



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

triglav

www.triglav.eu
www.triglav.si

Zavarovalnica Triglav d.d.

Annual audited report for the year ended 31 December 2014



MANAGEMENT BOARD:

President: Andrej Slapar

Members: Benjamin Jošar

Uroš Ivanc

Tadej Čoroli

Marica Makoter

Ljubljana, 17 March 2015

Business report

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1. ZAVAROVALNICA TRIGLAV IN 2014

- In challenging business conditions, Zavarovalnica Triglav d.d. (hereinafter: Zavarovalnica Triglav) and the Triglav Group maintained a high level of financial stability.
- Zavarovalnica Triglav continued consolidating ownership of its subsidiaries.

1.1 Financial highlights of Zavarovalnica Triglav

in EUR million					
	2014	2013	2012	Index	
				2014/2013	2013/2012
Gross written premium from insurance and co-insurance contracts	592.6	605.8	647.6	98	94
Net premium income	529.7	548.6	596.8	97	92
Gross claims settled	421.1	419.4	416.7	100	101
Net claims incurred	392.0	370.7	376.6	106	98
Gross operating expense	162.7	161.3	160.9	101	100
Profit before tax	57.5	59.6	65.6	96	91
Net profit	45.6	48.3	50.4	94	96
Insurance technical provisions as at 31 Dec.	2,060.0	1,959.3	1,990.2	105	98
Equity as at 31 Dec.	544.0	499.8	507.7	109	98
Return on equity	8.74%	9.59%	10.66%	91	90
Number of employees as at 31 Dec.	2,365	2,373	2,405	100	99
Book value per share (in EUR)	23.93	21.98	22.33	109	98
Net earnings per share (in EUR)	2.01	2.12	2.22	94	96

1.2 Financial calendar 2015

Calendar of financial announcements for 2015

Date of announcement*	Type of announcement	Silent period**
Tuesday, 3 March 2015	Preliminary results of Zavarovalnica Triglav d.d. and the Triglav Group in 2014	From Tuesday, 17 February 2015
Friday, 3 April 2015	Audited Annual Report of Zavarovalnica Triglav d.d. and the Triglav Group for 2014 Statement of Compliance with the Corporate Governance Code Distribution of accumulated profits and the proposed amount of dividends	From Friday, 20 March 2015
Friday, 8 May 2015	Announcement of the General Meeting of Shareholders of Zavarovalnica Triglav d.d. deciding on the distribution of accumulated profit	
Friday, 22 May 2015	Interim Report for the period from 31 January to 31 March 2015	From Friday, 8 May 2015
Tuesday, 9 June 2015	General Meeting of Shareholders of Zavarovalnica Triglav d.d. on the distribution of accumulated profits - resolutions Dividend due date and date of payment	
Friday, 21 August 2015	Interim Report of Zavarovalnica Triglav d.d. and the Triglav Group for the period from 1 January to 30 June 2015	From Friday, 7 August 2015
Friday, 20 November 2015	Interim report for the period from 1 January to 30 September 2015	From Friday, 6 November 2015

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

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

The financial calendar and potential changes of announced dates will be published on the Ljubljana Stock Exchange information system SEOnet (<https://seonet.ljse.si>) and on the official website of Zavarovalnica Triglav (www.triglav.eu).

1.3 Subsidiaries and associated companies of Zavarovalnica Triglav

Subsidiaries of Zavarovalnica Triglav:

- Pozavarovalnica Triglav Re d.d.,
- Triglav, Zdravstvena zavarovalnica d.d.,
- Triglav INT, holdinška družba d.d.,
- Triglav Skladi, družba za upravljanje d.o.o.,
- Triglav Naložbe, finančna družba d.d.,
- Triglav Svetovanje, zavarovalno zastopanje d.o.o.,
- Triglav Avtoservis, družba za storitve in trgovino d.o.o.,
- Triglav, Upravljanje nepremičnin d.d.,
- Slovenijales d.d.,
- Hotel Grad Podvin d.d.,
- Vse bo v redu, zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti (Everything Will Be Alright – Institute of Zavarovalnica Triglav for corporate social responsibility,
- Pista d.o.o.

Associated companies of Zavarovalnica Triglav:

- Skupna pokojninska družba d.d.,
- Nama trgovsko podjetje d.d.,
- Triglavko, zavarovalno zastopniška družba d.o.o.

1.3.1 Changes to the shareholder structure of Zavarovalnica Triglav in subsidiaries in 2014

- Gradis IPGI d.d. changed its name to Triglav, Upravljanje nepremičnin d.d.
- AS Triglav - servis in trgovina d.o.o. changed its name to Triglav Avtoservis, družba za storitve in trgovino d.o.o. abbreviated to Triglav Avtoservis d.o.o.
- In April 2014, the Merger by Acquisition Agreement between Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami d.o.o., Ljubljana (abbreviated to Triglav Nepremičnine d.o.o.) and Zavarovalnica Triglav was signed. On 1 September 2014, Zavarovalnica Triglav was granted an authorisation of the Insurance Supervision Agency to merge Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami d.o.o. with the parent company. On 30 September 2014, the Company filed an application to enter the merger into the Companies Register with the Ljubljana District Court. On 6 October 2014, the merger of Triglav Nepremičnine, Upravljanje, svetovanje in trgovanje z lastnimi nepremičninami d.o.o., Ljubljana to the parent company was entered into the Companies Register of the District Court in Ljubljana and as from that date Triglav Nepremičnine d.o.o. was deleted from the Companies Register.
- Upon merger with Triglav Nepremičnine d.o.o., Zavarovalnica Triglav became an indirect owner of Pista d.o.o., Belgrade.
- By providing additional capital of EUR 2,000,000 to Triglav INT d.d., Zavarovalnica Triglav remained its 100% owner.

1.3.2 Changes to the shareholder structure in the Triglav Group 2014

- By paying in CZK 68,500,000 or EUR 2,489,280, Triglav INT d.d. increased the share capital in Triglav Pojišťovna, Brno. The capital was increased through an issue of 685 shares with a nominal value of CZK 100,000, whereby Triglav INT d.d. remained the 100% shareholder.

- In April 2014, Triglav INT d.d. provided additional capital to Triglav Osiguranje, Belgrade. The capital was increased through an issue of 993,918 shares with a nominal value of RSD 700. The capital increase totalled RSD 695,742,600 or EUR 6,060,475.61. This amount was paid by Triglav INT d.d., as a result of which its equity stake in Triglav Osiguranje a.d., Belgrade grew from 99.15% to 99.8%.
- In September 2014, Triglav INT d.d. provided a second tranche of capital increase in the subsidiary Triglav Osiguranje, Belgrade amounting to RSD 50,544,900 or EUR 439,521. Additional capital was raised by issuing 72,207 shares with a nominal value of RSD 700 each – increasing the share of Triglav INT d.d. in the company from 99.8% to 99.81% in total.
- Triglav Osiguranje d.d., Sarajevo acquired a 13.33% equity stake in Unis automobili i dijelovi d.o.o., Sarajevo from non-controlling interest holders. For an acquisition price of BAM 326.860 or EUR 167.121 the participation of Triglav Osiguranje d.d., Sarajevo in Unis automobili i dijelovi d.o.o., Sarajevo increased to 95.18%. The acquisition is recognized in consolidated financial statements as a decrease in share premium, totalling EUR 43,354.
- Lovćen Osiguranje a.d.o., Podgorica increased its equity stake in the subsidiary Lovćen Auto a.d. in the amount of EUR 1,300,000, thus remaining a 100% owner of the said company.
- In October, Zavarovalnica Triglav announced its intention to make a takeover bid for all the shares of Skupna pokojninska družba d.d., Ljubljana. Zavarovalnica Triglav acquired an authorisation from the Insurance Supervision Agency for the acquisition of the majority shareholding in the above-stated company. In November 2014, the Securities Market Agency granted Zavarovalnica Triglav an authorisation for the takeover bid.
- In December, Triglav INT d.d. concluded an agreement on the sale of the shares of the subsidiary Triglav Pojišt'ovna a.s., Brno with VIGO Finance a.s., Prague, part of VIGO Investments Group. The sales transaction will be executed after all regulator's approvals have been obtained and other contractually agreed sales terms and conditions have been met – planned before the end of June 2015.
- In December 2014, two new subsidiaries of the Triglav Group were established:
 - TRI-LIFE d.o.o., Zagreb, was established by Triglav Osiguranje d.d., Zagreb, with a 49% equity share and Triglav Svetovanje d.o.o., Ljubljana, with a 51% equity share. Total initial capital amounts to HRK 505,286 or EUR 149,244.
 - Slovenijales trgovina Nepremičnine d.o.o., Ljubljana, was founded by Slovenijales trgovina d.o.o., Ljubljana with initial capital of EUR 3,648,552.

1.4 The management of Zavarovalnica Triglav

As at 31 December 2014, the Management Board of the Company was composed of the following members:

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

Stanislav Vrtunski served as a Management Board member by 14 July 2014. Uroš Ivanc took office of a Management Board member on 14 July 2014, while Tadej Čoroli joined the Management Board as a member on 29 July 2014. For more details see *Section 5.3.2.3 Introducing the Management Board*.

2. ADDRESS BY THE PRESIDENT OF THE MANAGEMENT BOARD

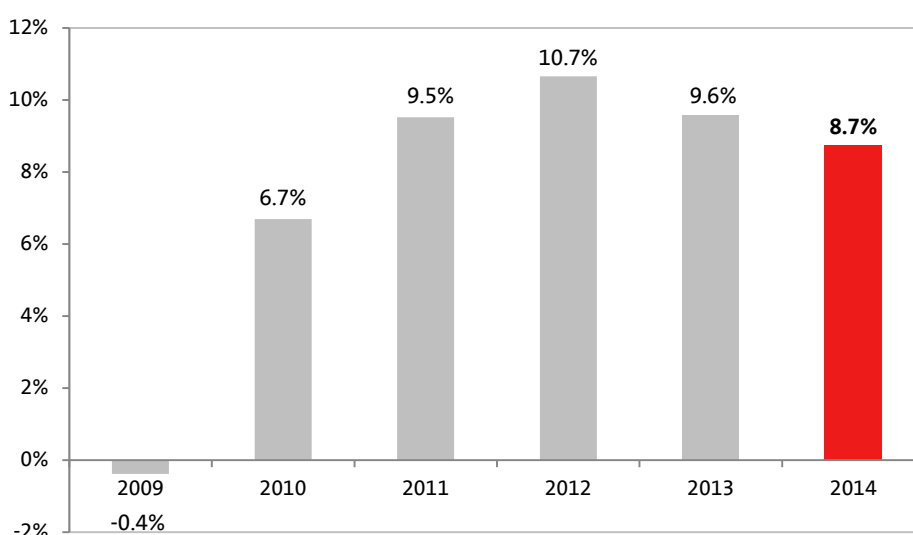
Dear shareholders, business partners and colleagues,

Despite the challenging business conditions, Zavarovalnica Triglav performed well in 2014, consistently pursuing its set strategic objectives. This is also confirmed by results which fill us with pride.

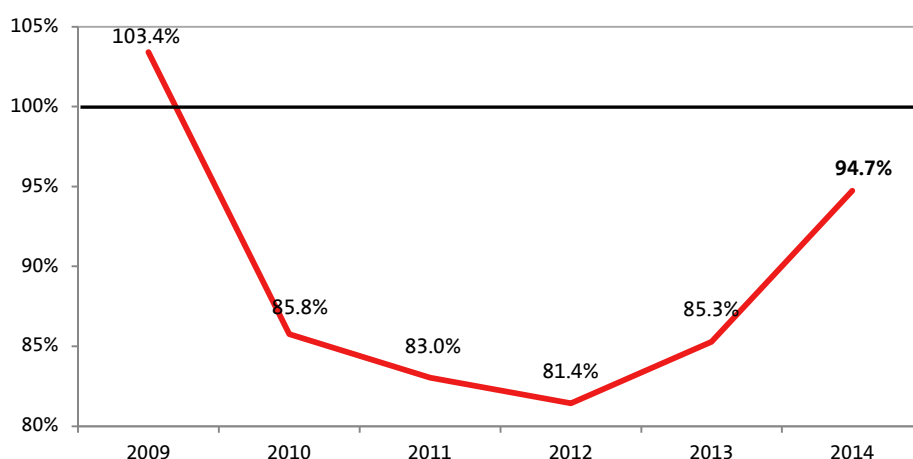
High net profit and favourable combined ratio

The Company ended 2014 with a net profit of EUR 45.6 million, 6% less compared to 2013, and achieved an 8.7% return on equity. Two factors were crucial for our operations in 2014: still unfavourable business conditions on the insurance market and extraordinary situation on capital markets. Thanks to the latter in 2014 we earned very high returns on financial investments, which represent a large portion of the Company's assets and compared to 2013 they increased by as much as 285%. Combined ratio in the core business of non-life insurance, which shows the profitability of operations, was 94.7% excluding returns on investment.

Net return on equity (ROE) of Zavarovalnica Triglav in %



Combined ratio in non-life insurance of Zavarovalnica Triglav

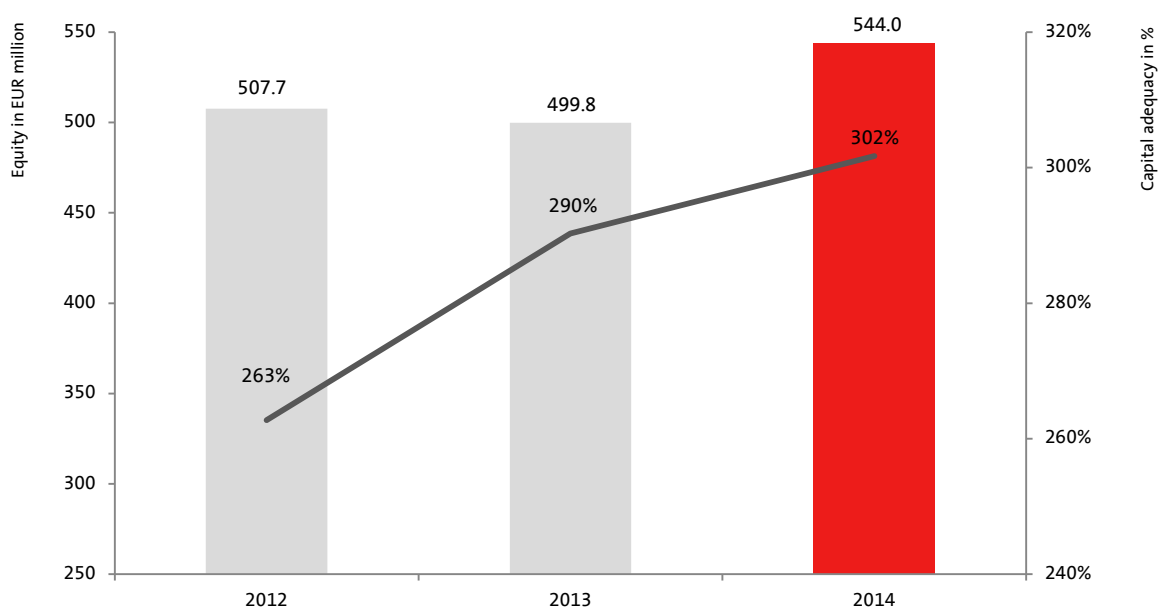


High level of financial stability and good credit ratings

As confirmed by »A–« credit ratings assigned by the credit rating agencies Standard & Poor's and A.M. Best, the Company again achieved one of its major strategic objectives. A stable medium-term outlook was assigned by Standard & Poor's, whilst A.M. Best upgraded the Company's medium-term outlook from »stable« to »positive«. The assigned credit ratings point to solid and risk-adjusted capitalisation, good business results and the dominant competitive position of the Triglav Group in the Slovene market.

A high level of financial stability is also reflected in a 9% increase of total equity amounting to EUR 544.0 million and 5% higher insurance technical provisions of EUR 2,060.0 million. Both indicators are the guarantee and basis for balanced operations and long-term safety of insured parties.

Capital and capital adequacy



Maintaining a leading position in Slovenia

Zavarovalnica Triglav is the leading among 17 traditional insurance companies in Slovenia. Its market share as at 31 December 2014 was 30.6%. Together with Triglav, Zdravstvena Zavarovalnica, Zavarovalnica Triglav held a combined market share of 36.1%, which was 0.3 percentage point more than in 2013. In the life insurance segment, the market share rose by 0.1 percentage point to 32.7% and in the non-life insurance segment it remained at 29.8%.

Compared to 2013, Zavarovalnica Triglav posted 2% lower written premium, which is the same premium decline as in the Slovene insurance market as a whole. This shows that the situation on the Slovene insurance market was equally demanding on all insurers. A decline in the purchasing power of households and economic activity was still felt, which made policyholders behave more prudently and, as a consequence, reduced the insurance level in the domestic market. The Company responded to the unfavourable market situation and aggressive competition by adjusting its marketing and pricing policies, by launching new products and redesigning the existing ones as well as by taking various measures to improve the insurance technical result in non-life insurance.

Claims paid at the 2013 level

Gross claims paid of Zavarovalnica Triglav reached EUR 421.1 million and stayed approximately at the same level as the year before. Gross claims paid in non-life insurance decreased by 1% compared to 2013, whilst in the life insurance segment they rose by 2% predominantly as a result of sums paid out on the maturity. The reporting year saw several mass loss events totalling EUR 27.3 million. The largest mass loss event was caused by snow and glaze storm that affected entire Slovenia at the beginning of 2014, which resulted in over 1,550 reported claims totalling EUR 12.7 million.

Almost 25% higher price of Zavarovalnica Triglav's share

The liquidity and price of the ZVTG share continued to grow; the latter increased by over 24% and equalled EUR 23.60 as at the reporting date. As at 31 December 2014, the Company had 28,526 shareholders, mainly domestic. A slight increase was recorded in the share of international investors, accounting for 17.6% of the total as at the 2014 year-end.

A look ahead

The 2013–2017 Strategy of the Triglav Group was clearly mapped out towards the maximisation of profit, financial stability and safety of operations. We will strive to consolidate our current leading position in the Slovene insurance market. Special attention to health and pension insurance products was underpinned by the acquisition of a new subsidiary Skupna pokojninska družba, which represents an important step in this direction. In line with its strategic objectives, the Triglav Group will seek new opportunities and work to achieve future growth and development in target markets of South-East Europe.

Our focus will be on the core insurance business which together with asset management is the pillar of the Triglav Group's business. Based on the above, Zavarovalnica Triglav as the parent company will prudently continue to consolidate the ownership of the subsidiaries within the Group. We have plans to further optimise the Group's asset management and to further divest equity stakes of subsidiaries, whose operations are not in line with the Group's Strategy.

The conditions on the insurance markets covered by Triglav are expected to remain challenging and exceptional investment returns in capital markets will no longer be possible at least not in a short run. Adequate levels of investment security and liquidity remain at the forefront of the Triglav Group's investment policy, followed by the criterion of profitability.

A net profit of the Triglav Group for 2015 is budgeted at EUR 71.7 million, combined ratio at 96.3% and the volume of written premium at an approximately same level as in 2014. Continued aggressive marketing approach and sales activities will be even more focused on clients and on developing and increasing the efficiency of the sales network. The main objectives of the Triglav Group's insurance companies remain continuous improvement of the portfolio structure and premium growth.

By the end of 2015, our risk management will be fully compliant with the regulatory requirements of Solvency II – in terms of the governance system, reporting to the Insurance Supervision Agency and external stakeholders, the implementation of a forward-looking own risk and solvency assessment.

We remain a company committed to sustainable development with highly professional and motivated staff. We will make every effort to realise the set strategic objectives of the Group.

With the support of our shareholders we want not only to remain the market leader in Slovenia and consolidate our position in the target markets of South-East Europe but also to provide a safer future for the generations of our policyholders.

Andrej Slapar,

President of the Management Board of Zavarovalnica Triglav d.d.

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a horizontal line and a small upward stroke.

3. REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board of Zavarovalnica Triglav d.d. on the Verification of the Annual Report of Zavarovalnica Triglav d.d. and the Triglav Group for 2014

and

Opinion of the Supervisory Board of Zavarovalnica Triglav d.d. on the Annual Internal Audit Report of the Internal Audit Department for 2014

The Supervisory Board in 2014 actively monitored and supervised the operations of Zavarovalnica Triglav d.d. and the Triglav Group. It regularly examined reports on various aspects of the Company's and the Group's business, adopted appropriate resolutions and followed their implementation. Individual issues were initially discussed within the framework of the Supervisory Board's committees; upon careful examination of their findings, the Supervisory Board then passed appropriate resolutions.

The Supervisory Board carried out its work in 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 (ZGD-1; Official Gazette of the Republic of Slovenia, No. 42/06 et seq.) and paragraph 4 of Article 165 of the Insurance Act (ZZavar; Official Gazette of the Republic of Slovenia, No. 13/00 et seq.), the Supervisory Board hereby presents its Report on the Verification of the Annual Report of Zavarovalnica Triglav d.d. and the Triglav Group for 2014 (hereinafter: the Report) and its Opinion on the Annual Internal Audit Report for 2014.

The findings are based on the supervision of the operations of Zavarovalnica Triglav d.d. (hereinafter: the Company or the parent company) in 2014 and on an examination of the Audited Annual Report of Zavarovalnica Triglav d.d. for 2014, which includes the reports and opinions of chartered actuaries for non-life and life insurance as integral parts in accordance with Article 76 and 159 of the Insurance Act, and on an examination of the Audited Annual Report of the Triglav Group for 2014.

The opinion of the Supervisory Board on the work of the Internal Audit Department in 2014 is also an integral part of the Report.

3.2 General information

Supervisory Board in 2014

In 2014, the Supervisory Board was made up of the following members:

- shareholder representatives:

- Matej Runjak (Chairman), Gregor Kastelic (Deputy Chairman), Mario Gobbo, Dubravko Štimac, Rajko Stanković and Matija Blažič;
- representatives of employees:
 - Branko Gorjan, Peter Celar and Miran Krštinc.

In 2014, the Supervisory Board held eight sessions and had three committees: the Audit Committee, the Appointments and Remuneration Committee and the Strategy Committee.

Audit Committee

The members of the Audit Committee were as follows in 2014: Mario Gobbo (Chairman), Rajko Stanković, Branko Gorjan and Barbara Nose (independent expert). The committee held 13 meetings in 2014.

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

- monitored and discussed financial reporting procedures, the functioning of internal controls, the Internal Audit Department's reports, recommendations and annual work programme, risk management systems and external audits of non-consolidated and consolidated financial statements;
- proposed to the Supervisory Board the appointment of an auditor of the Company's Annual Report for 2014, proposed to appoint certified auditors in the group of the proposed auditor as auditors of the subsidiary insurance companies of Zavarovalnica Triglav d.d. and discussed the audit agreement with the certified auditor for 2014;
- assessed the compilation of the non-consolidated and consolidated annual reports for 2013;
- discussed the annual work programme of the Fraud Prevention, Detection and Investigation Department for 2014 and its report on fraud risk assessment;
- discussed the annual compliance report for 2013;
- monitored the type and scope of non-auditing services provided by audit firms;
- discussed strategic risk indicators of Zavarovalnica Triglav d.d.;
- discussed reports on real properties, investments and IT development; and
- regularly reported on its work to the Supervisory Board at its sessions.

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

Appointments and Remuneration Committee

In 2014, the members of the Appointments and Remuneration Committee were as follows: Matej Runjak (Chairman), Dubravko Štimac and Miran Krštinc. The committee held six meetings in 2014.

The duties and competences of the Appointments and Remuneration Committee are set out in the Rules of Procedure of the Supervisory Board and in the Supervisory Board's resolutions. The Appointments and Remuneration Committee:

- discussed the extension of the term of office of the President of the Management Board and the proposal by the President of the Management Board regarding Company

- management (appointment of new Management Board members) in accordance with paragraph 3 of Article 13 of the Articles of Association;
- discussed the employment contracts of Management Board members and the agreement on the termination of the term of office of Management Board member Stanislav Vrtunski;
- discussed the calculation of the Triglav Group's performance factor for 2013, on which the performance-related remuneration of the Management Board depends; and
- regularly reported on its work to the Supervisory Board at its sessions.

Strategy Committee

In 2014, the members of the Strategy Committee were as follows: Gregor Kastelic (Chairman), Mario Gobbo and Peter Celar. In 2014, the Committee held three meetings.

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

- discussed the report on non-insurance companies of the Triglav Group and the planned activities aimed at consolidating operations;
- discussed the report on the performance of Triglav INT d.d.;
- discussed the implementation of the Triglav Group Strategy in the region, and
- reported on its work to the Supervisory Board at its sessions.

3.3 Operations of the Supervisory Board in 2014 and the scope of supervision over the Company's governance

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 2014 are based on the supervision of the Company's and the Group's operations carried out by the Supervisory Board in 2014, acting within its powers.

The Supervisory Board's duty is to supervise how the Company conducts business and operations and to perform other tasks in accordance with the Companies Act (ZDG-1), the Insurance Act (ZZavar), the Articles of Association, the Rules of Procedure of the Supervisory Board and the Corporate Governance Code. The methods and organisation of its work are set out by the Rules of Procedure of the Supervisory Board, which are published on the Company's website.

The Supervisory Board has the power to examine securities held in custody, the petty cash book, accounting records and documentation of the Company containing facts and information about its business conduct. The Supervisory Board approves the Management Board's drafts of the business policy, financial budget, internal control system organisation and framework annual work programme of the Internal Audit Department, and carries out other

duties within its powers pursuant to applicable legislation and the aforementioned bylaws of the Company.

a) With regard to its core competences, in 2014 the Supervisory Board:

- adopted the business policies and business plans of the Triglav Group for 2015;
- approved the Internal Audit Department's Annual Work Programme for 2015;
- adopted the Annual Internal Audit Report of Internal Audit Department for 2013;
- adopted the Audited Annual Report of Zavarovalnica Triglav d.d. for 2013 and the Audited Annual Report of the Triglav Group for 2013, adopted the Report by the Supervisory Board of Zavarovalnica Triglav d.d. on the Verification of the Annual Report of Zavarovalnica Triglav d.d. and the Triglav Group for 2013 and adopted the Opinion of the Supervisory Board of Zavarovalnica Triglav d.d. on the Annual Internal Audit Report of Internal Audit Department for 2013;
- reappointed Andrej Slapar as the President of the Management Board of Zavarovalnica Triglav d.d. for a new five-year term of office;
- took note of the resignation of Stanislav Vrtunski, member of the Management Board of Zavarovalnica Triglav d.d., and approved agreement on the termination of his term of office;
- appointed Uroš Ivanc and Tadej Čoroli as new members of the Management Board for a five-year term of office;
- proposed to the General Meeting of Shareholders of Zavarovalnica Triglav d.d. to approve the auditors for 2014 and grant a discharge to the Management Board for its work in 2013 and approved the General Meeting of Shareholders' proposal for the distribution of the accumulated profits as at 31 December 2013;
- adopted amendments to the Management Board Rules;
- approved the amendments and supplements to the Governance Policy of Zavarovalnica Triglav d.d.

b) With regard to the supervision of the Company's conduct of business in 2014 the Supervisory Board:

- was briefed on and approved reports on the performance of Zavarovalnica Triglav d.d. and the Triglav Group;
- was briefed on reports on the performance of the Company's subsidiaries and on the Company's activities and assessments regarding subsidiaries and their activities;
- was periodically briefed on estimated performance indicators of the Company;
- was briefed on reports on capital adequacy, the matching of assets and liabilities in the guarantee fund and in assets backing liabilities and assessments of the sensitivity of assets in individual funds;
- was briefed on the results of measurements of the Company's capital adequacy based on S&P models, Solvency II and applicable legislation;
- was briefed on internal audit reports by the Internal Audit Department;
- was briefed on the annual report on the Compliance function for 2013;
- was briefed on the Letter to the Management following the 2013 audit of Zavarovalnica Triglav d.d. and the Triglav Group;
- was briefed on the Report on insurance sales, sales channels, claim handling and product development of Zavarovalnica Triglav d.d.;

- was briefed on documents related to the centralisation of asset management and streamlining of real property management in the Triglav Group;
- was briefed on information related to the takeover of all shares of Skupna pokojninska družba d.d.;
- was briefed on activities related to the subsidiary Triglav Pojišt'ovna a.s., Brno;
- was briefed on the measures and decision adopted by the Bank of Slovenia with regard to Abanka Vipa d.d., and approved the decision that Zavarovalnica Triglav d.d. would not participate in any recapitalisation of Abanka Vipa d.d.;
- was briefed on insurance products;
- was briefed on the Rules of Zavarovalnica Triglav d.d. on Managing Conflict of Interest and approved the section of the rules regulating the duties of Supervisory Board members;
- was briefed on the report on advertising and the operation of the Marketing Department and the use of marketing funds;
- was briefed on the findings and requirements of the Insurance Supervision Agency, the Tax Inspection and other supervisory bodies issued in the course of control procedures and on the follow-up activities based on such findings or requirements;
- was briefed on the report on the commercial dispute brought against Zavarovalnica Triglav d.d., by the plaintiff Matjaž Rakovec;
- was briefed on the report on judicial proceedings in the Republic of Macedonia;
- was briefed on the results of organisational climate measurement in Zavarovalnica Triglav d.d. in 2014;
- discussed reports by the Audit Committee, the Appointments and Remuneration Committee and the Strategy Committee; and
- received other information regarding Zavarovalnica Triglav d.d., the Triglav Group and the subsidiaries.

c) With regard to the Supervisory Board's power to approve Management Board decisions on the basis of the Rules of Procedure of the Supervisory Board, in 2014 the Supervisory Board approved the sale of the Company's stake in Aerodrom Ljubljana d.d. and the potential purchase of a subsidiary's real property. Moreover, the Supervisory Board approved the participation of Triglav INT in a share capital increase of Triglav Osiguranje a.d.o., Belgrade.

d) Other major actions, requirements, recommendations and warnings of the Supervisory Board in 2014:

The Supervisory Board:

- adopted amendments and supplements to the Rules of Procedure of the Supervisory Board of Zavarovalnica Triglav d.d.;
- discussed and approved the proposals of the Appointments and Compensations Committee with regard to employment contracts of Management Board members;
- in accordance with provisions of employment contracts with Management Board members, the Supervisory Board discussed their entitlement to performance-related remuneration and determined the Board members' annual performance-related bonus for 2013;
- approved the appointment of the Director of the Internal Audit Department and the remuneration policy for the Director of the IAD;

- adopted the Report of the Supervisory Board of Zavarovalnica Triglav d.d. on the review of the merger by acquisition of the subsidiary Triglav nepremičnine d.o.o.;
- requested that the Management Board continue with the streamlining of real property management and draft a proposal on the potential consolidation of all investment property within a single pillar in the Triglav Group and a proposal on the further streamlining of operations through the consolidation of subsidiaries;
- requested that the Management Board examine the proposal on the centralisation of asset management and make a proposal to the Supervisory Board;
- requested that a report on the state-of-play of the development of the quality and business excellence self-assessment programme be drafted; and
- made other requirements related to supervision.

The costs of the functioning of the Supervisory Board other than the remuneration paid to members of the Supervisory Board and its committees disclosed in the section on Related party transaction of the Annual Report for 2014, primarily included the costs of translations of material for sessions of the Supervisory Board and its committees, interpreting at sessions, and the rental of technical equipment for interpreting. In part, these costs were also related to support services commissioned for the implementation of the performance self-assessment of the Supervisory Board and the drafting of the action plan for improving performance. In 2014, these costs amounted to EUR 133 thousand.

3.4 Performance self assessment

The Supervisory Board had three committees in 2014: the Audit Committee, the Appointments and Remuneration Committee and the Strategy Committee. The committee Chairmen regularly reported on their work at sessions of the Supervisory Board, which discussed the adopted decisions, submitted recommendations and opinions and passed appropriate resolutions after due consideration.

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

The Supervisory Board is of the opinion that its cooperation with the Management Board was adequate, in accordance with the applicable legislation and good practice. To its best knowledge the Supervisory Board was informed of all events of material significance to the assessment of the situation and its consequences, and to the supervision of the Company's operations. The Supervisory Board regularly followed the implementation of its resolutions. The Governance System and Policy of Zavarovalnica Triglav d.d. sets out the main guidelines on

corporate governance, taking account of the set long-term objectives, and includes the definition of the role and functioning of the Supervisory Board and its committees.

With the help of an outsourced service provider, the Supervisory Board conducted a self-assessment of its performance. Based on the findings of this self-assessment, it adopted an action plan containing a series of proposals and measures aimed at improving its performance in 2014 and 2015. The implementation of the action plan is monitored regularly.

The Supervisory Board is of the opinion that its composition is proportionate to the Company's size, business activities and objectives and that an appropriate level of independence of its members in the sense of the Corporate Governance Code is ensured. The members of the Supervisory Board have sufficient professional expertise, experience and skills for holding office on the board, which allows the Supervisory Board to make sound and quality decisions.

In view of the above, the Supervisory Board is of the opinion that its work and the work of its committees in 2014 were successful.

3.5 Opinion on the Annual Internal Audit Report for 2014

In accordance with paragraph 3 of Article 165 of the Insurance Act (ZZavar), the Annual Internal Audit Report of the Internal Audit Department for 2014 was submitted to the Supervisory Board, containing a report on the implementation of the Internal Audit Department's Annual Work Programme, a summary of material audit findings and an assessment of the adequacy of the Internal Audit Department's funding.

On the basis of the Annual Internal Audit Report of the Internal Audit Department for 2014, adopted at its session on 2 April 2015, the Supervisory Board finds that the Internal Audit Department carried out its duties in accordance with the Annual Work Programme for 2014, adopted by the Management Board and approved by the Supervisory Board, and in accordance with decisions on extraordinary internal audits. In 2014, the Internal Audit Department performed planned regular internal audits in the Company and subsidiaries of the Triglav Group, extraordinary internal audits as well as other internal audit activities (informal consultations; follow-up of the implementation of recommendations given by internal and external auditors; reporting to the Management Board, the Supervisory Board and the Audit Committee; quality assurance and improvements in the Department; performance of internal audit services in two subsidiaries to compensate for short staffing in internal audit departments of these subsidiaries; etc.). The Internal Audit Department presented its audit findings to the relevant persons in charge and made recommendations for improving the internal control and risk management systems. The Internal Audit Department reported on the implementation of its work programme, material audit findings and the implementation of recommendations on a quarterly basis to the Audit Committee and on a semi-annual basis to the Supervisory Board.

In 2014, the Internal Audit Department continued with quality assurance and improvement activities related to its own functioning and that of the internal audit departments of the Triglav Group's subsidiaries. Within this framework, the Internal Audit Department provided professional training for its own employees, prepared drafts of new basic internal acts of the

IAD and provided assistance to internal audit departments of other Triglav Group subsidiaries in the implementation of measures adopted as follow-up to recommendations issued on the basis of performance assessments and in the planning of their activities for 2015. The Supervisory Board expects the Internal Audit Department to continue with such activities in the future, with the aim of continually improving the quality of its work.

In view of the above, the Supervisory Board is of the opinion that the Internal Audit Department operated in line with its Annual Work Programme for 2014 and that its work made an important contribution to the better functioning of the internal control system and improved risk management at both the Company and the Group level.

3.6 Findings of the Supervisory Board regarding the operations of Zavarovalnica Triglav d.d. in 2014

On the basis of its monitoring and supervision of the Company's performance in 2014, and its examination and verification of the Annual Report for 2014, the Supervisory Board hereby establishes that the Company performed well and firmly adhered to its strategic goals.

The Triglav Group generated a net profit of EUR 85.7 million, up 23% on the preceding year, and recorded a high return on equity of 13.4%. The parent company's net profit amounted to EUR 45.6 million. The main factor in the good performance was the high return on financial investments and the good results in the core insurance business, as indicated by the favourable combined ratios of 96.3% for the Triglav Group and 94.7% for the parent company.

Insurance companies of the Triglav Group generated insurance and co-insurance premiums of EUR 888.2 million in 2014 (index 99), of which EUR 592.6 million was earned by the parent company. On the markets, where the Triglav Group operates, a decline in the purchasing power of households and economic activity was still felt, which made policyholders behave more prudently and, as a consequence, reduced the insurance level. Fierce competition, a marketing and sales policy aimed at maintaining and nurturing the portfolio, and measures to improve the poor insurance technical results in individual insurance classes, all resulted in a further loss of premiums.

The Triglav Group recorded gross claims paid of EUR 615.7 million in 2014, which was 2% less than in 2013. Gross claims paid by the parent company reached EUR 421.1 million. The year 2014 was marked by several mass loss events affecting most of the Group's insurance companies. In this respect, it is worth noting that the Triglav Group maintains a conservative reinsurance policy that ensures adequate reinsurance coverage for such claims.

The Triglav Group's gross operating costs were down 2% in 2014 and totalled EUR 295.9 million, while the parent company's operating costs amounted to EUR 162.7 million.

Despite the adverse economic and financial situation in Slovenia and the wider region, the Triglav Group further strengthened its capital position in 2014. The Triglav Group's total equity capital amounted to EUR 688.1 million as at the 2014 year-end and was 17% higher than a year earlier.

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

- a positive opinion from a chartered actuary for the non-life insurance category;
- a positive opinion from a chartered actuary for the life insurance category;
- the Annual Internal Audit Report of the Internal Audit Department for 2014.

The Supervisory Board has no objection to the aforementioned reports.

3.7 Annual Report

On 18 March 2015, the Management Board submitted the audited Annual Report of Zavarovalnica Triglav d.d. for 2014 and the audited Annual Report for the Triglav Group for 2014 to the Supervisory Board.

The Supervisory Board hereby ascertains that the annual reports were compiled within the legally prescribed period and submitted to the appointed auditor. The Annual Report of Zavarovalnica Triglav d.d. for 2014 was audited by the audit firm Ernst & Young, Revizija, poslovno svetovanje d.o.o., Ljubljana, which on 17 March 2015 issued a positive opinion on the Annual Report of Zavarovalnica Triglav d.d. for 2014 and the Annual Report of the Triglav Group for 2014 and an opinion that the annual reports are in compliance with the audited financial statements.

The certified auditor who signed the annual reports attended the discussions of the Supervisory Board and the Audit Committee of the said annual reports and provided the required additional explanations. The Audit Committee discussed the Letter to the Management after the preliminary audit, and on the basis of the certified auditors' report established that the Letter to the Management after the audit would not contain material disclosures that could affect the submitted audited financial statements for 2014.

The certified auditors find that in all material aspects the financial statements for 2014 and the data disclosed in the accounting report were compiled in accordance with the applicable accounting standards and the legislation in force in the countries where the subsidiaries operate, and that appropriate adjustments were made to comply with the International Financial Reporting Standards.

On the basis of a detailed examination, the Supervisory Board found that the Annual Report of Zavarovalnica Triglav d.d. for 2014 and the Annual Report of the Triglav Group for 2014, drawn up by the Management Board and audited by the certified auditor, were compiled in a clear and transparent manner to give a true and fair view of the assets, liabilities, financial position and profit or loss of Zavarovalnica Triglav d.d. and the Triglav Group.

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 financial statements present a true and fair view of the financial position of Zavarovalnica Triglav d.d. as at 31 December 2014, its profit or loss and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as approved by the EU and the requirements of the Companies Act relating to the compilation of financial statements.

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 financial statements present a true and fair view of the financial position of the Triglav Group as at 31 December 2014, its profit or loss and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as approved by the EU and the requirements of the Companies Act relating to the compilation of financial statements.

In view of the above, the Supervisory Board hereby approves the Audited Annual Report of Zavarovalnica Triglav d.d. for the Year Ended 31 December 2014 and the Audited Annual Report of the Triglav Group for the Year Ended 31 December 2014.

3.8 Proposal for the distribution of accumulated profits

The Supervisory Board also examined the Management Board's proposal for the distribution of accumulated profits as at 31 December 2014, subject to a final decision by the General Meeting of Shareholders of Zavarovalnica Triglav d.d. and approved the following draft resolution proposed by Management Board to the General Meeting:

"The Company's accumulated profits, which amounted to EUR 61,687,036.62 as at 31 December 2014, shall be distributed as follows:

- EUR 56,837,870.00 of the accumulated profits to dividend payments. The gross dividend per share of EUR 2.50 shall be paid to the shareholders entered in the Shareholders' Register no later than two days after the day of the General Meeting of Shareholders, within 30 days of the adoption of this resolution.
- The distribution of the remaining accumulated profits of EUR 4,849,166.62 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 2014.

Matej Runjak,
Chairman of the Supervisory Board



Ljubljana, 2 April 2015

4. STRATEGY AND PLANS OF THE TRIGLAV GROUP

- The entire 2014 business year was marked by implementing the Strategy for the 2013–2017 period.
- In 2014, Zavarovalnica Triglav surpassed its planned profit level.
- Despite demanding business conditions, the net profit of the Triglav Group in 2015 is planned at EUR 71.7 million.

In November 2013, the Triglav Group adopted the Strategy of the Triglav Group for the 2013–2017 period. The ambitiously set Strategy has placed focus on the core insurance business in combination with the maximisation of profitability and safety of operations.

4.1 Mission, values and vision of the Triglav Group

The Triglav Group's mission and vision, based on which ambitious goals for the period to 2017 have been set, are realised on the basis of the values, which are the main guidelines for the Group's daily operation.

4.1.1 Mission

We are building a safer future.

4.1.2 Values

The companies of the Triglav Group are centred around common values, which are realised through personal relations and relations with the environment:

- **PROFESSIONALISM.** Business objectives are pursued through state-of-the-art insurance/financial services provided by highly professional employees. The Triglav Group is the key promoter of professional development of insurance/financial services in the environment.
- **SECURITY.** Safe operations are guaranteed by efficient risk management. The Group's high-quality products and services improve the financial security of clients.
- **SIMPLICITY.** Everything we do must bring benefit and generate value. Jointly and rapidly, unnecessary complexity and red-tapism are eliminated. Products and processes are being simplified without reducing the high level of professional competence.
- **CORPORATE SOCIAL RESPONSIBILITY.** The sustainable development of the Triglav Group (balancing of people, environmental awareness and profitability) is based on corporate social responsibility, implemented as economic, legal, ethical and philanthropic responsibility.

4.1.3 Vision of the Triglav Group

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

The **long-term profitable growth** of the Triglav Group **originates** from very competitive, high-quality services, effective risk management and financial stability of the Group, which will help maintain the standalone »A« assigned by an established credit rating agency. Members of the Group achieve higher levels of reputation than their competitors. They are distinguished by

comprehensive insurance/financial services offered through modern sales channels. Clients perceive the Group's products as simple and desirable. The Group reaches at least a 10% market share on all of its foreign markets, and ranks among the top three insurance companies in all key markets in terms of premium. The Group has a well-regulated and efficient governance system and follows the principles of modern organisation in all areas of business. Its processes are lean and streamlined. Dedicated and highly-qualified employees are the basis of the Group's sustainable development.

4.2 Fundamental goals and characteristics of the Triglav Group Strategy for the 2013-2017 period

By adapting its strategic guidelines and goals to operating in the challenging economic conditions, the Group maintained its focus on profitability and safety of operations.

Key strategy objectives by 2017

- Return on equity (ROE) is planned to be above 10% during the entire period.
- Stable combined ratio is to be around 95%.

Expansion of the Triglav Group

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

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

4.2.1 Strategic guidelines

- Profitable operations and greater value of the Triglav Group.
- Client-focused approach.
- Simplification of business processes and cost efficiency, adequate staffing structures.
- Achieving adequate growth and profitability rates on key markets and efficient corporate governance of the Triglav Group's subsidiaries.

No imprudent exposure to business and financial risks.

4.2.2 Strategic objectives

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

Employees, competences and learning level

Focus on client and employee satisfaction.

Stimulation of creativity.

Stimulation of learning and internal transfer of knowledge.

Established intergenerational cooperation.

Increased mobility and internationalisation of staff.

Implemented system of successions; development and retention of the promising staff.

Renewed organisational culture in accordance with the Group's values.

Increased share of the variable part of remuneration for successful individuals.

Processes and organisation level

Implemented data warehouse with a CRM system.

Simplified (lean) business processes and cost efficiency.

Developed sales activities via own sales network in subsidiaries.

Efficient management by objectives at all levels of the Group.

Innovative and speedy development of products and alternative sales channels.

Efficient corporate governance system and key internal controls for the Group.

Compliance with Solvency II requirements.

Client level

A comprehensive overview of policyholder and an upgraded, modern credit scoring system.

Developed and efficient client loyalty programmes.

A growing number of active policyholders.

A range of integrated insurance/financial services provided through modern sales channels.

The Triglav Group as the largest insurance company in the SEE region measured by written premium – holding at least a 10% share of an individual insurance market.

Finance level

Profitability.

Optimised assets and liabilities structure according to the requirements of Solvency II and the »A« rating from Standard & Poor's.

Positive insurance technical result of the Group.

Efficient claim management system.

4.3 Objectives achieved by Zavarovalnica Triglav in 2014

Zavarovalnica Triglav continued to implement its strategy, placing focus on the core insurance business, profitability and safety of operations. Despite unfavourable operating conditions and extraordinary loss events, the Company estimates that it performed well as confirmed by the results achieved. The Company generated a **net profit of EUR 45.6 million** and surpassed the budgeted net profit by 15%.

As confirmed by »A–« credit ratings assigned by the credit rating agencies **Standard & Poor's** and **A.M. Best**, the Company again achieved one of its important strategic objectives. A stable medium-term outlook was assigned by Standard & Poor's, whilst A.M. Best upgraded the Company's medium-term outlook from "stable" to "positive". The ratings reflect their supportive risk-adjusted capitalisation, good operating performance and strong competitive position of the Triglav Group within the Slovene market (see also Section 6.7 *Credit rating of the Triglav Group and Zavarovalnica Triglav* for more details).

Key financial indicators also point to the Company's high **financial stability**. The **total equity capital** of Zavarovalnica Triglav as at 31 December 2014 was **EUR 544.0 million** or **9% more** than the year before. **Gross insurance technical provisions**, the basis for balanced operations and long-term safety of insured parties, **increased by 5% to EUR 2,060.0 million** compared to the 2013 year-end (more information in Section 9. *Financial standing*).

Compared to 2013, **total written premium fell by 2%**, but was nevertheless **higher than planned**. The lower premium reflects tight operating conditions. The situation on the Slovene insurance market is challenging for all insurers, as they are affected by numerous factors: a decline in the purchasing power of households and the economic activity of economic entities, greater prudence of policyholders, lower insurance density, corporate bankruptcies, poor liquidity of the real sector and the lack of investments. These factors generate aggressive price competition among insurance companies. The Company responded to the changed market situation and changed consumer behaviour by adapting the marketing and sales policy, launching new products and redesigning the existing ones, and taking various measures to improve the insurance technical result in non-life insurance.

Intensive management of the non-life insurance portfolio led to a favourable **combined ratio**. Therefore, the **combined ratio** – a measure of profitability in core insurance operations – **reached 94.7%**. Compared to the preceding year, it increased by 9.5 percentage points and was slightly above the budgeted level, primarily as a result of **extraordinary loss events** amounting to **EUR 27.3 million in total**. In the beginning of 2014, the biggest damage was caused by snow storms and frost (see Section 7.2 *Environmental impact on the performance of Zavarovalnica Triglav* for more details).

Operating expenses were higher by 1% compared to the 2013 year-end, **but within the budgeted value**. Their share in gross written premium went up by 0.8 percentage point. Increased expenses were mainly caused by higher acquisition costs (due to sales campaigns) and insurance agent fees and commissions.

Zavarovalnica Triglav's business results are heavily influenced by the situation on capital markets, as diverse financial investments represent the majority of the Company's total assets. **Return on financial investments** (excluding unit-linked insurance contract investments) amounted to **EUR 99.1 million**, which **climbed by as much as 285%** over the preceding year. High return on financial investments was primarily a result of higher profit from sales in trading with debt securities and with shares of Slovene issuers and significantly lower permanent impairments of financial investments than in the preceding year.

The **value of Zavarovalnica Triglav's share (ZVTG)**, listed on the Ljubljana Stock Exchange Prime Market, was marked by the exchange rate growth and increased liquidity. The closing price of the share **increased by over 24% since the 2013 year-end** and equalled EUR 23.60 as at the reporting date. The ZVTG share was the seventh most traded equity on the Ljubljana Stock Exchange, accounting for almost 7% of total trading volume. The share of international investors continued to increase, accounting for 17.6% at the 2014 year-end – for more information see Section 6. *Share capital and shareholders of Zavarovalnica Triglav*.

Zavarovalnica Triglav continued to harmonise its risk management system with Solvency II Directive requirements (see Section 12. *Risk Management* for more details).

4.4 Plans of the Triglav Group for 2015

Again, the Triglav Group set an ambitious business plan, which focuses on the core insurance business in combination with the maximisation of profitability and safety of operations. It was drafted based on the following expected business environment conditions

- **Macroeconomic environment:** The challenging economic situation in the markets in which the Group operates will continue to expose the Company to the risks of lower demand for some insurance products, policyholders defaulting on the payment of premiums and risks related to the selection of underwriting risks.

- **Competition:** Extremely aggressive competition among insurance companies.
- **Life insurance:** The higher number of life insurance claims resulted from maturities due to the aging of the portfolio and from surrenders.
- **Non-life insurance:** The impact of the measures planned to retain high-value and loyal clients with client loyalty programmes, repricing to match competition and of measures to improve insurance technical results in individual non-life insurance classes.
- **Major individual loss events (floods, hails, storms, etc.):** Approximately the same development, number and extent of individual loss events as in past years.
- **Situation on capital markets:** Lower investment return compared to the outstanding result of 2014.

Financial highlights of the Triglav Group business plan 2015

	2015 plan
Gross written premium from insurance and co-insurance contracts	EUR 879.9 million
Gross claims paid	EUR 639.3 million
Profit before tax	EUR 85.7 million
Net profit	EUR 71.7 million
Equity as at 31 Dec.	EUR 713.3 million
Combined ratio in non-life insurance	96.3%

Financial stability: Maintaining a high financial stability and safety of operations of the Triglav Group.

Net profit/loss: Net profit of the Triglav Group is planned at EUR 71.7 million, whereas net profit before tax is budgeted at EUR 85.7 million. A lower net profit growth is planned for 2015, as the extremely high returns on investments in 2014 that contributed to such a high growth are unlikely to be repeated in 2015.

The combined ratio of the Group – a measure of profitability in core insurance operations – will reach 96.3%. Zavarovalnica Triglav, the parent company, and its subsidiaries (insurance companies) will continue improving the combined ratios of individual insurance companies by:

- improving insurance portfolio structure and prudent underwriting risks in order to boost insurance technical results of insurance classes;
- upgrading the existing insurance products and developing new ones;
- implementing measures to improve the collection of receivables; and
- improving cost-effectiveness.

Premium trends: Continued aggressive marketing approach and sales activities will be even more focused on clients and on developing and increasing the efficiency of the sales network. The Triglav Group plans to generate EUR 879.9 million in consolidated gross written premium, which is approximately the same as in 2014. Zavarovalnica Triglav expects to earn a lower premium compared to 2014 due to the reasons stated in the above-mentioned assumptions. The main objectives of the Triglav Group's insurance companies are to continuously improve the portfolio structure and generate growth in insurance premiums.

Loss events: The Triglav Group plans consolidated gross claims paid at EUR 639.9 million. The claim settlement process will be improved by introducing further improvements in technology, processes and organisation as well as by speedy handling of claims, thanks to even more competent employees and outsourced partners.

Cost management: The planned share of operating expenses in gross written premium will be slightly higher, mainly due to high depreciation of property, plant and equipment as a result of past large IT investments. In addition, expenses will grow due to higher IT maintenance and insurance acquisition costs (sales and marketing campaigns, marketing communications, fees and charges). Cost-effectiveness in all functional areas will continue to be pursued and types of costs not directly related to insurance acquisition will be further reduced.

Investment: Zavarovalnica Triglav will allocate significant resources for investments in real property with an aim to consolidate and optimise the real property portfolio of the Group. The parent company will acquire strategically important real property from individual subsidiaries in order to achieve optimisation of real property management and structure, and continue to implement its disinvestment policy for the Group's non-strategic real property. Furthermore, the Group will continue its restrictive policy of investments in real property, equipment and intangible assets. Investments will primarily be aimed at strategic projects in IT and general affairs, functional refurbishment and renovation of premises as well as at improving the safety and energy-efficiency of buildings.

Financial investments: Adequate levels of security and liquidity of investments will remain the main investment guidelines of the Triglav Group. These will be followed by the criterion of profitability, of which significance has been decreasing due to the uncertain financial situation. The Group plans lower returns on investment compared to the preceding year, as the returns on investment recorded in 2014 were exceptional and it is estimated that such high returns are unlikely to be repeated in 2015.

Risk management: The main objective of risk management is to achieve compliance with the regulatory requirements of Solvency II (the requirements regarding the governance system, reporting to the Insurance Supervision Agency and external stakeholders, the implementation of a forward-looking own risk and solvency assessment) by the end of the year.

With its planned objectives for 2015, the Triglav Group aims to pursue the strategic objectives even more actively, while remaining the market leader in Slovenia and consolidating its position in the target markets of South-East Europe.

5. CORPORATE GOVERNANCE STATEMENT

- Changes to the Management Board.
- Changes in the governance and management of subsidiaries.

5.1 Governance policy

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

5.2 Statement of Compliance with the Corporate Governance Code

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

Zavarovalnica Triglav applies the provisions of the Code. The statement of compliance with the Corporate Governance Code for the period from 1 January 2014 to the day of publication in 2015 was published on SEOnet, the information system of the Ljubljana Stock Exchange, and on the official website of Zavarovalnica Triglav at www.triglav.eu.

Furthermore, the Company conducts business in line with the Insurance Code. The Insurance Code is available on the website of the Slovenian Insurance Association at www.zav-zdruzenje.si.

The Code of Good Business Practices of Zavarovalnica Triglav is available at the above-stated official websites.

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. www.sdh.si). The Company's statement on this Code is published on its official website.

5.3 Management bodies of Zavarovalnica Triglav

Zavarovalnica Triglav is managed and governed according to a two-tier system. The management bodies, i.e. the General Meeting of Shareholders, the Management Board and the Supervisory Board, operate in compliance with primary and secondary legislation, the Articles of Association of the Company, and their own rules of procedure. The Articles of Association are available at 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, reaching a qualifying holding and the restriction on transfer of shares that would grant their holders special control rights are described in detail in the section 6.1 and 6.2. See the Insurance Act for 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 2014 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).
- As at 31 December 2014, SDH was the direct holder of 6,386,644 shares or 28.09% of the share capital of Zavarovalnica Triglav, which was 5,916 shares more over 2013.
- Hypo Alpe-Adria Bank d.d., Zagreb (fiduciary account) held 1,373,658 shares or 6.04% of the share capital of Zavarovalnica Triglav, representing an increase of 547,889 shares over the 2013 year-end.

As at the reporting date, Zavarovalnica Triglav had no other shareholders whose holdings exceeded 5.0% of the share capital, nor any issued securities that would grant their holders special control rights.

General Meeting of Shareholders in 2014

The shareholders of Zavarovalnica Triglav had one general meeting in 2014. The 39th General Meeting of Shareholders was held on 10 June 2014. The total number of shares and voting rights represented at the General Meeting of Shareholders was 3,943,230 or 46.78% of all shares to which voting rights are attached.

At the General Meeting of Shareholders, the shareholders:

- took note of the Annual Reports of Zavarovalnica Triglav and the Triglav Group for 2013, including the opinions given by the audit firms, and the Annual Internal Audit Report for 2013;
- took note of the Supervisory Board's report on the examination of both Annual Reports for 2013 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2013;
- adopted a resolution on the following distribution of the accumulated profit of EUR 77,826,169.51 as at 31 December 2013:
 - a part of accumulated profit in the amount of EUR 38,649,751.60 shall be allocated for dividend payments amounting to EUR 1.70 gross per share payable to the shareholders

appearing in the Share Register two days following the date of the General Meeting of Shareholders. The dividends shall be paid within 30 days of the date this resolution is passed.

- the distribution of the remaining accumulated profit of EUR 39,176,417.91 shall be decided on in future years;
- passed a resolution granting discharge to the Management Board and the Supervisory Board for the 2013 business year;
- appointed the audit company ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors of Zavarovalnica Triglav for the 2014 business year;
- adopted the amendments to the Articles of Association, which include reinsurance. This resolution was adopted subject to two suspensive conditions: that the amended Insurance Act allows insurers to perform reinsurance and that Zavarovalnica Triglav obtains an authorisation from the Insurance Supervision Agency for reinsurance business, should such an authorisation be required by law for the performance of reinsurance. In the event both suspensive conditions are met and the aforementioned resolution enters into force, the General Meeting of Shareholders authorises the Supervisory Board to amend the Articles of Association of Zavarovalnica Triglav accordingly.

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

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

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

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

5.3.2 Management Board

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

5.3.2.1 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 Management Board is appointed by the Supervisory Board. The number of Management Board members, their competences, the manner of representation and presentation and the transfer of the Management Board's authorities are determined by the Supervisory Board in the Management Board Rules. The term of office of an individual Management Board is up to five years, with the possibility of reappointing its members. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

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

5.3.2.2 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 11,055,208.77 through new shares issued for cash contributions within five years of 28 June 2011. The issue of new shares, the amount of capital increases, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Upon a share capital increase, the Supervisory Board is authorised to make amendments to the Company's Articles of Association.

5.3.2.3 Introducing the Management Board

As at the 2014 year-end, the Management Board of the Company was composed of the following members:

Andrej Slapar, President of the Management Board

- Born in 1972. Bachelor of Laws.
- Andrej Slapar was first employed in Zavarovalnica Triglav in 1997 as a lawyer in the Department of International Claims and Insurance Law. From 1999 to 2009 he continued his professional career in Pozavarovalnica Triglav Re as Head of the Car, Transport, Liability and Personal Insurance Division and Assistant to the President of the Management Board for reinsurance and the Management Board member. Andrej Slapar took his five-year term of office as a Management Board member of Zavarovalnica Triglav on 10 November 2009.
- He was first appointed as President of the Management Board on 22 May 2013 and began a five-year term of office on 11 November 2014.

Benjamin Jošar, member of the Management Board

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

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

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

Uroš Ivanc, member of the Management Board

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

Tadej Čoroli, member of the Management Board

- Born in 1975. Bachelor of Laws.
- Tadej Čoroli was first employed in Zavarovalnica Triglav in 2001 as Insurance Law Specialist. He gained managerial experience in insurance as the Executive Director of Life Insurance Division and Executive Director of Non-Life Insurance Division. Since 2005, he participated in management and supervisory bodies in the Triglav Group subsidiaries. In addition, he was a Supervisory Body member of Skupna pokojninska družba d.d., Ljubljana. In July 2014, he was appointed a member of the Management Board of Zavarovalnica Triglav.
- His five-year term of office commenced on 29 July 2014.

Marica Makoter, member of the Management Board and employee representative

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

On 15 May 2014, Stanislav Vrtunski, member of the Management Board of Zavarovalnica Triglav, submitted to the Chairman of the Supervisory Board his final resignation as a member of the Management Board of Zavarovalnica Triglav. At its session on 22 May 2014, the Supervisory Board took note of the resignation of Stanislav Vrtunski, and approved the termination of his term of office. His term of office expired on 14 July 2014.

Data on the earnings of the Management Board members are disclosed in *Section 8.1 under Financial Statements*.

Membership of the Management Board members of Zavarovalnica Triglav in the Supervisory Boards or Management Boards of other companies as at 31 December 2014:

Name and surname	Membership in the Supervisory (Management) Boards of the Companies
Andrej Slapar President of the Management Board	<ul style="list-style-type: none"> Jedrski Pool GIZ (GIZ Nuclear Pool) Pozavarovalnica Triglav Re d.d. Abanka Vipra, d.d.
Benjamin Jošar Member of the Management Board	<ul style="list-style-type: none"> Lovčen Osiguranje a.d., Podgorica Triglav Osiguranje d.d., Sarajevo Triglav INT d.d. Triglav Skladi d.o.o.
Uroš Ivanc Member of the Management Board	<ul style="list-style-type: none"> NLB d.d. Triglav Osiguruvanje a.d., Skopje Lovčen Osiguranje a.d., Podgorica Triglav INT d.d. Skupna pokojninska družba d.d. (resigned on 21 October 2014)
Tadej Čoroli Member of the Management Board	<ul style="list-style-type: none"> Triglav, Zdravstvena zavarovalnica d.d. Triglav Osiguranje a.d.o., Belgrade Triglav INT d.d. Skupna pokojninska družba d.d. (resigned on 21 October 2014)
Marica Makoter Member of the Management Board, Employee Representative	<ul style="list-style-type: none"> Triglav Osiguruvanje a.d., Skopje Triglav INT d.d. Vse bo v redu, zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti (Everything will be alright – Institute of Zavarovalnica Triglav for corporate social responsibility)

5.3.2.4 Functioning and powers of the Management Board

As at 31 December 2014, the Management Board members were in charge of the following areas:

The **President of the Management Board Andrej Slapar** manages and directs the work of the Management Board and of the headquarters departments (Management Board Office, Legal Office, Internal Audit Department, Corporate Communication Department), the Life Insurance Development and Actuarial Department, and the Non-Life Insurance Development and Actuarial Department. He is in charge of the Life Insurance Division, the Corporate Accounts Division, senior management staffing, Arbitration, GIZ Nuclear Pool and Supplemental Health Insurance Division.

Benjamin Jošar, member of the Management Board, is at the helm of the Risk Management Department, the Strategic Planning and Controlling Department and the Subsidiary Management Department. He is in charge of Triglav INT d.d.

Uroš Ivanc, member of the Management Board is in charge of the Real Property Management Department, the Accounting Division and the Finance Division.

Tadej Čoroli, member of the Management Board, is responsible for the Client Contact Unit, the Marketing Department and the Non-Life Insurance Division, the Non-Life Insurance Claims Division, the Insurance Sales Division, and the Insurance Marketing and Distribution Division.

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

5.3.3 Supervisory Board

The Supervisory Board, composed of six representatives of the shareholders and three representatives of employees, supervises with full responsibility the conducting of the Company's business.

The former are elected by the General Meeting of Shareholders and the latter by the Works Council. Their appointment and recall are made in accordance with the law and the Memorandum and Articles of Association. The Chairman and Vice-Chairman of the Supervisory Board are elected from among its members representing shareholders. Members of the Supervisory Board are given a four-year mandate and may be re-elected without limitation.

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

5.3.3.1 Competences of the Supervisory Board

The competences and decision-making rules of the Supervisory board, its method and organisation of work and other issues relevant for its functioning are set out by law, the Memorandum and Articles of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board (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 2014

Shareholder representatives began their four-year term of office on the Supervisory Board on 12 June 2013 and employee representatives on 30 May 2011.

At its session on 1 July 2013, the Supervisory Body appointed Matej Runjak its Chairman and Gregor Kastelic as its Vice-Chairman.

Composition of the Supervisory Board as at 31 December 2014

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

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

Data on earnings of the Supervisory Board members are disclosed in *Section 8.1 under Financial Statements*.

5.3.3.3 Composition of Supervisory Board committees and their activities in 2014

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks. In 2014, the Supervisory Board committees were the following: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee, whilst the Nominations Committee as ad-hoc committee was not established.

Audit Committee

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

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

- participating in specifying important fields of auditing;
- examination of the internal documents of the Internal Audit Department, the Rules of Operation of the Internal Audit Department and the annual plan of the Internal Audit Department;
- examination of decisions on the appointment, dismissal and remuneration of the Head of the Internal Audit Department.

The Audit Committee had the following composition: Mario Gobbo as Chairman, Rajko Stanković and Branko Gorjan as members; and Barbara Nose as outsourced independent expert.

Appointments and Compensation Committee

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

- drafting proposals regarding the criteria for membership in the Management Board;
- drafting proposals regarding the policy of remuneration, compensation and other benefits for the Management Board members;
- preliminary consideration of proposals made by the President of the Management Board related to the management of the Company, pursuant to the third paragraph of Article 13 of the Articles of Association;
- 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, the evaluation of Supervisory Board's work against the Code of Corporate Governance).

The Compensation and Appointments Committee had the following composition: Matej Runjak, Chairman; and Dubravko Štimac and Miran Krštinc as its members.

Strategy Committee

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

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

Nominations Committee

The Nominations Committee is an ad-hoc committee of the Supervisory Board, established to carry out a nomination procedure for members of the Supervisory Board – shareholder representatives. The Committee sets the selection criteria, unless otherwise stipulated by the Supervisory Board, and submits a candidate nomination proposal for shareholder representatives.

5.4 Governance and management of subsidiaries

In 2014, the governance and management of the Triglav Group's subsidiaries was thoroughly reorganised, assigning a central role to Triglav INT (hereinafter: TINT). From the establishment

of the holding company Triglav INT in 2010 to the beginning of February 2012, Zavarovalnica Triglav transferred its ownership shares in Triglav Group insurance subsidiaries outside Slovenia to Triglav INT. Thus a precondition was fulfilled for the potential entry of a strategic partner, as a key source of fresh capital needed for the further development of insurance business outside Slovenia. Until 2014, TINT was the owner of insurance subsidiaries, which were however managed by the parent company. The Subsidiary Management Department was in charge of corporate governance of subsidiaries, while business management was exercised by different organisational units of the parent company. After the governance of the Triglav Group's as the parent company was reorganised, TINT exclusively took over corporate governance of the insurance subsidiaries outside Slovenia. The new governance method was based on the understanding the fact that other markets of the Triglav Group significantly differ from the Slovene market. Due to their size and market position, the subsidiaries of Zavarovalnica Triglav require a different approach and manner of doing business. The reorganisation of subsidiary corporate governance also involved higher staffing levels in TINT. As at 31 December 2014, TINT had 21 employees, 8 of them seconded in subsidiaries.

The main objectives of TINT are as follows:

- improving the performance of insurance subsidiaries abroad;
- transfer of most governance and management functions from the parent company to TINT, a clearer management structure and centralised management;
- more efficient management of insurance subsidiaries;
- provision of joint services at the TINT level for reducing (fixed) costs of insurance subsidiaries;
- a centralised and enhanced business and strategic planning function in individual insurance subsidiaries;
- faster and simpler flows of information;
- faster and more efficient decision-making with better traceability;
- faster identification of poor performance of a subsidiary and faster and more effective response;
- faster and more efficient identification of deficiencies in the business processes and overall business of operations of insurance subsidiaries;
- more rational and centralised decisions on introducing new business processes in insurance subsidiaries;
- more efficient identification of potential human resources in insurance subsidiaries, more competent and rational decision-making with regard to staff rotation;
- optional specialisation of functions as an added value, tailored to the specifics of markets;
- better access to these functions, centralised in the same organisational unit.

5.5 Internal and external audit

On 10 June 2014, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2014.

The report on the work of the Internal Audit Department is included in Section 12. *Risk Management*.

5.6 Internal control and risk management system control

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

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

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

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

In compliance with the legislation, an independent Internal Audit Department regularly runs efficiency checks on the internal control and risk management system, and offers upgrade proposals and reports to the Management Board, the Audit Committee and the Supervisory Board. Risk management is further discussed in *Section 12. Risk Management and under Financial statements (item 4)*.

5.7 Notes on the takeover legislation

Provisions of the Takeover Act (Official Gazette of the RS Nos. 79/06, 67/07 – ZTFI, 1/08, 68/08, 35/11 - ORZPre75, 105/11 – Constitutional Court Decision, 10/12, 38/12, 56/13, 63/13 – ZS-K and 25/14, ZPre-1)) defining the takeover procedures are also applicable to Zavarovalnica Triglav.

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

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

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

The Management Board of Zavarovalnica Triglav is not authorised by the general Meeting of Shareholders to buy its own shares. The Management Board's competence to increase the

share capital is described under *Section 5.3.2.2*. The issue of new shares, the amount of capital increases, the rights attached to new shares, and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board.

Zavarovalnica Triglav has no employee share scheme.

The Company is not aware of any agreements that would become effective, change or expire on the basis of a changed control of the Company as a consequence of an offer as defined by the 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 offer in line with the Takeover Act (Zpre-1) caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.

6. SHARE CAPITAL AND SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV

- The ZVTG share was one of most traded shares on the Ljubljana Stock Exchange.
- The ZVTG share price increased by over 24%.
- Further strengthening of share of international investors.
- Slightly changed top shareholders structure.

6.1 Equity

As at 31 December 2014, the share capital remained at the same level as at the 2013 year-end, totalling EUR 73,701,391.79. It was divided into 22,735,148 ordinary registered no-par value shares bearing the ZVTG ticker symbol and the ISIN code SI0021111651. The shares of Zavarovalnica Triglav are freely transferable and issued in a dematerialised form. Each represents the same stake and corresponding amount in the share capital. All have been fully paid in. Each share of Zavarovalnica Triglav gives its holder the right to one vote at the General Meeting of Shareholders, proportional dividends from the profit intended for the payment of dividends and a proportional share of the remaining bankruptcy or liquidation mass after the payoff of priority shareholders in the case of bankruptcy or liquidation.

6.2 The share of Zavarovalnica Triglav

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

Key figures for the shares of Zavarovalnica Triglav

Items	31 December 2014	31 December 2013	31 December 2012
Number of shares	22,735,148	22,735,148	22,735,148
Book value per share* (in EUR)	23.93	21.98	22.33
Share market value (in EUR) – closing price	23.60	19.00	16.50
Market capitalisation (in EUR) – closing price	536,549,493	431,967,812	375,129,942
Net earnings per share** (in EUR)	2.01	2.12	2.22
Dividend per share (in EUR) – for the previous business year	to be defined	1.70	2.00
Ticker symbol	ZVTG		
ISIN	SI0021111651		
Traded on	Ljubljana Stock Exchange - LJSE		
Credit rating	<ul style="list-style-type: none"> ■ Standard & Poor's; »A-«, stable medium term outlook ■ AM Best; »A-«, positive medium term outlook 	<ul style="list-style-type: none"> ■ Standard & Poor's; »A-«, stable medium term outlook ■ AM Best; »A-«, stable medium term outlook 	<ul style="list-style-type: none"> ■ Standard & Poor's; »A«, warning on potential credit rating downgrade
Bloomberg	ZVTG SV		
Reuters	ZVTG.LJ		

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

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

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

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

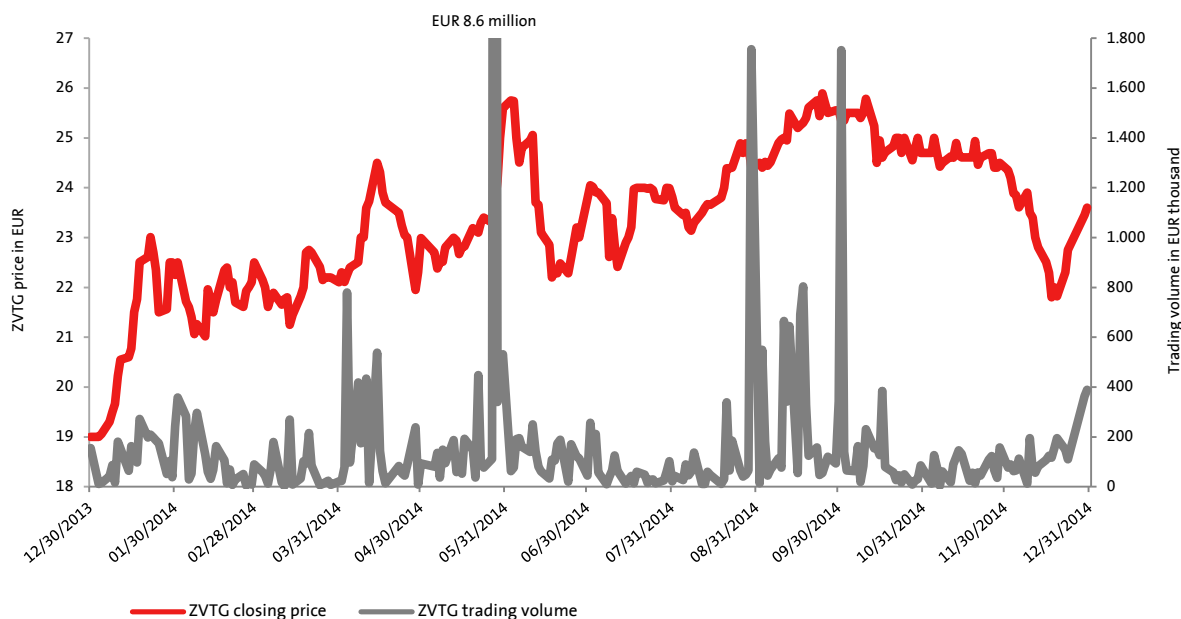
Holders of shares that have been acquired or are possessed contrary to the Insurance Act have no voting rights. See the Insurance Act for details.

6.3 Movements in the share value of Zavarovalnica Triglav in 2014

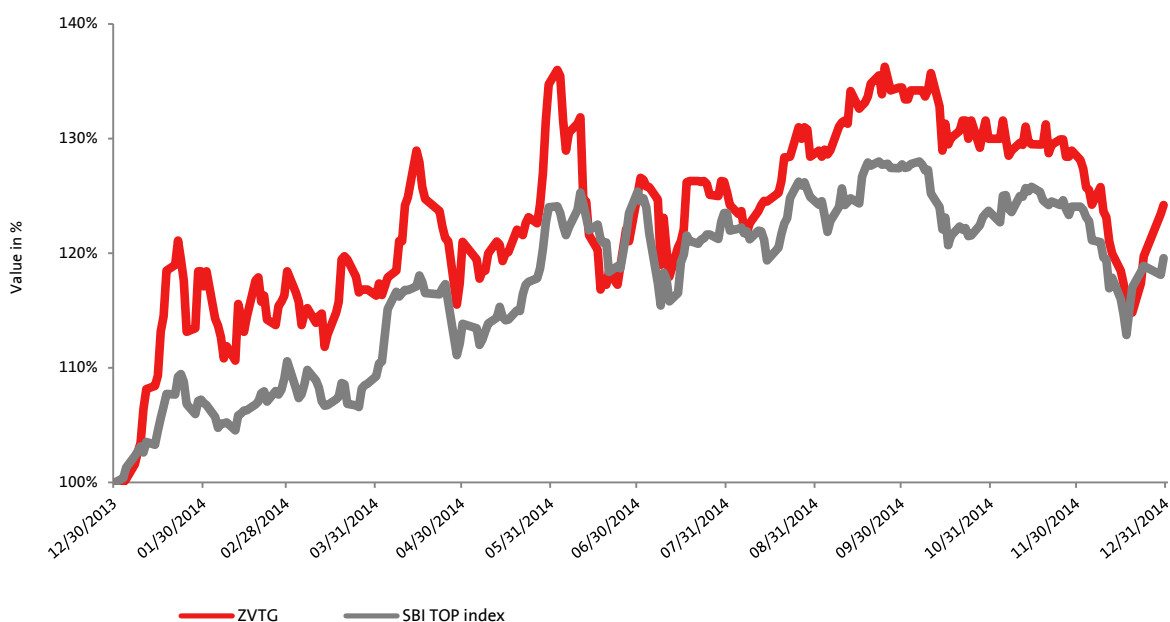
The year 2014 saw a growing price and increased liquidity of the ZVTG share. Its price increased by over 24%. Starting at EUR 19.00 on the first trading day, the share peaked to its highest price of EUR 25.89 in on 24 September 2014. As at 31 December 2014, the closing price reached EUR 23.60.

The ZVTG share was the seventh most traded share among 52 shares on the Ljubljana Stock Exchange, accounting for as much as 7% of total trading volume. The average turnover of ZVTG shares per trading day was EUR 168,611, which was 13% less compared to 2013 (EUR 193,355).

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



Comparison of movements in the average daily price of the ZVTG share and movements in the value of the SBI TOP Index in EUR in 2014 as compared to 31 December 2013



The ZVTG share price recorded movement similar to the trends of the SBI TOP Index, of which the ZVTG share represented 11%. The SBI TOP Index grew by 20%, however the ZVTG share climbed above the SBI TOP Index by 4 percentage points.

