998	0	59,166,166	-24,066,316	35,099,850
– current tax receivables	747,686	154	0	142,436	890,276	0	890,276
– other receivables	22,534,250	4,682,442	375,866	10,049,471	37,642,029	-4,770,232	32,871,797
Other assets	2,766,763	46,341	18,490	931,591	3,763,185	-140,932	3,622,253
Cash and cash equivalents	19,949,671	31,668,890	159,514	13,936,399	65,714,474	0	65,714,474
Non–current assets held for sale	0	0	0	1,020,293	1,020,293	0	1,020,293
EQUITY AND LIABILITIES	1,710,431,404	1,950,198,994	50,565,069	189,872,226	3,901,067,693	-326,182,270	3,574,885,423
Equity	591,821,655	157,208,258	29,592,588	166,050,727	944,673,228	-200,323,481	744,349,747
Controlling interests	591,821,655	157,208,258	29,592,588	166,050,727	944,673,228	-210,717,714	733,955,514
– share capital	115,729,153	42,885,603	25,822,144	92,230,534	276,667,434	-202,966,042	73,701,392
– share premium	42,947,231	13,658,827	0	25,088,124	81,694,182	-28,205,492	53,488,690
– reserves from profit	253,088,684	46,665,650	222,038	1,956,708	301,933,080	3,602,377	305,535,457
– fair value reserve	59,890,604	15,157,857	1,493,135	22,201,532	98,743,128	-11,008,000	87,735,128
– net profit brought forward	91,831,887	22,941,388	951,202	13,663,954	129,388,431	43,804,438	173,192,869
– net profit/loss for the year	31,031,308	17,001,668	1,104,069	10,995,776	60,132,821	-15,916,344	44,216,477
– currency translation differences	-2,697,212	-1,102,735	0	-85,901	-3,885,848	-28,651	-3,914,499
Non–controlling interests	0	0	0	0	0	10,394,233	10,394,233
Subordinated liabilities	11,073,221	10,029,887	1,500,000	0	22,603,108	-5,734,006	16,869,102
Insurance technical provisions	963,579,734	1,295,414,018	12,364,372	0	2,271,358,124	-68,252,900	2,203,105,224
– unearned premiums	275,336,728	462,864	2,463,639	0	278,263,231	-14,623,611	263,639,620
– mathematical provisions	0	1,272,092,349	0	0	1,272,092,349	1,446,259	1,273,538,608
– claims provisions	662,116,426	18,911,900	9,105,769	0	690,134,095	-54,893,200	635,240,895
– other insurance technical provisions	26,126,580	3,946,905	794,964	0	30,868,449	-182,348	30,686,101
Insurance technical provisions for unit–linked insurance contracts	0	457,683,091	0	0	457,683,091	0	457,683,091
Employee benefits	10,490,082	1,981,637	477,216	601,329	13,550,264	0	13,550,264
Other provisions	1,623,462	1,714,200	258,023	375,532	3,971,217	0	3,971,217
Deferred tax liabilities	13,424,776	8,868,633	0	3,107,135	25,400,544	0	25,400,544
Other financial liabilities	5,088,991	1,112,067	99,125	1,164,440	7,464,623	-2,175,930	5,288,693
Operating liabilities	57,976,553	7,925,969	2,416,732	991,817	69,311,071	-27,282,876	42,028,195
– liabilities from direct insurance operations	6,837,341	7,912,022	2,386,126	0	17,135,489	-1,115,469	16,020,020
– liabilities from reinsurance and co–insurance operations	49,252,099	13,947	30,606	0	49,296,652	-26,167,407	23,129,245
– current tax liabilities	1,887,113	0	0	991,817	2,878,930	0	2,878,930
Other liabilities	55,352,930	8,261,234	3,857,013	17,581,246	85,052,423	-22,413,077	62,639,346
Non–current liabilities held for sale and discontinued operations	0	0	0	0	0	0	0

Income statement

in EUR

	2017					2016				
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
Net premium income	543,846,673	218,252,128	129,098,568	0	891,197,369	523,385,136	212,395,932	113,812,933	0	849,594,001
– gross written premium	652,350,427	218,282,704	129,283,495	0	999,916,626	609,255,380	212,562,325	114,186,110	0	936,003,815
– ceded written premium	-97,496,337	-54,396	0	0	-97,550,733	-79,063,138	-17,811	0	0	-79,080,949
– change in unearned premiums	-11,007,417	23,820	-184,927	0	-11,168,524	-6,807,106	-148,582	-373,177	0	-7,328,865
Total income from financial assets	45,905,503	92,278,523	951,172	702,244	139,837,442	51,491,182	92,331,909	1,084,435	1,109,959	146,017,485
Income from financial assets in associates	78,249	0	0	146,356	224,605	2,928,469	297	0	187,808	3,116,574
– profit on equity investments accounted for using the equity method	78,249	0	0	146,356	224,605	0	297	0	187,808	188,105
– interest income	0	0	0	0	0	0	0	0	0	0
– dividends	0	0	0	0	0	0	0	0	0	0
– fair value gains	0	0	0	0	0	0	0	0	0	0
– realised gains on disposals	0	0	0	0	0	2,928,469	0	0	0	2,928,469
– other financial income	0	0	0	0	0	0	0	0	0	0
Income from other financial assets	45,827,254	63,831,057	951,172	555,888	111,165,371	48,562,713	68,877,335	1,084,435	922,151	119,446,634
– interest income	25,219,214	38,056,349	689,859	25,140	63,990,562	27,343,518	40,731,024	737,088	23,944	68,835,574
– dividends	4,154,882	676,964	0	514,605	5,346,451	1,929,416	778,555	0	648,798	3,356,769
– fair value gains	665,461	7,506,804	0	0	8,172,265	208,040	7,605,724	0	0	7,813,764
– realised gains on disposals	12,669,570	16,849,824	260,910	10,176	29,790,480	16,002,196	17,426,228	347,231	203,434	33,979,089
– other financial income	3,118,127	741,116	403	5,967	3,865,613	3,079,543	2,335,804	116	45,975	5,461,438
Net unrealised gains on unit-linked life insurance assets	0	28,447,466	0	0	28,447,466	0	23,454,277	0	0	23,454,277
Other income from insurance operations	22,405,395	120,340	43,100	0	22,568,835	5,280,492	70,982	40,698	0	5,392,172
– fees and commission income	16,382,533	104,937	0	0	16,487,470	191,692	61,101	0	0	252,793
– other income from insurance operations	6,022,862	15,403	43,100	0	6,081,365	5,088,800	9,881	40,698	0	5,139,379
Other income	6,672,954	108,231	141,144	27,110,787	34,033,116	8,745,715	96,490	70,929	44,624,041	53,537,175
Net claims incurred	317,434,965	190,014,478	112,509,338	0	619,958,781	295,134,571	181,020,651	100,947,196	0	577,102,418
– gross claims settled	347,312,086	189,454,483	105,396,000	0	642,162,569	329,541,358	182,237,935	94,240,276	0	606,019,569
– reinsurers' and co-insurers' share	-24,573,160	-450	0	0	-24,573,610	-21,683,882	-8,138	0	0	-21,692,020
– changes in claims provisions	-5,303,961	560,445	827,552	0	-3,915,964	-12,722,905	-1,209,146	-243,149	0	-14,175,200
– equalisation scheme expenses for supplementary health insurance	0	0	6,285,786	0	6,285,786	0	0	6,950,069	0	6,950,069
Change in other insurance technical provisions	-547,945	59,352,163	1,476,972	0	60,281,190	-575,645	48,482,291	-695,321	0	47,211,325
Change in insurance technical provisions for unit-linked insurance contracts	0	-8,250,712	0	0	-8,250,712	0	776,648	0	0	776,648
Expenses for bonuses and discounts	9,327,585	15,306	0	0	9,342,891	11,322,695	8,935	0	0	11,331,630
Operating expenses	175,190,559	33,380,150	12,191,924	0	220,762,633	165,281,584	32,633,456	10,760,668	0	208,675,708
– costs of insurance contract acquisition	124,928,446	19,450,872	3,563,094	0	147,942,412	118,898,565	18,935,819	3,168,629	0	141,003,013
– other operating costs	50,262,113	13,929,278	8,628,830	0	72,820,221	46,383,019	13,697,637	7,592,039	0	67,672,695

