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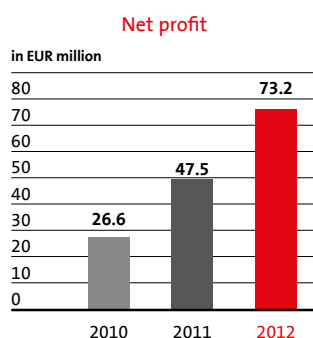
Corporate social responsibility and digitisation have brought us closer to our stakeholders.

They have developed into a source of our energy for development and form the basis of our business model.

A flower is our new symbol of corporate social responsibility which is being gradually embedded in all aspects of the business.

**73.2 mio
EUR**
net profit

The strategy of corporate social responsibility began to be spread across the Group.



93.9 %
the share of distributed economic value in the generated economic value of the Triglav Group



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Enter and view the financial and non-financial performance indicators used for reporting under the Global Reporting Initiative (GRI).

Address your questions via the contact details provided.

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- referring to the content in the right column.



- additional information available on the website.

Disclaimer

Note that this is not an original but a designed copy of the document Triglav Group - Audited Consolidated Annual Report for the year ended 31 December 2012, as approved by the Supervisory Board of Zavarovalnica Triglav d.d. at its regular session held on 8 April 2013 and published on 29 March 2013. This copy includes an additional comment by the Management Board, the Report of the Supervisory Board and some graphic presentations of the data contained in the original document.

1. The Triglav Group in 2012

- Despite the challenging economic situation, Zavarovalnica Triglav and the Triglav Group were successfully consolidating their position among the leading insurance/financial institutions in Central Europe and posted higher profit than in 2011.
- The Group continued consolidating ownership of its subsidiaries.

1.1 Financial highlights of the Triglav Group

	in EUR million				
	2012	2011	2010	Index 2012/2011	Index 2011/2010
Gross written premium from insurance and co-insurance contracts	936.3	989.4	1,013.6	95	98
Net premium earned	884.4	916.3	946.2	97	97
Gross claims paid*	613.8	593.9	588.3	103	101
Net claims incurred	578.9	576.1	557.7	100	103
Gross operating costs	299.5	286.4	293.1	105	98
Gross insurance contract provisions as at 31 December	2,305.3	2,234.1	2,270.9	103	98
Equity as at 31 December	574.6	489.5	499.0	117	98
Equity attributable to the controlling company as at 31 December	567.9	465.3	470.8	122	99
Profit/loss before tax	89.7	58.0	43.3	155	134
Net profit/loss	73.2	47.5	26.6	154	178
Net profit/loss attributable to the controlling company	72.5	47.1	27.8	154	169
Return on equity	13.76%	9.61%	5.46%	143	176
Return on equity attributable to the controlling company	14.04%	10.06%	6.05%	140	166
Number of employees as at 31 December	5,379	5,064	5,247	106	97

* Gross claims paid include claim handling costs and are reduced by subrogation receivables.

1.2 Financial highlights of Zavarovalnica Triglav d.d.

	in EUR million				
	2012	2011	2010	Index 2012/2011	Index 2011/2010
Gross written premium from insurance and co-insurance contracts	647.6	696.7	721.3	93	97
Net premium earned	596.8	628.1	657.4	95	96
Gross claims paid*	416.7	415.2	418.7	100	99
Net claims incurred	376.6	383.0	364.2	98	105
Gross operating costs	160.9	163.8	170.4	98	96
Gross insurance contract provisions as at 31 December	1,990.2	1,940.8	1,985.1	103	98
Equity as at 31 December	507.7	437.7	481.9	116	91
Profit/loss before tax	65.6	54.4	46.7	121	116
Net profit/loss	50.4	43.8	32.1	115	136
Return on equity	10.66%	9.52%	6.69%	112	142
Number of employees as at 31 December	2,405	2,400	2,441	100	98
Book value per share (in EUR)	22.33	19.25	21.19	116	91
Net earnings/loss per share (in EUR)	2.22	1.93	1.41	115	136

* Gross claims paid include claim handling costs and are reduced by subrogation receivables.

For additional information please contact:

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

Tomaž Žust, Director of Strategic Planning and Controlling Department

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Fax: ++386 (1) 23 16 456

E-mail: tomaz.zust@triglav.si

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

	2012	2011	Index 2012/2011
1. Other economic impacts¹ (in million EUR)			
Economic value generated*	1,154.8	1,148.9	101
Economic value distributed	1,081.1	1,098.6	98
- Net claims incurred and other insurance expenses	651.1	594.2	110
- Expenses from financial assets	96.9	197.6	49
- Other expenses	14.7	9.7	151
- Operating costs**	131.1	128.9	102
- Dividend payments	15.9	8.9	179
- Tax expense (income tax expense)	16.5	10.5	157
- Community investments (prevention activities, donations, sponsorships)	7.1	7.7	92
- Employee wages, allowances and benefits	147.6	141.1	105
Economic value retained	73.7	50.2	147
2. Social impact (Zavarovalnica Triglav d.d.)			
Average training hours per employee	31	31	100
Number of insurance policies (products, services) sold online	9	8	113
Number of insurance products encouraging preventive actions	44	44	100
Personal data protection (number of fines received – target is zero)	0	0	
Fair business practices (share of investigated fraud cases)***	91	-	
3. Impact on the environment ****			
Electricity consumption in MWh (Zavarovalnica Triglav d.d.)	6,443.9	-	
Carbon footprint (tons of CO ₂ equivalent per employee)			
- Zavarovalnica Triglav d. d. – Headquarters	3.3	-	
- Zavarovalnica Triglav d. d. – Ljubljana Regional Unit	2.2	-	
Waste sorting (share of employees participating in Zavarovalnica Triglav)	34.0%	10.0%	340

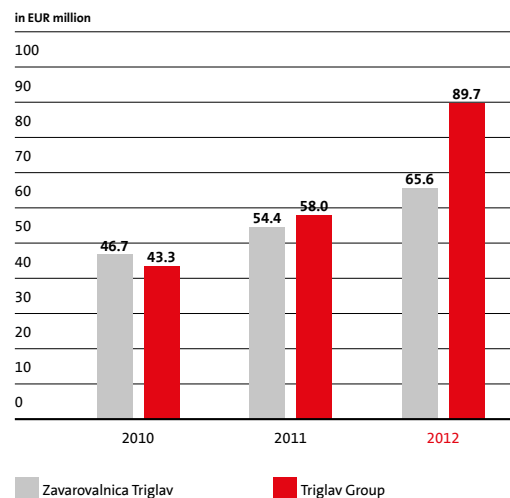
* Economic value generated = net premium earned and other insurance income + income from financial assets + other income.

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

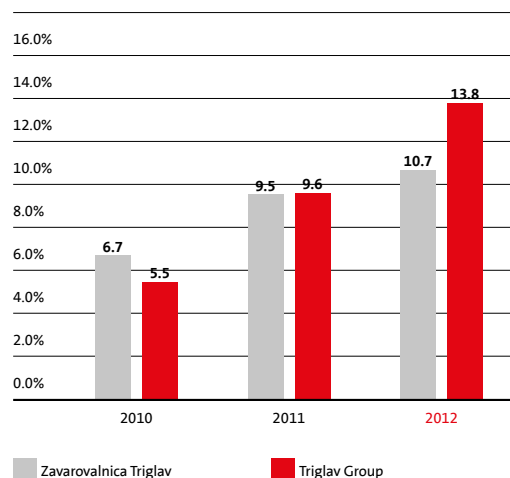
*** Fair business practices are followed systematically as of December 2011.

**** Environmental impacts are currently measured only in Zavarovalnica Triglav, however, the goal is to spread the corporate social responsibility guidelines to subsidiaries. Carbon footprint measurements began in Zavarovalnica Triglav. In 2012, carbon footprint was measured for the Headquarters and the Ljubljana Regional Unit, while the goal for 2013 is to conduct measurements for the entire Zavarovalnica Triglav.

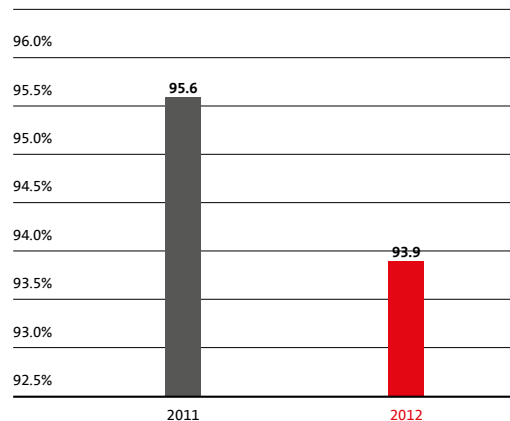
Profit/loss before tax



Return on equity



The share of distributed economic value in the generated economic value of the Triglav Group



1.4 Financial calendar

Calendar of financial announcements for 2013

Type of announcement	Planned date of announcement *
Announcement of unaudited financial statements for 2012	Wednesday, 6 March 2013
Audited Annual Report of Zavarovalnica Triglav d.d. and the Triglav Group for 2012	Friday, 29 March 2013
Statement of compliance with the Corporate Governance Code	Friday, 29 March 2013
Notice of the General Meeting of Shareholders of Zavarovalnica Triglav d.d. deciding on the distribution of accumulated profit	Friday, 10 May 2013
Results for the first quarter of 2013	Friday, 24 May 2013
General Meeting of Shareholders of Zavarovalnica Triglav d.d. deciding on the distribution of accumulated profit	Tuesday, 11 June 2013
Resolutions by the General Meeting of Shareholders of Zavarovalnica Triglav d.d. on the distribution of accumulated profit	Wednesday, 12 June 2013
Semi-Annual Report of Zavarovalnica Triglav d.d. and the Triglav Group for 2013	Friday, 23 August 2013
Results for the first three quarters of 2013	Friday, 22 November 2013

* Announcement dates as planned. The actual dates may differ from the planned dates. Periodic announcements and other cost-sensitive data will be published on the Ljubljana Stock Exchange information system SEOnet (www.ljse.si) and on the official website of Zavarovalnica Triglav d.d. (www.triglav.eu).



Public announcements

1.5 Activities, markets and position of the Triglav Group²

The Triglav Group is the leading insurance/financial group in Slovenia and one of the leading groups in South-East Europe, where it is gaining ground and expanding its operations. It is present in eight markets and seven countries.

The Group's key business pillars are:

- insurance;
- banking; and
- asset management;
- support activities for the three key financial pillars.



Members of the Triglav Group directly involved in or supporting core business lines

	Insurance	Asset management	Banking	Other
Slovenia	Zavarovalnica Triglav d.d. Pozavarovalnica Triglav Re d.d. Triglav, Zdravstvena zavarovalnica d.d. Skupna pokojninska družba, d.d.	Triglav Skladi d.o.o. Triglav Naložbe d.d. Triglav nepremičnine d.o.o. Gradis IPGI d.d. Slovenijales d.d.	Abanka Vipra d.d.	Triglav INT d.d. TRI-PRO d.o.o. AS Triglav d.o.o. TriglavKo d.o.o.
Croatia	Triglav Osiguranje d.d., Zagreb			
Bosnia and Herzegovina	Triglav Osiguranje d.d., Sarajevo Triglav Osiguranje a.d., Banja Luka	Polara Invest d.d. PROF-IN d.o.o.		TRI-PRO BH d.o.o. Triglav Auto d.o.o. Autocentar BH d.o.o. Unis automobili i dijelovi d.o.o.
Serbia	Triglav Osiguranje a.d.o., Beograd	Triglav Penzijski fondovi a.d. Pista d.o.o.		
Montenegro	Lovćen Osiguranje a.d., Podgorica Lovćen životna osiguranja a.d., Podgorica			Lovćen auto a.d.
Former Yugoslav Republic of Macedonia	Triglav Osiguruvanje a.d., Skopje			
Czech Republic	Triglav Pojišťovna a.s., Brno			

² DMA PR; DMA EC

1.5.1 Insurance

Insurance is the core business of the Triglav Group which accounts for the bulk of its operations. It includes non-life, life, supplemental voluntary pension and health insurance.

The insurance-oriented part of the Group encompasses:

- in Slovenia: Zavarovalnica Triglav d.d., Triglav Zdravstvena zavarovalnica d.d. and Pozavarovalnica Triglav Re d.d.;
- abroad: insurance undertakings in the Czech Republic, Croatia, Slovakia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia.

1.5.1.1 Position on the regional insurance market

On the list of the largest insurance groups in the Adria region, in 2011 (Deloitte survey, published in September 2012), the Triglav Group again ranks first in terms of gross written premium from life and non-life insurance. The Adria region includes Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, and Macedonia.

In 2011, in terms of gross written premiums from life and non-life insurance, the Triglav Group is the sixth strongest insurance company in Central Europe.

1.5.2 Asset management

Asset management is the activity of Triglav Skladi d.o.o., Triglav Naložbe d.d., Triglav nepremičnine d.o.o., Slovenijales d.d., Gradis IPGI d.d. and Pista d.o.o. Their business involves investments in securities, real estate, etc.

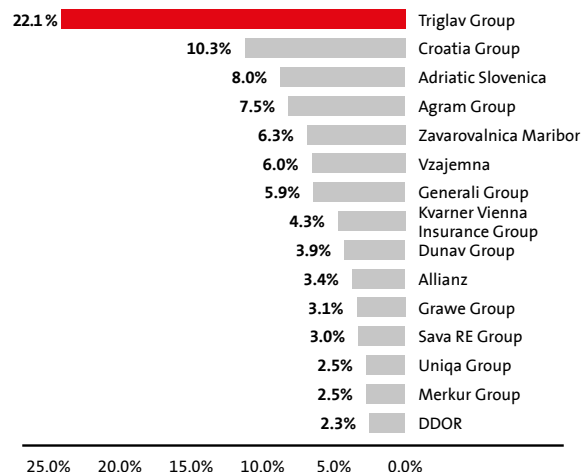
1.5.3 Banking

Banking represents a strategic business line of the Triglav Group, which brings together an integrated range of products and services, and enables the development of bancassurance. Zavarovalnica Triglav is a shareholder in Abanka Vipava, one of the largest Slovene banks.

1.5.4 Structure of the Triglav Group

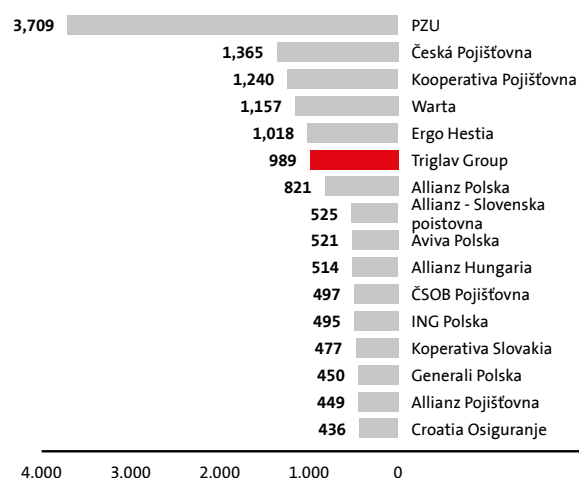


The market share of the Triglav Group in the Adria region in 2011 (in %)



Source: Deloitte, September 2012

Largest insurance companies in Central Europe by written premium in 2012 (in EUR million)



Source: Deloitte, September 2012

The Triglav Group as at 31 December 2012:

Controlling company:

- Zavarovalnica Triglav d.d.

Subsidiaries of the Triglav Group:

- Pozavarovalnica Triglav Re d.d.
- Triglav, Zdravstvena zavarovalnica d.d.
 - Zdravstveni center morje d.o.o.
- Triglav INT, holdinška družba d.d.
 - Triglav Osiguranje d.d., Zagreb
 - Triglav Osiguranje d.d., Sarajevo
 - Autocentar BH d.o.o.
 - Unis automobili i dijelovi d.o.o.
 - Sarajevostan d.d.
 - Triglav Pojišt'ovna a.s., Brno
 - Lovćen Osiguranje a.d., Podgorica
 - Lovćen životna osiguranja a.d.
 - Lovćen auto a. d.
 - Triglav Osiguranje a.d.o., Belgrade
 - Triglav Osiguranje a.d., Banja Luka
 - Triglav Auto d.o.o.
 - Triglav Osiguruvanje a.d., Skopje
- Triglav Skladi, družba za upravljanje d.o.o.
 - PROF-IN d.o.o.
 - Polara Invest d.d.
- Triglav Naložbe, finansična družba d.d.
 - Golf Arboretum d.o.o.
 - SALNAL d.d.
 - AVRIGO, družba za avtobusni promet in turizem d.d.
 - Integral Notranjska d.o.o.
 - Alptours Turizem d.o.o.
 - Integral Zagorje d.o.o.
 - Integral Stojna Kočevje d.o.o.
- Triglav Penzijski fondovi a.d.
- TRI-PRO d.o.o.
 - TRI-PRO BH d.o.o.
- AS Triglav - servis in trgovina d.o.o.
- Triglav nepremičnine, upravljanje, svetovanje in trgovanje z
lastnimi nepremičninami d.o.o.
 - Pista d.o.o.
- Slovenijales d.d.
 - Slovenijales trgovina d.o.o.
- Gradis IPGI d.d.
- Hotel Grad Podvin d.d.