The ZVTG share as one of the most liquid shares of the Ljubljana Stock Exchange is included in the Slovene SBI TOP Index and ten indices (six in 2013) of the regional Central and Eastern European Stock Exchange Group (CEESEG) under the auspices of the Vienna Stock Exchange. These indices are the following: CECE Mid Cap (CECE MID EUR in CECE MID USD), CECE Extended (CECExt EUR and CECxt USD), South-East Europe Traded Index (SETX EUR and SETX

USD), CEESEG Financials CEESEG FIN, CEE Responsible Investment Universe CEERIUS, SETX Net Total Return SETX NTR and SETX Total Return SETX TR.

ZVTG share trading data by individual months of 2014 (in EUR)

Month	Maximum closing price	Minimum closing price	Maximum daily trading volume	Minimum daily trading volume	Average daily trading volume
January	23.01	19.00	357,418	11,248	135,636
February	22.50	21.02	296,026	4,096	86,608
March	22.75	21.25	269,164	2,484	63,232
April	24.50	21.95	778,900	8,873	178,413
May	25.60	22.38	8,590,933	36,218	597,362
June	25.75	22.20	249,987	20,440	121,839
July	24.05	22.41	256,604	9,722	64,326
August	24.89	23.14	1,756,269	11,154	156,736
September	25.89	24.40	804,125	13,213	254,784
October	25.79	24.50	1,751,512	8,031	170,979
November	25.00	24.40	158,005	3,098	73,747
December	24.35	21.80	389,458	11,903	133,261

6.4 Shareholder structure

As at 30 December 2014, Zavarovalnica Triglav had 28,526 shareholders, 121 less compared to the 2013 year-end.

Domestic shareholders accounted for the bulk, but the shareholdings of international shareholders continued to increase slightly. As at the reporting date, international shareholders accounted for only 1.7% of the total number of shareholders, remaining approximately at the same level as at the 2013 year-end. They increased their shareholdings by 1 percentage point to 17.6%.

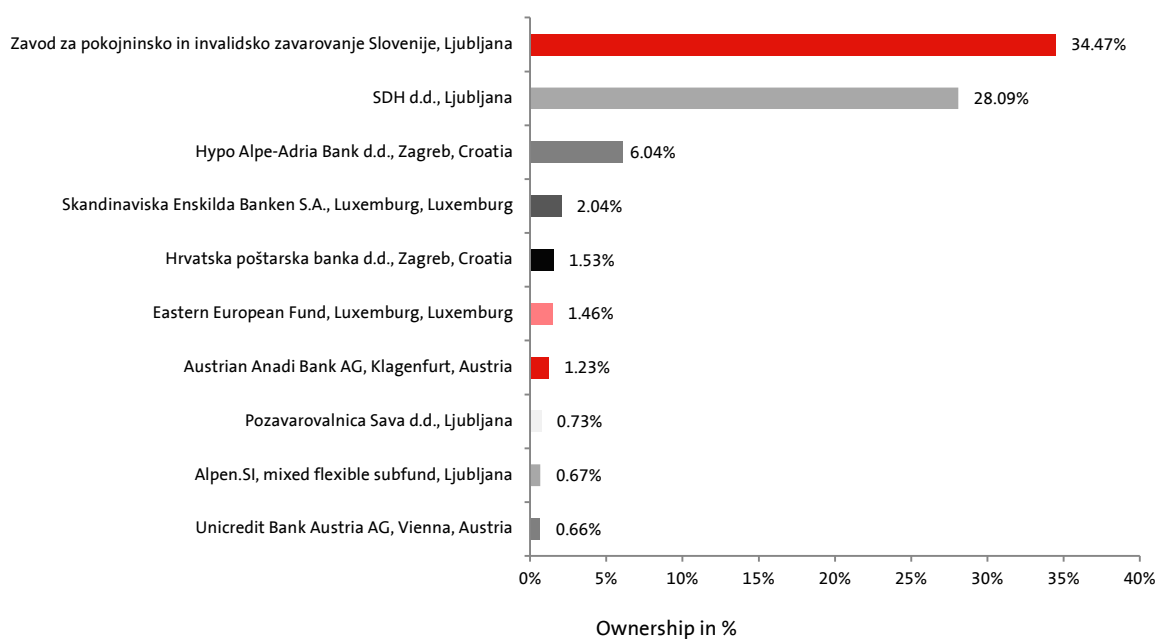
The ratio between natural persons and legal entities in the shareholder structure remains at the level similar to the previous year. As at the 2014 year-end, natural persons accounted for 27,869 shareholders or almost 98% of all shareholders, holding only less than 9% of all shares of Zavarovalnica Triglav.

Shareholder structure of Zavarovalnica Triglav as at 31 December 2014

	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	18,743,020	3,992,128	20,706,985	2,028,163
Number of shareholders	28,526	28,042	484	657	27,869
Number of shares - percentage	100.00%	82.44%	17.56%	91.08%	8.92%
Number of shareholders - percentage	100.00%	98.30%	1.70%	2.30%	97.70%

Ownership concentration measured by equity stakes of the first ten shareholders grew by 1.5%. As much as 77% of shares were held by ten companies. The largest and unchanged equity stake of 34.47% was maintained by ZPIZ. SHD d.d., the second top shareholder (a legal successor of Slovenska odškodninska družba d.d.), slightly increased its equity stake and held 28.09% of the shares as at the 2014 year-end. Among the top ten shareholders, four increased their shares, of which Hypo Alpe-Adria Bank d.d., Zagreb (custody account) increased its share the most. Alpen.SI, mešani fleksibilni podsklad, Ljubljana (renamed to NFD1, mixed flexible subfund) was featured in the shareholder structure for the first time.

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2014



Top ten shareholders of Zavarovalnica Triglav as at 31 December 2014 and 31 December 31. 12. 2013

Shareholder	Number of shares		Ownership (in %)	
	2014	2013	2014	2013
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	6,380,728	28.09	28.07
Hypo Alpe-Adria Bank d.d., Zagreb, Croatia	1,373,658	825,769	6.04	3.63
Skandinaviska Enskilda Banken S.A., Luxemburg, Luxemburg	463,285	334,516	2.04	1.47
Hrvatska poštarska banka d.d., Zagreb, Croatia	347,477	347,182	1.53	1.53
Eastern European Fund, Luxemburg, Luxemburg	333,034	333,034	1.46	1.46
Austrian Anadi Bank AG, Klagenfurt, Austria	279,164	279,164	1.23	1.23
Pozavarovalnica Sava d.d., Ljubljana	166,678	197,489	0.73	0.87
Alpen.SI, mešani fleksibilni podsklad (mixed flexible subfund), Ljubljana	152,477	162,790	0.67	0.72
Unicredit Bank Austria AG, Vienna, Austria	149,052	201,349	0.66	0.89

The number of shares held by the Management and Supervisory Boards remained approximately at the same level as in the preceding year.

Number of shares owned by members of the Management and Supervisory Boards as at 31 December 2014

Name and surname	Post	Number of shares	Equity stake
Management Board		80	0.00%
Andrej Slapar	President	-	-
Benjamin Jošar	Member	-	-
Uroš Ivanc	Member	80	0.00%
Tadej Čoroli	Member	-	-
Marica Makoter	Member, Employee Representative	-	-
Supervisory Board		1,604	0.01%
Shareholders representatives		-	-
Matej Runjak	Chairman	-	-
Gregor Kastelic	Deputy Chairman	-	-
Rajko Stanković	Member	-	-
Mario Gobbo	Member	-	-
Dubravko Štimac	Member	-	-
Matija Blažič	Member	-	-
Employee representatives		1,604	0.01%
Branko Gorjan	Member	1,204	0.01%
Peter Celar	Member	400	0.00%
Miran Krštinc	Member	-	-
Management and Supervisory Board Combined		1,684	0.01%

6.5 Dividend policy

The dividend policy of Zavarovalnica Triglav d.d. is stable and is based on its target capital adequacy. In line with its dividend policy, the Triglav Group will always have enough available capital to independently meet the criteria for ensuring its »A« (see *section 4.2*). The dividend policy also takes into account the planned growth rate and development of the Group in target markets of the South-East Europe.

A proposal by the Management Board and the Supervisory Board concerning the dividend per share is in line with the dividend policy. However, the dividend per share adopted at the General Meeting of Shareholders may deviate from the previously mentioned proposal, but the practice of recent years shows that it was set at such an amount which enabled the implementation of the Group's strategic objectives.

Overview of dividend payments for the business years 2011–2014

Items	2014	2013	2012	2011
Total dividends (In EUR)	to be defined	38,649,752	45,470,297	15,914,604
Dividends per share (in EUR)	to be defined	1.70	2.00	0.70
General Meetings of Shareholders	9 June 2015	10 June 2014	11 June 2013	13 June 2012
Earnings per share (in EUR)	2.01	2.12	2.22	1.93

6.6 Communication with investors

The main goal of up-to-date communicating with investors, shareholders and the expert financial public is to achieve a fair value and expected liquidity of the Company's securities. In line with the standards of the Prime Market of the Ljubljana Stock Exchange, Zavarovalnica Triglav offers equal treatment to all existing and new shareholders and therefore also guarantees the best possible basis on which investment decisions are adopted.

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

Communication objectives are realised by holding regular general meetings of shareholders, attending the meetings with financial analysts and investors, organising conference and individual calls with financial analysts and regularly communicating with financial media. In 2014, the Company attended meetings with investors in the USA (New York), Austria (Stegersbach), the Czech Republic (Prague), Serbia (Belgrade), Romania (Mamaia), Croatia (Zagreb), Slovenia (Ljubljana) and an online investment conference organised by Alta Invest.

The Investor Relations page on the website www.triglav.eu contains a section devoted to minority shareholders. Timely and correct information on the Company, business performance enabling the payment of dividends and efficient corporate governance are of utmost importance for the minority shareholders. Their involvement is ensured through regular and proactive communication.

The contacts for further information are listed below.

Information for shareholders:

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

6.7 Credit rating of the Triglav Group and Zavarovalnica Triglav

Achieving the »A« high credit rating by the established credit rating agency is one of the most important strategic objectives of the Triglav Group (see *Section 4.2*), which was again reached in 2014 with a confirmed »A–« rating.

In 2014, the Standard & Poor's Ratings Services (hereinafter: S&P) confirmed a current »A–« (excellent) long-term credit rating and an »A–« (excellent) financial strength rating of Zavarovalnica Triglav together with its subsidiary Pozavarovalnica Triglav Re d.d., and thereby the Triglav Group. Both credit ratings have a stable medium-term outlook. According to S&P, the Triglav Group will in the future maintain its strong competitive position, high capital adequacy, balanced investment portfolio and high profitability. As at the end of reporting year, the credit ratings of the Triglav Group, i.e. Zavarovalnica Triglav and Pozavarovalnica Triglav Re and the Republic of Slovenia are the same. Based on the stress tests carried out by the credit rating agency, Zavarovalnica Triglav may be rated a maximum of one notch above the sovereign rating on Slovenia.

Following its regular revision in 2014, the A.M. Best credit rating agency reaffirmed the financial strength rating of »A–« (Excellent) and issuer credit rating of »A–« (Excellent) of Zavarovalnica Triglav. Both credit ratings reflect solid risk-adjusted capitalisation, good business results and dominant competitive position in the Slovene market. A.M. Best revised the Company's medium-term outlook from "stable" to "positive". Despite challenging conditions in the insurance market in Slovenia, the credit rating agency improved Triglav's outlook based on its continued solid performance. The Triglav Group continues to strengthen its highly renowned brand across South-East Europe and carry out planned actions towards further growth. Moreover, the A.M. Best reaffirmed the two credit ratings of financial strength issuer credit rating and of Triglav's subsidiary Pozavarovalnica Triglav Re, thereby confirming its key role and important contribution to the implementation of the Triglav Group's strategic objectives. Both credit ratings have a stable medium-term outlook.

6.8 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's 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 ticker symbol ZT02 and ISIN Code SI0022103038, have been traded on the bond market of the Ljubljana Stock Exchange.

7. PERFORMANCE OF ZAVAROVANICA TRIGLAV

- The impact of the demanding business environment on the operations of the Company.
- Zavarovalnica Triglav maintained the leading position in the Slovene insurance market.
- High rate of return on financial investments.
- Increased number of mass loss events.

7.1 General economic environment in Slovenia

Following two years of a relatively strong decline, the Slovene economic environment began to **recover**. The export activity remained robust, gross investment and private consumption strengthened. The situation in the labour market and corporate financing conditions slightly improved. According to the December forecast of the Institute of Macroeconomic Analysis and Development (hereinafter: IMAD), the growth of Slovene GDP in real terms increased by 2.5% in 2014. The average inflation rate was 0.2%, the lowest since Slovenia's independence. GDP in current prices increased to EUR 37.1 billion, reaching EUR 17,986 per capita.

After a sharp decrease in recent years, **domestic consumption** significantly improved and grew by 1.4%. Higher growth was recorded in gross fixed capital formation. Of particular note is the growth of infrastructure investment as a result of accelerated EU fund absorption rate, while only slight growth was recorded in investment in machinery and equipment. Following a reversal in the labour market, household consumption grew moderately, whereas government consumption dropped due to fiscal consolidation.

International trade remained the main driver of Slovenia's economic growth, as it contributed 1.2 percentage points to GDP growth. Strong **export** growth resulted from higher foreign demand, improved cost competitiveness of the tradable sector and more favourable terms of trade. An increase was seen particularly in export of goods to EU member states, whereas export to non-EU member states slightly dropped, especially on account of Russia.

The economic recovery pushed up the employment rate, which increased by 0.7% (IMAD forecast). During the year, the Statistical Office of the Republic of Slovenia recorded encouraging employment trends in market services, manufacturing and construction, while the employment rate in the general government sector continued to stagnate. The registered unemployment rate remained almost unchanged at 13.1% of working-age population or 120.6 thousand persons.

Total corporate lending again decreased, mainly due to lower volume of bank loans. More than 50% of this decrease was due to value adjustments. Along with falling deposit interest rates and banking system stabilisation measures, interest rates on new loans began to decline moderately. Nevertheless, they remained significantly higher compared to the euro area.

A **gradual fiscal consolidation** continued. The general government deficit was 4.4% (forecast by the Ministry of Finance). Excluding one-off and temporary measures, it dropped by 0.6 percentage point to 3.5% compared to 2013. Gross general government debt rose by almost 12% and reached 82.2% of GDP. After completing the rehabilitation of the banking system, adopting several reforms and achieving progress in fiscal consolidation in 2014, Slovenia gained greater credibility in financial markets. Simultaneously with a boost in investor confidence in euro area government bonds, the return on the Republic of Slovenia's ten-year bonds dropped by almost 2.9 percentage points to no more than 2.2%.

In 2015, the **recovery of the Slovene economy** is expected to continue at a slightly slower pace. According to the IMAD December forecast, real GDP growth rate will be 2.0%. Private

consumption and gross fixed capital formation are expected to increase, whereas government consumption is likely to shrink again. A somewhat lower growth rate will be recorded in international trade. The registered unemployment rate will slightly decline to 12.6%, whilst the average annual inflation rate will be zero. The Government will have to continue with fiscal consolidation and privatisation in line with the Stability Programme in order to decrease both the budget deficit (below 3%) and public debt. Forecasts are accompanied by uncertainties that could reduce the currently expected growth rate. They mostly originate in the effects of government measures in meeting its commitments to fiscal consolidation and from the impact of geopolitical tensions on the Slovene international trade.

7.2 Environmental impact on the performance of Zavarovalnica Triglav

The first signs of economic recovery (see *Section 7.1*) have not yet resulted in improved conditions in the Slovene insurance market. The long-lasting economic and financial crisis changed the market and affected the consumer behaviour of policyholders. As a result, clients were more prudent when purchasing long-term life insurance policies and the insurance coverage of both retail and corporate clients was lower. This was accompanied by aggressive price competition among insurance companies. See *Sections 4.3 Objectives achieved by Zavarovalnica Triglav in 2014, 7.3 Insurance market in 2014 and 7.4 Gross written premiums* for more details.

Due to these circumstances, a number of measures continued to be implemented: the introduction of new sales approaches and products, promotional offers, intensive sales activities in both the internal and the external sales network, changes and adjustments to insurance terms and conditions and selective risk underwriting. See *Section 11. Development and sales activities* for more details.

The Company's business results are heavily influenced by the situation on capital markets, as diverse financial investments represent the majority of the Company's assets. High return on financial investments was primarily a result of higher profit from sales in trading with debt securities and with shares of Slovene issuers and significantly lower permanent impairments of financial investments than in the preceding year (see *Section 8. Financial result of Zavarovalnica Triglav* for more details).

The profit level was also affected by extraordinary loss events. The Company recorded five mass loss events totalling EUR 27.3 million with almost 11,000 claims reported. The largest mass loss event was caused by snow and glaze storm that affected the entire Slovenia in the beginning of 2014, which resulted in over 1,550 reported claims totalling EUR 12.7 million. In May, North and Central Slovenia were hit by stormy wind, resulting in almost 1,700 reported claims with total damage of EUR 2.7 million. The September floods hit Eastern Slovenia, whereas the floods in October and November were even more extensive, also affecting Central Slovenia. The three autumn floods resulted in over 7,600 reported claims totalling EUR 11.9 million.

Through active insurance and financial risk management and an efficient market approach, the Company performed well despite the negative factors in the economic and natural environment, which had a significant impact on the operating conditions in 2014.

7.3 Insurance market in 2014

The **global insurance market** underwent changes as Europe again took over the leading position. According to the official data by Swiss RE reinsurer (from May 2014), Europe

underwrote 35.2% of the total insurance premium in 2013, which is 1.9 percentage points more than the year before. In 2014, the premium underwritten by the leading North and South America slightly decreased (by 0.1 percentage point), reaching 33.8% of total insurance premium. Following a growth in premium and a gradual share increase in past years, the Asian share fell by 1.6 percentage points to 27.6%. Africa maintained its position in the global insurance market, which accounts for 1.6% of global insurance premium, whilst Oceania reduced its share by 1.9%.

In 2013, the **Slovene insurance market** accounted for 0.06% of the **global insurance market** (the same as in the preceding year) and was again ranked 55th. Although the Slovene market is 122 times smaller than the British market, which is the largest European insurance market, it is nonetheless well developed, as shown by relative indicators. On the world scale, Slovenia is ranked 28th in premium per capita and 25th in insurance penetration (premium share in GDP).

Premium per capita and market penetration in Slovenia and certain European countries in 2013

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(% of GDP)	World rank
Slovenia*	1,275	28	5.6%	25
Austria	2,604	22	5.3%	28
Croatia	372	47	2.7%	51
Czech Republic	760	33	3.8%	41
Great Britain	4,561	7	11.5%	6
Switzerland	7,701	1	9.6%	10
Turkey	166	62	1.5%	70
Greece	476	41	2.2%	55
Serbia	104	69	1.8%	68
Europe	1,833	-	6.8%	-
EU	2,680	-	7.8%	-

Source: Swiss RE, SIGMA 3/2014

*Data on premium for Slovenia by the Slovenian Insurance Association

In 2013, premium accounted for 5.6% (the latest published data by the Slovenian Insurance Association), which is the lowest share in the last five years. At EUR 960, the average premium per capita decreased to the level recorded between 2007 and 2008.

Development of the Slovene insurance market

Premium per capita (2013 data)	EUR 960
Premium as a percentage of GDP (data for 2013)	5.6%
Insurance market growth index in 2014	98

Source: Slovenian Insurance Association

The economic situation in 2014 continued to have an impact on the insurance business as shown by lower insurance premium in the Slovene insurance market. Insurance companies, members of the Slovenian Insurance Association, booked EUR 1,937.3 million of written premium or 2% less than in the previous year. This downward trend has continued since 2010, when premium income was the highest and amounted to EUR 2,094.3 million. Reasons for a negative growth mainly lie in lower household purchasing power, numerous bankruptcies, companies' lack of liquidity and strong price competition among insurers. In family and individual consumption urgent expenses hold the first place, only then followed by other expenses such as insurance. Similarly, most companies tend to limit themselves to compulsory and absolutely necessary insurance policies. Insurance companies are adapting to changes in consumer behaviour by redesigning their products and services, carrying out sales promotion campaigns and linking with different business partners (banks, retailers, other

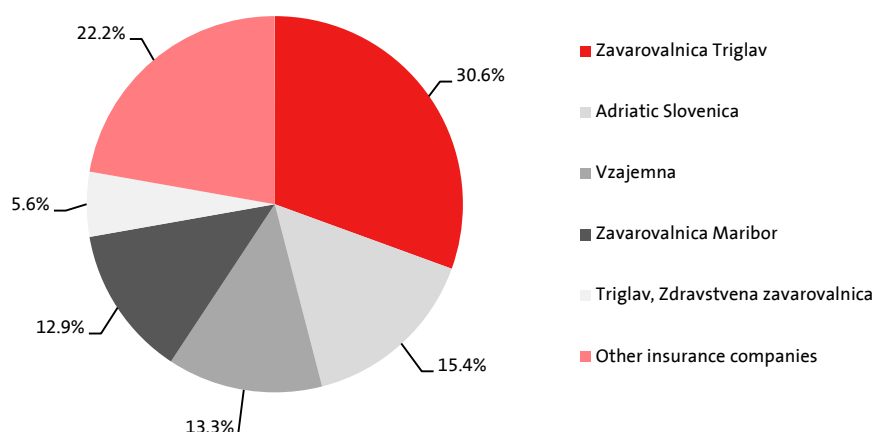
insurers). The highest price competitiveness typically remains in the motor vehicle insurance segment.

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. There were 17 traditional insurance companies, of which 10 composite and 7 specialised insurance companies (life, health and non-life insurance). **Traditional insurance companies** booked a **total** of EUR 1,934.0 million in premium, of which 72% stemmed from non-life insurance and the remainder from life insurance. **Life insurance** premium dropped by 3%, mainly due to a decrease in unit-linked life insurance, whilst traditional insurance premium recorded an increase. A slight decline in premium, i.e. 2%, was seen in the **non-life insurance segment**. As in recent years, the sharpest drop in premium in this insurance class was recorded by motor liability insurance. A premium growth was seen in only 5 traditional insurance companies. The data do not include insurance transactions concluded in Slovenia directly by foreign-owned subsidiaries (FOS). Their share is growing but, according to Triglav's data, it is still negligible. Zavarovalnica Triglav directly operates in all 28 EU Member states.

The Slovene insurance market is characterised by a high degree of concentration. The four major insurers controlled 72.2% of the traditional insurance market (2013: 72.4%). With a 30.6% share, **Zavarovalnica Triglav** remained the market leader, the same as a year ago. The second largest market share was held by Adriatic Slovenica, a company two times smaller. At 2014 year-end, Zavarovalnica Triglav and **Triglav, Zdravstvena zavarovalnica** had a combined market share of 36.1%, which was 0.3 percentage point more than in 2013. The ranking of top five insurers (in terms of market share) remained the same. Predominantly foreign-owned insurance companies (Generali, Merkur, Grawe, Wiener Städtische, Ergo branch office, Allianz branch office, Ergo življenjska zavarovalnica and Arag branch office) recorded a total of EUR 210.4 million in premium and increased their market share from 10.6% in 2013 to 10.9% in 2014.

Zavarovalnica Triglav **increased** its life insurance market share to 32.7%, which is 0.1 percentage point more compared to the previous year, whereas in non-life insurance market it **maintained** its 29.8% share. Aggressive price competition due to the difficult economic situation typically recorded in recent year, got even fiercer. The same applies to the difficult maintaining of the leading market position, which will greatly depend on the speed of response to market changes.

The 2014 market share of traditional insurance companies in Slovenia



Source: Slovenian Insurance Association

7.4 Gross written premiums

Zavarovalnica Triglav booked a total of EUR 592.6 million in gross written insurance and coinsurance premiums or 2% less than in the preceding year. In total written premiums, non-life insurance accounted for 70.7% or 0.3 percentage points more than in 2013; and life insurance for 29.3%.

Gross written premiums from insurance and co-insurance contracts by insurance class

Insurance class	Gross written premiums			Index		Structure
	2014	2013	2012	2014/2013	2013/2012	2014
Accident insurance	30,520,339	31,759,125	36,198,453	96	88	5.2%
Health insurance	0	0	0	0	0	0.0%
Comprehensive car insurance	96,906,182	99,102,501	108,450,817	98	91	16.4%
Real property insurance	122,947,764	123,397,594	127,689,476	100	97	20.7%
Motor liability insurance	94,244,935	99,952,714	111,575,379	94	90	15.9%
General liability insurance	28,987,963	29,690,730	30,071,732	98	99	4.9%
Credit insurance	23,152,992	21,165,261	19,837,754	109	107	3.9%
Other non-life insurance	22,029,648	21,490,951	21,943,617	103	98	3.7%
Non-life insurance	418,789,823	426,558,875	455,767,226	98	94	70.7%
Life insurance	85,640,550	87,779,232	85,209,421	98	103	14.5%
Unit-linked life insurance	73,907,907	76,720,215	85,162,447	96	90	12.5%
Capital redemption insurance	14,281,171	14,700,068	21,452,783	97	69	2.4%
Life insurance	173,829,628	179,199,515	191,824,651	97	93	29.3%
Total	592,619,451	605,758,390	647,591,877	98	94	100.0%

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

7.4.1 Non-life insurance

The gross written premiums in non-life insurance amounted to EUR 418.8 million, which was 2% less in nominal terms than in 2013. The main reason is a 4% decrease in written premium from **motor vehicle insurance**, representing the largest share (32.3%) in the portfolio. In **comprehensive car insurance** EUR 96.9 million premiums were collected, which was 2% less compared to the preceding year. The Company collected EUR 94.2 million or 6% less in **motor liability insurance** premiums. The main reasons for the decrease in premiums are:

- a persisting aggressive price competition among insurance companies;
- sales promotion activities (for more see *Section 11.2.2*) and continued inclusion of policyholders in the »Triglav komplet« bonus programme;
- greater prudence of policyholders and the economic crisis resulted in fewer and older vehicles owned by households, which is reflected in non-renewal, cancellation and reduced volume of purchased comprehensive car insurance. In corporate insurance, decreased premiums were substantially affected by the bankruptcies of large construction and transport companies, by fewer vehicles owned by companies and pressure on premium income by insurance agents.

In the **real property insurance** class (fire and natural disaster insurance and other damage to property insurance), accounting for 20.7% in total written premiums, premiums of EUR 122.9 million, remaining approximately at the same level as in 2013 (index 100). Premiums in fire and natural disaster insurance as well as other damage to property insurance remained at the same level as in the previous year.

Thanks to a spring sale promotion activity, a high premium growth was achieved in travel insurance. Good sales results in combined non-insurance were achieved by attracting new clients (transfer of international programmes) and increasing the premium of insurance

subsidiaries. Corporate insurance contracts increase and subsequently favourable sales results were also recorded in earthquake insurance. The largest premium decline was recorded in the following insurance subclasses:

- construction insurance due to a decline in the construction activity;
- home insurance package for individuals (DOM) and home contents insurance due to additional discount, decreased purchasing power of population and lower insurance density;
- the crop insurance as a consequence of lower co-financing of crop insurance premiums from the state, stricter terms of risk underwriting, aggressive competition, decreased orchard insurance premiums (an increasing number of orchards are covered with anti-hail nets, which significantly lowers the premium for the risk of hail) and lower premium rates in Pomurje.

Accident insurance represented 5.2% of total written premiums or EUR 30.5 million in nominal terms. Almost half of accident insurance premiums comes from two insurance sub-classes taken out simultaneously with car insurance (driver and passenger accident insurance and the driver's bodily injury insurance or AO-plus insurance), where the decrease in written premiums results from the already mentioned developments in the motor vehicle insurance market. A decrease in group accident insurance premiums (index 96) as the largest insurance sub-class of accident insurance group (40%) was primarily the consequence of an increasing number of corporate bankruptcies and reduced operating expenses of companies.

General liability insurance represented 4.9% of total written premiums or EUR 29.0 million in nominal terms. In general liability insurance, premiums fell by 2%, predominantly as a result of lower general liability insurance premiums, accounting for 74% of total premiums in this insurance class. This decrease was caused by financial crisis (a reduced number of employees that represent a premium calculation basis, corporate bankruptcies, etc.) and premium decrease in liability of management and supervisory board insurance (since a premium of a large policyholder in 2013 was invoiced for 2013 and 2014 at the same time). Solid sales results were achieved in product liability insurance, other professional liability insurance, liability of attorneys-at-law insurance, liability of medical doctors and liability of insurance brokerage firms.

In **credit insurance** (3.9% of the total), premiums written amounted to EUR 23.2 million, representing a 9% growth. A high 12% growth was recorded in consumer loan insurance (65%), the largest insurance sub-class of credit insurance, as banks more frequently decided to take out credit insurance. Good sales results were achieved in financial gap insurance, insurance in the event of unemployment, disability and death, (marketed by banks as an additional product taken out simultaneously with consumer and housing loans) and export credit insurance.

Other non-life insurance (railway insurance, marine insurance, aircraft insurance, goods in transit insurance, aircraft liability insurance, marine liability insurance, suretyship insurance, miscellaneous financial loss insurance, legal expense insurance and assistance insurance) recorded EUR 22.0 million in premiums or 3% more over the preceding year. They accounted for 3.7% of total written premiums. Premium growth was primarily generated by goods in transit insurance and aircraft liability insurance. Good sales results were also achieved in miscellaneous financial loss insurance and assistance insurance (car assistance). Marine insurance experienced a major decrease in premium (as the policyholders were returning the vessels funded through leasing or sold them) as well as aircraft insurance (resulting from business operations and fleet restructuring of a large policyholder, the sale of policyholders' aircrafts and fierce competition, also of foreign brokers).

7.4.2 Life insurance

In total, Zavarovalnica Triglav charged EUR 173.8 million in gross written premiums from **life insurance** contracts, which represents a 3% decrease on 2013. A lower premium was mostly resulted from the aging of the life insurance portfolio (an increased number of maturities) and as clients are more prudent when purchasing long-term life insurance policies due to tight economic conditions, which also impacted the increased number of surrenders and withdrawals.

Life insurance (traditional life insurance, pension insurance, annuity pension insurance, voluntary pension insurance) premiums stood at EUR 85.6 million, accounting for 49% of the total premiums in this insurance class. The premiums were 2% lower compared to the previous year mainly due to lower annuity pension insurance premiums. The premium generated by **unit-linked life insurance** (life insurance linked to the units of investment funds) totalled EUR 73.9 million or as much as 43% of written premiums in the life insurance class (index 96). Premium from **supplemental voluntary pension insurance** (capital redemption insurance) accounted for 8% of total life insurance premiums (index 97).

The new written premiums from instalment-based insurance totalled EUR 1.2 million, having decreased by 7% compared to 2013. Premium from single premium life insurance recorded a significant 76% growth (EUR 14.5 million of insurance premiums). High growth in single insurance premium is a consequence of a large number of maturities and their effective processing by transferring the assets to new insurance or to the newly established fund with a guaranteed return TZD2 or by retaining the assets through the extension of the insurance period.

7.5 Gross claims paid

Gross claims paid (including claim handling costs and subrogation receivables) remained approximately at the same level as the year before (index 100) and equalled EUR 421.1 million.

Gross claims paid of the by insurance class

Insurance class	Gross claims paid			Index		Structure
	2014	2013	2012	2014/2013	2013/2012	2014
Accident insurance	14,040,118	14,448,864	15,810,213	97	91	3.3%
Health insurance	0	0	0	0	0	0.0%
Comprehensive car insurance	72,370,300	77,741,420	80,294,015	93	97	17.2%
Real property insurance	77,776,342	62,685,273	67,318,166	124	93	18.5%
Motor liability insurance	55,984,098	63,437,935	63,924,124	88	99	13.3%
General liability insurance	14,116,832	19,217,234	15,215,564	73	126	3.4%
Credit insurance	3,909,616	3,767,715	3,976,482	104	95	0.9%
Other non-life insurance	14,419,871	12,645,670	12,415,787	114	102	3.4%
Non-life insurance	252,617,177	253,944,111	258,954,352	99	98	60.0%
Life insurance	89,900,409	93,136,178	90,505,971	97	103	21.3%
Unit-linked life insurance	68,360,419	51,136,600	38,467,178	134	133	16.2%
Capital redemption insurance	10,243,569	21,180,914	28,773,296	48	74	2.4%
Life insurance	168,504,399	165,453,692	157,746,445	102	105	40.0%
Total	421,121,575	419,397,804	416,700,797	100	101	100.0%

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

7.5.1 Non-life insurance

The comparison of growth rates between claims and insurance premiums in non-life insurance shows that claims grew at a rate of 1.3 index points higher than insurance premiums. In non-life insurance, total gross claims paid amounted to EUR 252.6 million or 1% less in 2013. The number of reported loss events went down by 1%, and a number of unsettled claims at the 2014 year-end dropped as well. The profit level in 2014 was also affected by major loss events, which is described in greater detail in *Section 7.2 Environmental impact on the performance of Zavarovalnica Triglav*.

The gross claims paid for **motor vehicle insurance** accounted for the bulk or 30.5% of all claims settled. Claims paid amounted to EUR 128.4 million or 9% less than in the preceding year. The decrease was a result of fewer reported claims due to slightly fewer insurance policies taken out, improved road traffic safety and constant control of claim settlement procedures. In **comprehensive car insurance** claims paid totalled EUR 72.4 million or 7% less than in 2013 (17.2% of total gross claims paid). With EUR 56.0 million or 13.3% of total gross claims booked, **motor liability insurance** decreased by as much as 12%.

A high 24% growth was recorded in **real property insurance** (fire and other damage to property insurance). Gross claims paid amounted to EUR 77.8 million, which was 18.5% of all claims settled. In fire and natural disaster insurance a 19% increase in gross claims was achieved along with a 27% growth in other damage to property insurance, mainly as a result of frost, which caused the greatest damage to the electrical grid and telecommunication networks (the insurance sub-classes fire insurance and machinery breakdown insurance – power industry). High growth was also recorded in combined non-life insurance products, fire insurance in industry, insurance of property and property interests (DOM), home contents insurance and crop and fruit insurance. High growth in combined non-life insurance and fire insurance in industry is a result of individual large claims paid. A payment of a large claim due to telecommunication network damage from frost was also made. The high growth in home contents insurance and insurance of property and property interests (DOM) was primarily a consequence of floods (accounting for 37% of total payments claims in these insurance subclasses). Hail in fruit production, hops damage due to storm and individual flood damage in vegetable production resulted in a significant increase in crop insurance claims.

The **other non-life insurance** class recorded a 14% growth in gross claims paid, primarily as a result of higher gross claims paid in goods in transit insurance (more claims by one policyholder) and assistance insurance (more claims in roadside assistance insurance). With regard to other insurance classes, the gross claims paid were higher than the year before. Only aircraft insurance, miscellaneous financial loss insurance and railway insurance experienced decreases in gross claims paid.

Gross claims paid in **credit insurance** amounted to EUR 3.9 million or 4% more than the year before. Gross claims in the largest insurance subclass, consumer loan insurance (55% share in credit insurance), declined by 3%. A high increase was recorded in two insurance subclasses, overdraft insurance and payment card claims insurance, predominantly due to the economic and financial crisis. On the contrary, claims in export credit insurance and domestic trade insurance decreased most.

Gross written claims plunged in **general liability insurance** (index 73) due to payments to two large claims to policyholders in the product liability insurance and construction insurance subclasses in the preceding year.

A 3% decrease in gross claims paid was recorded in the **accident insurance** class, amounting to EUR 14.0 million. This drop was mainly caused by decreased claims in the largest insurance

sub-class – group accident insurance (56% share in the insurance class) due to fewer reported claims.

7.5.2 Life insurance

Gross claims paid in **life insurance class** totalled EUR 168.5 million and were 2% higher compared to the previous year. Claims in the life insurance class accounted for 40.0% of total claims paid or 0.6 percentage points more than a year earlier.

Due to an increase in sums paid out on the maturity the gross claims in **unit-linked life insurance** represented a high growth of 34%. Gross claims paid amounted to EUR 68.4 million.

The bulk of all claims settled is accounted for by **life insurance** (traditional life insurance, pension insurance, annuity pension insurance and voluntary pension insurance), amounting to EUR 89.9 million. Compared to the previous year, they decreased by 3% due to a decreased number of surrenders, a decrease in sums paid out on the maturity and fewer withdrawals.

Gross claims paid in **supplemental voluntary pension insurance** decreased by 52% mainly due to reduced payments arising from withdrawals from insurance contracts and the transfers to another pension insurance provider.

7.6 Gross operating expenses

Gross operating expenses of the Company totalled EUR 162.7 million, having increased by 1% over the preceding year. The operating expenses growth was 3 index points higher than the growth of gross written premiums. Operating expenses accounted for 27.5% of gross written premiums, representing an increase of 0.8 percentage point compared to 2013.

Acquisition costs (fees and commissions) increased by 13%, primarily as a result of sales campaigns and insurance agents fees and commissions (see *Sections 11.2.1. and 11.2.2*) and totalled EUR 21.8 million. Depreciation charges equalled EUR 9.8 million or 3% less compared to 2013. Labour costs, representing the bulk of total expenses (56.4%), grew by 2% and equalled EUR 91.7 million. Labour costs mainly increased due to bonuses paid to most successful sales agents, new employees as a result of the merger of Triglav nepremičnine and the payment of extraordinary performance allowance to employees (payment of extra work time). Costs of services provided by natural persons other than sole proprietors amounted to EUR 1.8 million, which went down by 10% compared to the preceding year. Other operating expenses totalled EUR 37.6 million, having decreased by 7%. The highest drop was seen in costs of services of professional training, rents, costs of entertainment, advertising, trade shows and payment transaction costs and banking services.

Gross operating expenses in non-life insurance increased by 1% to EUR 128.5 million. Their share in gross written premiums accounted for 30.7%. Operating expenses in life insurance grew by 1% as well, amounting to EUR 34.2 million. They accounted for 19.7% of gross written premiums.

In total gross operating expenses, broken down by functional groups, acquisition costs accounted for 61.4%, which was 1.9 percentage points more than in 2013. Shares of loss adjustment costs and asset management costs also went up. Loss adjustment costs accounted for 12.7% (12.5% in 2013) and asset management costs for 2.2% (1.7% in 2013). Other operating expenses represented 23.7%, having declined by 2.5 percentage points.

Gross operating expenses by nature in 2014

	Gross operating expenses			Index		Structure
Operating costs by nature	2014	2013	2012	2014/2013	2013/2012	2014
Acquisition costs (fees and charges)	21,781,324	19,342,036	18,305,679	113	106	13.4%
Depreciation of operating assets	9,848,554	10,120,894	8,819,073	97	115	6.1%
Labour costs	91,702,311	89,490,981	89,989,713	102	99	56.4%
- wages and salaries	67,330,797	67,053,812	66,623,332	100	101	41.4%
- social securities and pension insurance costs	10,995,938	11,151,543	11,377,667	99	98	6.8%
- other labour costs	13,375,576	11,285,626	11,988,713	119	94	8.2%
Costs of services provided by natural persons other than SPs together with pertaining taxes	1,756,810	1,962,550	1,871,262	90	105	1.1%
Other operating expenses	37,603,919	40,348,992	41,957,593	93	96	23.1%
- costs of entertainment, advertising, trade shows	8,287,612	10,086,394	10,551,146	82	96	5.1%
- costs of material and energy	4,320,485	4,522,038	4,895,177	96	92	2.7%
- maintenance costs	7,456,486	7,109,126	6,817,466	105	104	4.6%
- reimbursement of labour-related costs	3,380,605	3,479,594	3,872,283	97	90	2.1%
- costs of intellectual and personal services	1,927,551	2,029,052	1,843,919	95	110	1.2%
- non-income-related costs, excluding insurance	1,655,259	1,625,011	1,799,319	102	90	1.0%
- costs of transport and communication services	2,839,107	2,771,131	2,905,142	102	95	1.7%
- costs of insurance premiums	1,277,350	1,315,810	1,341,042	97	98	0.8%
- payment transaction costs and banking services	1,796,461	2,112,331	3,099,269	85	68	1.1%
- rents	2,355,084	2,995,276	2,687,949	79	111	1.4%
- costs of services of professional training	464,495	833,497	823,218	56	101	0.3%
- other costs of services	1,843,424	1,469,733	1,321,665	125	111	1.1%
Total	162,692,918	161,265,453	160,943,321	101	100	100.0%

Gross operating expenses by insurance class in 2014

	Gross operating expenses			Index		Structure
Insurance class	2014	2013	2012	2014/2013	2013/2012	2014
Accident insurance	9,994,928	9,919,710	10,591,655	101	94	6.1%
Health insurance	0	0	0	0	0	0.0%
Comprehensive car insurance	26,555,561	26,472,691	26,399,267	100	100	16.3%
Real property insurance	40,899,259	42,500,351	43,713,612	96	97	25.1%
Motor liability insurance	27,556,030	27,849,092	25,779,320	99	108	16.9%
General liability insurance	9,507,686	8,961,794	8,218,351	106	109	5.8%
Credit insurance	5,184,989	4,621,280	4,377,848	112	106	3.2%
Other non-life insurance	8,782,582	6,954,425	6,823,553	126	102	5.4%
Non-life insurance	128,481,037	127,279,344	125,903,607	101	101	79.0%
Life insurance	17,496,849	16,819,293	15,542,483	104	108	10.8%
Unit-linked life insurance	14,752,209	15,165,567	17,251,397	97	88	9.1%
Capital redemption insurance	1,962,824	2,001,250	2,245,834	98	89	1.2%
Life insurance	34,211,881	33,986,109	35,039,714	101	97	21.0%
Total	162,692,918	161,265,453	160,943,321	101	100	100.0%

7.7 Risk equalisation

Zavarovalnica Triglav equalised 89% 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 the Company's equalisation capacities, losses were covered by the current inflow of technical premium by insurance class and allocated insurance contract provisions.

7.7.1 Insurance technical provisions

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured parties. As at the end of reporting period, the Company allocated EUR 2,060.0 million to gross insurance technical provisions, which in total represented an increase of 5% compared to the preceding year. In non-life insurance, the amount of gross insurance technical provisions decreased by 1%, whereas in life insurance it increased by 8% compared to 2013.

Provisions by type as at 31 December 2014 compared to the same day of the preceding year:

- **Gross provisions for unearned premiums** decreased by 3% down to EUR 182.9 million. Unearned premium from non-life insurance amounted to EUR 182.5 million (index 97). Unearned premium from life insurance amounted to EUR 413 thousand and was lower by 4% in comparison to the preceding year.
- **Gross provisions for outstanding claims** remained approximately at the same level as the year before (index 100) and equalled EUR 509.0 million. Claims provisions from non-life insurance totalled EUR 489.9 million (index 100) and those from life insurance EUR 19.1 million (index 99). In addition to the recorded gross claims provisions in the amount of EUR 168.3 million and claims provisions for co-insurance of EUR 1.2 million, gross claims provisions of EUR 301.6 million were earmarked for incurred but not reported claims. Provisions for loss adjustment costs totalled EUR 48.0 million, while provisions for expected subrogations reduced the gross claims provisions by EUR 10.1 million.
- **Mathematical provisions** increased by 8% to EUR 1,347.8 million over the previous year. Of the total amount of mathematical provisions, EUR 703.0 million originated in the guarantee fund backing **life insurance**, EUR 443.0 million in the guarantee fund backing **unit-linked life insurance** and EUR 201.8 million in the guarantee fund backing **SVPI insurance**. The main reason for higher mathematical provisions is a high return on investment arising from mathematical provisions, which resulted in a general increase in the assets on personal accounts of supplemental voluntary pension insurance and unit-linked life insurance policyholders. A high return on investment also increased the value of provisions for guarantee fund backing life insurance, because of the rise in revaluation surplus (shadow accounting). In parallel, the Company lowered the internally set maximum interest rate used for the valuation of life insurance liabilities, which resulted in an increase in mathematical provisions for the guarantee fund backing life insurance by further EUR 20.6 million.
- **Provisions for bonuses and discounts** increased by 2% to EUR 15.4 million nominally.
- **Other insurance technical provisions** amounted to EUR 5.0 million, which was higher by 185% over the 2013 year-end, mainly due to higher provisions for unexpired risks (index 358), the value of which reached EUR 3.0 million. These provisions are made for those insurance classes where such a high historical loss ratio was recorded that additional provisions for unearned premium are required in order to cover future liabilities. Higher provisions for unexpired risks were caused by high claim growth due to natural disasters (an increase of EUR 1.5 million) and to a changed methodology for calculating provisions (an increase of EUR 0.5 million). Other insurance technical provisions include provisions for cancellations, which grew by 3% to EUR 916 thousand over the 2013 year-end and additional provisions for credit risks totalling EUR 987 thousand.

Gross insurance technical provisions as at 31 December 2014

	Gross insurance technical provisions		Index
	31 December 2014	31 December 2013	2014/2013
Unearned premiums	182,902,536	188,286,777	97
Mathematical provisions	1,347,810,649	1,244,116,610	108
Claims provisions	508,999,132	510,090,992	100
Provisions for bonuses and discounts	15,380,257	15,040,488	102
Other insurance technical provisions	4,950,270	1,737,337	285
Total	2,060,042,843	1,959,272,204	105

7.7.2 Reinsurance

Reinsurance cover for Zavarovalnica Triglav is provided by the reinsurance company Pozavarovalnica Triglav Re, while certain risks are co-insured with other insurance companies. In 2014, optimum coverage terms and conditions were achieved in all reinsurance and co-insurance contracts.

In 2014, the Company allocated EUR 67.3 million of reinsurance and coinsurance premiums to external equalisation, which was 1% more compared to 31 December 2013. Reinsurance premium accounted for 11.4% of total gross written premium. A reinsurers' share of gross claims settled of EUR 20.7 million (index 84) was received from reinsurance and coinsurance.

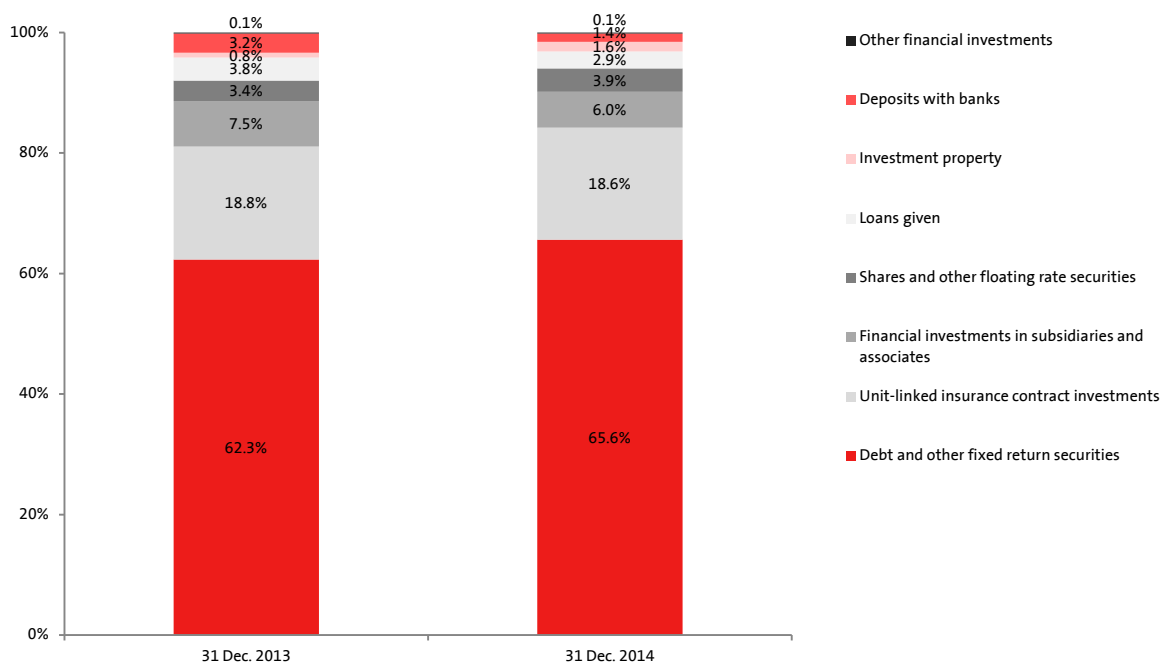
7.8 Structure of financial investments

Financial assets, investments in subsidiaries and associated companies and investment property as at 31 December 2014 stood at EUR 2,422.6 million, which was 8% more compared to the 2013 year-end. Their share in total assets rose by 0.8 percentage point and reached 89.0%.

Financial assets of Zavarovalnica Triglav as at 31 December 2014 in 31 December 2013

	Financial investments		Index	Structure
	31 December 2014	31 December 2013	2014/2013	31 Dec. 2014
Investment property	37,972,457	18,067,610	210	1.6%
Financial investments in subsidiaries and associates	144,226,399	169,416,050	85	6.0%
Shares and other floating rate securities	94,055,462	77,433,178	121	3.9%
Debt and other fixed return securities	1,589,817,995	1,403,101,609	113	65.6%
Loans given	69,228,331	85,517,221	81	2.9%
Deposits with banks	33,708,868	71,943,722	47	1.4%
Other financial investments	3,072,247	3,019,766	102	0.1%
Derivative financial instruments	698,620	665,166	105	0.0%
Unit-linked insurance contract investments	449,802,771	422,849,370	106	18.6%
Total	2,422,583,151	2,252,013,691	108	100.0%

Structure of financial assets of Zavarovalnica Triglav as at 31 December 2014 and 31 December 2013



In the reporting year, the shares of some investment grades were changed, as the Company implemented its strategy of maintaining a high overall credit rating. The largest, 65.6% share of total financial assets was maintained by **debt and other fixed-return securities**. At the 2014 year-end, they reached EUR 1,589.8 million, having increased by 13% over the preceding year.

Unit-linked insurance contract investments were up by 6%. They amounted to EUR 449.8 million, accounting for 18.6% of total assets.

Financial investments in subsidiaries and associated companies totalled EUR 144.2 million and represented a 6.0% share of total assets. They were lower by 15% as a result of permanent impairments of these investments.

Investments in shares and other floating rate securities grew by 21% to EUR 94.1 million in nominal terms. Their share in total assets rose by 0.5 percentage point to 3.9%.

Loans given decreased by 19% to EUR 69.2 million over the previous year, accounting for 2.9% of the total.

Investment property totalled EUR 38.0 million or 110% more compared to 2013. The increase is a consequence of acquiring additional investment property through the merger with Triglav Nepremičnine. They represented 1.6% of total financial assets.

Deposits with banks decreased by 53% with a 1.4% share in total financial assets, totalling EUR 33.7 million.

Other financial investments stood at EUR 3.1 million (index 102), representing a 0.1% share of total financial assets. **Derivative financial instruments** equalled EUR 699 thousand and accounted for merely 0.03% of total financial assets (index 105).

By issuer sector, government bonds representing 63.5% continued to account for the bulk of total debt securities (51.5% as at 31 December 2013). Compared to 2013, their share increased

by as much as 40%, reflecting a tactical investment policy. Financial bonds saw an increase of 14%, representing 17.5% in total debt securities, whilst in total debt and other fixed-return securities, the shares of corporate bonds (16.4%) and structured bonds (2.7%) decreased.

Debt securities of Zavarovalnica Triglav by issuer sector in 2014 and 2013

Issuer sector	Debt securities		Index	Structure	
	31 December 2014	31 December 2013	2014/2013	31 Dec. 2014	31 Dec. 2013
Corporate	260,010,200	371,624,542	70	16.4%	26.5%
Financial	278,178,360	243,868,429	114	17.5%	17.4%
Government	1,008,943,897	721,988,114	140	63.5%	51.5%
Structured	42,685,539	65,620,525	65	2.7%	4.7%
Total	1,589,817,995	1,403,101,609	113	100.0%	100.0%

Note: Unit-linked insurance contract investments data excluded.

By issuer credit rating, in the structure of debt securities the share of bonds with a BBB credit rating increased the most, i.e. by 11.0 percentage points (index 142), as a result of new purchases and extraordinary growth in bond prices in this credit rating grade (the latter is primarily a consequence of narrowing credit spreads of peripheral countries and Slovenia). On the contrary, lower shares of AA-rated bonds stem not only from a lower return achieved in the reporting period by bonds with the highest credit ratings compared to BBB-rated bonds but also from the maturity of short-term positions in the BBB credit rating grade. Moreover, a lower share of bonds in credit rating grades with no agency credit rating assigned (a 1.8% share) resulted from the fact that certain securities in these grades fell due or were sold.

Debt securities of Zavarovalnica Triglav by issuer credit rating in 2014 and 2013

Credit rating	Debt securities		Index	Structure	
	31 December 2014	31 December 2013	2014/2013	31 Dec. 2014	31 Dec. 2013
AAA	280,322,943	290,469,428	97	17.6%	20.7%
AA	76,472,078	106,148,478	72	4.8%	7.6%
A	241,018,389	240,865,854	100	15.2%	17.2%
BBB	865,975,039	610,556,569	142	54.5%	43.5%
Below BBB	96,896,476	68,937,714	141	6.1%	4.9%
Not rated	29,133,071	86,123,567	34	1.8%	6.1%
Total	1,589,817,995	1,403,101,609	113	100.0%	100.0%

Note: Unit-linked insurance contract investments data excluded.

Changes in exposure of debt securities to individual countries are a result of price fluctuations and active trading. Most purchases were made in investments in peripheral countries, particularly in investments of Italian (index 210), Spanish (index 151) and Slovene issuers (index 141). Almost half of the growth in positions in Slovene and Spanish securities can be attributed to price changes and the rest to net purchases, mainly of securities of Italian issuers in which the positions significantly increased. Lower exposure to countries with the highest credit ratings is a result of reservations to invest in securities with a relatively low return under the current conditions of record low interest rates.

Debt securities of Zavarovalnica Triglav by issuer's country in 2014 and 2013

Country of issuer	Debt securities		Index	Structure	
	31 December 2014	31 December 2013	2014/2013	31 Dec. 2014	31 Dec. 2013
Slovenia	477,325,016	337,538,415	141	30.0%	24.1%
Germany	184,163,008	273,392,440	67	11.6%	19.5%
France	103,611,978	146,372,607	71	6.5%	10.4%
Spain	112,276,088	74,191,051	151	7.1%	5.3%
Netherlands	94,387,310	104,205,925	91	5.9%	7.4%
Italy	93,946,562	44,833,977	210	5.9%	3.2%
Other	524,108,034	422,567,193	124	33.0%	30.1%
Total	1,589,817,995	1,403,101,609	113	100.0%	100.0%

Note: Unit-linked insurance contract investments data excluded.

The proportion of shares in total assets fell by 3%, primarily due to net sales and permanent impairment of investments in subsidiaries. In 2014, exposure to shares of developed markets dramatically increased (index 247), especially index funds and shares in the Balkans (index 295), as a result of the investment acquired with the merger of the subsidiary Triglav Nepremičnine. The sales, which were mostly carried out at the beginning of the year, reduced exposure to shares in developing markets. The proportion of shares of Slovene issuers also dropped (index 87), primarily due to the sale of certain equity investments (Aerodrom, Helios, Letrika).

Equity investments of Zavarovalnica Triglav by geographic area in 2014 and 2013

Geographic area	Equity investments		Index	Structure	
	31 December 2014	31 December 2013	2014/2013	31 Dec. 2014	31 Dec. 2013
Slovenia	195,723,206	225,666,590	87	82.1%	91.4%
Developed markets	33,973,340	13,756,415	247	14.3%	5.6%
Developing markets	3,653,911	5,756,014	63	1.5%	2.3%
Balkans	4,931,403	1,670,208	295	2.1%	0.7%
Total	238,281,861	246,849,227	97	100.0%	100.0%

8. FINANCIAL RESULT OF ZAVAROVALNICA TRIGLAV

- Despite persisting tight operating conditions and extraordinary loss events, Zavarovalnica Triglav ended the 2014 business year with a net profit of EUR 45.6 million and recorded an 8.7% return on equity.
- Combined ratio in non-life insurance, which shows profitability of operations, was favourable at 94.7%.
- A high return on financial investments was primarily a result of higher profit from sales in trading with debt securities and shares of Slovene issuers and significantly lower permanent impairments of financial investments than in the preceding year.

Despite the unfavourable business environment and extraordinary loss events, which significantly affected the Company's operations, Zavarovalnica Triglav performed well and ended 2014 with a profit. Profit before tax amounted to EUR 57.5 million or 4% less than in at the 2013 year-end. Net profit decreased by 6% to EUR 45.6 million in nominal terms. Compared to 2013, net return on equity decreased by 0.8 percentage point to 8.7%.

Combined ratio in non-life insurance, which shows the profitability of operations, was favourable at 94.7% (2013: 85.3%). Any value of this ratio below 100 means, that the non-life insurance portfolio as the core business (excluding return on investments) is earning a profit.

8.1 Premium income, claims incurred and operating expenses

Net premium earned (calculated on the basis of gross written insurance and co-insurance premium, reduced by the reinsurers' share and adjusted by the change in gross unearned premium taking into account the reinsurers' share in unearned premium) amounted to EUR 529.7 million and was 3% lower than in 2013. Net non-life and net life premiums earned decreased by 4% and 3% respectively. Gross written premiums from reinsurance and co-insurance operations totalled EUR 67.3 million, representing a 1% increase over 2013. Gross unearned premium went amounted to EUR 4.4 million, which was 52% less compared to the previous year.

Net claims incurred (gross claims increased by loss adjustment costs, reduced by the reinsurers' and co-insurers' shares and subrogated receivables, adjusted by the change in gross claims provisions taking into account the reinsurers' and co-insurers' shares in these provisions) increased by 6% to EUR 392.0 million in nominal terms. In non-life insurance and in life insurance, net claims incurred increased by 9% and by 2% respectively. The reinsurers' and co-insurers' shares of gross claims decreased by 16% compared to 2013 and totalled EUR 20.7 million. The change in net claims provisions was EUR -8.4 million, compared with EUR -24.0 million in 2013.

Operating expenses (acquisition costs and other operating expenses) remained approximately at the same level as the year before (index 100), reaching EUR 138.4 million. Acquisition costs totalled EUR 99.9 million (index 104), whereas other operating expenses amounted to EUR 38.6 million (index 91).

8.2 Income and expenses from financial assets

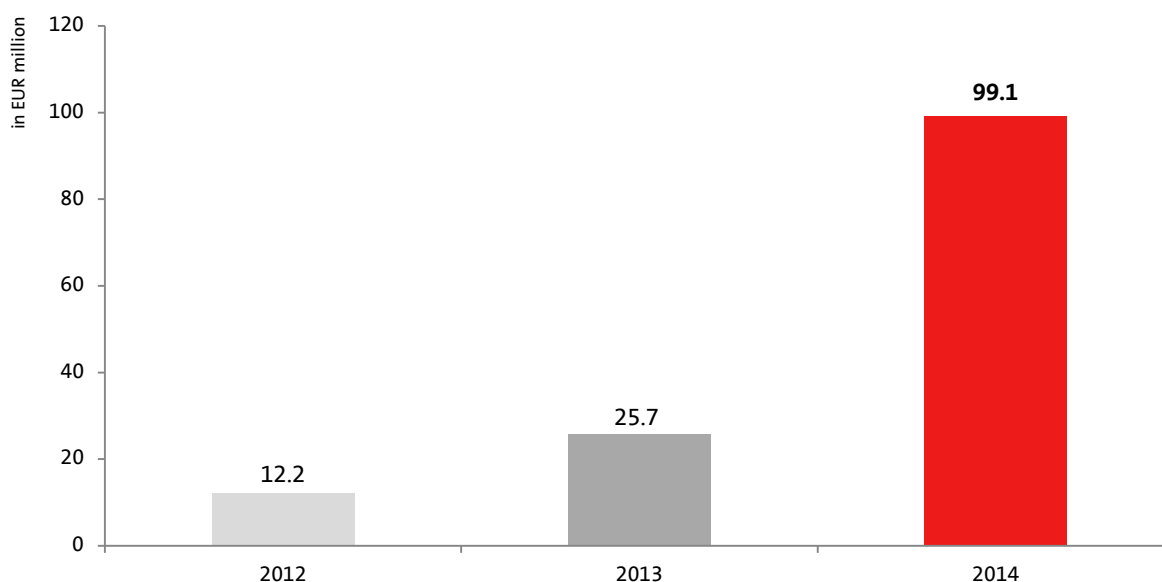
Income from financial assets rose by 27% to EUR 212.0 million nominally. Income from financial assets in associates reached EUR 2.4 million, having decreased by 67% predominantly due to extraordinary dividend payments in 2013. Income from other financial assets in the reporting year totalled EUR 146.3 million, which was 30% above the figure posted for 2013. The

high increase was primarily a result of higher profit from sales in trading with debt securities (index 204) and the profits obtained from the sale of Slovene public limited companies during the privatisation process. High growth in the change in fair value (index 122) was also recorded, because required returns reached record-low levels, increasing the value of investments in bonds recognised at fair value through profit and loss. Due to changes in the dividend policy of some Slovene public limited companies and extraordinary dividend payments, a high increase in dividend income was recorded (index 176). Interest income declined by 5% as a result of lower general interest rate and reinvestment of surplus funds at a lower required return. A high growth of other financial income (index 383) may be attributed to exchange differences, mainly investments denominated in US dollars.

Financial expenses equalled EUR 69.1 million or 46% less than in 2013. Expenses from financial assets in associates totalled EUR 22.0 million (index 83), while expenses from other financial assets equalled EUR 27.6 million (index 41). Net unrealised losses on unit-linked life insurance assets decreased to EUR 19.5 million (index 58). The main portion of financial expenses is represented by permanent impairment of EUR 20.6 million, a 60% decrease compared to 2013. Zavarovalnica Triglav permanently impaired primarily investments in some of its subsidiaries due to their poorer performance than planned.

Return on financial investments (excluding unit-linked insurance contract investments) represents the difference between income and expenses from financial assets. They amounted to EUR 99.1 million, increasing by as much as 285% compared to 2013. The high increase was primarily a result of higher profit from sales in trading with debt securities and shares and significantly lower permanent impairments of financial investments.

The return on financial investments of Zavarovalnica Triglav (excluding unit-linked insurance contract investments) in the period from 2012 to 2014



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

Changes in other insurance technical provisions summed up to EUR 58.4 million (2013: EUR –555 thousand), with change in mathematical provisions totalling EUR 56.2 million (2013: –23 thousand) and change in other provisions EUR 2.2 million (2013: –532 thousand). The reasons for the increase in mathematical provisions are particularly high investment returns and reduced internally set maximum interest rate that the Company uses for the valuation of life

insurance liabilities (for details see *Section 7.7.1*). Other provisions went up mostly due to provisions for unexpired risks (for details see *Section 7.7.1*).

Change in insurance technical provisions for unit-linked insurance contracts equalled EUR 22.6 million (index 147) due to an increase in price of fund units. Expenses for bonuses and discounts reached EUR 8.6 million (index 160).

Other insurance income totalled EUR 16.9 million, having increased by 11%. **Other income** rose by 40% to EUR 10.6 million. **Other insurance expenses** amounted to EUR 12.0 million (index 90), whereas **other expenses** reached EUR 10.5 million (index 122).

Income statement for 2014 – according to IFRS

	2014	2013	Index
Net premium income	529,727,190	548,622,311	97
- gross written premium	592,619,451	605,758,390	98
- ceded written premium	-67,287,154	-66,332,481	101
- change in unearned premiums	4,394,893	9,196,402	48
Income from financial assets	212,013,745	167,336,928	127
Income from financial assets in associates	2,441,318	7,344,545	33
- interest income	2,193,168	2,183,420	100
- dividends	239,834	4,525,425	5
- fair value gains	0	0	0
- realised gains on disposals	0	632,059	0
- other financial income	8,317	3,642	228
Income from other financial assets	146,293,090	112,611,938	130
- interest income	58,371,048	61,366,943	95
- dividends	3,544,526	2,009,605	176
- fair value gains	26,454,746	21,743,072	122
- realised gains on disposals	54,194,732	26,518,051	204
- other financial income	3,728,038	974,267	383
Net unrealised gains on unit-linked life insurance assets	63,279,337	47,380,445	134
Other income from insurance operations	16,878,496	15,252,351	111
- fees and commission income	12,557,361	11,038,252	114
- other income from insurance operations	4,321,135	4,214,099	103
Other income	10,639,169	7,589,359	140
Net claims incurred	392,038,267	370,654,940	106
- gross claims settled	421,121,575	419,397,804	100
- reinsurers' share	-20,710,778	-24,791,992	84
- changes in claims provisions	-8,372,531	-23,950,871	35
Change in other insurance technical provisions (excluding ULI)	58,391,620	-555,109	
Change in insurance technical provisions for unit-linked insurance contracts	22,619,358	15,433,207	147
Change in financial contract liabilities	0	0	0
Expenses for bonuses and discounts	8,632,089	5,386,018	160
Operating expenses	138,439,417	138,326,564	100
- acquisition costs	99,854,627	95,983,106	104
- other operating costs	38,584,790	42,343,458	91
Expenses from financial assets and liabilities	69,149,319	128,000,114	54
Expenses from financial assets and liabilities in associates	22,048,541	26,631,747	83
- interest expense	0	0	0
- fair value losses	0	0	0
- realised loss on disposals	1,503,668	0	0
- loss on impairment of financial assets	20,524,904	26,624,575	77
- other expenses from financial assets and liabilities	19,968	7,172	278
Expenses from other financial assets and liabilities	27,582,062	67,579,264	41
- interest expense	2,280,291	2,224,646	103
- fair value losses	10,723,661	20,256,152	53
- realised loss on disposals	8,433,700	14,405,172	59
- loss on impairment of financial assets	38,459	25,088,856	0
- other expenses from financial assets and liabilities	6,105,951	5,604,438	109
Net unrealised losses on unit-linked life insurance assets	19,518,717	33,789,102	58
Other insurance expenses	11,997,644	13,349,557	90
Other expenses	10,494,816	8,611,250	122
Profit before tax	57,496,069	59,594,408	96
Income tax expense	11,883,488	11,303,942	105
Net profit for the accounting period	45,612,581	48,290,466	94

Financial result ratios

	2014	2013	2012
Return on equity	8.7%	9.6%	10.7%
Claims ratio	63.5%	55.4%	53.2%
Expense ratio	31.2%	29.9%	28.3%
Combined ratio	94.7%	85.3%	81.4%
Ratio between gross operating costs and gross written premium	27.5%	26.6%	24.9%

9. FINANCIAL STANDING OF ZAVAROVALNICA TRIGLAV

- The balance sheet total of Zavarovalnica Triglav amounted to EUR 2,721.3 million as at reporting date.
- Total equity capital increased by 9% and reached EUR 544.0 million. Financial assets rose by 9% as well.

9.1 Equity and liabilities

The total equity capital of Zavarovalnica Triglav as at 31 December 2014 was EUR 544.0 million or 9% more than the year before. The share of equity in balance sheet total increased by 0.4 percentage point - from 19.6% to 20.0%. 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, revaluation surplus increased by 107% and totalled EUR 73.2 million. Share premium remained unchanged and amounted to EUR 53.4 million. Reserves from profit amounting to EUR 282.0 million include legal and statutory reserves in the amount of EUR 4.7 million, credit risk equalisation reserves of EUR 30.6 million and other reserves from the profit of EUR 246.7 million. The latter increased by EUR 22.5 million over 2013. As at 31 December 2014, **accumulated profit** for the year was EUR 61.7 million (index 79), including net profit for the year and net profit brought forward of EUR 38.6 million (index 73). Net profit brought forward decreased by EUR 38.6 million due to the payment of dividends and increased by EUR 25.1 million as a result of transferring the net profit of the preceding year. Net profit for the year disclosed in the balance sheet totalled EUR 23.1 million, which was EUR 22.5 million less than net profit disclosed in the income statement, as the Company in compliance with the Companies Act used part of the net profit to form other reserves from profit. According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit to other reserves, however only up to one half of the net profit remaining after statutory allocations.

Subordinated liabilities of the Company totalled EUR 30.0 million and remained approximately at the 2013 level (index 100), accounting for 1.1% share of total balance sheet liabilities.

On the liabilities side, **gross insurance technical provisions** rose by 5% to EUR 2,060.0 million. In the balance sheet total, their share decreased by 1.1 percentage points, from 76.8 to 75.7%. As at the reporting date, mathematical provisions amounted to EUR 1,347.8 million, having increased by 8% over the 2013 year-end. Provisions for gross unearned premiums went down by 3%, whilst gross claims provisions remained approximately at the level reported for 2013 (index 100). Other insurance technical provisions grew by 21%. Insurance technical provisions are discussed in greater detail under *Section 7.7.1*.

Financial liabilities of EUR 1.7 million were 27% higher than in 2013. The increase in liabilities was primarily the result of purchases of securities arising from cash settlements not yet executed in the accounting period. They accounted for only 0.1% of the total balance sheet liabilities.

Operating liabilities as at the 2014 year-end totalled EUR 25.8 million or 13% below the figure reported one year earlier. In balance sheet total, they accounted for 0.9%, which is 0.1 percentage point less than in 2013. Liabilities from direct insurance operations declined by 9% and equalled EUR 10.6 million. In addition, liabilities from co-insurance and reinsurance operations fell by 7% to EUR 10.4 million in nominal terms. Current tax liabilities equalled EUR 4.8 million.

Employee benefits totalled EUR 9.4 million (index 111), whilst other provisions amounted to EUR 399 thousand (index 70). **Deferred tax liabilities** amounted to EUR 13.0 million, which was mainly due to the large increase in unrealised surplus from financial investments.

Other liabilities grew by 26% to EUR 37.0 million nominally, and accounted for 1.4% of total liabilities.

9.2 Assets

As at the 2014 year-end, **financial assets** stood at EUR 2,240.4 million, which represents a 9% increase compared to the previous year. Their share in total assets rose by 1.4 percentage points to 82.3%. **Unit-linked insurance assets** amounted to EUR 449.8 million and **financial investments** to EUR 1,790.6 million. In total financial investments, EUR 104.5 million was accounted for by deposits and loans, EUR 186.1 million by investments held to maturity, EUR 1,299.4 million by investments available for sale and EUR 200.5 million by investments recognised at fair value through profit/loss. The structure of financial assets is discussed in greater detail under *Section 7.8*.

Financial investments in subsidiaries and associates fell by 15%, reaching EUR 144.2 million. They accounted for 5.3% of total assets. Financial investments in Group companies and associates amounted to EUR 133.8 million, which decreased by 16% mainly due to permanent impairments of these investments. Financial investments in associates amounted to EUR 10.4 million, having increased by 8%.

Investment property rose by 110% and totalled EUR 38.0 million (for details see *Section 7.8*). They accounted for 1.4% of total assets.

Receivables as at 31 December 2014 were 7% lower compared to the 2013 year-end and equalled EUR 94.7 million. They accounted for 3.5% of total assets. Receivables from direct insurance operations amounted to EUR 61.5 million (index 97), receivables from co-insurance and reinsurance operations totalled EUR 6.7 million (index 73), while other receivables stood at EUR 26.5 million (index 159). Deferred tax receivables were not formed as at the reporting date, whilst in the preceding year they totalled EUR 12.9 million.

The **insurance technical provisions transferred to reinsurance contracts** stood at EUR 75.3 million, having increased by 10% compared to 31 December 2013. Assets from reinsurance contracts from claim provisions totalled EUR 61.3 million (index 113), while those from unearned premiums equalled EUR 14.1 million (index 96).

Property, plant and equipment totalled EUR 65.1 million (index 101), representing 2.4% of total assets. **Intangible assets** equalled EUR 54.4 million (index 103), accounting for 2.0% of total assets.

Cash and cash equivalents equalled EUR 5.7 million (index 113), whilst **other assets** totalled EUR 3.5 million (index 199).

Balance sheet as at 31 December 2014 - according to IFRS

	31 December 2014	31 December 2013	Index	Structure 2014	Structure 2013
Assets	2,721,266,953	2,551,395,325	107	100.0%	100.0%
Intangible assets	54,373,723	52,638,444	103	2.0%	2.1%
Property, plant and equipment	65,143,015	64,302,130	101	2.4%	2.5%
Deferred tax receivables	0	5,051,465	0	0.0%	0.2%
Investment property	37,972,457	18,067,610	210	1.4%	0.7%
Investments in subsidiaries	133,799,163	159,778,726	84	4.9%	6.3%
Investments in associates	10,427,236	9,637,324	108	0.4%	0.4%
Financial assets	2,240,384,295	2,064,530,031	109	82.3%	80.9%
Financial investments:	1,790,581,524	1,641,680,661	109	65.8%	64.3%
- loans and deposits	104,531,182	173,477,782	60	3.8%	6.8%
- held to maturity	186,136,258	197,096,116	94	6.8%	7.7%
- available for sale	1,299,415,075	1,135,406,507	114	47.8%	44.5%
- recognised at fair value through profit and loss	200,499,010	135,700,257	148	7.4%	5.3%
Unit-linked insurance assets	449,802,771	422,849,370	106	16.5%	16.6%
Reinsurers' share of technical provisions	75,325,350	68,643,350	110	2.8%	2.7%
Assets from financial contracts	0	0	0	0.0%	0.0%
Receivables	94,732,452	102,006,043	93	3.5%	4.0%
- receivables from direct insurance operations	61,527,739	63,302,197	97	2.3%	2.5%
- receivables from reinsurance and co-insurance operations	6,689,625	9,140,990	73	0.2%	0.4%
- current tax receivables	0	12,912,838	0	0.0%	0.5%
- other receivables	26,515,088	16,650,018	159	1.0%	0.7%
Other assets	3,458,593	1,740,121	199	0.1%	0.1%
Cash and cash equivalents	5,650,669	5,000,081	113	0.2%	0.2%
Non-current assets held for sale	0	0	0	0.0%	0.0%
Equity and liabilities	2,721,266,953	2,551,395,325	107	100.0%	100.0%
Equity	544,000,467	499,790,208	109	20.0%	19.6%
- share capital	73,701,392	73,701,392	100	2.7%	2.9%
- share premium	53,412,884	53,412,884	100	2.0%	2.1%
- reserves from profit	281,977,925	259,486,919	109	10.4%	10.2%
- fair value reserve	73,221,229	35,362,843	207	2.7%	1.4%
- net profit brought forward	38,565,461	52,735,703	73	1.4%	2.1%
- net profit for the year	23,121,575	25,090,466	92	0.8%	1.0%
Subordinated liabilities	29,958,540	29,956,713	100	1.1%	1.2%
Insurance technical provisions	1,617,090,395	1,538,939,112	105	59.4%	60.3%
- unearned premiums	182,902,536	188,286,777	97	6.7%	7.4%
- mathematical provisions	904,858,200	823,783,519	110	33.3%	32.3%
- claims provisions	508,999,132	510,090,992	100	18.7%	20.0%
- other insurance technical provisions	20,330,526	16,777,825	121	0.7%	0.7%
Insurance technical provisions for unit-linked insurance contracts	442,952,449	420,333,091	105	16.3%	16.5%
Employee benefits	9,408,654	8,459,095	111	0.3%	0.3%
Other provisions	399,080	570,449	70	0.0%	0.0%
Deferred tax liabilities	12,973,041	0	0	0.5%	0.0%
Investment contract liabilities	0	0	0	0.0%	0.0%
Other financial liabilities	1,693,912	1,337,704	127	0.1%	0.1%
Operating liabilities	25,833,367	22,779,490	113	0.9%	0.9%
- liabilities from direct insurance operations	10,631,799	11,643,628	91	0.4%	0.5%
- liabilities from reinsurance and co-insurance operations	10,406,511	11,135,863	93	0.4%	0.4%
- current tax liabilities	4,795,056	0	0	0.2%	0.0%
Other liabilities	36,957,048	29,229,462	126	1.4%	1.1%
Non-current liabilities held for sale and discontinued operations	0	0	0	0.0%	0.0%

10. CASH FLOW STATEMENT

- Positive cash flow from investing activities.
- Cash flows from operating activities and financing activities were negative.

The cash flow from operating activities of Zavarovalnica Triglav was negative, mostly owing to lower net written insurance premium and increased operating expenses. The Company generated a negative cash flow from operating activities amounting to EUR –4.6 million (index 162).

Cash flow from investing activities totalled EUR 59.7 million, having grown by 14% compared to the previous year. The positive cash flow from investing activities resulted in part from interest, dividends received and profit sharing from investing activities, and primarily from lower net cash outflows for the purchase of short-term financial investments. The decrease in these outflows significantly surpassed the negative change in net cash flow from long-term financial investments.