Income statement

in EUR

	2017					2016				
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
Expenses from financial assets and liabilities	16,542,021	15,078,771	98,109	1,892,810	33,611,711	19,444,975	20,577,551	44,482	2,466,871	42,533,879
Expenses from financial assets and liabilities in associates	1,298,370	56,656	0	1,771,827	3,126,853	738,755	0	0	2,435,436	3,174,191
– loss on investments accounted for using the equity method	153,370	56,656	0	1,771,827	1,981,853	0	0	0	247,812	247,812
– interest expense	0	0	0	0	0	0	0	0	0	0
– fair value losses	0	0	0	0	0	0	0	0	0	0
– izgube pri prodaji finančnih sredstev	1.145.000	0	0	0	1.145.000	738.755	0	0	2.187.624	2.926.379
– trajne oslabitve	0	0	0	0	0	0	0	0	0	0
– drugi finančni odhodki	0	0	0	0	0	0	0	0	0	0
Odhodki od drugih finančnih sredstev in obveznosti	15.243.651	14.711.232	98.109	120.983	30.173.975	18.706.220	19.071.747	44.482	31.435	37.853.884
– obresti	1.030.266	597.776	0	2.981	1.631.023	683.523	590.025	0	40.957	1.314.505
– sprememba poštene vrednosti	2.208	4.214.030	0	980	4.217.218	385.818	6.502.259	0	394	6.888.471
– izgube pri prodaji finančnih sredstev	4.731.298	6.179.208	65.616	107.474	11.083.596	9.348.133	10.116.648	9.685	-23.444	19.451.022
– trajne oslabitve	310.527	24.728	0	0	335.255	3.162.126	34.899	0	0	3.197.025
– drugi finančni odhodki	9.169.352	3.695.490	32.493	9.548	12.906.883	5.126.620	1.827.916	34.797	13.528	7.002.861
Čiste neiztržene izgube življenjskih zavarovancev, ki prevzemajo naložbeno tveganje	0	310.883	0	0	310.883	0	1.505.804	0	0	1.505.804
Drugi zavarovalni odhodki	26.116.536	324.489	414.264	0	26.855.289	14.764.900	1.870.761	402.684	0	17.038.345
Drugi odhodki	12.596.642	1.944.417	82.669	26.006.169	40.629.897	12.639.440	1.811.607	82.068	40.199.675	54.732.790
Poslovni izid pred obdavčitvijo	62.170.162	18.900.160	3.460.708	-85.948	84.445.082	70.890.005	17.713.413	3.467.218	3.067.454	95.138.090
Odhodek za davek	9.610.584	3.710.362	278.784	1.137.400	14.737.130	7.596.485	2.125.875	163.680	2.920.276	12.806.316
ČISTI POSLOVNI IZID	52.559.578	15.189.798	3.181.924	-1.223.348	69.707.952	63.293.520	15.587.538	3.303.538	147.178	82.331.774
Čisti poslovni izid lastnikov obvladujoče družbe	52.253.418	15.045.034	3.181.924	-1.223.816	69.256.560	62.831.756	15.601.233	3.303.538	199.226	81.935.753
Čisti poslovni izid neobvladujočih deležev	306.159	144.764	0	468	451.391	461.764	-13.695	0	-52.048	396.021

5.12.2 Reporting by business segment for Zavarovalnica Triglav

Statement of financial position

	31 December 2017			31 December 2016			in EUR
	NON - LIFE	LIFE	TOTAL	NON - LIFE	LIFE	TOTAL	
ASSETS	1,234,239,636	1,571,072,810	2,805,312,446	1,197,481,419	1,564,001,358	2,761,482,778	
Intangible assets	56,888,236	2,898,047	59,786,283	53,370,950	2,513,617	55,884,567	
Property, plant and equipment	58,868,140	8,658,635	67,526,775	57,112,392	9,118,064	66,230,456	
Deferred tax assets	12,623,125	340,249	12,963,374	13,442,264	1,296,951	14,739,215	
Investment property	46,974,353	1,240,048	48,214,401	48,345,052	1,266,365	49,611,417	
Investments in subsidiaries	109,621,939	8,545,998	118,167,937	122,086,439	8,545,999	130,632,438	
Investments in associates	10,002,047	0	10,002,047	0	9,503,047	9,503,047	
Financial assets	754,881,568	1,523,724,547	2,278,606,115	733,241,225	1,513,302,645	2,246,543,870	
Financial investments:	754,881,568	1,106,116,588	1,860,998,156	733,241,225	1,079,259,376	1,812,500,601	
– loans and deposits	39,631,423	51,797,172	91,428,595	38,389,616	44,008,278	82,397,894	
– held to maturity	0	166,993,807	166,993,807	0	168,983,706	168,983,706	
– available for sale	713,379,512	687,273,476	1,400,652,988	687,302,729	678,146,717	1,365,449,446	
– investments recognised at fair value	1,870,633	200,052,133	201,922,766	7,548,880	188,120,675	195,669,555	
Unit-linked insurance assets	0	417,607,959	417,607,959	0	434,043,269	434,043,269	
Reinsurers' share of technical provisions	85,295,285	32,360	85,327,645	76,416,041	39,066	76,455,107	
Receivables	84,107,305	3,102,644	87,209,949	79,220,347	3,059,256	82,279,603	
– receivables from direct insurance operations	54,345,318	386,535	54,731,853	58,026,869	464,734	58,491,603	
– receivables from reinsurance and co-insurance operations	13,786,820	102,972	13,889,792	7,536,781	1,315	7,538,096	
– current tax receivables	0	0	0	0	0	0	
– other receivables	15,975,167	2,613,137	18,588,304	13,656,697	2,593,207	16,249,904	
Other assets	1,990,130	3,044	1,993,174	1,946,367	3,044	1,949,412	
Cash and cash equivalents	12,987,508	22,527,238	35,514,746	12,300,342	15,353,304	27,653,646	
EQUITY AND LIABILITIES	1,234,239,636	1,571,072,810	2,805,312,446	1,197,481,419	1,564,001,358	2,761,482,778	
Equity	469,422,357	101,989,948	571,412,305	448,114,222	115,274,895	563,389,117	
– share capital	51,340,540	22,360,852	73,701,392	51,340,540	22,360,852	73,701,392	
– share premium	40,344,978	13,067,907	53,412,884	40,344,978	13,067,907	53,412,884	
– reserves from profit	273,448,752	45,513,891	318,962,643	243,448,752	45,513,891	288,962,643	
– fair value reserve	57,662,938	9,587,325	67,250,264	48,073,456	16,816,861	64,890,318	
– net profit brought forward	25,295,403	267,769	25,563,172	41,379,152	3,309,126	44,688,278	
– net profit/loss for the year	21,329,746	11,192,204	32,521,950	23,527,344	14,206,258	37,733,602	
Subordinated liabilities	10,775,525	9,832,655	20,608,180	11,073,221	10,029,887	21,103,108	
Insurance technical provisions	668,287,155	1,018,822,112	1,687,109,267	663,716,670	981,461,141	1,645,177,811	
– unearned premiums	196,121,894	406,291	196,528,185	188,067,543	420,333	188,487,876	
– mathematical provisions	0	994,737,498	994,737,498	0	959,268,937	959,268,937	
– claims provisions	450,789,937	18,440,963	469,230,900	453,377,312	17,863,463	471,240,775	
– other insurance technical provisions	21,375,324	5,237,360	26,612,684	22,271,815	3,908,408	26,180,223	
Insurance technical provisions for unit-linked insurance contracts	0	416,250,767	416,250,767	0	431,125,308	431,125,308	
Employee benefits	8,819,152	1,881,311	10,700,463	8,690,246	1,857,268	10,547,514	
Other provisions	613,261	111,700	724,961	577,969	111,700	689,669	
Deferred tax liabilities	13,609,999	8,654,428	22,264,427	11,434,105	10,370,519	21,804,624	
Other financial liabilities	1,845,184	0	1,845,184	1,852,710	0	1,852,710	
Operating liabilities	21,083,190	6,656,860	27,740,050	18,179,880	6,272,070	24,451,951	
– liabilities from direct insurance operations	4,821,731	6,532,534	11,354,265	4,930,272	6,272,070	11,202,342	
– liabilities from reinsurance and co-insurance operations	15,125,471	124,326	15,249,797	11,507,585	0	11,507,586	
– current tax liabilities	1,135,988	0	1,135,988	1,742,023	0	1,742,023	
Other liabilities	39,783,813	6,873,029	46,656,842	33,842,396	7,498,570	41,340,966	