Associated companies of the Triglav Group:

- Skupna pokojninska družba d.d.
- TriglavKo, zavarovalno zastopniška družba d.o.o.
- Tehnološki center varne vožnje Vransko d.o.o.
- Nama trgovsko podjetje d.d.
- Goriške opekarne d.d.
- Elan Skupina (Skimar) d.o.o.
- Info TV d.d.
- IF Prof Plus
- ZIP Polara Invest Fond a.d., Banja Luka

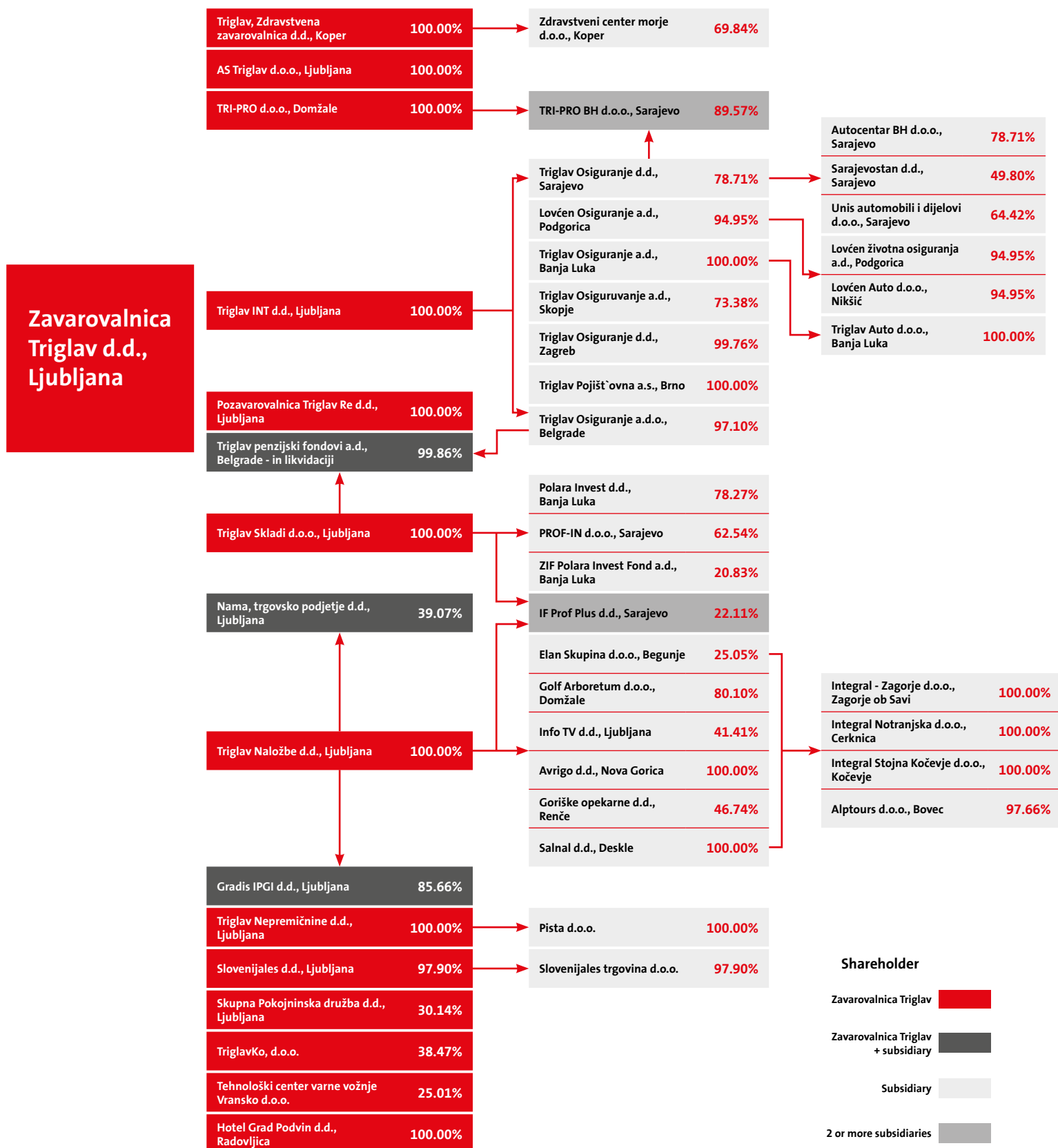
1.5.4.1 Changes to the Triglav Group composition in 2012

- Zavarovalnica Triglav d.d. transferred its shareholdings in Triglav Osiguranje d.d., Zagreb to Triglav INT d.d.
- Based on a final decision in summary proceedings, the District Court of Ljubljana on 26 September 2012 had the company SIANAL, upravljanje z nepremičninami, kapitalske naložbe d.o.o., stricken off the Companies Register. The total assets of the company were assigned to Salnal d.d., which thereby acquired a 0.7144% stake in the company Geoplin d.o.o.
- On 30 October 2012, based on a decision issued by the District Court of Ljubljana, a merger by acquisition was entered into the Companies Register, merging Triglav nepremičnine d.d., Dunajska cesta 22, 1000 Ljubljana, the acquired company, with TRIGLAV NEPREMIČNINE d.o.o., Dunajska cesta 22, 1000 Ljubljana (prior to the merger: Investicijsko podjetje d.o.o., Davčna ulica 1, Ljubljana), the acquiring company. Upon the merger by acquisition, the acquired company ceased to exist and was stricken off the Companies Register on 30 October 2012.
- On 24 December 2012 the Companies Register (Agencija za privredne registre) in the Republic of Serbia issued a decision to start a liquidation procedure for Triglav Penzijski fondovi a.d., Belgrade.

1.5.4.1.1 Changes to the equity holdings of Zavarovalnica Triglav in members of the Triglav Group in 2012

- By purchasing the shares of AVRIGO d.d. from Nova Gorica, Triglav Naložbe d.d. acquired a 100% stake of that company. AVRIGO d.d., Nova Gorica is the owner of Integral Notranjska d.o.o., Alptours Turizem d.o.o., Integral Zagorje d.o.o. and Integral Stojna Kočevje d.o.o.
- Zavarovalnica Triglav d.d. acquired 1,950 shares in Pozavarovalnica Triglav Re d.d., Ljubljana from minority shareholders, thus increasing its stake in the company to 100%.
- By acquiring 3,029 shares of Triglav, Zdravstvena zavarovalnica d.d. and squeezing out the minority shareholders, Zavarovalnica Triglav became the 100% owner of Triglav Zdravstvena zavarovalnica.
- Upon the payment of the purchase price of EUR 14.8 million, Zavarovalnica Triglav became the sole shareholder of Investicijsko podjetje, Trgovanje z lastnimi nepremičninami d.o.o. (former Sava IP d.o.o.). Investicijsko podjetje d.o.o. holds 100% of IP Nova d.o.o. and 100% of IP Nova A d.o.o.
- Upon the payment of RSD 263,900,000 or EUR 2,308,836, Triglav INT provided additional capital to Triglav Osiguranje, Belgrade. Additional capital was raised by issuing 377,000 shares with a nominal value of RSD 700 each, thereby increasing its stake in the company from 96.08% to 97.10%.
- A capital increase was carried out by issuing 973 shares at par value of BAM 2,000 each, i.e. BAM 1,946,000 or EUR 994,974. Recapitalisation funds were transferred on 6 August 2012 and recapitalisation was entered into the local Court Register on 16 October 2012.
- In the last quarter of 2012, Zavarovalnica Triglav purchased 98,947 shares of Slovenijales d.d. from non-controlling shareholders, which increased its shareholding to 97.90% of that company. The purchase price of the 36.24% equity stake equalled EUR 11,817,240.
- On 9 November 2012, Triglav Skladi d.o.o., acquired 2.5% equity stake held by non-controlling interest holders as its own share. The difference between the amount for which the non-controlling interest is adjusted and the compensation received, totalling EUR 237,831, was recognized directly in equity (capital reserves).

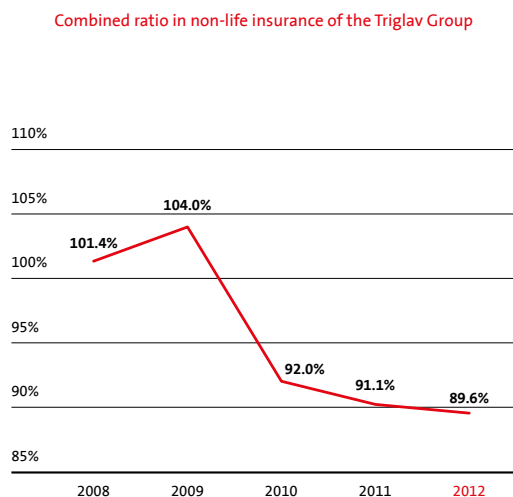
Subsidiaries and associated companies of the Triglav Group as at 31 December 2011 and their corresponding share of voting rights



Dear Shareholders, Business Partners and Colleagues,

To provide financial security against a backdrop of difficult economic conditions and an unpredictable environment – in short, this is the task set before the Triglav Group by policyholders, shareholders and employees. With pleasure we can say that last year we successfully completed this task.

A three-year cycle, in which we restructured the insurance portfolio and thus significantly improved our core business profitability, came to an end last year. Despite lower premiums, in 2012 we achieved an excellent result: EUR 73.2 million in net profit or 54% more than in 2011.



Before 2010, the insurance business of the Triglav Group was unprofitable, forcing the Group to diversify its activities. A strategic turnaround came with the decision to concentrate on insurance business and change the price threshold for maintaining and increasing the market share in Slovenia, where Triglav is the leading insurer. The 2010-2012 period was distinctly development-oriented in all operational areas, and at the same time characterised by the internal consolidation of the Triglav Group.

We have achieved our first results as a consolidated insurance/financial group. We have improved the profitability of the core business, introduced new basic business standards across the Group, intensified product and sales channel development, and created a unified corporate culture, business performance and market presence. In the changed macroeconomic situation we are faced with new tasks, which include intensifying our regional presence and stabilizing premium trends.

The growth of core business profitability is Triglav's strategic objective, while financial stability remains its primary task and responsibility.

Providing financial security is at the core of good risk management covering a wide range of risks that we insure in exchange for a premium.

Safe, transparent and profitable operations continued to be the pillar of our responsibility to society in 2012.

The combined ratio in non-life insurance, which shows core business profitability, significantly decreased and, as a result, improved over the last three years. In 2012, the combined ratio of the Triglav Group was 89.6% and that of the parent company 81.4%, both being very favourable by international comparisons.

High return on equity and net profit

Trends in the Group's return on equity – reaching 9.61% last year and rising to as much as 13.76% this year – are also encouraging. This achievement is closely linked to the implementation of Triglav's development vision and results from many different factors. Policies and measures which have led to the higher net profit and return on equity of both the Triglav Group and Zavarovalnica Triglav d.d. will continue to determine Triglav's future development. The Group's record-high net profit of EUR 73.2 million surpassed the targeted amount by more than 20%. The net profit of Zavarovalnica Triglav d.d. increased as well, reaching more than EUR 50 million.

Solid capital base, highest credit rating among Slovene financial institutions

We have assessed the financial position of the Triglav Group to be extremely stable.

The total value of the Triglav Group's equity, which is a crucial prerequisite for safe insurance operations, at the end of 2012 equalled EUR 574.6 million and was 17% above the previous year's figure. On the liabilities side, it should be noted that gross insurance technical provisions increased by 3% to EUR 2,305.3 million.

We not only maintained the required capital adequacy throughout 2012, but even improved it compared to 2011. As at the reporting date the minimum required capital to available capital ratio was 323 in non-life insurance and 168 in life insurance.

Zavarovalnica Triglav's credit rating remained the highest among all Slovene financial institutions, though the impact of the falling sovereign rating on the Republic of Slovenia could not have been avoided. In 2012 and in the beginning of 2013, Zavarovalnica Triglav was gradually downgraded by the Standard & Poor's rating agency on account of the general state of public finances and economy of the country. The supportive, risk-adjusted capitalisation and improving operating performance were highlighted by the A.M. Best credit rating agency, which on 22 March 2013, i.e. in the post balance sheet period, assigned the Triglav Group, Zavarovalnica Triglav d.d. and Pozavarovalnica Triglav Re d.d. a financial strength rating of »A-« with a stable outlook.

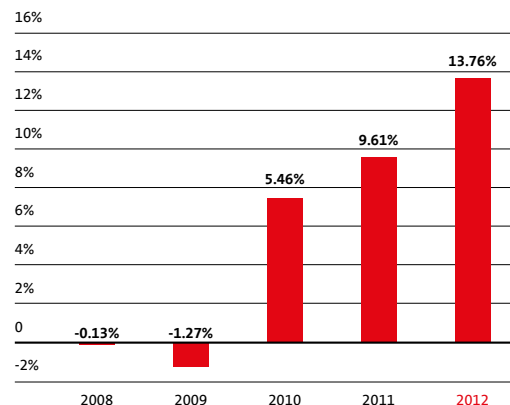
Results of measures and economic conditions

With the implementation of the adopted business strategy, the negative operating conditions were alleviated, but not offset entirely. The decrease in the premium last year was, among others, due to the lower demand of companies and the reduced purchasing power of households, which are the consequences of weaker economic activity and international trading, new company bankruptcies, and higher unemployment. In such conditions the Triglav Group collected EUR 936.3 million in gross written insurance and co-insurance premiums or 5% less than in 2011.

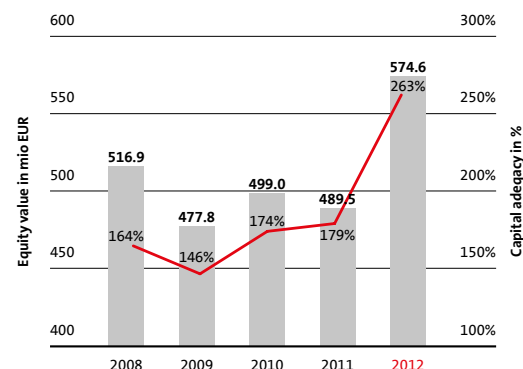
Strong premium growth was achieved in health insurance (index 114), whereas premium decreased in non-life insurance (8%) and in life insurance (4%). Total gross written insurance and co-insurance premium from non-life insurance was predominantly influenced by lower motor vehicle insurance premiums. In addition to the weakened position of companies and households, as well as fierce, and sometimes non-transparent, competition, an important factor for this outcome were also the efforts to turn around the technical result.

For the Triglav Group, strengthening its presence in the Adria region represents a development opportunity. In 2012, the premium collected outside Slovenia accounted for 17.7% of the Group's total insurance and co-insurance premium, and we hope to increase this share in future. An analysis of the condition and operations of subsidiaries shows that their performance is better and more stable in markets where we have a larger market share. Our shares in the two largest markets in the region are 3.8% in Croatia and 2.9% in Serbia. Due to

Return on equity of the Triglav Group in %



Equity value fluctuations and capital adequacy



their low insurance density, we assess these markets to have good growth potential.

Given our guidelines, we consider Slovenia to have potential in health and supplemental pension insurance, yet the national strategies in both areas remain unclear.

Consolidated gross claims paid by the Triglav Group were 3% higher compared to 2011, and amounted to EUR 635.3 million. Claims from non-life insurance decreased by 3% as the consequence of mass claims arising from catastrophes and accidents in different markets. Consolidated gross claims paid from health insurance rose by 13% and from life insurance by 16%. Most of the gross claims from life insurance were due to maturities and surrenders. These were paid up to the amount of total mathematical provisions, and therefore had no impact on profit.

The financial result was affected not only by portfolio restructuring and the favourable structure and volume of claims, but also by savings measures mostly aimed at cutting costs, primarily those not directly connected with insurance contract acquisition. Insurance business gross operating costs were 2% lower, whilst total operating costs increased by 5% as the result of new non-insurance companies joining the Triglav Group.

Our insurance business was not immune to unfavourable economic conditions and capital market trends, as different forms of financial investments account for the bulk of the Group's assets. In terms of return on financial investments, 2012 represented an important turning point: after negative trends in 2011, a total of EUR 72.7 million in income from financial investments was earned in 2012. All permanent impairments of financial assets are included in this result. The financial crisis in Slovenia and Europe is reflected in a lower valuation of assets in the Slovene banking sector, which is the main source of impairments totalling EUR 43.7 million. Without these impairments, the year-end profit would have been much higher.

Internal process reengineering, consolidation of existing sales channels and search for alternative ones

As the core business was again put in the focus, the consolidation of the parent company and then the entire group followed.

In order to enable effective functioning of the management and governance system of the Group, we finalised in 2012 the transfer of basic standards to subsidiaries, and are continuing to transfer good business practices aimed at their harmonisation and improvement.

Business processes were optimised by taking a wide range of development steps. A quality and innovative product was launched on the Slovene market, combining the life, non-life and health insurance policies of a family in a single bonus programme. The Non-Life Insurance Division has already started developing and harmonising the risk management process in all insurance subsidiaries. Integrated

software support for non-life insurance and reinsurance was introduced and developed, whilst uniform IT support for life insurance was put in place in all subsidiaries offering life insurance products.

The management of the Triglav brand name was included in the integrated strategic management system so as to improve brand strength and our regional presence.

Through a number of ongoing activities, the entire Group dedicates great attention to professionalism and motivation in the sales network, as one of the prerequisites for successful business operations. In view of the strong competition and strained economic situation, professionalism was our guiding principle in amending insurance terms and conditions and in redesigning insurance products.

Among alternative sales channels, an increasingly prominent role is played by digital sales channels, which are becoming especially important for reaching, informing and influencing the decisions of clients. Digital sales are more than just a modern sales experience: mobile and web solutions are making a growing number of Triglav products and services more readily accessible. Digital solutions are now available not only for taking out life, health and non-life insurance, but also for filing motor vehicle damage claims.

Spotlight on economic, environmental and social impacts

Together with insured persons and other key stakeholders, we realise how increasingly important it is to understand and implement sustainable guidelines, which are becoming a new paradigm in the governance of organisations.

The annual report describes not only business and financial results, but also the Group's impacts on the economic, social and natural environments. The economic value of the Triglav Group, which reached EUR 1,154.8 million, is also disclosed. The share of the economic value distributed in the total economic value shows the Group's impacts on the environment. Compared to the 2011 year-end this percentage dropped slightly (by 2%), but nevertheless remained very high at 93.6%.

The considerable volume growth of measurable indicators for the integrated monitoring of the impact of the Group's operations on the environment is no coincidence, but an indication that sustainability has as a concept been extensively incorporated in our business model. The volume growth of major indicators relating to our corporate responsibility for products and services represents a positive shift. These include ethics of business practices, fight against corruption, equality of access to products, and protection of the personal data of insured persons. It should in particular be noted that Zavarovalnica Triglav has introduced a new institute: employee dignity protection.