Cash flow from financing activities was negative and amounted to EUR –54.5 million (index 117). Outflows from financing activities were higher primarily due to the payment of financial liabilities arising from the operations of Triglav Nepremičnine. Cash outflows from dividends paid were lower, totalling EUR 37.7 million (index 85), as were outflows for paid interest on bonds, which amounted to EUR 1.8 million (index 80).

The closing balance of cash and cash equivalents amounted to EUR 5.7 million, above the 2013 figure by 13%.

Summary cash flow statement

	2014	2013	Index
A. Operating cash flow			
Income statement items	-7,642,466	22,942,093	
Changes in net current assets – operating balance sheet items	3,084,389	-25,759,059	
Total operating cash flow	-4,558,077	-2,816,966	162
B. Cash flows from investing activities			
Cash inflows from investing activities	2,097,680,038	2,283,760,286	92
Cash outflows from investing activities	-2,038,018,700	-2,231,578,416	91
Total cash flow from investing activities	59,661,338	52,181,870	114
C. Cash flows from financing activities			
a. Cash inflows from financing activities	0	0	
b. Cash outflows from financing activities	-54,533,963	-46,642,908	117
c. Total cash flow from financing activities	-54,533,963	-46,642,908	117
D. Opening balance of cash and cash equivalents	5,000,081	2,278,084	219
Opening balance of cash and cash equivalents arising from merger with Triglav Nepremičnine	81,290	0	
F. Net cash flow for the period	569,298	2,721,995	21
G. Closing balance of cash and cash equivalents	5,650,669	5,000,080	113

11. DEVELOPMENT AND SALES ACTIVITIES

- Client focus and individual client approach brought about changes in the development of products and services, IT support and organisational structure.
- Market conditions demanded numerous product upgrades.
- Focusing on the effectiveness of the sales network.
- New sales partnerships and targeted marketing and sales campaigns.
- Recognisable service quality in Slovenia, Montenegro and Macedonia.

11.1 Development activities

The development of insurance products and new forms of insurance follows trends in technology, adapts to economic and market conditions and complies with regulatory requirements (Solvency II Directive, see *Section 12.1*). In line with the adopted strategic guidelines, the focus is on the client with an aim to ensure a most individual client approach in parallel with comprehensive detection of clients' needs and cooperation. Overall development also covers alternative sales channels, such as online and other new forms of market presence. Insurance product upgrades are based on innovative technological solutions aimed at simplifying product availability and internal processes.

The Company's development activities are strongly influenced by poor economic conditions, lower purchasing power of households and the aging of the life insurance portfolio. Therefore, much attention is placed on the maintenance and nurturing of the existing portfolio.

The quality of after-sales services is an essential part of all product segments in all markets. The focus is on maintaining professional and simple loss adjustment processes, also those involving mass loss events, which have been on the rise in recent years.

In the mass loss reporting procedures, policyholders' property risk and their current situation are taken into account. Public announcements and instructions to policyholders are regularly published, the internal work organisation is adapted to make services more accessible and the use of mobile applications is promoted. Simple property damage claims can be reported at a toll-free telephone number 080 555 555 and using a web reporting application. In 2014, Zavarovalnica Triglav covered damage caused by the natural disasters (glaze ice, floods) which affected policyholders in the region.

All development activities are in accordance with legal provisions and regulatory frameworks. In the Republic of Slovenia the Insurance Act 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 about the insurance company to be disclosed to policyholders upon contract conclusion and during the course of its term, insurance agents and insurance products and services (see <https://zakonodaja.com/zakon/zzavar>). Similarly, the Pension and Disability Insurance Act in Slovenia regulates supplemental voluntary pension insurance. In addition to the obligation to disclose pension schemes and other documents regulating insurance, the insurer is obligated to annually inform policyholders of balances in their accounts, any changes in insurance policies and about the business of the insurer. Information to be sent to policyholders is also stipulated by corresponding laws in Croatia, the Czech Republic, Macedonia, and Bosnia and Herzegovina (the Federation of Bosnia and Herzegovina and the Republic of Srpska), Montenegro and Serbia.

11.1.1 Non-life insurance

Rapid responses to market conditions and implementation of process simplification required a number of upgrades to non-life insurance products.

Zavarovalnica Triglav. In order to simplify insurance renewals, property and interest in property insurance for individuals (DOM) were upgraded. Home assistance coverage was expanded, burglary insurance redesigned and professional liability insurance adjusted.

Continued fierce competition in the *automobile insurance* market forced the launch of a new motor collision hull insurance. This product is made for older (over 6 years) and mainly mid- and low-range vehicles. Zavarovalnica Triglav is the only insurer in Slovenia to have motorcycle insurance rates which depend on the purpose of use and characteristics of a motorcycle, especially engine power and mass.

Due to the increasing importance of vehicle leasing and the related long-term insurance policies, tailor-made solutions were offered. The *Triglav mladi* workshop, thus far organised at the Safe Driving Centre in Vransko, brings added value to young drivers by improving their driving skills. By modifying tariffs for young drivers with less than three years of driving experience, it was possible to hold such workshop in three more centres in Slovenia. The eMRVL electronic database was cross-sectioned to enable data retrieval on vehicle registration certificates.

In *agricultural insurance*, many insurance terms and conditions were updated (dog insurance, crop insurance, water shortage crop insurance, losses of fruit quantity and quality insurance and hops insurance).

Due to adverse market conditions, numerous changes were introduced in the *transport insurance* segment. A new insurance product was designed to cover carriers' expenses for damage to cargo in traffic accidents outside the responsibility of the carrier. New aircraft insurance tariffs were set and in prevention campaign owners of gliders received a collision prevention device (upon taking out three-year comprehensive and liability insurance). New tariffs were also set for marine liability insurance of vessel owners or operators and for comprehensive marine insurance. Special attention was paid to client relationship management in both taking out insurance and claim settlement.

Accident insurance terms and conditions were redesigned and tariffs set for family insurance.

The Company efficiently responded to the increased demand for issuing guarantees related to *suretyship insurance* and supported numerous projects of private investors and public contracting authorities.

Financial loan insurance terms and conditions were adjusted and insurance against borrower's unemployment, accidental death and permanent disability was expanded, which made both products more attractive.

Development of IT support is discussed in *Section 11.4*.

The Triglav Group. The Instructions for Recording International Insurance Programmes were drawn-up in order to create a uniform risk assessment process.

By upgrading the AdInsure IT system, systematic data capture was enabled as it was necessary for consolidated quarterly reporting and compiling output loss specification reports for international insurance programme.

The transfer of cargo insurance terms and conditions was completed in Triglav Osiguranje, Sarajevo.

11.1.2 Life insurance

In Slovenia, development activities were subject to changed legislation governing the provision of voluntary pension insurance. In other markets, the range of life insurance products was widened and tailored to specific market requirements.

Zavarovalnica Triglav. Along with economic conditions, regulatory changes significantly impacted the development of life insurance. A number of development activities were devoted to adapting the range of *supplemental voluntary pension insurance* (SVPI) products to the amended Pension and Disability Insurance Act (ZPIZ-2) and its enforcement. All the necessary basic modifications were made to allow for the implementation of the key novelty: the life-cycle investment policy (management rules, investment policy statement, risk management plan). SVPI products are expected to be put on the market after all approvals have been obtained in the first half of 2015.

Furthermore, new elements were introduced in taking out endowment insurance. Policyholders may transfer accumulated assets to a special new *mixed life insurance* product, where a certain rate of return is guaranteed. The same rate of return guaranteed when accumulated assets are transferred to a special guaranteed return fund upon the taking out an investment insurance policy. In this way policyholders who do not want to bear the investment risk are enabled to safely invest accumulated assets.

Much attention was paid to improving policyholder servicing. Special focus was on the maintenance of the life insurance portfolio, aimed at renewing both insurance policies and thus retaining client satisfaction.

The Triglav Group. In Croatia, the range of supplemental insurance life insurance products was expanded with medical second opinion (MSO) insurance. In order to strengthen bankassurance sales channel, group life insurance for borrowers was offered.

In Bosnia and Herzegovina, supplemental medical travel insurance of severe illnesses and injuries for international travel was developed as an addition to life insurance policies. By improving the cost structure, life insurance of borrowers with a single premium payment became more attractive.

In Serbia, life insurance of borrowers was adjusted to make it more competitive. In the mixed life insurance class, endowment life insurance was introduced, under which in the event of the policyholder's death due to illness the beneficiary receives all premiums paid up to the moment of death. This lowered the cost of endowment life insurance.

11.2 Sales and marketing activities

Price competition among insurers intensified as clients became increasingly (premium) price sensitive due to the continuing difficult economic conditions. Thus, throughout 2014 sales promotion campaigns were organised. Ongoing attention was paid to the development, coordinated operation and efficient combining of sales channels.

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

11.2.1 Key development activities in the sales network

The diversity of sales channels remains an important competitive advantage of Zavarovalnica Triglav, in which internal sales channels play a special role. Market approach is aimed at delivering a distinctive client experience through:

- simplicity,
- safety,
- high quality and
- unique service.

The network of more than 650 insurance agents is the largest and strongest in Slovenia, and essential for the individual client approach. Due to the geographical diversity of Slovenia, with many difficult-to-reach and sparsely populated areas, a quality sales network is of great importance for ensuring equal availability of insurance services. The individual approach allows clients to get well acquainted with different elements of insurance products and to expand their knowledge of insurance as such. This also enables cross sales of products and services. A special project for promoting insurance literacy is underway (for greater details see *Section 13.*, Social corporate responsibilities objectives in 2015).

Internal sales network. The focus was on activities mainly designed to increase the efficiency of the entire network and individual agents:

- daily monitoring and direction of sales staff;
- combining of sales channels and matching client requirements with productivity and cost-effectiveness of the sales network and sales staff;
- coordination and upgrade of the remuneration rules for insurance agents;
- regular and quality sales training as well as coaching as a part of the sales process;
- the participation of sales managers in efficient management programmes,
- active cooperation with all functional areas in ensuring delivery of an excellent client service and strengthening the support at regional units;
- the introduction of modern sales tools in order to ensure more efficient insurance underwriting and cost-effective operations;
- the sales staff was intensively included in the introduction of a new underwriting application;
- implementation of target sales promotion campaigns.

External sales network. Centralisation performed in 2013 was upgraded by:

- improving the organisational External Sales Channel Department, which became centralised in the Insurance Sales Division,
- continuing work standardise at contracted points of sale,
- obtaining quality outsourced partners,
- increasing responsiveness in problem solving at contracted points of sale,
- identifying opportunities to increase client portfolio.

The **Corporate Accounts Division** of Zavarovalnica Triglav manages the portfolio of key corporate accounts. Despite the adverse economic conditions, poor liquidity in the real economy, fewer corporate clients staying in business and the lack of investments premium growth was achieved by:

- offering new and innovative insurance services as a result of the fact that policyholders better understand new forms of risk to which they are continually exposed;
- ongoing improvements in processes, technology and content;

- strengthening the existing and new strategic partnerships with foreign (re)insurance groups; and
- higher volume of business with domestic and international insurance brokerage firms.

The Triglav Group. Insurance products and services were expanded in foreign markets. Compared to developed insurance markets, they continue to be in the early stages of development, therefore growth in demand is expected.

Apart from sales administration, i.e. sales control, the following activities took place in the sales network of subsidiaries:

- development and implementation of elements designed to motivate sales staff,
- development of their skills and competences,
- introduction of efficient sales process organisation,
- development of new distribution channels,
- establishing marketing support for sales.

11.2.2 Marketing activities

Client focus also impacted marketing activities, which provided support to all sales channels. They are aimed at increasing client satisfaction through process simplification and simple and transparent products, similarly to development activities. Effective sales campaigns continued throughout 2014, reflecting an efficient adjustment to target groups. To point out a few:

- The *Vinjeta* (Vignette) campaign was in partnership with Mercator, the largest retail chain in Slovenia, was first carried out in January and then repeated in an upgraded form in December. Bonuses were offered to new and existing clients upon taking out non-life insurance and purchasing a vignette in one of Mercator's stores.
- In partnership with Petrol, a campaign was carried out to promote road safety and preparation of personal vehicles for the winter season.
- During the *Turizem* (Tourism) campaign, free annual travel insurance was provided upon taking out motor vehicle insurance.
- In order to promote the *Triglav Komplet* loyalty bonus programme in terms of content and relevance, the *Poletno kompletni* (Summer Kit) promotion campaign was mounted.
- In a joint campaign with Triglav, Zdravstvena zavarovalnica, insurance for health resort treatment after a traffic accident was offered upon the conclusion of motor vehicle insurance.
- During the traditional sales promotion campaign of accident insurance of children and young adults, sales increased compared to 2013 by redesigning the product and taking a new direct marketing approach.

Along with comprehensive sales promotion activities in the first half of 2014, the Triglav Komplet bonus programme was developed and upgraded. Bonuses can now be awarded in advance. This increased mutual trust and consequently boosted client loyalty.

Marketing activities aimed at promoting insurance sale included:

- introduction of permanence for specific insurance products,
- participation in the development of motor vehicle insurance products and sales process optimisation.

To achieve better responsiveness and results, sales trends, sales conditions, consumer behaviour and activities of competing insurers were regularly analysed and monitored.

Online operations (E-business)

The scope of on-line operations was expanded since they are expected to continually grow in the future.

Zavarovalnica Triglav offers online renewals and taking new automobile insurance policies, ordering green cards and car insurance quotes. Simple online procedures are characteristic of travel insurance, health insurance while travelling abroad, accident insurance for children and adolescents, bicycle and cyclist insurance, insurance for sports activities, and insurance for hikers and mountaineers.

Among online available life insurance products are term life insurance, FLEKS investment insurance and supplemental voluntary pension insurance.

Sales in subsidiaries abroad

In insurance subsidiaries abroad, sales were followed up and priority was given to the development of own sales channels. In addition to the development of new sales channels, focus was on the transfer of good practices in sales and marketing within the Group - from the parent company and among subsidiaries. Sales results were followed based on reports by subsidiaries and by sales meetings with sales managers, heads of sales teams and agents.

Basic training courses for heads of sales teams were organised, followed by coaching in the field. In Triglav Osiguranje, Belgrade, and Triglav Osiguranje, Zagreb, new and existing insurance agents were trained. Pilot training courses established the bases for sales officer network reorganisation.

Several marketing and sales campaigns were carried out and support was provided to the launch of new products. In this framework Lovćen osiguranje launched a new home insurance package and a partnership with Mercator retail chain was formed in Serbia.

11.2.3 Brand management and marketing communications

Integrated management of the redesigned brand within the Triglav Group continued at corporate and product levels. An integrated system was setup for its strategic management. Product advertising was aimed at sales support, while corporate advertising focused on promoting the reputation of the Triglav brand and its consolidation.

Consolidation of the Triglav Group's market position and the visibility of the Triglav brand in the region were continued by *unifying its presence*. The names of certain insurance subsidiaries were coordinated, followed by the introduction of a uniform visual identity. In 2014, several subsidiaries in Slovenia were renamed and the uniform corporate identity was expanded (Triglav, Upravljanje nepremičnin and Triglav Avtoservis). The Company and the brand of Triglav Skladi are the last to adopt the corporate visual identity. The brands of key corporate projects (Triglav Run, Young Hopes, Let's Clean Our Mountains and Hills, Children of Triglav and Watch out Doggy) were registered and a redesign of life insurance architecture was outlined.

Several corporate communication events were organised in order to realise the Company's *corporate social responsibility* objectives. By using a modern approach and new communication techniques and channels, Triglav as the brand with the longest tradition in the Slovene market was again given a modern touch. Business partnerships were strengthened and new ones formed.

- The Young Hopes (Mladi upi) initiative was developed into an important corporate communication segment. For a second consecutive year, young athletes, artists and scientists were funded and supported with communication tools. With strong media support, the project was also implemented within the framework of the TV show »Your Face Sounds Familiar« produced by PRO PLUS – POP TV.
- In order to help those hit by many natural disasters (floods and glaze ice) which covered the entire region, several activities were carried out. A special themed charity campaign *Boljši jutri* (For a Better Tomorrow) was integrated into the New Year's business programme.
- The situation in all markets of the Triglav Group demanded highly targeted product advertising. To this end, partnerships were forged with several key companies in Slovenia and the region (Petrol, Mercator and others) so as to implement joint product sales promotion campaigns. See also *Section 11.2.2*.
- In product advertising, performance monitoring and rewarding of external service providers was developed further with the introduction of KPI (Key Performance Indicators). Moreover, media audits were introduced, planned to take place twice a year to enable the supervision of media buying.

In 2014, a consistent efficiency and effectiveness assessment of advertising campaigns was conducted and the impact of the Company's activities on brand reputation was analysed. Zavarovalnica Triglav is still one of the most reputable brands in Slovenia, keeping its leading position in the insurance industry. In ad recall among insurance companies, it most often ranked 1st and its messages recorded a good comprehension rate. According to analyses, users/clients are very satisfied with the available range of products and sales channels. **Client satisfaction** was confirmed by an independent survey by QuDail and Triglav was awarded for the quality of its services in Slovenia, Montenegro and Macedonia.

Zavarovalnica Triglav adhered to the Slovenian Code of Advertising Practice. In 2014, no proceedings for infringements related to marketing communications were initiated against Zavarovalnica Triglav and its subsidiaries.

The strategic orientation of marketing communications was confirmed by many international and domestic awards. In 2014, Zavarovalnica Triglav received Gold Quill, Am Cham, Diggitt, Pomp, Arc Award, awards from Finance newspaper, the Slovene Advertising Festival, Websi, the Ypsilon Institute as well as nominations and high rankings in other competitions. Awards are discussed in greater detail in *Section 13.1*.

11.2.4 Investments in real property and equipment

Zavarovalnica Triglav

Zavarovalnica Triglav invested EUR 2.0 million in property, plant and equipment. Investments in investment property amounted to EUR 862 thousand. Investments in intangible fixed assets (software and property rights) totalled to EUR 6.4 million.

Total real property owned by the Company grew primarily due to the merger of Triglav nepremičnine d.o.o. with Zavarovalnica Triglav. Thus, especially the number of investment properties and real properties earmarked for development projects and resale increased. Some projects for these real properties are already prepared, but the situation in the real property market is still not favourable for making large investments.

There were no large-scale investments in renovation and construction of real property. Essential major investments and adaptations of existing business premises followed energy

efficiency principles and those for improving workplace equipment to ensure health and safety at work. To this end, 532 chairs were replaced with those having better ergonomic features.

The largest investment was made in the headquarters, where a universal wiring infrastructure for the computer network and IP telephony began to be set up. The project will continue in 2015.

Several heating, cooling and ventilation systems were renovated. The largest investment in the cooling/heating systems was made in Postojna by installing a heat pump and connecting it with the existing boiler into a hybrid system. The Nova Gorica Regional Unit was connected to the district heating network and a new heating substation, while in Kranj kitchen ventilation was upgraded. In order to ensure power supply in the event of a natural disaster, a mobile power generator was acquired. Some holiday capacities were adapted and refurbished.

The reorganisation required 498 relocations in all regional unit locations, most of those in the headquarters and the Ljubljana Regional Unit. Additional business premises for the middle office and the back office in Ljubljana were rented and arranged (Slovenijales building). Energy efficiency guidelines were followed in the replacement of energy appliances, builders' joinery and façade cladding. More information is available in Section 13.10 *Responsibility to the natural environment (Protection of the environment in work processes)*.

11.3 Organisation of the Triglav Group

With an aim to further streamline operations and improve their effectiveness, processes and organisational restructuring was performed involving business function holders (process owners). The redesign was focused on attaining greater business process standardisation and effectiveness. The organisational structure and job classification were adapted to process changes and the introduction of new IT technology.

In accordance with the strategy and streamlining of the *management of real property* owned by Zavarovalnica Triglav, the Real Property Management Department was established by combining two separate departments (the one in the parent company and the one in Triglav nepremičnine). The processes involving replacement investments, repairs and renewals in real property were transferred to this new department (from the Human Resource Management).

To support a client-focused approach, the User Experience Research and Analysis Department was set up in the Client Contact Unit (CCU) and a new CRM Department within the Insurance Marketing and Distribution Division. The existing Marketing Department was divided into the independent Marketing Division and the Corporate Communication Department.

The Transport Insurance Department and Insurance Receivables Department were taken out from the Non-Life Insurance Division and included in the Corporate Account Division. The Subsidiary Management Department was abolished and individual processes were transferred to the holding company Triglav INT (for more details see Section 5.4 *Governance and Management of Subsidiaries*). In the parent company, the Subsidiary Management Department was set up and as a consequence organisational units were abolished in particular functional areas where subsidiary management processes were performed (the Subsidiary Sales Department, the Subsidiary Non-Life Claims Support and others).

A *business process management system* was set up where the business and operating processes are managed by their process owners and administrators. The Single Business Process Register is an authentic and comprehensive source of information on all processes performed in the Company (including process names, names of persons in charge (owners), important

information, appendices and links to documents). It is adapted to process and organisational changes.

The business process management system continued to be implemented and was upgraded according the following six principles:

- management responsibility,
- careful improvement and adaptation,
- client orientation,
- simplicity and cost efficiency,
- compliance and
- integration (connection with other processes).

The aim of introducing a new process categorisation is to simplify operations and better adapt to the actual needs of the Company.

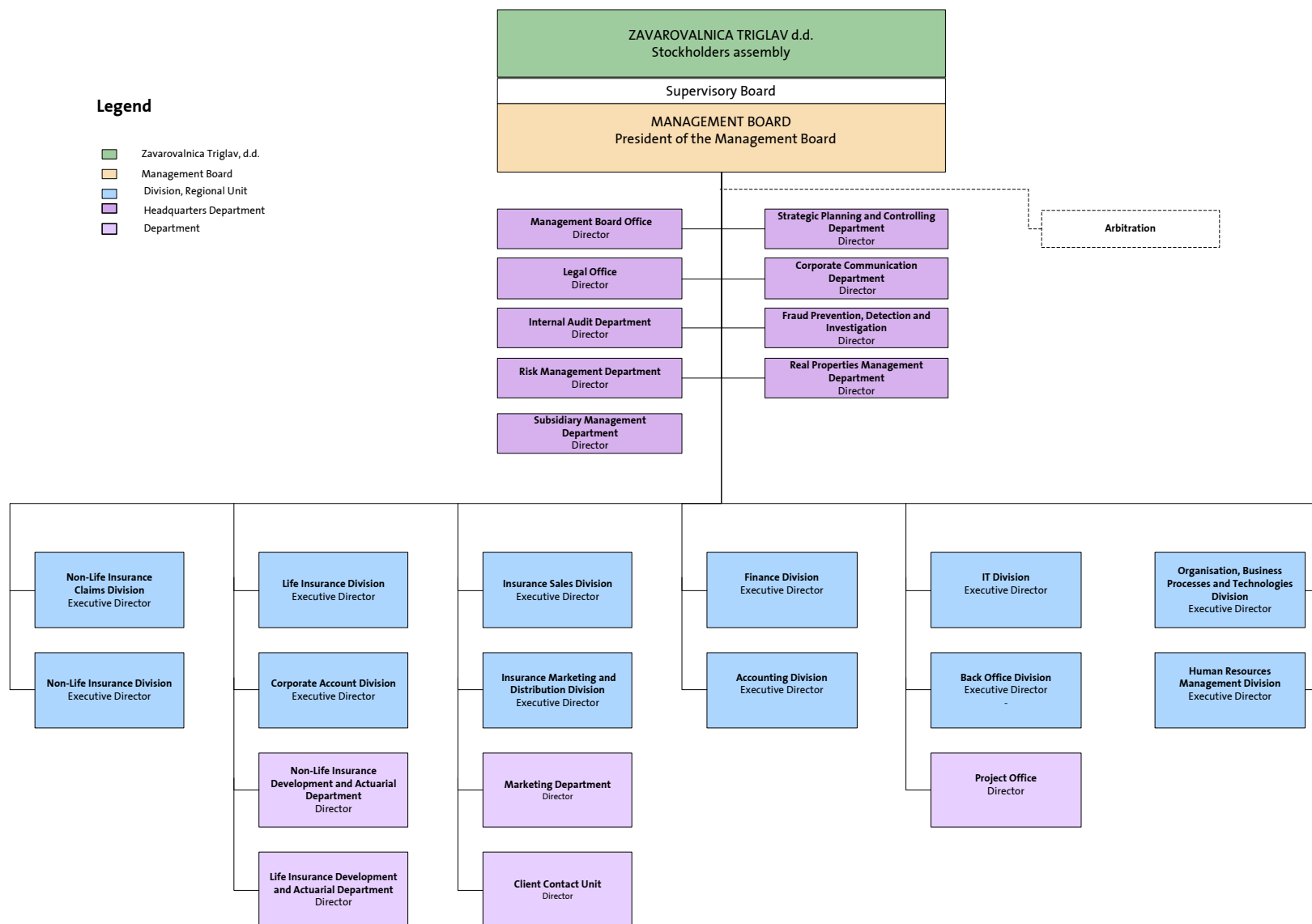
E-business was further expanded:

- An annual compliance review of internal rules with the actual e-storage procedures was conducted due to changes in legislation (the Act Amending the Protection of Documents and Archives and Archival Institutions Act – ZVDAGA-A came into force in July 2014). Zavarovalnica Triglav promotes e-business and a wider use of documentation in digital format throughout the entire Company as well as expands the range of e-stored documents.
- Signing of underwriting documentation with e-pen was introduced in the non-life insurance segment, and the same is planned for the life insurance segment.
- A new digitalisation process of incoming non-life insurance documentation was set up to ensure that only electronic documents were entered into the Company's business management system. Moreover, steps were taken to introduce electronic documents before their entry into the business management system and to optimise the range and scope of underwriting documentation.
- In accordance with the law, e-invoices were introduced for budget users (as of 1 January 2015 invoices to budget users will be issued in electronic format). With an aim to promote paperless operations, the use of e-invoices will be expanded to include also other (non-budget) users.

Organisational structure of Zavarovalnica Triglav as at 31 December 2014

Legend

- Zavarovalnica Triglav, d.d.
- Management Board
- Division, Regional Unit
- Headquarters Department
- Department



11.4 IT support development

In addition to the smooth performance of regular computer-supported operational processes and support for achieving strategic business objectives, the main development activities of the IT Division focused on introducing a new non-life insurance IT system, developing a life insurance online application, setting up a data warehouse, installing a software application for business decision-making and developing client relationship management functions.

In **Zavarovalnica Triglav**, the non-life insurance IT system radically redesigned, to enable efficient support for business processes and rapid launches of new insurance products. The discontinuation of the old system was the prerequisite for setting up a uniform technical platform for core IT systems (to support non-life and life insurance segments), so as to allow for architectural optimisation, related synergy effects and a gradual modular development of the entire IT system. Such a system design is a good foundation for further development in the next ten years and efficient responses to market demands in a rapidly changing technological environment.

- The redesigning the life insurance IT system was focused on developing an online IT solution for an integrated support of underwriting and assistance to various sales channels.
- IT infrastructure was upgraded based on anticipated medium-term needs.
- Special attention was paid to high availability of IT systems and testing the continuity of operations.
- The transfer rates in some segments of computer communication lines were increased. Plans were made to lease communication lines (with a guaranteed broadband speed) to insurance subsidiaries abroad.
- A central server system was put up, enabling IP telephony, the establishment of a call centre and the installation of a videoconferencing system.
- Activities for setting up the data warehouse, designing a client relationship management system and building the bases for achieving compliance with *Solvency II* requirements continued. A Solvency II requirement reporting system was set up. Thus, the data warehouse is already a source of information for monitoring of operations and decision-making in some segments.

New technological possibilities are considered in the development of new products, enabling the use of alternative sales channels and taking into account the changed client habits (online sales, life and non-life insurance policy monitoring portal, support for cooperation with tourist agencies and banks).

To optimise working processes, applications for mobile phones and tablets were continued and upgraded. They are used by a wide range of employees, from agents and appraisers to members of the Management Board (authorisation of exceptional discounts, crop appraisal, reports containing data on monthly premium, claims and expenses). Amendments to legislation or other regulations demanded adjustment of parts of the life and non-life insurance IT systems.

Support for client relationship management was provided by adding new functions for comprehensive treatment of policyholders, setting up bonus systems and introducing client loyalty programmes.

To improve *information security management*, a support tool for the information security management system (ISMS) was implemented.

Due to the growing use of mobile devices and in order to ensure IT security during their use, a software solution was introduced for a safe use of mobile devices. In addition, system vulnerability detection software was installed.

The AdInsure IT system was introduced **within the Triglav Group** to support non-life insurance in the subsidiary Triglav Pojišt'ovna, Brno, while in Triglav, Zdravstvena zavarovalnica its implementation is underway.

Plans for 2015

Zavarovalnica Triglav:

- conclusion of life insurance IT system redesign,
- finalisation of setting up the data warehouse,
- final implementation of a mobile device management tool,
- introduction of an information solution for asset and investment management,
- establishment of an information solution for asset and liability management (ALM),
- development of the client relationship management system (CRM),
- development of new mobile applications in the non-life and life insurance segments.

The Triglav Group:

- conclusion of implementation of AdInsure in Triglav, Zdravstvena Zavarovalnica,
- upgrade of AdInsure functions with respect to the requirements of insurance subsidiaries.

12. RISK MANAGEMENT

- Risk management is a key component of corporate management, which is why the Company continues to develop and expand its risk management system. This is reflected in the structure of the system as such.
- The Company continued with the adaptation of the risk management system to the requirements under the Solvency II Directive.
- The number of investigated cases of suspected fraud has increased in Zavarovalnica Triglav and in the Group.

The risk management system is adapted to developments in business operations and the external environment through continuous upgrades. It is conceived so as to provide a **competitive edge** and generate added value, since the Company's core business revolves around the assumption of the risks of its business partners in exchange for an insurance premium and others risks arising in the investment process. In addition to insurance risk and financial risk, the Company identifies and manages a number of other risk types, such as operational and strategic risk. The company also closely monitors return rates to ensure optimum value generation for all stakeholders.

The entire risk management system is tailored to the business operations of Zavarovalnica Triglav. Risk management is further discussed in *Section 4. under Financial Statements*.

12.1 Main characteristics of the risk management system

Key goals of the risk management system



In the development and implementation of the risk management system, the Company continued to pursue the following **objectives**:

- establishing an economic capital model for managing the Company's assets and liabilities that will serve as a basis for **more efficient capital allocation** while also ensuring due consideration of the defined **risk appetite**, profitability needs and regulatory capital requirements;
- providing an integrated and **effective risk management process** that is in line with the strategy and entails a clear segregation of duties and responsibilities while also complying with exposure limits that help maintain an appropriate risk level in accordance with the Company's risk appetite;
- providing **adequate capital, liquidity and profitability** levels, ensuring that the Company and the Triglav Group are able to meet their obligations even if extreme risks should materialise;

- **supporting decision making at all levels**, allowing the management in particular to adopt appropriate business decisions based on adequate, reliable and timely information on risks;
- maintaining the reputation of Zavarovalnica Triglav and providing safety and satisfaction for investors, employees, clients and all other stakeholders;
- raising awareness and spreading the risk management culture within the Company.

Since the adoption of the EU Solvency II Directive in 2009, the insurance sector in Slovenia has been intensely preparing for new legislative requirements that will be effective as of 1 January 2016. The Directive applies to all insurance undertakings and insurance groups in the EU, as well as to all Triglav Group insurance companies operating within the EU.

The three new sets of regulations require of the Triglav Group that:

- the level of capital requirement reflects the profile of risks to which the insurance company is exposed in its operations;
- an effective system of risk management is in place, able to identify and evaluate the impact of business decisions on the risk profile, the capital and the financial position of the company;
- detailed reports on risk exposures, capital adequacy and risk management are presented to both the supervisory agency and the public.

The Directive changes the capital requirement calculation in insurance undertakings. For that reason, for quite some time now the asset-liability management has been adapting to the legislative amendments. Higher requirements of the Directive in terms of reporting and data quality have resulted in increased investments in IT equipment (e.g. establishment of data warehouse). So far, Zavarovalnica Triglav has fulfilled the requirements regarding the upgrading of the actuarial and the internal audit functions, and the implementation of the compliance and risk management function.

The changed capital requirement calculation also changes the relationship between risks and profitability of individual products and, therefore, Zavarovalnica Triglav has been forced to adjust the form and content of some insurance products. Zavarovalnica Triglav wishes to provide its existing and potential policyholders a broad range of desired products and with a balanced risk profile to ensure long-term financial stability and operating profitability.

12.1.1 Process and structure of the integrated risk management system

The tenets of the Zavarovalnica Triglav risk management system are defined in the following documents: Declaration on risk appetite; the Risk Management Strategy adopted in the framework of the Business Strategy; the Risk Management Policy and the Risk Register.

The declaration on risk appetite defines the level of risk and the potential loss arising from this risk that the Company is able to accept in the course of its business operations without jeopardizing the attainment of its business and strategic goals. Zavarovalnica Triglav strives for an optimum ratio between accepted risk and generated profit, which is why the limits of acceptable risk exposure are defined in accordance with the long-term strategic goals of the Company and the annual business plans drafted on the basis of the long-term business strategy.

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

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

A system of three lines of defence for successful and effective long-term risk management

The risk management system of Zavarovalnica Triglav consists of three lines of defence:

- **First line of defence:** The basic responsibility for active risk management lies with individual business divisions. They are also responsible for the effective functioning of internal controls and the implementation of business activities within the set limits and policies and in accordance with strategic objectives.
- **Second line of defence:** The second line of defence consists of the Risk Management Committee, the Assets and Liabilities Committee (ALCO), the Compliance function and the Risk Management Department. The two committees supervise the functioning of the integrated management system and proper communication. Each of the two committees includes at least one Management Board member and selected executive directors and directors of departments.

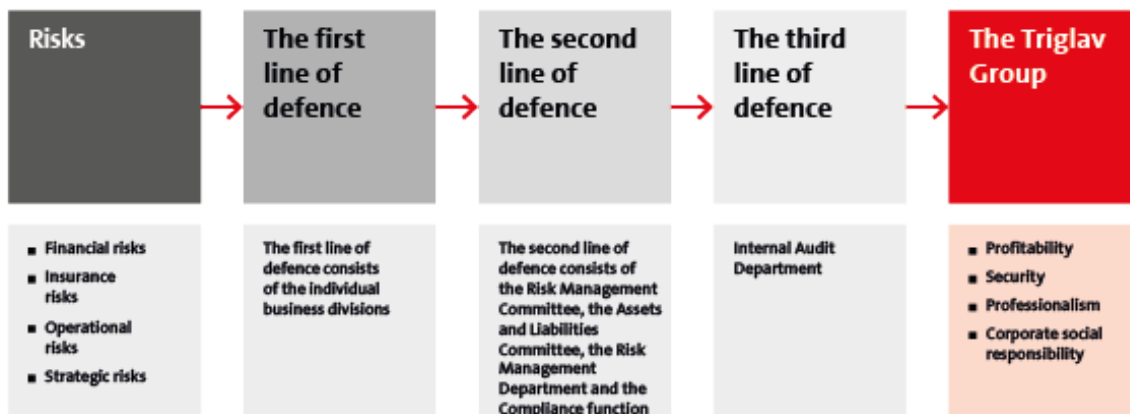
The Risk Management Department draws up a risk management framework (methodologies used for risk identification, measurement and management, minimum requirements for the internal control system, development of assets and liabilities management models, setting investment policy limits and operational risk limits, and monitoring of compliance with the risk management framework).

The compliance function actively monitors the compliance of operations with applicable legislation and advises divisions and the Management Board on all relevant issues in this regard; it regularly monitors the Company's compliance with applicable legislation, develops activities for the prevention of money laundering and the financing of terrorism and monitors the implementation of these activities.

- **Third line of defence:** The Internal Audit Department regularly tests the effectiveness and reliability of the internal control environment and processes in accordance with regulatory requirements. It periodically evaluates the quality of the risk management system.

Risk management chart

Three-level risk management



12.1.2 Risk management at Group level

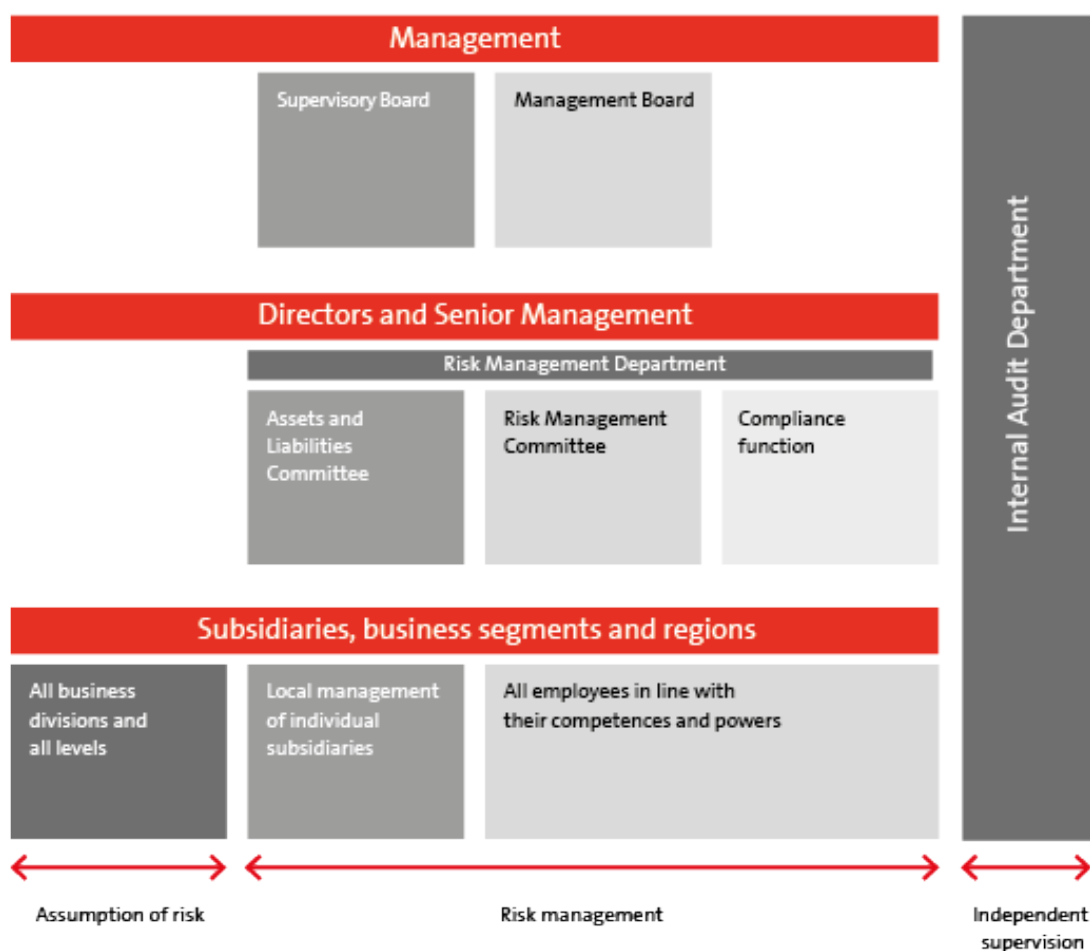
The **risk management system** at Group level is adequate, efficient and proportional to the structure, nature, volume, complexity and risk level of operations of individual subsidiaries and compliant with regulatory requirements. The system takes account of the differences in risk, depending on the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

The **system** is **structured by hierarchy**. By adopting internal acts, Zavarovalnica Triglav and Triglav INT regulate the governance of subsidiaries by nominating decision-makers and defining their competences and responsibilities, management processes and other activities related to the management of subsidiaries (including regular reporting and audit). They also monitor the operations and development of subsidiaries with regard to risk management through supervisory boards. The cooperation, culture, policies and regulations in the area of subsidiary management foster the exchange of information, know-how and best practices between the members and structures of the Group. The structure is shown in the figure below.

The risk management system of the Triglav Group brings together both **concepts** typical of such systems:

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

The organisational structure of the risk management system at Group level is shown below.



The risk management culture is the foundation of processes within the Group. In terms of organisation, the entire system is conceived to ensure risk management at all levels of operations. The structure of the system is regularly reviewed, developed and adapted to the business operations of the Group and to changes in various factors arising from the internal and external environment.

12.2 Capital and capital adequacy management

The primary goal of capital management is to guarantee the required and suitable capital adequacy level of companies within the Group, while also generating an appropriate profit in relation to risk for its owners. In 2014 as well as in previous years, the Company's capital has been at an adequate level.

As required by applicable legislation, the amount of available capital is measured regularly to make sure it is in line with the regulatory capital requirements for individual insurance companies and for the Group. Capital adequacy is also monitored on the basis of the model of the rating agency Standard & Poor's (hereinafter: S&P) and on the basis of the Directive 2009/138/EC of the European Parliament and of the Council (Solvency II).

12.2.1 Regulatory requirements for capital adequacy

Zavarovalnica Triglav maintains a **surplus of available capital** in excess of the capital requirements of its core business and covering potential losses. This surplus provides a high level of protection against losses due to unforeseen unfavourable events. In addition to current capital adequacy, the Company also monitors compliance with planned capital levels and capital adequacy. This allows it to detect any influences from the environment affecting capital adequacy and to ensure the optimum capital allocation.

As in previous years, Zavarovalnica Triglav complied with the regulatory capital adequacy requirements throughout 2014. As at 31 December 2014, the minimum required capital to available capital ratio in non-life insurance was 383% (compared to 362 as at 31 December 2013). On the same day, the minimum required capital to available capital ratio in life insurance was 191% (compared to 183 as at 31 December 2013).

A further goal of Zavarovalnica Triglav is to ensure an adequate capital level in the Group and all its members. In order to evaluate solvency needs, the capital adequacy ratios of insurance-technical provisions for each insurance company in the Group are regularly monitored.

See also *Section 4.2.1 under Financial Statements*.

12.2.2 Rating agency capital adequacy

Capital adequacy represents a crucial element of credit rating. Decisions concerning capital management are therefore also based on the capital models underpinning credit rating. The credit rating of Zavarovalnica Triglav and the Triglav Group is evaluated by the rating agencies S&P and A.M. Best.

Credit rating is discussed in greater detail in *Section 6.7 Credit rating of the Triglav Group and Zavarovalnica Triglav*.

12.3 Overview of key risks faced by Zavarovalnica Triglav

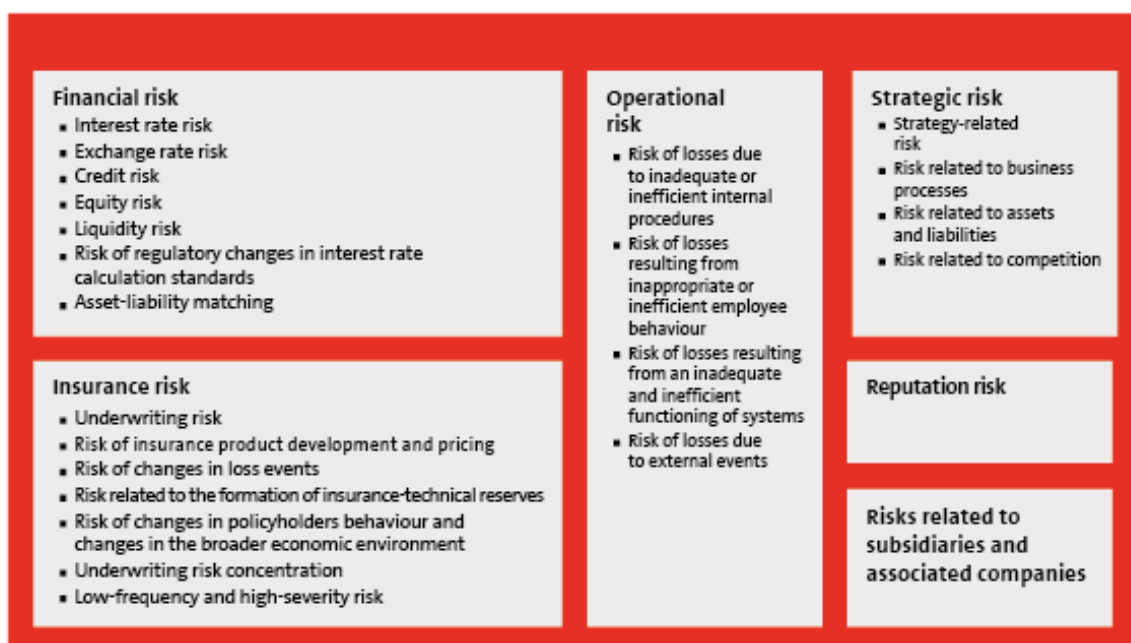
The most significant and extensive among the risk types faced by Zavarovalnica Triglav are **insurance and financial risks**. The Company is also exposed to operational risk, strategic risk, reputation risk and risk related to subsidiaries and associated companies.

The *results of risk assessments for 2014* show that the following risk can be classified as material:

- premium and reserve risk in non-life insurance;
- catastrophe risk in non-life insurance;
- premium and reserve risk in health insurance;
- catastrophe risk in health insurance;
- lapse risk in life insurance;
- expense risk in life insurance;
- catastrophe risk in life insurance;
- interest rate risk;
- equity risk;
- credit risk;
- real property risk;
- credit spread risk;
- concentration risk;
- operational risks.

The chart below shows the key risks faced by Zavarovalnica Triglav.

Overview of key risks faced by Zavarovalnica Triglav



12.4 Financial risk

The Company is exposed to *main financial risks* in the management of guarantee funds and assets backing liabilities, in reinsurance operations and in all funding operations undertaken as part of capital management. These include the following financial risks:

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

The *investment policies* of individual guarantee funds and assets backing liabilities take into account the nature of the Company's liabilities and the Company's risk appetite, while aiming for an optimum return, risk profile and capital adequacy for individual investment grades. The Company strives to achieve the highest possible return rates and the lowest capital requirements given the risk profile of any instrument. This approach to efficient capital management allows the Company to focus its capital allocation on activities that will generate the maximum return on equity for its owners.

The Company's investment policies are regularly updated and adapted to developments and changes on financial markets, thereby ensuring that the Company's investment policies remain up-to-date and that they reflect the general economic trends, while also striving for an optimum relationship between risk, return and capital adequacy and consistency with the vision and strategic objectives of the Triglav Group (return on equity, risk appetite). In 2014, the investment policies of Zavarovalnica Triglav were **updated** once more and **adapted to market trends**.

Further details on financial risk assessment can be found in *Section 4.3 under Financial Statements*.

12.4.1 Assets-liability management of insurance portfolios

In assets and liabilities management, the Company is most exposed to interest rate risks resulting from mismatches in the maturity of assets and liabilities as well as to equity risk.

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

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

One of the central tools used for managing market risk is the diversification applied to the entire portfolio of Zavarovalnica Triglav (this includes diversification across various industries, across different types of securities as well as across issuers of geographically diverse origin). Appropriate and advanced investment policies (*described in Section 12.4*) are another tool for successful market risk management. The application of pre-set limits allows the Company to optimize its portfolio with a view to minimising capital requirements and (market) risk while attaining the target profitability guaranteeing the fulfilment of all obligations and generating a surplus return. Furthermore, the Company also conducts a range of different stress tests, sensitivity analyses and cash-flow matching, which serve as a basis for the elaboration of investment policies.

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

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

12.4.2 Interest rate risk

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

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

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

A detailed presentation of interest rate risk including a sensitivity analysis can be found in *Section 4.3.2 under Financial Statements*.

12.4.3 Equity risk

Zavarovalnica Triglav manages the equity risk of securities in its portfolio through **exposure limits** as well as through geographical and sectorial **investment diversification**. It invests most of its assets within the European Union, and spreads its investments to other geographic areas in order to hedge the risks and the profitability of its equity portfolio. To a large extent, the portfolio consists of debt securities and this diversification results in a slightly lower equity risk. Another important factor affecting any investment decision is the liquidity of shares.

Details on the exposure to equity risk are discussed in *Section 4.3.3 under Financial Statements*.

12.4.4 Liquidity risk

The aim of liquidity risk management is to ensure that at any point in time, the Company has sufficient liquid assets available to settle all outstanding obligations in due time.

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

Liquidity risk is further discussed in *Section 4.3.4 under Financial Statements*.

12.4.5 Foreign exchange risk

Since most of the Company's assets are denominated in euros, its exposure to foreign exchange risk is minor.

Total **exposure to currencies** of countries of the Adria region represents no more than 1.4% of the portfolio in terms of value. Despite the limited exposure, the Company manages foreign exchange risk using derivatives.

12.4.6 Credit risk

The aim of credit risk management is to establish procedures for minimising the likelihood of loss resulting from a debtor's financial difficulties. The Company's goal is to achieve an optimum diversification of the credit portfolio and the desired credit rating.

The main exposures to risk of loss due to a counterparty's failure to meet its obligations arise from investments in debt securities and from insurance operations (reinsurance credit risk, credit risk of default on receivables from insurance operations).

The Company manages its exposure to credit risk by applying a **system of exposure limits** and by conducting **counterparty analyses** prior to the assumption of credit risk. In order to guarantee a timely and suitable response to any adverse developments in the financial markets, the Company's exposures to individual issuers and changes in their credit ratings are subject to constant monitoring.

For further details on credit risk, see also *Section 4.3.6 under Financial Statements*.

12.5 Insurance risk

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

The primary responsibility for **the active management of underwriting risk** lies with departments that are involved in core business activity. Clearly structured competences and powers include the segregation of duties, underwriting limits and an authorisation system. Furthermore, insurance risks are managed using a set of actuarial techniques applied in product pricing and the allocations of insurance technical provisions. The Company also conducts regular performance monitoring, verifications of insurance technical provisions and optimisation of reinsurance schemes. Insurance risk is also managed through the establishment of an appropriate internal process for evaluating capital requirements for insurance risk.

Reinsurance is one of the basic hedging tools used for managing underwriting risk. Insurance companies within the Triglav Group are cosignatories of a joint reinsurance contract according to which net retained lines are based on the tables of maximum net retained lines of Zavarovalnica Triglav. Annual reinsurance schemes include:

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

The choice of suitable reinsurers depends to a great extent on their credit rating.

In addition to reinsurance, another basic tool for managing underwriting risk is **a high quality risk assumption process** that limits assumed risk to acceptable levels.

12.5.1 Underwriting risk concentration

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

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

Particular attention is paid to events with a low frequency and a high impact, such as storms, hail, floods or sleet in 2014. Over the previous five years, Zavarovalnica Triglav sustained an average of two major natural disasters a year, which triggered reinsurance policies covering

natural events. Past events have shown that the reinsurance scheme is suitable, as the Company has been able to discharge its obligations arising from insurance contracts without exposure to increased liquidity or capital adequacy risk.

Experience from previous years indicates that the frequency of such high impact disasters is likely to increase and the Company's reinsurance schemes are being modified accordingly.

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

See also Section 4.5.1 under Financial Statements.

12.5.2 Geographical and sectorial concentration

The business operations of Zavarovalnica Triglav are concentrated in the Republic of Slovenia and a minor part of its business activities is located in the neighbouring EU countries. The Company also provides "fronting" services, ceding most of the business to other insurers.

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

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

As one of the three insurance companies in Slovenia to offer supplemental health insurance, with a 22.8% market share, Zavarovalnica Triglav is exposed to concentration risk. Furthermore, it is also one of two reinsurers in the country, holding 43.4% of the market (data for first three quarters of 2014). The concentration risk arising from the reinsurance portfolio is managed through the geographical diversification of risk arising from transactions outside the Triglav Group and with adequate retrocession for transactions related to the Group. Supplemental health insurance risk, however, is well dispersed, so there is no exposure to underwriting risk concentration in this segment.

12.5.3 Low-frequency and high-severity risks

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

A potentially catastrophic loss occurrence could arise from the nuclear peril that 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 a low or zero-rate correlation with other potential liabilities arising from the same loss event.

For further details on these risk types, see *Section 4.5.2 under Financial Statements*.

12.6 Operational risk

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

Active operational risk management allows the Company to reduce the risk of loss due to:

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

For detailed explanations on operational risk, see *Section 4.6 under Financial Statements*.

12.6.1 Fraud risk

The insurance industry is faced with a number of adverse effects of fraud. In Zavarovalnica Triglav, the implementation of a comprehensive fraud management policy is the responsibility of the Fraud Prevention, Detection and Investigation Department (hereinafter: FPDID). Even though the Company is mostly exposed to insurance fraud, its fraud prevention, detection and investigation policy encompasses all business areas. It includes underwriting and the settlement of claims as well as areas such as relations with suppliers and insurance brokers, financial investments, human resources.

The need to establish a basic infrastructure for efficient fraud risk management led the Company to introduce its fraud risk assessment project. This project entailed the assessment of exposure to 319 fraud schemes in all business areas. The first phase of the project was implemented in 2012 in accordance with ACFE (Association of Certified Fraud Examiners) and IAIS (International Association of Insurance Supervisors) guidelines. Further activities focused on risks classified as high or moderate. Internal controls in high-risk areas were reviewed and the best suited and most efficient internal controls for the purpose of risk reduction were determined.

The efficiency assessment of key internal controls started in 2013 and was completed in 2014. In 2013, the Management Board adopted recommendations for improving internal controls for 19 high-risk fraud schemes; and these were followed by a proposal for the introduction of 12 additional internal controls for the management of moderate risk related to 65 fraud schemes in 2014. The initial fraud risk assessment was thus completed. The Company now has a register of fraud risk for all business areas and an inventory of key internal controls aimed at the identification and prevention of fraud schemes identified in the register. The Company also has the possibility of monitoring exposure to these risks in the light of findings of individual investigations and targeted audits conducted by the FPDID and in relation to any changes in key internal controls or results of internal control testing.

A similar approach was adopted in all subsidiaries within the Triglav Group. The initial fraud risk assessment in the subsidiaries was also completed in 2014 and their FPDID services have prepared recommendations for improving key internal controls.

On the basis of a targeted audit of the purchasing of goods and services carried out in 2014, specialised and other relevant departments were given 14 recommendations for improving the internal control system. Targeted audits of receivable management were conducted in two subsidiaries. Both subsidiaries have already introduced corrective measures.

The Company has completely overhauled its **Rules on the Prevention of Conflict of Interest**. The Rules have been aligned to applicable legislation and stipulate stricter requirements than those required by legislation in areas that are considered to entail a relatively high level of risk. The implementation of the Rules is IT-supported, which is crucial for efficient risk management in this area. A slightly modified version of these Rules was also adopted by subsidiaries within the Group.

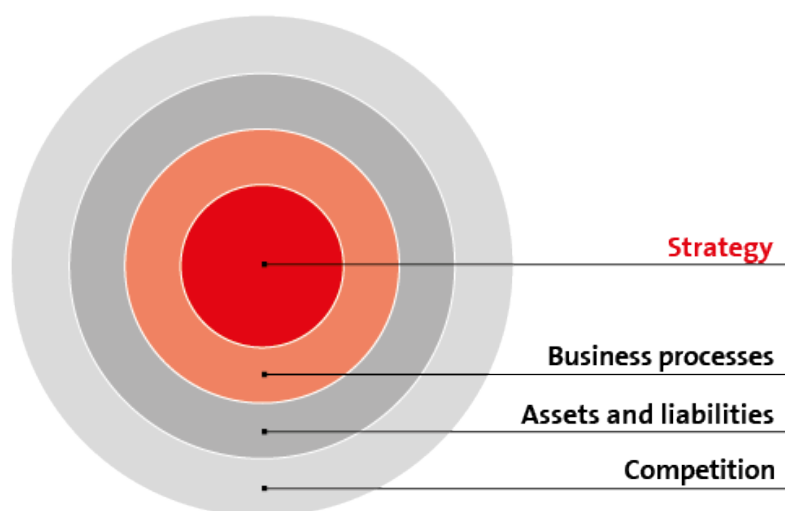
In 2014, **591 cases of suspected fraud** were investigated, which is an increase of 12% over 2013. The confirmation rate was higher, too, as fraud was confirmed in 258 cases (21%-increase over 2013). Subsidiaries of the Triglav Group outside Slovenia have recorded even greater progress. Of the 272 cases of suspected fraud (139 in 2013) that were investigated, 222 cases of fraud (105 in 2013) were confirmed.

12.7 Strategic risk

Zavarovalnica Triglav **addresses strategic risk throughout the course of strategic planning** within the Triglav Group. The strategies of individual Group members are aligned with one another and with the strategy of the Triglav Group.

The implementation of strategic goals is regularly monitored both at Group level as well as in individual companies. The implementation of capital requirements is also subject to regular monitoring using contemporary models and tools and good business practice. As the attainment of strategic goals and performance can also be affected by external factors, the Company also monitors market indicators and indicators related to the broader economic environment and market.

Sources of strategic risk



Strategy

The Strategy of Zavarovalnica Triglav is defined in accordance with trends in the industry and regulatory and legal developments as well as developments in the micro- and macro-environments. The Strategy contains clearly defined goals, tools and implementation processes. Good business results achieved in spite of the economic crisis and effects of unpredictable weather and other events show that the implementation of the strategy has been successful and efficient in counteracting strategic risk. The Strategy is regularly reviewed and updated, if necessary.

Business processes

Integrated internal controls enacted to monitor operational and other risks (see *Section 12.6*) foster better employee decision-making and implementation, thus facilitating the attainment of insurance company and Group goals. Business processes are regularly adapted to changes in the business environment or other circumstances as well as to any changes in strategy.

Assets and liabilities

Due to the nature of its operations, Zavarovalnica Triglav employs a variety of different methods to monitor its assets and liabilities. The asset and liabilities management system encompasses the active monitoring of liabilities, premium inflow, the state of real property, investments and developments in financial and other markets.

Competition

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

12.8 Reputation risk

Reputation risk consists in the possibility of external or internal events undermining stakeholder confidence in the insurance company. Reputation risk can be the **result** of a number of factors, ranging from the inability to provide a sufficiently high standard of product and service quality to unethical business practice, failure to attain financial objectives, employee strike, causing environmental pollution, to acts of unfair competition, any of which can have a detrimental effect on the reputation of the entire sector.

The key to efficient reputation risk management lies in a robust **system of corporate governance** which is supported by the following activities:

- collecting and analysing client feed-back;

- monitoring media reporting on the insurance company, including the social media;
- management of Company public relations;
- management of investor relations;
- due diligence in ensuring compliance with applicable legislation and in the management of relations with supervisory bodies and agencies;
- continuous monitoring of business, economic, social and regulatory trends that might be the source of future risk;
- management of stake-holder relations.

12.9 Risk related to subsidiaries and associated companies

Risk related to subsidiaries and associated companies is **managed through a clearly defined system of corporate governance and strategic planning** of the business activities of subsidiaries and associated companies, including their financial goals. Strategic planning at subsidiary level is coordinated with the development strategy of the Triglav Group. The corporate governance system allows Zavarovalnica Triglav to exercise its influence as owner via the management and supervisory bodies of individual Group members, ensures the transfer of minimum business standards in relevant business segments, and caters for concentration risk monitoring and management at Group level as well as for the monitoring and management of transactions between individual Group members. In the assessment and evaluation of risk at Group level, Zavarovalnica Triglav applies the **principle of final exposure** (the so-called "look-through principle").

The tasks and responsibilities for managing risk related to subsidiaries and associated companies are divided between the Management Board of Zavarovalnica Triglav, the Management Board of Triglav INT, the Subsidiary Management Division, the Legal Office and other business divisions within Zavarovalnica Triglav.

12.10 Internal audit

The Internal Audit Department (IAD) is an independent organisational unit directly accountable to the Management Board. The IAD provides **independent and impartial audit and advisory services**, which support the Company in achieving its objectives through systematic and methodical assessments and recommendations for improving the efficiency of risk management, control procedures and corporate governance.

In its work, the IAD abides by the Insurance Act and other relevant regulations, the professional and ethical rules of internal auditing set by the Institute of Internal Auditors based in the USA, the Slovene Institute of Internal Auditors, as well as the internal company rules on internal auditing.

In addition to regular and extraordinary audits of the departments where major risks have been identified, the IAD also carries out a number of **other activities**:

- draws up IAD's medium-term and annual audit plans and submits them to the Management and Supervisory Boards for comment and approval;
- provides consulting services in agreement with the management and the Management Board;
- regularly monitors the implementation of recommendations made by internal and external auditors;
- cooperates with external auditors and other supervisory bodies;

- reports quarterly to the Management and Supervisory Boards on the internal audit tasks performed, their findings and the implementation of recommendations made by internal and external auditors;
- reports annually to the Management and Supervisory Boards on the implementation of its annual audit plan, the adequacy of internal auditing tools and major findings of internal auditors arising from internal audits performed;
- submits quarterly and annual declarations to the Management and Supervisory Boards, giving an impartial assessment of (assurance of) the adequacy and efficiency of internal controls aimed at managing key risk types arising in the Company's business operations;
- improves the quality of its work by carrying out appropriate measures aimed at eliminating any deficiencies identified in regular internal audits and periodic external quality assessments; and
- transfers the internal auditing know-how and good practices to other Group members.

Based on the annual audit plan for 2014, the IAD conducted 19 audits of the operations of the parent company as well as 6 audits of the operations of two other subsidiaries of the Triglav Group. Two planned audits were postponed to 2015.

13. SUSTAINABLE DEVELOPMENT IN ZAVAROVALNICA TRIGLAV

- Improvement of individual organisational climate indexes in Zavarovalnica Triglav and of all individual organisational climate indexes in other Triglav Group insurance subsidiaries. The employees are highly committed.
- Lower tolerance and better detection of suspected insurance fraud, also in the Triglav Group.
- Everything will be alright – Institute of Zavarovalnica Triglav for corporate social responsibility: continuation of the Young Hopes project and new investments in promising talents, humanitarian donation to flood victims in the Balkans.

13.1 Sustainable Business and Corporate Social Responsibility

Zavarovalnica Triglav and the Triglav Group have a holistic approach to corporate social responsibility as its fundamental value and the tenet of sustainable development.

Key sustainable development aspects and indicators were identified and professionally re-examined in 2014, as elaborated under Reporting parameters.

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

Economic impact	<ul style="list-style-type: none"> ▪ Economic performance ▪ Market presence ▪ Indirect economic impacts ▪ Procurement practices 			
Environment	<ul style="list-style-type: none"> ▪ Energy ▪ Waste and water management ▪ Transport ▪ Checking environmental performance of suppliers 			
Social aspects	Traineeships and dignified work <ul style="list-style-type: none"> ▪ Employment ▪ Safety and health at work ▪ Education and training ▪ Diversity and equal opportunities ▪ Equal pay for female and male employees ▪ Checking labour standard compliance of suppliers ▪ Employment complaint procedures 	Human rights <ul style="list-style-type: none"> ▪ Investment ▪ Non-discrimination ▪ Checking human rights record of suppliers ▪ Human rights complaint procedures 	Company <ul style="list-style-type: none"> ▪ Local communities ▪ Anti-corruption behaviour ▪ Protection against unfair competition ▪ Compliance 	Product liability <ul style="list-style-type: none"> ▪ Product and service labelling ▪ Product and service portfolio ▪ Marketing communication ▪ User privacy ▪ Compliance

Key guidelines and objectives of the 2014 Corporate Social Responsibility Strategy

Key objectives and implemented results in 2014

Objectives 2014	Status	Results 2014
<ul style="list-style-type: none"> Maintenance of high credit rating. 	Achieved.	<ul style="list-style-type: none"> Zavarovalnica Triglav has received high »A« credit ratings with a stable or positive mid-term outlook.
<ul style="list-style-type: none"> Completion and implementation of the Code of Conduct of the Triglav Group. 	Not achieved.	<ul style="list-style-type: none"> Due to amendments related to the implementation of the Solvency II Directive the deadline for the implementation has been postponed to 2015.
<ul style="list-style-type: none"> Increasing the number of investigated cases detected through key fraud indicators by at least 100 percent. 	Achieved.	<ul style="list-style-type: none"> FPDID confirmed fraud in 54 cases, which is an increase of 100% over 2013, when 27 fraud cases were confirmed.
<ul style="list-style-type: none"> Active participation and support of UNGC programmes for improving fair business standards. 	Achieved.	<ul style="list-style-type: none"> Specialised departments played an active role in this field. The Company adopted the Slovene Corporate Integrity Guidelines, thereby joining the circle of Corporate Integrity Ambassadors.
<ul style="list-style-type: none"> Continued training and communication on health promotion in the framework of the Triglav.smo project. 	Achieved.	<ul style="list-style-type: none"> Health promotion workshops were organised in all regional regional units of Zavarovalnica Triglav. The initiative Greetings of the Season (seasonal fruit for employees) and the project From the Garden to the Office were continued, enabling employees to purchase fresh fruit and vegetables.
<ul style="list-style-type: none"> Improved access to knowledge through new e-learning courses. 	Achieved.	<ul style="list-style-type: none"> Two new e-learning courses on occupational health and safety and fire safety (over 2,000 participants) and on the prevention of money laundering and the financing of terrorism (over 700 participants) were introduced.
<ul style="list-style-type: none"> Every employee has the opportunity to participate in at least one training course. 	Achieved.	<ul style="list-style-type: none"> All employees have the possibility to apply and participate "live" in scheduled e-learning courses.
<ul style="list-style-type: none"> Implementing measures for zero tolerance to discrimination, harassment or mobbing at the workplace. 	Achieved.	<ul style="list-style-type: none"> Zero tolerance to all types of mistreatment of employees was applied in all areas. Training on protecting dignity at the workplace was organised for heads of regional units.
<ul style="list-style-type: none"> Implementation of activities in the framework of insurance education. 	Partly achieved.	<ul style="list-style-type: none"> Education was organised in the Intergenerational Centre Triglav to Change the World!, a survey on insurance literacy was conducted, an annual plan on improving insurance literacy is being prepared.
<ul style="list-style-type: none"> Equipping sales points with markings on accessibility for persons with various disabilities. 	Achieved.	<ul style="list-style-type: none"> Implemented at all own sales points.
<ul style="list-style-type: none"> Implementation of at least one measure for improving the accessibility of insurance services. 	Achieved.	<ul style="list-style-type: none"> A video providing guidance to sales staff on communication with persons with hearing impairment was produced in cooperation with TIPK TV.
<ul style="list-style-type: none"> Implementation of at least 10 preventive actions for children with the mascot Watch Out Doggy within the project Children of Triglav – Safe on Roads. 	Achieved.	<ul style="list-style-type: none"> At the beginning of September the mascot Watch Out Doggy visited 57 primary schools and kindergartens in Slovenia.
<ul style="list-style-type: none"> At least 10 percent of the employees participating in volunteering work and activities. 	Achieved.	<ul style="list-style-type: none"> 244 employees participated in volunteering activities.
<ul style="list-style-type: none"> Take at least 3,000 children, including at least 100 children with special needs, to the ski jumping event in Planica. Raising awareness on environmental responsibility among participants. 	Achieved.	<ul style="list-style-type: none"> Over 3,300 children were taken to the ski jumping event in Planica, everyone received "Let's Clean the Mountains" rubbish bags. All guests were encouraged to travel to the event using public transport.
<ul style="list-style-type: none"> Organisation of the Triglav Run with at least 1,000 active participants. Implementation of at least one measure mitigating the environmental impact of the event. 	Achieved.	<ul style="list-style-type: none"> Over 1,100 active participants took part in the Triglav Run and were served a meal prepared using locally sourced ingredients.
<ul style="list-style-type: none"> Participation in the renovation of at least two playgrounds. 	Achieved.	<ul style="list-style-type: none"> Three playgrounds were renovated.
<ul style="list-style-type: none"> Launching an application warning about safety hazards in the home. 	Partly achieved.	<ul style="list-style-type: none"> Warnings about safety hazards in the home were included among advice provided on the website.
<ul style="list-style-type: none"> Implementation of an awareness-raising campaign on correct waste separation among employees. 	Partly achieved.	<ul style="list-style-type: none"> An action plan has been prepared; implementation is due to start in the spring of 2015.
<ul style="list-style-type: none"> Upgrade of recycling and waste sorting bins 	Partly	<ul style="list-style-type: none"> Recycling and waste sorting bins are due to be upgraded to

Objectives 2014	Status	Results 2014
at regional unit premises.	achieved.	include a section for newspaper. The number of printed newspapers and publications has been reduced by 20%, the upgrade of bin has been postponed to 2015.
<ul style="list-style-type: none"> Extending the participation in the "Let's Clean the Mountains" campaign to include at least one additional organisation (in addition to the Alpine Association of Slovenia). 	Achieved.	<ul style="list-style-type: none"> Cooperation has been established with the company Hribolazec and the mountain rescue service.
<ul style="list-style-type: none"> At least one activity in the framework of the "Let's Clean the Mountains" campaign aimed at children and the elderly. 	Achieved.	<ul style="list-style-type: none"> Gregor's Geo-hunt has been enhanced at six locations; a playground was built next to a mountain lodge. In cooperation with hribolazec.si, the possibility of following ascents of three mountains has been provided for the elderly who do not use mobile phones.
<ul style="list-style-type: none"> Attracting new followers and users in all social media. 	Achieved.	<ul style="list-style-type: none"> The number of followers in social media has increased by 18% on Facebook, by 33% on Twitter and by 48% in Instagram.
<ul style="list-style-type: none"> Implementation of awareness raising on rational energy consumption among employees. 	Partly achieved.	<ul style="list-style-type: none"> An action plan has been prepared, communication is due to start in the spring of 2015.
<ul style="list-style-type: none"> Implementation of a pilot project on centralised document printing. 	Achieved.	<ul style="list-style-type: none"> The pilot project and stocktaking have been successfully completed at regional units Slovenj Gradec, Novo mesto and Nova Gorica.
<ul style="list-style-type: none"> Implementation of at least one additional measure mitigating the environmental impact. 	Achieved.	<ul style="list-style-type: none"> The timetable of the service van providing transport between premises at Verovškova and Miklošičeva street has been adapted to better suit the needs of employees.
<ul style="list-style-type: none"> Calculation of the carbon footprint of at least three headquarters of subsidiaries. 	Achieved.	<ul style="list-style-type: none"> The carbon footprint of three subsidiary headquarters has been calculated.

Key guidelines and objectives of the 2015 Corporate Social Responsibility Strategy

Key guidelines and objectives of the 2015 Corporate Social Responsibility Strategy

Guideline	Objectives 2015
Management of the organisation <ul style="list-style-type: none"> Credit rating. Communication with owners and potential investors. 	<ul style="list-style-type: none"> Maintenance of high credit rating. Active participation at investment conferences and meetings with analysts. Continued professional provision of transparent information on Company performance and operations.
Fair business practice <ul style="list-style-type: none"> Implementation of the Declaration on Fair Business. Increasing the volume of investigated cases of suspected fraud detected using key fraud indicators. 	<ul style="list-style-type: none"> Introduction of a code of conduct and compliance programme in the area of preventing conflict of interest in the Triglav Group. Increase the number of confirmed fraud cases initially detected using IT-support by at least 20% over 2014. Analysis and optimisation of fraud indicators. Upgrade of internal rules and business processes in the area of corruption prevention and corruption risk management. Active participation in organisations and informal incentives striving for higher ethical and fair business standards.
Recruitment and work practices <ul style="list-style-type: none"> Using preventive measures to contribute to healthy working conditions. Employee training. Psychological and social support of employees. Intergenerational cooperation and coexistence. 	<ul style="list-style-type: none"> Continuing with training and health promotion in the framework of the Triglav.smo project. Improving the functional and digital literacy of employees. Better access to knowledge thanks to new e-learning courses. Holistic approach to employees in distress or faced with difficult circumstances. Preparation of a programme on work-related challenges faced by different generations, building successful intergenerational teams, finding career opportunities at any age.
Human rights	<ul style="list-style-type: none"> Zero tolerance for discrimination, Continued implementing of zero tolerance

Guideline		Objectives 2015
	harassment or mobbing at the workplace.	<ul style="list-style-type: none"> measures. Incorporating the aspect of human dignity in all areas and activities by including it in soft skill training, the project Triglav.smo, health protection, organisational climate measurement.
Responsibility to clients and suppliers	<ul style="list-style-type: none"> Insurance education. Improving the accessibility of insurance services for people with disabilities. 	<ul style="list-style-type: none"> Incorporating insurance education in key marketing and communication campaigns. Implement at least one measure aimed at improving access to insurance services.
Engagement in the community and its development	<ul style="list-style-type: none"> Road traffic safety preventive programme. Volunteering of the employees in local communities. Triglav Generations in Planica. 3rd Triglav Run. Children of Triglav Promoting preventive action. 	<ul style="list-style-type: none"> Implementation of at least 10 prevention campaigns for children with the Watch Out Doggy mascot in the framework of the Children of Triglav – Safe on Roads. At least 10% of employees engaged in volunteering. Take at least 3,000 children to the ski jumping event in Planica, including at least 100 children with special needs; raising awareness regarding environmental responsibility among participants. Organisation of the Triglav Run with at least 1,000 active participants; implementation of at least one measure mitigating the environmental impact of the event. Participation in the renovation of at least 2 playgrounds. Implementation of a web-based counselling service.
Mitigating adverse effects on the environment	<ul style="list-style-type: none"> Waste management. Let's Clean the Mountains. Reducing greenhouse gas emissions. 	<ul style="list-style-type: none"> Awareness campaign among the employees regarding correct waste sorting. Cooperation with at least one organisation in addition to the Alpine Association of Slovenia. At least one activity aimed at the elderly and children. Attracting new followers and users in social media. In-house awareness-raising campaign on rational energy consumption. Implementation of centralised document printing. Carbon footprint calculation for at least four headquarters of the Triglav Group subsidiaries.

Awards and prizes

In 2014, the companies of the Triglav Group received the following awards and prizes in different areas:

- **Trusted brand 2014:** for the eighth consecutive year, Zavarovalnica Triglav was at the top of the list of the most trusted insurance companies in Slovenia.
- **TOP 10 Training and Education Management:** for the sixth consecutive year, the Company received an award for companies that invest the most in knowledge, education and training of their employees and that do so using a systemic approach (the award is granted by Planet GV and the Sofos Institute of Training Management).
- **Friend of the Year 2014:** award given by the Ypsilon Institute to Zavarovalnica Triglav and Everything will be alright institute for the project "Youth is the Safety of Our Future".
- **Best Annual Report:** the Slovene financial daily Finance, in cooperation with the Finance Business Academy, honoured Zavarovalnica Triglav with an award for the best annual report amongst financial institutions for 2013 in terms of reporting on sustainable development.

- **Arc Awards:** honorary awards for the 2013 Annual Report in terms of communication value.
- **POMP 2014:** awards for content marketing for the in-house publication Obzornik in the best cover category, for Naložbenik in the best printed magazine category and in the best annual report category. The grand prix Veliki POMP for the project of the year in content marketing.
- **Gold Quill:** the award given for communication excellence by the International Association of Business Communicators (IABC) for the campaign "Let's Clean the Mountains" and the in-house campaign on insurance fraud prevention.
- **Prism 2014:** award given by the Public Relations Society of Slovenia for the awareness-raising campaign on insurance fraud in the internal communication programmes category.
- **FEIEA Grand Prix 2014:** the first place in the category of internal communication strategy for the awareness-raising campaign on insurance fraud prevention.
- **Digital Communication Awards:** finalist in the internal communication category for the campaign on insurance fraud prevention.
- **WEBSI 2014 Award:** second place for the mobile application Gorski priročnik (Mountaineering Guide).
- **DIGGIT 2014:** grand prix for digital strategy and the golden award for the viral video on insurance fraud and deception prevention in the financial services category.
- **The advertiser of the year:** award given by the Slovenian Advertising Chamber at the Slovenian Advertising Festival: gold for the video "Don't let imagination turn into fraud" and silver for a TV commercial "Wheel of Fortune".
- **AmCham:** award and second place at the contest "Best of the Best" for the project Young Hopes 2014 managed by the Everything will be alright institute of Zavarovalnica Triglav.

Commitments to external initiatives

The Company actively complies with the Insurance Code of the Slovenian Insurance Association that lays down the basic standards of professional business practice in the Triglav Group. Zavarovalnica Triglav is committed to supporting initiatives fostering ethically, environmentally, socially and economically sustainable business practices.