Income statement

	2017			2016			in EUR
	NON - LIFE	LIFE	TOTAL	NON - LIFE	LIFE	TOTAL	
Net premium income	349,158,918	172,898,435	522,057,353	339,908,447	169,856,757	509,765,204	
– gross written premium	448,495,641	173,475,695	621,971,336	422,860,052	170,268,959	593,129,011	
– ceded written premium	-92,931,279	-591,302	-93,522,581	-78,099,107	-409,291	-78,508,398	
– change in unearned premiums	-6,405,444	14,042	-6,391,402	-4,852,498	-2,911	-4,855,409	
Total income from financial assets	38,443,004	73,701,707	112,144,711	43,583,122	72,413,992	115,997,114	
Income from financial assets in associates	7,106,829	0	7,106,829	9,774,628	62,153	9,836,781	
– interest income	845,981	0	845,981	857,579	0	857,579	
– dividends	6,172,954	0	6,172,954	0	62,153	62,153	
– realised gains on disposals	83,290	0	83,290	8,911,599	0	8,911,599	
– other financial income	4,604	0	4,604	5,450	0	5,450	
Income from other financial assets	31,336,175	45,941,271	77,277,446	33,808,494	49,275,625	83,084,119	
– interest income	17,097,125	27,558,560	44,655,685	18,803,992	29,552,144	48,356,136	
– dividends	2,381,837	405,737	2,787,574	1,770,834	596,811	2,367,645	
– fair value gains	500,505	2,266,783	2,767,288	20,948	1,687,166	1,708,114	
– realised gains on disposals	9,760,162	15,610,133	25,370,295	12,285,124	16,967,581	29,252,705	
– other financial income	1,596,546	100,058	1,696,604	927,596	471,923	1,399,519	
Net unrealised gains on unit-linked life insurance assets	0	27,760,436	27,760,436	0	23,076,214	23,076,214	
Other income from insurance operations	21,814,630	123,974	21,938,604	19,074,180	85,969	19,160,149	
– fees and commission income	17,888,694	123,036	18,011,730	15,115,964	85,902	15,201,866	
– other income from insurance operations	3,925,936	938	3,926,874	3,958,216	67	3,958,283	
Other income	6,876,459	4,074,964	10,951,423	8,987,440	3,658,175	12,645,615	
Net claims incurred	205,082,765	171,210,065	376,292,830	188,656,282	162,083,483	350,739,765	
– gross claims settled	240,420,167	170,885,357	411,305,524	227,621,163	163,615,157	391,236,320	
– reinsurers' share	-24,364,538	-259,497	-24,624,035	-20,519,696	-159,671	-20,679,367	
– changes in claims provisions	-10,972,864	584,205	-10,388,659	-18,445,185	-1,372,003	-19,817,188	
Change in other insurance technical provisions	-750,916	36,117,891	35,366,975	550,376	28,208,149	28,758,525	
Change in insurance technical provisions for unit-linked insurance contracts	0	-14,678,837	-14,678,837	0	-7,469,473	-7,469,473	
Expenses for bonuses and discounts	8,073,088	0	8,073,088	9,108,703	0	9,108,703	
Operating expenses	115,408,436	30,514,473	145,922,909	111,447,026	30,782,572	142,229,598	
– costs of insurance contract acquisition	84,391,272	20,909,864	105,301,136	81,862,364	20,725,169	102,587,533	
– other operating costs	31,017,164	9,604,609	40,621,773	29,584,662	10,057,403	39,642,065	
Expenses from financial assets and liabilities	11,265,458	10,727,021	21,992,479	16,003,185	14,160,209	30,163,394	
Expenses from financial assets and liabilities in associates	4,435	0	4,435	551,754	0	551,754	
– realised loss on disposals	0	0	0	544,414	0	544,414	
– loss on impairment of financial assets	0	0	0	0	0	0	
– other expenses from financial assets and liabilities	4,435	0	4,435	7,340	0	7,340	
Expenses from other financial assets and liabilities	11,261,023	10,584,128	21,845,151	15,451,431	12,801,425	28,252,856	
– interest expense	939,714	609,352	1,549,066	764,078	618,986	1,383,064	
– fair value losses	0	1,614,514	1,614,514	309,525	1,575,491	1,885,016	
– realised loss on disposals	4,564,995	6,023,360	10,588,355	8,547,686	9,610,849	18,158,535	
– loss on impairment of financial assets	200,000	0	200,000	3,097,058	0	3,097,058	
– other expenses from financial assets and liabilities	5,556,314	2,336,902	7,893,216	2,733,084	996,099	3,729,183	
Net unrealised losses on unit-linked life insurance assets	0	142,893	142,893	0	1,358,784	1,358,784	
Other insurance expenses	6,724,795	255,956	6,980,751	8,229,970	246,109	8,476,079	
Other expenses	11,546,633	1,772,947	13,319,580	10,463,310	1,680,379	12,143,689	
Profit before tax	58,942,752	14,879,564	73,822,316	67,094,337	16,323,465	83,417,802	
Income tax expense	7,613,006	3,687,360	11,300,366	5,966,993	2,117,207	8,084,200	
Net profit for the accounting period	51,329,746	11,192,204	62,521,950	61,127,344	14,206,258	75,333,602	