In the management of operating expenses, greater efficiency and sustainable enhancements can be achieved in the consumption of materials and energy.

Ready for new developmental goals

Another important share in the economic value distributed is dividend payments, which substantially increased due to higher profitability. The size of this leap is demonstrated by the fact that the sum of dividend payments for 2010 and 2011 (EUR 25 million) was 10% higher than the total dividend payments for the preceding 16 years. The amount of dividends for 2012 alone, as proposed by the Management Board, is EUR 22.7 million, which is more than the total sum of dividends paid to shareholders in the period from 1994 to 2009.

Our dividend policy builds on the trust of shareholders, and at the same time strives to provide an even more ambitious development policy for the Triglav Group.

High investors' trust on stock markets was certainly boosted by the transparent implementation of our adopted business strategy. The turnover in Zavarovalnica Triglav's shares on the Prime Market of the Ljubljana Stock Exchange experienced exceptional growth in the first year of trading, with the initial share value growing by as much as 65% by the end of the reporting year.

The challenging year of 2012 on many occasions showed evidence of quality work performed by the teams of professional and expert employees of the Triglav Group. The prize awarded by the Ljubljana Stock Exchange to Zavarovalnica Triglav for its headway in investor relations is just one in a long series of important achievements in different segments of operations, primarily in the areas of marketing communications mix, marketing, brand management, digital presence, communications, financial public relations, and investments in employees' knowledge.

The transfer of an equity stake in Triglav Osiguranje, Zagreb, represented the last in a series of such transfers of stakes in insurance subsidiaries outside Slovenia to the holding company Triglav INT, which forms part of a strategy designed to strengthen our regional presence. The agreement signed with the International Finance Corporation (IFC), a member of the World Bank Group, on its entry into the ownership of Triglav INT raised great interest. Although IFC as our strategic partner did not become a shareholder of Triglav INT by the end of 2012 as planned, relevant activities are being continued in 2013.

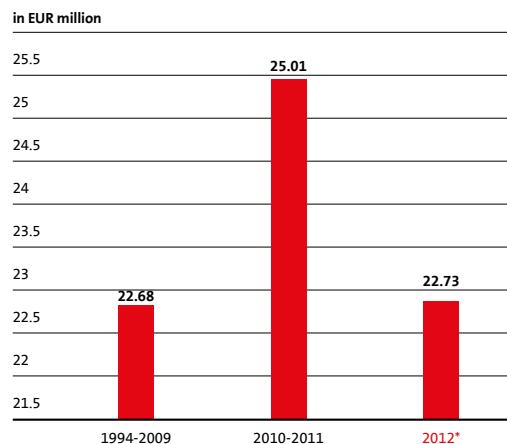
With its solid capital base, the internally consolidated and development-oriented Triglav Group is, in our assessment, ready for its redefined developmental goals. In 2013, we plan to amend our development strategy to 2017 in order to meet the requirements of a greatly changed environment. As an insurer backed by over 110 years of tradition, we are aware of the need for the integrated management of all relevant risks, which is why the profitability of operations will remain our priority.

We expect 2013 to be a year of continued strong competition and adverse financial and economic conditions. In spite of this, our plan is to keep profitability at a stable level in future, and for the Triglav Group to generate a net profit of EUR 55.2 million.

Relying on our shareholders' support, in future we will strive to realise our priority guidelines, to consolidate and strengthen our presence in the existing markets, and to develop into a regional insurance hub.

The Management Board of Zavarovalnica Triglav d.d.

Dividend payments



* Management Board proposal

The Management Board of Zavarovalnica Triglav



Andrej Slapar, The President of the Management Board



Stanislav Vrtunski, Member of the Management Board



Benjamin Jošar, Member of the Management Board



Marica Makoter, Member of the Management Board - Employee Representative

On 22 May 2013 Andrej Slapar was appointed President of the Management Board, prior to which he served as a Member on the Management Board.

Report of the Supervisory Board

- Report of the Supervisory Board of Zavarovalnica Triglav on the Examination of the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2012 and
- the Opinion of the Supervisory Board on the Annual Internal Audit Report for 2012 by the Internal Audit Department of Zavarovalnica Triglav

The Supervisory Board of Zavarovalnica Triglav in 2012 actively followed the operations of the Company and responsibly supervised its governance. It regularly took note of reports on various aspects of business and on their basis adopted appropriate measures and followed up their implementation. Individual issues were discussed in the framework of Supervisory Board's committees. Their findings served as a basis for resolutions and recommendations of the Supervisory Board itself.

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

1. Introduction

Pursuant to Article 282 of the Companies Act (ZGD-1, Official Gazette of the RS, no. 42/2006 et. seq.) and Article 165 (4) of the Insurance Act (ZZavar, Official Gazette of the RS, no. 13/2000 et. seq.), the Supervisory Board hereby presents the report on the examination of the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2012 (hereinafter: the Report) and its opinion on the Annual Internal Audit Report for 2012.

The findings of the Supervisory Board are based on the supervision of the operations of Zavarovalnica Triglav (hereinafter: the Insurer and/or the Company) in 2012 and the examination of the Audited Annual Report of Zavarovalnica Triglav for 2012. According to Article 76 and pertaining to Article 159 of the Insurance Act, the reports and opinions by the chartered actuaries for non-life and life insurance classes are integral parts of the audited Annual Report of the Triglav Group for 2012.

The Report also includes the opinion of the Supervisory Board regarding the adequacy of the work of the Internal Audit Department in 2012.

2. General information

Supervisory Board in 2012

In 2012, the Supervisory Board was made up of the following members:

- Anton Ribnikar, member and Chairman until 12 June 2012 when his membership expired in accordance with a resolution by the General Meeting of Shareholders;
- Igor Mihajlovič, Chairman as of 21 June 2012, shareholder representative;
- Uroš Slavinec, member and Deputy Chairman until 12 June 2012 when his membership expired in accordance with a resolution by the General Meeting of Shareholders;

- Aljoša Valentinčič, Ph.D., shareholder representative;
- Vladimir Uršič, shareholder representative;
- Adolf Zupan, LL.M., member since 12 June 2012, shareholder representative;
- Gregor Kastelic, IMBA, member since 13 June 2012, on 21 June 2012 appointed Deputy Chairman, shareholder representative;
- Jovan Lukovac, MBA, member since 13 June 2012, shareholder representative;
- Branko Gorjan, employee representative;
- Peter Celar, employee representative;
- Miran Krštinc, employee representative.

In 2012, the Supervisory Board held fourteen sessions.

In 2011, the Supervisory Board had four committees: the Audit Committee – as required by law, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

Audit Committee

In 2012, the Audit Committee was made up of the following members: Uroš Slavinec (Chairman until 12 June 2012), Jovan Lukovac (Chairman as of 21 June 2012), Aljoša Valentinčič Ph.D., Branko Gorjan, Vladimir Uršič, and Barbara Nose³. The Audit Committee held thirteen meetings in 2012.

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

- monitored and discussed the financial reporting procedures, the functioning of internal control systems, reports and recommendations by the Internal Audit Department, risk management systems and the external audit of annual non-consolidated and consolidated financial statements;
- discussed reports by the Fraud Prevention, Detection and Investigation Department;
- proposed to the Supervisory Board the candidate for the auditor of the annual report of the Company for 2012 and examined the agreement with the certified auditor for 2012;
- evaluated the drawing up of the non-consolidated and consolidated annual reports for 2011;
- reviewed the nature and scope of the auditors' non-audit services;
- regularly reported on its work at the sessions of the Supervisory Board; and

³ Barbara Nose was nominated to the Audit Committee as an external expert and she is not a member of the Supervisory Board.

- carried out special tasks in accordance with guidelines and requirements of the Supervisory Board.

With the aim of continuing quality improvement the Audit Committee carried out a self-assessment of its work.

Compensation and Appointments Committee

In 2012, the Compensation and Appointments Committee had the following members: Anton Ribnikar (Chairman until 12 June 2012), Igor Mihajlovič (Chairman as of 21 June 2012), Miran Krštinc, Adolf Zupan, LLM (since 21 June 2012) and Srečo Jadek⁴. The Compensation and Appointments Committee held seven meetings in 2012.

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

- discussed new Rules drafted in accordance with the Act Regulating the Income of Managers of Companies owned by the Republic of Slovenia and Self-Governing Local Communities with a pertaining decree, and on that basis made a proposal to the Supervisory Board;
- discussed draft employment contracts of the Management Board members and annexes thereto and made its proposal to the Supervisory Board,
- discussed the criteria for the variable component of the remuneration to the Management Board and whether and to what extent that criteria was met;
- participated in procedures related to the changes of the Management Board and made its proposal to the Supervisory Board,
- regularly reported on its work at the sessions of the Supervisory Board.

Strategy Committee

The membership of the committee included: Anton Ribnikar (Chairman until 12 June 2012), Gregor Kastelic, IMBA (Chairman as of 21 June 2012), Igor Mihajlovič and Peter Celar.

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: monitoring of the Triglav Group Strategy implementation and any related opinions, drafting resolutions for the Supervisory Board and ensuring their implementation.

Nominations Committee

At its session on 17 October 2011, the Supervisory Board established a Supervisory Board Nominations Committee for a definitive period of time ending with the appointment of a new Supervisory Board member (i.e. until 12 June 2012). The Nominations Committee included the following members: Uroš Slavinec (Chairman), Miran Krštinc (employee representative), Tomaž Kuntarič and Vanessa Grmek (shareholder representatives) and Eva Boštjančič, Psy.D., (representative of the Accreditation Committee). The committee carried out a nomination procedure for the appointment of a replacement member and submitted its proposal to the Supervisory Board.

At its session on 20 December 2012 the Supervisory Board established a Supervisory Board Nominations Committee for a definitive period of time ending with the appointment of new Supervisory Board members – shareholder representatives, with a term of office expiring on 7 April 2013.

⁴ Srečo Jadek was nominated to the Audit Committee as an external expert and he is not a member of the Supervisory Board.

The General Meeting of Shareholders convened at the request of a shareholder, on 14 February 2013 appointed new Supervisory Board members – shareholder representatives. The Nominations Committee was composed of Igor Mihajlovič (Chairman), Branko Gorjan (member) and two external members, Matjaž Jauk and Peter Ješovnik, M.Sc. Its duty was to carry out a nomination procedure for the appointment of new Supervisory Board members – shareholder representatives and propose to the Supervisory Board respective names of candidates.

3. The Supervisory Board's operations in 2012 and the scope of its supervision of the Company's Governance

The operations of the Supervisory Board and the scope of its supervision of the Company's governance in 2012 are described on the basis of the supervision it carried out in 2012, in accordance with its competences.

The Supervisory Board is in charge of supervising the operations of the Company and other tasks in its competence in compliance with the Companies Act (ZGD-1), the Insurance Act (ZZavar), the Articles and Memorandum of Association, the Rules of Procedure of the Supervisory Board and the Corporate Governance Code. The Rules of Procedure of the Supervisory Board, published on the website of the Company, stipulate the methods and organisation of its work.

Within the scope of its competence it may examine securities held in custody, the petty cash book, accounting records and similar documents of the Company which contain facts that provide information about its business conduct. The Supervisory Board approves the Management Board's proposals regarding the business policy, financial budget, internal control system organisation and framework annual work programme of the Internal Audit Department and carries out other tasks pursuant to the legislation in force and the above stated internal documents of the Company.

a) Within the scope of its principal competencies, in 2012 the Supervisory Board:

- adopted the audited Annual Report of Zavarovalnica Triglav for 2011 and the audited Annual Report of the Triglav Group for 2011, as well as the Supervisory Board's report on the examination of the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2011 and its Opinion on the Annual Internal Audit Report for 2011 by the Internal Audit Department of Zavarovalnica Triglav;
- approved the Annual Audit Plan of the Internal Audit Department for 2013;
- adopted the Annual Report on Internal Audits in 2011 by the Internal Audit Department (IAD);
- proposed to the General Meeting of Shareholders of Zavarovalnica Triglav the appointment of the auditors for 2012, the granting of a discharge to the Management Board for 2012 and the appointment of a replacement member to the Supervisory Board as well as approved the draft resolution proposed to the General Meeting of Shareholders for the distribution of accumulated profits as at 31 December 2011;
- adopted the amendments to the Management Board Internal Document;
- approved the amendments and supplements to the Governance Policy of Zavarovalnica Triglav;

- took note of a resignation by Igor Stebernak, Member of the Management Board, and adopted the termination of his term of office and employment;
- appointed Stanislav Vrtunski and Benjamin Jošar members of the Management Board with a five-year term of office; and
- took note of the findings and requirements of the Insurance Supervision Agency, the Securities Market Agency and other supervisory bodies involved in supervision and control procedures and the procedures related to their findings and requirements.

b) Regarding supervision of the Company's business conduct in 2012, the Supervisory Board:

- took note of reports on the operations of Zavarovalnica Triglav and members of the Triglav Group;
- took note of reports on the operations of the subsidiaries of Zavarovalnica Triglav and the activities of the Company regarding its subsidiaries and/or their activities;
- took note of the assessment of performance indicators for all reporting periods;
- took note of the capital adequacy reports, reports on the maturity structure of long-term business funds and assets backing liabilities and reports on estimated asset sensitivity which bear influence on capital adequacy;
- took note of Internal Audit Reports by the Internal Audit Department;
- took note of the Audit Management Letter on major findings of preliminary audited financial statements for 2011;
- took note of a report on the implementation of actions and costs related to the corporate social responsibility of Zavarovalnica Triglav d.d.;
- took note of Rules on Financial Instruments and agreed to its part related to Supervisory Board members;
- took note of the composition of management bodies in the subsidiaries;
- took note of the management of Zavarovalnica Triglav's equity holding in Abanka Vipava d.d.;
- took note of the report on legal proceedings against Nadežda Klemenčič and Milan Marolt;
- took note of developments in a legal action regarding receivables against the subsidiary Slovenijales d.d.;
- discussed reports by Audit Committee, Appointments and Compensation Committee and Nominations Committee;
- took note of other information regarding Zavarovalnica Triglav d.d., the Triglav Group and its subsidiaries.

c) Within the scope of the Supervisory Board's competence, set out in its Rules of Procedure, to approve the decisions by the Management Board⁵ in 2012, the Supervisory Board approved the signing of a Subscription Agreement, Shareholders Agreement and Put Option Agreement between the International Finance Corporation (IFC), Zavarovalnica Triglav d.d. and Triglav INT d.d., subject to the fulfilment of conditions precedent, approved the participation of Zavarovalnica Triglav in raising the share capital of Abanka Vipava d.d.

⁵ In accordance with its Rules of Procedure, the Supervisory Board approves the decisions by the Management Board concerning the foundation of companies with share capital in Slovenia and abroad where the initial investment exceeds EUR 2,500,000, the acquisition or sale of shareholdings or participations in domestic or foreign companies in excess of EUR 2,500,000 per company over a period of one year, the issuing of debt securities and long-term borrowing from domestic or foreign banks above EUR 2,500,000 over a period of one year and the acquisition, sale of, or investment in real property where the sales price or investment value exceeds EUR 2,500,000 over a period of one year.

d) Other major actions of the Supervisory Board in 2012 included:

- adoption of new Rules drafted in accordance with the Act Regulating the Income of Managers of Companies owned by the Republic of Slovenia and Self-Governing Local Communities with a pertaining decree and approved conclusion of employment contracts and annexes for the members of the Management Board; and
- discussion on whether and to what extent the Management Board members are entitled to the variable component of remuneration in accordance with their concluded employment contracts.

e) Major requests, recommendations and/or warnings of the Supervisory Board in 2012:

- recommendation to appoint for 2012 the same certified auditor of Zavarovalnica Triglav and other subsidiaries of the Triglav Group;
- demand to design a scenario on active management of Zavarovalnica Triglav's equity holding in Abanka Vipava d.d., to present precise scenarios and opinions on the capital increase of Abanka Vipava d.d.; that Management Board regularly and actively informs the Supervisory Board on all activities related to Abanka Vipava d.d.;
- demand from the Management Board to inform the Supervisory Board on any intention to purchase Abanka Vipava's new issues of subordinated debt instruments and to provide information on all elements of such an intended purchase;
- demand to devise a method of monitoring the performance of the Supervisory Boards of Zavarovalnica Triglav's subsidiaries;
- demand to report on the total expenses incurred for corporate social responsibility and any overspending against the budget;
- demand that upon any presentation of business results the Supervisory Board is also presented with the achievement of the budgeted levels and any measures taken by the Management Board for their achievement; and that in drafting the budget for 2013 a set of measures is defined which will to the maximum possible extent make expenses dependant on premium movements;
- demand to the Management Board to review the Business Policies and Business Plans of the Triglav Group for 2013 in consideration of discussions at Supervisory Board's sessions; and
- demand to be presented with the time schedule set for individual tasks of the Internal Audit Department in 2013.

4. Self-assessment

In 2012, the Supervisory Board had four committees: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee. The Chairmen of these committees regularly reported on their work to the Supervisory Board at its sessions, with the exception of the Strategy Committee, which did not meet in 2012. The Supervisory Board discussed the decisions, recommendations and opinions of the committees, scrutinised them and on that basis adopted appropriate resolutions.

The Supervisory Board involves in its work all of its members, whose attendance at sessions and active participation in discussions and in making decisions contribute to the effective implementation of the tasks within the competence of the Supervisory Board. The Rules of Procedure of the Supervisory Board include rules on conduct in the case of actual or potential conflict of interest. The members submitted to the Supervisory Board their signed statements of independence and loyalty in accordance with the Corporate Governance Code, which Zavarovalnica Triglav has published on its web-

site. In order to avoid any conflict of interest, the Supervisory Board in 2009 made a recommendation requiring from its members not to simultaneously serve as members on the supervisory and management boards of the companies within the Triglav Group.

The Supervisory Board is of the opinion that its cooperation with the Management Board was appropriate and in compliance with the legislation and good practice. To the best of its knowledge, the Supervisory Board was informed about all of the events which are material for assessing the situation and consequences and for the supervision of the Company's operations. The Supervisory Board regularly followed how its resolutions were being implemented.