By upgrading its digital business, Zavarovalnica Triglav also follows the recommendations of the Slovene Consumers' Association on improving financial literacy. The development of online services for policyholders is explained in Chapter 11 (see 11.2.2, *Online operations*). Prevention tips for reducing risks faced by policyholders form part of the Company's online presence. Continuous improvement in the responsiveness of claim handling and the high level of flexibility of the claim procedure in the settlement of mass loss events are described under *Section 11.1*.

In the area of compliance, Zavarovalnica Triglav takes an active part in the initiative Ethos, the working group within the UN Global Compact Slovenia. As one of the first Slovenian signatories of the Declaration on fair business practices, Zavarovalnica Triglav is committed to raising awareness regarding the significance of fair business practices at the national level (impact on competitiveness and social welfare) and the implementation of compliance programs modelled after international practices and standards of fair practice (see 13.3 *Fair Business Practice* for more information).

Membership in associations

The Company is an active member in several industry associations and economic groupings and other associations, including the Slovenian Insurance Association, the Chamber of Commerce and Industry of Slovenia, the Marketing Association of Slovenia, the Public Relations Society of Slovenia, the Ethos anti-corruption working group operating within the UNGC Slovenia, the Institute for the Development of Social Responsibility (IRDO), The social responsibility network of Slovenia (MDOS), the Association of Employees' Councils of Slovenian Companies, the Supervisors Association of Slovenia, and the American Chamber of Commerce of Slovenia.

Subsidiaries outside Slovenia are members of industry associations and economic groupings in their relevant countries.

Reporting parameters

In the preparation of the annual report, the Company adheres to International Financial Reporting Standards (IFRS) and the international sustainability reporting guidelines drafted by the **Global Reporting Initiative G4 (GRI)**, also following the specific guidelines for the financial sector. The annual report refers to the individual business and calendar year. Specialised departments are responsible for the drafting of the report.

The existing reporting on sustainable development aspects and on performance indicators under the GRI guidelines was upgraded in 2014 by reviewing compliance with the GRI G4 requirements. The new generation of the guidelines was applied for the first time in the last report for 2013. Based on peer review, the reporting has been further extended. It has been evolving towards integrated reporting; hence the approach to sustainable management, its associated aspects and indicators have been included in different chapters of the report, which is evident from interactive references and the GRI table of contents.

Data is collected by specialised departments of the parent company that is in charge of comprehensive reporting on the Group's sustainable operations. The data included in this report predominantly pertains to the parent company Zavarovalnica Triglav. Monitoring of indicators pursuant to the GRI guidelines is gradually being introduced also to subsidiaries, where the most progress has been achieved in the area of social impact. No decision about a comprehensive external evaluation of the sustainable reporting has so far been made.

Information on the calculation methodology for individual indicators is provided in the text and the notes. There have been no significant new findings or changes in the data provided in previous reports that might have affected the current state of affairs; individual smaller changes are explained in the notes.

13.2 Key stakeholders

Key stakeholder groups and corporate governance

Responsible corporate governance also entails appropriate communication with key stakeholders. In addition to the employees, they include shareholders, existing and potential policyholders, regulators, state authorities, suppliers, the media, financial analysts as well as the local community and community at large. A proactive and comprehensive approach is adopted to communication with individual stakeholder groups. Their trust is promoted through provision of balanced, consistent and up-to-date information and dialogue on issues related to the Company and its products.

The Communication Strategy of the Company and the Group underpins the implementation of objectives, strategy, mission and vision. In accordance with **the Triglav Group Communication Code**, a high standard of communication is enforced and maintained in the parent company and its subsidiaries.

The focus is on content of relevance to the Company's stakeholders that is presented clearly, transparently and objectively. Fair and stable two-way communication is pursued, resulting in long-term trust of the environment in which the Company operates.

Relations with shareholders are disclosed in several areas - see *Section 6.6 Communication with investors*, *Section 13.7.1 Communication with clients*, *Section 13.8 Communication with suppliers* and *Section 13.9 Responsibility to the social environment* on relations with local communities.

13.3 Fair business practice

With the view to preserving and reinforcing the integrity and reputation of Zavarovalnica Triglav and other Triglav Group subsidiaries, an upgrade of the current Code of Good Business Practices of Zavarovalnica Triglav was launched in 2014. The adoption of the new Code is expected in the first half of 2015.

The Code is also put into practice through a system of direct reporting of non-compliance. One case of Code violation was reported in 2014 and two cases reported in 2013 were settled. A violation was determined in one of the examined cases. Procedures were conducted in line with the protocol and with due respect for the integrity of all the parties involved.

In order to ensure appropriate conditions for systemic corporate compliance, Zavarovalnica Triglav adopted the **Guidelines on Minimum Standards for Corporate Compliance of the Triglav Group** in 2014. The Guidelines supplement and make concrete the Corporate Compliance Policy from 2013. The role of the compliance function as part of the internal control system in both Zavarovalnica Triglav as well as in other Triglav Group subsidiaries was thereby reinforced.

Changes in the legal environment are regularly monitored under the corporate compliance system. Its potential impact on the operations of the Company is assessed so that operations are promptly adapted to any changes detected.

In 2014, special consideration was also given to the management of conflict of interest in the Triglav Group. The new **Rules on Managing Conflict of Interest** and their enforcement are disclosed under *Section 12.6.1*. The same Section also discloses **fraud detection management** performed by the Fraud Prevention, Detection and Investigation Department (FPDID).

Among other activities for high-quality **personal data protection**, regular training and awareness-raising courses were organised for employees. They addressed the tools and importance of adequate protection of the personal data of employees, clients and other stakeholders. Five client complaints concerning alleged violations of the Personal Data Protection Act were filed, one proved to be justified. On the basis of notifications submitted to the Information Commissioner, six control procedures were launched. No violation of personal data protection by the Company was found.

Training and provisions on anti-corruption policy and procedures

Acts of corruption are addressed within risk fraud management where a zero-tolerance policy against corruption is pursued. Broad-based activities launched in 2013 (presentation of policies

and operations of the Fraud Prevention, Detection and Investigation Department to the employees, intranet website, phone line, in-house publication, posters, etc.) continued throughout 2014. Three meetings were organised in the framework of the project Ambassadors of honesty. The following guest speakers were invited: Luka Moljk from the Specialised Office of the State Prosecutor, Andrej Juratovec from the Pares institute and Sandra Damjan, who presented the Corporate Integrity Guidelines. About 40 employees attended each event, which also included workshops at which proposals for new fraud detection indicators were formulated.

In 2014, Zavarovalnica Triglav adopted the new **Contract Management Rules**, under which the standard provisions of any contract must include an **anti-corruption clause** (for contracts with a value exceeding EUR 10,000, for sponsorship and donation agreements and preventive service agreements, and for contracts serving as the basis for advance payment by the Company) as well as clauses on the prevention of conflict of interest, on the protection of inside and other sensitive information, on the protection of business secrets and the admissibility of disclosure due to access to public information. The Rules also stipulate for a clause on personal data protection with the obligation to conclude a special contract on personal data processing with contractual partners processing personal data in the name and on behalf of the Company.

Cases of corruption and measures taken

In 2014, the Fraud Prevention, Detection and Investigation Department dealt with 11 cases where corruption risks were detected in relation to Zavarovalnica Triglav. Fraud was confirmed in four suspected cases. Depending on the nature of established fraud, the Management Board adopted adequate measures. In two cases the employment of the responsible persons was terminated, in one case a warning was issued prior the termination of the employment contract and in one case an action for damages was filed.

The Fraud Prevention, Detection and Investigation Department participated in the investigation of four major cases of suspected corruption in other companies of the Triglav Group. Fraud was confirmed in three suspected cases. The FPDIP proposed to the management bodies to initiate proceedings against the responsible persons and to establish key internal controls.

Zavarovalnica Triglav does not know of any corruption related procedures pending against the Company in 2014.

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

Due to a state-owned equity stake of over 25%, Zavarovalnica Triglav is prohibited from financing political parties pursuant to the Political Parties Act.

13.4 Human resource management / Recruitment and work practices

The **human resources management policy** is based on the values of the Triglav Group. It focuses on the employees as individuals contributing to the culture of the Triglav Group with their efforts, knowledge and motivation.

Strategic guidelines for human resources management

Strategic guidelines in the field of human resources management are based on the fundamental objectives of Zavarovalnica Triglav and the Triglav Group. The aim is to ensure

employees are qualified, motivated and committed, thereby contributing to the common vision. The Company provides its employees with opportunities of upgrading their knowledge and achieving their professional and personal goals, thereby continuously fostering their potential.

- The recruitment of new employees was adjusted to the optimization of business processes and organisational changes. Special emphasis was put on the development and retention of key and perspective members of staff.
- The Company focuses on the standardisation of HR management processes in the Triglav Group with the aim of building a harmonised organisational culture and ensuring the transfer of good practices. Two employees from the subsidiaries were recruited for a year in order to receive training in line with planned development activities for the key and promising staff.
- A modernised selection process of job candidates has been introduced, which also entails psychological testing.
- A programme of psychological and social support for employees with a holistic approach to employees in distress started on a systematic basis.
- An induction programme for new leaders began at all levels.
- An inter-generational cooperation programme was launched and a strategy for managing older employees was developed.
- Within the Idea IN initiative, an overhaul of the process aimed at generating good ideas and promoting creativity was launched (amendment to the rules, preparation of the application for the submission of ideas).
- In the framework of the Triglav.smo project, all projects, programmes and measures for health protection, employee satisfaction and commitment of the employees at work were pooled.
- Regular measurement of organisation atmosphere was conducted and adequate measures taken.
- A job re-evaluation project was launched and is expected to be finalised by 2017.

Recruitment policy

The recruitment policy of the Triglav Group is defined by:

- careful selection of best human resources;
- pursuit of new opportunities for employees in the context of employment challenges within the Triglav Group;
- systematic identification of career goals in close connection with personal ones;
- talent development and prudent assessment of competences;
- promotion of professional development;
- employee commitment and motivation.

The Triglav Group provides opportunities of professional and management career development to both young and older employees.

Absenteeism

The rate of absenteeism in Zavarovalnica Triglav continued to drop. Compared to 2013, it dropped by 0.13 percentage points and was 0.43 percentage points below the national level reported for the Republic of Slovenia.

Temporary absence from work due to illness or injury is measured in terms of 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 2013, the share of work days lost due to sick leave reimbursed by Zavarovalnica Triglav decreased by 0.02 percentage points, while the share of work days lost due to sick leave reimbursed by the Health Insurance Institute of Slovenia was lower by 0.11 percentage points.

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

Year	Paid by Zavarovalnica Triglav	Reimbursed by ZZZS	Rate of absenteeism in Zavarovalnica Triglav	in %	
				Rate of absenteeism in Slovenia ⁽¹⁾	
2009	2.36	1.74	4.10	4.00	
2010	2.23	1.58	3.81	4.17	
2011	1.98	1.73	3.71	4.19	
2012	1.90	1.66	3.56	4.06	
2013	1.89	1.62	3.50	3.94	
2014	1.87	1.51	3.37	3.80	

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

Staff turnover

Staff turnover was maintained at the 2013 level and stood at 3.2%. The Company recruited 69 new employees, while 77 left. Among leavers, the main reason was the retirement of staff in the oldest age group (above 56 years of age), and among the majority of the newly employed were aged between 26 and 30. In 2014, women prevailed among newly recruited employees (50.7%) while the majority of leavers were men (58.4%).

Number of leavers and newcomers in Zavarovalnica Triglav in 2014 by their age

Age group	Newcomers		Leavers	
	Number	as a %	Number	as a %
20–25	16	23.2	0	0.0
26–30	25	36.2	9	11.7
31–35	12	17.4	6	7.8
36–40	2	2.9	11	14.3
41–45	5	7.2	7	9.1
46–50	6	8.7	6	7.8
51–55	1	1.4	2	2.6
56 and over	2	2.9	36	46.8
Total	69	100.0	77	100.0

Number of leavers and newcomers in Zavarovalnica Triglav in 2014 by gender

Gender	Newcomers		Leavers	
	Number	as a %	Number	as a %
Men	34	49.3	45	58.4
Women	35	50.7	32	41.6
Total	69	100.0	77	100.0

13.4.1 Recruitment and employee structure

Employment activities were implemented in line with the employment plan, business and strategic objectives and with a particular focus on integrated cost management.

As at the end of reporting period, there were 2,365 employees in Zavarovalnica Triglav or 8 less than the year before. The average total years of work of the employees amounted to 21.67 years, while the average years of work only in Zavarovalnica Triglav totalled 15.95 years.

Number of employees in Zavarovalnica Triglav in 2008–2014

As at 31 December	Number of employees	Difference
2008	2,507	+ 11
2009	2,514	+ 7
2010	2,441	- 73
2011	2,400	- 41
2012	2,405	+ 5
2013	2,373	- 32
2014	2,365	- 8

The number of full-time employees was 2,268 (95.9%), while 97 (4.1%) were part-time employees.

Employees in Zavarovalnica Triglav as at 31 December 2014 by employment type (full-time, part-time)

	2014		2013		2012	
Type of employment	Number	Percentage	Number	Percentage	Number	Percentage
Part-time	97	4.1	96	4.0	92	3.8
Full-time	2,268	95.9	2,277	96.0	2,313	96.2
Total	2,365	100.0	2,373	100.0	2,405	100.0

The number of fixed-term employees in Zavarovalnica Triglav was 55 (2.3%), while 2,310 employees (97.7%) were in permanent employment. The share of fixed-term employees decreased by 0.2 percentage points.

Employees in Zavarovalnica Triglav as at 31 December 2014 by employment type

	2014		2013		2012	
Type of employment contract	Number	Percentage	Number	Percentage	Number	Percentage
Fixed-term	55	2.3	59	2.5	121	5.0
Permanent	2,310	97.7	2,314	97.5	2,284	95.0
Total	2,365	100.0	2,373	100.0	2,405	100.0

The educational structure continued to improve. The number of employees with higher education or university degrees as well as with masters or doctoral degrees increased, while the number of staff with only secondary level or lower education decreased.

Employees in Zavarovalnica Triglav as at 31 December 2014 by level of education

	2014		2013		2012	
Level of education	Number	Percentage	Number	Percentage	Number	Percentage
Level I-IV	166	7.0	175	7.4	186	7.7
Level V	967	40.9	986	41.6	1,035	43.0
Level VI	357	15.1	351	14.8	340	14.1
Level VII	778	32.9	771	32.5	770	32.0
Masters and PhD	97	4.1	90	3.8	74	3.1
Total	2,365	100.0	2,373	100.0	2,405	100.0

The share of employees aged over 41 increased, as well as the share of employees aged from 20 to 25. The average age of persons employed in Zavarovalnica Triglav has increased slightly to 43.88 years (43.35 years in 2013).

Employees in Zavarovalnica Triglav as at 31 December 2014 by age

	2014		2013		2012	
Age group	Number	Percentage	Number	Percentage	Number	Percentage
From 20 to 25	31	1.3	26	1.1	19	0.8
From 26 to 30	150	6.3	175	7.4	177	7.4
From 31 to 35	272	11.5	288	12.1	290	12.1
From 36 to 40	390	16.5	428	18.0	429	17.8
From 41 to 45	453	19.2	440	18.5	439	18.3
From 46 to 50	456	19.3	448	18.9	449	18.7
From 51 to 55	371	15.7	362	15.3	370	15.4
56 and over	242	10.2	206	8.7	232	9.6
Total	2,365	100.0	2,373	100.0	2,405	100.0

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

Employees in Zavarovalnica Triglav as at 31 December 2014 by gender

	2014		2013		2012	
Gender	Number	Percentage	Number	Percentage	Number	Percentage
Men	1,150	48.6	1,159	48.8	1,175	48.9
Women	1,215	51.4	1,214	51.2	1,230	51.1
Total	2,365	100.0	2,373	100.0	2,405	100.0

As at the reporting date, 2,224 or 94.0% of all staff were employed under the collective agreement. The remaining 6.0% were senior management employees with individual agreements (141 employees).

Benefits are the same for all employees, be it permanent full-time employees or fixed-term or part-time employees.

The basic salary of women was equal to that of men in all staff categories, locations and activities. The share of women among the senior management staff of Zavarovalnica Triglav reached 23.9% (22.2% in 2013) and 42.1% among mid-level management staff (41.2% in 2013). With one woman sitting on the Management Board of Zavarovalnica Triglav, the share of women was at 20%.

The average age of Management Board members is 41.4 years. Local management is employed in Slovenia.

Violations on grounds of discriminations. In 2014, no formal cases of discrimination were recorded in Zavarovalnica Triglav.

The number of complaints and reports filed with respect to human rights and cases solved through formal complaint procedures. The Company made a commitment to providing a safe and healthy work environment by adopting the Code of Good Business Practices of Zavarovalnica Triglav and the Rules on Protecting Employees' Dignity at Work. Good relations rest on preventive action and on the resolution of conflicts in the earliest stage of development, which often prevents the occurrence of inadmissible behaviour. Two formal

procedures concerning unwanted conduct were conducted and settled in 2014 on the basis of the Rules and the identification of conflict situations.

13.4.2 Education, training and staff development

13.4.2.1 Education and training

A large number of training courses in different areas of expertise were provided to employees. Insurance training, sales training, computer and foreign language courses, health and personal growth seminars were organised in-house. Great importance is attached to internal knowledge transfer that also involves various external experts. Most training courses took the form of workshops or lectures, while education on certain mandatory contents was provided in the form of e-learning courses (health and safety at work, fire safety, prevention of money laundering and terrorist financing). 2,179 or 92.13% of employees participated in e-learning. The number of in-house training participants increased compared to the previous year, whereas the volume of external training courses decreased.

19 students were granted scholarships in the context of future HR needs. Mandatory work practice/internship was offered to 36 university and secondary school students. The Company cooperated with schools and faculties in the preparation of project assignments and facilitated the transfer of practical skills and experience to the youth.

14 employees completed traineeship under the in-house mentoring programme. The number of employees involved in work study was lower compared to previous years. Full or partial funding of study was provided to 202 employees.

Number of training participants in Zavarovalnica Triglav in 2012–2014

Type of training	2014	2013	2012	Index	
				2014/2013	2013/2012
Scholarship	19	23	27	83	85
Work study	202	226	252	89	90
Probationers	14	10	14	140	71
Work experience	36	34	48	106	71
External training	477	536	450	89	119
In-house training	9,781	9,526	9,806	103	97
Total	10,529	10,355	10,597	102	98

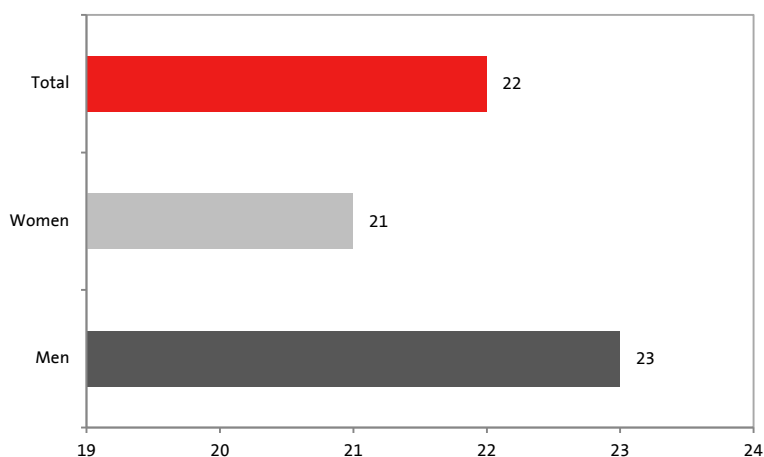
Owing to the adaptation to work processes and to available funding, a greater number of shorter training events was organised, which is reflected in the lower number of hours allocated to in-house training.

Number of completed training hours in Zavarovalnica Triglav in 2012–2014

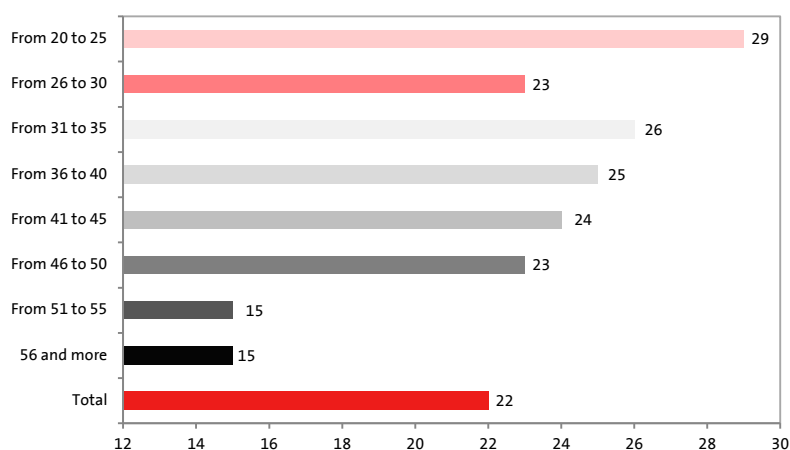
	2014	2013	2012	Index	
				2014/2013	2013/2012
Total number of functional training hours	51,631	63,458	75,045	81	85
Number of hours of in-house training	44,597	55,424	67,680	80	82
Number of hours of external training	7,034	8,034	7,365	88	109
Number of functional training hours per employee	22	27	31	81	87

Both male and female employees participated in training courses in equal measure, with a slightly higher proportion of men. With regard to age, younger employees were trained more as they require induction into the working environment and further training for work.

Average number of functional training hours in 2014 by gender



Average number of functional training hours in 2014 by age



Various forms of knowledge transfer were organised for Triglav Group employees. They attended a professional consultation in the parent company where professional practice was also provided.

Cost-efficiency was taken into consideration in the performance of planned training courses. Resorting to in-house lecturers, numerous education and training programmes were implemented, including some new ones. Some training courses were shortened in terms of duration, however high-quality delivery of contents was ensured in implementation.

Training costs of Zavarovalnica Triglav in 2012–2014

	2014	2013	2012	Index	
				2014/2013	2013/2012
Total*	854,682	1,286,069	1,412,347	66	91
Costs per employee	361	542	587	67	92
Costs per participant	81	124	133	65	93

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

13.4.2.2 Goal-oriented management and annual development interviews

70% of all employees are included in the goal-oriented management system, except insurance agents and call centre clerks, who are subject to other forms of remuneration due to the nature of their work.

The implementation of the goal-oriented management system using the CIVODEU software application continued. At annual interviews, employees set their objectives for the current business year in cooperation with their superiors. Further interviews held every three months are aimed at reassessing goals and expectations, monitoring implementation and assessing performance. This monitoring and feedback are essential for the development of a personal relationship between a superior and their employee, which contributes to better performance.

13.4.2.3 Measurement of organisational climate

Zavarovalnica Triglav carried out the organisational climate measurement for the seventh consecutive time. High responsiveness and effective follow-up to observations are confirmed by results showing year-on-year improvement. Measurement results serve as a basis for measures aimed at improving management and working conditions, boosting motivation and contributing to employee well-being.

The results of organisational climate measurement are explained using four basic indexes, which were combined into an aggregate OCS index:

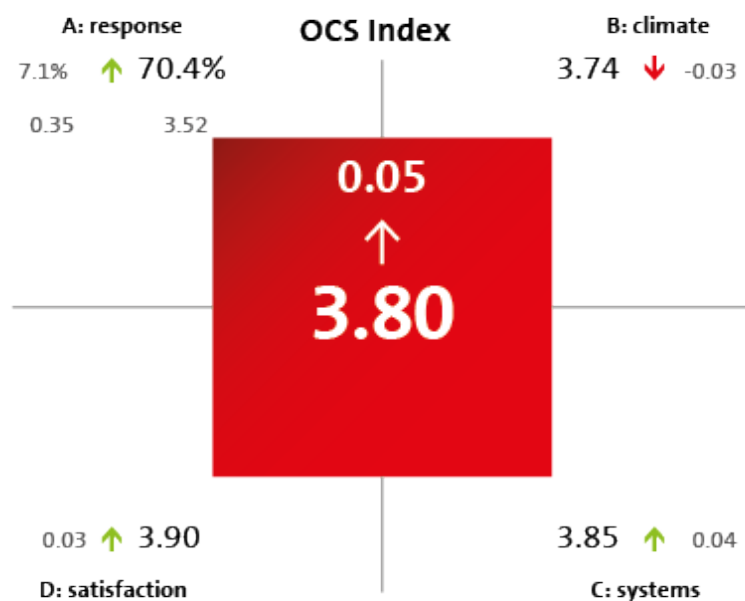
- responsiveness (A);
- organisational climate (B);
- management and development systems (C);
- satisfaction (D).

In 2014, the survey was based on the OCS2012 questionnaire that provides a structured insight into factors determining the organisational climate.

Results of the organisational climate measurement in Zavarovalnica Triglav

According to the results, all indexes improved with the exception of the organisational climate index, which decreased slightly. Responsiveness to the survey, which stood at 70.4% and was 7.1% higher than in 2013, improved the most. Consequently, the aggregate OCS index increased, totalling 3.80, which is 0.05 point more than in 2013.

Organisational climate in Zavarovalnica Triglav



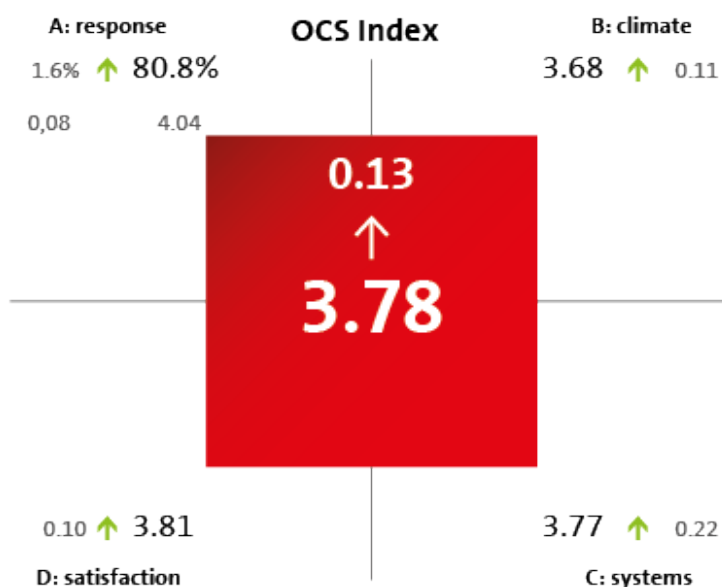
Employees of Zavarovalnica Triglav reaffirmed their loyalty to the Company. They made apposite assessment of the Company's reputation, mission and vision and see the Company as being one of the most successful in Slovenia. Improved assessments were recorded with regard to the goal-oriented management system, direct management and the roles of direct superiors. Certain categories receiving lower scores in 2013 have improved, including quality, clear and realistic goal setting and coordination of goals between units. A positive trend can also be seen in the assessment of mutual cooperation and communication.

There is further room for improvement in both the remuneration system and career development. The employees also wish to be given more positive feedback and clearer directions with regard to strategic guidelines.

The Management Board adopted measures to improve the lower-rated organisational climate categories. The Human Resource Management Division met with the heads of units with the lowest scores and for the first time also with the heads of units receiving the highest scores in the management category. Measures also included activities such as encouraging managers to give positive feedback and to communicate the strategy and business guidelines as well as a job re-evaluation project.

Results of the organisational climate measurement in the Triglav Group

In 2014, an organisational climate survey was conducted again in all subsidiaries of the Triglav Group after two years. According to the results, all four indexes are improving. The scores of the management and development systems improved the most. The employees are increasingly satisfied with different work-related factors; responsiveness to the survey is also higher. Compared to the last measurement, the aggregate OCS index increased by 0.13 points.



Strengths lie primarily in a positive attitude and strong loyalty of Triglav Group employees and their satisfaction with direct management. Challenges ahead are in the remuneration system and career development.

13.5 Safety and health at work

In the effort to continually improve safety and health at work, great importance is placed on preventive actions and early elimination of any hazards. The Works Council and trade union representatives are also invited to participate in important decision-making.

Numerous activities were carried out to enhance the safety culture. Contemporary e-learning tools make it possible to successfully train employees for work in a safe and healthy environment by presenting them with useful contents related to health and safety at work, fire safety and health promotion. Courses are practice-oriented and take into account employee working conditions. Latest guidelines in ergonomics were also addressed, which was underscored by workplace visits of health ambassadors raising awareness on the importance of healthy sitting and exercise during working hours.

In 2014, the Company adopted an integrated approach to efficient psychosocial risk management and started regulating psychosocial support for employees in a systematic manner. It joined the campaign Healthy Workplace 2014–2015 "Healthy Workplaces Manage Stress" launched by the European Agency for Safety and Health at Work (E-OSHA). The Triglav.smo project was presented at the national competition "Good practice in safety and health at work 2014".

Fire safety

Preventive measures in the area of fire safety include:

- carrying out regular training and raising employee awareness,
- continuous improvement of fire safety at all business locations and
- monitoring on-site fire safety in accordance with statutory requirements.

Good practice is disseminated to the Triglav Group, business partners and clients.

Support for employees in the event of workplace violence

Employees have the right to a safe and healthy work environment, which is why a plan of preventive measures with regard to a third party assault, threat of violence or robbery has been prepared within the Company. An alert system for the immediate notification of any detected danger has been established. Internal regulations and instructions for appropriate employee response to detected threats and incidents have been prepared.

Underwriting clerks at all regional units were trained on how to respond properly in the event of a robbery or third-party assault at the workplace.

Additional technical equipment for rapid response in an emergency was installed and changes in work procedures on exposed jobs were implemented.

Injuries at work

The number of accidents has been in decline for several years, but nevertheless the Company's final goal remains 0 injuries. 10 injuries at work were recorded in 2014. Most of them occurred among insurance agents who work in the field. The most common cause of their injuries were slips.

Injuries at work in 2012–2014

	2014		2013		2012		Index	
	Number	Percentage	Number	Percentage	Number	Percentage	2014/2013	2013/2012
At work	7	70.0	14	100.0	8	34.8	50	175
On business trips	3	30.0	0	0.0	2	8.7	0	0
Commuting to/from work	0	0.0	0	0.0	13	56.5	0	0
Total	10	100.0	14	100.0	23	100.0	71	175

In accordance with applicable legislation, the Company notifies the Labour Inspectorate of the Republic of Slovenia of any dangerous occurrences that caused or could cause:

- damage to property;
- a threat to an employee's health or life; or
- an accident which would render an employee unfit for work.

Lost work days due to injuries at work in 2012–2014

	2014	2013	2012	Index	
				2014/2013	2013/2012
Lost work days due to injuries at work	118	103	365	115	28

"Protecting health". Care for health and well-being is at the forefront of the project implemented through Triglav.smo events under the slogan "Protecting health". The events are prepared on the basis of the Safety statement with risk assessment, reports by occupational doctors, workplace inspections and by considering organisational climate survey results. Activities are conducted with the assistance of in-house and external associates, experts and Triglav.smo project coordinators at individual organisational units.

13.6 Care for employee satisfaction

The "Harmony of Life and Work: Triglav.smo" Project contributes to the well-being and health of employees, thus boosting their satisfaction, loyalty and creativity. The Triglav.smo project also includes aspects such as care for health ("Protecting health"), innovation, intergenerational cooperation, psychosocial risk management and part of activities in the framework of the "Family-Friendly Enterprise" certificate. In practical terms, the project entails lectures aimed at raising awareness on health protection and a healthy lifestyle (nutrition, exercise, sitting, relaxation, ergonomics and social events).

Family-Friendly Enterprise Certificate: Zavarovalnica Triglav has been the holder of the "Family-Friendly Enterprise" first certificate (hereinafter: FFE) facilitating reconciliation of work and private life since 2012. 2014 was marked by the dissemination of a family-friendly enterprise guidelines at all levels of management. The last measurement of organisational climate showed that employees support activities in the framework of the certificate. The Company implements a wide range of measures giving employees the possibility to reconcile their work and private life.

The initial three-year period will expire at the end of 2015, after which the Company will be able to enter the process of obtaining a full certificate.

Additional benefits for employees

- Zavarovalnica Triglav pays a supplemental pension insurance premium amounting to 4% of their gross salary for 91% of its employees;
- for all employees, group accident insurance premiums are paid;
- favourable insurance terms are available for additional accident insurance to employees and their family members;
- additional accident insurance is provided for all business trips;
- after one year of employment, all employees may opt for supplemental voluntary pension insurance and voluntary pension insurance;
- more than 75% of all employees took out the collective insurance package covering comprehensive medical care.

Parental leave or part-time work in 2014

	Women	Men	Total
Maternity leave, child care leave	78	2	80
Father's leave of 15 days (in the period up to the child's age of six months)	0	42	42
Father's leave of 75 days (up to the child's age of three years)	0	5	5
Option to work part-time	26	0	26

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

Return to work and retention rate after using parental leave in 2014

	Women	Men	Total
The number of employees who returned to work after parental leave	78	2	80
The number of employees who returned to work after parental leave (by gender) and who stayed employed in the Company after 12 months	78	2	80
Return rate after parental leave	100%	100%	100%
Retention rate after parental leave	100%	100%	100%

Circumstances and work requirements permitting, working hours can be adapted to the needs and wishes of employees. 26 mothers worked part-time (pursuant to the Parental Protection and Family Benefit Act). One hundred employees who were parents of first-grade pupils 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 superiors. In 2014, 4 employees took shorter unpaid leave.

Cooperation with employees – trade union

Three representative trade unions operate within Zavarovalnica Triglav and the Company concluded a special agreement and has good cooperation with all three. Prior to adoption, any act specifying the rights and obligations of workers is submitted to the trade unions to give their opinion.

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

Care for employees outside working hours

The Company offers employees a variety of social and sports activities in their free time. Some of these have a long-standing tradition, while the more recent activities on offer focus on encouraging a healthy lifestyle. Already traditional events include the Triglav Group Day – Our Day, Sports Games of Financial Organisations (ŠIFO) and gatherings with retired Triglav employees. In recent years, membership in the Mountaineering Association and the Sports Association has gained in popularity. In 2014, almost 29% of employees were members of the Triglav Sports Association.

Promoting innovation and improvements

In the framework of Idea IN, a project promoting employee creativity in Zavarovalnica Triglav, an overhaul process was launched with amendment to the rules. Heads will be given a bigger role in the process. An application for the submission and consideration of good ideas, useful suggestions and improvements is currently being prepared, which will simplify both the submission and consideration of proposals.

13.7 Responsibility to clients and suppliers

13.7.1 Clients

To achieve long-term and sustainable relationships with policyholders, emphasis is put on transparent, intelligible and accessible insurance products. The Company follows these guidelines already in the development phase of insurance products and sales channels, taking into account the needs of policyholders and international trends. *Section 11. Development and sales activities*, provides a detailed description of the Company's approach to claim handling which is also based on flexible, competitive and simple services with a special emphasis on the handling of mass loss events.

Quick handling of claims is made possible through the **organisation of the claim handling service** established in all parts of the country. Claim reports can be filed at all regional units and representative offices, by calling the toll free hotline 080 555 555 or online. Policyholders can also file car insurance claims at contractual service centres.

The development of mobile applications enables immediate assistance in the event of damage (mobile application with instructions on how to act when a car accident occurs, where to turn for assistance and where to file a claim), increases the safety of policyholders and fosters preventive activities (mobile applications for preventive activities Triglav Toča/Triglav Hail for hail alerts and Gorski priročnik/Mountaineering Guide). More details are provided under Section 13.9.1.

When it comes to **communication with clients**, sales officers are the first point of contact with the Company when buying insurance policies and often also inform clients about claims handling procedures; hence they receive targeted education and training (see also *Section 11.*).

Clients can receive information on non-life and life insurance products by calling the toll free number **080 555 555**. The assistance and general information call centre is fully operational 24 hours a day and 365 days a year at the **special number 080 2864** (for calls from abroad +386 2222 2864). The www.triglav.si web portal provides clients with clear and understandable information about products and services, enables safe underwriting, quick reporting of claims, management of insurance policies and advice. Equal access to the full range of products and services is also provided to computer literate policyholders with reduced mobility. In all formats of information materials (web, print or audio-video editions), the Company strives for simplicity and clarity.

The i.triglav web application brings together non-life, life and health insurance contracts. Its continuous upgrading makes it possible for policyholders to have an overview of all concluded insurance policies and related events. The transfer to subsidiaries is planned in 2015.

The Triglav Group has started centralising online operations in order to achieve a systematic management of its digital media contents in all subsidiaries. The online presence of subsidiaries in Croatia, Bosnia and Herzegovina, and Macedonia was successfully overhauled. The website of the insurance subsidiary in Serbia will be revamped in 2015. In addition to the i.triglav web application, user interfaces of web applications for underwriting and the payment module will be transferred to subsidiaries. This will enable online sales and the functioning of mobile applications providing high-quality services to clients.

Communication with clients

Complaints and compliments are regularly analysed and resolved according to previously defined procedures; they also serve as the basis for introducing improvements and corrective measures. In 2014, 1,466 complaints were received, which is 2% less than in the previous year. The majority of complaints were content-related (81.6%). Complaints related to non-life insurance accounted for 60% of all complaints, 38.7% referred to life insurance and 1.3% to other segments. The most common reason for complaints related to life insurance was the amount of insurance benefits, while with respect to non-life insurance most complaints were filed against the decision of the Company that there were no grounds for the payment of damages or insurance benefits. In the reporting year, 16.9% of total resolved complaints were founded and 15.3% were partly founded. A total of 75 compliments were also received, which is 21% more than in 2013.

Client satisfaction and knowledge is measured using the survey Insurance monitor (international survey conducted annually since 2000), brand reputation measurements among residents (twice a year) and purchase factor measurements.

Compliance with the obligation to inform clients

Zavarovalnica Triglav fully complies with the amended Consumer Protection Act adopted in 2014. The Act sets out special requirements with regard to client information when concluding distance contracts for financial services, including insurance contracts.

Access to insurance services for people with various disabilities

In the past years, conditions were created to enable completely independent access to most of the Company's points of sale for people with various disabilities (visually, hearing or movement impaired). The share of such points of sale (65%) keeps growing thanks to the fitting of automatic doors. Where no such doors are fitted, special signs and bells for assistance in opening doors are being installed. New solutions for easier access are still being sought. Own points of sale have been equipped with accessories for partially sighted persons (magnifying glasses), headquarters of regional units have FM devices enabling better communication with hard-of-hearing persons.

Data on points of sale with independent access for people with disabilities is available at the Company's website at www.triglav.si. Zavarovalnica Triglav strives for its website to be in compliance at least with the requirements of the AA standard WCAG 2.0 for visually impaired persons.

13.8 Suppliers

Centralised procurement processes in Zavarovalnica Triglav provide for greater cost efficiency, a uniform implementation and transparency of the processes.

Procurement procedures depend on the value of a contract. Bids are obtained or calls for tender are published in case of high-value contracts, while low-value contracts do not require tenders. At the end of the year, the Company started developing an application for a reverse online auction to be introduced in 2015.

Criteria for supplier selection and weights (ponders) are set by a supplier selection commission, separately for every procurement type.

Verification of suppliers with regard to appropriate work practices, environmental protection, social impact and respect of human rights is performed in the process of obtaining bids (tender) and depends on the type or nature of the tendered transaction. Key suppliers (those exceeding a certain volume of annual turnover with Zavarovalnica Triglav) are subject to mandatory assessment at least once a year.

Corporate social responsibility or sustainability criteria are also taken into account in the selection of suppliers. The conditions for taking part in the tender include compliance with employment relationship obligations, provision of a healthy and safe working environment and compliance with international human right agreements and environmental legislation. These requirements are part of the General purchase terms of Zavarovalnica Triglav.

No special training courses for supplies were required due to the nature of contracts in 2014.

Communication with suppliers is the responsibility of administrators, who the suppliers can contact in case of any inquiries, complaints and additional information with regard to the procurement process. Depending on the type of transaction, communication mostly takes place per e-mail or regular post and phone.

Locally oriented procurement

Zavarovalnica Triglav procures most goods or services on the local Slovene market.

When purchasing goods or services required by regional units, the procurement process attempts to include as many local (regional) suppliers as possible. However, for the actual award of a contract, they must meet the same criteria as other suppliers. Owing to the nature of the Company's business and the geographic dispersion of regional units, it is impossible to include local suppliers in some procurement transactions (e.g. office supplies) for central services, while in some areas integration is not reasonable in the light of purchase terms and conditions.

Procurement of other Triglav Group subsidiaries is also locally oriented. They procure goods or services at their respective markets as well.

Enabling fair competition

In the area of fair competition, the Company complies with the Protection of Competition Act and the Prevention of Restriction of Competition Act. The competitiveness of suppliers is verified through tenders and by obtaining random bids, which allows the Company to control prices and prevent supplier collusion on prices. Procurement contracts include provisions on conflict of interest prevention as well as an anti-corruption clause.

Zavarovalnica Triglav was not informed of any legal actions filed against the Company before the Slovene Protection Competition Agency with respect to unfair competition.

Remuneration of insurance agencies and their sales staff

At the end of the year, the Company had more than 400 contracts with external contractors registered as insurance agents. Exclusive and non-exclusive agencies sell both non-life as well as life insurance. All candidates are required to pass a standardised selection process to be eligible for signing a contract.

Real-time monitoring is used for the results of contractors. In case of agencies marketing life insurance products, trends in the portfolio and the sustainability index for maintaining the loyalty of the Company's policyholders are followed. The commission rate is dependent on these results. Contractors selling non-life insurance products are assessed on the basis of the portfolio renewal rate and the acquisition of new policyholders, serving also as the basis for any incentive bonuses.

13.9 Responsibility to the social environment

Zavarovalnica Triglav is firmly established in the environment in which it operates.

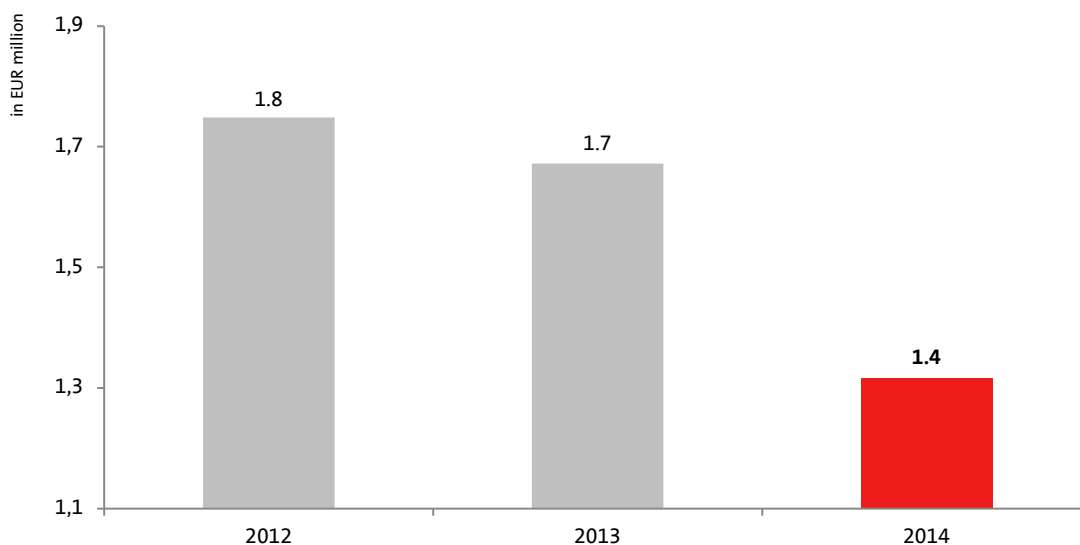
13.9.1 Prevention activities

One of the key sustainable guidelines in the insurance sector is preventive action for risk reduction. These activities are undertaken in line with internal acts and measures relating to the implementation of preventive activities.

In 2014, a total of EUR 1.4 million or 21% less than the preceding year was allocated to prevention activities of Zavarovalnica Triglav. Due to increased cost-efficiency, the allocations

for the most important projects remained unchanged. Similar to past years, the funds were spent mostly on improving traffic and fire safety.

Amount of funds allocated to prevention activities in 2012–2014



Prevention activity projects

For Better Road Safety:

- As has been a long-standing tradition, Zavarovalnica Triglav donated 22,000 yellow neckerchiefs prescribed by law to pupils starting elementary school and demonstrated safe participation of children in traffic. In 57 elementary schools and kindergartens, Triglav's mascot Watch Out Doggy reminded school children, parents and drivers of the potential perils in traffic and preventive actions.
- In cooperation with the Slovenian Traffic Safety Agency and Mladinska knjiga, an art contest entitled "The Road is not a Pretzel" (Cesta ni presta) was organised for the second consecutive year. The best works on road safety received from 98 Slovene kindergartens were exhibited in Ljubljana and Kranj.
- The Company continued its partnership with the "I still drive – but I don't walk" Institute aimed primarily at raising awareness of traffic safety among secondary school pupils. At 79 workshops throughout Slovenia, car accident victims spoke on the significance of adequate behaviour in traffic through their own experience to 6,032 participants.
- In cooperation with the Safe Journey (Varna pot) and "I still drive but I don't walk" institutes, road safety workshops for children were organised at the safe driving range in the presence of policemen and the Watch Out Doggy mascot.
- In collaboration with the AMZS, the Company provided driver safety training for novice drivers at the Safe Driving Range in Vransko (33 workshops with 1,349 participants). Further details on the expansion of this initiative are provided in *Section 11.1.1*. The company also supported the implementation of family events in automobile associations across Slovenia.
- In cooperation with the start-up Aktivna signalizacija Korun and Slovene municipalities, the Company co-funded the installation of the COPS@road system on 6 critical road sections where over 110 car accidents occurred in five years. Results show that a "smart traffic sign" could reduce the number of collisions on these sections by up to 90%.

In promoting safe internet use, the Company conducted 35 workshops for primary school pupils in cooperation with the Family Theatre Kolenc. They were attended by more than 4,200 pupils from 26 schools.

The Company supported the implementation of an ecological study of avian fauna at Ljubljana Jože Pučnik Airport and in its immediate vicinity. The results and recommendations on reducing damage and improving airport safety were exhibited in the airport premises.

Policyholders are offered financial incentives for maintenance and **improvements to anti-fire systems** as well as the purchase of fire alarms and burglary protection systems. The Company invests in the maintenance and purchase of equipment for volunteer fire services. It has also co-financed the renewal of equipment for greater safety of visitors to some Slovenian bathing establishments.

The mobile application Triglav Toča (Triglav Hail) provides updated free information on hail alerts for the entire Slovenia, based on the data from the Slovenian Environment Agency. The free application **Gorski priročnik (Mountaineering Guide)** is available at ocistimogore.si, providing advice on safe visit to the mountains, advice on responding to crisis situations as well as maps of Slovene mountain-hiking paths. The planning of safe mountain hikes has been further improved and a new feature was introduced in cooperation with the Alpine Association of Slovenia. The website provided users with access to the cadastre of mountain-hiking paths in Slovenia with more than 4,000 peaks.

13.9.2 Sponsorships and donations

For the third consecutive year, the funds earmarked for sponsorships and donations were allocated through calls for tender which elicited positive feedback from partners. Three general calls for sponsorships and donations were published on the website www.triglav.eu and one of them was extended to cover the issue of safety. A total of 2,305 requests were received, of which of 30.8% were approved.

The requests received via the online application are examined and assessed by committees following the defined criteria. The selected projects are in line with the Company's identity and its social responsibility strategy. In the middle of the year, the Company started to update the sponsorship and donation strategy through the evaluation of requests by categories and according to the amount of expected partnership funds.

Zavarovalnica Triglav supports the development of non-profit organisations, associations and clubs active in sport, culture, education, health care, humanitarian projects and other socially responsible activities. Sponsored projects are rewarded through partnership cooperation and efforts are made to promote sustainable activities.

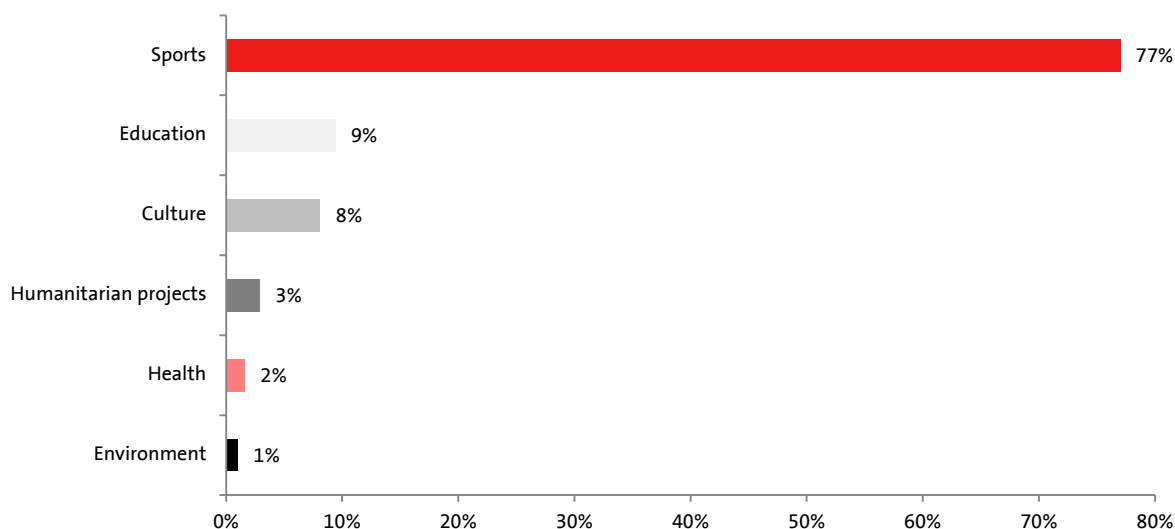
Volume of sponsorship and donation funds

In 2014, Zavarovalnica Triglav allocated EUR 2.4 million for sponsorships, or 23% less than the previous year, of which the largest share was allocated to sports and recreational projects. The amount of EUR 356,000 or 88% more than a year before was allocated for donations, with humanitarian projects receiving the most funds. This amount also includes two donations for the "Everything Will Be Alright" Institute, with the first donation equalling EUR 65 thousand. The second donation of EUR 130 thousand was provided to remediate the damages caused by the floods in the Balkans. These were funds originally allocated for the traditional meeting of employees of the Triglav Group which was cancelled due to the natural disaster.

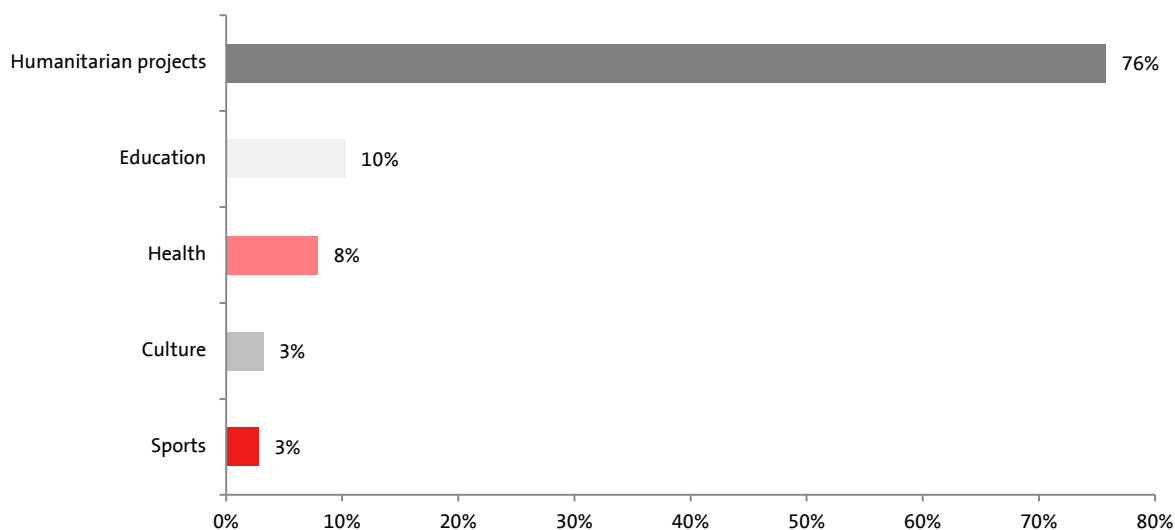
Amounts for sponsorships and donations in 2012–2014

	2014	2013	2012	Index	
				2014/2013	2013/2012
Sponsorships	2,437,985	3,168,186	3,225,862	77	98
Donations	356,177	189,820	296,723	188	64

Sponsorship structure in 2014 by sector



Donation structure in 2014 by sector



Major sponsorships and donations

The wide range of sports partnerships of Zavarovalnica Triglav encompasses cooperation with top-level athletes and regional and local sports clubs as well as amateur athletes. Many of these partnerships have become traditional.

- Zavarovalnica Triglav is a loyal sponsor of the Ski Association of Slovenia and the golden sponsor of the Slovene Nordic skiing and biathlon teams.
- For more than 25 years, the Company has provided the opportunity for Slovene pupils to watch the World Cup Ski Jumping final in Planica. In 2014, more than 3,300 children were taken to see the final in Planica, joined by the residents of the CSD Ravne na Koroškem,

Dom Matevža Langusa from Radovljica and Mengeš Training, Work and Care Centre for Disabled persons and 12 large families.

- The Company provided over 3,300 children with the opportunity to watch the Biathlon World Cup in Pokljuka.
- The partnership with the snowboarder Žan Košir continued; the Company was a sponsor of the Ski Jumping World Cup Ladies in Ljubno and the traditional Vitranc Cup in Kranjska Gora.
- Long-term partnerships with the Union Olimpija, Krka Novo Mesto and Domžale basketball clubs continued.
- Cooperation continued with both the men's and women's Celje Handball Club and the women's Handball Club Ajdovščina.
- In addition, support was provided to the young Puconci Women's Volleyball Club and the ACH Volley volleyball club partnership continued.
- The Company remains a partner of the Ice Hockey Federation of Slovenia, the Adriatic Water Polo League and the Adria Mobil, Rog and Sava Kranj cycling clubs, the Franja Cycling Marathon, The Volleyball Federation of Slovenia, the Mountain Runners and ultramarathon athlete David Kadunc.

The subsidiaries of the Triglav Group also support numerous sports activities in their environments.

In conjunction with local communities, the Company implemented several initiatives which are also presented among the preventive and humanitarian activities.

- At the end of the year, at least one requirement for risk reduction was identified in each of 12 regional units and a portion of the funds that intended for the purchase of New Year's gifts for business partners was transferred to finance 22 projects in 22 local communities.
- With the project "For a Better Tomorrow", the Company helped fire-fighting associations and volunteer fire-fighting societies to purchase fire-fighting equipment and provide training courses for their firemen.
- The Company co-financed the purchase of defibrillators for a resuscitation vehicle of the pre-hospital unit of the Community Health Centre Koper and in the municipalities of Črešnovci and Dobrovnik and in the firefighting associations Litija and Majšperk. The Institute for Fire-fighting and Rescue Service Sežana was supported in the purchase of a special ambulance, and the General Hospital »Dr. Franc Derganc« from Nova Gorica in the purchase of a medical apparatus.
- The municipality of Gorenja vas – Poljane was provided with the funds for the erection of two stone revetments to protect the embankments of the streams Brebovščica and Hotoveljščica, and the municipality of Šentjernej received funds for the erection of the village bridge railing which had been destroyed in a flood.
- The Senovo and Ravne na Koroškem kindergartens were assisted in the purchase of the equipment for the playground, the kindergarten in Ribnica na Pohorju in replacing obsolete playground equipment, the Ivan Cankar Primary School from Trbovlje and the First Primary School in Slovenj Gradec were helped in the purchase of the equipment for physical education. The Company contributed funding to Komunala Mežica for the renewal and extension of road markings of the Safe Path to school in the municipality of Mežica.

Within the **Children of Triglav** project, the Company built a new children's playground in Drska, one of the neighbourhoods in Novo Mesto, and renovated the children's playgrounds of the kindergarten in Slovenska Bistrica and at the mountain hut on Jošt above Kranj.

At the time when Slovenia was hit by sleet, the Company donated power supply units to the affected areas via the Firefighting Federation, while victims of autumn flooding in the Notranjska region were provided dehumidifiers for faster drying of residential buildings.

Corporate volunteering of Zavarovalnica Triglav's employees

Initiative	Employee volunteering
"Children of Triglav – Carefree at Play, in Harmony with Nature" Project	Renovation of the children's playgrounds in Log pri Ljubljani, Dragomer, Vavta vas near Novo Mesto and Postojna kindergartens. Renovation of the children's playgrounds in the Mežica kindergarten and the Stražišče Elementary School. Assistance in cleaning the premises of the Mavrica kindergarten and the move to a new location.
Remediation of damages caused by sleet	Removal of the consequences of sleet in the orchard in Ponikve and in the running centre in Vojsko. Collecting food and blankets for the Crisis Centre in Postojna during the blackout.
Painting the façade of a fire station	Helping the Dogoše Volunteer Fire Service.
Corporate Volunteering Week "Giving Back to the Community", organised by the American Chamber of Commerce	Assisting the children's shelter Mala hiša in Pilštanj with the preparation of fuel and decoration of a room to accommodate a mother with a child, minor maintenance works such as fixing gutters.

Culture

The Company continued its cooperation with Cankarjev dom and the Ljubljana Puppet Theatre. In partnership with Kinodvor, we implemented the Kino Map project in Ljubljana, featuring film showings at historic cinema locations such as the Plečnik building at Miklošičeva Cesta.

The Company was also involved in the Ljubljana Festival and contributed to the organisation of numerous cultural activities and events in the local environment by providing co-funding.

Education and training

- To mark the Families' Day, the paediatric clinics within more than 35 community health centres were donated book packages for children in the waiting rooms of emergency paediatric services.
- The Company supports the intergenerational centre "Triglav to Change the World" (Na Triglav spreminjat svet) that provides for knowledge creation and exchange as well as social interaction. Thus, young people introduce the world of computers and other innovations to the elderly, while they share their language skills, playing of instruments and other skills with the youngsters.

Humanitarian activity

In 2013, Zavarovalnica Triglav founded the "Everything Will Be Alright" Institute for the management and implementation of socially responsible activities with the help of external partners and employees. The Institute mostly provides help to the weakest members of society and raises awareness on the importance of corporate social responsibility for sustainable development. Its activities are based on three pillars: preventive activity to prevent loss events, support to young talents and the removal of the consequences of natural disasters in Slovenia and abroad.

Support to young talents

For the second consecutive year, the "Everything Will Be Alright" Institute in conjunction with Zavarovalnica Triglav implemented the Young Hopes project to support young promising individuals. The project is a step towards raising public awareness regarding the financial

difficulties young people face and an example and appeal to businesses to help parents and institutions unable to support promising youth. The main objective of the call is to provide grants to help beneficiaries to achieve their goals and realise the visions. The funds are allocated to young people with above-average abilities and talents in sport, art and science who work in their fields accompanied by mentors or coaches. In 2014, funds totalling EUR 50,000 were distributed to recipients from all three fields for the first time: six promising athletes, four artists and two scientists.

The project "Youth Is the Security of Our Future" within the Young Hopes project has come to fruition. The Ypsilon Institute recognised both Zavarovalnica Triglav and the "Everything Will Be Alright" Institute as organisations whose activities contribute something positive, encouraging, different and friendly to Generation Y by granting them the PriYatelj Leta 2014 Award.

Removal of the consequences of natural disasters and loss events in Slovenia and abroad

In 2014, Slovenia was severely affected by the sleet resulting in long-term social distress of many people. The "Everything Will Be Alright" Institute organised voluntary help in conjunction with Zavarovalnica Triglav, its employees and partners in removing the consequences of the natural disaster.

The Institute also took part in removing the consequences of the catastrophic floods that hit the Balkans and the employees in Bosnia, Croatia and Serbia. Zavarovalnica Triglav cancelled the regular annual meeting of the employees of the Triglav Group and the funds were earmarked for damage rehabilitation (see the beginning of *Section 13.9.2.*) Voluntary contributions and humanitarian aid were also collected by the employees of the Triglav Group.

The Institute co-funded 30 bus services from Ljubljana to Tolmin and vice versa for 1,500 children from the areas in Serbia, Bosnia and Herzegovina and Croatia most severely affected by the floods. The Ministry of Education, Science, Culture and Sport organised a free summer camp in Dom Soča in Tolmin for these children.

Humanitarian activity

The "Everything Will Be Alright" Institute funded the preparations of the disabled basketball players for the 2014 European Championship. The Institute donated funds raised at a charity auction by selling jerseys of the teams participating in EuroBasket 2013 to the Slovenian Sports Federation for the Disabled.

Zavarovalnica Triglav and the "Everything Will Be Alright" Institute invited business partners and the general public to make donations and help raise funds for the Botrstvo (Sponsorship) project. The funds raised were used for taking socially disadvantaged children for a seaside holiday at the centres of the Slovenian Friends of Youth Association.

Other forms of humanitarian aid provided by Zavarovalnica Triglav are presented below.

Donation recipient	Purpose of aid
Maternity hospitals in Ljubljana, Maribor, Celje and Postojna	Purchase of medical equipment (contributions of the Triglav Run participants).
Paediatric Clinic in Ljubljana	Showing of a film for children being treated in the Paediatric Clinic.
Occupational Activity Centre Tolmin	Co-funding of the installation of a personal lift.
Mobile emergency unit of the Maribor Community Health Centre, Koper Community Health Centre and University Medical Center in Ljubljana	Purchase of equipment for motorcycle ambulance staff.

Within the framework of humanitarian activities, support was provided to mountain rescue services, a rescue dog guide club, occupational activity centres, homes for the elderly, healthcare institutes, libraries, associations of persons with disabilities, and many other local societies and associations that improve the quality of life in local communities.

Information on sponsorships and donations:

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

13.10 Responsibility to the natural environment

Products and services

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

- Through quick **claim handling procedures**, agricultural producers are offered effective support in cases of increasingly frequent natural disasters.
- In agricultural insurance, electronic commerce has been introduced in the estimation of damage in the field.
- Through annual agricultural **insurance** policies offered by Zavarovalnica Triglav, agricultural producers are guaranteed economic security, which enables them to invest in the long-term and thus increase the production volumes of high-quality and safe food.
- **Premium policy** is designed to encourage policyholders to invest in active protection through the use of anti-hail nets, greenhouses, tunnels, and irrigation and sprinkler systems for spring frost protection. Policyholders are informed and trained in this regard. Compared to inactive policyholders, premiums of policyholders implementing active protection can be up to 80% lower for the same or even better insurance cover of the same crops.
- By adapting insurance cover and/or the amount of premium, the Company encourages less intensive animal production, which is not only environmentally friendlier but also involves fewer insurance risks.
- A range of insurance products at a reduced price is being prepared for entrant young farmers, thereby helping to rejuvenate agriculture as well as to preserve the population and increase the size of cultivated land in the Slovene rural area, which is consistent with the interests of the European Common Agricultural Policy and the Slovene agricultural policy.
- Policyholders are also **made aware** of the likelihood of extreme loss events (natural disasters including hailstorms, windstorms, floods, frost, droughts, etc.), which may require them to gradually discontinue certain crops in individual more exposed areas. This is additionally encouraged through new insurance products, such as index insurance, which will prompt farmers to rethink whether growing certain crops in drought-ridden areas is a viable decision.
- Zavarovalnica Triglav **promotes active protection** from insurable and uninsurable risks through the use of anti-hail nets, greenhouses, tunnels, and irrigation and sprinkler systems for spring frost protection.

- By distributing promotional preventive merchandise, the Company reduces the possibility of the occurrence of damage in livestock production (dermatological veterinary ointments and sprays, birth ropes).
- Using promotional preventive merchandise (retro-reflective scarves for dogs), the visibility and safety of dogs and their owners/guides on the road are increased.
- The Company is involved in several activities raising awareness on the importance of risk management in agricultural production and the need to protect the production of domestic food (e.g. a round table at the AGRA 2014 fair, participation at the conference on the insurance in agriculture organised by the Chamber of Agriculture and Forestry of Slovenia etc.).

Protection of the environment in work processes

The Company continued the European Green Office activities planned in the previous year. Again, a survey on the perception of environmentally responsible behaviour was conducted among the employees of Zavarovalnica Triglav. Compared to last year, respondents were more critical of energy management (heating and cooling of premises, the use of electricity for electrical and electronic equipment etc.); however, they also had higher expectations regarding separate waste disposal. The employees want more consistent separate waste disposal and the possibility of separate disposal of newsprint. More than 96% of the respondents separate waste at home (57% of respondents separate all kinds of waste) but only 68% of them were convinced they knew how to do so correctly.

At the Eco Team meetings, communication guidelines for the rational use of energy resources and raising awareness on separate waste disposal in 2015 were prepared.

Employees in most regional units and at the headquarters can use bicycles for short-distance work-related travel. 15 of 20 newly purchased company cars have lower CO² emissions. The Company is thus implementing the guidelines of the European Commission envisaging a maximum of 95 g CO₂/km by 2020.

To reduce the volume of waste plastic packaging resulting from the use of beverages from vending machines, all employees of Zavarovalnica Triglav have their own cups.

Environmental criteria are also included in the supplier selection procedures (see *Section 13.8 Suppliers*).

Carbon footprint calculation

Environmental impacts are systematically measured in Zavarovalnica Triglav. In 2014, carbon footprint calculations were performed for all locations of Zavarovalnica Triglav for the second time. All regional unit headquarters and the Company Headquarters in Ljubljana were included in the calculation of electricity consumption and energy used for heating and cooling. The guidelines on social responsibility are being expanded to the companies in the Triglav Group, so carbon footprint measurements were also carried out at the head offices of four subsidiaries for the first time.

The carbon footprint calculation was performed using a methodology based on the Greenhouse Gas Protocol. The calculation of greenhouse gas emissions included direct emissions from heating with natural gas and fuel oil at regional unit headquarters and the Company Headquarters as well as the emissions produced by the Company's vehicle fleet, which is used exclusively for work-related travel. Indirect emissions included electricity used for cooling, lighting, heating and the operation of electrical and electronic equipment as well as district heating emissions. In addition to direct and indirect emissions, emissions due to the use

of paper and emissions due to work-related travel using employees' own vehicles or public transport (train, bus, plane) were taken into account. Commuting to/from work was not considered in the calculation. The introduction of the information system was a significant shift towards better quality and efficient collection of data on energy consumption and environmental pollution due to waste and emissions (see chapter *Energy and Water Consumption* for further details).

Carbon footprint results of Zavarovalnica Triglav in tonnes of CO₂ equivalent by location

Location	Carbon footprint		Electricity consumption and heating in m ²	
	2014	2013	2014	2013
Headquarters	860	965	0.063	0.077
Ljubljana Regional Unit	1,878	1,863	0.092	0.099
Celje Regional Unit	324	392	0.051	0.057
Koper Regional Unit	89	88	0.076	0.085
Kranj Regional Unit	413	456	0.101	0.107
Krško Regional Unit	81	99	0.029	0.042
Maribor Regional Unit	155	164	0.046	0.064
Murska Sobota Regional Unit	336	339	0.084	0.092
Nova Gorica Regional Unit	179	235	0.034	0.052
Novo mesto Regional Unit	141	140	0.082	0.083
Postojna Regional Unit	465	472	0.230	0.235
Slovenj Gradec Regional Unit	67	80	0.046	0.054
Trbovlje Regional Unit	119	126	0.072	0.079
Total	5,107	5,419	0.078	0.087

Emissions due to electricity consumption and heating account for the bulk of greenhouse gas emissions, followed by work-related transport, while the smallest share is due to the use of paper.

Total emissions due to work-related travel using the Company's vehicle fleet, public transport or employees' own vehicles totalled 550 tonnes of CO₂ in 2014, which is 1.3% less than in 2013.

The share of CO₂ emissions caused by office paper is very small compared to energy consumption and transport; nevertheless, it serves as a measurable indicator of the ecological awareness and environmentally responsible behaviour of office employees.

The average use of A4 printing and copy paper per employee a day

	2014	2013	2012
The average use of A4 printing and copy paper per employee a day	27.6	27.1	27.3

Electricity consumption was reduced by 5.1% and the carbon footprint from heating decreased by 26%.

Energy and water consumption

The insurance sector is not bound by energy management legislation; however, Zavarovalnica Triglav nevertheless strives for efficient energy consumption and plans to reduce its energy consumption by approximately 10% over the next three years through the implementation of appropriate organisational and investment measures. In 2015, the new information system will enable **automatic management of energy and environmental accounting** and precise monitoring of consumption. The obtained data (together with the findings of key energy audits) will serve as an important basis for specific measures. In 2015, the Company will begin to draw up an official energy rating sheet and carry out energy audits of the most important

facilities, some of which have already begun. These findings will serve as the basis for decisions regarding renovations, while small-scale investments in improving energy efficiency have been ongoing since 2013.

Energy consumption of Zavarovalnica Triglav in 2012–2014

Use of energy products	Energy consumption			Index	
	2014	2013	2012	2014/2013	2013/2012
Warm water (MWh)	2,210.53	2,857.00	3,155.80	77	91
Fuel oil (l)	35,441.00	57,446.00	85,000.00	62	68
Gas (m ³)	101,055.00	154,555.00	135,000.00	65	114
Electricity (MWh)	5,346.93	5,621.11	6,443.85	95	87

In 2014, 23,981.00 gigajoules (GJ) of energy were used for heating, cooling, lighting and for the operation of electrical and electronic equipment, assuming that 10 kWh of electricity are generated from one litre of fuel oil and 9.5 kWh from a cubic metre of natural gas.

Zavarovalnica Triglav has so far not kept any records of the sources of the electricity it consumes. According to the latest available data, it is estimated that the largest energy source in Slovenia is nuclear energy (39%), followed by solid fuels (33%), while renewable sources of energy account for 24% (latest available data from 2011).¹

Waste management policy

Waste sorting is carried out in all regional units and in most branches and offices, wherever the local municipal waste management company provides for it. Paper, packaging and mixed municipal waste are collected separately.

The quantity of waste is systematically monitored by the Headquarters, as shown in the table below:

Waste type	The quantity of waste in m ³			Index	
	2014	2013	2012	2014/2013	2013/2012
Mixed waste	23	47	362	49	13
Packaging	46	94	96	49	98
Paper	92	96	168	96	57
Total	161	237	626	68	38

Disused IT equipment is disposed of in accordance with applicable legislation and internal regulations. In 2014, 4,124 kg of disused IT equipment was disposed of, including disused mobile phones. The equipment was handed over to the services responsible for waste management. 384 kg of IT equipment that was no longer of use to the Company were given to charity for further use. Toners and ink cartridges are disposed of separately. In the reporting year, 1,192.5 kg of empty cartridges were given to charity.

Care for the broader natural environment

The Company completed the fifth season of the "Let's Clean the Mountains" drive involving 62 mountain huts and stations in the Julian and Kamnik-Savinja Alps, the Karavanke Mountains and the Highlands, where biodegradable rubbish bags are available to hikers. So far, more than 125,000 bags have been distributed and it is estimated that more than 24 tonnes of rubbish were taken down to the valley. Information on the upgrade of the website for planning mountain hikes is provided in Section 13.9.1 *Preventive activities*.

¹Source: Ministry of Agriculture and the Environment, Slovenian Environment Agency, Environmental Indicators in Slovenia, http://kazalci.arso.gov.si/?data=indicator&ind_id=456

The Company took part in several initiatives promoting responsible outdoor leisure activities. In partnership with the company Hribolazec, the Company participated in the setting up of measuring points to monitor mountain ascents at three locations. In cooperation with the portal vnaravi.si, hikers were provided with advice on planning family trips to mountains. The popular treasure hunt for children called Gregor's Geohunt was carried out at 6 locations with treasures hidden in the vicinity of mountain huts. A workshop addressing safe visits to mountains was organised for children together with the Mountain Rescue Association as part of an ascent to the Valvazor's hut on Stol.

The concern for a clean environment and a call for safe mountain hiking and exercise in the open air remained The Company's focus. In pursuing these activities, the Company wants to reduce the risk of loss events and encourage young people to adopt a healthier lifestyle.

14. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No events occurring after the balance sheet date were material to the consolidated financial statements for the year 2014.

Events after the reporting date that are important for the operations in 2015 are the following:

- The Slovenian Competition Protection Agency decided that the concentration notified by Zavarovalnica Triglav d.d. and Skupna pokojninska družba d.d. is compliant with competition rules. Thereafter, Zavarovalnica Triglav d.d. took over the offeree company Skupna pokojninska družba d.d. by acquiring a majority shareholding. With the acquisition of 11,814, shares in the offeree company, Zavarovalnica Triglav increased its stake from 30.14% to current 66.65%. Strengthening the presence of the Triglav Group in the pension insurance market is one of its strategic objectives.
- At its session, held on 3 March 2015, the Supervisory Board of Zavarovalnica Triglav approved a share capital increase in its subsidiary Triglav INT with in-kind contribution amounting to EUR 23.1 million. The capital increase will be financed through a debt to equity swap transaction by the parent company and an equity stake in subsidiary Pista d.o.o. The reason for this decision is to optimise the management of indirect subsidiaries of the Triglav Group and direct subsidiaries of Triglav INT d.d., in which the latter plays the key role. This capital increase and raising of staffing levels will help improve the business model of Triglav INT d.d., which will enable the company to better fulfil its function within the Triglav Group.
- The General Meeting of Shareholders of Triglav, Upravljanje nepremičnin d.d. on 7 January 2015 approved the increase of share capital of the said company by EUR 700,000, through an issue of no more than 167,867 new, ordinary, registered, no-par value shares. The share capital shall be increased with an in-kind contribution of Zavarovalnica Triglav and cash contributions by other shareholders. The total issue value of new shares equals EUR 10.9 million. The capital will be increased by Zavarovalnica Triglav with a debt to equity swap amounting to EUR 6.2 million arising from loans.
- On 4 March 2015, the Management Board of Zavarovalnica Triglav as the sole owner of Hotel Grad Podvin d.d. decided to increase the share capital of the said company. The capital will be increased with in-kind contribution, i.e. a debt to equity swap amounting to EUR 2.4 million arising from loans.
- In October 2014, the Management Board of Zavarovalnica Triglav adopted a decision to merge Triglav naložbe d.d. to the parent company on the reporting date (31 December 2014). The merger will take place by 30 September 2015 at the latest.

15. BUSINESS NETWORK OF ZAVAROVALNICA TRIGLAV

The registered office of Zavarovalnica Triglav is where the management, developmental and coordinating functions are performed. Products and services offered by Zavarovalnica Triglav can be easily and quickly accessed through its network of 12 regional offices throughout Slovenia.

Zavarovalnica Triglav's own sales network is expanded by insurance agencies and insurance brokerage firms. Agency contracts for selling insurance products are concluded with companies carrying out motor vehicle roadworthiness tests. Moreover, the Company's range of products and services is also available in banks and travel agencies, while several services on the web portal of Zavarovalnica Triglav and mobile applications are available to growing number of users of modern technology.