5.12.3 Reporting by geographical area for Triglav Group

Statement of financial position

	in EUR				
	31 December 2017				
	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	3,614,478,901	402,552,981	4,017,031,882	-342,355,689	3,674,676,193
Intangible assets	64,429,076	14,411,536	78,840,612	0	78,840,612
Property, plant and equipment	73,583,739	37,626,698	111,210,437	0	111,210,437
Deferred tax assets	13,357,451	411,664	13,769,115	0	13,769,115
Investment property	76,402,270	12,241,242	88,643,512	5,363,971	94,007,483
Investments in subsidiaries	195,617,238	7,275,780	202,893,018	-202,893,018	0
Investments in associates	6,449,324	0	6,449,324	0	6,449,324
Financial assets	2,830,737,860	239,918,694	3,070,656,554	-32,569,806	3,038,086,748
Financial investments	2,399,932,370	220,488,140	2,620,420,510	-32,569,806	2,587,850,704
– loans and deposits	111,821,768	40,850,478	152,672,246	-27,420,759	125,251,487
– held to maturity	203,560,517	17,830,059	221,390,576	0	221,390,576
– available for sale	1,663,292,719	156,680,708	1,819,973,427	-4,649,527	1,815,323,900
– recognised at fair value through profit and loss	421,257,366	5,126,895	426,384,261	-499,520	425,884,741
Unit-linked insurance assets	430,805,490	19,430,554	450,236,044	0	450,236,044
Reinsurers' share of technical provisions	141,119,147	23,982,963	165,102,110	-81,286,534	83,815,576
Receivables	145,898,870	48,828,707	194,727,577	-30,849,223	163,878,354
– receivables from direct insurance operations	59,122,562	26,749,924	85,872,486	-149,994	85,722,492
– receivables from reinsurance and coinsurance operations	62,936,521	7,779,467	70,715,988	-25,776,286	44,939,702
– current tax receivables	4,457	27,754	32,211	0	32,211
– other receivables	23,835,330	14,271,562	38,106,892	-4,922,943	33,183,949
Other assets	2,245,426	1,797,910	4,043,336	-121,079	3,922,257
Cash and cash equivalents	63,881,727	14,536,120	78,417,847	0	78,417,847
Non-current assets held for sale	756,773	1,521,667	2,278,440	0	2,278,440
EQUITY AND LIABILITIES	3,614,478,901	402,552,981	4,017,031,882	-342,355,689	3,674,676,193
Equity	842,431,956	112,712,330	955,144,286	-198,498,603	756,645,683
Controlling interests	842,431,956	112,712,330	955,144,286	-205,306,042	749,838,244
– share capital	183,918,127	96,397,709	280,315,836	-206,614,444	73,701,392
– share premium	75,913,505	1,556,543	77,470,048	-27,066,392	50,403,656
– reserves from profit	322,949,553	9,356,482	332,306,035	1,101,038	333,407,073
– fair value reserve	88,222,900	8,838,235	97,061,135	-1,662,899	95,398,236
– net profit brought forward	128,992,839	-3,904,867	125,087,972	35,560,020	160,647,992
– net profit/loss for the year	42,435,032	3,152,627	45,587,659	-6,453,704	39,133,955
– currency translation differences	0	-2,684,399	-2,684,399	-169,661	-2,854,060
Non-controlling interests	0	0	0	6,807,439	6,807,439
Subordinated liabilities	22,108,180	0	22,108,180	-6,649,048	15,459,132
Insurance technical provisions	2,139,794,923	222,126,698	2,361,921,621	-79,220,595	2,282,701,026
– unearned premiums	223,888,442	69,047,539	292,935,981	-14,823,262	278,112,719
– mathematical provisions	1,269,100,045	62,098,363	1,331,198,408	1,856,981	1,333,055,389
– claims provisions	617,489,746	87,238,281	704,728,027	-66,254,314	638,473,713
– other insurance technical provisions	29,316,690	3,742,515	33,059,205	0	33,059,205
Insurance technical provisions for unit-linked insurance contracts	430,052,242	19,492,322	449,544,564	0	449,544,565
Employee benefits	11,920,963	2,058,880	13,979,843	0	13,979,843
Other provisions	2,351,028	1,443,619	3,794,647	0	3,794,647
Deferred tax liabilities	24,957,195	1,439,384	26,396,579	0	26,396,579
Other financial liabilities	10,009,188	5,415,316	15,424,504	-9,835,123	5,589,381
Operating liabilities	64,669,856	11,273,259	75,943,115	-26,561,513	49,381,602
– liabilities from direct insurance operations	15,840,323	3,655,225	19,495,548	-620,225	18,875,323
– liabilities from reinsurance and co-insurance operations	47,201,500	7,497,946	54,699,446	-25,941,288	28,758,158
– current tax liabilities	1,628,033	120,088	1,748,121	0	1,748,121
Other liabilities	66,183,370	26,591,173	92,774,543	-21,590,808	71,183,735
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0