In 2012, together with the Management Board amended the Governance Policy of Zavarovalnica Triglav, which lays out the main guidelines of corporate governance, taking into account its long-term objectives, including the definition of the role and functioning of the Supervisory Board and its committees.

In view of the above, the Supervisory Board is of the opinion that its own work and the work of its committees in 2012, was successful.

The Supervisory Board is of the opinion that its composition is adequate in terms of the size, business and objectives of Zavarovalnica Triglav, that the (in)dependence of its members is also adequate according to the Corporate Governance Code and that its members have the appropriate expertise, experience and skills required for membership in supervisory boards, enabling the Supervisory Board to adopt decisions of good quality.

5. Opinion on the Annual Internal Audit Report for 2012

Pursuant to the Article 165 (3) of the Insurance Act (ZZavar), the Annual Internal Audit Report by the Internal Audit Department of Zavarovalnica Triglav (hereinafter IAD) for 2012 was submitted to the Supervisory Board, containing a report on the implementation of the annual work programme of the IAD and a summary of material audit findings, an assessment of the adequacy of internal auditing tools and a summary of material findings on the external quality assessment of the functioning of the IAD.

On the basis of the Annual Internal Audit Report for 2012 by the Internal Audit Department of Zavarovalnica Triglav, approved at the Supervisory Board's session on 28 March 2013, the Supervisory Board hereby establishes that the IAD carried out its duties in accordance with the IAD's Annual Work Programme for 2012, passed by the Management Board and approved by the Supervisory Board, as well as in accordance with decisions on extraordinary internal audits. In 2012, the IAD carried out the planned regular audits of the operations of Zavarovalnica Triglav and of the companies of the Triglav Group, as well as extraordinary internal audits of the subsidiaries of the Triglav Group. The IAD also performed other internal auditing duties (advisory activities, monitored the implementation of recommendations made by internal and external auditors, reported to the Management and Supervisory Boards and the Audit Committee, quality maintenance and quality management within IAD etc.). The findings of the IAD resulting from individual audits were communicated to the officers in charge, together with recommendations to improve the design of internal controls and to effectively manage risks. The IAD reported on the implementation of its work programme and on recommendations quarterly to the Audit Committee and to the Supervisory Board twice a year.

In 2012, the IAD continued with quality maintenance and quality management activities within itself and within other internal audit departments of the Triglav Group. In this framework it enabled professional training of IAD staff, reorganised itself, updated its job classification and position descriptions, performed audits of the internal audit departments in most of the subsidiaries of the Triglav Group, continued developing its work methods, preformed activities related to the transfer of minimum internal auditing standards to Triglav Group members, successfully concluded an external quality assessment of its functioning performed by an external expert. With the aim of continuous quality improvement the Supervisory Board expects the IAD to continue implementing such activities in the future.

Based on the above ascertainties, the Supervisory Board is of the opinion that the Internal Audit Department operated in line with its Annual Work Programme for 2012 and that its work significantly contributed to the better functioning of internal controls and to more appropriate risk management both in the Company and in the Triglav Group.

6. Findings of the Supervisory Board regarding the operations of Zavarovalnica Triglav in 2012

On the basis of monitoring and supervision of operations in 2012 and the review and examination of the Annual Report for 2012, the Supervisory Board hereby establishes that despite the economic crisis and adverse macroeconomic conditions Zavarovalnica Triglav in 2012 recorded good business results.

Net profit of the Triglav Group in 2012 amounted to EUR 73.2 million and was 54% higher than in 2011, whilst net profit of the parent company totalled EUR 50.4 million and was 15% higher than the year before. At the Group level return on equity was 13.8% or 4.1 percentage points higher than in 2011. Profit growth was primarily achieved through good results in the core insurance business, as shown by the improved combined ratio, which reached 89.6% at the Group level, whereas in Zavarovalnica Triglav it was 81.4%. The state of capital markets had a negative impact on the value of certain assets of Zavarovalnica Triglav, which led to their due impairment.

In 2012, the Triglav Group insurance companies charged a total of EUR 936.3 million in gross insurance and co-insurance premium, of which the controlling company charged EUR 647.6 million. The economic and financial crisis, rising unemployment and falling purchasing power resulted in the lower achievement of sales plans, since demand for some insurance products declined. An additional loss of planned premium income resulted from the insurance portfolio selection and intense measures taken to mitigate poorer insurance technical results. The restructuring of the portfolio improved its quality, reduced the amounts of claims paid and negatively impacted premium growth.

The Triglav Group's gross claims settled in 2012 amounted to EUR 613.8 million and were 3% higher compared to 2011. This resulted mostly from payments related to the life insurance segment, where gross claims settled rose by 16%. Gross claims paid by Zavarovalnica Triglav in 2012 were at the same level as in 2011 (EUR 416.7 million).

Estimated gross operating expenses incurred by the Triglav Group increased by 5% to EUR 299.5 million, mainly due to

the inclusion of new non-insurance companies in the Group, whereas those posted by Zavarovalnica Triglav decreased by 2% compared to 2011 and amounted to EUR 160.9 million.

Despite the negative impacts of the adverse situation in the economy and finance in Slovenia and the region, the Triglav Group further strengthened its capital position in 2012. The total value of equity of the Triglav Group as at 31 December 2012 reached EUR 574.6 million, which was 17% more than at the 2011 year-end.

Gross insurance technical provisions of the Triglav Group reached EUR 2,305.3 million by the 2012 year-end (3% growth compared to 2011).

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

- a positive opinion of a chartered actuary for non-life insurance business;
- a positive opinion of a chartered actuary for life insurance business;
- Annual Internal Audit Report by the Internal Audit Department for 2012.

The Supervisory Board has no objections to the above reports.

7. Annual Report

On 18 March 2013, the Management Board submitted to the Supervisory Board the audited Annual Report of Zavarovalnica Triglav for 2012 and the audited Annual Report of the Triglav Group for 2012 and, after both reports have been amended, once again to the Audit Committee on 29 March 2013 and to the Supervisory Board on 2 April 2013.

The Supervisory Board hereby ascertains that the annual reports were prepared within the legally prescribed period and submitted to the appointed auditor. The Annual Report of Zavarovalnica Triglav for 2012 was audited by the audit firm Ernst & Young, Revizija, poslovno svetovanje, d.o.o., Ljubljana, which on 18 March 2013 issued a positive opinion on the Annual Report of Zavarovalnica Triglav for 2012 and on the Annual Report of the Triglav Group for 2012 and established that the annual reports match the audited financial statements. After both reports had been amended on 29 March 2013, the audit firm issued a new positive opinion on the Annual Report of Zavarovalnica Triglav for 2012 and on the Annual Report of the Triglav Group for 2012 and established that the annual reports match 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 Audit Management Letter following a pre-audit and established, based on the chartered auditors' report, that the audit management letter following the audit will not contain any significant findings that would affect the submitted audited financial statements for 2012.

The certified auditor established that in all material aspects the financial statements for 2012 and the data used in accounting report disclosures were compiled in accordance with the financial standards in force in the countries in which subsidiaries operate and/or necessary adjustments were made to International Financial Reporting Standards. The audit of financial statements for 2012 was affected by the changes of the Triglav Group: the acquisition of Avrigo d.d., with its four subsidiaries, the acquisition of Investicijsko podjetje d.o.o. with its two subsidiaries, the acquisition of equity stakes from non-controlling interest holders in Pozavarovalnica Triglav Re d.d., Triglav Zdravstvena zavarovalnica d.d. and Slovenijales d.d. and the capital

increase of Triglav Osiguranje, Belgrade and Triglav Osiguranje, Banja Luka. Financial investments, both in banks and subsidiaries, were subject to further impairments.

On the basis of detailed examinations, the Supervisory Board established that the Annual Report of Zavarovalnica Triglav for 2012 and the Annual Report of the Triglav Group for 2012, as produced by the Management Board and audited by the certified auditor, had been prepared in a clear and transparent manner and that they give a true and fair view of the assets, liabilities, financial standing and profit of Zavarovalnica Triglav and the Triglav Group.

The Supervisory Board expresses no objection to the positive opinion given by the chartered audit firm Ernst & Young, Revizija, poslovno svetovanje, d.o.o., Ljubljana, stating that the financial statements of the Zavarovalnica Triglav give a true and fair view of its financial standing as at 31 December 2012, and of its profit and cash flow for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and the Companies Act, related to the preparation of financial statements.

The Supervisory Board expresses no objection to the positive opinion given by the chartered audit firm Ernst & Young, Revizija, poslovno svetovanje, d.o.o., Ljubljana, stating that the financial statements of the Triglav Group give a true and fair view of its financial standing as at 31 December 2012, and of its profit and cash flow for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and the Companies Act, related to the preparation of financial statements.

Based on its findings, the Supervisory Board hereby approves the audited Annual Report of Zavarovalnica Triglav for the Year Ended 31 December 2012 and the audited Annual Report of the Triglav Group for the Year Ended 31 December 2012.

8. Draft proposal for the distribution of accumulated profits

The Supervisory Board also examined the proposal for the distribution of accumulated profits as at 31 December 2012, subject to final approval by the General Meeting of Shareholders of Zavarovalnica Triglav, and gave its full consent to the following resolution on the distribution of accumulated profits proposed by the Management Board:

»The accumulated profit of EUR 98,205,999.33 as at 31 December 2012 shall be distributed as follows:

- part of accumulated profits in the amount of EUR 22,735,148.00 for dividend payments amounting to EUR 1,00 gross per share payable to the shareholders appearing on the Share Register two days following the date of the General Meeting of Shareholders within 30 days of the date this resolution is passed;
- the distribution of the remaining accumulated profit of EUR 75,470,851.33 shall be decided upon in the following years.«

The Supervisory Board hereby proposes to the General Meeting of Shareholders that it give a discharge to the Management Board for its operations in 2012.

Igor Mihajlović
Chairman of the Supervisory Board

Ljubljana, 5 April 2013

A professional portrait of Jelena Agafonova, a woman with dark hair pulled back, wearing a white button-down shirt and a necklace. She is standing in an office environment with wooden paneling and a window in the background. Her arms are crossed, and she is smiling at the camera.

Jelena Agafonova,
Business Analytics and Technology
Solution Development Department,
i.triglav project manager—
non-life insurance

User-friendly, secure and transparent



i.triglav mobile application

»It's a pleasure to be involved in such projects. We develop secure and user-friendly e-services. The i.triglav online insurance portal now offers non-life insurance products as well.«

The redesigned website www.triglav.si has received several awards, but it is client response that counts the most.



www.triglav.si

Enter

The i.triglav mobile application has made our services more transparent and easily accessible.



2. Strategy and plans of the Triglav Group

- With consistent implementation of the Group strategy, focused on the insurance business and profitability of operations, the Group successfully mitigated the effects of increasingly unfavourable economic conditions.
- The profitability target was achieved: net profit was 21% higher than planned.
- Despite demanding business conditions, the net profit of the Triglav Group in 2013 is planned at EUR 55.2 million.

Strategy extended
to 2017

The Triglav Group 2011–2015 strategy was set very ambitiously, which is reflected in its key strategy objectives. The Group achieved stable development and internal harmonisation through preserving the key strategy guidelines from 2010 that were upgraded on the common foundations of its corporate culture and based on demanding and development-oriented plans. In 2013, the strategy will be extended to cover the period up to 2017 and adjusted to changed economic conditions.

2.1 Mission, values and vision of the Triglav Group

2.1.1 Mission

We are building a safer future.

2.1.2 Values⁶

In interpersonal relations and relations with the environment focus is on three fundamental values which connect companies within the Triglav Group.

Professionalism. Business objectives are pursued through state of the art financial services provided by highly professional employees. The Group is the driving force behind professional development of financial services in the environment.

Security. Effective risk management is used to provide for the security of operations. Our high-quality financial products and services improve the financial security of clients.

Corporate social responsibility. The sustainable development of the Triglav Group (a balance among social influences, environmental awareness and profitability) is based on corporate social responsibility, implemented as economic, legal, ethical and philanthropic responsibility.

2.1.3 Vision

Our business operations are profitable and secure. Return on equity (ROE) is above 12%. The 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 »A« rating received from 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. The Group has a well-regulated and efficient governance system and follows the principles of modern organisation in all areas of business. Dedicated and highly-qualified employees are the basis of the Group's sustainable development.

 ⁶ GRI 3.1, DMA EC, DMA LA and DMA PR

2.2 Fundamental goals and characteristics of the Triglav Group strategy for the 2011–2015 period⁷

Key strategy objectives: The Triglav Group set very ambitious goals for the period up to 2015. Plans include a return on equity above 12% and a stable combined ratio below 95%.

The strategy gives priority to consolidating and improving the performance of the current members of the Triglav Group.

Expansion in favourable conditions: Expansion on the existing markets or penetration of new ones in South-Eastern Europe is not excluded – should the opportunity arise. Expansion on the existing markets covers:

- expansion of the sales network and sales support of Zavarovalnica Triglav;
- introduction of life, health and pension insurance products to markets where there are currently no such products available;
- acquisition of other insurance companies and mergers;
- starting and developing business complementary to insurance.

If an exceptional opportunity arises, the Triglav Group will expand to new markets in South-Eastern Europe – depending on capital strength and the situation on international financial markets. The expansion will mainly be financed from a capital increase of Triglav INT to be funded partly by an international institutional investor and partly by Zavarovalnica Triglav. The Triglav Group will also require additional capital for ensuring financial stability necessary to maintain the »A« rating received from an established credit rating agency and to comply with potential new capital adequacy requirements in the framework of Solvency II.

Introduction of IFRS 4, Phase II: The »Introduction of IFRS 4 – Phase II« project is aimed at duly preparing and compiling financial statements in accordance with the amended International Financial Reporting Standards.

Dividend policy: A proposal to pay out a part of accumulated profits shall be made to the General Meeting of Shareholders on the condition that the available capital of Zavarovalnica Triglav, after dividend payment is sufficient for maintaining the target capital adequacy in the medium run, thus enabling the Triglav Group to independently meet the »A« rating requirements. In defining the dividend policy of Zavarovalnica Triglav the planned growth and development of the Triglav Group in target markets were also taken into account.

2.2.1 Key strategic guidelines:

- creating an efficient Group management system;
- optimising business processes and ensuring appropriate staffing;
- achieving profitability of operations and increasing the total value of the Group;
- expansion on the existing and new markets;
- developing alternative sales channels;
- entering new key projects with a profitability rate above the target ROE of the Group in 2015.

2.2.2 Strategy objectives of the Triglav Group

For measuring the achievement of strategy objectives, a balanced scoreboard with projections up to 2015 was been developed and linked to concrete strategy activities.

1. Employees, knowledge and learning

- successful adaptation of the number and structure of employees to the demands of process and organisation reengineering;
- increased mobility and internationalisation of human resources;
- development and retention of key, promising employees;
- redesign of organisational culture in line with the process reorganisation in the Group;
- increase in the variable part of remuneration for high achievers.

2. Processes and organisation

- finalisation of the IT-Build and IT-Life projects, including changes in processes and organisation;
- implementation of the data warehouse and the CRM system;
- implementation of the business process management system;
- implementation of the corporate governance system and key internal controls for the Group;
- compliance of operations with Solvency II requirements.

3. Clients

- comprehensive overview of the policyholder and an upgraded, modern credit system (policyholder card);
- development of efficient client loyalty programmes;
- increase in the number of active policyholders;
- comprehensive insurance/financial services offered through modern sales channels;
- a rank among the top 3 insurance companies in the region.

4. Finances

- profitability and cost efficiency;
- optimised balance sheet structure according to the requirements of Solvency II and the »A« rating from Standard & Poor's;
- positive underwriting result of the Group;
- efficient claims administration system.

⁷ GRI 3.1, DMA EC

2.3 Objectives achieved by the Triglav Group in 2012

Strategic focus on
the core business
of insurance and
profitability of
operations

Despite a difficult economic and financial situation, the Company's dedicated business attitude and consistent implementation of strategic guidelines generated a **profit of EUR 73.2 million**, representing a high, **54% growth rate** compared to 2011. By being focused on its core insurance business and profitability, Zavarovalnica Triglav once again successfully mitigated adverse business conditions and surpassed the planned net profit level by 21%. At the same time, a high level of financial stability was preserved, also owing to prudent management of business and financial risks.

The debt crisis in the EU member states remained the main source of investment risk to which the Group is exposed. In Q 1–2 of 2012 credit rating agencies continued downgrading several countries, including the Republic of Slovenia. The sovereign rating cut of Slovenia reflected the general state of public finances and economy of the country as well as influenced the credit rating of Zavarovalnica Triglav. Thus, in Q 2 the Standard & Poor's credit rating agency decreased the **long-term rating of the Triglav Group** by one notch from »A« to »A-«. The rating applies to both Zavarovalnica Triglav and Pozavarovalnica Triglav Re (see *Section 4.8 Credit rating of the Triglav Group* for more details). Despite a difficult economic situation, the business of Zavarovalnica Triglav and the Triglav Group remained robust, as reflected by their continued strong positions in South-East Europe and their high credit ratings comparable to the credit ratings of other trusted insurance groups in Europe.

Total written premium decreased by 5% which can be ascribed to numerous factors, such as reduced demand for some insurance products, new bankruptcies of companies, lower purchasing power of households, higher unemployment rate, diminished scope of bank lending, measures for keeping good and loyal clients by means of a new client loyalty programme, repricing to match competition as well as measures to improve insurance technical results in individual non-life insurance classes.

Increased competitiveness in the motor vehicle insurance market resulted in adjustments of insurance terms and conditions and reduced the volume of written premium for car insurance. This premium was under additional pressure due to a systematic insurance portfolio selection and intense measures taken to mitigate poorer insurance technical results in non-life insurance, which helped improve the claims ratio. Therefore, the **combined ratio** – a measure of profitability in core insurance operations improved compared to the previous year. At the Group level it reached **89.6%** (2011: 90.1%) and at the level of Zavarovalnica Triglav **81.4%** (2011: 83.0%).