■ ZAVAROVALNICA TRIGLAV D.D., LJUBLJANA, HEADQUARTERS – REGISTERED OFFICE

Regional units:

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

16. PERFORMANCE INDICATORS OF ZAVAROVALNICA TRIGLAV

16.1 Growth of gross written premium (index)

$$\frac{\text{Gross written premium growth for the current year} * 100}{\text{Gross written premium for the preceding year}}$$

in EUR

No.	Insurance class	Gross written premium			Growth index	
		2014	2013	2012	2014/2013	2013/2012
1	2	3	4	5	6=3/4*100	7=4/5*100
1	Accident insurance	30,519,274	31,743,528	36,183,126	96	88
2	Health insurance	-	-	-	-	-
3	Land motor vehicle insurance	96,884,072	98,923,647	108,291,760	98	91
4	Railway insurance	2,354,281	2,416,656	2,681,606	97	90
5	Aircraft insurance	579,659	672,232	510,624	86	132
6	Marine insurance	293,062	319,649	384,395	92	83
7	Cargo insurance	4,997,542	4,348,910	4,747,464	115	92
8	Fire and natural forces insurance	53,591,152	53,802,711	54,465,794	100	99
9	Other damage to property insurance	68,414,874	68,655,943	72,211,985	100	95
10	Motor TPL insurance	94,239,979	99,900,722	111,525,660	94	90
11	Aircraft liability insurance	833,043	601,159	742,163	139	81
12	Marine liability insurance	341,687	339,416	347,841	101	98
13	General liability insurance	28,919,122	29,601,460	29,983,506	98	99
14	Credit insurance	23,152,992	21,165,261	19,837,754	109	107
15	Suretyship insurance	1,343,269	1,379,439	995,685	97	139
16	Miscellaneous financial loss insurance	2,735,997	2,634,851	2,418,582	104	109
17	Legal expenses insurance	831,956	867,803	953,070	96	91
18	Travel assistance insurance	7,305,116	7,206,330	7,521,115	101	96
19	Total non-life insurance (No. 1-18)	417,337,076	424,579,717	453,802,130	98	94
20	Life insurance	85,640,550	87,779,232	85,209,421	98	103
21	Wedding insurance or birth insurance	-	-	-	-	-
22	Unit-linked life insurance	73,907,907	76,720,215	85,162,447	96	90
23	Tontine	-	-	-	-	-
24	Capital redemption insurance	14,281,171	14,700,068	21,452,783	97	69
25	Income protection insurance due to accident or illness	-	-	-	-	-
26	Total life insurance (No. 20-25)	173,829,628	179,199,515	191,824,651	97	93
27	Total (No. 19+26)	591,166,704	603,779,231	645,626,781	98	94

16.2 Net written premium as % of gross written insurance premium

Net written premium * 100
Gross written premium

in EUR

No.	Insurance class	Premium written 2014		Premium written 2013		Net written insurance premium as % of gross written insurance premium	
		net	gross	net	gross	2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Accident insurance	29,506,852	30,519,274	30,748,301	31,743,528	97	97
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	88,516,511	96,884,072	90,310,166	98,923,647	91	91
4	Railway insurance	1,842,176	2,354,281	1,907,031	2,416,656	78	79
5	Aircraft insurance	-226,191	579,659	562,277	672,232	-39	84
6	Marine insurance	661,268	293,062	785,889	319,649	226	246
7	Cargo insurance	3,250,419	4,997,542	2,798,342	4,348,910	65	64
8	Fire and natural forces insurance	32,508,674	53,591,152	32,842,901	53,802,711	61	61
9	Other damage to property insurance	54,152,632	68,414,874	54,383,872	68,655,943	79	79
10	Motor TPL insurance	88,532,525	94,239,979	93,799,112	99,900,722	94	94
11	Aircraft liability insurance	-101,808	833,043	275,965	601,159	-12	46
12	Marine liability insurance	314,072	341,687	309,296	339,416	92	91
13	General liability insurance	22,811,259	28,919,122	24,227,005	29,601,460	79	82
14	Credit insurance	20,410,188	23,152,992	18,509,193	21,165,261	88	87
15	Suretyship insurance	756,774	1,343,269	733,712	1,379,439	56	53
16	Miscellaneous financial loss insurance	1,161,787	2,735,997	779,002	2,634,851	42	30
17	Legal expenses insurance	790,204	831,956	824,319	867,803	95	95
18	Travel assistance insurance	6,957,753	7,305,116	6,757,258	7,206,330	95	94
19	Total non-life insurance (No. 1-18)	351,845,095	417,337,076	360,553,642	424,579,717	84	85
20	Life insurance	85,298,124	85,640,550	87,451,984	87,779,232	100	100
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	73,907,907	73,907,907	76,720,215	76,720,215	100	100
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	14,281,171	14,281,171	14,700,068	14,700,068	100	100
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	173,487,202	173,829,628	178,872,267	179,199,515	100	100
27	Total (No. 19+26)	525,332,297	591,166,704	539,425,909	603,779,231	89	89

16.3 Movements in gross claims paid (index)

		Gross claims paid for the current year * 100			Gross claims paid for the preceding year			
							in EUR	
No.	Insurance class	Gross claims paid			Growth index			
		2014	2013	2012	2014/2013	2013/2012		
1	2	3	4	5	6=3/4*100	7=4/5*100		
1	Accident insurance	12,453,544	13,046,847	14,333,408	95	91		
2	Health insurance	-	-	-	-	-		
3	Land motor vehicle insurance	70,177,154	75,177,449	78,086,686	93	96		
4	Railway insurance	2,668,384	2,839,468	3,095,373	94	92		
5	Aircraft insurance	11,850	293,594	44,794	4	655		
6	Marine insurance	288,393	228,019	241,782	126	94		
7	Cargo insurance	1,259,685	512,316	602,589	246	85		
8	Fire and natural forces insurance	27,339,319	23,054,160	21,030,009	119	110		
9	Other damage to property insurance	46,216,052	36,002,909	42,043,394	128	86		
10	Motor TPL insurance	53,437,723	61,274,615	62,935,251	87	97		
11	Aircraft liability insurance	619,837	418,418	659,540	148	63		
12	Marine liability insurance	244,755	130,708	47,346	187	276		
13	General liability insurance	12,704,747	17,908,848	14,087,009	71	127		
14	Credit insurance	12,683,852	13,191,018	13,547,163	96	97		
15	Suretyship insurance	487,874	119,705	409,486	408	29		
16	Miscellaneous financial loss insurance	1,024,222	1,329,316	1,148,557	77	116		
17	Legal expenses insurance	7,996	6,941	-379	115	-1.834		
18	Travel assistance insurance	7,146,036	6,227,024	5,704,533	115	109		
19	Total non-life insurance (No. 1-18)	248,771,423	251,761,355	258,016,544	99	98		
20	Life insurance	88,851,229	92,008,771	89,430,423	97	103		
21	Wedding insurance or birth insurance	-	-	-	-	-		
22	Unit-linked life insurance	67,329,106	50,173,446	37,578,482	134	134		
23	Tontine	-	-	-	-	-		
24	Capital redemption insurance	10,106,467	21,038,059	28,629,201	48	73		
25	Income protection insurance due to accident or illness	-	-	-	-	-		
26	Total life insurance (No. 20-25)	166,286,802	163,220,276	155,638,107	102	105		
27	Total (No. 19+26)	415,058,225	414,981,632	413,654,651	100	100		

16.4 Average claim paid

		Gross claims paid Number of claims				in EUR	
No.	Insurance class	Gross claims paid in 2014	Number of claims in 2014	Gross claims paid in 2013	Number of claims in 2013	Average claim paid	
						in 2014	in 2013
1	2	3	4	5	6	7 = 3/4	8 = 5/6
1	Accident insurance	12,453,544	17,811	13,046,847	18,934	699	689
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	70,177,154	98,319	75,177,449	101,984	714	737
4	Railway insurance	2,668,384	168	2,839,468	160	15,883	17,747
5	Aircraft insurance	11,850	1	293,594	8	11,850	36,699
6	Marine insurance	288,393	62	228,019	71	4,651	3,212
7	Cargo insurance	1,259,685	2,698	512,316	988	467	519
8	Fire and natural forces insurance	27,339,319	13,603	23,054,160	17,321	2,010	1,331
9	Other damage to property insurance	46,216,052	60,803	36,002,909	58,621	760	614
10	Motor TPL insurance	53,437,723	19,880	61,274,615	21,394	2,688	2,864
11	Aircraft liability insurance	619,837	4	418,418	3	154,959	139,473
12	Marine liability insurance	244,755	13	130,708	14	18,827	9,336
13	General liability insurance	12,704,747	2,963	17,908,848	3,670	4,288	4,880
14	Credit insurance	12,683,852	4,917	13,191,018	4,170	2,580	3,163
15	Suretyship insurance	487,874	58	119,705	65	8,412	1,842
16	Miscellaneous financial loss insurance	1,024,222	466	1,329,316	669	2,198	1,987
17	Legal expenses insurance	7,996	22	6,941	18	363	386
18	Travel assistance insurance	7,146,036	33,885	6,227,024	28,648	211	217
19	Total non-life insurance (No. 1-18)	248,771,423	255,673	251,761,355	256,738	973	981
20	Life insurance	88,851,229	40,948	92,008,771	44,535	2,170	2,066
21	Wedding insurance or birth insurance	-	1	-	-	-	-
22	Unit-linked life insurance	67,329,106	27,190	50,173,446	25,815	2,476	1,944
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	10,106,467	2,214	21,038,059	4,646	4,565	4,528
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	166,286,802	70,353	163,220,276	74,996	2,364	2,176
27	Total (No. 19+26)	415,058,225	326,026	414,981,632	331,734	1,273	1,251

16.5 Loss ratio

		Gross claims paid Gross written premium				in EUR	
No.	Insurance class	Gross				Loss ratio	
		written premium in 2014	claims paid in 2014	written premium in 2013	claims paid in 2013	2014	2013
1	2	3	4	5	6	7=4/3	8=6/5
1	Accident insurance	30,519,274	12,453,544	31,743,528	13,046,847	0.41	0.41
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	96,884,072	70,177,154	98,923,647	75,177,449	0.72	0.76
4	Railway insurance	2,354,281	2,668,384	2,416,656	2,839,468	1.13	1.17
5	Aircraft insurance	579,659	11,850	672,232	293,594	0.02	0.44
6	Marine insurance	293,062	288,393	319,649	228,019	0.98	0.71
7	Cargo insurance	4,997,542	1,259,685	4,348,910	512,316	0.25	0.12
8	Fire and natural forces insurance	53,591,152	27,339,319	53,802,711	23,054,160	0.51	0.43
9	Other damage to property insurance	68,414,874	46,216,052	68,655,943	36,002,909	0.68	0.52
10	Motor TPL insurance	94,239,979	53,437,723	99,900,722	61,274,615	0.57	0.61
11	Aircraft liability insurance	833,043	619,837	601,159	418,418	0.74	0.70
12	Marine liability insurance	341,687	244,755	339,416	130,708	0.72	0.39
13	General liability insurance	28,919,122	12,704,747	29,601,460	17,908,848	0.44	0.60
14	Credit insurance	23,152,992	12,683,852	21,165,261	13,191,018	0.55	0.62
15	Suretyship insurance	1,343,269	487,874	1,379,439	119,705	0.36	0.09
16	Miscellaneous financial loss insurance	2,735,997	1,024,222	2,634,851	1,329,316	0.37	0.50
17	Legal expenses insurance	831,956	7,996	867,803	6,941	0.01	0.01
18	Travel assistance insurance	7,305,116	7,146,036	7,206,330	6,227,024	0.98	0.86
19	Total non-life insurance (No. 1-18)	417,337,076	248,771,423	424,579,717	251,761,355	0.60	0.59
20	Life insurance	85,640,550	88,851,229	87,779,232	92,008,771	1.04	1.05
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	73,907,907	67,329,106	76,720,215	50,173,446	0.91	0.65
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	14,281,171	10,106,467	14,700,068	21,038,059	0.71	1.43
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	173,829,628	166,286,802	179,199,515	163,220,276	0.96	0.91
27	Total (No. 19+26)	591,166,704	415,058,225	603,779,231	414,981,632	0.70	0.69

16.6 Operating costs as % of gross written insurance premium

		Operating costs * 100						in EUR	
		Gross written premium							
No.	Insurance class	Operating cost in 2014	Gross written premium in 2014	Operating cost in 2013	Gross written premium in 2013	Operating costs as % of gross written insurance premium			
1	2	3	4	5	6	7=3/4	2014	8=5/6	2013
1	Accident insurance	9,994,928	30,519,274	9,919,710	31,743,528	33		31	
2	Health insurance	-	-	-	-	-		-	
3	Land motor vehicle insurance	26,555,561	96,884,072	26,472,691	98,923,647	27		27	
4	Railway insurance	314,803	2,354,281	309,162	2,416,656	13		13	
5	Aircraft insurance	167,969	579,659	163,861	672,232	29		24	
6	Marine insurance	208,924	293,062	273,583	319,649	71		86	
7	Cargo insurance	1,189,592	4,997,542	1,107,747	4,348,910	24		25	
8	Fire and natural forces insurance	17,495,557	53,591,152	18,057,169	53,802,711	33		34	
9	Other damage to property insurance	23,403,702	68,414,874	24,443,182	68,655,943	34		36	
10	Motor TPL insurance	27,556,030	94,239,979	27,849,092	99,900,722	29		28	
11	Aircraft liability insurance	193,623	833,043	188,963	601,159	23		31	
12	Marine liability insurance	212,588	341,687	218,813	339,416	62		64	
13	General liability insurance	9,507,686	28,919,122	8,961,794	29,601,460	33		30	
14	Credit insurance	5,184,989	23,152,992	4,621,280	21,165,261	22		22	
15	Suretyship insurance	528,981	1,343,269	504,703	1,379,439	39		37	
16	Miscellaneous financial loss insurance	650,284	2,735,997	926,342	2,634,851	24		35	
17	Legal expenses insurance	433,360	831,956	360,834	867,803	52		42	
18	Travel assistance insurance	4,882,457	7,305,116	2,900,416	7,206,330	67		40	
19	Total non-life insurance (No. 1-18)	128,481,035	417,337,076	127,279,344	424,579,717	31		30	
20	Life insurance	17,496,849	85,640,550	16,819,293	87,779,232	20		19	
21	Wedding insurance or birth insurance	-	-	-	-	-		-	
22	Unit-linked life insurance	14,752,209	73,907,907	15,165,567	76,720,215	20		20	
23	Tontine	-	-	-	-	-		-	
24	Capital redemption insurance	1,962,824	14,281,171	2,001,250	14,700,068	14		14	
25	Income protection insurance due to accident or illness	-	-	-	-	-		-	
26	Total life insurance (No. 20-25)	34,211,882	173,829,628	33,986,109	179,199,515	20		19	
27	Total (No. 19+26)	162,692,917	591,166,704	161,265,453	603,779,231	28		27	

16.7 Acquisition costs as % of gross written insurance premium

		Acquisition costs*100						in EUR	
		Gross written insurance premium							
No.	Insurance class	Acquisition costs in 2014	Gross written premium in 2014	Acquisition costs in 2013	Gross written premium in 2013	Acquisition costs as % of gross written insurance premium			
1	2	3	4	5	6	7=3/4	8=5/6		
1	Accident insurance	962,317	30,519,274	801,969	31,743,528	3.2	2.5		
2	Health insurance	-	-	-	-	-	-		
3	Land motor vehicle insurance	2,664,834	96,884,072	2,253,862	98,923,647	2.8	2.3		
4	Railway insurance	1,900	2,354,281	29,071	2,416,656	0.1	1.2		
5	Aircraft insurance	9,473	579,659	9,164	672,232	1.6	1.4		
6	Marine insurance	4,931	293,062	6,079	319,649	1.7	1.9		
7	Cargo insurance	240,207	4,997,542	145,881	4,348,910	4.8	3.4		
8	Fire and natural forces insurance	1,946,547	53,591,152	1,790,132	53,802,711	3.6	3.3		
9	Other damage to property insurance	2,261,130	68,414,874	2,075,788	68,655,943	3.3	3.0		
10	Motor TPL insurance	3,571,443	94,239,979	3,619,018	99,900,722	3.8	3.6		
11	Aircraft liability insurance	17,661	833,043	10,776	601,159	2.1	1.8		
12	Marine liability insurance	7,337	341,687	7,394	339,416	2.2	2.2		
13	General liability insurance	1,555,639	28,919,122	1,499,234	29,601,460	5.4	5.1		
14	Credit insurance	527,660	23,152,992	450,739	21,165,261	2.3	2.1		
15	Suretyship insurance	1,063	1,343,269	5,759	1,379,439	0.1	0.4		
16	Miscellaneous financial loss insurance	119,555	2,735,997	140,074	2,634,851	4.4	5.3		
17	Legal expenses insurance	75,773	831,956	23,845	867,803	9.1	2.8		
18	Travel assistance insurance	224,815	7,305,116	147,185	7,206,330	3.1	2.0		
19	Total non-life insurance (No. 1-18)	14,192,284	417,337,076	13,015,969	424,579,717	3.4	3.1		
20	Life insurance	3,364,682	85,640,550	2,681,950	87,779,232	3.9	3.1		
21	Wedding insurance or birth insurance	-	-	-	-	-	-		
22	Unit-linked life insurance	3,900,377	73,907,907	3,556,411	76,720,215	5.3	4.6		
23	Tontine	-	-	-	-	-	-		
24	Capital redemption insurance	76,678	14,281,171	87,707	14,700,068	0.5	0.6		
25	Income protection insurance due to accident or illness	-	-	-	-	-	-		
26	Total life insurance (No. 20-25)	7,341,736	173,829,628	6,326,068	179,199,515	4.2	3.5		
27	Total (No. 19+26)	21,534,020	591,166,704	19,342,036	603,779,231	3.6	3.2		

16.8 Investment return as % of average balance of investments (from the starting and ending balance for the year)

$\frac{\text{Investment return} \times 100}{(\text{starting balance for the year} + \text{ending balance for the year}) / 2}$							
in EUR							
No.	Investments	Investment return in 2014	Average balance of investments in 2014	Investment return in 2013	Average balance of investments in 2013	Investment return as % of average balance of investments	
1	2	3	4	5	6	7=3/4	8=5/6
1	Assets backing liabilities	44,753,200	742,112,525	20,741,943	745,908,451	6.0	2.8
2	Long-term business fund backing life insurance	41,283,182	715,484,156	32,142,545	696,608,358	5.8	4.6
3	Long-term business fund backing SVPI - PN-ZT-01, 02, 02, 04	27,879,312	164,175,332	6,080,709	156,262,348	17.0	3.9
4	Long-term business fund backing SVPI - PN-ZT-05, 06	164,919	943,062	43,812	448,483	17.5	9.8
5	Long-term business fund backing SVPI	1,609,897	21,982,916	517,374	13,820,097	7.3	3.7
6	Long-term business fund backing unit-linked insurance	42,163,129	436,326,070	12,682,506	414,676,079	9.7	3.1
7	Investments not financed from insurance technical provisions	-13,054,645	256,274,358	-34,823,836	243,609,650	-5.1	-14.3
8	Total	144.798.994	2.337.298.420	37.385.052	2.271.333.465	6.2	1.6

16.9 Net claims provisions as % of net premium income

		Net claims provisions*100							
		Net premium income							
								in EUR	
No.	Insurance class	Net claims provisions as at 31 Dec. 2014	Net premium income in 2014	Net claims provisions as at 31 Dec. 2013	Net premium income in 2013	Net claims provisions as % of net premium income			
1	2	3	4	5	6	7=3/4	8=5/6		
1	Accident insurance	33,152,258	30,063,727	36,713,827	31,661,942	110	116		
2	Health insurance	-	-	-	-	-	-		
3	Land motor vehicle insurance	18,267,361	89,260,192	18,063,125	93,042,612	20	19		
4	Railway insurance	5,523,980	1,887,519	5,134,692	1,878,150	293	273		
5	Aircraft insurance	35,731	104,071	105,799	182,287	34	58		
6	Marine insurance	655,285	665,267	825,976	800,900	98	103		
7	Cargo insurance	1,058,193	3,207,099	1,055,116	2,818,833	33	37		
8	Fire and natural forces insurance	14,342,216	32,138,326	15,472,033	32,801,162	45	47		
9	Other damage to property insurance	26,840,981	56,400,923	25,541,726	55,991,281	48	46		
10	Motor TPL insurance	186,414,634	90,359,167	193,302,078	97,994,987	206	197		
11	Aircraft liability insurance	638,191	58,906	528,844	97,128	1,083	544		
12	Marine liability insurance	193,997	303,653	578,707	316,831	64	183		
13	General liability insurance	132,474,529	23,088,981	128,839,961	24,158,725	574	533		
14	Credit insurance	3,900,192	19,487,045	4,006,408	19,052,558	20	21		
15	Suretyship insurance	1,527,121	658,725	2,004,545	494,445	232	405		
16	Miscellaneous financial loss insurance	1,036,148	903,653	973,630	847,700	115	115		
17	Legal expenses insurance	174,340	803,946	82,949	843,653	22	10		
18	Travel assistance insurance	2,454,047	6,832,873	3,576,557	6,792,236	36	53		
19	Total non-life insurance (No. 1-18)	428,689,203	356,224,073	436,805,973	369,775,431	120	118		
20	Life insurance	19,043,975	85,314,040	19,299,736	87,426,598	22	22		
21	Wedding insurance or birth insurance	-	-	-	-	-	-		
22	Unit-linked life insurance	0	73,907,907	0	76,720,215	0	0		
23	Tontine	-	-	-	-	-	-		
24	Capital redemption insurance	0	14,281,171	0	14,700,068	0	0		
25	Income protection insurance due to accident or illness	-	-	-	-	-	-		
26	Total life insurance (No. 20-25)	19,043,975	173,503,117	19,299,736	178,846,881	11	11		
27	Total (No. 19+26)	447,733,179	529,727,190	456,105,709	548,622,311	85	83		

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

$$\frac{\text{Gross profit/loss} \times 100}{\text{Net written premium}}$$

in EUR

No.	Insurance	Gross profit/loss 2014	Net written premium 2014	Gross profit/loss 2013	Net written premium 2013	Gross profit/loss for the year as % of net written premium	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	42,301,412	351,845,095	48,055,962	360,553,642	12.0	13.3
2	Life insurance	15,194,657	173,487,202	11,538,446	178,872,267	8.8	6.5
3	Total	57,496,069	525,332,297	59,594,408	539,425,909	10.9	11.1

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

$$\frac{\text{Gross profit/loss} \times 100}{(\text{equity beginning balance for the year} + \text{equity ending balance for the year}) / 2}$$

in EUR

No.	Insurance	Gross profit/loss 2014	Average equity balance 2014	Gross profit/loss 2013	Average equity balance 2013	Gross profit/loss for the year as % of average equity	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	42,301,412	424,429,377	48,055,962	417,558,676	10.0	11.5
2	Life insurance	15,194,657	97,465,960	11,538,446	86,164,979	15.6	13.4
3	Total	57,496,069	521,895,337	59,594,408	503,723,654	11.0	11.8

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

$$\frac{\text{Gross profit/loss} \times 100}{(\text{assets beginning balance for the year} + \text{assets ending balance for the year}) / 2}$$

No.	Insurance	Gross profit/loss 2014	Average assets balance 2014	Gross profit/loss 2013	Average assets balance 2013	in EUR Gross profit/loss for the year as % of average assets	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	42,301,412	1,208,842,214	48,055,962	1,222,050,051	3.5	3.9
2	Life insurance	15,194,657	1,448,094,833	11,538,446	1,374,988,181	1.1	0.8
3	Total	57,496,069	2,656,937,047	59,594,408	2,597,038,231	2.2	2.3

16.13 Gross profit/loss for the year per share

$$\frac{\text{Gross profit/loss}}{\text{Number of shares}}$$

No.	Insurance	Gross profit/loss in 2014	Number of shares 31. 12. 2014	Gross profit/loss in 2013	Number of shares 31. 12. 2013	in EUR Earnings per share	
						in 2014	in 2013
1	2	3	4	5	6	7=3/4	8=5/6
1	Non-life insurance	42,301,412	15,837,448	48,055,962	15,837,448	2.7	3.0
2	Life insurance	15,194,657	6,897,700	11,538,446	6,897,700	2.2	1.7
3	Total	57,496,069	22,735,148	59,594,408	22,735,148	2.5	2.6

16.14 Net profit/loss for the year as % of average equity

$$\frac{\text{Net profit/loss} \times 100}{(\text{equity beginning balance for the year} + \text{equity ending balance for the year}) / 2}$$

No.	Insurance	Net profit/loss in 2014	Average equity balance in 2014	Net profit/loss in 2013	Average equity balance in 2013	in EUR Net profit/loss as % of average equity	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	32,453,149	424,429,377	37,110,982	417,558,676	7.7	8.9
2	Life insurance	13,159,432	97,465,960	11,179,484	86,164,979	13.5	13.0
3	Total	45,612,581	521,895,337	48,290,466	503,723,654	8.7	9.6

16.15 Available capital of the insurance company as % of net written insurance premium

		Available capital*100					
		Net written premium					
						in EUR	
No.	Insurance	Available capital 31 Dec. 2014	Net written premium in 2014	Available capital 31 Dec. 2013	Net written premium in 2013	Available capital of the insurance company as % of net written insurance premium	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	267,447,222	351,845,095	257,747,729	360,553,642	76.0	71.5
2	Life insurance	97,155,227	173,487,202	86,566,911	178,872,267	56.0	48.4
3	Total	364,602,448	525,332,297	344,314,640	539,425,909	69.4	63.8

16.16 Available capital of the insurance company as % of minimum capital

		Available capital*100					
		Minimum capital					
						in EUR	
No.	Insurance	Available capital 31 Dec. 2014	Minimum capital 31 Dec. 2014	Available capital 31 Dec. 2013	Minimum capital 31 Dec. 2013	Available capital of the insurance company as % of minimum capital of the insurance company	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	267,447,222	69,913,487	257,747,729	71,238,523	382.5	361.8
2	Life insurance	97,155,227	50,923,871	86,566,911	47,367,241	190.8	182.8
3	Total	364,602,448	120,837,357	344,314,640	118,605,765	301.7	290.3

16.17 Available capital of the insurance company as % of insurance technical provisions

		Available capital * 100					
		Insurance technical provisions					
						in EUR	
No.	Insurance	Available capital 31 Dec. 2014	Insurance technical provisions 31 Dec. 2014	Available capital 31 Dec. 2013	Insurance technical provisions 31 Dec. 2013	Available capital of the insurance company as % of insurance technical provisions	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	267.447.222	587.907.708	257.747.729	597.837.468	45,5	43,1
2	Life insurance	97.155.227	1.368.254.170	86.566.911	1.263.845.093	7,1	6,9
3	Total	364.602.448	1.956.161.878	344.314.640	1.861.682.561	18,6	18,5

16.18 Available capital as % of receivables from reinsurance and reinsurers' share of insurance technical provisions

Available capital*100 Receivables from reinsurance and reinsurer's share of insurance technical provisions						in EUR	
No.	Insurance	Available capital 31 Dec. 2014	Receivables from reinsurance 31 Dec. 2014	Available capital 31 Dec. 2013	Receivables from reinsurance 31 Dec. 2013	Available capital as % of receivables from reinsurance and reinsurers' share of insurance technical provisions	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	267,447,222	75,232,980	257,747,729	68,615,087	355	376
2	Life insurance	97,155,227	-1,093,850	86,566,911	-688,300	-8,882	-12,577
3	Total	364,602,448	74,139,130	344,314,640	67,926,787	492	507

16.19 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	
No.	Insurance	Net written premium 31 Dec. 2014	Average balance of equity and insurance technical provisions 31 Dec. 2014	Net written premium 31 Dec. 2013	Average balance of equity and insurance technical provisions 31 Dec. 2013	Net written insurance premium as % of average balance of equity and insurance technical provisions	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	351,845,095	1,117,976,952	360,553,642	1,134,691,400	31.5	31.8
2	Life insurance	173,487,202	1,413,575,909	178,872,267	1,343,743,733	12.3	13.3
3	Total	525,332,297	2,531,552,861	539,425,909	2,478,435,132	20.8	21.8

16.20 Net written premium as % of average equity balance

Net written premium*100
Average equity balance

in EUR

No.	Insurance	Net written premium 31 Dec. 2014	Average equity balance 31 Dec. 2014	Net written premium 31 Dec. 2013	Average equity balance 31 Dec. 2013	Net written premium as % of average equity balance	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	351,845,095	424,429,377	360,553,642	417,558,676	82.9	86.4
2	Life insurance	173,487,202	97,465,960	178,872,267	86,164,979	178.0	207.6
3	Total	525,332,297	521,895,337	539,425,909	503,723,654	100.7	107.1

16.21 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

No.	Insurance	Average balance of net insurance technical provisions 31 Dec. 2014	Net premium income 31 Dec. 2014	Average balance of net insurance technical provisions 31 Dec. 2013	Net premium income 31 Dec. 2013	Average balance of net insurance technical provisions as % of net premium income	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	615,644,032	356,224,073	615,644,032	369,775,431	172.8	166.5
2	Life insurance	1,257,466,026	173,503,117	1,257,466,026	178,846,881	724.8	703.1
3	Total	1,873,110,058	529,727,190	1,873,110,058	548,622,311	353.6	341.4

16.22 Equity as % of net unearned premium

Equity*100
Net unearned premium

in EUR

No.	Insurance	Equity 31 Dec. 2014	Net unearned premium 31 Dec. 2014	Equity 31 Dec. 2013	Net unearned premium 31 Dec. 2013	Equity as % of net unearned premium	
						2014	2013
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	436,494,941	144,253,670	412,363,814	144,253,670	303	286
2	Life insurance	107,505,526	428,747	87,426,394	428,747	25,074	20,391
3	Total	544,000,467	144,682,417	499,790,208	144,682,417	376	345

16.23 Equity as % of liabilities

		Equity*100 Liabilities						in EUR	
No.	Insurance	Equity 31 Dec. 2014	Liabilities 31 Dec. 2014	Equity 31 Dec. 2013	Liabilities 31 Dec. 2013	Equity as % of liabilities			
1	2	3	4	5	6	7=3/4*100	8=5/6*100		
1	Non-life insurance	436,494,941	1,227,775,291	412,363,814	1,189,909,138	35.6	34.7		
2	Life insurance	107,505,526	1,514,954,062	87,426,394	1,381,235,603	7.1	6.3		
3	Total	544,000,467	2,742,729,353	499,790,208	2,571,144,742	19.8	19.4		

16.24 Net insurance technical provisions as % of liabilities

		Net insurance technical provisions*100 Liabilities						in EUR	
No.	Insurance	Net insurance technical provisions 31 Dec. 2014	Liabilities 31 Dec. 2014	Net insurance technical provisions 31 Dec. 2013	Liabilities 31 Dec. 2013	Net insurance technical provisions as % of liabilities			
1	2	3	4	5	6	7=3/4*100	8=5/6*100		
1	Non-life insurance	587,907,708	1,227,775,291	597,837,468	1,189,909,138	47.9	50.2		
2	Life insurance	1,368,254,170	1,514,954,062	1,263,845,093	1,381,235,603	90.3	91.5		
3	Total	1,956,161,878	2,742,729,353	1,861,682,561	2,571,144,742	71.3	72.4		

16.25 Net mathematical provisions as % of net insurance technical provisions

		Net mathematical provisions*100 Net insurance technical provisions						in EUR	
No.	Insurance	Net mathematical provisions 31 Dec. 2014	Net insurance technical provisions 31 Dec. 2014	Net mathematical provisions 31 Dec. 2013	Net insurance technical provisions 31 Dec. 2013	Net mathematical provisions as % of net insurance technical provisions			
1	2	3	4	5	6	7=3/4*100	8=5/6*100		
1	Non-life insurance	-	587,907,708	-	597,837,468	-	-		
2	Life insurance	1,347,810,649	1,368,254,170	1,244,116,610	1,263,845,093	98.5	98.4		
3	Total	1,347,810,649	1,956,161,878	1,244,116,610	1,861,682,561	68.9	66.8		

16.26 Gross written insurance premium as % number of permanent staff

Gross written insurance premium for the current year
Average number of staff

No.	Insurance	Gross written premium 31 Dec. 2014	Average number of staff 31 Dec. 2014	Gross written premium 31 Dec. 2013	Average number of staff 31 Dec. 2013	in EUR Gross written insurance premium per employee	
						2014	2013
1	2	3	4	5	6	7=3/4	8=5/6
1	Non-life insurance	417,337,076	1,787	424,579,717	1,782	233,507	238,234
2	Life insurance	173,829,628	476	179,199,515	476	365,257	376,563
3	Total	591,166,704	2,263	603,779,231	2,258	261,212	267,386

Accounting report

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APPENDIX

I. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board herewith confirms the financial statements for the year ended 31 December 2014, and the accompanying accounting policies and notes to the accounting policies.

The Management Board is responsible for preparing the Annual Report so that it is a true and fair presentation of the Company's assets and liabilities, financial position and profit/loss for the year ended 31 December 2014 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, including a description of the major risks to which the Company is exposed to.

The Management Board is also responsible for appropriate accounting practices, for the adoption of appropriate measures for the protection of property, and for the prevention and identification of fraud and other irregularities or illegal acts.

The tax authorities may, at any time within the period of five years since the day the tax become chargeable, review the operations of the Company, which may result in additional tax liabilities, default interest and penalties related to corporate income tax and/or other taxes or levies. The Management Board of the Company is unaware of any circumstances that could potentially result in any such significant liability.

Andrej Slapar

President of the Management Board

Benjamin Jošar

Member of the Management Board

Uroš Ivanc

Member of the Management Board

Tadej Čoroli

Member of the Management Board

Marica Makoter

Member of the Management Board

Ljubljana, 17 March 2015

INDEPENDENT AUDITOR'S REPORT

To the owners of Zavarovalnica Triglav d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Zavarovalnica Triglav d.d. which comprise the statement of financial position as at December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

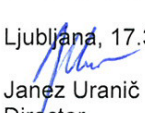
In our opinion, the financial statements present fairly, in all material respects, the financial position of Zavarovalnica Triglav d.d. as of December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act and the Appendix to annual report (hereafter referred to as "Appendix") on the basis of schemes defined by Regulatory Authority. Our responsibility is to assess whether the business report and Appendix are consistent with the audited financial statements. Our work regarding the business report and Appendix is performed in accordance with ISA 720, and restricted to assessing whether the business report and Appendix are consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report and the Appendix are consistent with the audited consolidated financial statements.

Ljubljana, 17.3.2015


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1


Primož Kovačič
Certified Auditor

III. FINANCIAL STATEMENTS¹

STATEMENT OF FINANCIAL POSITION

		in EUR	
	Notes	31 December 2014	31 December 2013
ASSETS		2,721,266,953	2,551,395,325
Intangible assets	6.1	54,373,723	52,638,444
Property, plant and equipment	6.2	65,143,015	64,302,130
Deferred tax receivables	6.15	0	5,051,465
Investment property	6.3	37,972,457	18,067,610
Investments in subsidiaries	6.4	133,799,163	159,778,726
Investments in associates	6.4	10,427,236	9,637,324
Financial assets	6.5	2,240,384,295	2,064,530,031
Financial investments		1,790,581,524	1,641,680,661
- loans and deposits		104,531,182	173,477,782
- held to maturity		186,136,258	197,096,116
- available for sale		1,299,415,075	1,135,406,507
- recognised at fair value through profit and loss		200,499,010	135,700,257
Unit-linked insurance assets		449,802,771	422,849,370
Reinsurers' share of technical provisions	6.6	75,325,350	68,643,350
Assets from investment contracts		0	0
Receivables	6.7	94,732,452	102,006,043
- receivables from direct insurance operations		61,527,739	63,302,197
- receivables from reinsurance and coinsurance operations		6,689,625	9,140,990
- current tax receivables		0	12,912,838
- other receivables		26,515,088	16,650,018
Other assets	6.8	3,458,593	1,740,121
Cash and cash equivalents	6.9	5,650,669	5,000,081
Non-current assets held for sale		0	0
EQUITY AND LIABILITIES		2,721,266,953	2,551,395,325
Equity	6.10	544,000,467	499,790,208
- share capital		73,701,392	73,701,392
- share premium		53,412,884	53,412,884
- reserves from profit		281,977,925	259,486,919
- fair value reserve		73,221,229	35,362,843
- net profit brought forward		38,565,461	52,735,703
- net profit/loss for the year		23,121,575	25,090,466
Subordinated liabilities	6.11	29,958,540	29,956,713
Insurance technical provisions	6.12	1,617,090,395	1,538,939,112
- unearned premiums		182,902,536	188,286,777
- mathematical provisions		904,858,200	823,783,519
- claims provisions		508,999,132	510,090,992
- other insurance technical provisions		20,330,526	16,777,825
Insurance technical provisions for unit-linked insurance contracts	6.12	442,952,449	420,333,091
Employee benefits	6.13	9,408,654	8,459,095
Other provisions	6.14	399,080	570,449
Deferred tax liabilities	6.15	12,973,041	0
Liabilities from investments contracts		0	0
Other financial liabilities	6.16	1,693,912	1,337,704
Operating liabilities	6.17	25,833,367	22,779,490
- liabilities from direct insurance operations		10,631,799	11,643,628
- liabilities from reinsurance and co-insurance operations		10,406,511	11,135,863
- current tax liabilities		4,795,056	0
Other liabilities	6.18	36,957,048	29,229,462
Non-current liabilities held for sale and discontinued operations		0	0

¹ Notes on the pages 14 to 116 are integral part of these financial statements.

INCOME STATEMENT

		in EUR	
	Notes	2014	2013
NET PREMIUM INCOME	7.1	529,727,190	548,622,311
- gross written premium		592,619,451	605,758,390
- ceded written premium		-67,287,154	-66,332,481
- change in unearned premiums		4,394,893	9,196,402
INCOME FROM FINANCIAL ASSETS	7.3	212,013,745	167,336,928
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES		2,441,318	7,344,545
- interest expense		2,193,168	2,183,420
- dividends		239,834	4,525,425
- fair value gains		0	0
- realised gains on disposals		0	632,059
- other financial income		8,317	3,642
INCOME FROM OTHER FINANCIAL ASSETS		146,293,090	112,611,938
- interest income		58,371,048	61,366,943
- dividends		3,544,526	2,009,605
- fair value gains		26,454,746	21,743,072
- realised gains on disposals		54,194,732	26,518,051
- other financial income		3,728,038	974,267
NET UNREALISED GAINS ON UNITLINKED LIFE INSURANCE ASSETS		63,279,337	47,380,445
OTHER INCOME FROM INSURANCE OPERATIONS	7.7	16,878,496	15,252,351
- fees and commission income		12,557,361	11,038,252
- other income from insurance operations		4,321,135	4,214,099
OTHER INCOME	7.8	10,639,169	7,589,359
NET CLAIMS INCURRED	7.9	392,038,267	370,654,940
- gross claims settled		421,121,575	419,397,804
- reinsurers' share		-20,710,778	-24,791,992
- changes in claims provisions		-8,372,531	-23,950,871
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	7.10	58,391,620	-555,109
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS		22,619,358	15,433,207
CHANGE IN FINANCIAL CONTRACT LIABILITIES		0	0
EXPENSES FOR BONUSES AND DISCOUNTS	7.11	8,632,089	5,386,018
OPERATING EXPENSES	7.12	138,439,417	138,326,564
- acquisition costs		99,854,627	95,983,106
- other operating costs		38,584,790	42,343,458
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	7.4	69,149,319	128,000,114
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES		22,048,541	26,631,747
- interest expense		0	0
- fair value losses		0	0
- realised loss on disposals		1,503,668	0
- loss on impairment of financial assets		20,524,904	26,624,575
- other expenses from financial assets and liabilities		19,968	7,172
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES		27,582,062	67,579,264
- interest expense		2,280,291	2,224,646
- fair value losses		10,723,661	20,256,152
- realised loss on disposals		8,433,700	14,405,172
- loss on impairment of financial assets		38,459	25,088,856
- other expenses from financial assets and liabilities		6,105,951	5,604,438
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS		19,518,717	33,789,102
OTHER INSURANCE EXPENSES	7.13	11,997,644	13,349,557
OTHER EXPENSES	7.14	10,494,816	8,611,250
PROFIT/ LOSS BEFORE TAX		57,496,069	59,594,408
Income tax expense	7.15	11,883,488	11,303,942
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD		45,612,581	48,290,466
Earnings per share (basic and diluted)	8.3	2.01	2.12

COMPREHENSIVE INCOME

		in EUR	
	Notes	2014	2013
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX	6.10	45,612,582	48,290,469
II. OTHER COMPREHENSIVE INCOME AFTER TAX		37,858,386	-10,687,063
a) Items which will not be transferred in P&L in future periods		-503,403	-64,230
Fair value gains/losses on PP&E and intangible assets		0	0
Net actuarial gains/losses on pension plans	6.13	-606,509	-77,386
Share of OCI of entities accounted for using the equity method		0	0
Other items which will not be transferred in P&L		0	0
Tax on items which will not be transferred in P&L	7.15	103,106	13,156
b) Items which could be transferred into P&L in future periods		38,361,789	-10,622,833
Fair value gains/losses on available-for-sale financial assets	6.10	77,582,361	-14,530,766
- net gains/losses recognized directly in equity		122,568,367	-13,666,161
- transfers from equity to income statement		-44,986,006	-864,605
Fair value gains/losses on non-current assets held for sale		0	0
Fair value gains/losses on cashflow hedges		0	0
Share of OCI of entities accounted for using the equity method		0	0
Liabilities from insurance contracts with DPF		-25,899,972	2,853,742
Currency translation differences		0	0
Tax on other comprehensive income	7.15	-13,320,600	1,054,191
III. COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX		83,470,968	37,603,406

STATEMENT OF CHANGES IN EQUITY²

2014	Share capital	Share premium	Reserves from profit			Fair value reserve	Net profit brought forward	Net profit/loss	TOTAL EQUITY
			Legal and statutory reserves	Credit risk reserves	Other reserves from profit				
OPENING BALANCE FOR THE PERIOD	73,701,392	53,412,884	4,662,643	30,624,276	224,200,000	35,362,843	52,735,703	25,090,466	499,790,208
Comprehensive income for the year after tax	0	0	0	0	0	37,858,386	0	45,612,582	83,470,968
Dividend payment	0	0	0	0	0	0	-38,649,753	0	-38,649,753
Transfer of net profit to reserves from profit	0	0	0	0	22,500,000	0	0	-22,500,000	0
Distribution of net profit / loss	0	0	0	0	0	0	25,090,466	-25,090,466	0
Allocation of net profit to credit risk reserve	0	0	0	-8,994	0	0	0	8,994	0
Other	0	0	0	0	0	0	-610,957	0	-610,957
CLOSING BALANCE FOR THE PERIOD	73,701,392	53,412,884	4,662,643	30,615,282	246,700,000	73,221,229	38,565,459	23,121,576	544,000,466

2013	Share capital	Share premium	Reserves from profit			Fair value reserve	Net profit brought forward	Net profit/loss	TOTAL EQUITY
			Legal and statutory reserves	Credit risk reserves	Other reserves from profit				
OPENING BALANCE FOR THE PERIOD	73,701,392	53,412,884	4,662,643	30,624,276	201,000,000	46,049,906	72,813,826	25,392,174	507,657,101
Comprehensive income for the year after tax	0	0	0	0	0	-10,687,063	0	48,290,467	37,603,404
Dividend payment	0	0	0	0	0	0	-45,470,297	0	-45,470,297
Transfer of net profit to reserves from profit	0	0	0	0	23,200,000	0	0	-23,200,000	0
Distribution of net profit / loss	0	0	0	0	0	0	25,392,174	-25,392,174	0
CLOSING BALANCE FOR THE PERIOD	73,701,392	53,412,884	4,662,643	30,624,276	224,200,000	35,362,843	52,735,703	25,090,466	499,790,208

² For additional notes on equity see Section 6.10.

CASH FLOW STATEMENT³

in EUR

	Notes	2014	2013
A. OPERATING CASH FLOW			
Income statement items		-7,642,466	22,942,093
Net written premium for the period	7.1	525,332,297	539,425,909
Investment income (excluding financial income) arising from:	7.3	8,562,470	9,057,782
- insurance technical provisions		7,665,555	4,071,653
- other sources		896,915	4,986,129
Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables		10,981,281	10,067,153
Net claims paid	7.9	-400,410,798	-394,605,811
Bonuses and rebates paid	7.11	-8,292,320	-7,304,400
Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	7.12	-115,677,200	-116,633,867
Investment expenses (excluding financial expenses) arising from:	7.4	-8,308,861	-5,633,775
- technical sources		-4,186,751	-3,562,941
- other sources		-4,122,110	-2,070,833
Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	7.14	-15,034,290	-10,781,316
Corporate income tax and other taxes excluded from operating expenses		-4,795,045	-649,582
Changes in net current assets-operating balance sheet items		3,084,389	-25,759,059
Movements in receivables from insurance operations	6.7	-3,177,865	-375,379
Movements in receivables from reinsurance operations		2,451,365	-897,513
Movements in other receivables from (re)insurance operations		-1,484,359	368,692
Movements in other receivables and assets		6,171,293	-10,629,977
Movements in deferred tax assets		-2,871,979	0
Movements in inventories		92,720	-8,071
Movements in debts from direct insurance operations	6.17	-1,011,828	-876,362
Movements in debts from reinsurance operations		-729,351	-2,479,463
Movements in operating debts		-330,621	-9,826,346
Movements in other liabilities (excluding unearned premiums)	6.18	3,975,015	32,706
Movements in deferred tax liabilities		0	-1,067,347
Operating cash flow		-4,558,077	-2,816,966
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows from investing activities		2,097,680,038	2,283,760,286
Cash inflows from interest from investing activities and from:	6.5	53,479,586	71,279,498
- investment financed by insurance technical provisions		50,839,306	62,978,225
- other investment		2,640,280	8,301,273
Cash inflows from dividends received and profit sharing, arising from:	6.5	3,850,790	6,193,105
- investment financed by insurance technical provisions		3,402,244	2,738,566
- other investment		448,546	3,454,539
Cash inflows from the disposal of intangible assets financed by:	6.1	73,726	182,536
- insurance technical provisions		0	0
- other sources		73,726	182,536
Cash inflows from the disposal of property, plant and equipment financed by:	6.2	2,097,465	576,892
- insurance technical provisions		0	0
- other sources		2,097,465	576,892
Cash inflows from the disposal of non-current investments financed by:	6.5	1,022,284,534	1,062,276,765
- insurance technical provisions		922,758,129	983,989,015
- other sources		99,526,404	78,287,750
Cash inflows from the disposal of current investments financed by:	6.5	1,015,893,938	1,142,618,457
- insurance technical provisions		947,886,752	1,066,841,282
- other sources		68,007,186	75,777,175
Cash inflows from the disposal of investments in subsidiaries and associates financed by:	6.4	0	633,034

³ For additional notes on cash flow statement see Section 8.4.

in EUR			
	Notes	2014	2013
- insurance technical provisions		0	0
- other sources		0	633,034
Cash outflows from investing activities		-2,038,018,700	-2,231,578,416
Cash outflows for the purchase of intangible assets	6.1	-6,396,144	-4,738,785
Cash outflows for the purchase of property, plant and equipment financed by:	6.2	-2,896,106	-5,842,522
- insurance technical provisions		-861,786	-332,366
- other sources		-2,034,320	-5,510,156
Cash outflows for the purchase of non-current investments financed by:	6.5	-1,079,559,956	-1,066,424,661
- insurance technical provisions		-960,615,397	-950,631,839
- other sources		-118,944,559	-115,792,822
Cash outflows for the purchase of current investments financed by:	6.5	-947,166,494	-1,153,786,442
- insurance technical provisions		-868,968,032	-1,093,164,465
- other sources		-78,198,462	-60,621,977
Cash outflows for the purchase of investments in subsidiaries and associates financed by:	6.4	-2,000,000	-786,006
- insurance technical provisions		0	-686,006
- other sources		-2,000,000	-100,000
Total cash flow from investing activities		59,661,338	52,181,870
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows from financing activities		0	0
Cash inflows from paid-in capital		0	0
Cash inflows from long-term loans received		0	0
Cash inflows from short-term loans received		0	0
Cash outflows from financing activities		-54,533,963	-46,642,908
Cash outflows for paid interest		-1,785,000	-2,234,411
Cash outflows for repayments of principal		0	0
Cash outflows for payments of long-term financial liabilities	6.16	-5,226,195	0
Cash outflows for payments of short-term financial liabilities	6.16	-9,794,443	0
Cash outflows from dividends paid and profit sharing	6.10	-37,728,325	-44,408,497
Total cash flow from financing activities		-54,533,963	-46,642,908
D. Opening balance of cash and cash equivalents	6.9	5,000,081	2,278,084
E. Opening balance of cash and cash equivalents arising from merger with Triglav Nepremičnine		81,290	0
F. Net cash flow for the period		569,298	2,721,995
G. Closing balance of cash and cash equivalents	6.9	5,650,669	5,000,080

IV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Company profile

Zavarovalnica Triglav d.d. (hereinafter: Zavarovalnica Triglav or the Company) is a public limited company with its registered office on 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: ZPIZ) 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. Zavarovalnica Triglav is the parent company of the Triglav Group.

In the life-segment the Company has the following five guarantee funds:

- The guarantee fund of life, annuity and supplemental pension insurance, registration no. 5063345020.
- The guarantee fund of PN-ZT-01 Ljubljana pension scheme, registration no. 5063345021, includes pension schemes of collective supplemental voluntary pension insurance: PN-ZT-01/12-1 and PN-ZT-03/12-1 and pension schemes of individual supplemental voluntary pension insurance: PN-ZT-02/12-1 and PN-ZT-04/12-1.
- The guarantee fund of Triglav PDPZ – zjamčeni, registration no. 5063345029, includes pension scheme of collective supplemental voluntary pension insurance: PN-ZT-05 and pension scheme of individual supplemental voluntary pension insurance PN-ZT-06.
- The guarantee fund of supplemental voluntary pension insurance during the pension annuity pay-out period, registration no. 5063345028.
- Unit-linked life insurance guarantee fund, registration no. 5063345023.

The Company is the fund manager and Abanka Vipava d.d. the administrator of four guarantee funds. The financial statements (income statements and statements of financial position) of the guarantee funds are provided as an annex to the Annual Report.

On 17 March 2015, the Management Board approved the issuance of separate and consolidated financial statements. Once the financial statements are issued, the shareholders are entitled to make amendments. Financial statements are available at the headquarters of Zavarovalnica Triglav and on its website.

1.2. Management and supervisory bodies

Supervisory Board

The Supervisory Board monitors and supervises the management and performance of Zavarovalnica Triglav. According to the Articles and Memorandum of Association, the Supervisory Board has nine members (six representatives of shareholders and three representatives of employees). Members of the Supervisory Board are given a four-year

mandate and can be re-elected without limitation. In 2014, the Supervisory Board had the following members:

Name	SB	AC	ACC	SC	Notes
Matej Runjak	M P		P		since 12 June 2013 since 1 July 2013 since 1 July 2013
Gregor Kastelic	M DP			P	since 12 June 2013 since 1 July 2013 since 1 July 2013
Dubravko Štimac	M		M		since 12 June 2013 since 1 July 2013
Mario Gobbo	M	P		M	since 12 June 2013 since 1 July 2013 since 1 July 2013
Rajko Stanković	M	M			since 12 June 2013 since 1 July 2013
Matija Blažič	M				since 12 June 2013
Peter Celar	M			M	since 30 May 2011 since 1 July 2013
Branko Gorjan	M	M			since 30 May 2011 since 1 July 2013
Miran Krštinc	M		M		since 30 May 2011 since 1 July 2013
Barbara Nose		M			since 22 August 2013

Legend:

SB – Supervisory Board

AC – Audit Committee

ACC – Appointments and Compensation Committee

SC – Strategy Committee

P – President

DP – Deputy President

M – Member

Management Board

The Management Board directs, represents and acts on behalf of Zavarovalnica Triglav, independently and on its own responsibility. In compliance with the Articles and Memorandum of Association, the Supervisory Board can appoint three to six members (the President and five members) to the Management Board. The President and members of the Management Board are appointed for a five-year term with the possibility of reappointment or early termination of office in the case of a serious breach of obligations. In 2014, the Management Board had the following composition:

- Andrej Slapar, President;
- Benjamin Jošar, member;
- Uroš Ivanc, member, since 14 June 2014;
- Tadej Čoroli, member, since 29 July 2014;
- Marica Makoter, member, employee representative;
- Stanislav Vrtunski, member, until 15 May 2014.

1.3. Employees

The table below shows the educational structure of employees.

Level of education	2014	2013
Primary and vocational	166	175
Secondary school	967	986
Post-Secondary Education	357	351
Higher Education and University	778	771
Masters and Doctorates	97	90
TOTAL	2,365	2,373
Average number of employees	2,378	2,390

1.4. Statement of compliance

The separate 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).

1.5. Reporting basis

The financial statements of Zavarovalnica Triglav are compiled under the going concern assumption. These financial statements are separate financial statements of Zavarovalnica Triglav, prepared on the historical cost basis, except in the following cases in which the fair value was used instead:

- investments in associates,
- derivative financial instruments,
- financial assets measured at fair value through profit and loss, and
- available-for-sale financial assets.

The methods used for measuring fair value are described in detail in Section 2.4, 2.7. and 2.8.

For the preparation of the statement of financial position, the Company classifies individual items into groups of assets and liabilities depending on their nature, listed in the order of their liquidity and/or maturity. In additional disclosures Zavarovalnica Triglav posts current and non-current assets as well as current and non-current liabilities as separate items, depending on whether they are expected to be paid or settled within 12 months of the balance sheet date (current) or after more than 12 months from the balance sheet date (non-current).

Financial assets and liabilities on the statement of financial position are offset only when Zavarovalnica Triglav has a legal right to offset the amounts, and intends either to settle them on a net basis or to settle the asset and settle the liability simultaneously. Income and expenses on the income statement are offset only if so provided by the standards, explained in the notes or required by the accounting policies of the Company.

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. The General Meeting of Shareholders also decides on the distribution of accumulated profits. The proposal for the distribution of accumulated profits is described in Section 6.10.

2. MAIN ACCOUNTING POLICIES

2.1 The use of estimates and judgments

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.

Accounting estimates and underlying assumptions are reviewed on an on-going basis. A change in an accounting estimate is recognised in the period for which the estimate has been changed, as well as for any future periods affected.

The most important uncertainty estimates and decisive judgments prepared by the management while applying the accounting principles and having the strongest impact on the figures in the financial statements are the following:

- Insurance technical provisions: provisions are calculated on the basis of insurance contracts and past trends in occurred loss events and adjusted for future expectations. The accounting policies are presented in Section 2.18, the main assumptions in Section 3, and an analysis of changes in these provisions in Section 6.12. A calculation of the adequacy of claims provisions as at 31 December 2014 is also given.
- Calculation of the fair value of financial assets and impairment thereof: An estimate of the fair value of financial assets, the price of which cannot be determined in an active capital market, has been made on the basis of several assumptions. Possible changes in these assumptions are reflected in the amount or even the impairment of these assets. Due to the financial crisis, the assessed fair value is subject to greater uncertainty. The accounting policies are presented in Sections 2.3, 2.7, and 2.8. The parameters and assumptions applied in the valuation of non-quoted financial assets are presented in Section 3.5 and 6.19. The values of individual types of assets are reported in Section 6.5, and the impacts of impairments in Section 7.4. Sensitivity analysis for the calculation of fair values is presented in Sections 3.5.1.

2.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which Zavarovalnica Triglav operates (functional currency). The financial statements are presented in euros, which is the functional and presentation currency of Zavarovalnica Triglav. In the financial statements, the amounts and disclosures are rounded to one euro.

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 currencies 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.

2.3 Measuring fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction under current market conditions in the principal (or most advantageous) market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company measures all financial assets at fair value, except for loans and held-to-maturity financial assets which are disclosed in financial statements at amortised cost. The fair value of the latter two is disclosed under Section 6.5. and 6.19. The fair value of land and buildings used for insurance operations and of investment property is disclosed under Sections 6.2. and 6.3. and that of subordinated liabilities under Section 6.11.

The fair value of financial instruments traded on organised financial markets is measured on the basis of their prices quoted as at the reporting date. In the event no quoted price is available, the price offered by stock brokers is used as the reference price.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. These valuation techniques include the use of recent arm's length transactions (if any), comparison with the current fair value of another instrument with similar key features, discounted cash flow analyses 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 by Zavarovalnica Triglav.

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.

When 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 as follows:

- 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), entirely based on observable market data relating to binding listings not older than one day);

- 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;
- 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.

2.4 Intangible assets

Intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Amortisation is calculated using the straight-line amortisation method.

	Annual amortisation rate
Software	20%
Other economic rights	1% - 20%

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed by at least 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.

Intangible assets include deferred acquisition costs for non-life insurance contracts. 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. Change in deferred acquisition costs for life insurance is recognised as change in mathematical provisions.

Accounting policies regarding the impairment of intangible assets are described in Section 2.14.

2.5 Property, plant and equipment

Property, plant and equipment are accounted for using the cost model. After initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment loss. The historical cost includes acquisition expenses and all other costs incurred in the process of putting the assets into use.

Depreciation is calculated using the straight-line depreciation method. The depreciation rates given below have been used consistently through the years.

	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.

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 2.14.

2.6 Investment property

Investment property is land or a building held by the owner or by the lessee under a finance lease, which are leased out under an operating lease. Property is classified as investment property if not used by Zavarovalnica Triglav 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, 2.14.

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 2.14.

2.7 Investments in subsidiaries and associated companies

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.

In separate financial statements investments in equity instruments of associated companies (shares, stakes) are measured at fair value. Investments in associates represent investments in the companies (investees) over which Zavarovalnica Triglav has significant influence arising from its power to participate in financial and operating policy decisions of an investee, but not joint control or control of those policies. The significant influence is presumed where Zavarovalnica Triglav holds 20% or more of the voting power (directly or indirectly) on an investee.

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 6.19. The effects of the valuation at fair value are disclosed in other comprehensive income. Dividends are recognised in income statement once the right to payment is obtained.

Accounting policies regarding the impairment of investments in subsidiaries and associated companies are described in Section 2.14.

2.8 Financial assets (excluding operating receivables and cash)

Financial assets are classified into the following groups: financial assets at fair value through profit and loss, financial assets held to maturity, loans and receivables and available-for-sale financial assets. Their classification depends on the initial intent at the time of their purchase. Management decides on the classification of assets at the date of initial recognition.

At initial recognition financial assets are measured 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 6.21. 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 funds⁴ 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.

⁴ 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.

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.

2.9 Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to cash flows from the financial asset expire;
- Zavarovalnica Triglav retains the contractual rights to cash flows from the financial asset and assumes the obligation to pay cash flows to one or several payees by agreement;
- the Company transfers the contractual rights to cash flows from the financial asset, and:
 - has transferred all of the risks and benefits arising from the financial asset, or
 - has not retained or transferred the risks and benefits arising from the financial asset, but has transferred control over that asset.

2.10 Reinsurers' share of technical provisions

Reinsurers' share of technical provisions is an asset arising from reinsurance contracts.

The value of these assets is measured based on the expected losses, i.e. claims provisions for reinsured claims in accordance with reinsurance contracts and taking into account unearned premiums.

Assets from reinsurance contracts are derecognised when the rights from the underlying insurance contracts expire or are transferred to a third party.

2.11 Receivables from insurance operations

Receivables from insurance operations are recognised when insured persons are charged the premium. After initial recognition, receivables are measured at fair value reduced by the impairment allowance, so as to show their expected recoverable amount.

Subrogation receivables are recognised when the first instalment is paid by the debtor, after a receivable has been tested in court or based on an agreement made with the subrogation debtor. In credit insurance, subrogated receivables are recognised upon occurrence.

2.12 Other assets

Other assets include inventories, 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.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and cash in hand.

2.14 Impairment

Intangible assets and property, plant and equipment

At the reporting date, the value of intangible assets is estimated to determine whether there are any objective signs of impairment. In the event there are objective signs of impairment, the recoverable amount is assessed. The recoverable amount of intangible assets with an indefinite useful life and of intangible assets not yet put into use is measured on an annual basis, irrespective of any objective signs of impairment.

Sign of impairment of property, plant and equipment are reviewed annually. In the event there are any signs of impairment, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the recoverable amount exceeds the carrying value, the assets are not impaired.

If the carrying amount of an asset or group of assets exceeds their recoverable amount, an impairment loss is recognised in the amount equalling the difference between the two.

For material assets, impairments are assessed on an individual basis. The impairment of the remaining financial assets is carried out collectively, on the basis of the nature of their exposure to risk.

The previously recognised impairment losses of property, plant and equipment and intangible assets are reversed only if their recoverable amount increases and if this increase can be objectively related to an event occurring after the previous impairment was recognised. An impairment loss of an asset is derecognised only up to the amount of the carrying amount that would have resulted after the depreciation charge if in previous periods no impairment loss had been recognised.

Investment property

The value of investment property is estimated on an annual basis in order to determine whether there are any objective signs of impairment. In the event of any sign of impairment of investment property, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the carrying amount of investment property exceeds its recoverable amount, an impairment loss is recognised in the amount equalling the difference between the two.

Financial assets

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.

The impairment loss of an available-for-sale financial asset is calculated on the basis of its current fair value. If there is objective evidence of the impairment of an available-for-sale financial asset, the accumulated loss, previously recognised in other comprehensive income, is transferred to the income statement. For equity securities, 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 nine months). For debt securities, 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 of equity securities, 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. Impairment may be reversed if such reversal can be objectively related to an event occurring after the previous 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 by 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

Zavarovalnica Triglav tests the reinsurers' share of technical provisions (assets from reinsurance contracts) 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, which shows that the amounts due from reinsurers in accordance with a contract may not be recovered, and that 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.

2.15 Equity

Share capital equals the nominal value of paid-up ordinary shares, denominated in euros.

When Zavarovalnica Triglav acquires its own shares, their value is disclosed as a deduction from equity. The same amount is then allocated to treasury share reserves as required by the Companies Act (hereinafter: ZGD-1).

A share premium is formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. A share premium also includes amounts resulting from the introduction of IFRS (the reversal of a general equity revaluation adjustment).

Reserves from profit are legal reserves, statutory and other reserves and credit risk equalisation reserves.

Statutory reserves may represent up to 20% of Zavarovalnica Triglav's share capital. They are formed by the Management Board transferring 5% of net profit to statutory reserves in any business year, decreased by any amounts used for covering losses and allocations 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.

Legal reserves are formed and used in line with the Companies Act (ZGD-1). Together with share premium, they have to amount to no less than 10% of the Company's share capital. They represent tied-up capital set aside in order to protect creditors' interests.

According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, however only up to one half of the net profit remaining after statutory allocations.

Credit risk equalisation reserves are formed and calculated in line with the Insurance Act. The Insurance Act defines equalisation reserves as a liability and requires that they be recognised under insurance technical provisions and formed or used through the income statement. As this is not in compliance with IFRS, Zavarovalnica Triglav discloses equalisation reserves under

reserves from profit in accordance with IFRS and forms them from profit for the year in the statement of changes in equity.

2.16 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 Company's bankruptcy or liquidation. Subordinated liabilities are measured at amortised cost.

2.17 Classification of insurance and financial contracts

All products in the portfolio of the Triglav Group are classified as insurance contracts, because all of the products bear significant insurance risk or the insurance premium arising from these contracts is of immaterial importance in the total portfolio. The significance is determined on the basis of additional payments upon the occurrence of a loss event. The significance of additional amounts is assessed by comparing the greatest difference between the value of the payment in the event of a loss event and the payment in other cases. Percentages from 105% to 110% are used for the assessment of significance. Other contracts, i.e. asset management contracts and rental contracts are of immaterial importance for disclosure purposes.

For the purpose of accounting for assets covering liabilities that arise from insurance contracts, in addition to assets backing liabilities, four long-term business funds have been formed: a long-term business fund for unit-linked products, a long-term business fund for supplementary voluntary pension insurance, a long-term business fund for supplementary voluntary pension insurance during the annuity pay-out period and a combined long-term business fund for life, annuity and voluntary pension insurance.

2.18 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 in which the expiry of insurance coverage is agreed to be more than one year after the insurance policy is taken out. Unearned premiums are calculated both for life and non-life insurance contracts.

Claims provisions

Claims provisions are formed for claims incurred but not settled until the reporting date. Claims provisions are formed for reported claims as well as for unreported and inadequately reported claims.

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Zavarovalnica Triglav are calculated as a capitalised annuity value based on the German mortality tables of 1994 and an interest rate of 2.25%, as prescribed by the regulator.

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 21-year-long time series of settled claims is applied.

With the exception of annuities, provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on a quarterly basis.

Mathematical provisions

Mathematical provisions for life, annuity, pension and unit-linked products are calculated separately for each individual policy. For life, annuity and pension contracts in the payout 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 previous business years, based on the terms and conditions of the underlying contracts.

Zavarovalnica Triglav also includes a portion of fair value reserve of available-for-sale financial assets, which will be distributed among policyholders after maturity, in mathematical provisions. The principle of shadow accounting is applied. At initial recognition all effects from the fair value measurement of available-for-sale financial assets are recorded in other comprehensive income. The sums are then transferred to mathematical provisions on the reporting date, as follows:

- the entire fair value reserve from available-for-sale financial assets (disclosed as investment in the fund covering the Supplementary Voluntary Pension Insurance Fund (SVPI)) is transferred from other comprehensive income to mathematical provisions;
- An 80% portion of the entire fair value reserve from available-for-sale financial assets (disclosed as investment in the life insurance long-term business fund) is transferred from other comprehensive income to mathematical provisions;
- a 70% portion of positive fair value reserve from AFS financial assets (disclosed as investments from the long-term business fund backing supplemental pension insurance during the annuity payout period) is transferred from other comprehensive income to mathematical provisions.

The applied assumptions and other parameters are presented in greater detail in Section 3.

Other insurance technical provisions

Provisions for bonuses 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 pre-set criteria are used to calculate the amount of premium that will be reimbursed by Zavarovalnica Triglav to those beneficiaries who meet the above-mentioned criteria.

Provisions for cancellations represent that part of unearned premiums 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 for which, based on experience, it is assumed that the amount of unearned premiums will not suffice for covering all future claims.

2.19 Employee benefits

Employee benefits comprise provisions for jubilee and retirement benefits. The calculation of these provisions is made by using the actuarial evaluation method, i.e. the method of the estimated relevance of units or the method including profit proportionally to the work carried out. In line with IAS 19, the calculation is based on the following actuarial assumptions:

- demographic variables (employee mortality and labour turnover),
- financial assumptions, such as:
 - discount rate with reference to the yield curve published by the European Central Bank as at the reporting date and estimates of
 - future salary increases taking into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the labour market.

Provisions for unused annual leave equal the amount of the total gross wage due for the period when leave was not taken. The amounts of provisions are undiscounted.

Retirement benefits and jubilee payments are upon payment recognised as operating expenses (labour costs) in the income statement. All changes of these provisions due to payments or additional provisioning are recognised in the same way. Provision adjustments due to an increase or decrease in the current value of a liability caused by changed actuarial assumptions or experience adjustments are recognised as actuarial gains and losses in other comprehensive income, i.e. only the part arising from provisions for retirement benefits.

2.20 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 disclosed at amortised cost.

2.21 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.

2.22 Premium income

Net premium income is calculated on the basis of gross written premium, reduced by reinsurers' share and adjusted depending on the change in gross provisions for unearned premiums taking into account the reinsurers' share in provisions for unearned premiums. The invoiced premium serves as the basis for recognising the gross written premium.

2.23 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 recognised 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.

2.24 Other income from insurance operations

Other income from insurance operations represents fees and commission income (asset management fees and reinsurance commissions) and includes other income from insurance operations (income from green card sales, loss adjustment services, assistance services and other). This income is recognised in the income statement once a service has been provided and/or invoiced.

2.25 Other income

Other income includes investment property income, income from intangible assets and property, plant and equipment, as well as other operating income not directly related to insurance operations. Other income is recognised in the income statement when an invoice is issued.

2.26 Claims incurred

Net claims incurred 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 claims provisions, 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.

2.27 Other operating costs and costs of insurance contract acquisition

Gross operating costs are recognised as original expenses by nature. 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 expenses, while insurance contract acquisition costs and other operating costs are disclosed separately in the statement. Total operating costs are disclosed according to nature and function.

2.28 Expenses from financial assets

Expenses from financial assets are interest expenses, fair value losses, net realised losses on the disposal of 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 realised loss.

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.

2.29 Other insurance expenses

Other insurance expenses include losses arising from the impairment of receivables, fire protection tax, prevention expenses and other insurance-related expenses. Other insurance expenses are disclosed in the income statement once a service is provided.

2.30 Other expenses

Other expenses comprise other expenses not directly arising from insurance operations. Other expenses are disclosed in the income statement once a service is provided.

2.31 Leases

A lease is a contractual relationship, calling for the lessee to pay the lessor for the right to use an asset for a specified period of time.

A lease is classified as a finance lease if almost all risks and rewards incidental to ownership of the leased asset are transferred to the lessee. When under financial leasing arrangements the Company is the lessor, the amount initially recognised as receivable equals net value of the leased item. Over the lease term financial income is recognised as fixed income on net value of the leased item.

A lease that is not a financial lease is an operating lease. In case of an operating lease, the book value of the leased asset is increased by initial direct expenses, incurred upon the lease brokerage, and is recognised in the lease period on the same basis as rental income. Rents are recognised as income in the period in which they are generated.

2.32 Taxes

Tax expense for the year comprises current income tax and deferred taxes.

Current income tax is charged at the presently applicable 17% tax rate.

The 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 or other comprehensive income. Deferred tax is not recognised in the case of permanent impairment of investments in subsidiaries.

2.33 Standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2014:

- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC Interpretation 21: Levies

Impact on the financial statements or performance of the Company is described below.

IAS 28 Investments in Associates and Joint Ventures (Revised)

As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard has no impact on separate financial statements.

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of »currently has a legally enforceable right to set-off«. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amended standard has no impact on separate financial statements as the Company has no settlement systems.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control

model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The new standard has no impact on separate financial statements.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The new standard has no impact on separate financial statements.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The new standard has no impact on separate financial statements.

IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The new standard has no impact on separate financial statements.

IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.

IFRIC Interpretation 21: Levies

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The new standard has no impact on separate financial statements.

Standards issued but not yet effective and not early adopted

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU. The management of the Company has not examined yet the possible impact of the new standard.

IAS 16 Property, Plant & Equipment and IAS 41 Agriculture (Amendment): Bearer Plants

The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41. The amendment has not yet been endorsed by the EU. The amended standard has no impact on separate financial statements.

IAS 19 Employee benefits (Amended): Employee Contributions

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments to the standard will have no impact on the financial statements of the Company, since the Company does not have any employee benefit scheme funded by third parties.

IFRS 9 Financial Instruments – Classification and measurement

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. The new standard will have an effect on the classification and measurement of the financial assets of the Company, but it will have no effect on the classification and measurement of the financial liabilities.

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting

treatment for such acquisitions. The amendment has not yet been endorsed by the EU. The amended standard has no impact on separate financial statements.

IFRS 14 Regulatory Deferral Accounts

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU. As the financial statements of the Company have already been prepared in compliance with the International Financial Reporting Standards, the new standard will not affect the Company in any way.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Company is examining the impact of the new standard and will apply the standard when it comes into force.

IAS 27 Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU. In the financial statements of the Company investments in associates are recognised at fair value. The Company does not expect amendments to the standard to have any impact on its financial statements.

Amendment in 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 an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a

subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU. The Company is examining the impact of the new standard and will apply the standard when it comes into force.

Annual Improvements to IFRSs 2010 – 2012 Cycle

The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. The management of the Company will apply the annual improvements listed below in the preparation of financial statements for 2015.

- *IFRS 2 Share-based Payment*: This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- *IFRS 3 Business combinations*: This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- *IFRS 8 Operating Segments*: This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- *IFRS 13 Fair Value Measurement*: This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- *IAS 16 Property Plant & Equipment*: The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- *IAS 24 Related Party Disclosures*: The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- *IAS 38 Intangible Assets*: The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Annual Improvements to IFRSs 2011 – 2013 Cycle

The IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015. The management of the Company will apply the annual improvements listed below in the preparation of financial statements for 2015.

- *IFRS 1 First-time adoption of IFRS*: This improvement clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that

permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

- *IFRS 3 Business Combinations*: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- *IFRS 13 Fair Value Measurement*: This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- *IAS 40 Investment Properties*: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

Annual Improvements to IFRSs 2012 – 2014 Cycle

The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU. The management of the Company will apply the annual improvements listed below in the preparation of financial statements for 2015.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *IFRS 7 Financial Instruments: Disclosures*: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
- *IAS 19 Employee Benefits*: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *IAS 34 Interim Financial Reporting*: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. The amendments have no impact on separate financial statements.

IAS 1: Disclosure Initiative (Amendment)

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. These amendments have not yet been endorsed by the EU. The management is still examining the possible impact of the amendment on the preparation of financial statements.

3. MAIN ASSUMPTIONS

The main assumptions used for measuring the value of insurance contracts and non-tradable financial assets are described below.

3.1. Parameters and assumptions in calculating life insurance provisions

3.1.1. Life and annuity insurance

For the valuation of life and annuity insurance contract liabilities, 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. This applies to all life and annuity insurance policies which include a fixed interest rate guarantee of 4% or 4.5% and where liabilities are valued using a lower interest rate prudently set at 3.4%. The same is true for annuity insurance policies where Zavarovalnica Triglav values liabilities by applying the German annuity mortality tables of 1994 instead of the German annuity mortality tables of 1987, which were used for premium calculations in the past. During the payout period of pension annuities, Zavarovalnica Triglav values liabilities at an interest rate ranging from 2.75% to 3.40%. The calculation takes into account insurance contract acquisition costs below the legally imposed level of 3.5% of the sum insured under life insurance policies.

3.1.2. Voluntary pension insurance

During the accumulation period, mathematical provisions are evaluated using the retrospective method. This method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, the guaranteed interest rate and the additional allocated surplus made to individual accounts arising from profit sharing. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

Voluntary pension insurance belongs to the group of insurance contracts, as it includes the option of discretionary participation in the profits from the long-term business fund. Moreover, for the majority of voluntary pension insurance contracts the annuity factors are guaranteed and defined at the time of underwriting.

The insurance technical parameters used in the calculation are either the same as those used when underwriting a policy, or they are adapted to the circumstances expected in the pension annuity pay-out period in the event these circumstances are worse than those taken into account in the premium calculation. The guaranteed technical interest rate used for the valuation of liabilities during the premium payment period ranges between 2% p.a. and 4.5% p.a. For the pension annuity pay-out period, a prudently set lower interest rate of 3.4% is applied to contracts containing a fixed interest rate guarantee of 4% or 4.5% p.a. For the purpose of valuing its liabilities during the pay-out period of pension annuities bearing an interest rate from 2.75% p.a. to 3.40% p.a., instead of the legally allowed German mortality tables of 1987 Zavarovalnica Triglav applies the German mortality tables of 1994, which are more conservative.

3.1.3. Supplementary voluntary pension insurance (SVPI)

During the accumulation period, mathematical provisions are evaluated using the retrospective method. The method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, guaranteed interest rates and the additional allocated surplus made to individual accounts arising from extra returns on funds. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

The technical parameters used are either the same as those used when underwriting a policy or adjusted due to circumstances that will change later and increase the value of liabilities, primarily when valuing liabilities arising from pension annuity pay-outs. For valuation purposes, instead of the legally allowed German mortality tables of 1987, Zavarovalnica Triglav applies the more conservative German mortality tables of 1994. During the accumulation period, the Company guarantees 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, Zavarovalnica Triglav values its liabilities at an interest rate ranging from 2.75% to 3.40%.

3.1.4. Unit-linked insurance

The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products the Company forms additional provisions to cover contractual risk payments under basic and additional policies as well as additional insurance technical provisions for credit risks.

3.2. The liability adequacy test (LAT) for life insurance

The purpose of LAT is to verify the adequacy of provisioning for life insurance. The test consists of comparing the amount of provisions with the best estimate of provisions, arrived at on the basis of the present value of the best estimate of the future expected contractual and other cash flows. The calculation is performed for each separate contract while the results are aggregated on the level of homogenous groups. The test is based on a unified methodology that determines, among others, the grouping of policies into homogenous groups, the choice of risk-free discount rates and the type of cash flows being modelled. The portfolio balance is tested as at the last day of the business year.

3.2.1. Grouping life insurance products into homogenous groups for the LAT test

Insurance contracts are segmented into homogenous groups, which are exposed to similar risks and kept within the same portfolio. Homogenous groups are formed on the basis of a guarantee fund in which assets backing liabilities are accounted for:

- 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.

Potential losses are tested per individual homogenous group. Any established loss is recognised as an increase in provisions and an expense on the income statement.

3.2.2. Parameters and assumptions applied to life insurance

Assumptions on mortality, longevity and morbidity and on the supplemental insurance loss ratio

Assumptions regarding mortality, longevity and morbidity rates and claim ratio for additional insurance are based on an internal analysis of the Company's life insurance portfolio, on the data of national statistical offices, the data of reinsurers and other sources.

Persistency

The model takes into account the lapse rates determined on the basis of analysis of past experience. Zavarovalnica Triglav continuously monitors the persistency of insurance policies by duration and type of insurance, and adapts its 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 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 yield and discount rate

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, Zavarovalnica Triglav applied the yield curve of Slovene government debt securities denominated in euro as at 31 December 2014. The reference value for the 10-year term is 2.15%.