Statement of financial position

in EUR

	31 December 2016				
	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	3,530,198,569	370,869,124	3,901,067,693	-326,182,270	3,574,885,423
Intangible assets	60,636,141	13,187,447	73,823,588	0	73,823,588
Property, plant and equipment	72,319,690	35,613,738	107,933,428	0	107,933,428
Deferred tax r assets	15,295,135	497,979	15,793,114	0	15,793,114
Investment property	76,022,350	14,456,399	90,478,749	5,363,971	95,842,720
Investments in subsidiaries	198,843,920	6,398,261	205,242,181	-205,242,181	0
Investments in associates	6,826,400	0	6,826,400	0	6,826,400
Financial assets	2,776,715,851	222,612,289	2,999,328,140	-25,024,859	2,974,303,281
Financial investments	2,335,975,934	203,369,384	2,539,345,318	-25,024,859	2,514,320,459
– loans and deposits	104,567,347	64,955,145	169,522,492	-20,790,854	148,731,638
– held to maturity	212,410,092	18,932,301	231,342,393	0	231,342,393
– available for sale	1,628,468,878	113,308,788	1,741,777,666	-3,734,594	1,738,043,072
– recognised at fair value through profit and loss	390,529,617	6,173,150	396,702,767	-499,411	396,203,356
Unit–linked insurance assets	440,739,917	19,242,905	459,982,822	0	459,982,822
Reinsurers' share of technical provisions	126,409,373	20,262,383	146,671,756	-69,586,973	77,084,783
Receivables	139,051,920	45,420,465	184,472,385	-31,551,296	152,921,089
– receivables from direct insurance operations	62,579,234	24,194,680	86,773,914	-2,714,748	84,059,166
– receivables from reinsurance and coinsurance operations	52,836,852	6,329,314	59,166,166	-24,066,316	35,099,850
– current tax receivables	687,497	202,779	890,276	0	890,276
– other receivables	22,948,337	14,693,692	37,642,029	-4,770,232	32,871,797
Other assets	2,153,552	1,609,633	3,763,185	-140,932	3,622,253
Cash and cash equivalents	54,903,944	10,810,530	65,714,474	0	65,714,474
Non–current assets held for sale	1,020,293	0	1,020,293	0	1,020,293
EQUITY AND LIABILITIES	3,530,198,569	370,869,124	3,901,067,693	-326,182,270	3,574,885,423
Equity	843,069,531	101,603,697	944,673,228	-200,323,481	744,349,747
Controlling interests	843,069,531	101,603,697	944,673,228	-210,717,714	733,955,514
– share capital	183,946,127	92,721,307	276,667,434	-202,966,042	73,701,392
– share premium	80,238,633	1,455,549	81,694,182	-28,205,492	53,488,690
– reserves from profit	292,830,748	9,102,332	301,933,080	3,602,377	305,535,457
– fair value reserve	93,773,260	4,969,868	98,743,128	-11,008,000	87,735,128
– net profit brought forward	133,115,418	-3,726,987	129,388,431	43,804,438	173,192,869
– net profit/loss for the year	59,165,345	967,476	60,132,821	-15,916,344	44,216,477
– currency translation differences	0	-3,885,848	-3,885,848	-28,651	-3,914,499
Non–controlling interests	0	0	0	10,394,233	10,394,233
Subordinated liabilities	22,603,108	0	22,603,108	-5,734,006	16,869,102
Insurance technical provisions	2,064,922,488	206,435,636	2,271,358,124	-68,252,900	2,203,105,224
– unearned premiums	214,691,367	63,571,864	278,263,231	-14,623,611	263,639,620
– mathematical provisions	1,215,423,328	56,669,021	1,272,092,349	1,446,259	1,273,538,608
– claims provisions	607,358,659	82,775,436	690,134,095	-54,893,200	635,240,895
– other insurance technical provisions	27,449,134	3,419,315	30,868,449	-182,348	30,686,101
Insurance technical provisions for unit–linked insurance contracts	438,557,715	19,125,376	457,683,091	0	457,683,091
Employee benefits	11,734,153	1,816,111	13,550,264	0	13,550,264
Other provisions	2,817,708	1,153,509	3,971,217	0	3,971,217
Deferred tax liabilities	24,295,651	1,104,893	25,400,544	0	25,400,544
Other financial liabilities	3,262,821	4,201,802	7,464,623	-2,175,930	5,288,693
Operating liabilities	59,136,359	10,174,712	69,311,071	-27,282,876	42,028,195
– liabilities from direct insurance operations	14,216,505	2,918,984	17,135,489	-1,115,469	16,020,020
– liabilities from reinsurance and co–insurance operations	42,225,370	7,071,282	49,296,652	-26,167,407	23,129,245
– current tax liabilities	2,694,484	184,446	2,878,930	0	2,878,930
Other liabilities	59,799,035	25,253,388	85,052,423	-22,413,077	62,639,346
Non–current liabilities held for sale and discontinued operations	0	0	0	0	0

Income statement

in EUR

	2017			2016		
	SLOVENIA	OTHER	TOTAL	SLOVENIA	OTHER	TOTAL
Net premium income	734,661,208	156,536,161	891,197,369	703,239,403	146,354,598	849,594,001
– gross written premium	822,832,394	177,084,232	999,916,626	774,450,456	161,553,359	936,003,815
– ceded written premium	-80,612,495	-16,938,238	-97,550,733	-66,045,977	-13,034,972	-79,080,949
– change in unearned premiums	-7,558,691	-3,609,833	-11,168,524	-5,165,076	-2,163,789	-7,328,865
Total income from financial assets	128,449,729	11,387,713	139,837,442	136,077,184	9,940,301	146,017,485
Income from financial assets in associates	224,605	0	224,605	3,116,574	0	3,116,574
– profit on equity investments accounted for using the equity method	224,605	0	224,605	188,105	0	188,105
– interest income	0	0	0	0	0	0
– dividends	0	0	0	0	0	0
– fair value gains	0	0	0	0	0	0
– realised gains on disposals	0	0	0	2,928,469	0	2,928,469
– other financial income	0	0	0	0	0	0
Income from other financial assets	100,464,688	10,700,683	111,165,371	109,884,396	9,562,238	119,446,634
– interest income	55,728,482	8,262,080	63,990,562	60,768,780	8,066,794	68,835,574
– dividends	5,085,737	260,714	5,346,451	3,224,538	132,231	3,356,769
– fair value gains	7,970,031	202,234	8,172,265	7,536,482	277,282	7,813,764
– realised gains on disposals	28,739,643	1,050,837	29,790,480	33,567,044	412,045	33,979,089
– other financial income	2,940,795	924,818	3,865,613	4,787,552	673,886	5,461,438
Net unrealised gains on unit-linked life insurance assets	27,760,436	687,030	28,447,466	23,076,214	378,063	23,454,277
Other income from insurance operations	17,101,154	5,467,681	22,568,835	1,470,316	3,921,856	5,392,172
– fees and commission income	14,910,284	1,577,186	16,487,470	-736,231	989,024	252,793
– other income from insurance operations	2,190,870	3,890,495	6,081,365	2,206,547	2,932,832	5,139,379
Other income	26,925,437	7,107,679	34,033,116	47,121,790	6,415,385	53,537,175
Net claims incurred	529,190,451	90,768,330	619,958,781	502,368,127	74,734,291	577,102,418
– gross claims settled	551,469,877	90,692,692	642,162,569	525,445,004	80,574,565	606,019,569
– reinsurers' and co-insurers' share	-18,968,468	-5,605,142	-24,573,610	-15,942,335	-5,749,685	-21,692,020
– changes in claims provisions	-9,596,744	5,680,780	-3,915,964	-14,084,611	-90,589	-14,175,200
– equalisation scheme expenses for supplementary health insurance	6,285,786	0	6,285,786	6,950,069	0	6,950,069
Change in other insurance technical provisions	55,383,283	4,897,907	60,281,190	43,783,805	3,427,520	47,211,325
Change in insurance technical provisions for unit-linked insurance contracts	-8,309,768	59,056	-8,250,712	-37,067	813,715	776,648
Expenses for bonuses and discounts	8,287,867	1,055,024	9,342,891	9,106,886	2,224,744	11,331,630
Operating expenses	158,814,013	61,948,620	220,762,633	152,430,778	56,244,930	208,675,708
– costs of insurance contract acquisition	106,001,753	41,940,659	147,942,412	102,328,037	38,674,976	141,003,013
– other operating costs	52,812,260	20,007,961	72,820,221	50,102,741	17,569,954	67,672,695