The profit level was also affected by **individual mass loss events**. The biggest damage was caused by floods that affected a great part of Slovenia in November and by the bora wind storm in western Slovenia in February (see *Section 6.2 Impact of the environment on the performance of the Triglav Group for more details*). Mass loss events due to storms affected the Istria and Rijeka area in Croatia, while extreme

weather conditions in February hit Montenegro and Bosnia and Herzegovina.

Zavarovalnica Triglav's business results were greatly influenced by the situation on capital markets, as diverse financial investments represent the majority of the Company's total assets. The global financial crisis caused market slumps and despite a conservative investment policy of Zavarovalnica Triglav the value of some portfolio investments decreased as a result. The lower value of portfolio investments was reflected foremost in decreased net profit. **Financial assets were permanently impaired by EUR 43.7 million**. The year-end profit was additionally affected by the investment loss arising from the Greek securities holdings, owing to the effect of unilateral write-off of the Greek government debt and, consequently, additional valuation of this position in the amount of EUR 7.5 million. As conditions in the capital markets remain volatile, the Company paid particular attention to monitoring their effects on the assets and liabilities structure, adapting investment policies of individual long-term business funds and assets backing liabilities when needed. In doing so, the Company employed results of different capital adequacy models as well as of the stress testing results.

The **value of the Zavarovalnica Triglav's share (bearing the symbol ZVTG)** which is listed on the OTC market of the Ljubljana Stock Exchange was marked by the exchange rate growth. The closing price of the share **increased by 65% since the end of 2011** and equalled EUR 16.50 at the end of 2012. The average turnover per trading day in 2012 was EUR 84,363.90, which was considerably higher than the 2011 average of EUR 53,930.40 (for more details see *Section 4. Shareholder equity and shareholders of Zavarovalnica Triglav*).

Total equity of the Triglav Group increased by 17%, amounting to EUR 574.6 million at the end of the year. The portion of equity in the balance sheet total increased by 1.9 percentage points compared to 31 December 2011, reaching 18.4% (for more information see *Section 8.1 Equity and liabilities*).

2.4 Plans of the Triglav Group for 2013

The Triglav Group business plan for 2013 was produced on the basis of strategic starting points and goals of the Group for the period 2011–2015. By doing so, we took into account market potentials and circumstances in the Slovenian and other insurance markets covered by the Group as well as forecasts of respective macroeconomic trends in those markets for 2013.

Despite a relatively conservative investment policy, Zavarovalnica Triglav expects a continued decrease of the value of some investments in the future, which will be reflected in a reduced net profit and equity. A lower credit rating of the Republic of Slovenia affects the long-term credit rating and financial strength rating of the Triglav Group which additionally exacerbates the Group's competitiveness, particularly in foreign markets.

Due to the above stated reasons and the ever deeper economic crisis in the Group's markets, its business plan for 2013 somewhat deviates from the goals stated in the strategy, however, it still remains ambitious.



The value of the
Zavarovalnica Triglav's
share



Total equity of the
Triglav Group



Credit rating of the
Triglav Group

Financial highlights of the Triglav Group business plan for 2013

	2013 plan
Gross written premium from insurance and co-insurance contracts	EUR 941.1 million
Gross written claims	EUR 648.2 million
Net profit	EUR 55.2 million
Equity as at the year-end	EUR 611.9 million
Planned combined ratio of non-life insurance	94.7%

The effects of the economic and financial crisis on the core business activity of the Triglav Group can predominantly be seen in the reduced demand for some insurance products (see factors described in *Section 2.3*). Nonetheless, it is planned that in 2013 the Triglav Group will charge EUR 941.1 million in consolidated gross written premium. The parent company, Zavarovalnica Triglav plans a lower premium compared to 2012, which predominantly results from a high number of maturities due to the aging of the life insurance portfolio, foreseen measures for retaining solid and loyal clients with a new client loyalty programme, price adjustments to match competition as well as measures to improve the underwriting results of individual classes of non-life insurance. The somewhat smaller growth of written premium in the parent company will be compensated by a higher growth of written premium in other insurance companies of the Triglav Group, predominantly in markets and segments where market shares of its member companies are smaller but witness market potentials enabling growth. Triglav's market approach, focused on competitive advantages, will be supplemented with a penetrating market strategy.

Due to the developments in recent years and the ever more frequent mass catastrophe claims (hail, floods, storms, etc.) the Company expects an increased number of loss events. According to the plan, consolidated gross claims paid by the Triglav Group will amount to EUR 648.2 million in 2013. Special attention will continuously be devoted to loss adjustment, introducing technological, process and organizational improvements. By enhancing professionalism of employees and contracted partners, Triglav strives to continuously improve the correct execution, quality and completion time of loss adjustment procedures.

According to anticipations, gross operating expenses of the insurance business will slightly exceed those incurred in 2012 which will predominantly be a result of robust investments in information technology and the related high growth of depreciation. By employing measures intended to reduce costs that are not directly linked to the sale of new insurance policies, expenses of the Triglav Group, depreciation excluded, will be maintained at the 2012 level, while in Zavarovalnica Triglav they will be slightly lower than in 2012.

Despite the unfavourable economic conditions, the net profit of the Triglav Group is planned at EUR 55.2 million, whereas the combined ratio – a ratio between total non-life insurance expenses and net premium earned – will reach 94.7%. This deterioration will result from the expected increase in loss events.

Further growth and development will be continuously ensured through the profitability of operations which will remain a priority preceding market share growth. All subsidiaries are planned to be operating at a profit by 2015.

The transfer of good practices and the corporate social responsibility strategy to the Group level will continue.

Profitability of
operations and
market share



The effects of the
economic and
financial crisis

3. Corporate Governance Statement

- The business divisions of Zavarovalnica Triglav implemented minimum standards in the subsidiaries and continue to transfer their good practices.
- The transfer of the Company's equity stakes in Group subsidiaries abroad to Triglav INT, holdinška družba, was finalised.
- Activities related to the entry of a strategic partner into Triglav INT d.d. are pursued further.

3.1 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).



Governance policy

3.2 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 (www.ljse.si).

The statement of compliance with the Corporate Governance Code for the period from 1 January 2011 to the date of publication, i.e. 11 April 2012, was published on SEOnet, the information system of the Ljubljana Stock Exchange, and on the official website of Zavarovalnica Triglav (www.triglav.eu).

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

- 8.1 in conjunction with 11
The Secretary of the Supervisory Board has not been appointed. The tasks of the Secretary of the Supervisory Board are being carried out by the relevant division of the Company.

The Company also conducts business in line with the Insurance Code, in full compliance with all of its provisions. The Insurance Code is available on the website of the Slovenian Insurance Association (www.zav-zdruzenje.si).



Corporate Governance Code



Statement of compliance with the Code



The Insurance Code

3.3 Management bodies of Zavarovalnica Triglav d.d.

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 and Memorandum of Association of the Company, and their own rules of procedure.



Memorandum of Association

The Articles and Memorandum of Association are available on www.triglav.eu.

3.3.1 General Meeting of Shareholders

The General Meeting of Shareholders, the body through which shareholders of Zavarovalnica Triglav exercise their rights in respect of matters concerning the company, 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 and Memorandum of Association, or when this 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 and Memorandum of Association. The Articles and Memorandum 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.

In line with the 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 the prior authorisation of the Insurance Supervision Agency. If a person who has acquired such authorisation plans to dispose of shares, which would decrease their shareholding below the limit for which the authorisation has been issued, they are required to inform the Insurance Supervision Agency thereof in advance. If individual shareholders of Zavarovalnica Triglav enter into an agreement by which they agree to a coordinated execution of management rights attached to the shares which they own, each shareholder must notify the Insurance Supervi-

sion Agency of the agreement within three working days of its conclusion and attach a copy of the agreement to the notification. If individual shareholders enter into an agreement by which they agree on a coordinated execution of management rights attached to the shares which they own, and the total value of these shares or management rights exceeds the qualifying holding, they are required to acquire the prior authorisation of the Insurance Supervision Agency. Holders of shares that have been acquired or are possessed contrary to the Insurance Act have no voting rights. For details, see the Insurance Act.

The shares of the two shareholders who (in accordance with the Takeover Act) own a qualifying holding in Zavarovalnica Triglav remained unchanged in 2012:

- 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. In the name of and for the account of ZPIZ, the shareholder's rights attached to the shares were exercised by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter: AUKN) until 28 December 2012, in compliance with the Law on Corporate Governance of State Capital Investments (Official Gazette of the RS, Nos. 38/2010, 18/11 and 77/11). As at 28 December 2012, in compliance with Article 38 (4) of the Slovenia Sovereign Holding Act (ZED, Official Gazette of the RS, No. 105/2012), the management of ZIPZ's equity holding in Zavarovalnica Triglav was transferred to Slovenski državni holding d.d. (hereinafter: SDH). With the adoption of the Slovenia Sovereign Holding Act (ZSDH) and in compliance with its Article 38 (1), the Capital Assets Management Agency of the Republic of Slovenia ceased to exist and, until the transformation of Slovenska odškodninska družba d.d., Ljubljana (hereinafter: SOD) into SDH, the assets shall be managed in the name of and for the account of the Republic of Slovenia by the Management Board of SOD;
- As at 31 December 2012, Slovenska odškodninska družba d.d., Ljubljana (hereinafter: SOD), held 6,380,728 shares or 28.07% of the share capital of Zavarovalnica Triglav.

As at 31 December 2012, Zavarovalnica Triglav had no other shareholders whose holdings exceeded 5% of the share capital, nor any issued securities that would grant their holders special control rights.

General Meeting of Shareholders in 2012

The shareholders of Zavarovalnica Triglav had one general meeting in 2012. The 36th General Meeting of Shareholders took place on 12 June 2012. The total number of shares and voting rights represented at the General Meeting of Shareholders was 18,512,143 or 81.43% of all shares to which voting rights are attached. No challenging actions were announced.

The General Meeting of Shareholders:

- took note of the Annual Reports of Zavarovalnica Triglav d.d. and the Triglav Group for 2011, including the opinions given by the chartered auditors, and the

Annual Internal Audit Report for 2011;

- took note of the Supervisory Board's report on the examination of both Annual Reports for 2011 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2011;
- adopted a resolution on the following distribution of the accumulated profit of EUR 93,322,070.68 as at 31 December 2011:
 - EUR 15,914,603.60 to dividend payments to the shareholders, i.e. EUR 0.70 gross per share,
 - the remaining profit of EUR 77,407,467.08 to be distributed in the following years;
- passed a resolution granting discharge to the Management and Supervisory Boards for the 2011 business year;
- appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors of Zavarovalnica Triglav for 2012;
- appointed Adolf Zupan as a replacement member to the Supervisory Board with the term of office starting on the date the resolution was passed and ending on 7 April 2013,
- recalled Anton Ribnikar and Uroš Slavinec as members of the Supervisory Board/shareholder representatives and appointed Jovan Lukovac and Gregor Kastelic in their stead. Their terms of office starting on the day following their election at the General Meeting of Shareholders, i.e. on 13 June 2012, and ending on 7 April 2013.

3.3.2 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 insurance company is always jointly presented and represented by two members of the Management Board, one of whom must be its President.

3.3.2.1 Composition and appointment of the Management Board

According to the Articles and Memorandum 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 of the Management Board 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 obligations set out by primary and secondary legislation, and in other circumstances set out by law.

3.3.2.2 Management Board authorisation to increase the share 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 up to EUR 11,055,208.77 through new shares issued for cash 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 and Memorandum of Association.

3.3.2.3 Introducing the Management Board

In 2012, the Management Board of Zavarovalnica Triglav was composed of the following members:

President of the Management Board – Matjaž Rakovec

- Born in 1964. Bachelor of Science in Economics.
- Having previous experience in sales and marketing, he was first employed in Zavarovalnica Triglav in 1995 as Head of Insurance Sales in the largest regional unit, in Ljubljana. In 1996, he became the Assistant to the Director of Ljubljana Regional Unit and remained at that post until 2005. Matjaž Rakovec continued his professional career as Director of Studio Moderna d.o.o., and advisor to the Management Board in Poslovni sistem Mercator. He became Director of the Ljubljana Regional Unit in 2006 and was appointed President of the Management Board of Zavarovalnica Triglav in 2009.
- Matjaž Rakovec took office on 15 October 2009.

Management Board Member – Andrej Slapar

- 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.
- Andrej Slapar took office on 10 November 2009.

Management Board Member – Stanislav Vrtunski

- Born in 1972. Master of Business Administration.
- Stanislav Vrtunski joined Zavarovalnica Triglav in 2010 as the Executive Head of Non-Life Insurance Claims Division. He had an extensive background as a manager in the international insurance industry. Between 2004 and 2010, before returning to Slovenia, he held the position of the Chief Executive Officer of the French insurance company La Parisienne Assurances. In 2012, Stanislav Vrtunski became a member of the Management Board of Zavarovalnica Triglav.
- Stanislav Vrtunski took office on 23 May 2012.

Management Board Member – Benjamin Jošar

- 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 and the Executive Director and later an Executive Member of the Board of Directors of KD Banka. In the period from 2008 to 2011, he participated in management and supervisory bodies in KD Group. Until July 2012, he served 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 of Zavarovalnica Triglav.
- Benjamin Jošar took office on 2 November 2012.

Management Board member, employee representative – Marica Makoter

- Born in 1972. Bachelor of Laws.
- From 1996 to 2000, Marica 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.
- Marica Makoter took office on 21 December 2011.

Until 30 June 2012, i.e. until the expiry of his term of office, the office of the Management Board member was held by Igor Stebernak.

Data on the earnings of the Management Board members are disclosed in *Chapter 8.2 of the 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 2012:

Name	Membership in the Supervisory (Management) Boards of other companies
Matjaž Rakovec President of the Management Board	Lovčen Osiguranje a.d., Podgorica Triglav Osiguranje d.d., Sarajevo Pool za zavarovanje in pozavarovanje jedrskih nevarnosti GIZ Krka d.d. Triglav INT d.d.
Andrej Slapar Management Board Member	Triglav Pojišt'ovna a.s., Brno Pozavarovalnica Triglav Re d.d. Triglav Osiguranje d.d., Sarajevo Triglav INT d.d. Abanka Vipava d.d.
Stanislav Vrtunski Management Board Member	Triglav Osiguranje d.d., Zagreb AS Triglav d.o.o. Triglav INT d.d.
Benjamin Jošar Management Board Member	Triglav Skladi d.o.o. Triglav INT d.d.
Marica Makoter Management Board Member, Employee Representative	Triglav Osiguruvanje a.d., Skopje



Earnings of the
Management Board

3.3.2.4 Functioning and powers of the Management Board

President of the Management Board, Matjaž Rakovec, managed and directed the work of the Management Board and of the headquarters departments (Management Board Office, Legal Office, Internal Audit Department, Risk Management Department, Marketing Department and Fraud Prevention, Detection and Investigation). He was responsible for the IT Division and the Back Office Division, for the quality management system within the Business Processes and Organisation Division, for senior management staffing and the Project Office.

Andrej Slapar, member of the Management Board, was in charge of the Life Insurance Division, the Non-Life Underwriting and Product Development Division, the Non-Life Insurance Claims Division, the Corporate Key Account Management Division, the Life Insurance Development and Actuarial Department, and the Non-Life Insurance Development and the Actuarial Department.

Stanislav Vrtunski, member of the Management Board, was responsible for the Non-Life Insurance Marketing Division, the Life Insurance Marketing Division, the Bancassurance and the Client Contact Unit.

Benjamin Jošar, member of the Management Board, was responsible for the Accounting Division, the Finance Division, the Subsidiary Management Division, the Strategic Planning and Controlling Department, and the Subsidiary Legal Office.

Marica Makoter, member of the Management Board, represented workers' interests as an employee representative in the Management Board, in compliance with the Worker Participation in Management Act. She was responsible for the Human Resource Management Division (excluding senior management staffing) and the Business Processes and Organisation Division (excluding quality management system).

3.3.3 Supervisory board

The nine members of the Supervisory Board supervise with full responsibility the conducting of the Company's business. Six of them are representatives of the shareholders and three are representatives of employees.

Shareholder representatives are elected by the General Meeting of Shareholders and employee representatives by the Works Council of Zavarovalnica Triglav. Their appointment or recall is subject to the relevant legislation, and the Articles and Memorandum 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.

3.3.3.1 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 Articles and Memorandum of Association of Zavarovalnica Triglav, and the Rules of Procedure of the Supervisory Board. Besides the competences set out in the Companies Act and the Insurance Act, the Supervisory Board has the competence to approve the decisions of the Management Board when the value and/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 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 real property.

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. The Rules of Procedure of the Supervisory Board are available on the website of Zavarovalnica Triglav at www.triglav.eu.



Rules of Procedure of the
Supervisory Board

3.3.3.2 Supervisory Board in 2012

Shareholder representatives began their term of office on 7 April 2009 for a period of four years, until 7 April 2013. The General Meeting of Shareholders appointed the following new supervisory Board members – shareholder representatives:

- Vladimir Uršič on 28 June 2010, because the term of office of Mirko Miklavčič ended on 25 September 2009;
- Adolf Zupan on 12 June 2012, as the term of office of Borut Jamnik ended on 19 September 2011;
- Jovan Lukovac and Gregor Kastelic on 13 June 2012, because Anton Ribnikar and Uroš Slavinec ended their term of office on 12 June 2012.

On 8 April 2011, the Works Council of Zavarovalnica Triglav elected Miran Krštinc, Peter Celar and Branko Gorjan as the new members of the Supervisory Board/employee representatives for four-year terms of office starting on 30 May 2011 until 30 May 2015.

At its meeting on 21 June 2012, the Supervisory Body appointed Igor Mihajlović as its Chairman and Gregor Kastelic as its Vice-Chairman. Until 12 June 2012 a Chairman of the Supervisory Board was Anton Ribnikar and Uroš Slavinec its Deputy Chairman.