Profit participation

The determination of the profit participation rate is at the discretion of Zavarovalnica Triglav and is regulated by internal rules adopted by the Management Board. The estimated future allocation of surpluses is in line with the expected performance, the previous profit allocation rates and the policyholders' reasonable expectations.

In the model, profit is allocated in an excess of the technical interests for with-profit policies. The allocation is determined on the basis of the mathematical provisions as at the end of the financial year.

Annuity factor guarantee

The liability adequacy test allows for the possibility of a change in annuity factors by the insurer in the event of insurance policies for which the mortality forecasts indicate that life expectancy is likely to increase to such an extent that the contract conditions justify such a change. The calculation also takes into account the assumption that 25% of supplemental voluntary pension insurance policyholders and 80% of voluntary pension insurance policyholders will choose to receive a pension annuity, while the rest will opt for a lump-sum payout.

3.2.3. Results of the liability adequacy test for life insurance

Liability adequacy tests based on available data show that provisions formed are adequate.

3.2.4. Sensitivity analysis of LAT test to parameter changes

The valuation of liabilities depends on variables such as mortality, lapse rate, operating costs and the estimated percentage of policyholders deciding to opt for a pension annuity. Parameters are sensitivity-tested in order to assess the impact of changes to the above-mentioned variables on future liabilities, the level of provisions and net profit or loss for the year. The changes represent reasonable potential changes in the parameters which could significantly impact the performance of the company.

Individual sensitivity analyses always take into account the change of a selected parameter with all the remaining variables unchanged without accounting for the value of assets backing the liabilities.

The changes under consideration were:

- an increase in mortality rates by 10%,
- likelihood of mortality (longevity) reduced by 10%,
- supplemental insurance loss ratio increased by 10%,
- an increase in lapse rates by 10%,
- an increase in expenses by 10%,
- an increase in the annuisation rate by 10%,
- wage inflation reduced by 10%.

The testing of the homogenous group of supplemental voluntary pension insurance during the pension annuity pay-out period showed that the provisions set aside would not be sufficient, if certain changed parameters were applied. The Company would have to increase provisions by EUR 259,281 or EUR 1,208 if the testing included a 10% lower or a 10% higher likelihood of mortality. No additional provisions would be required, if their adequacy was tested using other more conservative parameters, as individually stated above.

The testing of other homogenous groups showed sufficient provisioning levels for all the stated change scenarios of the key insurance technical parameters. No additional provisions would be required, even if in the provisioning level adequacy testing the above stated more conservative parameters were applied.

3.3. Parameters and assumptions in calculating non-life insurance provisions

The unearned premium for most insurance policies is calculated pro-rata temporis, assuming a uniform distribution of claims frequency during the term of insurance contracts. Insurance policies with a variable sum insured during the term of the insurance contract 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 types 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 in Zavarovalnica Triglav are calculated as the sum of total claims reported but not settled (RBNS) and incurred but not reported (IBNR) claims. The majority of provisions for incurred but not reported claims are calculated using the run-off triangles 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 the entire amount of incurred but not reported claims. In order to ensure an up-to-date calculation of the actual amount of claims after mass loss event, additional provisions for IBNR or insufficiently reported claims after mass loss events are formed, based on a joint assessment by actuaries and the department in charge of insurance claims.

Claims provisions also include provisions for annuities in the case of liability insurance. Provisions for these claims were calculated as a capitalised annuity value as at the cut-off date based on applicable mortality tables and an interest rate of 2.25%.

3.4. Liability adequacy test (LAT) for non-life insurance

Zavarovalnica Triglav forms unexpired risk provisions as additional provisions that cover provisions for unearned premiums for risks occurring after the end of the business year, as well as for claims and administrative costs related to the existing insurance contracts. These provisions are defined as the difference between the amount actually needed for covering unexpired risk and provisions for unearned premiums.

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. The calculated level of discounted cash flows is then compared with the amount of established provisions for unearned premiums.

The results of tests show that the level of unearned premiums reserves, together with the level of unexpired risk reserves, is sufficient.

3.5. Parameters and assumptions applied in measuring the value of subsidiaries, associates and other non-market entities

3.5.1. Identifying impairment loss of subsidiaries

Zavarovalnica Triglav recognises its subsidiary holdings in separate accounting statements, measured at historical cost. The impairment recognition is based on IAS 36 which provides the recoverable amount of an asset or a cash-generating unit as the higher of the two items:

- its fair value less costs to sell; or
- its value in use.

The valuation was made in compliance with the International Valuation Standards (IVS 2011) and the International Valuation Application (IVA).

Recognising the impairment of insurance subsidiaries

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;
- an overall plan adopted by the Management Board and approved by the Supervisory Board for 2014 and 2015 and a plan for 2016 and 2017, making part of the current 2013–2017 Strategy (all documents to be submitted to the Management Board of the Company), was adjusted by the business appraiser to account for the revised plan for 2014 and 2015, macroeconomic and institutional changes;
- documentation and information acquired from the management and other key persons for company valuation;
- professional assessments by internal departments of Zavarovalnica Triglav.

In 2014, investments in both insurance companies, Pozavarovalnica Triglav RE d.d., Ljubljana and Triglav Zdravstvena zavarovalnica d.d., Koper, were tested for impairment indications. No impairment indications were detected for either investment.

Indicators were identified in the investment in Triglav INT d.d., Ljubljana. Impairment indicators were identified and confirmed in all subsidiaries except Triglav Osiguranje d.d., Sarajevo. These indicators mostly considered instances of 2014 plan non-compliance, operating losses, plan reductions by 2017 and the need to revise current plans due to their similarity with previous ones and certain negative deviation from plans during implementation. Impairment tests showed the need to impair individual assets in Triglav Osiguranje d.d., Zagreb, by EUR 1.25 million, in Triglav Osiguranje d.d., Banja Luka, by EUR 0.7 million, in Triglav Osiguranje d.d., Belgrade, by EUR 3.5 million, in Lovćen Osiguranje d.d., Podgorica, by EUR 2.5 million, Triglav Osiguranje d.d., Skopje by EUR 1.2 million and in Triglav Pojišt'ovna d.d., Brno, by EUR 2.6 million. In the valuation of Triglav INT, d.d. an increase in costs due to reorganization was taken into account as well as partial coverage of those costs by Zavarovalnica Triglav. Impairment of Triglav INT amounts to EUR 11.7 million.

The same indicator and impairment testing procedures were used for the subsidiary insurance companies of Triglav INT d.d., Ljubljana, and those of Zavarovalnica Triglav.

Recognising the impairment of non-insurance subsidiaries

In 2014, financial investments in all non-insurance subsidiaries were subject to impairment indicator testing. The same indicator and impairment testing procedures were used as for the subsidiary insurance companies. Impairment indicators were identified and impairment was confirmed in the following subsidiaries and amounts: EUR 5.8 million in Triglav naložbe finančna družba d.d. (resulting from the impairment of certain items in the investment portfolio of that subsidiary), EUR 2.4 million in Triglav upravljanje nepremičnin d.d. (resulting from value decreases of certain items in the real property portfolio) and EUR 586,000 in Pista d.o.o. (resulting from value decreases of certain items in the real property portfolio). In other non-insurance subsidiaries no indicators of impairment were identified.

Material parameters used to assess the value of financial investments in subsidiaries

Financial investment type	Value assessment method	Material parameters	% of parameter applied	Sensitivity measurement range	Sensitivity measurement result (in EUR million)
INSURANCE SUBSIDIARIES					
	NAV, DCF ⁵	g (growth rate in the constant growth period)	2 %	+/- 1 percentage point	- 2.8 / + 3.3
		operating margin before tax in the constant growth period (net profit/ gross premium) ⁶		+/- 1 percentage point	-21.0/+5.4
		re – discount rate		+/- 1 percentage point	+ 6.5 / -10.0
		discount for the lack of liquidity	10 %	+/- 5 percentage points	+/- 3.0
NON-INSURANCE SUBSIDIARIES					
	NAV, DCF	g (growth rate in the constant growth period)	1.75 – 2.5 %	+/-0.5 percentage point	- 1.7 / + 2.0
		EBIT margin (constant growth period) ⁷		+/- 1 percentage point	+/- 4.2
		re - discount rate	8.0 – 10.7 %	+/- 1 percentage point	+ 7.4 / -5.3
		discount for the lack of liquidity	25 %	+/- 5 percentage points	+/- 1.4

⁵ NAV = net asset value method; DCF = discounted cash flow method

⁶ The financial investment in the financial holding Triglav INT d.d., was measured using the NAV - DCF method by adding up the discounted cash flows of individual subsidiaries and the discounted management income and costs of Triglav INT d.d., after attributing a specific operating margin rate and discount rate to each entity (depending on the market in which they operate and based on the required rate of return per investment – ROI of the Triglav Group).

⁷ The financial investment in Triglav naložbe d.d. was measured using the NAV - DCF method by adding up the discounted cash flows of individual subsidiaries or the NAV of individual subsidiaries and after attributing a specific margin to each entity – other parameters are given in the table above.

4. RISK REPORT

Risk is defined as the threat or possibility that an action or event will adversely or beneficially affect the Company's ability to achieve its strategic objectives. Risk management, therefore, represents a crucial part of corporate governance, all business processes, culture and operating policies of the Triglav Group.

The risk management system is made of:

- a clear organisational structure of risk management functions and bodies in charge of the credit risk management system;
- a well-defined system of risk management competences and powers.

For more details on the system, process, activities and main objectives of risk management see Section 12.1 of the Management Report.

4.1. Risk governance and risk management system

Risk management is embedded in the business process of the Company. At the same time it is in line with the business strategy of the Company and represents one of the activities which enable the Group to meet the set objectives. The integrated risk management system ensures that the typical existing and recurring risks are identified, adequately measured, managed, controlled and reported on an on-going basis.

Major development activities concerning the risk management system in 2014 included:

- the management of exposures to financial institutions and sovereign bonds of EMU countries,
- participation in the development and creation of a data warehouse for more up-to-date reporting and provision of information as a decision-making support for specialised departments and management,
- the development of ALM models for the long-term business funds and assets backing liabilities,
- preparatory activities for the Solvency II Directive and phase 2 of the IFRS 4.

4.2. Capital and capital adequacy management

The amount of available capital for meeting capital adequacy requirements is measured in compliance with the legislation in force. In parallel, capital adequacy is monitored by applying Standard & Poor's model in accordance with the Directive 2010/138/EC of the European Parliament and of the Council (Solvency II). Capital adequacy measurements provide additional safety of operations and, additionally, serve as the basis for business optimisation and active capital management and allocation in accordance with strategic objectives and the interest of shareholders and all other stakeholders.

4.2.1. Legally required capital adequacy

The amount of, and primarily the fluctuations in, the available capital of the Company depend on several factors, such as the structure and nature of services, the volume of premiums, assets and liabilities, market interest rates and other capital market parameters. The Company regularly monitors its capital adequacy in compliance with the legislation in force. The main objective is to maintain a suitable capital level at all times and ensure the sufficiency of the

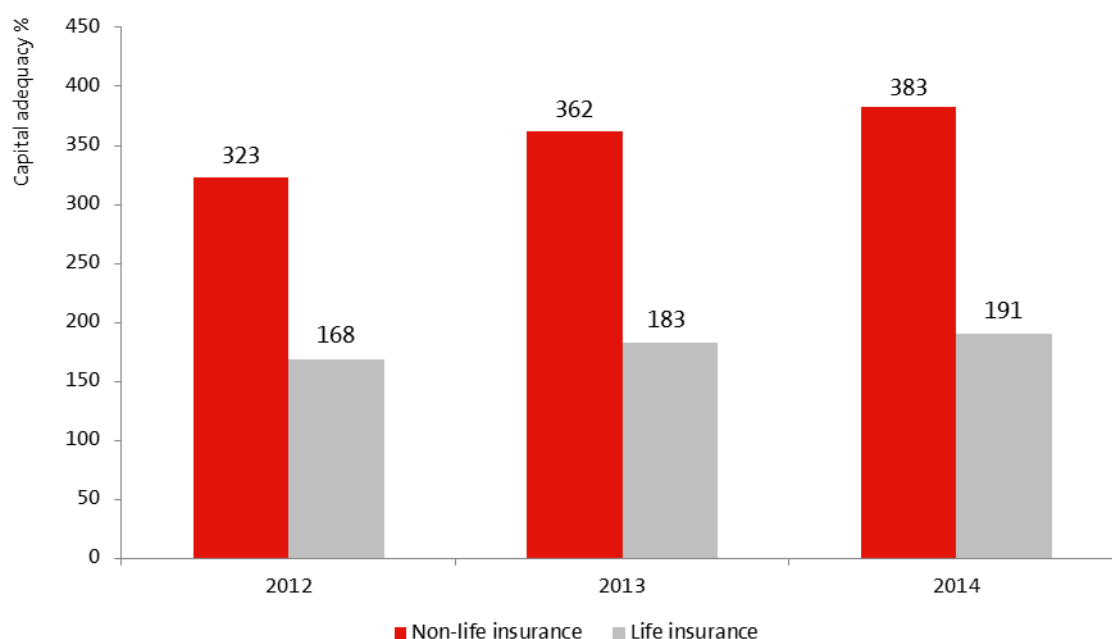
current ratios of long-term business funds and assets backing liabilities, which is also a regulatory requirement in accordance with the applicable legislation.

A certain amount of available capital is kept above the capital requirement for maintaining core business and covering potential losses. Capital surplus offers high protection against losses arising from unexpected adverse events. In addition to measuring current capital adequacy levels, the Company controls the maintenance of planned capital adequacy levels and capital adequacy, which enables it to monitor the effects of the environment on capital adequacy and provide for optimal capital allocation.

Capital levels and capital adequacy ratios of the Company per segment as at 31 December 2014:

	2014		2013	
	Non-life	Life	Non-life	Life
Core capital	314,788,018	89,761,437	314,473,605	78,524,812
Guarantee fund	23,304,496	16,974,624	23,746,174	15,789,080
Available capital	267,447,222	97,155,227	257,747,729	86,566,911
Minimum Capital Requirement	69,913,487	50,923,871	71,238,523	47,367,241
Surplus of available capital	197,533,735	46,231,356	186,509,206	39,199,670
Coverage of Minimum Capital Requirement with available capital (in %)	383	191	362	183

Minimum required capital to available capital ratio in non-life insurance of Zavarovalnica Triglav



4.2.2. Rating agency capital adequacy

Decisions on capital management also depend on the capital models which serve as a basis for credit rating. Zavarovalnica Triglav is rated by the credit rating agencies S&P and A.M. Best. As at 31 December 2014 the credit rating of Zavarovalnica Triglav was »A-« (FSR, ICR).

4.3. Financial risk and sensitivity analysis

In the assets and liabilities management of long-term business funds and assets backing liabilities in reinsurance transactions and in the funding of its operations within the scope of capital management, the Company is exposed to the following main financial risk types (see Section 12.4 of the Management Report):

- equity and interest rate risk (sections 4.3.2. and 4.3.3.)
- credit risk (section 4.3.6.); and
- liquidity risk (section 4.3.4.).

Financial risks are managed through a system of clearly defined competences and powers that includes a scheme of exposure limits and a reporting process. Exposure limits are approved by the Assets and Liabilities Committee (ALCO). The financial risk management process includes conducting investment policies for individual long-term business funds and assets backing liabilities of the Company. Investment policies account for the nature and characteristics of Zavarovalnica Triglav's liabilities in order to optimise asset spread and thus maximise return. Details of the ALM process are given in the next section.

The breakdown of Zavarovalnica Triglav's financial assets portfolio by industry is shown in the table below.

Industry	31 December 2014	Percentage	31 December 2013	Percentage
(Raw) materials	16,697,510	0.75 %	38,165,848	1.85 %
Communications	39,158,087	1.75 %	66,690,257	3.23 %
Cyclical activities	28,430,463	1.27 %	42,826,548	2.07 %
Non-cyclical activities	92,931,035	4.15 %	118,349,151	5.73 %
Highly diversified activity - conglomerates	1,094,774	0.05 %	6,714,165	0.33 %
Energy	32,502,593	1.45 %	46,792,330	2.27 %
Finance	509,671,996	22.75 %	528,291,650	25.59 %
Manufacturing	45,347,418	2.02 %	48,490,929	2.35 %
Technology	1,842,447	0.08 %	1,238,644	0.06 %
Goods and services of public interest	57,813,354	2.58 %	68,816,392	3.33 %
EMU countries	941,437,671	42.02 %	705,551,108	34.17 %
EU countries (except EMU)	68,164,524	3.04 %	45,256,900	2.19 %
Other countries	20,123,224	0.90 %	12,592,455	0.61 %
Small businesses and households	895,246	0.04 %	599,353	0.03 %
No data**	384,273,951	17.15 %	334,154,300	16.19 %
TOTAL	2,240,384,293	100.00 %	2,064,530,031	100.00 %

*Percentages are calculated on the basis of carrying amounts

**Including investments in regional financial funds

The bulk of financial assets is bonds issued by EMU member states (42.02%) followed by investments in the financial sector (22.75%). The detailed structure of debt securities in the portfolio of Zavarovalnica Triglav is shown in Section 4.3.6 that refers to credit risk.

In 2014, hedging against different types of financial risks included the application of derivative financial instruments. The fair value of all derivative financial instruments as at 31 December 2014 amounted to EUR 2,530,192 (vs. EUR 2,271,954 as at 31 December 2013).

4.3.1. Market risks and asset-liability management of insurance portfolios

A description of market risks, related processes, methods and tools used for managing this type of risk can be found in the Business report in Sections 12.4.1.

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

Sections 4.3.2 and 4.3.3 show the results of the sensitivity analysis of Zavarovalnica Triglav's financial assets for both major risks and their impact on the comprehensive income and income statement of the Company.

4.3.2. Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the value of interest-sensitive assets, as well as the risk that interest-sensitive assets and interest-sensitive liabilities reach their maturity at different times at different values. Zavarovalnica Triglav is also exposed to reinvestment risk which arises for interest-sensitive assets yielding coupons in the period up to maturity, depending on the structure of the individual instruments. In the scope of asset-liability management (see Section 12.4.2.), the Company keeps a certain limited level of mismatch between the maturity of assets and liabilities in order to generate part of the return.

The interest rate risk sensitivity analysis includes all financial assets exposed to interest rate risk, i.e. debt securities, classified into »measured at fair value through profit and loss« and »available-for-sale« categories and derivative financial instruments. The value of these assets as at 31 December 2014 amounted to EUR 1,403,681,737 and as at 31 December 2013 EUR to 1,191,581,954. The share of debt securities in the total portfolio is shown in the detailed overview of financial assets per groups of assets in Section 6.5.

The table below shows a sensitivity analysis of the Company's portfolio to interest rate risk, and its impact on the statement of comprehensive income and the income statement.

Type of security	31 December 2014		31 December 2013	
	+100bp	-100bp	+100bp	-100bp
Government securities	-50,359,731	50,359,731	-24,104,406	24,104,406
Securities issued by financial institutions	-9,040,428	9,040,428	-7,954,665	7,954,665
Securities issued by companies	-14,271,677	14,271,677	-19,222,488	19,222,488
Composite securities	-680,756	680,756	-2,016,871	2,016,871
Other	0	0	10	-10
Total	-74,352,593	74,352,593	-53,298,422	53,298,422
Impact on equity	-62,364,008	62,364,008	-47,323,546	47,323,546
Impact on the income statement	-11,988,585	11,988,585	-5,974,875	5,974,875

The table above shows that it is the positive and negative changes in interest rates that have the strongest effect on the sovereign and corporate securities, which also represent bulk of the Zavarovalnica Triglav portfolio.

4.3.3. Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of securities within the Company's portfolio that are sensitive to such fluctuations. A description of the processes, methods and tools used for managing this type of risk can be found in Section 12.4.3. of the Business report. The share of equity securities in the total portfolio is shown in the detailed overview of financial assets per groups of assets in Section 6.5.

The structure of the equity portfolio per type of exposure is shown in the table below. The amounts shown are based on the carrying values of assets.

	in EUR	
	31 December 2014	31 December 2013
Equities in the EU	243,314,424	240,795,130
Equities in the ZDA	0	0
Equities in emerging markets	49,737,908	48,717,072
Global equities*	184,180,469	147,395,409
Total	477,232,801	436,907,611

*Globally diversified equity investments

The biggest part of the portfolio of Zavarovalnica Triglav consists of shares of issuers originating from the EU, with their total value as at 31 December 2014 amounting to EUR 243.3 million. These are followed by globally diversified investments in shares with a total value of EUR 184.2 million and shares in emerging markets with a total value of EUR 49.7 million in third place.

The equity portfolio's sensitivity to equity price fluctuations and their impact on comprehensive income and/or the income statement of the Company is shown in the table below.

	in EUR			
	31 December 2014		31 December 2013	
	10%	-10%	10%	-10%
Equities in the EU	24,331,442	-24,331,442	24,079,513	-24,079,513
Equities in the ZDA	0	0	0	0
Equities in emerging markets	4,973,791	-4,973,791	4,871,707	-4,871,707
Global equities *	18,418,047	-18,418,047	14,739,541	-14,739,541
Total	47,723,280	-47,723,280	43,690,761	-43,690,761
Impact on equity	9,140,011	-9,132,994	7,630,395	-7,371,183
Impact on the income statement	38,583,269	-38,590,286	36,060,366	-36,319,578

*Globally diversified equity investments

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the market prices of the shares in the portfolio as at 31 December 2014 were more than 10% above their disclosed values, the equity and profit of Zavarovalnica Triglav would be EUR 9.1 million and EUR 38.6 million higher, respectively. In contrast, if the prices of the shares in the portfolio as at 31 December 2014 were 10% lower, the equity and profit of the Zavarovalnica Triglav would be EUR 9.1 million and EUR 38.6 million lower, respectively.

The breakdown of Zavarovalnica Triglav's equity portfolio by industry is shown in the table below.

Industry	31 December 2014	Percentage	31 December 2013	Percentage
(Raw) materials	0	0,00%	4,035,568	0.92%
Communications	1,597,755	0,33%	1,328,542	0.30%
Cyclical activities	820,720	0,17%	1,924,220	0.44%
Non-cyclical activities	32,705,339	6,85%	41,518,046	9.50%
Energy	6,672,864	1,40%	5,924,914	1.36%
Finance	48,818,117	10,23%	43,463,674	9.95%
Manufacturing	3,897,816	0,82%	5,984,657	1.37%
Goods and services of public interest	21,036	0,00%	80,385	0.02%
No data**	382,699,154	80,19%	332,647,606	76.14%
TOTAL	477,232,801	100,00%	436,907,611	100.00%

* Percentages are calculated on the basis of carrying amounts.

** Including investments in regional financial funds

The structure of the equity portfolio by valuation method is shown in the table below.

in EUR				
31 December 2014	Quoted price	Valuation through internal models	Historical cost	TOTAL
Subsidiaries	0	0	133,799,163	133,799,163
Associates	0	10,427,236	0	10,427,236
Other financial assets	473,599,673	2,603,134	1,029,993	477,232,801
TOTAL	473,599,673	13,030,370	134,829,156	621,459,200

in EUR				
31 December 2013	Quoted price	Valuation through internal models	Historical cost	TOTAL
Subsidiaries	0	0	159,778,726	159,778,726
Associates	0	9,598,825	38,499	9,637,324
Other financial assets	433,207,225	2,649,483	1,050,902	436,907,611
TOTAL	433,207,225	12,248,307	160,868,127	606,323,660

4.3.4. Liquidity risk

Liquidity risk is the risk or threat of a liquidity mismatch, i.e. the mismatched maturity of assets and liabilities. Such a mismatch can cause liquidity problems or a shortage in liquidity needed to settle due liabilities. Liquidity risk is offset against the volume of highly liquid securities and regular monitoring of projected and actual cash flows from assets and liabilities. In order to obtain additional liquidity when needed, the Company makes use of a number of credit lines with domestic and foreign banks. Details on processes, methods and tools used for managing these types of risks can be found in Section 12.4.4. of the Business report.

The following tables show the maturity structure of Zavarovalnica Triglav's financial assets and liabilities and the level of liquidity risks.

Maturity structure of financial assets and liabilities⁸

31 December 2014

in EUR

FINANCIAL ASSETS	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
Financial investments in Group companies	133,799,163	0	0	0	0	133,799,163
Financial investments in subsidiaries	10,427,236	0	0	0	0	10,427,236
Financial investments	483,009,655	133,035,289	515,059,311	830,213,647	279,066,391	2,240,384,293
Debt securities	0	70,106,892	506,916,050	788,210,406	277,576,822	1,642,810,170
Held until maturity	0	5,073,303	39,866,257	40,532,884	100,663,814	186,136,258
At fair value through profit and loss	0	7,181,000	91,512,247	118,497,080	32,946,884	250,137,211
Available for sale	0	57,852,590	375,537,546	629,180,441	143,966,124	1,206,536,701
Loans and receivables	0	0	0	0	0	0
Investments in shares	477,232,801	0	0	0	0	477,232,801
At fair value through profit and loss	385,832,691	0	0	0	0	385,832,691
Available for sale	91,400,110	0	0	0	0	91,400,110
Financial derivatives	2,530,192	0	0	0	0	2,530,192
Loans and receivables	3,246,663	62,928,396	8,143,261	42,003,241	1,489,569	117,811,130
Ceded share of technical provisions	0	41,194,289	24,061,630	7,823,368	2,246,064	75,325,350
Receivables from insurance operations	0	91,827,049	2,581,465	323,938	0	94,732,452
Cash	0	5,650,670	0	0	0	5,650,670
TOTAL FINANCIAL ASSETS	627,236,054	271,707,297	541,702,406	838,360,953	281,312,455	2,560,319,164
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	0	0	29,958,540	0	29,958,540
Insurance-technical provisions	442,952,449	441,352,811	327,455,824	344,608,688	503,673,073	2,060,042,844
Employee benefits	0	3,426,713	1,134,013	1,704,442	3,143,487	9,408,654
Other financial liabilities	0	1,674,409	19,500	0	0	1,693,912
TOTAL FINANCIAL LIABILITIES AND PROVISIONS	442,952,449	446,453,933	328,609,337	376,271,670	506,816,560	2,101,103,949
Given financial guarantees	0	0	484,625	0	0	484,625

⁸ The cash flow mismatches in the table above are due to the nature of insurance liabilities, the Group's investment policy and the availability of investments with maturity periods needed to match the liability structure. Liquidity is ensured not only through short-term investments with a maturity below 1 year but also through other highly liquid assets in other maturity categories (e.g. sovereign bonds of EEA and OECD countries, shares in exchange-traded funds, etc.).

31 December 2013

in EUR

FINANCIAL ASSETS	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
Financial investments in Group companies	159,778,726	0	0	0	0	159,778,726
Financial investments in subsidiaries	9,637,324	0	0	0	0	9,637,324
Financial investments	441,294,325	222,850,223	621,241,585	467,725,802	311,418,095	2,064,530,031
Debt securities	0	127,693,820	588,344,362	456,964,329	283,837,352	1,456,839,863
Held until maturity	0	0	34,484,902	50,723,586	111,887,628	197,096,116
At fair value through profit and loss	0	18,574,067	114,550,457	25,507,006	29,012,584	187,644,115
Available for sale	0	104,351,618	429,653,599	380,733,737	142,937,140	1,057,676,094
Loans and receivables	0	4,768,135	9,655,404	0	0	14,423,539
Investments in shares	436,907,611	0	0	0	0	436,907,611
At fair value through profit and loss	360,603,663	0	0	0	0	360,603,663
Available for sale	76,303,948	0	0	0	0	76,303,948
Financial derivatives	2,040,622	96,487	0	0	134,846	2,271,954
Loans and receivables	2,346,093	95,059,916	32,897,223	10,761,473	27,445,898	168,510,603
Ceded share of technical provisions	0	37,277,712	21,877,378	7,429,747	2,058,514	68,643,351
Receivables from insurance operations	0	102,006,043	0	0	0	102,006,043
Cash	0	5,000,081	0	0	0	5,000,081
TOTAL FINANCIAL ASSETS	610,710,375	367,134,059	643,118,963	475,155,549	313,476,609	2,409,595,556
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	0	0	29,956,713	0	29,956,713
Insurance-technical provisions	420,333,091	436,666,826	345,724,381	312,746,291	443,801,614	1,959,272,204
Employee benefits	0	3,415,130	1,390,599	1,441,234	2,212,132	8,459,095
Other financial liabilities	0	1,337,704	0	0	0	1,337,704
TOTAL FINANCIAL LIABILITIES AND PROVISIONS	420,333,091	441,419,660	347,114,980	344,144,238	446,013,746	1,999,025,716
Given financial guarantees	0	0	0	0	0	0

4.3.5. Foreign exchange risk

Zavarovalnica Triglav's exposure to foreign exchange risk is minor, as most of its assets are denominated in euros. Exposure to other currencies represent only 1.42% of the portfolio (31 December 2013: 1.75%).

4.3.6. Credit risk

Credit risk is the risk of loss due to a counterparty's failure to meet its obligations. The main credit risk exposures arise from debt securities holdings and insurance operations (reinsurance credit risk, credit risk of default on receivables from insurance operations). A description of credit risks as well as Zavarovalnica Triglav's processes, methods and tools for managing this type of risk can be found in Section 12.4.6. of the Business report.

Zavarovalnica Triglav's financial assets that may be exposed to credit risk, i.e. financial investments, assets from reinsurance contracts, operating receivables and cash or cash equivalents amounted to EUR 1,934,072,443 as at 31 December 2014 (EUR 1,799,071,799 as at 31 December 2013).

The Company analyses the maturity structure of receivables from insurance operations and on that basis continually monitors its credit risk exposure arising from insurance operations. The table below shows the maturity structure of receivables and the amount of impairment of receivables by maturity group. Receivables from reinsurers' and co-insurers' share in claims include receivables from the reinsurer Pozavarovalnica Triglav Re d.d. in the amount of EUR 5.5 million (vs. EUR 8.1 million in 2013), which is A- rated.

The table below shows the credit-rating structure of debt securities and other fixed return securities.

in EUR		
Credit rating	31 December 2014	31 December 2013
AAA	280,322,943	290,469,428
AA	76,472,078	106,148,478
A	287,054,542	291,641,817
BBB	870,261,265	610,556,569
BB	86,369,159	41,918,973
B	10,527,317	15,835,043
Less than B	31,802,867	100,269,555
TOTAL	1,642,810,170	1,456,839,863

The table above shows that 21.7% of the Zavarovalnica Triglav portfolio consists of debt securities with AA or AAA credit ratings. Compared to 2013 the share of securities with no credit rating decreased considerably. In this regard certain risk exposure limits were taken into account in accordance with the business policy.

In 2014, the single largest exposure of the Company was to Commerzbank AG, amounting to EUR 61.170.148 (vs. EUR 63.747.482 to Commerzbank AG as at 31 December 2013).

As at the reporting date the Company's exposure to government securities issued by the Republic of Slovenia was EUR 419.3 milion (vs. EUR 227.1 million as at 31 December 2013).

in EUR

31 December 2014	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			TOTAL AMOUNT
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
Receivables from direct insurance operations	53,366,499	-175,172	53,191,327	8,507,832	-2,771,739	5,736,093	35,951,455	-33,351,136	2,600,319	61,527,739
Receivables from insurers	51,115,686	-65,692	51,049,994	8,279,867	-2,712,403	5,567,464	35,092,692	-32,802,713	2,289,979	58,907,437
Receivables from insurance brokers	285,041	-109,480	175,561	0	0	0	43,655	-43,655	0	175,561
Other receivables from direct insurance operations	1,965,772	0	1,965,772	227,965	-59,336	168,628	815,108	-504,768	310,340	2,444,741
Receivables from co-insurance and reinsurance operations	6,689,625	0	6,689,625	0	0	0	0	0	0	6,689,625
Premium receivable from co-insurance	590,574	0	590,574	0	0	0	0	0	0	590,574
Premium receivable from reinsurance	0	0	0	0	0	0	0	0	0	0
Receivables from co-insurers ' share in claims	222,282	0	222,282	0	0	0	0	0	0	222,282
Receivables from reinsurers ' share in claims	5,876,769	0	5,876,769	0	0	0	0	0	0	5,876,769
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	20,202,572	-10,020	20,192,552	3,551,188	-1,411,383	2,139,805	94,942,196	-90,759,466	4,182,730	26,515,087
Other short-term receivables from insurance operations	3,689,382	0	3,689,382	3,532,934	-1,403,596	2,129,338	90,316,637	-89,053,983	1,262,654	7,081,374
Short-term receivables from financing	9,844,819	0	9,844,819	18,254	-7,787	10,467	4,555,226	-1,637,470	2,917,756	12,773,042
Other short-term receivables	3,762,968	-10,020	3,752,948	0	0	0	70,332	-68,012	2,320	3,755,268
Long-term receivables	2,905,403	0	2,905,403	0	0	0	0	0	0	2,905,403
TOTAL	80,258,696	-185,192	80,073,504	12,059,020	-4,183,122	7,875,898	130,893,651	-124,110,601	6,783,049	94,732,452

	in EUR									
	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			TOTAL
31 December 2013	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	AMOUNT
Receivables from direct insurance operations	54,571,364	23,231	54,548,133	10,631,979	3,513,359	7,118,620	37,351,224	35,715,780	1,635,444	63,302,197
Receivables from insurers	53,576,820	23,209	53,553,611	10,218,528	3,371,586	6,846,942	36,103,827	34,492,567	1,611,260	62,011,814
Receivables from insurance brokers	95,151	0	95,151	148,940	46,354	102,586	99,868	97,928	1,940	199,677
Other receivables from direct insurance operations	899,393	22	899,371	264,510	95,418	169,092	1,147,529	1,125,286	22,243	1,090,706
Receivables from co-insurance and reinsurance operations	9,140,990	0	9,140,990	0	0	0	0	0	0	9,140,990
Premium receivable from co-insurance	626,164	0	626,164	0	0	0	0	0	0	626,164
Premium receivable from reinsurance	0	0	0	0	0	0	0	0	0	0
Receivables from co-insurers ' share in claims	63,566	0	63,566	0	0	0	0	0	0	63,566
Receivables from reinsurers ' share in claims	8,451,260	0	8,451,260	0	0	0	0	0	0	8,451,260
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	25,219,122	0	25,219,122	4,692,214	1,779,870	2,912,344	90,119,817	88,688,426	1,431,390	29,562,855
Other short-term receivables from insurance operations	2,524,532	0	2,524,532	4,668,079	1,770,098	2,897,980	89,906,773	88,533,719	1,373,053	6,795,566
Short-term receivables from financing	6,600,828	-231	6,601,059	22,804	9,239	13,565	127,045	70,875	56,170	6,670,794
Other short-term receivables	15,976,264	231	15,976,032	1,331	533	798	85,999	83,831	2,167	15,978,998
Long-term receivables	117,499	0	117,499	0	0	0	0	0	0	117,499
TOTAL	88,931,477	23,231	88,908,246	15,324,193	5,293,229	10,030,964	127,471,040	124,404,207	3,066,834	102,006,043

4.4. Strategic risk

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the ability of the Company to achieve its strategic objectives and will consequently affect its value.

Strategic risks are recognised and addressed already in the process of strategic planning. Strategy implementation is monitored with internal controls, whereas competences and responsibilities of competent bodies in managing strategic risk are clearly defined. A clear organisational structure of functions and committees facilitates effective communication among competent bodies and the monitoring of short-, mid- and long-term goals.

4.5. Underwriting risk

Underwriting risk comprises a group of risks related to the core insurance business, i.e. underwriting insurance contracts, product development, pricing and formation of provisions. This also entails exposure to the risk of changes in loss events and changes in client behaviour.

Further details on objectives, methods and tools used to manage insurance risks are discussed in Section 12.5 of the Management Report.

4.5.1. Underwriting risk concentration

Underwriting risk concentration occurs due to the concentration of an insurance operation in a geographic area, or an industry or an insurance peril. It may also occur as a result of a correlation between individual insurance classes.

Insurance risk concentration is managed by adequate re-insurance schemes, which are based on the tables of maximum net retained lines. Particular attention is paid to events with a low frequency and a high impact, for example natural disasters such as earthquakes, storms, hail and floods.

4.5.1.1. Insurance risk and concentration

Over the previous four years, on average we sustained two major natural disasters annually, which triggered reinsurance policies covering natural events. Our catastrophe reinsurance programme is designed as excess of loss reinsurance with four layers with a total limit of EUR 100,000,000 over the priority of EUR 7,500,000. Moreover, we have an aggregate reinsurance cover with an annual aggregate of EUR 15,000,000 and is thus protected also against a possible increased occurrence of natural disasters in a particular year. Past events showed that the reinsurance scheme is suitable and that Zavarovalnica Triglav was able to discharge its obligations arising from its insurance contracts despite adverse loss event developments, whilst liquidity risk and capital adequacy risk did not increase.

Experience from previous years suggests that the number of such natural events will continue to rise in the future, which is why Zavarovalnica Triglav will continue to adapt its reinsurance schemes accordingly, on an on-going basis. Natural events predominantly affect the fire, technical and car insurance classes (comprehensive car insurance), as well as crop insurance.

Natural disasters with severe levels of loss typically strike in certain geographical areas in Slovenia, whereas the non-life insurance portfolio is distributed evenly throughout Slovenia, thus mitigating the adverse effects on the result. In the previous two years, Zavarovalnica Triglav has become engaged in the process of intensively adapting its business to climate change. It is to be expected that this type of reinsurance schemes will become increasingly expensive in the future. In an attempt to minimise the impact of climate change, the Company has started adapting its products accordingly and is exercising greater prudence in the process of underwriting insurance contracts.

For the Company, earthquakes are considered to be the events bearing the biggest potential loss. It has thus arranged appropriate reinsurance coverage to cater for this potential loss. In the case of an earthquake with a return period of 1,000 years, the retained loss of Zavarovalnica Triglav, increased by 20%, would account for two thirds of the maximum risk that the Company is still able to assume, according to the tables of maximum net retained lines.

In terms of the number of policies, Zavarovalnica Triglav is most active in car insurance (as shown in Section 7.2), with the bulk accounted for by motor liability insurance. As the latter is characterised by high risk dispersion, this segment does not entail any underwriting risk concentration for the Company. A potential danger of risk type concentration exists in comprehensive motor vehicle insurance. However, it is covered by a catastrophe reinsurance programme, which has proved to be adequate in recent years.

The concentration of life underwriting risk in Zavarovalnica Triglav is low, as the risk sum insured is below EUR 35,000 and accounts for 99.5% of the life, annuity and unit-linked portfolio. For additional accidental death insurance, the risk sum insured is lower than EUR 50,000 and represents 99.4% of the respective portfolio. Both sums insured represent the stipulated retention in line with the reinsurance agreement for most insurance policies.

4.5.1.2. Geographical and sectorial concentration

Zavarovalnica Triglav is active mostly in the territory of the Republic of Slovenia, with a minor amount of business in the neighbouring EU countries. On the basis of previous experience, the Company believes that all potential risk concentrations have suitable reinsurance cover.

In terms of business segments, Zavarovalnica Triglav is strongest in car insurance, as shown in the table Portfolio diversification by industry included in the disclosures of the Financial overview in Section 7.2.

4.5.1.3. Low-frequency and high severity risk

The threat of earthquakes represents the major potential risk in the Republic of Slovenia. Reinsurance protection against earthquakes and other natural disasters is regulated accordingly. Thus far, no earthquakes of catastrophic proportions have been recorded. The earthquake models available to the Company show that earthquakes with a return period of 1,000 years and an implied 20% margin of error in estimating the amount of potential claims do not represent a greater threat than the other natural disasters Zavarovalnica Triglav faces almost every year.

The table shows the earthquake model for Zavarovalnica Triglav's portfolio for 2014.

in EUR		
Return period (years)	Share of total exposure	Gross claims paid
100	0.28%	55,932,264
250	0.61%	121,852,432
500	1.12%	223,729,056
1000	2.40%	479,419,405

4.6. Operational risks

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

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

Zavarovalnica Triglav drew up a framework for identifying and measuring operational risks, which defines their types, underlying reasons, consequences, assessment methods and internal control identification. An analysis of the internal control system was carried out on the basis of which the minimum standard of internal controls was set up, serving as the starting point for optimising the management of individual business process in the Company. Operational risk exposure is measured in terms quantity by applying the Solvency II methodology and in terms of quality by using questionnaires and interviews for individual operational risk segments.

Fraud risk continued to be categorised as an operational risk. To manage this operational risk type, the Company established a special department responsible for the development and implementation of fraud indicators, research of potential fraudulent activity and reporting to the Management Board on the findings and initiated procedures. For more details on fraud risk management see Sections 12.6.1. and 13.3. of the Management Report.

Another important segment of operational risks are compliance risks which are managed in the framework of the compliance function (see also Section 4.1).

5. SEGMENT REPORTING

5.1. Reporting by business segment

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.

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	
	2014	2013
Balance sheet total (without offsetting)	2,742,729,353	2,571,144,742
Mutual receivables and liabilities	-6,448,805	-5,694,337
Deferred tax assets and liabilities	-15,013,596	-14,055,080
Offset balance	2,721,266,953	2,551,395,325

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.

Investment income is posted separately by insurance group. Within individual insurance classes and types of insurance technical provisions, investment income is distributed according to the structure of technical provisions. Investment income from assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions is accounted for separately. The latter are also accounted for separately by insurance group.

Other net income from insurance operations is accounted for separately by insurance group and insurance class, partly directly and partly by using a matrix (the matrix is the same as for investment income). Other income from insurance operations and other income is accounted for by insurance group.

Expenses

Net claims incurred are disclosed separately by insurance group and insurance class. Direct claim handling costs are posted by insurance class. Part of the claim handling costs, primarily accounted for by their natural type within operating costs, is shown by insurance groups and insurance classes directly and by using a matrix that is the same as that used for distributing other operating costs.

Changes in insurance technical provisions (provisions for bonuses and discounts and other insurance technical provisions) are accounted for directly by insurance group and by insurance class.

Investment expenses are posted separately by insurance groups. Investment expenses within individual insurance classes and types of insurance technical provisions are distributed according to the same criteria as investment income. Within individual insurance groups, expenses from investments are disclosed separately for assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions. The latter are also accounted for separately by insurance group.

Other net insurance expenses are accounted for separately by insurance group and by insurance class, partly directly and partly by using a matrix. Other expenses from insurance operations and other expenses are posted separately by insurance group.

The consolidated statement of financial position and consolidated income statement by business segment are shown below for the reporting and the previous year.

STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

in EUR

	31 December 2014			31 December 2013		
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
ASSETS	1,227,775,291	1,514,954,062	2,742,729,353	1,189,909,138	1,381,235,603	2,571,144,742
Intangible assets	52,399,202	1,974,521	54,373,723	50,469,368	2,169,076	52,638,444
Property, plant and equipment	55,023,599	10,119,416	65,143,015	53,068,155	11,233,975	64,302,130
Deferred tax receivables	13,687,399	1,326,197	15,013,596	17,119,571	1,986,974	19,106,545
Investment property	36,650,566	1,321,891	37,972,457	16,719,402	1,348,208	18,067,610
Investments in subsidiaries	132,284,491	1,514,671	133,799,163	158,264,054	1,514,671	159,778,726
Investments in associates	0	10,427,236	10,427,236	0	9,637,324	9,637,324
Financial assets	766,880,684	1,473,503,611	2,240,384,295	716,515,971	1,348,014,060	2,064,530,031
Financial investments:	766,880,684	1,023,700,840	1,790,581,524	716,515,971	925,164,690	1,641,680,661
- loans and deposits	73,297,578	31,233,604	104,531,182	108,391,469	65,086,312	173,477,782
- held to maturity	0	186,136,258	186,136,258	0	197,096,116	197,096,116
- available for sale	682,592,871	616,822,203	1,299,415,075	593,151,274	542,255,233	1,135,406,507
- investments recognised at fair value	10,990,235	189,508,775	200,499,010	14,973,228	120,727,028	135,700,257
Unit-linked insurance assets	0	449,802,771	449,802,771	0	422,849,370	422,849,370
Reinsurers' share of technical provisions	75,232,980	92,371	75,325,350	68,615,087	28,264	68,643,350
Receivables	89,481,822	11,699,435	101,181,257	103,840,317	3,860,063	107,700,380
- receivables from direct insurance operations	61,078,223	449,516	61,527,739	62,884,284	417,913	63,302,197
- receivables from reinsurance and co-insurance operations	6,678,668	10,957	6,689,625	9,127,019	13,971	9,140,990
- current tax receivables	0	0	0	12,912,838	0	12,912,838
- other receivables	21,724,931	11,238,962	32,963,893	18,916,176	3,428,179	22,344,355
Other assets	3,455,548	3,044	3,458,593	1,720,653	19,468	1,740,121
Cash and cash equivalentst	2,679,000	2,971,669	5,650,669	3,576,560	1,423,521	5,000,081
EQUITY AND LIABILITIES	1,227,775,291	1,514,954,062	2,742,729,353	1,189,909,138	1,381,235,603	2,571,144,742
Equity	436,494,941	107,505,526	544,000,467	412,363,814	87,426,394	499,790,208
- 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	236,464,034	45,513,891	281,977,925	220,723,028	38,763,891	259,486,919
- fair value reserve	53,067,785	20,153,444	73,221,229	26,108,583	9,254,261	35,362,843
- net profit brought forward	38,565,461	0	38,565,461	52,735,703	0	52,735,703
- net profit/loss for the year	16,712,143	6,409,432	23,121,575	21,110,982	3,979,484	25,090,466
Subordinated liabilities	17,975,127	11,983,413	29,958,540	17,974,032	11,982,682	29,956,713
Insurance technical provisions	691,696,303	925,394,092	1,617,090,395	695,398,847	843,540,265	1,538,939,112
- unearned premiums	182,489,705	412,831	182,902,536	187,858,030	428,747	188,286,777
- mathematical provisions	0	904,858,200	904,858,200	0	823,783,519	823,783,519
- claims provisions	489,862,786	19,136,346	508,999,132	490,762,992	19,328,000	510,090,992
- other insurance technical provisions	19,343,812	986,715	20,330,526	16,777,825	0	16,777,825
Insurance technical provisions for unit-linked insurance contracts	0	442,952,449	442,952,449	0	420,333,091	420,333,091
Employee benefits	7,742,113	1,666,541	9,408,654	6,956,543	1,502,552	8,459,095
Other provisions	399,080	0	399,080	566,480	3,969	570,449
Deferred tax liabilities	16,170,272	11,816,365	27,986,637	9,952,251	4,102,829	14,055,080
Other financial liabilities	1,693,912	0	1,693,912	1,337,704	0	1,337,704
Operating liabilities	19,659,271	6,174,096	25,833,367	16,946,992	5,832,498	22,779,490
- liabilities from direct insurance operations	4,457,703	6,174,096	10,631,799	5,811,129	5,832,498	11,643,628
- liabilities from reinsurance and co-insurance operations	10,406,511	0	10,406,511	11,135,863	0	11,135,863
- current tax liabilities	4,795,056	0	4,795,056	0	0	0
Other liabilities	35,944,272	7,461,580	43,405,852	28,412,476	6,511,323	34,923,799

STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

in EUR

	2014			2013		
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
NET PREMIUM INCOME	356,224,073	173,503,117	529,727,190	369,775,431	178,846,881	548,622,311
- gross written premium	418,789,823	173,829,628	592,619,451	426,558,875	179,199,515	605,758,390
- ceded written premium	-66,944,728	-342,426	-67,287,154	-66,005,233	-327,247	-66,332,481
- change in unearned premiums	4,378,978	15,915	4,394,893	9,221,789	-25,387	9,196,402
TOTAL INCOME FROM FINANCIAL ASSETS	54,803,374	157,210,371	212,013,745	50,249,204	117,087,724	167,336,928
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	2,380,777	60,541	2,441,318	6,291,781	1,052,764	7,344,545
- interest income	2,193,168	0	2,193,168	2,183,420	0	2,183,420
- dividends	179,293	60,541	239,834	4,104,060	421,365	4,525,425
- realised gains on disposals	0	0	0	660	631,399	632,059
- other financial income	8,317	0	8,317	3,642	0	3,642
INCOME FROM OTHER FINANCIAL ASSETS	52,422,597	93,870,494	146,293,090	43,957,423	68,654,516	112,611,938
- interest income	22,640,099	35,730,949	58,371,048	26,133,415	35,233,528	61,366,943
- dividends	2,496,557	1,047,969	3,544,526	1,120,951	888,654	2,009,605
- fair value gains	1,279,428	25,175,318	26,454,746	1,909,713	19,833,359	21,743,072
- realised gains on disposals	24,007,249	30,187,483	54,194,732	14,239,827	12,278,224	26,518,051
- other financial income	1,999,264	1,728,774	3,728,038	553,517	420,751	974,267
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	63,279,337	63,279,337	0	47,380,445	47,380,445
OTHER INCOME FROM INSURANCE OPERATIONS	16,707,205	171,291	16,878,496	14,821,412	430,940	15,252,351
- fees and commission income	12,386,070	171,291	12,557,361	10,607,643	430,610	11,038,252
- other income from insurance operations	4,321,135	0	4,321,135	4,213,769	330	4,214,099
OTHER INCOME	7,129,748	3,509,421	10,639,169	4,264,956	3,324,402	7,589,359
NET CLAIMS INCURRED	223,985,110	168,053,156	392,038,267	205,337,866	165,317,074	370,654,940
- gross claims settled	252,617,177	168,504,399	421,121,575	253,944,111	165,453,692	419,397,804
- reinsurers' share	-20,515,296	-195,482	-20,710,778	-24,665,244	-126,748	-24,791,992
- changes in claims provisions	-8,116,770	-255,761	-8,372,531	-23,941,001	-9,870	-23,950,871
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	2,226,218	56,165,402	58,391,620	-531,955	-23,154	-555,109
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0	22,619,358	22,619,358	0	15,433,207	15,433,207
EXPENSES FOR BONUSES AND DISCOUNTS	8,632,089	0	8,632,089	5,386,018	0	5,386,018
OPERATING EXPENSES	107,563,221	30,876,196	138,439,417	107,514,863	30,811,701	138,326,564
- costs of insurance contract acquisition	78,492,287	21,362,340	99,854,627	76,481,557	19,501,549	95,983,106
- other operating costs	29,070,934	9,513,856	38,584,790	31,033,306	11,310,152	42,343,458
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	29,715,987	39,433,332	69,149,319	53,807,694	74,192,420	128,000,114
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	22,048,541	0	22,048,541	26,631,747	0	26,631,747
- realised loss on disposals	1,503,668	0	1,503,668	0	0	0
- loss on impairment of financial assets	20,524,904	0	20,524,904	26,624,575	0	26,624,575
- other expenses from financial assets and liabilities	19,968	0	19,968	7,172	0	7,172
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	7,667,447	19,914,615	27,582,062	27,175,947	40,403,317	67,579,264
- interest expense	1,549,374	730,917	2,280,291	1,427,187	797,459	2,224,646
- fair value losses	1,238,032	9,485,629	10,723,661	799,295	19,456,857	20,256,152
- realised loss on disposals	1,092,690	7,341,010	8,433,700	1,926,562	12,478,610	14,405,172
- loss on impairment of financial assets	22,630	15,829	38,459	19,774,643	5,314,212	25,088,856
- other expenses from financial assets and liabilities	3,764,720	2,341,231	6,105,951	3,248,259	2,356,179	5,604,438
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	19,518,717	19,518,717	0	33,789,102	33,789,102
OTHER INSURANCE EXPENSES	11,793,877	203,767	11,997,644	12,453,243	896,314	13,349,557
OTHER EXPENSES	8,646,485	1,848,331	10,494,816	7,087,311	1,523,939	8,611,250
PROFIT/LOSS BEFORE TAX	42,301,412	15,194,657	57,496,069	48,055,962	11,538,446	59,594,408
Income tax expense	9,848,263	2,035,225	11,883,488	10,944,980	358,962	11,303,942
NET PROFIT/LOSS FOR THE ACCOUNTING PERIOD	32,453,149	13,159,432	45,612,581	37,110,982	11,179,484	48,290,466

Statement of comprehensive income by business segments

in EUR

	2014			2013		
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX	32,453,152	13,159,430	45,612,582	37,110,982	11,179,484	48,290,466
II. OTHER COMPREHENSIVE INCOME AFTER TAX	26,959,202	10,899,184	37,858,386	-6,443,350	-4,243,713	-10,687,063
a) Items which will not be transferred in P&L in future periods	-416,465	-86,938	-503,403	-53,491	-10,739	-64,230
Net actuarial gains/losses on pension plans	-501,765	-104,744	-606,509	-64,447	-12,939	-77,386
Tax on items which will not be transferred in P&L	85,300	17,806	103,106	10,956	2,200	13,156
b) Items which could be transferred into P&L in future periods	27,375,667	10,986,122	38,361,789	-6,389,859	-4,232,974	-10,622,833
Net gains/losses from the re-measurement of available-for-sale financial assets	32,982,731	44,599,630	77,582,361	-6,777,022	-7,753,744	-14,530,766
- Net gains/losses recognised directly in equity	55,855,747	66,712,620	122,568,367	-8,038,327	-5,627,834	-13,666,161
- Transfer from equity to income statement	-22,873,016	-22,112,990	-44,986,006	1,261,305	-2,125,910	-864,605
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	-25,899,972	-25,899,972	0	2,853,742	2,853,742
Tax on other comprehensive income	-5,607,064	-7,713,536	-13,320,600	387,163	667,028	1,054,191
III. COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX	59,412,354	24,058,614	83,470,968	30,667,632	6,935,772	37,603,404

Additional disclosures by business segments

in EUR

2014	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	5,596,126	800,018	6,396,144
Investments in property, plant and equipment	1,859,060	175,260	2,034,320
Investments in investment property	861,786	0	861,786
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-8,194,527	-2,309,829	-10,504,356
Expenses from the impairment of premium and subrogation receivables	-20,077,414	-9,344	-20,086,758
Income from reversal of impairment of receivables	14,644,861	0	14,644,861
Expenses from impairment of property, plant and equipment	0	0	0
Expenses from impairment of other receivables	-104,492	-20,426	-124,918
Income from reversal of impairment of other receivables	377,369	20,024	397,393

in EUR

2013	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	4,079,785	659,000	4,738,785
Investments in property, plant and equipment	3,601,442	1,908,714	5,510,156
Investments in investment property	218,338	114,028	332,366
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-8,492,713	-2,188,593	-10,681,306
Expenses from the impairment of premium and subrogation receivables	-21,511,975	0	-21,511,975
Income from reversal of impairment of receivables	14,816,127	5,785	14,821,912
Expenses from impairment of property, plant and equipment	-1,642,533	-349,140	-1,991,673
Expenses from impairment of other receivables	-335,740	-21,800	-357,540
Income from reversal of impairment of other receivables	118,593	9,321	127,914

Maximum individual exposure to financial institutions:

- for non-life insurance: Sberbank banka, d.d.: EUR 10,337,414
- for life insurance: Commerzbank, AG: EUR 61,170,149

5.2. Reporting by geographical area

Zavarovalnica Triglav operates mainly in the territory of the Republic of Slovenia. As more than 99% of premium income is generated by the sale of insurance to the domestic insureds, the Company does not report by geographical area.

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1. Intangible assets

	in EUR			
	Deferred acquisition costs	Licenses and software	Intangible assets in course of acquisition	Total
COST				
As at 1 January 2013	30,030,584	27,269,462	11,896,758	69,196,804
- transfer in use	0	7,563,772	-7,563,772	0
- purchases	0	2,063,581	2,675,204	4,738,785
- disposal	0	-2,187,257	0	-2,187,257
- reclassification	0	-630,467	0	-630,467
- increase	373,821	0	0	373,821
- decrease	-1,458,113	0	0	-1,458,113
As at 31 December 2013	28,946,292	34,079,091	7,008,190	70,033,573
- transfer in use	0	1,320,229	-1,320,229	0
- purchases	0	4,141,906	2,254,238	6,396,144
- disposal	0	-3,290,524	0	-3,290,524
- increase	1,132,133	0	0	1,132,133
- decrease	-1,522,810	0	0	-1,522,810
- merger	0	143,434	0	143,434
As at 31 December 2014	28,555,615	36,394,136	7,942,199	72,891,950
ACCUMULATED AMORTISATION				
As at 1 January 2013	0	-15,898,532	0	-15,898,532
- amortisation	0	-4,134,266	0	-4,134,266
- disposal	0	2,118,798	0	2,118,798
- reclassification	0	518,873	0	518,873
As at 31 December 2013	0	-17,395,127	0	-17,395,127
- amortisation	0	-4,282,635	0	-4,282,635
- disposal	0	3,216,793	0	3,216,793
- merger	0	-57,252	0	-57,252
As at 31 December 2014	0	-18,518,221	0	-18,518,221
CARRYING AMOUNT				
As at 31 December 2013	28,946,292	16,683,964	7,008,190	52,638,444
As at 31 December 2014	28,555,615	17,875,915	7,942,199	54,373,723

Zavaroalnica Triglav did not pledge any intangible assets as collateral. As at 31 December 2014, trade payables for intangible assets amounted to EUR 5,574,198 (vs. EUR 1,612,556 as at 31 December 2013).

The amortisation for the current year is split between several items of the income statement. For details, see expenses by nature and function in Section 7.12. Change in deferred acquisition costs is recognised as a change in unearned premium provision in the income stated, as stated in Section 2.4.

As at 31 December 2014, intangible assets with an indefinite useful life amounted to EUR 9,368, the same as in 2013. The amount refers to a licence issued for an indefinite period.

Zavaroalnica Triglav has no individual intangible assets that are material to the financial statements. Gross amount of fully depreciated intangible assets still in use represents 22.5% of the total gross amount of intangible assets.

6.2. Property, plant and equipment

	in EUR				
	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2013	4,130,907	70,252,928	45,360,714	142,285	119,886,834
- transfer in use	0	95,404	2,880	-98,284	0
- purchases	0	412,957	2,988,122	2,109,077	5,510,156
- disposal	0	-3,943	-4,030,395	0	-4,034,338
- reclassification	-14,275	-1,753,806	630,467	-375	-1,137,989
As at 31 December 2013	4,116,632	69,003,540	44,951,788	2,152,703	120,224,663
- transfer in use	0	105,712	2,032,468	-2,138,180	0
- purchases	0	232,797	1,657,506	144,017	2,034,320
- disposal	0	-1,834	-5,932,274	-59,579	-5,993,687
- merger	985,249	4,906,418	554,556	0	6,446,223
As at 31 December 2014	5,101,881	74,246,633	43,264,044	98,961	122,711,519
ACCUMULATED DEPRECIATION					
As at 1 January 2013	0	-18,350,394	-35,236,114	0	-53,586,508
- depreciation for the current year	0	-1,057,481	-5,030,348	0	-6,087,829
- disposals	0	2,676	3,840,948	0	3,843,624
- reclassification	0	427,055	-518,873	0	-91,818
As at 31 December 2013	0	-18,978,144	-36,944,387	0	-55,922,531
- depreciation for the current year	0	-1,202,997	-4,478,207	0	-5,681,204
- disposal	0	284	5,747,273	0	5,747,557
- merger	0	-1,292,024	-420,299	0	-1,712,323
As at 31 December 2014	0	-21,472,881	-36,095,620	0	-57,568,501
CARRYING AMOUNT					
As at 31 December 2013	4,116,632	50,025,396	8,007,401	2,152,703	64,302,128
As at 31 December 2014	5,101,881	52,773,752	7,168,424	98,961	65,143,015

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 7.12. As at 31 December 2014, trade payables for property, plant and equipment amounted to EUR 702,399 (vs. EUR 3,042,560 as at 31 December 2013). Gross amount of fully depreciated property, plant and equipment still in use represents 21.7% of the total gross amount of property, plant and equipment.

Fair values of land and buildings are shown in the table below.

	in EUR	
	31 December 2014	31 December 2013
Carrying amount	57,875,633	54,142,028
Estimated fair value	60,720,099	56,120,455

6.3. Investment property

	in EUR			
	Land	Buildings	IP in course of acquisition	Total
COST				
As at 1 January 2013	3,350,044	23,062,220	9,893	26,422,157
- transfer in use	0	51,588	-51,588	0
- purchases	0	241,600	90,766	332,366
- disposal	-178,051	-333,090	0	-511,141
- reclassification	14,275	1,753,806	0	1,768,081
- impairment	-834,431	-1,432,000	0	-2,266,431
As at 31 December 2013	2,351,837	23,344,124	49,071	25,745,032
- transfer in use	0	477,983	-477,983	0
- purchases	0	404,919	456,867	861,786
- disposal	-129,945	-2,296,606	-1,363,500	-3,790,051
- merger	318,431	4,221,977	18,002,136	22,542,544
As at 31 January 2014	2,540,323	26,152,397	16,666,591	45,359,311
ACCUMULATED DEPRECIATION				
As at 31 January 2013	0	-7,079,790	0	-7,079,790
- depreciation	0	-459,212	0	-459,212
- disposal	0	13,877	0	13,877
- reclassification	0	-427,055	0	-427,055
- impairment	0	274,759	0	274,759
As at 31 December 2013	0	-7,677,421	0	-7,677,421
- depreciation	0	-540,517	0	-540,517
- disposal	0	1,938,736	0	1,938,736
- merger	0	-1,107,650	0	-1,107,650
As at 31 December 2014	0	-7,386,852	0	-7,386,852
CARRYING AMOUNT				
As at 31 December 2013	2,351,837	15,666,703	49,071	18,067,610
As at 31 December 2014	2,540,323	18,765,545	16,666,591	37,972,458

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 7.8.

The fair value of land and buildings is as follows.

	in EUR	
	31 December 2014	31 December 2013
Carrying amount	21,305,868	18,067,610
Estimated fair value	27,043,123	25,620,646

6.4. Investments in subsidiaries

In 2014 the following changes occurred in the ownership of subsidiaries:

- With EUR 2 million of capital increase by Zavarovalnica Triglav Triglav INT d.d. remained its 100% owned subsidiary.
- Merger with Triglav Nepremičnine d.o.o.

Based on a merger agreement, Zavarovalnica Triglav merged with Triglav Nepremičnine d.o.o. The acquisition date was 31 December 2013. The merged subsidiary, as the acquired company, was stricken off the Companies Register on 6 October 2014. Zavarovalnica Triglav, as the acquiring company, recognised in its accounting records all the acquired assets and liabilities of the acquired company as at 1 January 2014.

Statement of financial position of the acquired company as at the acquisition date 1 January 2014

		in EUR
	Notes	1 January 2014
ACQUIRED ASSETS		37,427,467
Intangible assets	6.1	86,191
Property, plant and equipment	6.2	134,258
Deferred tax receivables	6.15	2,892,387
Investment property	6.3	8,032,401
Investments in subsidiaries	6.4	3,837,000
Financial assets	6.5	
- loans and deposits		84,439
- available for sale		19,844
Operating receivables	6.7	210,540
Financial lease receivables	6.7	4,040,548
Inventories		18,002,136
Short-term accrued income	6.8	5,599
Cash and cash equivalents	6.9	82,124
LIABILITIES		25,675,909
Fair value reserve on financial assets	6.10	790
Employee benefits	6.13	121,119
Other provisions	6.14	149,844
Other financial liabilities		25,086,873
Operating liabilities	6.17	261,274
Short-term accrued expenses and deferred income	6.18	56,009
Net value of assets acquired and liabilities assumed		11,751,558
Value of financial investment		13,255,226
The DIFFERENCE between the net value of assets acquired and liabilities assumed and the value of a financial investment		-1,503,668

The difference between the net value of acquired assets and liabilities and the value of financial investment disclosed in the accounting records of the Company as at the acquisition date was recognised in the Company's income statement under financial expenses.

As a result of the merger with Triglav Nepremičnine d.o.o., Zavarovalnica Triglav became the owner of Pista d.o.o., Belgrade – a subsidiary of the merged company.

Other changes in the ownership structure of indirect subsidiaries in 2014 included:

- A capital increase of Triglav Pojišt'ovna a.s., Brno, of EUR 2,489,280 by Triglav INT d.d.
- Two capital increases of Triglav Osiguranje, a.d.o., Belgrade, in total amount of EUR 6,499,997 by Triglav INT d.d. As a result the equity stake of Triglav INT in the subsidiary increased by 0.66 percentage point and totalled 99.81% as at the reporting date.
- The acquisition of a 13.33% equity stake in Unis automobili i dijelovi d.o.o., Sarajevo, for EUR 167,121 from non-controlling shareholders by Triglav Osiguranje Sarajevo d.d.
- A capital increase in Lovćen Auto, a.d., of EUR 1,300,000 by Lovćen Osiguranje, a.d.o., Podgorica, which is 100% owner of the named subsidiary.
- In 2014, Triglav INT d.d. started sales proceedings of Triglav Pojišt'ovna, a.s., Brno. In December 2014, an agreement on sale of the subsidiary Triglav pojišt'ovna a.s., Brno with VIGO Finance a.s., Prague, was concluded. The sales transaction will be executed after all relevant regulator's approvals have been obtained and other contractually agreed sales terms and conditions have been met. The sale is expected to be completed by 31 May 2015.

In 2014, the ownership structures of the associated companies of Zavarovalnica Triglav remained unchanged.

The Company's equity stakes in subsidiaries and associates with summary financial information are disclosed below.

Investments in subsidiaries

NAME OF LEGAL ENTITY	COMPANY ADDRESS	TAX RATE (in %)	LINE OF BUSINESS	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		BOOK VALUE (in EUR)	
				2014	2013	2014	2013	2014	2013
Pozavarovalnica Triglav Re, d.d.	Miklošičeva 19, Ljubljana, Slovenija	17	Reinsurance	100,00	100,00	100,00	100,00	7,793,252	7,793,252
Triglav, Zdravstvena zavarovalnica, d.d.	Pristaniška 10, Koper, Slovenija	17	Insurance	100,00	100,00	100,00	100,00	3,735,886	3,735,886
Triglav Skladi, d.o.o.	Slovenska 54, Ljubljana, Slovenija	17	Asset management	67,50	67,50	100,00	100,00	2,076,723	2,076,723
Triglav Avtoservis, d.o.o.	Verovškova 60b, Ljubljana, Slovenija	17	Repair of motor vehicles	100,00	100,00	100,00	100,00	100,214	100,214
Triglav Svetovanje, d.o.o.	Ljubljanska 86, Domžale, Slovenija	17	Insurance brokers	100,00	100,00	100,00	100,00	279,736	279,736
Triglav INT, d.d.	Miklošičeva 19, Ljubljana, Slovenija	17	Holding company	100,00	100,00	100,00	100,00	49,583,112	59,299,451
Triglav Nepremičnine, d.o.o. ⁹	Dunajska 22, Ljubljana, Slovenija	17	Real property management	-	100,00	-	100,00	-	11,291,659
Triglav naložbe, d.d.	Slovenska 54, Ljubljana, Slovenija	17	Asset management	100,00	100,00	100,00	100,00	39,557,976	45,353,924
Slovenijales d.d.	Dunajska 22, Ljubljana, Slovenija	17	Retail trade	100,00	100,00	100,00	100,00	20,241,129	20,241,129
Triglav Upravljanje nepremičnin, d.d.	Industrijska cesta 2, Ljubljana, Slovenija	17	Construction	56,95	56,95	56,95	56,95	7,080,000	9,506,751
Zavod Vse bo v redu	Miklošičeva 19, Ljubljana, Slovenija	17	Corporate social responsibility institute	100,00	100,00	100,00	100,00	100,000	100,000
Hotel Grad Podvin d.d.	Miklošičeva 19, Ljubljana, Slovenija	17	Tourism	100,00	100,00	100,00	100,00	0	0
Pista, d.o.o	Milutina Milankovića 7a, Beograd, Srbija	15	Real property management	100,00	-	100,00	-	3,251,135	0
TOTAL								133,799,163	159,778,726

Summary financial information for subsidiaries of Triglav Group¹⁰

NAME OF LEGAL ENTITY	ASSETS		LIABILITIES		EQUITY		INCOME		PROFIT/LOSS	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Pozavarovalnica Triglav Re, d.d., Ljubljana	252,676,152	229,304,729	184,505,847	176,354,878	68,170,305	52,949,851	102,045,166	99,492,241	7,544,759	6,890,981
Triglav, Zdravstvena zavarovalnica, d.d., Koper	47,400,951	36,550,277	21,818,806	20,779,620	25,582,145	15,770,657	109,632,803	105,277,946	8,274,843	4,958,191
Triglav Skladi, d.o.o., Ljubljana	41,802,247	36,049,334	4,167,361	5,102,206	37,634,886	30,947,128	14,272,617	12,720,661	4,518,926	2,597,370
Triglav Avtoservis, d.o.o., Ljubljana	338,095	354,183	280,384	302,886	57,711	51,297	2,077,551	2,099,938	3,523	3,424
Triglav Svetovanje, d.o.o., Ljubljana	2,091,957	878,314	1,538,158	386,505	553,799	491,809	3,384,315	3,108,226	57,421	100,279
Triglav INT, d.d., Ljubljana	57,186,239	57,738,634	19,729,740	8,994,947	37,519,663	48,743,687	265,870	139,742	-13,287,188	-15,966,839
Triglav Nepremičnine, d.o.o., Ljubljana	0	38,562,081	0	25,675,119	0	12,886,962	0	3,274,224	0	-5,412,456

⁹ On 6 October 2014, Triglav Nepremičnine, d.o.o., was deleted from Companies Register due to merger with Zavarovalnica Triglav.

¹⁰ Financial data as summarised from the financial statements are prepared in line with IFRS for consolidation purposes.

in EUR										
NAME OF LEGAL ENTITY	ASSETS		LIABILITIES		EQUITY		INCOME		PROFIT/LOSS	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Triglav naložbe, d.d., Ljubljana	37,531,450	42,087,549	-217,342	-99,770	37,748,792	42,187,319	2,044,917	2,950,330	-4,548,479	-1,860,926
Slovenijales d.d., Ljubljana	44,828,109	47,995,596	6,034,949	13,536,467	38,793,160	34,459,129	33,209,241	29,983,324	4,359,128	-205,682
Triglav, Upravljanje nepremičnin, d.d., Ljubljana	7,756,057	7,173,865	11,814,951	11,022,481	-4,058,894	-3,848,616	1,372,877	394,256	-210,278	-269,064
Zavod Vse bo v redu	179,096	63,476	79,096	-36,253	100,000	100,000	153,929	6,227	29,878	-36,598
Hotel Grad Podvin d.d., Ljubljana	4,375,472	5,716,703	4,848,001	4,756,895	-472,529	959,808	54,406	129,429	-138,192	-222,431
Pista, d.o.o., Beograd	3,478,822	4,632,089	24,727	56,807	3,454,095	4,575,282	248,234	410,113	-726,098	184,167

Overview of shares in associated companies

in EUR									
NAME OF LEGAL ENTITY	COMPANY ADDRESS	TAX RATE (in %)	LINE OF BUSINESS	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		BOOK VALUE	
				2014	2013	2014	2013	2014	2013
Nama d.d.	Tomšičeva ulica 1, Ljubljana, Slovenia	17	Retail	38.05	38.05	38.05	38.05	7,034,049	7,034,049
Skupna pokojninska družba d.d.	Trg Republike 3, Ljubljana, Slovenia	17	Pension funds	30.14	30.14	30.14	30.14	3,354,688	2,564,776
Triglavko, d.o.o.	Ulica XXX. divizije 23, Nova Gorica, Slovenia	17	Insurance brokerage	38.47	38.47	38.47	38.47	38,499	38,499
TOTAL								10,427,236	9,637,324

Summary financial information for associated companies

in EUR										
NAME OF LEGAL ENTITY	ASSETS		LIABILITIES		EQUITY		INCOME		PROFIT/LOSS	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Nama d,d,	12,475,584	12,500,080	2,013,569	2,029,648	10,462,015	10,470,432	12,920,493	12,852,128	184,584	24,999
Skupna pokojninska družba d,d,	244,812,544	235,691,823	229,570,140	224,297,414	15,242,404	11,394,409	9,469,445	4,570,526	2,512,216	-5,238,896
Triglavko, d.o.o,	158,690	144,377	50,971	55,251	107,719	89,126	404,078	369,015	18,107	4,279

6.5. Financial assets

in EUR

	Carrying value		Fair value	
	2014	2013	2014	2013
Loans and receivables	104,531,182	173,477,782	104,531,182	173,477,782
Held to maturity	186,136,258	197,096,116	231,246,180	207,007,348
Available for sale	1,299,415,075	1,135,406,507	1,299,415,075	1,135,406,507
At fair value through profit and loss:	200,499,010	135,700,257	200,499,010	135,700,257
- designated	199,800,390	135,035,090	199,800,390	135,035,090
- held for trading	698,620	665,166	698,620	665,166
Unit-linked insurance assets:	449,802,771	422,849,370	449,802,771	422,849,370
- at fair value through profit and loss	438,001,086	414,819,476	438,001,086	414,819,476
- receivables	11,801,685	8,029,894	11,801,685	8,029,894
TOTAL	2,240,384,295	2,064,530,031	2,285,494,218	2,074,441,264

The disclosures of fair value of loans and receivables account for their carrying amounts calculated at amortised cost, which represent an adequate approximation of fair value given the short-term character of these assets. The measuring of fair value of other financial assets is shown in Section 6.19.

Overview of financial assets by type

in EUR

2014	HTM	FVTPL - Classified upon acquisition	FVTPL – Held for trading	AFS	L&R	TOTAL
Debt and other fixed-return securities	186,136,258	250,137,212	0	1,206,536,700	0	1,642,810,170
Investments in shares, other floating-rate securities and fund coupons	0	385,832,692	0	91,400,109	0	477,232,801
Financial derivatives	0	0	2,530,192	0	0	2,530,192
Loans and receivables:	0	0	0	1,478,265	116,332,867	117,811,132
- deposits with banks and certificates of deposits	0	0	0	0	45,510,554	45,510,554
- loans given	0	0	0	0	69,228,331	69,228,331
- other financial investments	0	0	0	1,478,265	1,593,982	3,072,247
TOTAL	186,136,258	635,969,904	2,530,192	1,299,415,074	116,332,867	2,240,384,295

2013	HTM	FVTPL - Classified upon acquisition	FVTPL – Held for trading	AFS	L&R	TOTAL
Debt and other fixed-return securities	197,096,116	187,644,115	0	1,057,676,093	14,423,539	1,456,839,863
Investments in shares, other floating-rate securities and fund coupons	0	360,603,664	0	76,303,948	0	436,907,611
Financial derivatives	0	0	2,271,954	0	0	2,271,954
Loans and receivables:	0	0	0	1,426,466	167,084,137	168,510,603
- deposits with banks and certificates of deposits	0	0	0	0	79,973,616	79,973,616
- loans given	0	0	0	0	85,517,221	85,517,221
- other financial investments	0	0	0	1,426,466	1,593,300	3,019,766
TOTAL	197,096,116	548,247,778	2,271,954	1,135,406,507	181,507,676	2,064,530,031

Movements of financial assets

in EUR						
FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	TOTAL
As at 1 January 2013	199,277,500	100,022,395	1,144,343,784	222,777,531	406,502,787	2,072,924,000
Aquisitions	0	100,502,047	859,852,970	195,503,719	117,713,970	1,273,572,706
Maturity	-11,691,545	-21,865,335	-113,782,164	-192,403,544	-231,641	-339,974,228
Disposal	0	-41,401,288	-777,694,838	-56,431,529	-113,443,704	-988,971,359
Amounts transferred from equity at disposal	0	0	21,202,501	0	0	21,202,501
Valuation trough profit and loss	0	-5,750,514		-50,287	11,796,809	5,996,008
Valuation trough equity	0	0	-11,402,102	0	0	-11,402,102
Value adjustment changes	0	0	-20,337,896	-4,726,760	0	-25,064,656
Premiums and discounts	3,937,105	0	-313,946	247,131	201,723	4,072,012
Interest income	5,573,056	4,281,993	34,463,641	8,561,519	309,423	53,189,632
Foreign exchange differences	0	-89,042	-925,441	0	0	-1,014,483
As at 31 December 2013	197,096,116	135,700,257	1,135,406,507	173,477,782	422,849,369	2,064,530,030
Purchases	0	158,205,830	898,684,842	890,567,833	89,872,613	2,037,331,118
Maturities	-21,233,832	-19,350,288	-198,260,580	-98,619,710	-365,498	-337,829,908
Disposal	0	-99,670,037	-689,460,125	-866,845,840	-104,295,179	-1,760,271,181
Amount removed from equity	0	0	45,077,129	0	0	45,077,129
Valuation trough profit and loss	-461,186	19,330,614	0	52,726	41,253,908	60,176,062
Valuation trough equity	0	0	76,792,448	0	0	76,792,448
Value adjustment changes	0	0	-38,459	1,636	0	-36,823
Premiums and discounts	4,001,384	0	-2,783,500	302,123	205,202	1,725,209
Interest income	6,733,777	6,000,519	33,678,368	5,594,631	282,355	52,289,650
Merger	0	0	-1,503,668	0	0	-1,503,668
Exchange rate difference	0	282,115	1,822,109	0	0	2,104,224
As at 31 December 2014	186,136,258	200,499,009	1,299,415,074	104,531,182	449,802,771	2,240,384,294

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

As at the reporting date, the portfolio of Zavarovalnica Triglav included neither received securities as collateral for loans given (31 December 2013: EUR 115,000) nor any securities pledged as collateral for its liabilities.