Income statement

	2017			2016			in EUR
	SLOVENIA	OTHER	TOTAL	SLOVENIA	OTHER	TOTAL	
Expenses from financial assets and liabilities	31,754,337	1,857,374	33,611,711	41,041,678	1,492,201	42,533,879	
Expenses from financial assets and liabilities in associates	3,126,853	0	3,126,853	3,406,619	-232,428	3,174,191	
– loss on investments accounted for using the equity method	1,981,853	0	1,981,853	247,812	0	247,812	
– interest expense	0	0	0	0	0	0	
– fair value losses	0	0	0	0	0	0	
– realised loss on disposals	1,145,000	0	1,145,000	3,158,807	-232,428	2,926,379	
– impairments	0	0	0	0	0	0	
– other financial expenses	0	0	0	0	0	0	
Expenses from other financial assets and liabilities	28,484,591	1,689,384	30,173,975	36,276,275	1,577,609	37,853,884	
– interest expense	1,368,553	262,470	1,631,023	1,259,386	55,119	1,314,505	
– fair value losses	4,204,398	12,820	4,217,218	6,787,412	101,059	6,888,471	
– realised loss on disposals	11,083,421	175	11,083,596	19,375,586	75,436	19,451,022	
– impairments	200,000	135,255	335,255	3,098,169	98,856	3,197,025	
– other financial expenses	11,628,219	1,278,664	12,906,883	5,755,722	1,247,139	7,002,861	
Net unrealised losses on unit-linked life insurance assets	142,893	167,990	310,883	1,358,784	147,020	1,505,804	
Other insurance expenses	20,887,324	5,967,965	26,855,289	10,633,917	6,404,428	17,038,345	
Other expenses	30,698,657	9,931,240	40,629,897	44,067,794	10,664,996	54,732,790	
Profit before tax	80,431,364	4,013,718	84,445,082	84,512,775	10,625,315	95,138,090	
Income tax expense	14,146,726	590,404	14,737,130	12,286,560	519,756	12,806,316	
Net profit	66,284,638	3,423,314	69,707,952	72,226,215	10,105,559	82,331,774	
Net profit attributable to the controlling company	66,155,032	3,101,528	69,256,560	72,303,030	9,632,723	81,935,753	
Net profit attributable to non-controlling interest holders	129,606	321,785	451,391	-76,815	472,836	396,021	

5.12.4 Reporting by geographical area for Zavarovalnica Triglav

Zavarovalnica Triglav operates mainly in the territory of the Republic of Slovenia. As more than 94% of premium income is generated by the sale of insurance to the domestic insureds, the Company does not report by geographical area.

5.13.2 Statement of financial position for funds posted separately

Statement of financial position for funds posted separately

			in EUR	
	31 December 2017		31 December 2016	
	Renta 1	Renta 2	Renta 1	Renta 2
ASSETS	35,867,987	6,593,743	33,100,330	2,838,057
Investment property and financial investments	35,043,153	5,820,774	31,567,245	2,398,489
Investment property	0	0	0	0
Financial investments in subsidiaries and associates	0	0	0	0
Investments in subsidiaries	0	0	0	0
Investments in associates	0	0	0	0
Other financial investments	35,043,153	5,820,774	31,567,245	2,398,489
Shares and other floating rate securities and fund coupons	0	0	0	0
Debt and other fixed return securities	35,043,153	5,820,774	31,567,245	2,398,489
Investment fund shares	0	0	0	0
Mortgage loans	0	0	0	0
Other loans	0	0	0	0
Deposits with banks	0	0	0	0
Other financial investments	0	0	0	0
Reinsurers' share of technical provisions	0	0	0	0
- from unearned premium	0	0	0	0
- from mathematical provision	0	0	0	0
- from outstanding claims	0	0	0	0
- from bonuses and discounts	0	0	0	0
- from technical provisions for life insurance policy holders who bear investment risk	0	0	0	0
Receivables	340,396	72,319	51	40,685
Receivables from direct insurance	0	0	0	0
- receivables from insurers	0	0	0	0
- receivables from insurance brokers	0	0	0	0
- other receivables from direct insurance operations	0	0	0	0
Receivables from re-insurance operations	0	0	0	0
Other receivables	340,396	72,319	51	40,685
Other assets	484,438	700,650	1,533,034	398,883
Cash and cash equivalents	484,438	700,650	1,533,034	398,883
Other assets	0	0	0	0
Short-term deferred assets	0	0	0	0
Accrued income from interest and rent	0	0	0	0
Short-term deferred expenses	0	0	0	0
Other short-term deferred items	0	0	0	0

Statement of financial position for funds posted separately

	in EUR			
	31 December 2017		31 December 2016	
	Renta 1	Renta 2	Renta 1	Renta 2
LIABILITIES	35,867,987	6,593,743	33,100,330	2,838,057
Fair value reserves	0	0	0	0
Gross insurance technical provisions	35,740,183	6,079,150	32,918,953	2,486,347
- gross provisions for unearned premiums	0	0	0	0
- gross mathematical provisions	35,740,183	6,079,150	32,918,953	2,486,347
- gross claim provisions	0	0	0	0
- gross provisions for bonuses and discounts	0	0	0	0
Gross insurance technical provisions for unit-linked insurance contracts	0	0	0	0
Liabilities from reinsurers' investments in reinsurance contracts	0	0	0	0
Other liabilities	127,804	514,593	181,377	351,710
Liabilities from direct insurance operations	87,815	498,454	142,530	339,718
- liabilities to policy holders	5,718	0	1,517	0
- liabilities to agents and brokers	0	0	0	0
- other liabilities from direct insurance operations	82,097	498,454	141,013	339,718
Liabilities from co-insurance and re-insurance operations	0	0	0	0
Other liabilities	39,989	16,139	38,847	11,992
Accruals	0	0	0	0

Statement of financial position for guarantee fund backing unit-linked life insurance

	in EUR	
	31 December 2017	31 December 2016
ASSETS	425,759,811	436,669,627
Investment property and financial investments	417,607,959	434,043,269
Investment property	0	0
Financial investments in subsidiaries and associates	0	0
Investments in subsidiaries	0	0
Investments in associates	0	0
Other financial investments	417,607,959	434,043,269
Shares and other floating rate securities and fund coupons	358,877,558	344,987,269
Debt and other fixed return securities	54,581,098	82,804,103
Investment fund shares	0	0
Mortgage loans	0	0
Other loans	0	0
Deposits with banks	4,149,303	6,251,897
Other financial investments	0	0
Reinsurers' share of technical provisions	0	0
- from unearned premium	0	0
- from mathematical provision	0	0
- from outstanding claims	0	0
- from bonuses and discounts	0	0
- from technical provisions for life insurance policy holders who bear investment risk	0	0
Receivables	7,345	7,127
Receivables from direct insurance	1,499	4,006
- receivables from insurers	0	0
- receivables from insurance brokers	0	0
- other receivables from direct insurance operations	1,499	4,006
Receivables from re-insurance operations	0	0
Other receivables	5,846	3,121
Other assets	8,144,507	2,619,231
Cash and cash equivalents	8,144,507	2,619,231
Other assets	0	0
Short-term deferred assets	0	0
Accrued income from interest and rent	0	0
Short-term deferred expenses	0	0
Other short-term deferred items	0	0