Composition of the Supervisory Board as at 31 December 2012

Name	Education	Employed in	Membership in Supervisory Boards of other companies
SHAREHOLDER REPRESENTATIVES			
Igor Mihajlović Chairman	Bachelor of Mechanical Engineering	STD d.o.o., Consultant to the CEO	/
Gregor Kastelic Deputy Chairman	Bachelor of Science in Economics, MBA	ING Bank N.V., London Branch, Investment Banking Director	/
Vladimir Uršič Member	Bachelor of Laws	retired	/
Aljoša Valentinčič Member	PhD in Business Administration	Faculty of Economics in Ljubljana, Associate Professor for Money and Finance, Vice-Dean	/
Adolf Zupan Member	Master of Laws	AZ, zavarovalno posredniška družba, d.o.o., Director	/
Jovan Lukovac Member	Master of Science in Economics	AZ, zavarovalno posredniška družba d.o.o., Director	Numerica Partnerji, družba za upravljanje d.o.o., Ljubljana, member
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	Bachelor of Laws	Zavarovalnica Triglav d.d.	/



Statement of
Independence and
Loyalty

The members of the Supervisory Board signed the Statement of Independence and Loyalty, thereby undertaking to adhere to the principles of independence stated in point C3 of the Annex to the Corporate Governance Code. The Statement is available on www.triglav.eu.



Earnings of the
Supervisory Board

Data on earnings of the Supervisory Board members are disclosed in *Section 8.2 of the Financial Statements*.

3.3.3.3 Composition of Supervisory Board Committees and their activities in 2012

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks. In 2012, the Supervisory Board had four committees: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

Audit Committee

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

- monitoring the financial reporting process; and
- 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, which includes a draft proposal for the Supervisory Board;
- helping to identify the most important audit areas.

In 2012, the Audit Committee was composed of the following members: Uroš Slavinec as Chairman (until 12 June 2012), Jovan Lukovac as Chairman (as at 21 June 2012),

Aljoša Valentinčič, Branko Gorjan, Vladimir Uršič as members and Barbara Nose (outsourced independent expert).

Appointments and Compensation Committee

The 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 for the Supervisory Board 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.

In 2012, the Compensation and Appointments Committee had the following composition: Anton Ribnikar as Chairman (until 12 June 2012), Igor Mihajlović as Chairman (as at 21 June 2012, previously a member of the committee), Miran Krštinc, Adolf Zupan (as at 21 June 2011) as members, and Srečo Jadek as an outsourced independent expert.

Strategy Committee

In 2012, the Strategy Committee had the following composition: Anton Ribnikar as Chairman (until 12 June 2012), Gregor Kastelic as Chairman (as at 21 June 2012), and Igor Mihajlović and Peter Celar as members. The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and Supervisory Board's resolutions. Its tasks include the monitoring of the Triglav Group Strategy implementation and any related opinions, drafting resolutions for the Supervisory Board and ensuring their realisation.

Nominations Committee

At its session on 17 October 2011, the Supervisory Board established a Supervisory Board Nominations Committee for a period of time ending with the appointment of a new

Supervisory Board member, i.e. until 12 June 2012. The Nominations Committee had the following composition: Uroš Slavinec as Chairman, Miran Krštinc as employee representative, Tomaž Kuntarič and Vanessa Grmek as shareholder representatives, and Eva Boštjančič as representative of the Accreditation Committee of the Capital Assets Management Agency. The Nominations Committee carried out the procedure for appointing a replacement member to the Supervisory Board and submitted to the Supervisory Board a relevant proposal.

At its session on 12 December 2012, the Supervisory Board established a Supervisory Board Nominations Committee for a period of time ending with the appointment of new Supervisory Board members - representatives of the shareholders, with a term of office ending on 7 April 2013. The Nominations Committee has the following composition: Igor Mihajlovič, Chairman, Branko Gorjan as employee representative, and Matjaž Jauk and Peter Ješovnik as outsourced members. The Nominations Committee was set up in order to carry out the nomination procedure for appointing members – shareholders representatives – to the Supervisory board and submit to the latter proposals for the appointment.

3.4 Governance and management of subsidiaries

The fundamental principles and governance system of Zavarovalnica Triglav's subsidiaries are set out in the Subsidiary Governance Policy and Rules for Employees Working Abroad. The subsidiaries are managed through two types of key divisions: core business functions (insurance specific)

and supporting business functions, existing practically in all subsidiaries. The parent company manages the insurance part of the Group through all of its business segments, and the non-insurance part through its support segments and functions.

In 2012, the business divisions of Zavarovalnica Triglav implemented minimum standards in the Group's subsidiaries and continued the transfer of good practices. The goal is to improve the operations of individual business functions, especially core functions, in the entire Group, in order to exploit the synergies and know-how of the parent company and to make the presence of the Triglav Group in all local markets more efficient.

Zavarovalnica Triglav's equity stakes in the Triglav Group's subsidiaries registered outside Slovenia were transferred to the subsidiary Triglav INT d.d., holdinška družba, a 100%-owned subsidiary of Zavarovalnica Triglav, since its foundation at the end of 2010 until early February 2012. The purpose of the establishment and transfer of these stakes to Triglav INT d.d. was to attract a strategic partner that will enable the Triglav Group to consolidate its presence in existing and new markets by providing new capital for further growth. Following this strategic orientation, an agreement was signed at the end of March 2012 with the International Finance Corporation, a member of the World Bank Group (hereinafter: IFC). In accordance with the said agreement and upon meeting the conditions, IFC plans to invest EUR 25 million and thus take over 16.68% of Triglav INT d.d. The entry of the strategic partner into Triglav INT d.d. was planned to take place by the end of 2012. In 2013, the activities regarding the entry of a strategic partner will be further pursued.

Management of the insurance and non-insurance part of the Group

The entry of the strategic partner into Triglav INT d.d.

The composition of governance and management bodies in the subsidiaries as at 31 December 2012

Subsidiary	Management	Supervisory function
SLOVENIA		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gregor Stražar – President, Tomaž Rotar	Supervisory Board: Andrej Slapar – President, Aleksandra Vukovič Kačar, Nadja Pivk
Triglav, Zdravstvena zavarovalnica d.d., Koper	Meta Berk Skok – President, Simon Vidmar	Supervisory Board: Tadej Čoroli – President, Primož Plantarič, Tomaž Krevatin
Triglav Skladi, družba za upravljanje d.o.o., Ljubljana	Igor Kušar – President, Samo Javornik	Supervisory Board: Benjamin Jošar – President, Uroš Ivanc, Meta Berk Skok
Triglav Naložbe, finančna družba d.d., Ljubljana	Stojan Nikolič, Kristina Rovšek	Supervisory Board: Aleksandra Vukovič Kačar – President, Simona Kozjek, Tomaž Žust
TRI - PRO d.o.o., Domžale	Edvard Kranjčič – Director, Tadej Čoroli – Authorised Officer	
Triglav INT, holdinška družba d.d., Ljubljana	Tedo Djekanović – Executive Director	Supervisory Board: Matjaž Rakovec – President, Stanislav Vrtunski, Andrej Slapar, Benjamin Jošar, Urša Manček
AS Triglav-servis in trgovina d.o.o., Ljubljana	Edvard Zabukovnik – Director, Boris Kuhelj – Director	Supervisory Board: Stanislav Vrtunski – President, Blaž Jakič, Iztok Šekoranja
Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami d.o.o., Ljubljana	Mitja Selan – President of the Management Board, Gorazd Rous	Supervisory Board: Blaž Jakič – President, Miha Grilec, Rok Pivk
Slovenijales d.d., Ljubljana	Blaž Jakič – General Manager	Supervisory Board: Aleksandra Vukovič Kačar – President, Miha Novak, Janka Planinc
Gradis IPI d.d., Ljubljana	Aleš Vahčič – Director, Robert Špehar – Authorised Officer	Supervisory Board: Rok Pivk – President, Ksenja Zajc, Kristina Rovšek
Hotel Grad Podvin d.d., Radovljica	Jaka Binter – Director, Aleš Vahčič - Authorised Officer	Supervisory Board: Mitja Kepec – President, Ana Stradar Iglič, Mateja Živec
CROATIA		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca – President, Jože Obersnel – Deputy Management Board Member	Supervisory Board: Stanislav Vrtunski – President, Tomaž Žust, Tedo Djekanović, Željko Duralija
CZECH REPUBLIC		
Triglav Pojišť'ovna a.s., Brno	Petr Bany – General Manager, Petr Mikulenska, Miha Vittori	Supervisory Board: Andrej Slapar – President, Jože Obersnel, Šarka Vodičkova
MONTENEGRO		
Lovćen Osiguranje a.d., Podgorica	Radenko Purić – CEO	Board of Directors: Matjaž Rakovec – President, Boštjan Vovk, Uroš Ivanc
BOSNIA IN HERZEGOVINA		
Triglav Osiguranje d.d., Sarajevo	Edib Galijatović – President of the Management Board, Edin Muftić	Supervisory Board: Matjaž Rakovec – President, Andrej Slapar, Bakir Pilav
Triglav Osiguranje, a.d., Banja Luka	Matej Žlajpah – Director	Board of Directors: Andrej Knap – President, Blaž Jakič, Dejan Jasnić
SERBIA		
Triglav Osiguranje a.d.o., Beograd	Dragan Marković – CEO, Branko Flisar – Authorised Officer, Matjaž Božić – Authorised Officer	Supervisory Board: Tedo Djekanović – President, Tadej Čoroli, Zoran Milošević
Triglav Penzijski fondovi a.d., Beograd	Dragomir Ljubojević – Liquidator	Board of Directors: Miroslav Matijašević – President, Branko Flisar, Predrag Bobera
FYR MACEDONIA		
Triglav Osiguruvanje a.d., Skopje	Gjorgije Vojnović – General Manager and Executive Member of the Board of Director	Board of Directors: Uroš Ivanc – President, Meta Berk Skok, Andrej Knap, Marica Makoter

3.5 Internal and external audit

On 12 June 2012, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje d.o.o. as the auditors for 2012.

The report on the work of the Internal Audit Department is included in *Section 10. Risk management*.

3.6 Main characteristics of the internal control and risk management system⁸

The Triglav Group has an efficiently designed integrated system for risk management and internal control. It exceeds the basic legal requirements concerning the implementation and maintenance of a suitable risk management and internal control systems for insurance companies set out in the Companies Act, the Insurance Act, as well as the secondary legislation enacted by the Insurance Supervision Agency. The subsidiaries of the Group in Slovenia and abroad also guarantee a quality of the internal control and risk management system which is above the legally required level of individual countries.

In addition to insurance risks, the risk management and internal control system effectively also manages other risks, such as financial, operational and strategic risks. The hierarchical structure and participation of all subsidiaries and all employees together with the strong corporate culture, emphasising the importance of risk management at all levels and in all basic business processes, provide for the efficacy of the system.

Internal controls have been set up in all processes, organisational units and organisational levels of the Triglav Group. They include:

- a clear organisational structure with a precisely defined and transparent system of authorities and competences;
- efficient procedures for the 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).

The Triglav Group ensures the compliance of its operations with strategic objectives by maintaining and upgrading a reliable risk management system, proper accounting activities, and internal and external financial-accounting reporting. In compliance with the relevant legislation, the Group maintains a separate Internal Audit Department, which runs efficiency checks on the internal control system, offers upgrade proposals, and reports regularly to the Management Board, Audit Committee and Supervisory Board (for more details see *Section 10. Risk Management*).

3.7 Notes on the takeover legislation

Provisions of the Takeover Act (Official Gazette of the RS Nos. 79/06, 1/08, 68/08, 10/12 and 38/12 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 the section on share capital and shareholders of Zavarovalnica Triglav.

3.7.1 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 to buy its own shares. The Management Board's authorisation to increase the share capital is described in *Section 3.3.2.2*. 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 law regulating takeovers.

Zavarovalnica Triglav has not entered into any agreements with members of its management or supervisory bodies or employees that would provide for remuneration if an offer (as defined by the law regulating takeovers) caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.



Work of the Internal
Audit Department



The Management
Board's authorisation
to increase the share
capital



The internal control
system

⁸ GRI 3.1, FS9 indicator

4. Share Capital and Shareholders of Zavarovalnica Triglav

- The year 2012 saw a growing price and average turnover of ZVTG shares.
- The value of the Slovene Blue-Chip Index increased by 8% (31 Dec. 2011 / 31 Dec. 2012), while the ZVTG share won about 65% of its initial value.
- The ownership structure of Zavarovalnica Triglav is slightly more concentrated.

4.1 Share capital

As at the end of the reporting period, the share capital of Zavarovalnica Triglav amounted to EUR 73,701,391.79. It is divided into 22,735,148 ordinary registered par value shares bearing the ticker symbol ZVTG and the ISIN code SI0021111651, which are freely transferable and issued in a dematerialised form. Each represents the same stake and corresponding amount in the share capital. All have been paid up in full.

Market, Zavarovalnica Triglav secured a highly visible position amongst the issuers on the Ljubljana Stock Exchange. Thereby, the Company committed to the highest standards of business and reporting in both the domestic and foreign markets, and undertaken to make all relevant information available in English, as it is aware of the importance of transparency towards its shareholders and investors.

Each share of Zavarovalnica Triglav gives its holder the right to one vote at the General Meeting of Shareholders, to proportional dividends from the profit intended for the payment of dividends and to a proportional share of the remaining bankruptcy or liquidation mass after the payoff of priority shareholders in the case of bankruptcy or liquidation.

4.2 The share of Zavarovalnica Triglav

The shares of Zavarovalnica Triglav are listed on the Ljubljana Stock Exchange Prime Market. With the listing on the Prime

Key figures for the shares of Zavarovalnica Triglav d.d.

ITEMS	31 December 2012	31 December 2011	31 December 2010
Number of shares	22,735,148	22,735,148	22,735,148
Book value per share (in EUR)	22.33	19.25	21.19
Book value per share (in EUR) – consolidated – Triglav Group	24.91	20.46	20.71
Net earnings/loss per share (in EUR)	2.22	1.93	1.41
Net earnings/loss per share (in EUR) – consolidated – Triglav Group	3.19	2.07	1.22
Dividend per share (in EUR) - for the previous business year	To be defined	0.70	0.40
Share market value (in EUR) - closing price	16.50	10.00	17.61
Traded on	Ljubljana Stock Exchange - LJSE		
Ticker symbol	ZVTG		
Market capitalisation - closing price as at 31 Dec. (in EUR)	375,129,942	227,351,480	400,365,956
Credit rating	Standard & Poor's; »A-«, warning on potential credit rating downgrade	Standard & Poor's; »A-«, warning on potential credit rating downgrade	Standard & Poor's; »A«, stable medium-term outlook
Bloomberg	ZVTG SV		
Reuters	ZVTG.LJ		

The Insurance Act stipulates that any acquisition of shares of Zavarovalnica Triglav by which a person directly or indirectly acquires or exceeds a qualifying holding in the Com-

pany (hereinafter: qualified holder) is subject to the prior authorisation of the Insurance Supervision Agency (authorisation to acquire a qualifying holding). According to the

Insurance Act, a qualifying holding is an indirect or direct holding of shares or other rights that gives the holder a 10% share of voting rights or a 10% participation in the issuer's capital, or that gives the holder a share of voting rights or participation in the issuer's capital that is smaller than 10%, but nevertheless allows the holder to significantly influence the management of the issuer.

A prior authorisation of the Insurance Supervision Agency is mandatory 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 participation in the company's capital, or by which the person becomes a controlling company of the insurance company. Likewise, a new prior authorisation of the Insurance Supervision Agency is mandatory 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.

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.

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 an agreement (hereinafter: qualified shareholders' agreement).

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.

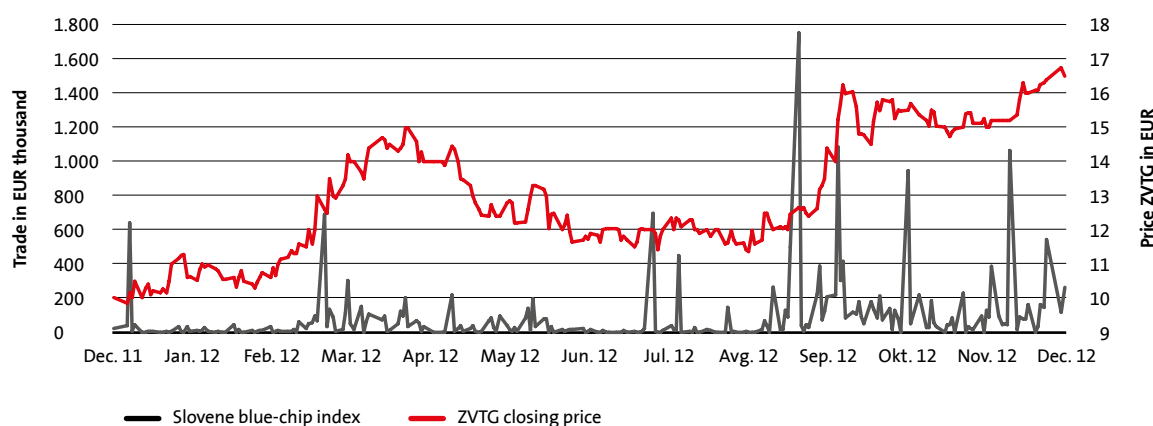
4.3 Movements in the share value of Zavarovalnica Triglav in 2012

The year 2012 was very successful for ZVTG shares, it saw a growing price and average turnover of ZVTG shares. At the beginning of January 2012, the share price fell under EUR 10, which was the closing price at the end of 2011. However, it rose continuously throughout the year and reached EUR 16.50 at the end of 2012. The highest closing price, EUR 16.75, was recorded on 27 December 2012. The year 2012 also saw growing average turnover of ZVTG shares.