6.6. Reinsurers' share of technical provisions

	in EUR	
NON-LIFE INSURANCE	2014	2013
Reinsurers' share of unearned premiums	14,059,397	14,658,068
Reinsurers' share of claims provisions recorded	44,521,655	39,575,125
Reinsurers' share of claims provisions per IBNR and triangle	17,291,192	15,034,459
Reinsurer's share of claims provisions for expected subrogation	-639,265	-652,565
Total non-life insurance	75,232,980	68,615,087
LIFE INSURANCE	2014	2013
Reinsurers' share of claims provisions recorded	92,370	28,264
Total life insurance	92,370	28,264
TOTAL ASSETS FROM REINSURANCE CONTRACTS	75,325,350	68,643,350

6.7. Receivables

	in EUR	
	2014	2013
1. RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	61,527,739	63,302,197
- Receivables from insurers	58,907,437	62,011,814
gross value	94,488,245	99,899,176
value adjustment	-35,580,808	-37,887,362
- Receivables from insurance brokers	175,561	199,677
gross value	328,696	343,959
value adjustment	-153,135	-144,282
- Other receivables from direct insurance operations	2,444,741	1,090,706
gross value	3,008,845	2,311,432
value adjustment	-564,104	-1,220,726
2. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	6,689,625	9,140,990
- Premium receivable from co-insurance	590,574	626,164
- Receivables from co-insurers' share in claims	222,282	63,566
- Receivables from reinsurers' share in claims	5,876,769	8,451,260
3. CURRENT TAX RECEIVABLES	0	12,912,838
4. OTHER RECEIVABLES	26,515,088	16,650,018
- Other short-term receivables from insurance operations	7,081,375	6,795,566
gross value	97,538,954	97,099,383
value adjustment	-90,457,579	-90,303,818
- Short-term receivables from financing	12,773,042	6,670,794
gross value	14,418,299	6,750,677
impairment	-1,645,257	-79,884
- Other short-term receivables	3,755,268	3,066,160
gross value	3,833,302	3,150,755
impairment	-78,034	-84,595
- Long-term receivables	2,905,403	117,499
TOTAL RECEIVABLES	94,732,452	102,006,043

Changes in impairment allowance for receivables

	in EUR	
	2014	2013
VALUE ADJUSTMENT OF RECEIVABLES FROM POLICYHOLDERS		
Impairment allowance for receivables as at 1 January	37,887,362	38,314,950
- Increase of impairment allowance for receivables	7,239,287	8,653,202
- Decrease in impairment allowance for receivables	-6,428,685	-6,670,352
- Receivables write-off	-3,117,157	-2,410,438
Impairment allowance for receivables as at 31 December	35,580,808	37,887,362
IMPAIRMENT ALLOWANCE FOR OTHER SHORT-TERM RECEIVABLES		
Impairment allowance for receivables as at 1 January	90,303,817	87,006,268
- Increase of impairment allowance for receivables	11,325,612	12,915,323
- Decrease in impairment allowance for receivables	-8,503,959	-8,181,189
- Receivables write-off	-2,667,892	-1,436,584
Impairment allowance for receivables as at 31 December	90,457,579	90,303,818
OTHER		
Impairment allowance for receivables as at 1 January	1,529,485	1,629,867
- Increase of impairment allowance for receivables	1,646,779	382,778
- Decrease in impairment allowance for receivables	-109,611	-180,073
- Receivables write-off	-36,519	-303,085
- Transfer on deferred income	-709,481	0
- Merger	119,876	0
Impairment allowance for receivables as at 31 December	2,440,529	1,529,487

Receivables from financial leasing

	MINIMUM LEASE PAYMENTS	CURRENT VALUE OF MINIMUM LEASE PAYMENTS
	2014	2014
up to 1 year	850,918	754,175
from 1 to 5 years	2,722,939	2,467,331
More than 5 years	340,367	323,939
TOTAL	3,914,224	3,545,444
less unearned financial income	-211,114	0
less maintenance costs	-157,667	0
Receivable present value of the minimum lease payments	3,545,444	3,545,444

Upon the merger of Triglav Nepremičnine d.o.o., the transfer of its assets and liabilities to the Company included receivables from financial leasing. According to a financial leasing agreement the lessee has an option of gradually or early redemption of the leased asset. In case the lessee does not decide for this option, they become the owner of the leased asset with the payment of the last instalment (30 June 2020). For the term of the lease financial income is generated: interest income at a rate of 2.717% for 2014 (real interest rate at 2.192% + 12-month Euribor) plus of insurance costs and the costs of repairs and renewals. The unguaranteed residual value of the leased asset was not established.

As at the reporting date, there were no overdue receivables from financial leasing and no related impairment provisions. Receivables from financial leasing were recognised in the Company's statement of financial position under other receivables. The said property is in mortgage – the mortgagees are the lesser and the lessee according to their share in the property.

6.8. Other assets

	in EUR	
	2014	2013
Inventories	210,250	302,971
Group software payments	845,147	657,400
Prepayments and accrued income	2,403,195	779,751
- deferred operating costs of materials	10,567	3,286
- deferred operating costs of services	2,264,091	609,749
- other deferred costs	2,798	44,197
- other	125,740	122,518
TOTAL	3,458,592	1,740,121

6.9. Cash and cash equivalents

	in EUR	
	2014	2013
Cash in bank accounts	4,913,347	4,639,297
Cash in other currencies	721,760	346,544
Cash on hand and cheques	15,562	14,240
TOTAL	5,650,669	5,000,081

Cash and cash equivalents of EUR 5,650,669 are available to fund Zavarovalnica Triglav's day-to-day operations.

6.10. Equity

As at 31 December 2014, the share capital amounted to EUR 73,701,392. The share capital was divided into 22,735,148 no-par value shares. Each share represents the same stake and a corresponding amount in the share capital. The portion of each no-par value share in the share capital is determined on the basis of the number of no-par value shares issued. All of the shares have been paid up in full.

Top 10 shareholders of Zavarovalnica Triglav are listed below.

Shareholder	Number of shares		Percentage of ownership	
	2014	2013	2014	2013
Zavod za pokojninsko in invalidsko zavarovanje, Ljubljana, Slovenia	7,836,628	7,836,628	34.47	34.47
Slovenski državni holding, d.d., Ljubljana, Slovenia	6,386,644	6,380,728	28.09	28.07
Hypo Alpe Adria Bank, d.d., Zagreb, Croatia	1,373,658	825,769	6.04	3.63
Skandinaviska Enskilda Banken S.A. Luxembourg, Luxembourg	463,285	334,516	2.04	1.47
Hrvatska Poštanska Banka, d.d., Zagreb, Croatia	347,477	347,182	1.53	1.53
Eastern European Fund, Luxembourg, Luxembourg	333,034	333,034	1.46	1.46
Austrian Anadi Bank AG, Klagenfurt, Austria	279,164	279,164	1.23	1.23
Pozavarovalnica Sava, d.d., Ljubljana, Slovenia	166,678	197,489	0.73	0.87
Alpen. SI, mešani fleksibilni podsklad (mixed flexible subfund)	152,477	163,790	0.67	0.72
Unicredit Bank Austria AG, Vienna, Austria	149,052	201,349	0.66	0.89
Other shareholders (each less than 1%)	5,247,051	5,836,499	23.08	25.67
TOTAL	22,735,148	22,735,148	100.00	100.00

Stock exchange listing and share price

The quoted price of the Company's share on the Ljubljana Stock Exchange at the year end is given below.

	in EUR	
	31 December 2014	31 December 2013
Quoted price of the share	23.60	19.00
Carrying amount per share	23.93	21.91

Distribution of accumulated profits

	in EUR	
	2014	2013
Net profit/loss for the year	45,612,581	48,290,466
Net profit brought forward	39,176,417	52,735,703
Share capital increase	0	0
Decrease in retained income of deferred tax	-610,957	0
Zmanjšanje rezerv za kreditna tveganja	8,994	0
Increase of other reserves from profit based on the decision by the Management and Supervisory Boards	-22,500,000	-23,200,000
ACCUMULATED PROFITS	61,687,035	77,826,169
Distribution of accumulated profits		
- to shareholders		-38,649,752
- allocation to other reserves from profit		0
- transfer to the following year		39,176,417

In 2013, dividend per share totalled EUR 1.70. The distribution of the accumulated profit for 2014 will be proposed by the Management and Supervisory Board and submitted for decision to the General Meeting of Shareholders of Zavarovalnica Triglav.

Authorised capital

In accordance with the Company's Articles and Memorandum of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by 28 June 2016 up to EUR 11,055,209 through new shares issued for cash. The issue of new shares, the amount of share capital increases, the rights attached to new shares and the conditions for issuing new shares are decided by the Company's Management Board with 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 credit risk equalisation reserves and other profit reserves.

According to the Companies Act, 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 2014, the Management Board exercised this option and transferred EUR 22.5 million from net profit for the year to other reserves. In addition to prudent risk management, strategic capital needs are considered when forming these profit reserves.

The disclosed reserves from profit include credit risk equalisation reserves. Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act (ZZavar) which defines that equalisation reserves as insurance technical provisions and requires that they are recognised under insurance technical provisions and formed or used through the income statement. As this is not in compliance with IFRS, equalisation reserves are disclosed under reserves from profit in accordance with IFRS and are formed from net profit for the year in the statement of changes in equity. Since the above mentioned requirements do not comply with IFRS, the Group discloses equalization provisions under reserves from profit in accordance with IFRS. These are formed from net profit for the year in the statement of

changes in equity. The amount of equalisation reserves is reduced by deferred tax and disclosed under deferred tax liabilities. Due to a changed tax rate the deferred tax for equalisation reserves increased by EUR 610,957, which in turn decreased net profit brought forward.

In 2014 credit risk equalisation provisions decreased by EUR 8,994.

Fair value reserve

The fair value reserve represents changes in the fair value of available-for-sale financial assets recognised under other comprehensive income. The fair value reserve is reduced by the deferred tax liabilities.

Fair value reserve also includes actuarial gains and losses that arise from employee benefits. For explanation see Section 6.13.

Changes in fair value reserve are shown in the table below.

	in EUR		
	TOTAL	NON-LIFE	LIFE
As at 1 January 2013	46,049,906	32,551,932	13,497,974
Increase in capital revaluation surplus, increase in fair value of available-for-sale financial assets	-13,666,161	-8,038,327	-5,627,834
Changes in revaluation surplus from net actuarial gains/losses on pension schemes	-77,385	-64,447	-12,939
Transfer of revaluation surplus to financial income / expenses (due to impairment)	20,337,896	13,954,590	6,383,306
Transfer of revaluation surplus to financial income / expenses (due to disposal)	-21,202,501	-12,693,285	-8,509,216
Transfer of revaluation surplus to mathematical provisions (+/-)	2,853,742	0	2,853,742
Transfer to deferred tax liabilities (+/-)	1,067,347	398,119	669,228
As at 31 December 2013	35,362,843	26,108,583	9,254,261
Increase in capital revaluation surplus, increase in fair value of available-for-sale financial assets	122,568,367	55,855,747	66,712,620
Changes in revaluation surplus from net actuarial gains/losses on pension schemes	-606,509	-501,765	-104,744
Transfer of revaluation surplus to financial income / expenses (due to impairment)	38,459	22,630	15,829
Transfer of revaluation surplus to financial income / expenses (due to disposal)	-45,024,466	-22,895,647	-22,128,820
Transfer of revaluation surplus to mathematical provisions (+/-)	-25,899,972	0	-25,899,972
Transfer to deferred tax liabilities (+/-)	-13,217,494	-5,521,764	-7,695,730
As at 31 December 2014	73,221,229	53,067,784	20,153,445

6.11. Subordinated liabilities

	in EUR			
	Amortised cost 2014	Amortised cost 2013	Fair value 2014	Fair value 2013
ZT02 bonds	29,958,540	29,956,713	32,985,000	31,093,767
TOTAL SUBORDINATED LIABILITIES	29,958,540	29,956,713	32,985,000	31,093,767

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. For the calculation of fair values, the last known price on the Ljubljana Stock Exchange is taken into account. The price for ZT02 as at 31 December 2014 was 109.95% (vs. 99% as at 31 December 2013).

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 for of debt. ZT02 bonds were listed on the Ljubljana Stock Exchange in 2010.

6.12. Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts

		in EUR	
NON-LIFE INSURANCE		2014	2013
GROSS UNEARNED PREMIUMS			
Gross unearned premiums	182,381,009	187,727,609	
Gross provisions for unearned premiums from co-insurance	108,696	130,421	
TOTAL GROSS UNEARNED PREMIUMS	182,489,705	187,858,030	
GROSS CLAIMS PROVISIONS			
Gross provisions for incurred and unreported claims	164,619,633	159,716,229	
Gross claims provisions for co-insurance	1,167,517	1,193,378	
Gross claims provisions for IBNR and IBNER	286,480,994	301,291,529	
Expected subrogation	-10,144,686	-9,842,561	
Provisions for claim handling costs	47,739,329	38,404,417	
GROSS CLAIMS PROVISIONS	489,862,786	490,762,992	
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS		15,380,257	15,040,488
OTHER GROSS INSURANCE TECHNICAL PROVISIONS			
Provisions for cancellation	915,691	885,379	
Provisions for unexpired risk	3,047,864	851,958	
TOTAL OTHER GROSS INSURANCE TECHNICAL PROVISIONS	3,963,555	1,737,337	
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS		691,696,303	695,398,847
LIFE INSURANCE		2014	2013
GROSS UNEARNED PREMIUMS		412,831	428,747
GROSS MATHEMATICAL PROVISIONS*			
Gross mathematical provisions covering life insurance	695,353,332	646,842,807	
Gross mathematical provisions covering SVPI - 01,02,03,04	175,208,966	151,356,871	
Gross mathematical provisions covering SVPI - 04,05	1,186,221	716,564	
Gross mathematical provision covering SVPI during the annuity pay-out period	25,454,576	17,212,172	
Gross mathematical provisions covering ULI	442,952,449	420,333,091	
Non-distributed surplus	7,655,105	7,655,105	
TOTAL GROSS MATHEMATICAL PROVISIONS	1,347,810,649	1,244,116,610	
GROSS CLAIMS PROVISIONS			
Gross provisions for incurred and reported claims	3,719,985	2,860,804	
Gross claims provisions for IBNR and IBNER	15,165,189	16,205,981	
Provisions for claim handling costs	251,173	261,215	
TOTAL GROSS CLAIMS PROVISIONS	19,136,346	19,328,000	
ADDITIONAL PROVISIONS FOR CREDIT RISKS		986,715	0
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS		1,368,346,541	1,263,873,357
TOTAL INSURANCE TECHNICAL PROVISIONS		2,060,042,843	1,959,272,204

* Insurance technical provisions include gross mathematical provisions for the long-term business fund backing unit-linked insurance (ULI), which are disclosed in the financial statements under the separate item "Insurance technical provisions for unit-linked insurance".

Analysis of changes in gross insurance technical provisions

in EUR

NON-LIFE INSURANCE	1 January 2014	Formation	Use	31 December 2014
Gross unearned premium	187,858,030	155,149,333	-160,517,658	182,489,705
Gross claims provisions	490,762,992	161,322,550	-162,222,756	489,862,786
Gross provisions for bonuses and discounts	15,040,487	9,688,939	-9,349,170	15,380,257
Other gross insurance technical provisions	1,737,337	3,963,555	-1,737,337	3,963,555
TOTAL	695,398,846	330,124,377	-333,826,921	691,696,303

LIFE INSURANCE	1 January 2014	Formation	Use	31 December 2014
Gross unearned premium	428,747	412,831	-428,747	412,832
Gross mathematical provisions	823,783,519	173,160,367	-92,085,685	904,858,200
Gross claims provisions	19,328,000	12,746,921	-12,938,575	19,136,346
Gross mathematical provisions for unit-linked insurance	420,333,091	89,774,022	-67,154,665	442,952,449
Additional provisions for credit risks	0	986,715	0	986,715
TOTAL	1,263,873,356	277,080,856	-172,911,327	1,368,346,541

TOTAL	1 January 2014	Formation	Use	31 December 2014
Gross unearned premium	188,286,777	155,562,164	-160,946,405	182,902,537
Gross mathematical provisions	823,783,519	173,160,367	-92,085,685	904,858,200
Gross claims provisions	510,090,992	174,069,471	-175,161,331	508,999,132
Gross provisions for bonuses and discounts	15,040,487	9,688,939	-9,349,170	15,380,257
Other gross insurance technical provisions	1,737,337	3,963,555	-1,737,337	3,963,555
Gross insurance technical provisions for unit-linked insurance	420,333,091	89,774,022	-67,154,665	442,952,449
Additional provisions for credit risks	0	986,715	0	986,715
TOTAL	1,959,272,202	607,205,234	-506,434,593	2,060,042,843

Analysis of the decrease in gross mathematical provisions

in EUR

	2014	2013
Surrenders	21,994,768	38,343,345
Endowments	57,506,216	57,530,720
Deaths	2,249,099	2,582,535
Other	10,335,602	5,725,706
TOTAL	92,085,685	104,182,306

Other releases primarily concern life pension annuity pay-outs. The disclosed amount also includes releases of additional provisions as a result of shadow accounting in the PDPZ guarantee fund and releases of additional mathematical provisions for credit risk. In accordance with the requirement by the ISA other insurance technical provisions were formed instead of the latter ones.

Analysis of changes in gross provisions for unearned premiums

in EUR				
NON-LIFE	1 January 2014	Increase (formation)	Use	31 December 2014
Gross provisions for unearned premiums	187,858,030	155,149,333	-160,517,658	182,489,705
Unearned premium provisions transferred to reinsurance	-14,658,068	-11,953,036	12,551,707	-14,059,397
NET UNEARNED PREMIUMS	173,199,962	143,196,297	-147,965,951	168,430,308

in EUR				
LIFE	1 January 2014	Increase (formation)	Use	31 December 2014
Gross provisions for unearned premiums	428,747	412,831	-428,747	412,832
Unearned premium provisions transferred to reinsurance	0	0	0	0
NET UNEARNED PREMIUMS	428,747	412,831	-428,747	412,832

Analysis of changes in gross claim provisions transferred to reinsurance

in EUR				
NON-LIFE	1 January 2014	Increase (formation)	Use	31 December 2014
Gross claim provisions	490,762,992	161,322,550	-162,222,756	489,862,786
Claims provisions transferred to reinsurance	-53,957,019	-20,145,801	12,929,237	-61,173,583
NET CLAIMS PROVISIONS	436,805,973	141,176,749	-149,293,519	428,689,203

in EUR				
LIFE	1 January 2014	Increase (formation)	Use	31 December 2014
Gross claim provisions	19,328,000	12,746,921	-12,938,575	19,136,346
Claims provisions transferred to reinsurance	-28,264	-92,371	28,264	-92,371
NET CLAIMS PROVISIONS	19,299,736	12,654,550	-12,910,311	19,043,975

Analysis of changes in loss events for non-life insurance

	Year of occurrence												
	Before 2004	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	SKUPAJ
Cumulative loss assessment													
- at the end of year of occurrence		300,321,582	293,648,724	333,104,982	375,371,479	474,044,321	428,334,819	397,894,156	344,766,188	357,523,991	317,835,549	320,473,605	3,943,319,397
- 1 year after year of occurrence		299,102,982	286,483,511	318,047,133	350,847,419	439,920,329	379,229,569	349,567,530	303,201,976	304,864,538	266,546,400		3,297,811,387
- 2 years after year of occurrence		302,629,528	283,428,670	306,581,723	340,005,493	419,626,410	365,975,020	333,049,538	288,324,957	296,542,971			2,936,164,309
- 3 years after year of occurrence		294,763,357	277,541,969	297,050,736	329,957,813	411,548,525	356,293,810	326,228,216	282,155,740				2,575,540,166
- 4 years after year of occurrence		291,469,189	275,113,667	294,148,611	325,364,482	405,638,003	352,427,627	320,837,129					2,264,998,708
- 5 years after year of occurrence		290,880,340	270,329,882	289,227,699	321,506,313	404,027,863	347,853,432						1,923,825,528
- 6 years after year of occurrence		288,717,188	271,391,244	286,419,831	319,930,935	401,458,477							1,567,917,676
- 7 years after year of occurrence		289,554,718	265,009,915	285,779,707	317,114,795								1,157,459,135
- 8 years after year of occurrence		284,867,399	264,379,197	284,857,676									834,104,273
- 9 years after year of occurrence		284,461,462	263,977,944										548,439,406
- 10 years after year of occurrence		280,672,816											280,672,816
- 11+ years after year of occurrence	49,164,648												
Cumulative loss assessment		280,672,816	263,977,944	284,857,676	317,114,795	401,458,477	347,853,432	320,837,129	282,155,740	296,542,971	266,546,400	320,473,605	3,382,490,985
Cumulative payments until balance sheet date		274,291,726	254,497,062	270,798,979	302,019,410	382,647,551	326,291,811	293,924,314	252,625,047	238,855,555	209,244,688	172,639,079	2,977,835,223
Claims provisions balance	46,444,864	6,381,090	9,480,882	14,058,697	15,095,385	18,810,926	21,561,620	26,912,815	29,530,693	57,687,415	57,301,711	147,834,526	451,100,626

6.13. Employee benefits

	v EUR	
	2014	2013
As at 1 Jan.	8,459,095	7,994,891
Increase	4,429,347	3,724,393
Decrease	-3,479,788	-3,260,189
As at 31 Dec.	9,408,654	8,459,095
Provisions for unused leave	3,163,255	3,186,452
Provisions for jubilee and retirement benefits	5,198,929	4,292,503
Provisions for jubilee rewards	1,046,471	980,140
As at 31 Dec.	9,408,654	8,459,095

The maturity structure of employee benefits provisions is disclosed in Section 4.3.4.

Provisions for (redundancy) payments (at retirement) and jubilee benefits

	in EUR		
	Provisions for retirement benefits	Provisions for jubilee benefits	Total
As at 1 Jan. 2013	3,955,107	1,022,768	4,977,875
Current service cost	353,151	129,921	483,072
Interest expenses	64,729	8,412	73,141
Actuarial gains/loss due to:			
- change in demographic assumptions	246,346	6,128	252,474
- change in financial assumptions	-243,864	-27,937	-271,801
- experience adjustments	74,904	46,161	121,065
Past service cost	0	0	0
Profit/loss upon payment	-21,958	-34,406	-56,364
Termination payments during the year	-135,912	-170,908	-306,820
As at 31 Dec. 2013	4,292,503	980,139	5,272,642
Current service cost	354,906	116,171	471,077
Interest expenses	86,963	11,682	98,645
Actuarial gains/loss due to:			
- change in demographic assumptions	0	0	0
- change in financial assumptions	846,342	86,860	933,202
- experience adjustments	-239,833	50,402	-189,431
Past service cost	0	0	0
Profit/loss upon payment	-15,130	-32,269	-47,400
Termination payments during the year	-126,822	-166,514	-293,335
As at 31 Dec. 2014	5,198,929	1,046,471	6,245,400

The change in provisions for unused leave and for jubilee benefits is disclosed under other operating costs in the income statement. The same applies for changes in provisions for retirement allowances, excluding actuarial gains/losses, which are recognized in other comprehensive income, the deferred tax included.

Sensitivity analysis of parameter changes

		in EUR	
Parameter	Parameter change	2014	2013
Interest rate	shift in the discount curve by +0.25%	-156,929	-122,067
	shift in the discount curve by -0.25%	155,067	126,899
Wage growth	change in annual wage growth by +0.5%	307,122	249,075
	change in annual wage growth by -0.5%	-269,604	-220,816
Mortality rate	constant increase in mortality by +20%	-88,274	-70,040
	constant increase in mortality by -20%	90,295	71,590
Early employment termination	shift in the expense curve by +20%	-102,572	-80,277
	shift in the expense curve by -20%	106,730	83,456

6.14. Other provisions

		in EUR	
		2014	2013
As at 1 January		570,449	934,334
Increase		717,003	256,796
Decrease		-888,372	-620,681
As at 31 December		399,080	570,449

Other provisions relate to provisions for disabled employees, provisions for assets acquired free of charge and other long-term deferred income and accrued expenses.

6.15. Deferred tax assets and liabilities

		in EUR	
		2014	2013
Deferred tax assets			
As at 1 January		19,106,545	29,747,749
Increase		5,634,381	9,808,307
Decrease		-9,727,330	-20,449,511
As at 31 December		15,013,596	19,106,545
Deferred tax liabilities			
As at 1 January		14,055,080	15,109,271
Increase		13,931,557	0
Decrease		0	-1,054,191
As at 31 December		27,986,637	14,055,080
Net deferred tax assets/liabilities		-12,973,041	5,051,465

Deferred tax assets are recognised for temporary differences arising from the impairment of receivables, financial assets and investment property, from employee benefits and from differences between the tax, carrying amount on property, plant and equipment, actuarial losses and unused tax loss carryforwards. Deferred tax assets are not recognised for impairments of investments in subsidiaries and associates.

Deferred tax liabilities are recognised due to the valuation of available-for-sale financial assets and credit risk equalisation reserves.

The change in deferred tax assets is recognised in the income statement, increasing and/or decreasing income tax expense, except for actuarial losses for which deferred tax is recognised

in other comprehensive income. The change in deferred tax liabilities is recognised in other comprehensive income. The impact of changes on the income statement and the comprehensive income is shown in Section 7.15.

6.16. Other financial liabilities

	in EUR	
	2014	2013
Financial liabilities for acquired securities	0	0
Liabilities for dividends	552,224	433,234
Liabilities for for guarantee deposits received	0	1,503
Liabilities for profit-sharing bonuses for employees	9,404	9,404
Liabilities from derivative financial instruments	0	0
Other financial liabilities	1,132,284	893,563
TOTAL	1,693,912	1,337,704

As at 31 December 2014 the Company has four outstanding credit lines with four different banks, totalling EUR 40 million (as at 31 December 2013 EUR 39 million). As at 31 December 2014 the Company has no outstanding liabilities due to these credit lines.

The Company has also bank account limits with two different banks in total amount of EUR 9 million, same as at 31 December 2013. As at 31 December 2014 the Company has no outstanding liabilities due to these bank limits.

6.17. Operating liabilities

	in EUR	
	2014	2013
DIRECT INSURANCE LIABILITIES		
Liabilities to policyholders	7,665,832	8,068,387
Liabilities to insurance brokers	795,650	1,098,413
Other liabilities from direct insurance operations	1,353,513	1,511,565
Liabilities from direct insurance operations to Group companies	816,805	965,263
TOTAL liabilities from direct insurance operations	10,631,799	11,643,628
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS		
Liabilities for re/co-insurance premiums	1,090,852	599,121
Liabilities for co-insurers' share of claims	29,565	153,393
Other re/co-insurance liabilities to Group companies	9,286,094	10,383,349
TOTAL liabilities from co-insurance and re-insurance	10,406,511	11,135,863
Current tax liabilities	4,795,056	0
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	25,833,367	22,779,491

6.18. Other liabilities

	in EUR	
	2014	2013
Short-term liabilities to employees	15,761,663	10,211,309
Trade payables	10,832,874	11,061,580
Liabilities towards the Slovenian Insurance Association	2,567,586	1,953,732
Liabilities for tax on insurance services	1,802,413	1,660,627
Accrued interest on issued bonds	1,393,767	1,393,767
Liabilities for fire tax	303,945	292,562
Other short-term liabilities from insurance operations	615,899	653,732
Other short-term liabilities	2,012,784	1,761,163
Other long-term liabilities	19,500	0
Kratkoročno odloženi prihodki zaračunanih zamudnih obresti od zavarovalne premije	1,338,021	0
Other accruals	308,595	240,990
TOTAL OTHER LIABILITIES	36,957,048	29,229,462

Short-term liabilities to employees relate to December salaries, which were paid in January 2015 and liabilities to employees for bonuses based on business results for 2014. Expense for this bonus in the amount of EUR 8.2 million is recognised as other expense in the income statements (see Section 7.14).

6.19. Fair value of assets and liabilities

In valuing financial assets at fair value Zavarovalnica Triglav applied the following price 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), entirely based on observable market data relating to binding listings not older than one day);
- 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;
- 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.

In the reporting year, the fund manager changed the method of measuring fair value of financial assets and applied a fair value hierarchy for disclosure purposes. In 2013, the Group used Bloomberg generic prices (BGN) (available from Bloomberg) and in 2014 BVAL rates (Bloomberg Valuation Service) – the use of market and model prices taking into account the quality of market inputs. The method of classification in levels is described below. A changed method of fair value calculation is not significant considering the amount of financial assets.

The tables below show financial assets and liabilities carried at fair value, classified according to the fair value hierarchy:

As at 31 December 2014	Measurement date	Level 1	Level 2	Level 3	Total
ASSETS - measured at fair value					
Equity securities	31. 12. 2014	90,422,335	0	3,633,127	94,055,462
Debt securities	31. 12. 2014	900,248,452	503,433,285	0	1,403,681,737
Derivative financial instruments	31. 12. 2014	0	698,620	0	698,620
Unit-linked insurance assets	31. 12. 2014	338,338,690	99,662,396	0	438,001,086
Investments in associates	31. 12. 2014	0	0	10,427,236	10,427,236
ASSETS - fair value disclosed					
Land and buildings for insurance activities	31. 12. 2013	0	0	60,720,099	60,720,099
Land and buildings for investment activities	30. 6. 2014	0	0	27,043,123	27,043,123
Debt securities	31. 12. 2014	63,104,084	168,142,096	0	231,246,180
LIABILITIES - fair value disclosed					
Subordinated bonds	31. 12. 2014	32,985,000	0	0	32,985,000

As at 31 December 2013	Measurement date	Level 1	Level 2	Level 3	Total
ASSETS - measured at fair value					
Equity securities	31. 12. 2013	73,732,792	0	3,700,385	77,433,177
Debt securities	31. 12. 2013	1,116,491,864	75,090,090	0	1,191,581,954
Derivative financial instruments	31. 12. 2013	231,332	433,834	0	665,166
Unit-linked insurance assets	31. 12. 2013	318,620,558	96,198,917	0	414,819,475
Investments in associates	31. 12. 2013	0	0	9,637,324	9,637,324
ASSETS - fair value disclosed					
Land and buildings for insurance activities	31. 12. 2012	0	0	56,120,455	56,120,455
Land and buildings for investment activities	30. 6. 2013	0	0	25,620,646	25,620,646
Debt securities	31. 12. 2013	207,007,348	0	0	207,007,348
LIABILITIES - fair value disclosed					
Subordinated bonds	31. 12. 2014	31,093,767	0	0	31,093,767

Value assessment techniques and inputs used for measurement purposes

Financial investment type	Value assessment method	Material parameters	Parameter weight applied	Fair value hierarchy
EXTERNAL APPRAISERS (market operator)				
Debt securities - composite	stochastic model, HW1f and HW2f network models	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, correlation matrix, volatility indices		level 2
Equity securities	stochastic model	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, volatility indices		level 2
Derivatives	Black-Scholes model	index volatility		level 2
BLOOMBERG BVAL				
Debt securities				
Debt securities - government	cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, indicative listings		level 2
Debt securities - companies and financial institutions	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				
Debt securities - government	cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve	1y: 0.3581%, 2y: 0.5212%, 3y: 0.9128%, 4y: 1.1691%, 5Y: 1.4925%, 6y: 1.7706%, 7Y: 1.8368, 8Y: 1.9791, 9y: 2.1499%, 10y: 2.2682%; credit spreads between 0% and 1%	level 2
Debt securities - companies and financial institutions	cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve, issuer credit spreads	1y: 0.3581%, 2y: 0.5212%, 3y: 0.9128%, 4y: 1.1691%, 5Y: 1.4925%, 6y: 1.7706%, 7Y: 1.8368, 8Y: 1.9791, 9y: 2.1499%, 10y: 2.2682%; credit spreads between 1.45% and 3,33%	level 2
Equity securities				
	cash flow discounting	g (growth rate during constant growth period)	2%	level 3
		EBIT margin (constant growth period)	30,70%	level 3
		discount rate	13,40%	level 3
		lack of marketability discount	10%	level 3
Equity investment in associates				
	NAV method	real property price changes		level 3
	cash flow discounting	g (growth rate during constant growth period)	2%	level 3
		net margin (constant growth period)	45,74%	level 3
		re - discount rate	13,04%	level 3
		lack of marketability discount	10%	level 3

The value of the associate Nama d.d., Ljubljana was measured using two sets of calculations based both on the discounted cash flow method and the net asset value method, under the assumption of regular discontinuation of commercial activities and continuation of investment property leasing. According to the former method the value of the investment in the associate is EUR 2,275,722 (current use of the financial asset) and according to the latter method it is EUR 7,034,049 (highest and best use of the financial asset). For accounting purposes the value arrived at using the NAV method was used, which differs from the value derived from the current use of the financial asset. In 2014, the associate adopted a new strategy which envisages serious business changes and, among other options, defines the leasing or sale of the real property/premises in which the associate currently conducts its business.

Level 3 financial assets

Financial assets, classified into Level 3, include only equity securities recognised as available-for-sale financial assets.

Changes of Level 3 financial assets

	2014	2013
Opening balance	13,337,709	28,963,336
Acquisitions	417	0
Disposals	-23,555	-5,190
Revaluation through profit or loss	0	-11,710,395
Revaluation in other comprehensive	743,563	-3,910,042
Povečanje finančnih naložb zaradi pripojitve Triglav Nepremičnine	2,228	0
Closing balance for the period	14,060,363	13,337,709

The sales involved partial recovery of KLI Logatec shares from the bankruptcy estate of the said company. Upon the disposal of these shares a profit of EUR 22,298 was recognised and disclosed in the income statement under income from financial assets.

Disclosed other comprehensive income includes the unrealised gain arising from the valuation of the investment in Skupna pokojninska družba d.d. and the unrealised loss arising from the valuation of the investment in Poteza Capital Management B.V. and Erste d.o.o.

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.

The calculated range is shown in the table below:

	Total value in EUR	Estimated value deviation +/-
Non-marketable assets (Level 3)	3,633,127	-340.000 / +400.000
Equity investment in associates	10,427,236	-3.090.000/+ 3.170.000

Reclassification of financial assets between levels

In 2014, the following reclassification was performed:

- From level 1 to level 2: debt securities amounting to EUR 294.089.890 (2013: EUR 5,193). The reclassification was due to the changed method of measuring fair value, as described at the beginning of this section.
- From level 2 to level 1: no reclassifications in 2014 (2013: debt securities totalling EUR 31,728,463).

Reclassification of financial assets in accordance with amendments to IFRS

In accordance with amendments to IFRS (IAS 39.50) and IAS 39.54, the Company opted for the reclassification of financial assets already in 2008 and 2010. As at 1 July 2008 available-for-sale financial assets have been reclassified into categories »loans and receivables« and »held to maturity«.

The financial assets reclassified from »available-for-sale« to »held to maturity« category were fully disposed of in 2014.

In 2010 the Company additionally reclassified available-for-sale financial assets (AFS) in the financial assets held to maturity category (HTM). The effects of reclassifications are disclosed below.

Reclassifications from »available-for-sale« to »held to maturity« category

Date of reclassification: 1 July 2008
Amount of reclassified financial assets: EUR 73.746.981
Effective interest rate at the date of reclassification: 5.80%

Date of second reclassification: 13 January 2010
Amount of reclassified financial assets: EUR 5.005.705

Effective interest rate at the date of reclassification: 8.85%

The effect of reclassification for the current and previous year is shown in the table below.

	2014	2013
Carrying amount of reclassified assets as at 31 December	38,269,398	41,472,503
Fair value of reclassified assets as at 31 December	44,402,638	45,012,939
Impact on comprehensive income if not reclassified	6,133,241	3,540,436
Impact on net profit if not reclassified	0	0
Profit from disposal of reclassified financial assets	0	0
Estimated cash flows	48,065,162	53,522,667

In 2014 no additional reclassifications have been performed.

7. NOTES TO THE INCOME STATEMENT

7.1. Premium income

	in EUR	
NON-LIFE INSURANCE	2014	2013
Gross written premium	417,337,076	424,579,717
Assumed co-insurance written premium	1,452,748	1,979,159
Ceded co-insurance written premium	-625,944	-80,798
Reinsurance written premium	-66,318,785	-65,924,435
Changes in gross provisions for unearned premiums	4,977,649	11,107,706
Changes in reinsurers' share of unearned premiums	-598,671	-1,885,917
NET PREMIUM INCOME FROM NON-LIFE INSURANCE	356,224,073	369,775,432
LIFE INSURANCE	2014	2013
Gross written premium	173,829,628	179,199,515
Reinsurance written premium	-342,426	-327,247
Changes in gross provisions for unearned premiums	15,915	-25,387
NET PREMIUM INCOME FROM LIFE INSURANCE	173,503,117	178,846,881
TOTAL NET PREMIUM INCOME	529,727,190	548,622,313

7.2. Overview of premium income by insurance class

	in EUR			
2014	Gross written premium	Re/co-insurers' share in gross written premium	Change in gross unearned premiums	Change in unearned premium for re/co-insurers' share
NON-LIFE INSURANCE				
- Accident insurance	30,520,339	-1,013,487	570,158	-13,283
- Comprehensive car insurance	100,524,967	-9,731,204	794,789	328,496
- Property insurance	122,947,765	-36,286,459	3,197,031	-1,319,089
- Liability insurance	124,407,629	-12,851,580	1,971,808	282,851
- Credit insurance	23,152,992	-2,742,805	-901,414	-21,728
- Other non-life insurance	17,236,132	-4,319,194	-654,723	144,082
Total non-life insurance	418,789,824	-66,944,729	4,977,649	-598,671
LIFE INSURANCE				
- Life insurance	85,640,550	-342,426	15,915	0
- Unit-linked life insurance	73,907,907	0	0	0
- Capital redemption insurance	14,281,171	0	0	0
Total life insurance	173,829,628	-342,426	15,915	0
TOTAL	592,619,451	-67,287,154	4,993,564	-598,671

2013	in EUR			
	Gross written premium	Re/co-insurers' share in gross written premium	Change in gross unearned premiums	Change in unearned premium for re/co-insurers' share
NON-LIFE INSURANCE				
- Accident insurance	31,759,125	-1,010,823	934,525	-20,886
- Comprehensive car insurance	103,007,604	-9,442,241	2,881,529	-542,942
- Property insurance	123,397,594	-36,170,819	2,592,960	-1,017,755
- Liability insurance	130,584,019	-11,972,641	4,288,853	-342,093
- Credit insurance	21,165,261	-2,656,068	591,513	-48,147
- Other non-life insurance	16,645,273	-4,752,641	-181,674	85,906
Total non-life insurance	426,558,876	-66,005,233	11,107,706	-1,885,917
LIFE INSURANCE				
- Life insurance	87,779,232	-327,247	-25,387	0
- Unit-linked life insurance	76,720,215	0	0	0
- Capital redemption insurance	14,700,068	0	0	0
Total life insurance	179,199,515	-327,247	-25,387	0
TOTAL	605,758,391	-66,332,480	11,082,319	-1,885,917

7.3. Income from financial assets

	in EUR	
	2014	2013
Interest income from financial assets		
- available for sale	30,778,007	34,149,695
- at fair value through profit and loss	6,211,639	4,525,773
- derivative financial instruments	0	0
- held to maturity	10,735,161	9,510,648
- loans and deposits	6,305,651	9,102,965
- cash or cash equivalents	1,704	1,980
- interest on late payments of insurance receivables	896,961	1,030,710
- interest income from subrogated receivables	5,538,795	5,219,093
- other interest income from insurance operations	96,297	9,498
TOTAL INTEREST INCOME	60,564,215	63,550,362
Dividends from		
- available-for-sale financial assets	3,116,665	1,609,323
- financial assets at fair value through profit and loss	427,860	400,282
- subsidiaries and associates	239,834	4,525,425
TOTAL DIVIDENDS	3,784,360	6,535,029
Fair value gains	89,734,083	69,123,517
Realised gains on disposals	54,194,732	27,150,110
Other financial income	3,736,357	977,909
TOTAL INVESTMENT INCOME	212,013,745	167,336,928

Fair value gains are described in detail in Section 7.5 and realised gains on disposals in Section 7.6.

7.4. Expenses from financial assets and liabilities

	in EUR	
	2014	2013
Interest expense from derivative financial instruments held for trading	0	22,039
Other interest expense	495,290	62,029
Interest expense from bonds issued	1,785,000	2,140,578
TOTAL INTEREST EXPENSE	2,280,291	2,224,646
Fair value losses	30,242,378	54,045,254
Realised loss on disposals	8,433,700	14,405,172
Loss on impairment of financial assets	20,563,363	51,713,431
Other finance costs	6,125,919	5,611,610
Loss on merger	1,503,668	0
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	69,149,319	128,000,114

Fair value losses are described in detail in Section 7.5 and realised losses on disposal of financial assets in Section 7.6.

Loss on impairment of financial assets comprises:

- EUR 11.7 million: Triglav INT d.d.;
- EUR 5.8 million: Triglav Naložbe, d.d.;
- EUR 2.4 million: Triglav, upravljanje nepremičnin;
- EUR 0.6 million: Pista, d.o.o.

Loss on impairment by categories of financial assets is shown in the table below.

	in EUR	
LOSS ON PERMANENT IMPAIRMENT OF FINANCIAL ASSETS	2014	2013
Available-for-sale financial assets	38,460	20,337,896
- Equity securities	38,460	18,264,699
- Debt securities	0	2,073,196
Financial assets held to maturity	0	4,750,960
- Debt securities	0	4,750,960
Investments in subsidiaries and associated companies	20,524,904	26,624,575
TOTAL LOSS ON PERMANENT IMPAIRMENT OF FINANCIAL ASSETS	20,563,364	51,713,431

7.5. Fair value gains and losses

	in EUR	
	2014	2013
Derivative financial instruments (financial assets)	322,474	467,901
- gains	894,274	1,057,524
- losses	-571,800	-589,623
Derivative financial instruments (financial liabilities)	0	0
- gains	0	0
- losses	0	0
Financial assets recognised at fair value through profit/loss	59,169,232	14,610,362
- gains	88,839,810	68,065,993
- losses	-29,670,578	-53,455,631
Net gains from changes in fair value	59,491,706	15,078,263

7.6. Realised gains and losses

	in EUR	
	2014	2013
Financial assets recognised at fair value through profit/loss	1,163,131	-9,303,595
- realised gains on disposals	6,525,878	2,143,433
- realised losses on disposals	-5,362,747	-11,447,028
Available-for-sale financial assets	45,077,130	21,827,680
- realised gains on disposals	47,250,080	24,692,417
- realised losses on disposals	-2,172,950	-2,864,737
Loans and deposits	52,227	-50,287
- realised gains on disposals	222,479	20,526
- realised losses on disposals	-170,252	-70,813
Derivative financial instruments (financial assets)	-70,271	271,627
- realised gains on disposals	196,294	293,734
- realised losses on disposals	-266,565	-22,107
Held-to-maturity financial assets	-461,186	-487
- realised gains on disposals	0	0
- realised losses on disposals	-461,186	-487
Other financial assets (investment property)	0	0
- realised gains on disposals	0	0
- realised losses on disposals	0	0
Total realised gains and losses	45,761,031	12,744,938

7.7. Other insurance income

	in EUR	
	2014	2013
Fees and commission income		
Investment management services	81,514	127,181
Reinsurance commission income	12,475,847	10,911,072
TOTAL FEES AND COMMISSION INCOME	12,557,361	11,038,252
Other income from insurance operations		
Income from sale of green cards for motor vehicles	1,070,473	1,190,018
Income from claims settled for other insurance companies	447,771	550,293
Income from assistance services	25,105	15,027
Other income from insurance operations	2,777,785	2,458,760
TOTAL OTHER INCOME FROM INSURANCE OPERATIONS	4,321,135	4,214,099
OTHER INSURANCE INCOME	16,878,496	15,252,351

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

7.8. Other income

	in EUR	
	2014	2013
Income from other services	5,909,446	5,270,497
Income from investment property	2,338,998	2,148,245
Profit from disposal of fixed assets	264,907	91,024
Profit from disposal of investment property	2,036,854	0
Claims refund	88,964	79,593
TOTAL	10,639,169	7,589,359

7.9. Claims

	in EUR	
	2014	2013
NON-LIFE INSURANCE		
Gross claims settled	250,242,191	253,017,057
Claim handling costs	18,529,345	17,959,957
Subrogation income	-16,154,360	-17,032,902
Co-insurers' share of gross claims settled	743,826	1,514,624
Reinsurers' share of gross claims settled	-21,259,122	-26,179,868
Change in gross claims provisions	-900,206	-28,825,419
Change in gross claims provisions for re/co-insurer's share	-7,216,564	4,884,418
NET CLAIMS INCURRED – NON-LIFE INSURANCE	223,985,110	205,337,867
LIFE INSURANCE		
Gross claims settled	166,334,399	163,269,362
Claim handling costs	2,170,000	2,184,330
Reinsurers' share of gross claims settled	-195,482	-126,748
Change in gross claims provisions	-191,654	12,258
Change in gross claims provisions for re/co-insurer's share	-64,107	-22,128
NET CLAIMS INCURRED – LIFE INSURANCE	168,053,156	165,317,074
TOTAL NET CLAIMS INCURRED	392,038,267	370,654,941

Overview of net claims incurred by insurance class

					in EUR
2014	Gross claims settled	Subrogation receivables claimed and paid	Reinsurers' share of gross claims settled	Change in gross claims provisions	Change in gross claims provisions for re/co-insurers' share
Non-life insurance					
- accident insurance	14,041,629	-1,511	-379,932	-3,684,329	122,760
- comprehensive car insurance	77,020,396	-1,611,610	-2,924,013	1,600,714	-1,247,948
- property insurance	78,131,189	-354,846	-10,705,406	525,636	-356,199
- liability insurance	73,931,918	-2,896,190	-4,633,304	3,876,859	-7,405,100
- credit insurance	14,632,295	-10,722,680	-712,288	-409,596	303,380
- other non-life insurance	11,014,112	-567,523	-1,160,353	-2,809,494	1,366,544
Total non-life insurance	268,771,537	-16,154,360	-20,515,296	-900,206	-7,216,564
Life insurance					
- life insurance	89,900,409	0	-195,482	-191,654	-64,107
- unit-linked life insurance	68,360,419	0	0	0	0
- supplementary voluntary pension insurance (SVPI)	10,243,569	0	0	0	0
Total life insurance	168,504,399	0	-195,482	-191,654	-64,107
TOTAL	437,275,936	-16,154,360	-20,710,778	-1,091,860	-7,280,671

					in EUR
2013	Gross claims settled	Subrogation receivables claimed and paid	Reinsurers' share of gross claims settled	Change in gross claims provisions	Change in gross claims provisions for re/co-insurers' share
Non-life insurance					
- accident insurance	14,469,598	-20,734	-408,591	-7,381,036	207,457
- comprehensive car insurance	83,056,586	-1,954,205	-2,644,846	-4,408,680	20,000
- property insurance	63,361,816	-676,543	-9,730,625	-1,213,946	-2,212,642
- liability insurance	86,100,008	-2,867,793	-9,798,714	-17,241,127	7,151,200
- credit insurance	14,943,081	-11,175,366	-1,225,385	-657,974	182,042
- other non-life insurance	9,045,926	-338,262	-857,082	2,077,344	-463,641
Total non-life insurance	270,977,014	-17,032,902	-24,665,243	-28,825,419	4,884,416
Life insurance					
- life insurance	93,136,178	0	-126,748	12,258	-22,129
- unit-linked life insurance	51,136,600	0	0	0	0
- supplementary voluntary pension insurance (SVPI)	21,180,914	0	0	0	0
Total life insurance	165,453,692	0	-126,748	12,258	-22,129
TOTAL	436,430,706	-17,032,902	-24,791,991	-28,813,161	4,862,287

Reinsurance result for 2014¹¹

in EUR							
Insurance class	Reinsurance premiums (-)	Change in gross unearned premium for reinsurance (+/-)	Reinsurers' share of claims (-)	Change in claims provisions for reinsurers' shares (-/+)	Net result from reinsurance operations (2+3-4-5)	Reinsurance commission (-)	Gross reinsurance result (6-7)
1	2	3	4	5	6	7	8
Accident insurance	-1,013,487	-13,283	-381,572	122,760	-767,958	-225,379	-542,579
Land motor vehicle insurance	-8,389,671	-8,893	-3,579,235	-258,384	-4,560,945	-1,005,556	-3,555,389
Railway insurance	-512,104	813	0	-1,020,000	508,709	0	508,709
Aircraft insurance	-805,850	336,794	-593	23,972	-492,435	-9,672	-482,763
Marine insurance	-23,579	-218	-12,979	6,463	-17,281	-3,433	-13,848
Cargo insurance	-1,769,375	12,849	-269,364	-22,602	-1,464,560	-354,943	-1,109,617
Fire and natural forces insurance	-22,024,217	447,611	-5,436,107	148,454	-16,288,953	-5,768,530	-10,520,423
Other damage to property insurance	-14,262,242	-1,766,700	-5,306,997	-504,654	-10,217,291	-2,429,687	-7,787,604
Motor TPL insurance	-5,712,410	-99,774	-3,160,339	-3,166,129	514,284	-706,443	1,220,727
Aircraft liability insurance	-934,851	223,317	-596,875	1,047,745	-1,162,404	-28,324	-1,134,080
Marine liability insurance	-27,615	541	-12,238	538,176	-553,012	-3,962	-549,050
General liability insurance	-6,176,704	158,767	-885,374	-5,824,892	692,329	-771,990	1,464,319
Credit insurance	-2,742,805	-21,728	-712,288	303,380	-2,355,625	-495,101	-1,860,524
Suretyship insurance	-586,494	106,426	-5,858	249,705	-723,915	-104,032	-619,883
Miscellaneous financial loss insurance	-1,574,210	17,845	-549,338	1,083,409	-2,090,436	-403,042	-1,687,394
Legal expenses insurance	-41,752	-714	-400	-3,589	-38,477	-10,353	-28,124
Assistance insurance	-347,363	7,676	-349,565	59,622	-49,744	-65,623	15,879
Total non-life insurance	-66,944,729	-598,671	-21,259,122	-7,216,564	-39,067,714	-12,386,070	-26,681,644
Total life insurance	-342,426	0	-195,482	-64,107	-82,837	-89,776	6,939
TOTAL	-67,287,155	-598,671	-21,454,604	-7,280,671	-39,150,551	-12,475,846	-26,674,705

¹¹ Including amounts ceded to coinsurance.

Reinsurance result for 2013¹²

in EUR							
Insurance class	Reinsurance premiums (-)	Change in gross unearned premium for reinsurance (+/-)	Reinsurers' share of claims (-)	Change in claims provisions for reinsurers' shares (-/+)	Net result from reinsurance operations (2+3-4-5)	Reinsurance commission (-)	Gross reinsurance result (6-7)
1	2	3	4	5	6	7	8
Accident insurance	-1,010,823	-20,885	-408,871	207,458	-830,295	-227,124	-603,172
Land motor vehicle insurance	-8,792,335	-122,566	-3,730,991	-5,761	-5,178,149	-901,085	-4,277,064
Railway insurance	-509,625	0	0	0	-509,625	0	-509,625
Aircraft insurance	-112,372	-419,474	-14,680	21,401	-538,566	-17,461	-521,106
Marine insurance	-27,909	-902	-10,937	4,360	-22,234	-3,675	-18,559
Cargo insurance	-1,758,508	15,902	-7,320	2,890	-1,738,176	-213,218	-1,524,958
Fire and natural forces insurance	-21,862,218	-116,914	-4,592,893	-436,041	-16,950,199	-4,515,771	-12,434,428
Other damage to property insurance	-14,308,602	-900,842	-5,256,367	-1,776,601	-8,176,476	-2,286,274	-5,890,202
Motor TPL insurance	-6,153,602	-171,314	-4,553,711	2,016,336	-3,787,542	-736,130	-3,051,412
Aircraft liability insurance	-325,194	-215,981	-404,918	5,790	-142,047	-20,386	-121,661
Marine liability insurance	-30,120	-377	-6,535	-142,619	118,658	-4,002	122,660
General liability insurance	-5,463,724	45,579	-4,868,381	5,271,694	-5,821,458	-679,315	-5,142,143
Credit insurance	-2,656,068	-48,147	-1,225,385	182,042	-1,660,871	-468,970	-1,191,901
Suretyship insurance	-645,727	120,968	28,259	-242,327	-310,691	-108,171	-202,520
Miscellaneous financial loss insurance	-1,855,849	-9,429	-800,991	-187,602	-876,685	-351,558	-525,127
Legal expenses insurance	-43,485	-1,004	-347	-303	-43,839	-10,781	-33,057
Assistance insurance	-449,072	-40,529	-325,798	-36,298	-127,505	-63,722	-63,783
Total non-life insurance	-66,005,233	-1,885,917	-26,179,868	4,884,418	-46,595,700	-10,607,643	-35,988,057
Total life insurance	-327,247	0	-126,748	-22,128	-178,371	-303,429	125,058
TOTAL	-66,332,480	-1,885,917	-26,306,616	4,862,290	-46,774,071	-10,911,072	-35,862,999

¹² Including amounts ceded to coinsurance.

7.10. Change in other insurance-technical provisions

	in EUR	
	2014	2013
Changes in gross provisions for cancellations	30,312	-57,253
Changes in gross provisions for unexpired risks	2,195,906	-474,702
Changes in gross provisions for life insurance	49,229,016	-5,823,016
Changes in gross provisions for bonuses from with-profits life insurance	6,936,386	5,799,862
Change in other insurance technical provisions	58,391,620	-555,109
Change in gross provisions for unit-linked insurance contracts	22,619,358	15,433,207
TOTAL CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	81,010,978	14,878,098

7.11. Expenses for bonuses and discounts

	in EUR	
	2014	2013
Settled bonuses and discounts	8,292,320	7,304,400
Changes in gross provisions for bonuses and discounts	339,769	-1,918,382
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	8,632,089	5,386,018

7.12. Acquisition costs and other operating expenses

Gross operating expenses by function compared to 2013

	in EUR	
	2014	2013
Acquisition costs	99,854,627	95,983,106
Claim handling costs	20,699,345	20,144,287
Costs of asset management	3,554,154	2,794,602
Other operating costs	38,584,792	42,343,458
TOTAL	162,692,918	161,265,453

Acquisition costs and other operating costs are disclosed separately in the income statement. Claim handling costs are disclosed as a part of gross claims incurred, whereas asset management costs are disclosed as financial expenses.

Gross operating expenses by cost units

	in EUR	
	2014	2013
Accident insurance	9,994,928	9,919,710
Comprehensive car insurance	27,247,257	27,219,298
Property insurance	40,899,259	42,500,350
Liability insurance	37,469,928	37,218,664
Credit insurance	5,184,989	4,621,280
Other non-life insurance	7,684,675	5,800,042
TOTAL NONLIFE INSURANCE	128,481,037	127,279,344
Life insurance	17,496,848	16,819,293
Unit-linked life insurance	14,752,209	15,165,567
Capital redemption insurance	1,962,824	2,001,250
TOTAL LIFE INSURANCE	34,211,881	33,986,109
TOTAL OPERATING EXPENSES	162,692,918	161,265,452

Gross operating expenses by nature and function

	in EUR				
2014	TOTAL	Acquisition costs	Claim handling costs	Asset management costs	Other operating costs
1. Acquisition costs (fees and charges)	21,781,324	21,781,324	0	0	0
2. Depreciation of operating assets	9,848,554	5,345,099	1,554,843	270,782	2,677,830
3. Labour costs	91,702,311	49,284,136	14,471,323	2,127,260	25,819,592
- wages and salaries	67,330,797	37,213,444	10,602,644	1,657,503	17,857,206
- social security and pension insurance costs	10,995,938	6,053,665	1,716,931	270,097	2,955,245
- other labour costs	13,375,576	6,017,027	2,151,748	199,660	5,007,141
4. Costs of services provided by natural persons other than sole proprietors, including related taxes	1,756,810	536,745	748,327	13,198	458,540
5. Other operating costs	37,603,919	22,907,323	3,924,852	1,142,914	9,628,830
- costs of entertainment, advertising, trade shows	8,287,612	7,997,217	31,095	16,596	242,704
- costs of material and energy	4,320,485	2,166,570	778,913	96,081	1,278,921
- maintenance costs	7,456,486	3,575,136	1,209,746	222,100	2,449,504
- reimbursement of labour-related costs	3,380,605	2,978,816	78,293	53,478	270,018
- costs of intellectual and personal services	1,927,551	778,550	102,775	353,332	692,894
- non-income-related costs, excluding insurance	1,655,259	646,974	137,223	63,200	807,862
- costs of services - transport and communications	2,839,107	1,660,834	412,574	36,365	729,334
- costs for insurance premiums	1,277,350	557,923	176,068	56,149	487,210
- payment transaction costs and banking services	1,796,461	569,662	15,359	93,606	1,117,834
- rents	2,355,084	1,025,061	583,067	64,823	682,133
- costs of professional training services	464,495	148,647	44,800	19,309	251,739
- other costs of services	1,843,424	801,933	354,939	67,875	618,677
TOTAL Gross operating expenses	162,692,918	99,854,627	20,699,345	3,554,154	38,584,792

In addition to the above-stated amount of EUR 67,330,797 (vs. EUR 67,053,812 in 2013), total wages and salaries include employee bonuses based on performance results in 2014 in the total amount of EUR 7,062,877 (vs. EUR 3,617,571 in 2013). Total costs for wages and salaries in 2014 thus amount to EUR 74,393,674 (vs. EUR 70,671,383 in 2013).

Total costs of Zavarovalnica Triglav for the above-mentioned item, including taxes and other contributions chargeable to the employer, amount to EUR 8,2 million and are disclosed as other expenses (see Section 7.14).

	in EUR				
2013	TOTAL	Acquisition costs	Claim handling costs	Asset management costs	Other operating costs
1. Acquisition costs (fees and charges)	19,342,036	19,342,036	0	0	0
2. Depreciation of operating assets	10,120,894	5,509,132	1,658,020	252,509	2,701,233
3. Labour costs	89,490,981	49,276,493	14,878,841	1,906,099	23,429,548
- wages and salaries	67,053,812	37,269,006	10,840,617	1,495,401	17,448,788
- social security and pension insurance costs	11,151,543	6,189,149	1,809,679	233,686	2,919,030
- other labour costs	11,285,626	5,818,338	2,228,545	177,011	3,061,731
4. Costs of services provided by natural persons other than sole proprietors, including related taxes	1,962,550	622,522	781,311	11,348	547,368
5. Other operating costs	40,348,992	21,232,922	2,826,115	624,646	15,665,309
- costs of entertainment, advertising, trade shows	10,086,394	9,703,648	40,177	15,681	326,888
- costs of material and energy	4,522,038	2,117,207	838,627	83,399	1,482,806
- maintenance costs	7,109,126	1,418,752	717,350	140,212	4,832,812
- reimbursement of labour-related costs	3,479,594	2,964,621	85,045	52,033	377,895
- costs of intellectual and personal services	2,029,052	541,125	59,247	128,619	1,300,062
- non-income-related costs, excluding insurance	1,625,011	649,776	83,486	25,486	866,263
- costs of services - transport and communications	2,771,131	1,662,758	374,319	37,023	697,031
- costs for insurance premiums	1,315,810	205,266	49,792	34,457	1,026,295
- payment transaction costs and banking services	2,112,331	46,727	3,462	54,229	2,007,913
- rents	2,995,276	1,060,651	191,891	10,887	1,731,847
- costs of professional training services	833,497	250,309	110,811	14,796	457,582
- other costs of services	1,469,733	612,082	271,910	27,825	557,916
TOTAL Gross operating expenses	161,265,453	95,983,106	20,144,287	2,794,602	42,343,458

7.13. Other expenses from insurance operations

	in EUR	
	2014	2013
Impairment of insurance receivables	5,441,897	6,690,063
Fire protection fee	3,857,431	3,924,190
Expenses of preventive activity	1,356,581	1,712,148
Receivables write-offs	202,654	319,114
Supervisory authority fees	659,739	676,309
Other expenses from insurance operations	479,343	27,733
OTHER EXPENSES FROM INSURANCE OPERATIONS	11,997,644	13,349,557

7.14. Other expenses

	in EUR	
	2014	2013
Depreciation of investment property	655,802	560,412
Expenses from impairment of investment property	0	1,991,673
Other investment property expenses	1,470,166	1,263,164
Expenses from reversal of impairment of other receivables	-272,475	229,626
Expenses from disposal of property, plant and equipment	41,265	48,642
Other expenses	8,600,059	4,517,734
OTHER EXPENSES	10,494,816	8,611,250

Other expenses relate to bonuses for employees based on business results for 2014 in total amount of EUR 8.2 million.

7.15. Income tax expense

Tax expense in the income statement

	in EUR	
	2014	2013
Current tax expense	4,795,045	0
Current tax expense for last year - correction	0	649,582
Deferred tax (expense)/income:	7,088,443	10,654,360
- origination and reversal of temporary differences	7,088,443	9,470,183
- change due to conversion to new tax rates	0	1,184,177
TOTAL Tax expense in the income statement	11,883,488	11,303,942

Tax expense in other comprehensive income

	2014			2013		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available-for-sale financial assets	83,035,666	-18,773,905	64,261,761	-14,750,752	1,274,177	-13,476,574
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	-31,353,277	5,453,305	-25,899,972	3,073,728	-219,986	2,853,742
Actuarial gains / losses	-606,509	103,107	-503,403	-77,385	13,156	-64,230
TOTAL Other comprehensive income	51,075,880	-13,217,494	37,858,386	-11,754,409	1,067,347	-10,687,063

Reconciliation between tax expense and accounting profit

	in EUR	
	2014	2013
ACCOUNTING PROFIT	57,496,069	59,594,408
Income tax rate - tax rate average of several countries	17%	17%
Accounting profit multiplied by tax rate	9,774,332	10,131,049
Reconciliation between tax expense and accounting profit for the year		
Tax effect of income deductible for tax purposes	-3,016,115	-3,498,827
Tax effect of income added for tax purposes	16,340	11,620
Tax effect of income deductible for tax purposes	14,380,426	23,190,830
Tax effect of income added for tax purposes	-3,373,936	-20,945,157
Tax relief, tax losses	-5,897,558	1,764,844
Adjusted tax return for 2008 and 2009	0	649,582
TOTAL TAX EXPENSE	11,883,488	11,303,941
Final liabilities for corporate income tax	4,795,045	0
Effective tax rate	20,67%	18,97%

In accordance with the Corporate Income Tax Act (hereinafter CITA-2), the Company applied a 17% tax rate to the taxable profit for 2014 and 2013.

In the corporate income tax calculation for 2014 the Company used tax loss carryforwards amounting to EUR 10.1 million from 2013 and EUR 16.3 million of unused tax losses. The Company was able to use the latter in accordance with Article 49 of the Corporate Income Tax Act (ZDDPO-2) – Notification of rights and obligations – based on the merger with Triglav Nepremičnine d.o.o.

Deferred tax assets decreased by EUR 7.1 million. This decrease consists of EUR 2.0 million of deferred tax assets from the impairment of financial assets not recognised for tax purposes, EUR 0.5 million of the impairment of receivables and EUR 4.5 million of unused tax losses.

8. OTHER INFORMATION

8.1. Related party transaction

Related parties are the companies or individuals connected with the Company. They include the following:

- Direct and indirect subsidiaries over which the Company has controlling influence – these are presented in Section 6.4;
- Associates in whom the Company has significant influence – these are presented in Section 6.4;
- Key management personnel denote individuals in the management and supervisory bodies of the Company, i.e. members of the Management and Supervisory Boards.

The related parties of Zavarovalnica Triglav include the companies that through ownership exercise significant influence on it: these are the two major shareholders (ZPIZ (Institute of Pension and Disability Insurance of Slovenia) with 34.47% and Slovenski državni holding d.d. with 28.09%) together with their subsidiaries. In 2014 the two are not include in related parties, due to the fact that on 4 March 2013 d.d. ATVP issued a decision prohibiting them to exercise their voting rights until the time they launch a takeover bid for the shares of Zavarovalnica Triglav in accordance with the Takeover Act or until they dispose of their holdings of ZVTG shares so that they neither jointly nor severally any longer reach the takeover threshold.

Transactions with related parties involve insurance business (reinsurance, cooperation in co-insurance arrangements, insurance acquisition, development and launching of new products, handling of claims) as well as financial services (loans) and to a smaller extent also operating leases and other services.

The services exchanged between related parties are charged at prices that are applied to non-related parties. 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 reporting period are shown below.

	In EUR	
ASSETS	Subsidiaries	Associates
Debt securities and loans	133,799,163	10,427,236
Debt securities and loans given to members of the Group	47,456,254	0
Other financial investments	1,478,265	0
Receivables from insurance premium	1,515,587	5,000
Co-insurance receivables	7,888	0
Receivables for reinsurer's share in claims	5,529,833	0
Other short-term receivables from insurance operations	13,303	0
Short-term receivables from financing	2,922,209	1,111,728
Other short-term receivables	2,224,579	16,121

All loans, given to subsidiaries and associates, are secured by mortgages or pledged securities amounting EUR 9.9 million.

LIABILITIES	Subsidiaries	Associates
Liabilities to insureds	608,278	0
Liabilities to agents and brokers	179,398	24,919
Liabilities for reinsurance premiums	9,286,094	0
Liabilities for shares in claims from coinsurance	229,471	0
Other short-term liabilities	0	0

INCOME AND EXPENSES	Subsidiary	Associates
Gross written premium	4,186,771	118,848
Assumed coinsurance written premium	8,116	0
Outward reinsurance premium (-)	-57,478,384	0
Net premium income	-53,283,497	118,848
Reinsurance commission income	11,068,891	0
Other income from insurance operations	3,810,212	0
Interest income	2,193,168	0
Other insurance income	1,934,716	0
Income from land and buildings	165,958	0
Other income	550,959	875
Dividends	179,293	60,541
Other income from financial assets	8,317	0
TOTAL INCOME	-33,371,983	180,264
Gross claims settled	1,584,878	37,551
Reinsurers' share in gross claims	-19,685,169	0
Net claims	-18,100,291	37,551
Expenses from investment property	15,043	0
Loss on merger	1,503,668	0
Other expenses from financial assets and liabilities	19,968	0
TOTAL EXPENSES	-16,561,612	37,551

8.1.1. Members of the Management Board and Supervisory Board

2014, 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	146,940	823	14,445	64,248	36,066	5,616	2,150
Makoter Marica	144,040	789	14,404	56,690	29,134	5,875	447
Jošar Benjamin	144,040	789	14,404	55,053	28,330	9,354	1,912
Ivanc Uroš	54,451	370	0	17,437	14,215	812	419
Čoroli Tadej	49,260	337	0	16,899	11,577	229	272
Vrtunski Stanislav	99,728	1,037	37,210	55,680	15,255	3,420	361
Rakovec Matjaž****	0	0	12,264	5,741	0	0	0
TOTAL	638,459	4,145	92,727	271,748	134,577	25,306	5,561

* Other additional payments include holiday allowances.

** Insurance premiums include premiums for supplementary pension insurance, accident insurance, liability insurance and other types of insurance.

*** Other benefits include company cars.

**** Matjaž Rakovec received a bonus for 2013 when he served as a President of the Management Board, although in the reporting period he was no longer a Management Board Member.

As at 31 December 2014, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

		in EUR
Management board	Receivables as at 31 December 2014	Liabilities as at 31 December 2014
Slapar Andrej	5	15,154
Makoter Marica	16	15,192
Jošar Benjamin	0	10,570
Ivanc Uroš	13,160	4,055
Čoroli Tadej	73	4,255
TOTAL	13,254	49,226

In 2014, the Supervisory Board members and members of Committees were paid the following amounts as compensation for their work:

in EUR					
Supervisory board	Compensation	Attendance fee	Reimbursements	Total gross pay	Total net pay
Blažič Matija	13,000	1,925	1,866	16,791	12,212
Celar Peter	16,250	2,365	718	19,333	14,061
Gobbo Mario	19,500	4,829	22,528	46,857	30,867
Gorjan Branko	16,250	4,389	2,549	23,188	16,865
Kastelic Gregor	20,800	2,090	10,894	33,784	26,182
Krštinc Miran	16,250	3,025	1,530	20,805	15,131
Nose Barbara*	6,500	3,080	0	9,580	6,968
Runjak Matej	24,375	3,025	661	28,061	20,409
Stanković Rajko	16,250	4,114	661	21,025	15,291
Štimac Dubravko	13,686	1,265	2,147	17,098	13,251
TOTAL	162,861	30,107	43,554	236,522	171,237

*External committee members.

As at 31 December 2014, Zavarovalnica Triglav the outstanding payables to the above stated members of the Supervisory Board, its committees and commission were as follows:

Surname and name	Net liabilities as at 31 December 2014
Blažič Matija	374
Celar Peter	360
Gobbo Mario	2,704
Gorjan Branko	530
Kastelic Gregor	1,556
Krštinc Miran	419
Nose Barbara*	200
Runjak Matej	360
Stanković Rajko	360
TOTAL	6,863

Draft 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 half of the bonus is paid after two years; however, both payments must be proportionate to the period in office 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.

8.1.2. Employees under individual contracts

In 2014, Zavarovalnica Triglav had 159 employees under individual contracts who received a total of EUR 10,123,632 for performing their functions.

As at 31 December 2014, Zavarovalnica Triglav held EUR 117,848 of liabilities for loans extended to employees under individual contracts. Repayments of these loans amounted to EUR 16,834 in 2014.

The loans were granted on the following conditions:

- Purpose: housing loans;
- Maturity: 10 years;
- Interest rate: 5%–6%;
- Insurance: loan security agreement.

8.2. Amounts spent on auditors

The 2014 financial statements were audited by Ernst & Young d.o.o. with audit costs amounting to EUR 141,215 (contract amount including VAT totals EUR 127,795).

Part of the amounts totalling EUR 141,215 arise from the 2013 annual report audit (EUR 60,878) and the remaining EUR 80,337 arise from the 2014 annual report audit. Other auditing services amounting EUR 610 were also provided by Ernst&Young d.o.o.

The reported audit fees are shown in the table below.

	in EUR	
	2014	2013
Auditing of Annual Report	141,215	120,897
Other assurance services	610	2,063
Tax advising services	0	0
TOTAL	141,825	122,960

8.3. Earnings per share

The calculation of earnings per share is based on the net profit for the current year attributable to shareholders of the Company. Number of shares is calculated as weighted average number of ordinary shares.

	in EUR	
	2014	2013
Net profit attributable to shareholders of the Company	45,612,581	48,290,466
Number of shares	22,735,147	22,735,147
Earnings per share	2.01	2.12

Diluted earning per share is not calculated as the Company has not issued any dilutive financial instruments.

8.4. Additional notes the cash flow statement

Operating cash flows are compiled using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature and items of income or expense associated with investing or financing cash flows. Cash flows from an investing or financing activity are compiled using the direct method.

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.

8.5. Contingent assets and contingent liabilities

8.5.1. Off-balance sheet items

	in EUR	
	2014	2013
Outstanding subrogated receivables	34,818,498	31,712,516
Bonds, guarantees and other sureties issued	484,625	3,066,410
Receivables from option agreements	15,192,000	26,917,700
Receivables from Zavarovalnica Kopanik based on a separation balance sheet	1,855,664	1,855,664
Receivables from forward contracts	0	19,375,000
Receivables from Association of Yugoslav Insurance Organizations	40,647	40,647
TOTAL OFF-BALANCE SHEET ITEMS	52,391,434	82,967,937

As at the balance sheet date, a contingent liability was disclosed for a latent defect warranty guarantee issued to Banka Celje d.d., for the sale of Perovo houses, taken over from Triglav Nepremičnine d.o.o. Banka Celje d.d. holds a lien over the pledged deposit and a mortgage on a real property in Črnomelj amounting to EUR 350,000.

8.5.2. Major pending legal disputes

- Zavarovalnica Triglav as the plaintiff against Milan Marolt and Nadežda Klemenčič as the defendants

On 12 August 2004, Zavarovalnica Triglav filed a suit against Milan Marolt and Nadežda Klemenčič claiming unlawful decision making and misuse of powers. The defendants alleged an erroneous interpretation of the Companies Act and claimed no elements of tort existed to prove their liability for damages. The Court accepted their argument, and on 8 November 2006 rendered a decision rejecting the claim. On 29 December 2006, Zavarovalnica Triglav appealed against the ruling of the court of first instance and on 9 January 2009 the Higher Court in Ljubljana ruled in favour of the appellant, reversed the decision and ordered a retrial at the court of first instance which took place and in which on 11 January 2012 the court of first instance again rejected both claims. On 23 February 2012, Zavarovalnica Triglav appealed against the ruling of the court of first instance.

- Matjaž Rakovec as the plaintiff against Zavarovalnica Triglav for the annulment of the resolution of the Supervisory Board dated 22 May 2013 referring to the dismissal of Matjaž Rakovec from the office of President of the Management Board and appointment of Andrej Slapar as President of the Management Board and for the payment of damages.

On 3 June 2013 the District Court in Ljubljana dismissed the application to issue a temporary injunction filed by Matjaž Rakovec, in which he proposed to suspend the implementation of a Supervisory Board's resolution dated 22 May 2013 in the part referring to the recall of Matjaž Rakovec, President of the Management Board, and appointment of Andrej Slapar as temporary President of the Management Board. The plaintiff also asked the Court to verify that Matjaž Rakovec is the only President of the Company's Management Board. The Court dismissed the temporary injunction arguing that the plaintiff's claim was probably shown; however, there was no risk supporting the issue of the requested temporary injunction.

On 19 August 2013, Zavarovalnica Triglav received a claim filed by Matjaž Rakovec in which he requests the annulment of the Supervisory Board's resolution dated 22 May 2013 with respect to the dismissal of Matjaž Rakovec from the office of President of the Management Board and the appointment of Andrej Slapar as temporary President of the Management Board, the annulment of the entry of changes related to the President of the Management Board into the Court Register and the payment of damages amounting to EUR 516,399. In the alternative the plaintiff requests that the defendant reappoint him President of the Management Board and recognise an uninterrupted service as the President and all the rights arising from the employment contract for the entire duration of unlawful dismissal from the office of the until his reappointment. Zavarovalnica Triglav responded to the claim lodged by Matjaž Rakovec within the period specified by law. On 3 November 2014, Zavarovalnica Triglav was served a partial judgement of the District Court in Ljubljana in the case of Mr Matjaž Rakovec claiming the nullity and voidness of the Supervisory Board's resolution of 22 May 2013, reinstatement and damages. The court decided that the challenged resolution of the Supervisory Board on the dismissal of Matjaž Rakovec as the President of the Management Board was null and void, since the grounds for his dismissal were not in compliance with the Companies Act (ZGD-1). On the grounds of the lack of legal interest, the Court rejected the claim of Mr Rakovec for nullity and voidness of the resolution of 22 May 2013 on the appointment of an acting President of the Management Board of Zavarovalnica Triglav, as his term of office had already been terminated and any decision of the Court in this matter was devoid of purpose. On the same grounds the Court refused the claim by Mr Rakovec for the nullity and voidness of the entry into the Companies Register (of the President of the Management Board) on 29 May 2013 was. The damages for material loss claimed by Mr. Rakovec were also denied by the Court on the grounds of *lis pendens*. On the claimed amount of EUR 80,000 of damages for immaterial loss the Court will decide when and if the partial decision becomes final. In the event the partial decision becomes final, the damages for material loss of approximately EUR 430,000 Mr. Rakovec claims in a labour dispute will also be decided on. Zavarovalnica Triglav appealed against the partial decision within the legal deadlines.