Statement of financial position for guarantee fund backing unit-linked life insurance

	in EUR	
	31 December 2017	31 December 2016
LIABILITIES	425,759,811	436,669,627
Fair value reserves	0	0
Gross insurance technical provisions	0	0
- gross provisions for unearned premiums	0	0
- gross mathematical provisions	0	0
- gross claim provisions	0	0
- gross provisions for bonuses and discounts	0	0
Gross insurance technical provisions for unit-linked insurance contracts	416,250,767	431,125,308
Liabilities from reinsurers' investments in reinsurance contracts	0	0
Other liabilities	9,509,044	5,544,319
Liabilities from direct insurance operations	13,719	1,199
- liabilities to policy holders	0	0
- liabilities to agents and brokers	0	0
- other liabilities from direct insurance operations	13,719	1,199
Liabilities from co-insurance and re-insurance operations	0	0
Other liabilities	9,495,325	5,543,120
Accruals	0	0

5.13.4 Income statement for funds posted separately

Income statement of the guarantee fund backing additional pension insurance during the annuity payout period

	in EUR			
	2017		2016	
	Renta 1	Renta 2	Renta 1	Renta 2
Transfer of funds from the pension scheme of additional pension insurance	4,071,895	4,170,609	4,756,449	2,696,756
This legal entity	3,394,676	824,595	3,176,997	522,358
Other insurance company	0	0	0	0
Other pension companies	677,219	3,346,014	1,579,452	2,174,398
Mutual pension fund	0	0	0	0
Income from investments	1,085,859	100,770	1,622,716	40,832
Income from dividends	0	0	0	0
Income from other investments	950,608	98,013	664,679	38,408
Income from land and buildings	0	0	0	0
Interest income	610,263	25,694	664,679	6,755
Other investment income	340,345	72,319	0	31,653
Income from asset value adjustments	0	0	0	0
Profit on disposal of investments	135,251	2,757	958,037	2,424
Claims incurred	3,590,566	590,950	3,553,310	160,468
Obračunani zneski škod Gross claims settled	3,590,566	590,950	3,553,310	160,468
Sprememba škodnih rezervacij Change in gross provisions for claims outstanding	0	0	0	0
Change in other net technical provisions (+/-)	1,085,521	3,525,984	2,243,412	2,486,347
Change of mathematical provisions (+/-)	1,085,521	3,525,984	2,243,412	2,486,347
Change of other net technical provisions (+/-)	0	0	0	0
Expenses included in policies	481,571	148,819	493,231	87,368
Initial expenses	20,317	125,118	54,103	80,903
Collection, administrative expenses	347,982	0	327,473	0
Costs of claim settlement	113,272	23,701	111,655	6,465
Net operating expenses	91,949	67,656	91,061	36,559
Acquisition costs	0	51,315	495	28,987
Change of deferred acquisition costs (+/-)	0	0	0	0
Other operating expenses	91,949	16,341	90,566	7,572
Depreciation of assets used in insurance business	5,387	962	5,016	424
Labour costs	53,180	9,500	51,025	4,316
- wages and salaries	37,504	6,700	36,849	3,117
- social security and pension insurance costs	6,462	1,154	6,220	526
- other labour costs	9,214	1,646	7,956	673
Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	33	6	105	9
Other operating expenses	33,349	5,873	34,420	2,823
Income from reinsurance commissions and from participation in the positive technical result from reinsurance contract (-)	0	0	0	0
Expenses from investments	96	5,626	89,212	3,405
Depreciation and amortization of assets not used in operations	0	0	0	0
Expenses arising from asset management, interest expenses and other financial expenses	0	5,626	0	3,405
Revaluation financial expenses	0	0	0	0
Loss on disposal of investments	96	0	89,212	0
Profit or loss of the guarantee fund, taking into account expenses included in policies	0	0	0	0
Profit or loss of the guarantee fund, taking into account net operating expenses	389,622	81,163	402,170	50,809

Income statement for guarantee fund backing unit-linked life insurance

	v EUR	
	2017	2016
Obračunane kosmate zavarovalne premije	44,005,246	43,737,748
Income from investments	31,113,126	25,662,509
Income from dividends	94	0
Income from other investments	28,520,955	24,145,759
Income from land and buildings	0	0
Interest income	760,518	1,069,545
Other investment income	27,760,437	23,076,214
- financial income from revaluation	27,760,437	23,076,214
- other financial income	0	0
Income from asset value adjustments	0	0
Profit on disposal of investments	2,592,077	1,516,750
Expenses from cash surrender value	81,504,295	67,535,885
Ordinary termination	63,983,459	48,264,053
Extraordinary termination	17,520,836	19,271,832
- withdrawal from insurance contract	16,323,264	18,138,381
- cancellation of insurance contract	0	0
- death of the insured person	1,197,572	1,133,451
Change in other net technical provisions (+/-)	-14,678,837	-7,469,473
Change of mathematical provisions (+/-)	-14,678,837	-7,469,473
Change of other net technical provisions (+/-)	0	0
Fund management costs	7,995,618	7,549,690
Entry fees	1,867,083	1,833,227
Exit costs	0	0
Management commission	6,128,535	5,716,463
Expenses from investments	297,296	1,784,155
Depreciation and amortization of assets not used in operations	0	0
Expenses arising from asset management, interest expenses and other financial expenses	73	10
Revaluation financial expenses	142,893	1,358,784
Loss on disposal of investments	154,330	425,361
Net profit for the period	0	0

GRI Content Index according to GRI Global Standards

GENERAL STANDARD DISCLOSURES

GRI Standard and Disclosure	Disclosure	Section/Page number(s)	Remarks/Omissions
GRI 101: Foundation 2016			
GRI 102: General Disclosures			
Organisational profile 2016			
102-1	Name of the organization	2.3/P. 12	
102-2	Activities, brands, products, and services	2.6/P. 14	
102-3	Location of headquarter	2.3/P. 12	
102-4	Location of operations	2.6/P. 14, 7.3/P. 54, 7.4/P. 55	
102-5	Ownership and legal form	6.3/P. 49	
102-6	Markets served (geographic location, sectors served and types of customers and beneficiaries)	2.6/P. 14, 7.3/P. 54, 7.4/P. 55	
102-7	Scale of the organization	2.1/P. 11, 2.2/P. 11, 4.4/P. 32, 12.4.1.1/P. 105	
102-8	Information on employees and other workers by employment contract, region and age	12.4.1.1/P. 105–106	
102-9	Supply chain	12.3/P. 103	Number of suppliers is not reported.
102-10	Significant changes to the organization's size, structure, ownership, or supply chain	2.6.4.1/P. 19, 5.4/P. 44, 6.3/P. 49, 12.3/P. 104	
102-11	Precautionary Principle or approach	Risk Management Section 144–166	
102-12	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	5.2/P. 35, 12.1/P. 99	
102-13	Membership of associations	12.1/P. 99	
Strategy and analysis			
102-14	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy for addressing sustainability	1/P. 8–10	Focusing mainly on economic and social topics. With the revised strategy, an integrated management of sustainable development was established. For the first time in 2017, two measurable strategic indicators will be implemented, reflecting the progress made in the implementation of the relevant indicators and key aspects of sustainable development of the Triglav Group by 2010.
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour and the Code of Ethics	12.5/P. 114	
Governance			
102-18	Governance structure of the organization, including committees of the highest governance body	5.3/P. 36, 5.4/P. 44	
Stakeholder engagement			
102-40	A list of stakeholder groups engaged by the organization	12.2/P.100	
102-41	Percentage of total employees covered by collective agreement	12.4.1.1/P. 106	
102-42	The basis for identifying and selecting stakeholders with whom to engage	6.5/P. 52, 12.2/P. 100	
102-43	The organization's approach to stakeholder engagement, including frequency of engagement by stakeholder group	6.5/P. 52, 12.2/P. 100, 12.4.2.1/P. 108	The stakeholders were not included in the report indirectly.
102-44	Key topics and concerns that have been raised through stakeholder engagement, including how the organization has responded to those key topics and concerns, including through its reporting	12.2/P. 100, 12.4.2.1/P. 108, 12.5/P. 115	