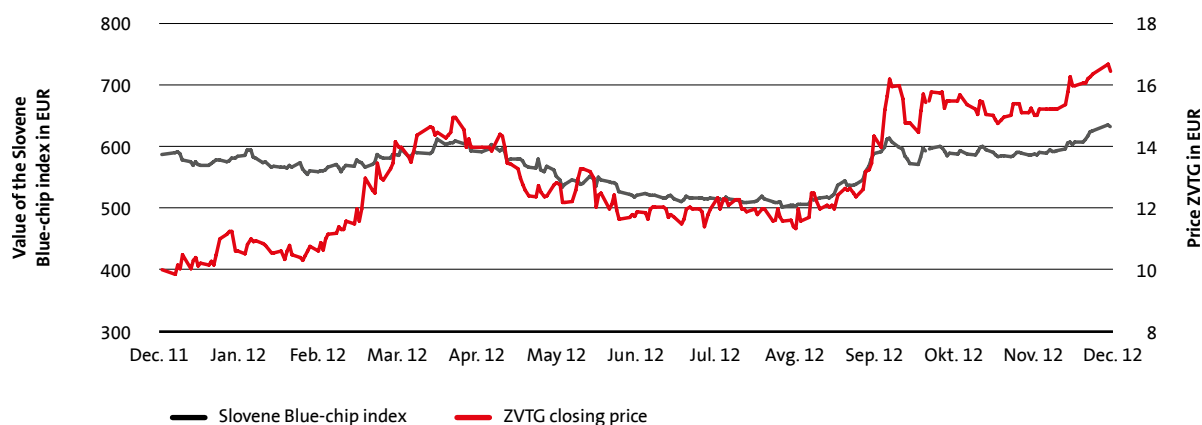
The average turnover per trading day was EUR 84,363.90, which was considerably higher than the 2011 average of EUR 53,930.40. The increase in value was also characteristic of the Slovene Blue-Chip Index, but its value increased considerably less than the value of ZVTG shares. Compared to the end of 2011, the value of the Slovene Blue-Chip Index rose by approximately 8%, whilst the ZVTG share gained about 65% on its initial value.

The average turnover per trading day

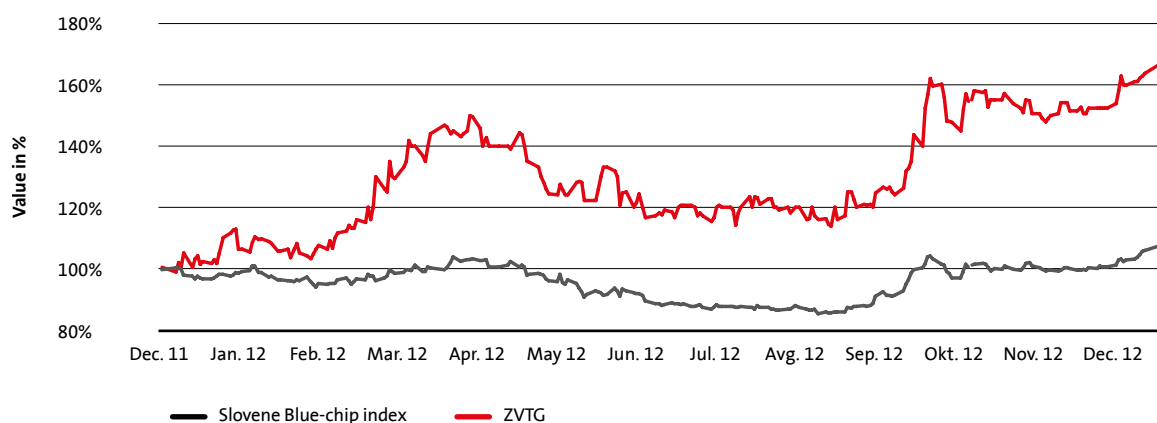
Movements in the closing price (right axis) and turnover in EUR (left axis) of the ZVTG share of Zavarovalnica Triglav



Movements in the closing price of the ZVTG share of Zavarovalnica Triglav (right axis) and movements in the value of the Slovene Blue-chip index, in EUR (left axis)



Movements in the average daily price of the ZVTG share of Zavarovalnica Triglav and movements in the value of the Slovene Blue-chip index, in EUR, in 2011 as compared to 31 December 2010



Maximum and minimum closing prices and maximum and minimum trading volumes in ZVTG shares of Zavarovalnica Triglav in a trading day

Month	Maximum closing price	Minimum closing price	Maximum daily trading volume	Minimum daily trading volume	Average daily trading volume
January	11.27	9.85	643,297	1,042	40,437
February	11.01	10.30	44,832	443	9,986
March	14.20	11.00	694,272	227	84,377
April	15.00	13.51	201,802	324	64,473
May	14.45	12.21	221,471	1,225	35,207
June	13.30	11.65	195,316	1,397	38,588
July	12.35	11.41	697,308	388	39,662
August	12.34	11.35	447,301	139	32,673
September	14.39	11.70	1,756,189	245	201,648
October	16.25	14.00	1,083,564	1,022	214,087
November	15.50	14.72	388,205	494	82,439
December	16.75	15.20	1,069,184	1,219	177,346

4.4 Shareholder structure

In terms of numbers, the shareholder structure of Zavarovalnica Triglav was still dominated by domestic natural persons with a relatively low percentage of ownership, whilst in terms of leverage it is dominated by domestic legal entities.

Among the top ten shareholders, three decreased their stakes, two increased their shareholdings and one shareholder featured in the shareholder structure for the first time. Ownership concentration measured by equity stakes of the first ten shareholders somewhat increased, apart from which no other major changes in the structure of shareholders were recorded.

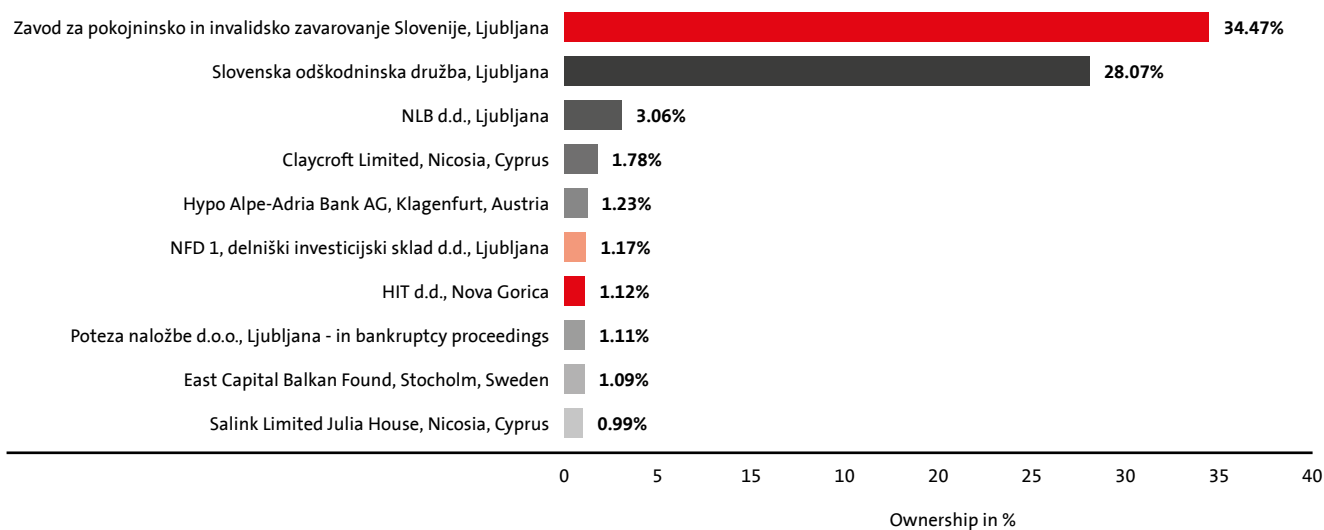
Shareholder structure of Zavarovalnica Triglav as at 31 December 2012

	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	20,492,650	2,242,498	20,853,112	1,882,036
Number of shareholders	28,686	28,204	482	688	27,998
Number of shares – percentage	100.00%	90.14%	9.86%	91.72%	8.28%
Number of shareholders – percentage	100.00%	98.32%	1.68%	2.40%	97.60%

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2012 and 31 December 2011

Shareholder	Number of shares 2012	Number of shares 2011	Ownership in % 2012	Ownership in % 2011
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	7,836,628	7,836,628	34.47	34.47
Slovenska odškodninska družba, Ljubljana	6,380,728	6,380,728	28.07	28.07
NLB d.d., Ljubljana	696,213	696,213	3.06	3.06
Claycroft Limited, Nicosia, Cyprus	404,460	404,460	1.78	1.78
Hypo Alpe-Adria Bank AG, Klagenfurt, Austria	280,720	282,055	1.23	1.24
NFD 1, delniški investicijski sklad d.d., Ljubljana	266,723	371,187	1.17	1.63
HIT d.d., Nova Gorica	255,408	255,408	1.12	1.12
Poteza naložbe d.o.o., Ljubljana – in bankruptcy proceedings	252,370	346,570	1.11	1.52
East Capital Balkan Fund, Stockholm, Sweden	248,006	126,548	1.09	0.56
Salink Limited Julia House, Nicosia, Cyprus	225,414	202,414	0.99	0.89

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2012



Once again in 2012, two of the shareholders achieved a qualifying holding in accordance with the Takeover Act: Zavod za pokojninsko in invalidsko zavarovanje Slovenije (hereinafter: ZPIZ) and Slovenska odškodninska družba d.d., Ljubljana. In accordance with the Management of Equity Investments of the Republic of Slovenia Act (Official Gazette

of the RS Nos. 38/2010, 18/11 and 77/11), the Capital Assets Management Agency of the Republic of Slovenia (hereinafter: AUKN) acted in the name of and for the account of ZPIZ in 2012 in exercising shareholder rights stemming from the shares of Zavarovalnica Triglav owned by ZPIZ. See also Section 3.3.1.





Information for investors

Prize Portal



Communication
activities with investors

Number of shares owned by members of the Management and Supervisory Board as at 31 December 2012

Name	Office	Number of shares	Share in capital
THE MANAGEMENT BOARD		4,740	0.02%
Matjaž Rakovec	President	4,740	0.02%
Andrej Slapar	Member	-	-
Stanislav Vrtunski	Member	-	-
Benjamin Jošar	Member	-	-
Marica Makoter	Member, Employee Representative	-	-
SUPERVISORY BOARD		5,604	0.03%
Shareholder representatives		4,000	0.02%
Igor Mihajlovič	Chairman	-	-
Gregor Kastelic	Deputy Chairman	-	-
Jovan Lukovac	Member	-	-
Aljoša Valentinčič	Member	-	-
Adolf Zupan	Member	-	-
Vladimir Uršič	Member	4,000	0.02%
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		10,334	0.05%

4.5 Dividend policy

Dividends are paid once a year in accordance with a resolution passed by the General Meeting of Shareholders. The dividend policy is defined in the Strategy of the Triglav Group 2011–2015 (see *Section 2.2 Fundamental goals and characteristics of the Triglav Group Strategy for the 2011–2015 period*). It is aimed at achieving dividend amounts that reflect the achieved business results or profit while also meeting capital needs for future growth and capital adequacy requirements.

Overview of dividend payments for business years from 2009 to 2012

Items	31 December 2012	31 December 2011	31 December 2010	31 December 2012
Total dividends (in EUR)	to be defined	15,914,604	9,094,059	0
Dividend per share (in EUR)	to be defined	0,70	0,40	0,00

4.6 Communication with investors

Information for investors is published regularly via the SEOnet system on the web portal of the Ljubljana Stock Exchange and in the investor information section on Triglav's website (www.triglav.eu), where all relevant information on

the Company and the Triglav Group can be found. The public is informed about all significant decisions and events in the parent company and in the Triglav Group. Communication with shareholders is based on the principles of transparency, equality, and regular and reliable reporting.

In 2012, Triglav was granted the Ljubljana Stock Exchange Special Achievement Prize – a subcategory of the »Portal« prize – for significant headway in investor relations.

Details on the Company's communication activities with investors can be found in *Section 11. Sustainable development in the Triglav Group, Item 11.2 Key stakeholders*.

Information for shareholders:

Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
MSc. Uroš Ivanc, Executive Director of Finance Division
Phone: ++386 (1) 47 47 468
Fax: ++386 (1) 23 16 456
E-mail: uros.ivanc@triglav.si

4.7 Protecting the interests of small shareholders

Zavarovalnica Triglav offers equal treatment to all shareholders and therefore also guarantees rights to minority shareholders.

4.8 Credit rating of the Triglav Group

Section 2.3. Objectives achieved by Zavarovalnica Triglav mentions the Triglav Group credit rating change and the reasons for the downgrade of the Republic of Slovenia which influenced the credit rating cut of the Triglav Group. In mid-December 2011, the agency Standard & Poor's Ratings Services (hereinafter: S&P) put Triglav on the CreditWatch negative list, saying that due to highly probable extraordinary financial assistance to the Republic of Slovenia in the event of its financial distress, the credit rating of the Triglav Group may be cut by a maximum of one notch, i.e. down to »A-«. According to S&P, due to the increasingly difficult economic and financial environment the level of expected support from the sovereign to the Triglav Group, as a government-related entity, is lower.

As achieving an »A« credit rating is one of the strategic goals of the Triglav Group, more details are given below.

On 17 January 2012, the agency Standard & Poor's Ratings Services (hereinafter: S&P) published that the Triglav Group maintained the credit rating »A« (which also applies to Zavarovalnica Triglav and Pozavarovalnica Triglav Re) regardless of the sovereign rating downgrade of the Republic of Slovenia. At the same time, S&P removed from the CreditWatch negative list the credit rating of the Triglav Group but kept a negative outlook. On 7 August 2012, S&P decreased the long-term rating of the Triglav Group by one notch to »A-«, also including Zavarovalnica Triglav and Pozavarovalnica Triglav Re. This rating cut was

caused by a recent downgrade of the Republic of Slovenia, reflecting the general state of the public finances and economy of Slovenia, as S&P downgraded the Slovene government's sovereign debt rating by one notch from »A+« to »A« on 3 August 2012. The medium-term outlook for the Triglav Group remained negative.

On 22 November 2012, S&P published its updated credit rating report, confirming the Triglav Group's long-term credit rating and financial strength rating »A-«, which also applies to Zavarovalnica Triglav and Pozavarovalnica Triglav Re. At the same time, it again put Triglav on the CreditWatch negative list. Prior to that, S&P issued a warning of a possible downgrade of the long-term sovereign credit rating of Slovenia to »A-«, which could in turn negatively affect the credit ratings of the Triglav Group, Zavarovalnica Triglav d.d. and Pozavarovalnica Triglav Re d.d., causing a one-notch downgrade.

According to this information, S&P could remove the Triglav Group rating from CreditWatch negative list, if the ratings on Slovenia are removed from CreditWatch or if the Triglav Group's financial and business profiles prove more resilient to the deteriorating operating, macroeconomic and financial environment in Slovenia than it was

assumed at the time. An update will be released within 90 days of 22 November 2012 in line with the S&P's CreditWatch resolution or update on the sovereign rating on Slovenia.

4.9 Bonds of Zavarovalnica Triglav d.d.

Zavarovalnica Triglav d.d. has issued two series of bonds. The bonds were issued as subordinated, registered, fixed rate bonds in a dematerialised form, denominated in euros.

The bonds issued in 2003, bearing the ticker symbol ZT01 (ISIN: SI0022102063), are traded on the bond market of the Ljubljana Stock Exchange. The total nominal value of the bond issue was EUR 10,998,000 or EUR 1,000 per bond. The last coupon and the principal will fall due on 20 October 2013.

The second issuing of bonds of Zavarovalnica Triglav followed on 30 November 2009. The total nominal value of the issue is EUR 30,000,000, comprising 30,000 bonds with a denomination of EUR 1,000. The ZT02 bond (ISIN: SI0022103038) was listed on 30 June 2010. The last coupon and the principal will fall due on 21 March 2020.



 triglav

Mobile application – assistance for mountain goers

Enter

It provides information before and during a mountain tour, alerts when you should end your trip due to approaching darkness, and indicates the nearest mountain huts and refuges.

Emergency call option enables you to reach number 112 and/or send a text message (SMS) showing your coordinates.

A mountain goer will be safer and better oriented with the Mountain Handbook mobile application.

As the lead partner in the »Let's Clean the Mountains and Hills« drive, Triglav offered the application, in its third season, to mountain lovers in Slovenia.



Kredarica
Triglavski narodni park, 4281, Slovenija



Mobile application - Mountain Handbook



5. Development and Sales Activities

- An emphasis in development was placed on redesigning insurance products, sales promotion, training sales staff and the expansion of web business.
- Triglav Komplet, a bonus programme, is another step towards the range of new transparent and accessible insurance products.
- Upgrading and standardising business processes as well as introducing standardised IT solutions in the insurance segment of the Group continued.

5.1 Development activities

5.1.1 Non-life insurance

In recent years, the development activities in the non-life insurance segment have been characterised by rapid changes in the insurance market, forcing Triglav to continue upgrading existing products and designing new ones.

Many changes were introduced in the motor vehicle insurance segment, in order to adapt to demanding market conditions (safe driver campaigns, Triglav Youth workshop, introduction of additional discounts). As in previous years, based on the achieved insurance technical results of individual insurance products and projected future trends, an extensive set of existing insurance terms, conditions and tariffs was redesigned and repriced.

Following the integration and upgrade of insurance products, the Company focused on redesigning and developing professional support processes. The ITB-Underwrite software was extended to cover all insurance subclasses for corporate clients.

Activities for standardising the IT support for reinsurance were continued. Expert authorisations for underwriting were defined in greater detail, and a project of increased risk identification was successfully carried out.

The Triglav Group

In line with the strategy, processes in subsidiary insurance companies were listed, and underwriting process standardisation started. Subsidiary insurance companies migrated to the integrated AdInsure IT support in order to standardise the processes of risk underwriting and insurance product development. The implementation is in the final stage, and once it is finalised, both risk underwriting and product development will be of better quality and faster.

Decisions on authorisation limits were standardised for the Group members in Serbia, Bosnia and Herzegovina, Croatia, and the Czech Republic. The system is based authorising total sum insurance and limits for individual sales agents/officers and loss adjusters. Expert departments were actively involved in underwriting individual specific risks (with increased demand for large risks) and placing individual risks above the limits stipulated in reinsurance contracts. These departments set conditions for and forms of reinsurance, and also carried out financial and insurance technical calculations for active fronting transactions.