- Zavarovalnica Triglav d.d. as the plaintiff against Skupna pokojninska družba d.d., Ljubljana, as the defendant and counterclaim

On 26 February 2013, Zavarovalnica Triglav lodged a claim in which it requested the payment of dividend amounting to EUR 750,904.00 with interest and any other related costs. The defendant counters by arguing that the liability was offset in the amount of EUR 926,169.72 with interest and any other related costs disclosed by SKUPNA POKOJNINSKA DRUŽBA d.d., Ljubljana to the plaintiff based on a concluded contract on the payment of additional pensions pursuant to the retirement plan from 2000. On 23 April 2013, the defendant responded to the plaintiff's claim and at the same time filed a counterclaim for the payment of EUR 926,169.72 with interest and any other related costs. Zavarovalnica Triglav responded by rejecting all the allegations of Skupna pokojninska družba d.d., Ljubljana as unfounded.

On 28 January 2014, Zavarovalnica Triglav d.d. started a new legal action against the company Skupna pokojninska družba d.d., Ljubljana, claiming EUR 360,844.00 in dividend payments which fell due in 2013. On 24 March 2014, the defendant filed a defence statement and a counterclaim against Zavarovalnica Triglav for EUR 642,473 on the basis of an agreement on the payment of supplemental pensions under a pension scheme by 2000. Zavarovalnica Triglav filed a defence statement against the counterclaim in which it negates all the claims by Skupna pokojninska družba d.d., Ljubljana, in their entirety.

- Nova Ljubljanska banka d.d., Ljubljana, Maksima holding d.d., Ljubljana, FMR d.d., Idrija and Helios d.d., Domžale as the moving parties against Zavarovalnica Triglav d.d. Ljubljana as the opposing party - non-litigious civil case requiring judicial review of the adequacy of the amount of monetary compensation

The General Meeting of Shareholders (GMS) of Pozavarovalnica Triglav RE d.d., Ljubljana on 18 April 2012, based on a proposal by Zavarovalnica Triglav d.d. as its largest shareholder, passed a resolution on the transfer of the remaining shares held by minority shareholders (the moving parties) for a monetary compensation of EUR 1,441 per share. In their application for judicial review of the adequacy of the amount of that monetary compensation, in a non-litigious civil case started before the District Court in Ljubljana, the moving parties allege that the offered compensation, set by Zavarovalnica Triglav based on a valuation by a certified business appraiser in accordance with applicable valuation standards defined by law, failed to account for the actual asset and profit position of Pozavarovalnica Triglav RE d.d., Ljubljana, at the time the GMS adopted the exclusion of minority shareholders. On the contrary, Zavarovalnica Triglav alleges to have offered such an amount of monetary compensation which fully accounted for the asset and profit position of Pozavarovalnica Triglav RE d.d., Ljubljana, in compliance with the Companies Act (ZGD-1), as proven by both documents submitted by it at the GMS before it decided on the exclusion: i.e. a report explaining the assumptions for the transfer of shares and the adequacy of the amount of monetary compensation and an auditors' report in which a court-appointed auditor verified that the amount of offered monetary compensation is adequate. In January 2014, the Court decided to seek an opinion from the settlement committee on the review of the share exchange ratio. In late October 2014 the settlement committee issued an opinion stating that the monetary compensation offered by Zavarovalnica Triglav to the moving parties was too low and that it should have amounted to EUR 2,652 per share. Zavarovalnica Triglav did not agree with that opinion and negated the statement. The case is still pending at the first instance.

As at the balance sheet date, a contingent liability was disclosed for a latent defect warranty guarantee issued to Banka Celje d.d., for the sale of Perovo houses, taken over from Triglav Nepremičnine d.o.o. Banka Celje holds a lien over the pledged deposit.

8.6. Reviews by supervisory bodies

8.6.1. Insurance Supervision Agency (ISA)

On 27 January 2014, the Insurance Supervision Agency (the ISA) sent Zavarovalnica Triglav a request to review its operations, in order to inspect whether the Company's operations were in compliance with the Insurance Act and the pertaining secondary legislation. A review started on 3 February 2014. On 11 December 2014 the Insurance Supervision Agency issued a Notice of Planned Supervisory Measures according to Article 307 (2) of the Insurance Act to which Zavarovalnica Triglav d.d. responded on 30 December 2014. On 23 February 2015, the Agency informed Zavarovalnica Triglav that the review process regarding the application of internal valuation models will continue.

8.6.2. Securities Market Agency

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

- Slovenska odškodninska družba d.d., Mala ulica 5, Ljubljana, for the rights attached to the shares with the ticker symbol ZVTG held by Zavarovalnica Triglav d.d., and the rights attached to the shares, held by Zavod za pokojninsko in invalidsko zavarovanje, Kolodvorska 15, Ljubljana, which are exercised on behalf of and for the account of the letter by Slovenska odškodninska družba d.d., Mala ulica 5, Ljubljana;

- HIT Hoteli, igralnice, Turizem d.d., Delpinova ulica 7a, Nova Gorica;
- Elektro-Slovenija d.o.o., Hajdrihova ulica 2, Ljubljana;
- D.S.U., družba za svetovanje in upravljanje, d.o.o., Dunajska cesta 160, Ljubljana;
- Nova KBM d.d., Ulica Vita Kraigherja 4, Maribor;
- Telekom Slovenije d.d., Cigaletova ulica 15, Ljubljana;
- until Slovenska odškodninska družba d.d., Mala ulica 5, Ljubljana, on its own behalf and for its own account or on behalf of and for the account of Zavod za pokojninsko in invalidsko zavarovanje, HIT d.d., Elektro-Slovenija d.o.o., Luka Koper d.d., D.S.U., družba za svetovanje in upravljanje, d.o.o., NOVA KBM d.d. and Telekom Slovenije d.d. jointly or severally, on behalf of and for the account of all, launch a take-over bid for the offeree company Zavarovalnica Triglav d.d., Miklošičeva cesta 19, Ljubljana, in accordance with the Takeover Act, or until the companies stated hereunder and holding voting rights in the offeree company divest ZVTG shares so that they neither jointly nor severally any longer reach the takeover threshold.

8.6.3. Tax matters

From 10 to 28 July 2014 the Special Tax Office carried out a tax audit of the corporate income tax charges from 1 January to 31 December 2013 – restricted sample. The tax audit covered only the verification of disclosed higher expenses arising from increases in financial investment value adjustment expenses which were non-deductible expenses in the corporate income tax charges from 1 January to 31 December 2013.

The above stated tax audit revealed no instance of non-compliance.

8.6.4. 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 financial statements of the Company as well as no material non-adjusting events.

Events after the reporting date material to the operations in 2015:

- The acquisition of a majority stake in Skupna pokojninska družba, d.d.

The Slovenian Competition Protection Agency decided that the concentration notified by Zavarovalnica Triglav d.d. and Skupna pokojninska družba d.d. is compliant with competition rules. Thereafter, Zavarovalnica Triglav d.d. took over the offeror company Skupna pokojninska družba d.d. by acquiring a majority shareholding. With the acquisition of 11,814 shares in the offeror company Zavarovalnica Triglav increased its stake from 30.14% to current 66.65%. By acquiring a new subsidiary, i.e. the majority shareholding, another step was made to strengthen the presence of the Triglav Group in the pension insurance market, which is one of its strategic objectives.

- Approval of capital increase of Triglav INT d.d.

At its session on 3 March 2015, the Supervisory Board of Zavarovalnica Triglav approved a share capital increase in its subsidiary Triglav INT with in-kind contribution amounting to EUR 23.1 million. The capital increase will be financed through a debt to equity swap transaction by the parent company and an equity stake in subsidiary Pista d.o.o. The reason for this decision is

to optimise the management of indirect subsidiaries of the Triglav Group and direct subsidiaries of Triglav INT d.d., in which the latter plays the key role. This capital increase and raising of staffing levels help improve the business model of Triglav INT d.d., which will enable the company to better fulfil its function within the Triglav Group.

- Capital increase of Triglav, Upravljanje nepremičnin d.d.

The General Meeting of Shareholders of Triglav, Upravljanje nepremičnin d.d. on 7 January 2015 approved the increase of share capital of the said company by EUR 700,000, through an issue of no more than 167,867 new, ordinary, registered, no-par value shares. The share capital shall be increased with an in-kind contribution of Zavarovalnica Triglav and cash contributions by other shareholders. The total issue value of new shares equals EUR 10.9 million. The capital will be increased by Zavarovalnica Triglav with a debt to equity swap amounting to EUR 6.2 million arising from loans.

- Capital increase of Hotel Grad Podvin d.d.

On 4 March 2015, the Management Board of the Company decided to increase the share capital of Hotel Grad Podvin d.d. by Zavarovalnica Triglav, which is the sole owner of the said company. The capital will be increased with in-kind contribution, i.e. a debt to equity swap amounting to EUR 2.4 million arising from loans.

- Merger of Triglav naložbe d.d.

In October 2014, the Management Board of Zavarovalnica Triglav adopted a decision to merge Triglav naložbe d.d. to Zavarovalnica Triglav on the reporting date (31 December 2014). The merger will take place by 30 September 2015 at the latest.

APPENDIX:

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1. BALANCE SHEET AS AT 31 DECEMBER 2014

1.1. Balance sheet for Non-life and Life insurance as at 31 December 2014

in EUR

	31 December 2014	31 December 2013	Index
ASSETS (od A do G)	2.721.266.953	2.551.395.325	107
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	54.373.723	52.638.444	103
1. Intangible assets	23.307.897	22.614.003	103
2. Goodwill	0	0	
3. Deferred acquisition costs	28.555.615	28.946.292	99
4. Other long-term deferred items	2.510.211	1.078.149	233
B. LAND, BUILDINGS AND FINANCIAL ASSETS	2.106.073.503	1.952.003.535	108
I. LAND AND BUILDINGS	95.940.230	72.263.474	133
a.) Directly used in insurance activities	57.967.773	54.195.864	107
1. Land directly used in insurance activities	5.101.880	4.116.631	124
2. Buildings directly used in insurance activities	52.773.752	50.025.396	105
3. Other land and buildings directly used in insurance activities	92.142	53.837	171
b.) Investment property	37.972.457	18.067.610	210
1. Land	2.540.322	2.351.836	108
2. Buildings	35.432.134	15.715.774	225
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	193.160.918	214.098.728	90
1. Shares in subsidiaries	133.799.163	159.778.726	84
2. Debt securities and loans to subsidiaries	47.456.254	43.256.213	110
3. Shares in associated companies	10.427.236	9.637.324	108
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	1.478.265	1.426.466	104
III. OTHER FINANCIAL INVESTMENTS	1.741.647.005	1.596.997.982	109
1. Long-term financial investments	1.704.865.376	1.493.235.492	114
1.1. Shares and other floating rate securities and fund coupons	93.304.714	76.681.556	122
1.2. Debt and other fixed return securities	1.565.043.741	1.333.445.442	117
1.3. Investment fund shares	0	0	
1.4. Mortgage loans	104.372	328.141	32
1.5. Other loans	21.667.705	41.876.856	52
1.6. Deposits with banks	22.400.114	38.558.576	58
1.7. Other financial investments	2.344.730	2.344.921	100
2. Short-term financial investments	36.781.629	103.762.490	35
2.1. Shares available for sale	0	0	
2.2. Securities available for sale and with maturity up to one year	25.472.874	70.321.333	36
2.3. Short-term loans	0	56.012	
2.4. Short-term bank deposits	11.308.754	33.385.146	34
2.5. Other short-term financial investments	0	0	
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	75.325.350	68.643.350	110
1. From unearned premium	14.059.397	14.658.068	96
- in reinsurance	14.042.583	14.641.557	96
- in co-insurance	16.814	16.511	102
2. From mathematical provision	0	0	

in EUR

	31 December 2014	31 December 2013	Index
3. From outstanding claims	61.265.953	53.985.282	113
- in reinsurance	61.240.493	53.966.483	113
- in co-insurance	25.460	18.800	135
4. From bonuses and discounts	0	0	
5. From other technical provisions	0	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT			
INVESTMENTS	449.802.771	422.849.370	106
D. RECEIVABLES	94.732.452	107.057.508	88
I. RECEIVABLES FROM DIRECT INSURANCE	61.527.739	63.302.197	97
1. Receivables from insurers	57.386.850	60.430.203	95
2. Receivables from insurance brokers	175.561	199.677	88
3. Other receivables from direct insurance operations	2.444.741	1.090.706	224
4. Receivables from direct insurance operations - associates and subsidiaries	1.520.587	1.581.610	96
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	6.689.625	9.140.990	73
1. Premium receivable from co-insurance	582.686	620.307	94
2. Premium receivable from reinsurance	0	0	
3. Receivables from co-insurers' share in claims	222.282	63.566	350
4. Receivables from reinsurers' share in claims	346.936	372.740	93
5. Other receivables from co-insurance and reinsurance	0	0	
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	5.537.721	8.084.377	68
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	26.515.088	34.614.321	77
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	7.068.072	6.783.066	104
3. Short term receivables from financing	8.155.114	1.304.328	625
4. Other short-term receivables	1.514.568	1.984.759	76
5. Long-term receivables	3.489.394	117.499	
6. Current tax receivables	0	12.912.838	
7. Deferred tax assets	0	5.051.465	
8. Other short-term receivables - associates and subsidiaries	6.287.940	6.460.366	97
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	13.881.308	16.066.718	86
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	7.175.242	10.106.266	71
1. Equipment and small tools	6.580.843	9.569.723	69
2. Other tangible fixed assets	594.399	536.543	111
II. CASH AT BANK AND IN HAND	5.650.669	5.000.081	113
III. INVENTORIES AND OTHER ASSETS	1.055.397	960.371	110
1. Inventories	210.250	302.971	69
2. Other assets	845.147	657.400	129
F. SHORT-TERM DEFERRED ASSETS	2.403.195	779.751	308
1. Accrued interest and rent	0	0	
2. Deferred short-term expenses of insurance contract acquisition	0	0	
3. Other short-term deferred items	2.403.195	779.751	308
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H. OFF BALANCE SHEET ASSETS	52.391.434	82.967.937	63

in EUR

	31 December 2014	31 December 2013	Index
EQUITY AND LIABILITIES (A to I)	2.721.266.953	2.551.395.325	107
A. EQUITY	544.000.467	499.790.208	109
I. SUBSCRIBED (CALLED UP) CAPITAL	73.701.392	73.701.392	100
1. Share capital	73.701.392	73.701.392	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	53.412.884	53.412.884	100
III. RESERVES FROM PROFIT	281.977.925	259.486.919	109
1. Security reserves	0	0	
2. Legal and statutory reserves	4.662.643	4.662.643	100
3. Reserves for own shares	0	0	
4. Own shares (as deduction)	0	0	
5. Equalisation provision for credit insurance	30.615.282	30.624.276	100
6. Catastrophe reserves	0	0	
7. Other reserves from profit	246.700.000	224.200.000	110
IV. FAIR VALUE RESERVE	73.221.229	35.362.843	207
1. Fair value reserve for tangible fixed assets	2.485	2.485	100
2. Fair value reserve for long-term investments	73.790.647	35.481.604	208
3. Fair value reserve for short-term investments	-4.271	-57.016	7
4. Other fair value reserve	-567.633	-64.230	884
V. NET PROFIT / LOSS CARRIED FORWARD	38.565.461	52.735.703	73
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	23.121.575	25.090.466	92
B. SUBORDINATED LIABILITIES	29.958.540	29.956.713	100
C. GROSS TECHNICAL PROVISIONS AND DEFERRED			
INCOME FROM PREMIUMS	1.617.090.395	1.538.939.112	105
1. Gross provisions for unearned premiums	182.902.536	188.286.777	97
2. Gross mathematical provisions	904.858.200	823.783.519	110
3. Gross claim provisions	508.999.132	510.090.992	100
4. Gross provisions for bonuses and discounts	15.380.257	15.040.488	102
5. Other gross technical provisions	4.950.270	1.737.337	285
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE			
POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	442.952.449	420.333.091	105
E. PROVISIONS FOR OTHER RISKS AND CHARGES	9.807.735	9.029.544	109
1. Provisions for pensions	9.408.654	8.459.095	111
2. Other provisions	399.080	570.449	70
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN			
REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	74.416.984	51.711.899	144
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	10.631.799	11.643.628	91
1. Liabilities to policy holders	7.665.832	8.068.387	95
2. Liabilities to agents and brokers	795.650	1.098.413	72
3. Other liabilities from direct insurance operations	1.353.513	1.511.565	90
4. Liabilities from direct insurance operations- associates and subsidiaries	816.805	965.263	85
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	10.406.511	11.135.863	93
1. Liabilities for co-insurance premiums	186.885	5.845	
2. Liabilities for reinsurance premiums	903.967	593.275	152
3. Liabilities for co-insurers' share in claims	29.565	153.393	19
4. Liabilities for reinsurers' share in claims	0	0	
5. Other liabilities from co-insurance and re-insurance	0	0	
6. Liabilities from co-insurance and re- insurance-associates and subsidiaries	9.286.094	10.383.349	89

in EUR			
	31 December 2014	31 December 2013	Index
III. LOANS SECURED BY FIXED RATE SECURITIES	0	0	
IV. LIABILITIES TO BANKS	0	0	
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	53.378.674	28.932.409	184
a.) Other long term liabilities	12.992.541	1.503	
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	19.500	1.503	
3. Deferred tax liabilities	12.973.041	0	
b.) Other short-term liabilities	40.386.133	28.930.906	140
1. Short-term liabilities to employees	15.761.663	10.211.309	154
2. Other short-term liabilities from insurance operations	5.289.844	4.560.653	116
3. Short-term liabilities from financing	1.693.912	1.336.201	127
4. Current income tax liabilities	4.795.056	0	
5. Other short-term liabilities	12.845.658	12.822.743	100
H. ACCRUED EXPENSES AND DEFERRED INCOME	3.040.383	1.634.757	186
1. Accrued expenses	1.551.217	1.459.205	106
2. Other accruals and deferred income	1.489.167	175.552	848
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	52.391.434	82.967.937	63

1.2. Balance sheet for Non-life insurance as at 31 December 2014

in EUR

	31 December 2014	31 December 2013	Index
ASSETS (od A do G)	1.227.775.291	1.189.909.138	103
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	52.399.202	50.469.368	104
1. Intangible assets	21.333.376	20.444.927	104
2. Goodwill	0	0	
3. Deferred acquisition costs	28.555.615	28.946.292	99
4. Other long-term deferred items	2.510.211	1.078.149	233
B. LAND, BUILDINGS AND FINANCIAL ASSETS	1.060.395.408	1.005.553.852	105
I. LAND AND BUILDINGS	85.997.252	62.158.739	138
a.) Directly used in insurance activities	49.346.687	45.439.337	109
1. Land directly used in insurance activities	4.466.106	3.480.857	128
2. Buildings directly used in insurance activities	44.788.439	41.904.643	107
3. Other land and buildings directly used in insurance activities	92.142	53.837	171
b.) Investment property	36.650.566	16.719.402	219
1. Land	2.388.021	2.199.535	109
2. Buildings	34.262.545	14.519.867	236
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	181.219.011	202.946.733	89
1. Shares in subsidiaries	132.284.491	158.264.054	84
2. Debt securities and loans to subsidiaries	47.456.254	43.256.213	110
3. Shares in associated companies	0	0	
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	1.478.265	1.426.466	104
III. OTHER FINANCIAL INVESTMENTS	717.946.165	671.833.293	107
1. Long-term financial investments	698.560.188	589.139.185	119
1.1. Shares and other floating rate securities and fund coupons	60.800.608	54.022.144	113
1.2. Debt and other fixed return securities	618.028.537	499.519.126	124
1.3. Investment fund shares	0	0	
1.4. Mortgage loans	104.372	328.141	32
1.5. Other loans	174.618	14.534.175	1
1.6. Deposits with banks	17.792.520	19.078.833	93
1.7. Other financial investments	1.659.533	1.656.767	100
2. Short-term financial investments	19.385.977	82.694.107	23
2.1. Shares available for sale	0	0	
2.2. Securities available for sale and with maturity up to one year	13.173.018	59.128.497	22
2.3. Short-term loans	0	56.012	
2.4. Short-term bank deposits	6.212.959	23.509.599	26
2.5. Other short-term financial investments	0	0	
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	75.232.980	68.615.087	110
1. From unearned premium	14.059.397	14.658.068	96
- in reinsurance	14.042.583	14.641.557	96
- in co-insurance	16.814	16.511	102
2. From mathematical provision	0	0	

in EUR

	31 December 2014	31 December 2013	Index
3. From outstanding claims	61.173.583	53.957.019	113
- in reinsurance	61.148.123	53.938.219	113
- in co-insurance	25.460	18.800	135
4. From bonuses and discounts	0	0	
5. From other technical provisions	0	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT			
INVESTMENTS	0	0	
D. RECEIVABLES	103.169.220	120.959.888	85
I. RECEIVABLES FROM DIRECT INSURANCE	61.078.223	62.884.284	97
1. Receivables from insurers	56.952.702	60.027.231	95
2. Receivables from insurance brokers	175.561	199.677	88
3. Other receivables from direct insurance operations	2.429.373	1.075.765	226
4. Receivables from direct insurance operations -associates and subsidiaries	1.520.587	1.581.610	96
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	6.678.668	9.127.019	73
1. Premium receivable from co-insurance	582.686	620.307	94
2. Premium receivable from reinsurance	0	0	
3. Receivables from co-insurers' share in claims	222.282	63.566	350
4. Receivables from reinsurers' share in claims	346.936	372.740	93
5. Other receivables from co-insurance and reinsurance	0	0	
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	5.526.764	8.070.406	68
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	35.412.329	48.948.585	72
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	11.220.521	9.754.563	115
3. Short term receivables from financing	373.549	703.163	53
4. Other short-term receivables	2.891.184	3.281.279	88
5. Long-term receivables	3.488.759	117.499	
6. Current tax receivables	0	12.912.838	
7. Deferred tax assets	13.687.399	17.119.571	80
8. Other short-term receivables - associates and subsidiaries	3.750.918	5.059.671	74
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	9.411.309	12.165.748	77
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	5.676.912	7.628.818	74
1. Equipment and small tools	5.127.547	7.142.131	72
2. Other tangible fixed assets	549.365	486.686	113
II. CASH AT BANK AND IN HAND	2.679.000	3.576.560	75
III. INVENTORIES AND OTHER ASSETS	1.055.397	960.371	110
1. Inventories	210.250	302.971	69
2. Other assets	845.147	657.400	129
F. SHORT-TERM DEFERRED ASSETS	2.400.151	760.282	316
1. Accrued interest and rent	0	0	
2. Deferred short-term expenses of insurance contract acquisition	0	0	
3. Other short-term deferred items	2.400.151	760.282	316
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H. OFF BALANCE SHEET ASSETS	45.831.796	57.767.599	79

in EUR

	31 December 2014	31 December 2013	Index
EQUITY AND LIABILITIES (A to I)	1.227.775.291	1.189.909.138	103
A. EQUITY	436.494.941	412.363.814	106
I. SUBSCRIBED (CALLED UP) CAPITAL	51.340.540	51.340.540	100
1. Share capital	51.340.540	51.340.540	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	40.344.978	40.344.978	100
III. RESERVES FROM PROFIT	236.464.034	220.723.028	107
1. Security reserves	0	0	
2. Legal and statutory reserves	3.217.224	3.217.224	100
3. Reserves for own shares	0	0	
4. Own shares (as deduction)	0	0	
5. Equalisation provision for credit insurance	30.615.282	30.624.276	100
6. Catastrophe reserves	0	0	
7. Other reserves from profit	202.631.528	186.881.528	108
IV. FAIR VALUE RESERVE	53.067.785	26.108.583	203
1. Fair value reserve for tangible fixed assets	2.485	2.485	100
2. Fair value reserve for long-term investments	53.539.993	26.188.483	204
3. Fair value reserve for short-term investments	-4.738	-28.895	16
4. Other fair value reserve	-469.956	-53.491	879
V. NET PROFIT / LOSS CARRIED FORWARD	38.565.461	52.735.703	73
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	16.712.143	21.110.982	79
B. SUBORDINATED LIABILITIES	17.975.127	17.974.032	100
C. GROSS TECHNICAL PROVISIONS AND DEFERRED			
INCOME FROM PREMIUMS	691.696.303	695.398.847	99
1. Gross provisions for unearned premiums	182.489.705	187.858.030	97
2. Gross mathematical provisions	0	0	
3. Gross claim provisions	489.862.786	490.762.992	100
4. Gross provisions for bonuses and discounts	15.380.257	15.040.488	102
5. Other gross technical provisions	3.963.555	1.737.337	228
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE			
POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
E. PROVISIONS FOR OTHER RISKS AND CHARGES	8.141.194	7.523.023	108
1. Provisions for pensions	7.742.113	6.956.543	111
2. Other provisions	399.080	566.480	70
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN			
REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	70.984.850	55.572.172	128
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	4.457.703	5.811.129	77
1. Liabilities to policy holders	2.749.315	3.611.036	76
2. Liabilities to agents and brokers	723.853	886.889	82
3. Other liabilities from direct insurance operations	371.479	617.723	60
4. Liabilities from direct insurance operations- associates and subsidiaries	613.057	695.481	88
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	10.406.511	11.135.863	93
1. Liabilities for co-insurance premiums	186.885	5.845	
2. Liabilities for reinsurance premiums	903.967	593.275	152
3. Liabilities for co-insurers' share in claims	29.565	153.393	19
4. Liabilities for reinsurers' share in claims	0	0	
5. Other liabilities from co-insurance and re-insurance	0	0	
6. Liabilities from co-insurance and re- insurance-associates and subsidiaries	9.286.094	10.383.349	89

in EUR			
	31 December 2014	31 December 2013	Index
III. LOANS SECURED BY FIXED RATE SECURITIES	0	0	
IV. LIABILITIES TO BANKS	0	0	
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	56.120.635	38.625.180	145
a.) Other long term liabilities	16.189.772	9.953.754	163
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	19.500	1.503	
3. Deferred tax liabilities	16.170.272	9.952.251	162
b.) Other short-term liabilities	39.930.864	28.671.427	139
1. Short-term liabilities to employees	15.495.705	10.211.309	152
2. Other short-term liabilities from insurance operations	5.346.772	4.586.358	117
3. Short-term liabilities from financing	1.693.912	1.336.201	127
4. Current income tax liabilities	4.795.056	0	
5. Other short-term liabilities	12.599.419	12.537.559	100
H. ACCRUED EXPENSES AND DEFERRED INCOME	2.482.876	1.077.250	230
1. Accrued expenses	993.710	901.698	110
2. Other accruals and deferred income	1.489.167	175.552	848
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	45.831.796	57.767.599	79

1.3. Balance sheet for Life insurance as at 31 December 2014

in EUR

	31 December 2014	31 December 2013	Index
ASSETS (od A do G)	1.514.954.062	1.381.235.603	110
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	1.974.521	2.169.076	91
1. Intangible assets	1.974.521	2.169.076	91
2. Goodwill	0	0	
3. Deferred acquisition costs	0	0	
4. Other long-term deferred items	0	0	
B. LAND, BUILDINGS AND FINANCIAL ASSETS	1.045.678.095	946.449.683	110
I. LAND AND BUILDINGS	9.942.978	10.104.735	98
a.) Directly used in insurance activities	8.621.087	8.756.526	98
1. Land directly used in insurance activities	635.773	635.773	100
2. Buildings directly used in insurance activities	7.985.313	8.120.753	98
3. Other land and buildings directly used in insurance activities	0	0	
b.) Investment property	1.321.891	1.348.208	98
1. Land	152.302	152.302	100
2. Buildings	1.169.590	1.195.907	98
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	11.941.907	11.151.995	107
1. Shares in subsidiaries	1.514.671	1.514.671	100
2. Debt securities and loans to subsidiaries	0	0	
3. Shares in associated companies	10.427.236	9.637.324	108
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	1.023.700.840	925.164.690	111
1. Long-term financial investments	1.006.305.189	904.096.307	111
1.1. Shares and other floating rate securities and fund coupons	32.504.106	22.659.413	143
1.2. Debt and other fixed return securities	947.015.204	833.926.317	114
1.3. Investment fund shares	0	0	
1.4. Mortgage loans	0	0	
1.5. Other loans	21.493.087	27.342.680	79
1.6. Deposits with banks	4.607.594	19.479.743	24
1.7. Other financial investments	685.197	688.155	100
2. Short-term financial investments	17.395.651	21.068.383	83
2.1. Shares available for sale	0	0	
2.2. Securities available for sale and with maturity up to one year	12.299.856	11.192.836	110
2.3. Short-term loans	0	0	
2.4. Short-term bank deposits	5.095.795	9.875.547	52
2.5. Other short-term financial investments	0	0	
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	92.371	28.264	327
1. From unearned premium	0	0	
- in reinsurance	0	0	
- in co-insurance	0	0	
2. From mathematical provision	0	0	

in EUR

	31 December 2014	31 December 2013	Index
3. From outstanding claims	92.371	28.264	327
- in reinsurance	92.371	28.264	327
- in co-insurance	0	0	
4. From bonuses and discounts	0	0	
5. From other technical provisions	0	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT			
INVESTMENTS	449.802.771	422.849.370	106
D. RECEIVABLES	13.025.632	5.847.037	223
I. RECEIVABLES FROM DIRECT INSURANCE	449.516	417.913	108
1. Receivables from insurers	434.148	402.972	108
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	15.368	14.941	103
4. Receivables from direct insurance operations -associates and subsidiaries	0	0	
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	10.957	13.971	78
1. Premium receivable from co-insurance	0	0	
2. Premium receivable from reinsurance	0	0	
3. Receivables from co-insurers' share in claims	0	0	
4. Receivables from reinsurers' share in claims	0	0	
5. Other receivables from co-insurance and reinsurance	0	0	
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	10.957	13.971	78
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	12.565.159	5.415.153	232
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	85.456	67.056	127
3. Short term receivables from financing	7.781.565	601.165	
4. Other short-term receivables	834.284	1.359.264	61
5. Long-term receivables	636	0	
6. Current tax receivables	0	0	
7. Deferred tax assets	1.326.197	1.986.974	67
8. Other short-term receivables - associates and subsidiaries	2.537.022	1.400.695	181
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	4.469.999	3.900.970	115
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	1.498.329	2.477.448	60
1. Equipment and small tools	1.453.296	2.427.592	60
2. Other tangible fixed assets	45.034	49.856	90
II. CASH AT BANK AND IN HAND	2.971.669	1.423.521	209
III. INVENTORIES AND OTHER ASSETS	0	0	
1. Inventories	0	0	
2. Other assets	0	0	
F. SHORT-TERM DEFERRED ASSETS	3.044	19.468	16
1. Accrued interest and rent	0	0	
2. Deferred short-term expenses of insurance contract acquisition	0	0	
3. Other short-term deferred items	3.044	19.468	16
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H. OFF BALANCE SHEET ASSETS	6.559.638	25.200.338	26

in EUR

	31 December 2014	31 December 2013	Index
EQUITY AND LIABILITIES (A to I)	1.514.954.062	1.381.235.603	110
A. EQUITY	107.505.526	87.426.394	123
I. SUBSCRIBED (CALLED UP) CAPITAL	22.360.852	22.360.852	100
1. Share capital	22.360.852	22.360.852	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	13.067.907	13.067.907	100
III. RESERVES FROM PROFIT	45.513.891	38.763.891	117
1. Security reserves	0	0	
2. Legal and statutory reserves	1.445.419	1.445.419	100
3. Reserves for own shares	0	0	
4. Own shares (as deduction)	0	0	
5. Equalisation provision for credit insurance	0	0	
6. Catastrophe reserves	0	0	
7. Other reserves from profit	44.068.472	37.318.472	118
IV. FAIR VALUE RESERVE	20.153.444	9.254.261	218
1. Fair value reserve for tangible fixed assets	0	0	
2. Fair value reserve for long-term investments	20.250.654	9.293.121	218
3. Fair value reserve for short-term investments	467	-28.121	
4. Other fair value reserve	-97.677	-10.739	910
V. NET PROFIT / LOSS CARRIED FORWARD	0	0	
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	6.409.432	3.979.484	161
B. SUBORDINATED LIABILITIES	11.983.413	11.982.682	100
C. GROSS TECHNICAL PROVISIONS AND DEFERRED			
INCOME FROM PREMIUMS	925.394.092	843.540.265	110
1. Gross provisions for unearned premiums	412.831	428.747	96
2. Gross mathematical provisions	904.858.200	823.783.519	110
3. Gross claim provisions	19.136.346	19.328.000	99
4. Gross provisions for bonuses and discounts	0	0	
5. Other gross technical provisions	986.715	0	
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE			
POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	442.952.449	420.333.091	105
E. PROVISIONS FOR OTHER RISKS AND CHARGES	1.666.541	1.506.521	111
1. Provisions for pensions	1.666.541	1.502.552	111
2. Other provisions	0	3.969	
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN			
REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	24.894.535	15.889.143	157
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	6.174.096	5.832.498	106
1. Liabilities to policy holders	4.916.517	4.457.351	110
2. Liabilities to agents and brokers	71.797	211.524	34
3. Other liabilities from direct insurance operations	982.034	893.842	110
4. Liabilities from direct insurance operations- associates and subsidiaries	203.748	269.782	76
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	0	0	
1. Liabilities for co-insurance premiums	0	0	
2. Liabilities for reinsurance premiums	0	0	
3. Liabilities for co-insurers' share in claims	0	0	
4. Liabilities for reinsurers' share in claims	0	0	
5. Other liabilities from co-insurance and re-insurance	0	0	
6. Liabilities from co-insurance and re- insurance-associates and subsidiaries	0	0	

in EUR

	31 December 2014	31 December 2013	Index
III. LOANS SECURED BY FIXED RATE SECURITIES	0	0	
IV. LIABILITIES TO BANKS	0	0	
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	18.720.439	10.056.645	186
a.) Other long term liabilities	11.816.365	4.102.829	288
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	0	0	
3. Deferred tax liabilities	11.816.365	4.102.829	288
b.) Other short-term liabilities	6.904.074	5.953.816	116
1. Short-term liabilities to employees	265.958	0	
2. Other short-term liabilities from insurance operations	4.180.977	3.012.848	139
3. Short-term liabilities from financing	0	0	
4. Current income tax liabilities	0	0	
5. Other short-term liabilities	2.457.138	2.940.968	84
H. ACCRUED EXPENSES AND DEFERRED INCOME	557.507	557.507	100
1. Accrued expenses	557.507	557.507	100
2. Other accruals and deferred income	0	0	
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	6.559.638	25.200.338	26

2. INCOME STATEMENT FOR THE YEAR ENDING AT 31 DECEMBER 2014

in EUR

	2014	2013	Index
A. Tehnical account for non-life insurance except health insurance business			
I. Net premium earned	356.224.073	369.775.431	96
1. Gross written premium	417.337.076	424.579.717	98
2. Assumed co-insurance written premium (+)	1.452.747	1.979.159	73
3. Ceded co-insurance written premium (-)	-625.944	-80.798	775
4. Outward reinsurance premium (-)	-66.318.785	-65.924.435	101
5. Change in gross provision for unearned premiums (+/-)	4.977.649	11.107.706	45
6. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	-598.671	-1.885.917	32
II. Allocated investment return transferred from the non-tehnical account (D VIII)	44.753.200	20.741.943	216
III. Other net income from insurance operations	4.321.135	4.213.769	103
IV. Net claims incurred	223.985.110	205.337.866	109
1. Gross claims settled	268.771.537	270.977.013	99
2. Income from gross subrogated receivables (-)	-16.154.360	-17.032.902	95
3. Co-insurers' share (+/-)	743.826	1.514.624	49
4. Reinsurers' share (-)	-21.259.122	-26.179.868	81
5. Changes in gross provisions for claims outstanding (+/-)	-900.206	-28.825.419	3
6. Changes in provisions for claims outstanding, reinsurers' and coinsurers' share (+/-)	-7.216.564	4.884.418	
V. Change in other net tehcnical provisions (+/-)	2.226.218	-531.955	
VI. Net expenses for bonuses and discounts	8.632.089	5.386.018	160
VII. Net operating expenses	95.177.151	96.907.220	98
1. Acquisition costs	78.492.287	76.481.557	103
2. Change in deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	29.070.934	31.033.306	94
3.1. Depreciation of assets used in insurance business	1.835.617	1.864.554	98
3.2. Labour costs	19.644.946	17.858.864	110
- wages and salaries	13.506.536	13.258.588	102
- social security and pension insurance costs	2.233.164	2.216.963	101
- other labour costs	3.905.246	2.383.314	164
3.3. Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	371.264	446.794	83
3.4. Other operating expenses	7.219.108	10.863.095	66
4. Income from reinsurance commissions and shares in the technical profit from reinsurance contracts (-)	-12.386.070	-10.607.643	117
VIII. Other net insurance expenses	11.793.877	12.453.243	95
1. Expenses of preventive activity	5.214.011	4.936.168	106
2. Contributions for covering losses on uninsured and unknown vehicles	1.208.825	-889.360	
3. Other net insurance expenses	5.371.041	8.406.435	64
IX. Result of the tehcnical account for non-life insurance business, except health insurance business (I+II+III-IV+-V-VI-VII-VIII)	63.483.962	75.178.750	84
B. Tehnical account for life insurance business			
I. Net premium earned	173.503.117	178.846.881	97
1. Gross written premium	173.829.628	179.199.515	97
2. Assumed co-insurance written premium (+)	0	0	
3. Ceded co-insurance written premium (-)	0	0	
4. Outward reinsurance premium (-)	-342.426	-327.247	105
5. Change in gross provision for unearned premiums (+/-)	15.915	-25.387	
6. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	0	0	
II. Income from investments	93.992.782	69.778.479	135
1. Income from dividends	1.108.510	1.310.019	85
1.1. Group companies	0	0	
1.2. Associates	60.541	421.365	14
1.3. Others	1.047.969	888.654	118

in EUR			
	2014	2013	Index
2. Income from other investments	62.696.789	55.557.651	113
2.1. Income from land and buildings	61.747	70.014	88
- in group companies	0	0	
- in associates	0	0	
- in others	61.747	70.014	88
2.2. Interest income	35.730.949	35.233.528	101
- in group companies	0	0	
- in associates	0	0	
- in others	35.730.949	35.233.528	101
2.3. Other investment income	26.904.093	20.254.110	133
2.3.1. Financial income from revaluation	26.903.223	20.252.992	133
- in group companies	0	0	
- in associates	0	0	
- in others	26.903.223	20.252.992	133
2.3.2. Other financial income	870	1.118	78
- in group companies	0	0	
- in associates	0	0	
- in others	870	1.118	78
3. Income from asset value adjustments	0	0	
4. Profit on disposal of investments	30.187.483	12.910.809	234
III. Net unrealised gains on unit-linked life insurance assets	63.279.337	47.380.445	134
IV. Other net income from insurance operations	81.514	127.511	64
V. Net claims incurred	168.053.156	165.317.074	102
1. Gross claims settled	168.504.399	165.453.692	102
2. Income from gross subrogated receivables (-)	0	0	
3. Reinsurers' share (-)	-195.482	-126.748	154
4. Changes in gross provisions for claims outstanding (+/-)	-191.654	12.258	
5. Changes in provisions for claims outstanding, reinsurers' share (+/-)	-64.107	-22.128	290
VI. Change in other net technical provisions (+/-)	78.784.760	15.410.053	511
1. Change of mathematical provisions (+/-)	78.957.457	15.410.053	512
1.1. Change in gross mathematical provision (+/-)	78.957.457	15.410.053	512
1.2. Change of reinsurers' share (+/-)	0	0	
2. Change of other net technical provisions (+/-)	-172.698	0	
2.1. Change of other gross technical provision(+/-)	-172.698	0	
2.2. Change of reinsurers' share (+/-)	0	0	
VII. Net expenses for bonuses and discounts	0	0	
VIII. Net operating expenses	30.786.420	30.508.273	101
1. Acquisition costs	21.362.340	19.501.549	110
2. Change of deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	9.513.856	11.310.152	84
3.1. Depreciation of assets used in insurance business	842.213	836.679	101
3.2. Labour costs	6.174.644	5.570.685	111
- wages and salaries	4.350.668	4.190.200	104
- social security and pension insurance costs	722.081	702.067	103
- other labour costs	1.101.895	678.417	162
3.3. Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	87.276	100.575	87
3.4. Other operating expenses	2.409.724	4.802.214	50
4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-89.776	-303.429	30
IX. Expenses from investments	20.036.064	40.966.584	49
1. Depreciation and amortization of assets not used in operations	34.425	42.671	81
2. Expenses arising from asset management, interest expenses and other financial expenses	2.393.401	2.244.198	107
3. Revaluation financial expenses	10.267.229	26.132.655	39
4. Loss on disposal of investments	7.341.010	12.547.061	59
X. Net unrealised losses on investments for insurance of which the policyholders bear the investment risk	19.518.717	33.789.102	58

		in EUR		
		2014	2013	Index
XI.	Other net insurance expenses	203.767	896.314	23
1.	Expenses of preventive activity	0	700.170	
2.	Other net insurance expenses	203.767	196.144	104
XII.	Allocated investment return transferd to the non- tehnical account (-) (D V)	4.616.898	-9.063.707	
XIII.	Result of the tehcnical account for life insurance business (I+II+III+IV-V+/-VI-VII-VIII-IX-X-XI-XII)	8.856.968	18.309.623	48
C.	Result of the tehcnical account for health insurance business			
D.	Non-tehnical account			
I.	Result of the tehcnical account for non-life insurance business, except health insurance business (A IX)	63.483.962	75.178.750	84
II.	Result of tehcnical the account for life insurance business (B XIII)	8.856.968	18.309.623	48
III.	Result of tehcnical account for health insurance business (C XI)			
IV.	Income from investment	58.802.163	52.041.490	113
1.	Income from participations	2.675.850	5.225.011	51
1.1.	Group companies	179.293	4.104.060	4
1.2.	Associates	0	0	
1.3.	Others	2.496.557	1.120.951	223
2.	Income from other investments	30.080.575	32.551.792	92
2.1.	Income from land and buildings	1.961.935	1.792.286	109
	- group companies	165.958	172.951	96
	- associates	0	0	
	- others	1.795.977	1.619.335	111
2.2.	Interest income	24.833.267	28.316.834	88
	- group companies	2.193.168	2.183.420	100
	- associates	0	0	
	- others	22.640.099	26.133.415	87
2.3.	Other income from investments	3.285.373	2.442.672	134
2.3.1.	Financial income from revaluation	3.281.144	2.439.596	134
	- group companies	8.317	3.642	228
	- associates	0	0	
	- others	3.272.827	2.435.954	134
2.3.2.	Other financial income	4.229	3.076	137
	- group companies	0	0	
	- associates	0	0	
	- others	4.229	3.076	137
3.	Income from asset value adjustments	1.636	24.200	7
4.	Profit on disposal of investments	26.044.103	14.240.487	183
V.	Allocated investment return transferred from life insurance tehcnical account (B XII)	4.616.898	-9.063.707	
VI.	Allocated investment return transferred from the health insurance tehcnical account (C X)			
VII.	Expenses from investments	31.720.506	57.059.677	56
1.	Depreciation and amortization of assets not used in operations	621.377	517.741	120
2.	Expenses arising from asset management, interest expenses and other financial expenses	5.540.990	4.820.837	115
3.	Revaluation financial expenses	22.614.610	49.794.536	45
4.	Loss on disposal of investments	2.943.529	1.926.562	153
VIII.	Allocated investment return transferred to the tehcnical account for non-life insurance business, except health insurance business (A II)	44.753.200	20.741.943	216
IX.	Other income from insurance business	4.400.601	3.931.904	112
1.	Other income from property insurance except for health insurance	1.038.973	789.898	132
2.	Other income from life insurance	3.361.628	3.142.006	107
3.	Other income from health insurance	0	0	

in EUR			
	2014	2013	Index
X. Other expenses	8.366.481	4.267.859	196
1. Other expenses from property insurance except for health insurance	6.643.602	3.383.975	196
2. Other expenses from life assurance	1.722.879	883.885	195
3. Other expenses from health insurance	0	0	
XI. Other income	2.178.032	1.793.969	121
1. Other income from property insurance except for health insurance	2.091.986	1.682.772	124
2. Other expenses from life assurance	86.045	111.197	77
3. Other expenses from health insurance	0	0	
XII. Other expenses	2.367	528.142	
1. Other income from property insurance except for health insurance	-1.637	451.354	
2. Other expenses from life assurance	4.004	76.788	5
3. Other income from health insurance	0	0	
XIII. Profit/loss before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	57.496.069	59.594.408	96
1. Net profit / -loss from property insurance, except health insurance	42.301.412	48.055.962	88
2. Net profit / -loss from life assurance	15.194.657	11.538.446	132
3. Net profit / -loss from health insurance			
XIV. Corporate income tax	4.795.045	649.582	738
XV. Deffered taxes	7.088.443	10.654.360	67
XVI. Net profit / -loss for the accounting period (XIII-XIV-XV)	45.612.581	48.290.466	94
- Net profit / -loss from property insurance, except health insurance	32.453.149	37.110.982	87
- Net profit / -loss from life assurance	13.159.432	11.179.484	118
- Net profit / -loss from health insurance			
E. Comprehensive income			
I. Net profit/loss for the accounting period after tax	45.612.581	48.290.466	94
II. Other comprehensive income after tax (a + b)	37.858.385	-10.687.063	
a. Items which will not be transferred in P&L in future periods (1+2+3+4+5+6)	-503.403	-64.230	784
1. Net profit / loss recognised in a fair value reserve relating to intangible assets	0	0	
2. Net profit / loss recognised in a fair value reserve relating to property, plant and equipment	0	0	
3. Actuarial gains / loss for pension plans	-606.509	-77.385	784
4. Share of OCI of entities accounted for using the equity method	0	0	
5. Other items which will not be transferred in P&L	0	0	
6. Tax on items which will not be transferred in P&L	103.107	13.156	784
b. Items which could be transferred into P&L in future periods (1+2+3+4+5)	38.361.788	-10.622.833	
1. Valuation gains / losses on available-for-sale financial assts	77.582.360	-14.530.766	
2. Net profit / loss relating to cash flows hedges	0	0	
3. Share of OCI of entities accounted for using the equity method	0	0	
4. Liabilities from insurance contracts with DPF	-25.899.972	2.853.742	
5. Tax on other comprehensive income	-13.320.600	1.054.191	
III. Comprehensive Income for the period after tax (I + II)	83.470.966	37.603.404	222

3. ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT AS AT 31 DECEMBER 2014

3.1. Assets and liabilities of technical account for life insurance, rent and supplementary pension insurance

in EUR

	31 December 2014	31 December 2013	Index
ASSETS (from A to D)	740.803.297	701.244.673	106
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	735.233.915	695.855.030	106
I. INVESTMENT PROPERTY	438.170	444.738	99
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	0	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	734.703.374	695.382.029	106
1. Shares and other floating rate securities	25.452.652	16.673.819	153
2. Debt securities with fixed return	682.509.060	635.766.523	107
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	21.423.832	21.095.328	102
6. Bank deposits	5.317.830	21.846.359	24
7. Other financial investments	0	0	
IV. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	92.371	28.264	327
1. from unearned premium	0	0	
2. from mathematical provision	0	0	
3. from outstanding claims	92.371	28.264	327
- co-insurance	92.371	28.264	327
- reinsurance	0	0	
4. from bonuses and discounts	0	0	
5. from technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	4.018.985	4.722.452	85
I. RECEIVABLES FROM DIRECT INSURANCE	443.205	410.665	108
1. Receivables from insurers	434.148	402.972	108
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	9.057	7.693	118
II. RECEIVABLES FROM RE-INSURANCE	10.957	13.971	78
III. OTHER RECEIVABLES	3.564.823	4.297.816	83
C. OTHER ASSETS	1.547.353	647.722	239
I. Cash and cash equivalents	1.547.353	647.722	239
II. Other assets	0	0	
D. SHORT-TERM DEFERRED ASSETS	3.044	19.468	16
1. Accrued interest and rent	0	0	
2. Deferred expenses for insurance contract acquisition	0	0	
3. Other deferred items	3.044	19.468	16
E. OFF BALANCE SHEET ITEMS	130.000	16.880.700	1

in EUR

	31 December 2014	31 December 2013	Index
LIABILITIES (A to F)	740.803.297	701.244.673	106
A. FAIR VALUE RESERVE	0	0	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	723.544.329	674.254.659	107
1. gross provision for unearned premium	412.831	428.747	96
2. gross mathematical provisions	703.008.437	654.497.912	107
3. gross provisions for outstanding claims	19.136.346	19.328.000	99
4. gross provisions for bonuses and discounts	0	0	
5. other gross technical provisions	986.715	0	
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE			
POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE			
CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	17.258.968	26.990.014	64
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	4.768.245	4.238.587	112
1. Liabilities towards policyholders	4.080.938	3.492.726	117
2. Liabilities towards intermediaries	275.545	481.305	57
3. Other liabilities from direct insurance operations	411.762	264.556	156
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	12.490.723	22.751.427	55
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	130.000	16.880.700	1

3.2 Assets and liabilities of technical account - Guarantee Fund of Pension Scheme PN-ZT-01 LJUBLJANA

	in EUR		
	31 December 2014	31 December 2013	Index
I. ASSETS (from A to E)	176.232.509	152.562.739	116
A. INVESTMENT PROPERTY AND OTHER PROPERTY RIGHTS	0	0	
1. Investment property	0	0	
2. Other property rights	0	0	
B. FINANCIAL INVESTMENTS	175.957.188	152.393.477	115
1. in loans and deposits	2.506.784	9.429.265	27
2. held to maturity:	0	0	
- debt securities	0	0	
3. available for sale:	1.032.152	47.670.621	2
- debt securities	1.032.152	46.563.758	2
- equity securities	0	1.106.863	
4. measured at fair value:	172.418.252	95.293.590	181
- debt securities	169.762.899	94.164.360	180
- equity securities	2.655.353	1.129.230	235
C. RECEIVABLES	3.632	2.520	144
1. Receivables to the managing company failing to achieve a guaranteed return	0	0	
2. Other receivables	3.632	2.520	144
D. CASH AND CASH EQUIVALENTS	271.689	166.742	163
E. OTHER ASSETS	0	0	
F. OFF BALANCE ASSETS	0	1.890.000	
1. From derivative financial instruments	0	1.890.000	
2. From guarantees given	0	0	
3. Other off balance assets	0	0	

in EUR			
	31 December 2014	31 December 2013	Index
II. LIABILITIES (from A to D)	176.232.509	152.562.739	116
A. TECHNICAL PROVISIONS	175.208.966	151.356.871	116
1. Mathematical provisions for payable net premium	127.878.149	138.211.859	93
2. Mathematical provisions for attributed return of assets covering mathematical provision	47.330.817	13.145.012	360
3. Technical provisions for insurance where the assets covering mathematical provisions are split to units (VEP)	0	0	
B. FINANCIAL LIABILITIES	0	0	
C. OPERATING LIABILITIES	1.020.249	1.195.347	85
1. Liabilities arising from the purchase of securities and other financial instruments	0	0	
2. Liabilities to the managing company of the assets covering mathematical provisions	177.356	228.006	78
3. Liabilities arising from redemption value to the members of the assets covering mathematical provisions	833.591	952.779	87
4. Other operating liabilities	9.302	14.561	64
D. OTHER LIABILITIES	3.294	10.521	31
F. OFF BALANCE LIABILITIES	0	1.890.000	
1. From derivative financial instruments	0	1.890.000	
2. From guarantees given	0	0	
3. Other off balance liabilities	0	0	

3.3 Assets and liabilities of technical account - Guarantee Fund of Triglav PDPZ - zajamčeni

	in EUR		
	31 December 2014	31 December 2013	Index
I. ASSETS (from A to E)	1.187.593	733.505	162
A. INVESTMENT PROPERTY AND OTHER PROPERTY RIGHTS	0	0	
1. Investment property	0	0	
2. Other property rights	0	0	
B. FINANCIAL INVESTMENTS	1.170.670	715.455	164
1. in loans and deposits	20.219	70.407	29
2. held to maturity:	0	0	
- debt securities	0	0	
3. available for sale:	0	0	
- debt securities	0	0	
- equity securities	0	0	
4. measured at fair value:	1.150.452	645.048	178
- debt securities	1.150.452	645.048	178
- equity securities	0	0	
C. RECEIVABLES	30	1.500	2
1. Receivables to the managing company failing to achieve a guaranteed return	0	0	
2. Other receivables	30	1.500	2
D. CASH AND CASH EQUIVALENTS	16.893	16.550	102
E. OTHER ASSETS	0	0	
F. OFF BALANCE ASSETS	0	0	
1. From derivative financial instruments	0	0	
2. From guarantees given	0	0	
3. Other off balance assets	0	0	

in EUR

	31 December 2014	31 December 2013	Index
II. LIABILITIES (from A to D)	1.187.593	733.505	162
A. TECHNICAL PROVISIONS	1.186.221	716.564	166
1. Mathematical provisions for payable net premium	1.003.106	681.682	147
2. Mathematical provisions for attributed return of assets covering mathematical provision	183.115	34.882	525
3. Technical provisions for insurance where the assets covering mathematical provisions are split to units (VEP)	0	0	
B. FINANCIAL LIABILITIES	0	0	
C. OPERATING LIABILITIES	1.372	16.941	8
1. Liabilities arising from the purchase of securities and other financial instruments	0	0	
2. Liabilities to the managing company of the assets covering mathematical provisions	1.372	2.261	61
3. Liabilities arising from redemption value to the members of the assets covering mathematical provisions	0	11.614	
4. Other operating liabilities	0	3.066	
D. OTHER LIABILITIES	0	0	
F. OFF BALANCE LIABILITIES	0	0	
1. From derivative financial instruments	0	0	
2. From guarantees given	0	0	
3. Other off balance liabilities	0	0	

3.4. Assets and liabilities of technical account - supplementary voluntary pension insurance at the time of payment of rent

in EUR			
	31 December 2014	31 December 2013	Index
ASSETS (from A to D)	26.171.203	18.044.045	145
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	26.017.056	17.948.776	145
I. INVESTMENT PROPERTY	0	0	
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	0	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	26.017.056	17.948.776	145
1. Shares and other floating rate securities	0	0	
2. Debt securities with fixed return	25.262.171	17.042.641	148
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	0	0	
6. Bank deposits	754.886	906.134	83
7. Other financial investments	0	0	
IV. ASSETS FROM REINSURANCE CONTRACTS	0	0	
1. from unearned premium	0	0	
2. from mathematical provision	0	0	
3. from outstanding claims	0	0	
4. from bonuses and discounts	0	0	
5. from technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	0	33	
I. RECEIVABLES FROM DIRECT INSURANCE	0	33	
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	0	33	
II. RECEIVABLES FROM REINSURANCE	0	0	
III. OTHER RECEIVABLES	0	0	
C. OTHER ASSETS	154.146	95.235	162
I. Cash and cash equivalents	154.146	95.235	162
II. Other assets	0	0	
D. SHORT-TERM DEFERRED ASSETS	0	0	
1. Accrued interest and rent	0	0	
2. Deferred expenses for insurance contract acquisition	0	0	
3. Other deferred items	0	0	
E. OFF BALANCE SHEET ITEMS	0	0	

in EUR			
	31 December 2014	31 December 2013	Index
LIABILITIES (A to F)	26.171.203	18.044.045	145
A. FAIR VALUE RESERVE	0	0	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	25.454.576	17.212.172	148
1. gross provision for unearned premium	0	0	
2. gross mathematical provisions	25.454.576	17.212.172	148
3. gross provisions for outstanding claims	0	0	
4. gross provisions for bonuses and discounts	0	0	
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE			
POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE			
CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	716.626	831.873	86
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	567.421	609.657	93
1. Liabilities towards policyholders	1.988	232	858
2. Liabilities towards intermediaries	0	0	
3. Other liabilities from direct insurance operations	565.433	609.425	93
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	149.206	222.216	67
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	0	0	

3.5. Assets and liabilities of technical account - unit-linked insurance

in EUR			
	31 December 2014	31 December 2013	Index
ASSETS (from A to D)	450.225.037	423.084.126	106
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	449.802.771	422.849.370	106
I. INVESTMENT PROPERTY	0	0	
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	0	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	449.802.771	422.849.370	106
1. Shares and other floating rate securities	383.177.339	359.474.434	107
2. Debt securities with fixed return	54.823.747	55.345.042	99
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	0	0	
6. Bank deposits	11.801.685	8.029.894	147
7. Other financial investments	0	0	
IV. ASSETS FROM REINSURANCE CONTRACTS	0	0	
1. from unearned premium	0	0	
2. from mathematical provision	0	0	
3. from outstanding claims	0	0	
4. from bonuses and discounts	0	0	
5. from technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	8.473	8.803	96
I. RECEIVABLES FROM DIRECT INSURANCE	5.876	5.798	101
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	5.876	5.798	101
II. RECEIVABLES FROM REINSURANCE	0	0	
III. OTHER RECEIVABLES	2.597	3.005	86
C. OTHER ASSETS	413.794	225.953	183
I. Cash and cash equivalents	413.794	225.953	183
II. Other assets	0	0	
D. SHORT-TERM DEFERRED ASSETS	0	0	
1. Accrued interest and rent	0	0	
2. Deferred expenses for insurance contract acquisition	0	0	
3. Other deferred items	0	0	
E. OFF BALANCE SHEET ITEMS	6.429.638	6.429.638	100

in EUR			
	31 December 2014	31 December 2013	Index
LIABILITIES (A to F)	450.225.037	423.084.126	106
A. FAIR VALUE RESERVE	0	0	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	0	0	
1. gross provision for unearned premium	0	0	
2. gross mathematical provisions	0	0	
3. gross provisions for outstanding claims	0	0	
4. gross provisions for bonuses and discounts	0	0	
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE			
POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	442.952.449	420.333.091	105
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE			
CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	7.272.588	2.751.035	264
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	508	2.234	23
1. Liabilities towards policyholders	0	0	
2. Liabilities towards intermediaries	0	0	
3. Other liabilities from direct insurance operations	508	2.234	23
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	7.272.080	2.748.801	265
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	6.429.638	6.429.638	100

4. INCOME STATEMENTS OF TECHNICAL ACCOUNT

4.1. Income statement for life insurance, rent and supplementary pension insurance

		in EUR		
		2014	2013	Index
I.	Premium earned	98.469.771	96.133.983	102
1.	Gross premium earned	98.453.856	96.159.370	102
2.	Change of unearned premium	15.915	-25.387	
II.	Income from investments	46.594.514	39.140.810	119
1.	Income from dividends	412.795	314.905	131
1.1.	Dividends from subsidiaries	0	0	
1.2.	Dividends from associated companies	0	0	
1.3.	Dividends from others	412.795	314.905	131
2.	Income from other investments	30.597.685	30.823.273	99
2.1.	Income from land and buildings	24.162	23.997	101
2.2.	Interest income	27.004.605	26.871.372	100
2.3.	Other income from investments	3.568.918	3.927.904	91
2.3.1.	Financial income from revaluation	3.568.048	3.926.945	91
2.3.2.	Other financial income	870	959	91
3.	Income from investment value adjustments	0	0	
4.	Gains from disposal of investments	15.584.034	8.002.632	195
III.	Other income from insurance	81.514	124.402	66
IV.	Expenses from claims	86.936.172	91.388.413	95
1.	Claims expenses	87.191.932	91.398.284	95
2.	Change in provisions from claims	-255.761	-9.870	
V.	Change in other technical provisions (+/-)	23.144.237	-1.833.826	
1.	Change in mathematical provision (+/-)	23.316.934	-1.833.826	
1.1.	Change in mathematical provisions without share in profit(+/-)	16.380.549	-7.633.688	
1.2.	Change in mathematical provision from share in profit (+/-)	6.936.386	5.799.862	120
2.	Change in other technical provisions(+/-)	-172.698	0	
VI.	Expenses for bonuses and discounts	0	0	
VII.	Expenses included in policies	16.252.026	16.187.547	100
1.	Entry fees	2.771.469	3.042.111	91
2.	Incasso, administrative expenses	13.480.557	13.145.436	103
3.	Costs of claims settlement	0	0	
VII.a	Net operating expenses	15.795.742	14.845.885	106
1.	Cost of contract aquisition	11.323.229	9.819.275	115
2.	Change in deferred costs of contract aquisition (+/-)	0	0	
3.	Other operating expenses	4.562.290	5.330.038	86
3.1.	Amortisation and depreciation of assets, needed for operations	398.882	371.186	107
3.2.	Labour costs	2.924.451	2.518.344	116
-	salaries	2.059.348	1.900.891	108
-	costs of social and pension insurance	342.113	318.433	107
-	other labour costs	522.990	299.020	175
3.3.	Costs of services provided by outsourced netural persons other than Sole Traders together with pertaining taxes	30.412	42.298	72
3.4.	Other operating expenses	1.208.545	2.398.210	50
4.	Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-89.776	-303.429	30

		in EUR		
		2014	2013	Index
VIII.	Investment expenses	5.320.505	7.034.494	76
1.	Depreciation of assets, not necessary for operations	6.567	9.329	70
2.	Expenses for asset management, interest expenses and othe financial expenses	885.759	966.287	92
3.	Financial expenses from revaluation	2.307.628	5.292.806	44
4.	Losses from disposal of financial investments	2.120.551	766.072	277
IX.	Other net insurance expenses	203.637	895.568	23
X.	Profit / Loss from life assurance (I+II+III-IV+/-V-VI-VII-VIII-IX)	13.289.223	21.727.000	61
X.a	Profit / Loss from life assurance (I+II+III-IV+/-V-VI-VIIa-VIII-IX)	13.745.507	23.068.662	60

4.2. Income statement for Guarantee Fund of Pension

Scheme PN-ZT-01 LJUBLJANA

		in EUR		
		2014	2013	Index
I.	Payments or premiums	13.754.125	14.113.845	97
II.	Financial income	36.145.144	14.383.882	251
1.	Income from dividends	6.259	30.501	21
2.	Interest income	5.465.285	5.126.891	107
3.	Gains on disposals of financial investments	8.032.935	1.529.126	525
4.	Profit arising from a change in the fair value of a financial asset through profit and loss	22.640.587	7.694.255	294
5.	Other financial income	78	3.109	3
III.	Investment property income	0	0	
1.	Income from rental of investment property	0	0	
2.	Gains on disposals of investment property	0	0	
3.	Profit arising from a change in the fair value of investment property through profit and loss	0	0	
IV.	Income from payment of management company due to failing to achieve guaranteed return	0	0	
V.	Expenses from repurchase	9.751.287	19.892.620	49
1.	Ordinary termination	0	0	
2.	Extraordinary termination	9.751.287	19.892.620	49
2.1.	Withdrawal from contract	9.531.045	19.686.609	48
2.2.	Cancellation of contract	0	0	
2.3.	Death of policyholder	220.242	206.011	107
VI.	Assets transfer from or on the other transactor (+/-)	-150.095	-1.049.939	14
1.	Assets transfer from the other transactor	116.112	75.576	154
2.	Assets transfer on the other transactor	266.207	1.125.515	24
VII.	Change of technical provisions (+/-)	29.208.861	-3.286.718	
1.	Change in mathematical provisions without the profit of the current year (+/-)	29.208.861	-3.286.718	
2.	Change of other technical provisions (+/-)	0	0	
3.	Change in provisions for insurance where assets covering mathematical provisions are splitted to units (VEP)	0	0	
VIII.	Costs of management company	2.523.193	2.537.887	99
1.	Entry fees	365.770	447.197	82
2.	Termination costs	100.373	208.330	48
3.	Management commission	2.057.050	1.882.360	109
IX.	Expenses in respect of custodian bank	0	0	
X.	Other expenses regarding management rules which directly charge assets covering mathematical provisions	0	0	
XI.	Financial expenses	8.265.832	8.303.999	100
1.	Interest expenses	0	0	
2.	Loss on disposal of financial investments	764.146	242.004	316
3.	Losses arising from a change in the fair value of financial assets through profit and loss	7.501.686	8.061.995	93
XII.	Investment property expenses	0	0	
1.	Expenses arising from management and rental of investment property	0	0	
2.	Losses arising from a change in the fair value of investment property through profit and loss	0	0	
XIII.	Net income of the current period (+/-)			
(I. +II. +III. +IV. -V. +VI. +VII. -VIII. -IX. -X. -XI. -XII.)		0	0	

4.3. Income statement for

Guarantee Fund of Triglav PDPZ - zajamčeni

		in EUR		
		2014	2013	Index
I.	Payments or premiums	321.895	301.223	107
II.	Financial income	333.812	76.309	437
1.	Income from dividends	0	0	
2.	Interest income	31.194	14.758	211
3.	Gains on disposals of financial investments	160.384	6.250	
4.	Profit arising from a change in the fair value of a financial asset through profit and loss	142.234	49.225	289
5.	Other financial income	0	6.076	
III.	Investment property income	0	0	
1.	Income from rental of investment property	0	0	
2.	Gains on disposals of investment property	0	0	
3.	Profit arising from a change in the fair value of investment property through profit and loss	0	0	
IV.	Income from payment of management company due to failing to achieve guaranteed return	0	0	
V.	Expenses from repurchase	88.973	19.924	447
1.	Ordinary termination	0	0	
2.	Extraordinary termination	88.973	19.924	447
2.1.	Withdrawal from contract	88.973	19.853	448
2.2.	Cancellation of contract	0	0	
2.3.	Death of policyholder	0	71	
VI.	Assets transfer from or on the other transactor (+/-)	89.039	209.425	43
1.	Assets transfer from the other transactor	89.039	209.425	43
2.	Assets transfer on the other transactor	0	0	
VII.	Change of technical provisions (+/-)	469.657	525.507	89
1.	Change in mathematical provisions without the profit of the current year (+/-)	469.657	525.507	89
2.	Change of other technical provisions (+/-)	0	0	
3.	Change in provisions for insurance where assets covering mathematical provisions are splitted to units (VEP)	0	0	
VIII.	Costs of management company	17.224	9.028	191
1.	Entry fees	6.807	3.944	173
2.	Termination costs	676	201	337
3.	Management commission	9.741	4.884	199
IX.	Expenses in respect of custodian bank	0	0	
X.	Other expenses regarding management rules which directly charge assets covering mathematical provisions	0	0	
XI.	Financial expenses	168.893	32.498	520
1.	Interest expenses	0	0	
2.	Loss on disposal of financial investments	426	16	
3.	Losses arising from a change in the fair value of financial assets through profit and loss	168.467	32.482	519
XII.	Investment property expenses	0	0	
1.	Expenses arising from management and rental of investment property	0	0	
2.	Losses arising from a change in the fair value of investment property through profit and loss	0	0	
XIII.	Net income of the current period (+/-)			
(I. +II. +III. +IV. -V. +VI. +VII. -VIII. -IX. -X. -XI. -XII.)		0	0	

4.4. Income statement for supplementary voluntary pension insurance at the time of payment of rent

		in EUR		
		2014	2013	Index
I.	Transfer of funds from the pension plan for supplementary voluntary pension insurance	7.762.099	9.004.202	86
1.	These legal entities	3.073.611	3.068.790	100
2.	Other insurance	0	0	
3.	Other pension companies	4.688.488	5.935.412	79
4.	Mutual pension fund	0	0	
II.	Income from investments	1.635.792	559.678	292
1.	Income from dividends in companies	0	0	
1.1.	Group companies	0	0	
1.2.	Associated companies	0	0	
1.3.	Other	0	0	
2.	Income from other investments	692.004	487.105	142
2.1.	Income from investment property	0	0	
2.2.	Interest income	675.282	487.105	139
2.3.	Other income from investments	16.722	0	
2.3.1.	Revaluation income	16.722	0	
2.3.2.	Other financial income	0	0	
3.	Income from revaluation of investments	0	0	
4.	Gains on disposals of investments	943.788	72.573	
III.	Expenses from claims	2.529.133	1.622.075	156
1.	Claims expenses	2.529.133	1.622.075	156
2.	Change in provisions from claims	0	0	
IV.	Change of other technical provisions(+/-)	6.416.258	7.640.673	84
1.	Change of mathematical provision (+/-)	6.416.258	7.640.673	84
2.	Change of other technical provisions (+/-)	0	0	
V.	Expenses included in policies	426.604	258.828	165
1.	Entry fees	73.679	36.091	204
2.	Incasso, administrative expenses	276.310	178.790	155
3.	Costs of claims settlement	76.616	43.946	174
V.a	Net operating expenses	243.035	164.584	148
1.	Cost of contract aquisition	114.343	109.183	105
2.	Change in deferred costs of contract aquisition (+/-)	0	0	
3.	Other operating expenses	128.692	55.401	232
3.1.	Amortisation and depreciation of assets, needed for operations	11.751	4.762	247
3.2.	Labour costs	85.219	31.533	270
	- Salaries	61.433	23.838	258
	- Costs of social and pension insurance	10.045	3.976	253
	- Other labour costs	13.740	3.719	369
3.3.	Costs of services provided by outsourced netural persons other than Sole Traders together with pertaining taxes	1.016	525	194
3.4.	Other operating expenses	30.706	18.581	165
4.	Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	0	0	
VI.	Investment expenses	25.896	42.304	61
1.	Depreciation of assets, not neccessary for operations	0	0	
2.	Expenses for asset management, interest expenses and othe financial expenses	9.174	42.304	22
3.	Financial expenses from revaluation	16.722	0	
4.	Losses from disposal of financial investments	0	0	
VII.	Profit / Loss of technical account (I+II-III+IV-V-VI)	0	0	
VII.a	Profit / Loss of technical account (I+II-III+IV-V.a-VI)	183.570	94.244	195

4.5. Income statement for unit-linked insurance

		in EUR		
		2014	2013	Index
I.	Gross written premium	56.063.688	62.077.417	90
II.	Income from investments	66.008.054	49.754.621	133
1.	Income from dividends in companies	421.601	374.160	113
1.1.	Group companies	0	0	
1.2.	Associated companies	0	0	
1.3.	Other	421.601	374.160	113
2.	Income from other investments	63.766.957	47.891.983	133
2.1.	Income from investment property	0	0	
2.2.	Interest income	487.621	511.537	95
2.3.	Other income from investments	63.279.337	47.380.446	134
2.3.1.	Revaluation income	63.279.337	47.380.445	134
2.3.2.	Other financial income	0	1	
3.	Income from revaluation of investments	0	0	
4.	Gains on disposals of investments	1.819.495	1.488.479	122
III.	Expenses from repayment of insurance amounts or repurchase	67.329.106	50.173.446	134
1.	Ordinary termination	37.435.559	14.118.595	265
2.	Extraordinary termination	29.893.546	36.054.851	83
2.1.	Withdrawal from contract	28.727.059	35.260.039	81
2.2.	Cancellation of contract	0	0	
2.3.	Death of policyholder	1.166.488	794.812	147
IV.	Change of other technical provisions(+/-)	22.619.358	15.433.207	147
1.	Change of mathematical provision (+/-)	22.619.358	15.433.207	147
2.	Change of other technical provisions (+/-)	0	0	
V.	Costs and commissions	7.404.764	7.669.978	97
1.	Entry fees	1.896.002	2.203.028	86
2.	Termination costs	0	0	
3.	Management commission	5.508.762	5.466.950	101
VI.	Investment expenses	23.845.055	37.072.861	64
1.	Depreciation of assets, not used in operations	0	0	
2.	Expenses arising from asset management, interest expenses and other financial expenses	0	0	
3.	Impairment expenses	19.518.847	33.789.849	58
4.	Loss on disposal of investments	4.326.208	3.283.012	132
VII.	Other income / expenses	-873.460	-1.482.546	59
VIII.	Profit / Loss of technical account (I+II-III+/-IV-V-VI+VII)	0	0	0

5. INVESTMENT RETURN

5.1. Investment return - 2014

5.1.1. Allocated investment return transferred from the non-technical account – non-life insurance 2014

	in EUR		
	Income - non - life technical provisions	Income – non life own funds	Total income
Income from dividends	2.493.145	182.705	2.675.850
Income from land and buildings	1.202.959	758.976	1.961.935
Interest income	22.841.866	1.991.401	24.833.267
Financial income from revaluation	2.889.434	391.711	3.281.144
Other financial income	229	4.000	4.229
Income from investment value adjustments	0	1.636	1.636
Gains from disposal of investments	25.847.495	196.607	26.044.103
Total income	55.275.128	3.527.035	58.802.163
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	300.630	320.747	621.377
Expenses from asset management, interest expenses and other financial expenses	2.993.794	2.547.195	5.540.990
Financial expenses from revaluations	5.982.312	16.632.298	22.614.610
Loss on disposal of investments	1.245.192	1.698.338	2.943.529
Total	10.521.928	21.198.578	31.720.506
Investment income (income - expenses)	44.753.200	-17.671.543	27.081.656

5.1.2. Allocated investment return transferred from the non-technical account – life insurance 2014

	in EUR		
	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	840.655	267.855	1.108.510
Income from land and buildings	24.162	37.585	61.747
Interest income	33.663.986	2.066.962	35.730.949
Financial income from revaluation	26.367.670	535.553	26.903.223
Other financial income	870	0	870
Income from investment value adjustments	0	0	0
Gains from disposal of investments	26.540.636	3.646.847	30.187.483
Net unrealised gains on unit-linked life insurance assets	63.279.337	0	63.279.337
Total	150.717.316	6.554.802	157.272.118
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	6.567	27.858	34.425
Expenses from asset management, interest expenses and other financial expenses	885.759	1.507.642	2.393.401
Financial expenses from revaluations	9.994.503	272.726	10.267.229
Loss on disposal of investments	7.211.331	129.679	7.341.010
Net unrealised losses on unit-linked life insurance assets	19.518.717	0	19.518.717
Total	37.616.876	1.937.904	39.554.781
Investment income (income - expenses)	113.100.440	4.616.898	117.717.338

5.2. Investment return - 2013

5.2.1. Allocated investment return transferred from the non-technical account – non-life insurance 2013

	in EUR		
	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	1.994.869	3.230.142	5.225.011
Income from land and buildings	1.331.237	461.049	1.792.286
Interest income	26.799.188	1.517.646	28.316.834
Financial income from revaluation	1.645.234	794.361	2.439.596
Other financial income	1.026	2.050	3.076
Income from investment value adjustments	0	24.200	24.200
Gains from disposal of investments	14.239.827	660	14.240.487
Total	46.011.382	6.030.108	52.041.490
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	308.907	208.835	517.741
Expenses from asset management, interest expenses and other financial expenses	2.631.063	2.189.774	4.820.837
Financial expenses from revaluations	20.829.717	28.964.819	49.794.536
Loss on disposal of investments	1.499.752	426.810	1.926.562
Total	25.269.439	31.790.238	57.059.677
Investment income (income - expenses)	20.741.943	-25.760.129	-5.018.187

5.2.2. Allocated investment return transferred from the non-technical account – life insurance 2013

	in EUR		
	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	719.566	590.453	1.310.019
Income from land and buildings	23.997	46.017	70.014
Interest income	33.011.663	2.221.865	35.233.528
Financial income from revaluation	11.670.426	8.582.566	20.252.992
Other financial income	959	159	1.118
Income from investment value adjustments	0	0	0
Gains from disposal of investments	11.099.060	1.811.749	12.910.809
Net unrealised gains on unit-linked life insurance assets	47.380.445	0	47.380.445
Total	103.906.115	13.252.809	117.158.924
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	9.329	33.342	42.671
Expenses from asset management, interest expenses and other financial expenses	966.287	1.277.910	2.244.198
Financial expenses from revaluations	13.383.348	12.749.307	26.132.655
Loss on disposal of investments	4.291.104	8.255.957	12.547.061
Net unrealised losses on unit-linked life insurance assets	33.789.102	0	33.789.102
Total	52.439.170	22.316.516	74.755.686
Investment income (income - expenses)	51.466.945	-9.063.707	42.403.238