GENERAL STANDARD DISCLOSURES

GRI Standard and Disclosure	Disclosure	Section/Page number(s)	Remarks/Omissions
Reporting practice			
102-45	Entities included in the consolidated financial statements	Accounting Report 2.7/P. 196	
102-46	Defining report content and topic Boundaries	P. 97	
102-47	List of material topics	GRI Content Index, 12.1/P. 98	The essential topics recognised by the Triglav Group are stated in this GRI Content Index. Nonessential topics are not reported.
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	P. 97	
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries	P. 97	Compared to the previous reports, the volume of reported topics did not significantly change.
102-50	Reporting period	P. 97	
102-51	Date of most recent report		The most recent Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2016 was published on 6 April 2017.
102-52	Reporting cycle (annually, quarterly)	P. 97	
102-53	Contact point for questions regarding the report	2.3/P. 12	
102-54	Claims of reporting in accordance with the GRI Standards	GRI Content Index	
102-55	GRI Content Index	P. 307	
102-56	External assurance		The Company has not yet decided to have the GRI standards externally assured.

TOPIC-SPECIFIC DISCLOSURES

The management approach and its components

Material topic

Page number(s)

Reason for Omission/Notes

ECONOMIC IMPACT

GRI 201: Economic Performance

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	4.2/P. 29–30, 4.3/P. 30, 12.3/P. 102	
201-1	Direct economic value generated and distributed	12.3/P. 102, 103	
201-2	Financial implications and other risks and opportunities due to climate change	7.3/P. 54	
201-3	Defined benefit plan obligations and other retirement plans	12.4.4/P. 110	

GRI 202: Labour/management relations 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	4.2/P. 31	
202-2	Proportion of senior management hired from the local community	12.4.1.1/P. 106	

GRI 203: Indirect economic impacts 2016

103-1, 103-2 103-3	Explanation of the material topic and its Boundary	12.3/P.102, 12.6.1/P. 115, 12.6.2/P. 117	
203-1	Extent of development of significant infrastructure investments and services supported	12.6.1/P. 116, 12.6.2/P. 117	

GRI 204: Procurement practices 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3/P. 102, 12.6.1/P. 115	
204-1	Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation	12.3/P. 103	Share is not reported.

GRI 205: Anti-corruption 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 112	
205-1	Total number and percentage of operations assessed for risks related to corruption	12.5/P. 114	
205-3	Total number and percentage of operations assessed for risks related to corruption, confirmed incidents of corruption and actions taken	12.5/P. 114	

GRI 206: Anti-competitive behaviour

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3/P. 102	
206-1	Number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation	12.3/P. 104	

ENVIRONMENTAL IMPACT

GRI 302: Energy 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.7/P. 120	
302-1	Energy consumption within the organization	12.7/P. 120	

GRI 305: Emissions 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.7/P. 120	
305-1	Direct (Scope 1) GHG emissions	12.7/P. 120	
305-2	Energy indirect (Scope 2) GHG emissions	12.7/P. 120	
305-3	Other indirect (Scope 3) GHG emissions	12.7/P. 120	

GRI 306: Effluents and waste 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.7/P. 120	
306-2	Total weight of waste, with a breakdown by the disposal methods	12.7/P. 121	Quantitative data on disposal methods are not included.

TOPIC-SPECIFIC DISCLOSURES**The management approach and its components****Material topic****Page number(s)****Reason for Omission/Notes****SOCIAL IMPACT****GRI 401: Employment 2016**

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.1/P. 104, 12.4.4/P. 110	
401-1	New employee hires and employee turnover	12.4.1/P. 106	
401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation.	12.4.4/P. 110	
401-3	Total number of employees that returned to work in the reporting period after parental leave ended, by gender	12.4.4/P. 111	

GRI 402: Labour/management relations 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.4/P. 111	
402-1	Minimum notice periods regarding operational changes, including the information whether the notice period and provisions for consultation and negotiation are specified in collective agreements	12.4.4/P. 111	

GRI 403: Occupational health and safety 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.3/P. 109	
403-1	Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees	12.4.3/P. 109	The indicator is reported in figures.
403-2	Types of work-related injuries	12.4.3/P. 110	
403-3	Workers with high incidence or high risk of diseases related to their occupation	12.4.3/P. 110	
403-4	Health and safety topics covered in formal agreements with trade unions (collective agreement)	12.4.3/P. 109	

GRI 404: Training and education 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.2/P. 106	
404-1	Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category	12.4.2/P. 107	Data capture does not include classification by employee category
404-3	Percentage of employees receiving regular performance and career development reviews by gender	12.4.2/P. 108	

GRI 405: Diversity and equal opportunity 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.4/P. 110	
405-1	Diversity of governance bodies and employees (gender, age group, representatives of minorities, other indicators of diversity)	5.3.2.2/P. 38, 5.3.3.2/P. 41, 12.4.1.1/P. 106	
405-2	Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation	12.4.1.1/P. 106	

GRI 412: Human rights assessment 2016

103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 114	
412-2	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations and percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations	12.5/P. 114	

TOPIC-SPECIFIC DISCLOSURES**The management approach and its components**

	Material topic	Page number(s)	Reason for Omission/Notes
GRI 406: Non-discrimination 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.4/P. 111	
406-1	Total number of incidents of discrimination during the reporting period and actions taken	12.4.4/P. 111	
GRI 413: Local communities 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.6.1/P. 115	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs	12.6.1/P. 116	
GRI 415: Public policy 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 114	
415-1	Political contributions	12.5/P. 114	
GRI 418 Customer privacy 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 114	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	12.5/P. 114	
GRI 419: Socioeconomic compliance 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 114	
419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	12.5/P. 114	
GRI 417: Marketing and labelling 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 114	
417-1	Requirements for product and service information and labelling	11.8/P. 96, 12.5/P. 112	
417-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling	12.5/P. 112	
417-3	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorships by incidents of non-compliance with regulations resulting in a fine, penalty or warning	11.6/P. 94	
Financial Services Sector Disclosures - GRI G4			
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit	12.5/P. 112, 113	The data monitoring system does not yet allow a precise calculation.
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit	12.5/P. 113	The data monitoring system does not yet allow a precise calculation.
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	11.1/P. 91	Quantitative data on access points are not recorded in this way.
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	11.1/P. 91, 12.5/P. 112, 113	

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