Changes in the
motor vehicle
insurance segment

Comprehensive content integration was carried out in Zavarovalnica Triglav's non-life insurance department, which was subsequently linked to all subsidiaries in the Group and thus became the pillar of development activities and content standardisation of risk assessment processes in the entire group.

In product development, special attention was paid to the new integrated insurance product Triglav Komplet, a new bonus programme that combines all the insurance policies of a family in a simple and transparent way. Its purpose is to increase customer loyalty (retention) with a simple and transparent way of rewarding the loyalty of policyholders. The product is an innovative combination of benefits from three insurance classes (non-life, life and health insurance), and a new way of combining client benefits from two different legal entities. Family members can incorporate their insurance policies into the Triglav Komplet product, contributing to a higher combined discount upon the renewal of existing insurance products and the taking out new non-life insurance policies.

Online insurance
portal i.triglav

Non-life insurance products were made available on the i.triglav online insurance portal, which further improved the availability and transparency of the product range. Triglav is the first insurance company in Slovenia to offer non-life, life and health insurance on a single website. Clients have access to all of their valid insurance policies, including an archive of expired ones, and can view all premiums and insurance terms and conditions.⁹

⁹ GRI 3.1, indicators FS1, FS14, FS15

5.1.2 Life insurance

Financial market developments are reflected in the composition and volume of newly acquired insurance policies and in the disappearance of the existing life insurance portfolio. Zavarovalnica Triglav responded by:

- developing new innovative insurance products;
- redesigning the existing insurance products and lowering their prices¹⁰ and
- taking greater care of the existing portfolio.

Unit-linked life and investment life insurance products were redesigned, and i.FLEKS insurance was introduced. The latter is intended exclusively for online insurance sales and therefore combines certain specific features, such as a choice among ETF funds (exchange-traded funds).

In the term life insurance segment, the Triglav Group responded to the increased market activity with important changes:

- several price reductions of term life insurance;
- additional free coverage in the existing and new forms of term life insurance;
- the launch of group term life insurance for companies wishing to provide insurance for their employees in the event of death.

Two new pension insurance schemes were introduced for individual and collective supplemental voluntary pension insurance, which provide (as an innovation in this market segment) coverage of an additional family pension equaling 20% of the total amount of cash value in the event of death and additional coverage of 100% of the total amount of cash value in the event of accidental death.

One of the main developmental activities in 2012 was related to the aspects of sustainable responsibility for the product. By switching over to the gender-neutral pricing, the Company complied with the EU Charter of Fundamental Rights and its amendment, which entered into force on 21 December 2012¹¹. Almost all products were modified, ranging from traditional insurance to unit-linked life insurance. Special attention was devoted to term life insurance products. Differentiation on the grounds of the life style of the insured person was introduced, which additionally reduced the average price per policy.

In parallel with uniform pricing policies for both genders, supplemental insurance for severe illnesses and injuries was introduced, which replaced the supplemental insurance for critical illnesses with prepayments and the constant sum insured. Apart from covering severe illnesses and injuries, the product also includes obtaining a second medical opinion, as well as additional coverage and genetic analyses for children.

Extensive development activities required plenty of other activities¹²:

- the new i.triglav online portal was updated with upgraded and new products;

- a new smart phone application, available as an Android or Apple app, was developed due to a growing number of clients using the i.triglav online portal;
- the application for the provisional calculation of life insurance premium was redesigned; and
- special online support for purchasing term life insurance was developed.

The Triglav Group

In the life insurance segment, the strategy was implemented, while insurance products and implementation processes for life insurance continued to be transferred to the subsidiaries. The uniform IT support for all subsidiaries offering life insurance products enabled the simpler development and transfer of insurance products.

New products and services were adapted to the needs of individual markets. In Bosnia and Herzegovina, a new supplemental unemployment insurance product was introduced. In Serbia, insurance for critical illnesses was introduced, traditional endowment life insurance was redesigned and support was provided for the processing of surrenders. In Croatia, supplemental medical travel insurance for international travel was developed, and insurance for critical illnesses as a supplement to all types of life insurance was launched. The transfer of the online insurance portal was also initiated.

5.2 Sales activities

5.2.1 Non-life insurance

The Company's strategy is focused on maximising returns operations, which raises the quality of the portfolio, but not necessarily and not at any cost, also written premiums. Therefore, the attention was paid to:

- the quality of products and services as well as other comparative advantages of Zavarovalnica Triglav;
- adapting the pricing policy to the market situation, characterised by stricter conditions, the worsened economic and social position of service users, downward spending trends, whilst discounts were granted selectively, under supervision and in line with given authorisations;
- adequate and acceptable pricing of insurance premiums and excellent after-sales services and servicing.

Gender-neutral pricing

Achieved sales results reflect the selection and higher quality of the sales portfolio, which had a negative impact on turnover and the growth of insurance premium.

Clients were offered a new service, the Triglav Komplet bonus programme (see *Section 5.1.1* for more details).

The year 2012 was marked by numerous sales promotion campaigns for various products and services, tailored to target groups and/or user segments. In the development of the marketing and sales of non-life insurance, great attention was given to the presence of Zavarovalnica Triglav on the Internet. Web applications were updated, and the Company was actively present in several web social environments.



The Triglav Komplet
bonus programme

Sales promotion

¹⁰ GRI 3.1, FS15 indicator

¹¹ GRI 3.1, FS1 indicator

¹² GRI 3.1, FS14 indicator

Key development activities in the sales network

Special attention was paid to the development of sales networks and to improving client satisfaction and loyalty. New sales channels and novel sales approaches were employed, taking into account the needs and wishes of the users and making the Triglav network and services available also in less populated and less easily accessible areas of Slovenia.¹³ In the second half of 2012, the Company measured client satisfaction levels¹⁴.

Triglav's extensive internal sales network along with the wide selection of high quality products and services remain the key comparative advantage. Moreover, many activities are focused on external sales network.

Web applications

In the internal sales network, the Company:

- by adopting new Rules on Agent Network Organisation and Remuneration of Insurance Agents and Team Heads, standardised the remuneration of sales personnel and heads of their teams, representing an important step towards a more transparent remuneration system and a more effective sales network;
- improved the professional knowledge and sales skills of the sales personnel and sales managers through various professional training courses and seminars (a two-day seminar on current sales and marketing topics for retail insurance sales managers, heads of branches and agent teams; training for promising insurance agents; an annual two-day seminar for sales officers on products, sales, marketing and new techniques, skills and methodology);
- carried out a »Mystery Shopper« study in the agent sales network as well as at the internal points of sale, including analyses and implementation of measures.

In the external sales network, the Company:

- actively cooperated with contracted partners and designed measures for improving sales results;
- introduced additional sales bonuses for selling motor vehicle insurance;
- organised a seminar for employees involved in sales through contracted points of sale and training for employees in certain contracted points of sale themselves;
- used a »Mystery Shopper« survey to detect certain deficiencies in the sales process and took corrective measures;
- produced training material for contracted points of sales;
- attracted new contracted partners;
- recast and updated insurance agency agreements;
- upgraded the cooperation with leasing companies;
- upgraded the IT platform for selling motor vehicle insurance.

A new software tool enabled the content renewal and modernisation of the sales planning and monitoring process. It enables the managers in the entire sales segment to daily follow premium payments by sales officers, which is of utmost importance in tough market conditions.

A new home insurance product, DOM-a, used by sales officers, was developed in cooperation with Abanka. It is intended for borrowers purchasing real property.

Online business¹⁵ is also becoming the Company's comparative advantage. In 2012, web applications were redesigned, upgraded and integrated into the software support for the ITBuild project. The expansion of online business options further increased the transparency and availability of Triglav services¹⁶. Internet sales of accident insurance for children, travel arrangement insurance and medical travel insurance with assistance for international travel were redesigned. It is now possible to take out travel arrangement insurance through a mobile application (tablets and smartphones). An option to pay with Moneta, Abanet and NLB Klik was introduced for the online renewal of existing insurance policies. The redesign of the online purchasing of motor vehicle insurance was finalised, enabling existing clients to renew all of their previously concluded motor vehicle policies and giving new clients an option to purchase certain new motor vehicle insurance products.

Organisation, work processes and authorities

In 2012, significant attention was again paid to improving sales process organisation and management. Existing registers of business processes were updated and amended, business processes were modelled, and training on determining the process indicators and preparation of process documentation was carried out.

Direct marketing:

- Zavarovalnica Triglav successfully marketed accident insurance for children and young adults, achieving almost a 70% response rate among existing policyholders;
- A special discount offer for the online purchase and contract conclusion of travel insurance was launched, whilst the segment of policyholders who often travel or spend their holidays abroad was addressed with direct marketing;
- Loyal policyholders of DOM-a packages were offered free annual membership in the Second Medical Opinion programme (SMO);
- The policyholders who took out motor vehicle insurance at contracted points of sale were invited to purchase a Triglav Komplet package.

The Triglav Group

Monthly monitoring of sales results was set up, and rules governing the remuneration of sales personnel in the Triglav Group companies was continued.

Special attention was paid to the transfer of know-how and good practice. In this framework, the following was prepared and implemented:

- training courses for heads of sales and heads of sales teams (sales team management, work organisation, conduct of sales meetings, skill development and training);
- a two-day seminar for heads of non-life insurance sales in subsidiaries, and

¹³ GRI 3.1, FS13 indicator, partially

¹⁴ GRI 3.1, PR5 indicator

¹⁵ GRI 3.1, indicators FS1 and FS14

¹⁶ GRI 3.1, FS14 indicators

- a three-week on-the-job-training for the employees of Triglav subsidiaries.

5.2.2 Life insurance

Clients were more prudent when deciding for long-term life insurance policies, due to the uncertain conditions in the financial markets and the real sector. The life insurance range was therefore tailored to the changed market situation and strengthened primarily in the segment which offering protection against unexpected life circumstances (see *Section 5.1.2 for more details*).

Within the term life insurance segment, coverage was expanded and additional benefits introduced. A new type of supplemental insurance for severe illnesses and injuries was developed, which can be added to a basic life insurance plan. Business term life insurance and two new supplemental voluntary pension insurance plans are also presented in *Section 5.1.2*.

Uniform mortality tables were introduced for both genders, and almost all life insurance products were redesigned, including reformulation of the entire underwriting documentation and brochures. The sales brochure (as part of underwriting documentation) is now clearer and offers a simple overview of the main characteristics of any insurance product¹⁷.

Direct marketing

In two direct marketing campaigns selected clients were sent offers for:

- Triglav DNA, a supplemental insurance policy which covers genetic analysis in the case of a serious illness and Second Medical Opinion;
- additional payments to the personal accounts held by the policy holders of supplemental voluntary pension insurance.

Sales network activities

The sales staff was trained to provide quality advice to clients, and heads of sales were trained for the efficient management of sales teams. The reporting year saw direct sales campaigns accompanied by promotional events and benefits for clients, and contests to reward the best performing sales officers.

The Triglav Group

In life insurance marketing, the Triglav Group continued with the transfer of operational standards and good practices to its subsidiaries. This involved sales staff training and the development of sales channels in the subsidiaries selling and marketing life insurance.

5.2.3 Brand management and advertising

Brand redesign efforts and implementation of the Triglav brand identity within the Triglav Group were continued. In order to provide long-term brand sustainability, an integrated brand management system was set up as a constituent part of strategic brand management.

Strong emphasis was placed on a coordinated and uniform regional approach and the strengthening of the Triglav brand

in all markets in which the Group operates. Triglav's presence is made harmonious through effective communication in all the markets of the Triglav Group and central investment in the brand. This takes account of language, cultural and communication specificities as well as differences in buying habits on local markets. Based on strategic considerations, the Triglav brand is adjusted to local environments, which increases its global strength. The protection of the Triglav Group's brand is an important part of brand management activities.

Product advertising was aimed at sales support in all insurance classes, while corporate advertising focused on promoting the reputation and consolidating the Triglav brand. Various marketing-research aspects were analysed by means of market studies, in order to facilitate taking action and making business decisions.

Triglav is an appreciated brand in the insurance and financial industry and among the general public, with as much as 55% spontaneous recall. Communication with employees and other stakeholders remains an important part of the brand redesign efforts.

Numerous events were organised for the internal and external public in order to increase the Company's visibility and implement its corporate social responsibility policy, maintain partner relations and attract new business partners.

In marketing communication¹⁸, Zavarovalnica Triglav operates in line with the Slovene Advertising Code. In 2012, no proceedings for infringement of the Code¹⁹ were initiated against Zavarovalnica Triglav. Furthermore, no financial penalties were imposed on the Company for failing to ensure safe use of insurance products and services²⁰.

5.3 Investments in property and equipment in 2012

In 2012, the Triglav Group invested EUR 10.7 million in property, plant and equipment, EUR 2.5 million in investment property and EUR 9.1 million in intangible fixed assets (software and property rights). Investments in intangible fixed assets include investments in software and property rights.

5.4 Organisation of the Triglav Group in 2012

In line with the Triglav Group's strategy, activities continued within the scope of business process redesign project in order to streamline operations, improve cost efficiency, performance, standardisation and the effectiveness of business process implementation. In 2012, the Triglav Group particularly:

- adapted the organisational structure to the Group's strategy and to changed processes and technologies;
- set up a uniform organisation and job classification;
- implemented the reorganisation of operations with a focus on the centralisation of support functions.



Life insurance

Training for efficient management and quality advice

Integrated brand management system

¹⁷ GRI 3.1, PR3 indicator

¹⁸ GRI 3.1, indicators DMA PR and PR6

¹⁹ GRI 3.1, PR7 indicator

²⁰ GRI 3.1, PR9 indicator

The comprehensive changes are being introduced gradually and systematically.

The organisational structure and job classifications are coordinated with the process and IT changes. All identified processes were modelled, and the Back Office Division was set up based on criteria for distinction between »front of-fice« and »back office« functions.

Organisational restructuring and the classifications of new jobs were carried out in individual subsidiaries (Triglav Osig-uruvanje, Skopje, Lovćen Osiguranje, Podgorica, Triglav Osig-uranje, Belgrade and Lovćen životna osiguranja, Podgorica).

The setting up of the business process management sys-tem and change management system continued within the scope of the business process redesign programme, including a redesign of the internal document management system:

- the responsibilities for process management were defined in greater detail;
- the system of competences and powers continued to be implemented;
- the process document Business Process Management System in Zavarovalnica Triglav was prepared, which sets out the roles of owners, administrators and opera-tors of the business process management system and defines the sub-process steps in the business process management (BPM) and business process reengineer-ing (BPR);
- a process modelling methodology was set up, and a business process model was introduced;
- a transparent system of process and internal document ownership and administration was implemented, and owners and administrators were assigned to individual identified processes;
- a new application was developed and a register of busi-ness processes was compiled;
- a process measurement methodology was enforced, serving as the basis for determining process indicators used to measure the performance, efficacy and im-provement of a process;
- a new system of process documentation was set up; and
- the implementation of internal document manage-ment system continued (the management of the system was complemented and upgraded, an updated management application was launched, and a trans-parent ownership and administration system was established).

A change management system using the ADKAR method-ology and tools was established within the scope of the business process redesign programme, defining the roles and responsibilities for the efficient dissemination of in-formation and for informing the employees about changes introduced.

5.5 Development of IT support

The upgrade of important IT segments also took place. The department enabled the efficient execution of busi-ness processes and provided support not only for new and

redesigned processes but also to insurance products and services. Some are described below.

▪ Non-life insurance IT system:

- The extent of automated information exchange with external The extent of automated information exchange with external stakeholders was broadened (primarily with courts, banks, authorities and some business partners).
- Software support was provided for new insurance products, modified business processes for underwrit-ing, claims and subrogation, further adaptations were made due to changes to the organisational structure, and the follow-up of high-risk clients was supported.
- The eExecution module was successfully integrated into the new IT system.
- Applications were finalised for underwriting and sub-ledger records for corporate clients, in the frame-work of the new IT support system for non-life insur-ance.
- The redesigning of the remote underwriting ap-plication for internal and external sales channels continued along with the redesigning of the modules that support the reinsurance process, controls and processing.
- Centralised monitoring of payment card transactions was implemented.
- The project of electronic signatures of documents in the agent network and internal points of sale was finalised.
- A new application for entering and monitoring pay-ments with BON-i was developed. Software support for updated rules on agent fee calculation was devel-oped. Adjustments were made to all IT system seg-ments in accordance with the SEPA directive.

▪ Personal insurance IT system:

- The IT support for all life insurance products was upgraded to account for the repriced tariffs for unit-linked, investment, annuity, endowment and ABC life insurance products. IT support was developed for two new pension plans and the existing IT sup-port was comprehensively upgraded for term life insurance and tariffs for supplemental insurance for severe illnesses and injuries.
- The department provided IT support for updating the process of revived lapsed life insurance policies and the sale of new insurance policies based on unit-linked life insurance maturities.
- IT support was established for reinsurance of life policies with München RE.
- In line with the SEPA directive, the IT support for premium payments for personal insurance products was adapted to SEPA direct debits.
- On the iTriglav portal, online underwriting of life insurance i.products was enabled (i.RŽZ, i.PDPZ and i.FLEKS), and the option for viewing life insurance claims was added.
- Application support for smartphones and tablets, featuring premium calculation, was developed for the new »Mobile Life« service.

- The entire agent fee calculation model was upgraded for all life and pension insurance products.
- Moreover, IT support was provided to several direct marketing campaigns.

■ **IT support systems:**

- Within the project of data warehouse development, logical and physical data warehouse models were built, whilst data on policies and claims in the non-life and personal insurance segments were mapped to data structures.
- The department developed two web applications for taking out travel arrangement insurance and medical travel insurance with assistance. The purchase of new and the renewal of existing motor vehicle insurance policies, the purchase of accident insurance for children and young adults and preliminary premium calculation were enabled on the web. All the web services were developed for the display of non-life policies and claims at the i.triglav online portal.
- The IT support for the Client Contact Unit was upgraded, and a software application was developed for data import from the FORM.Net external system into the new non-life support system.
- Network connection lines were introduced with the Triglav Group subsidiaries, and user access to the FinanceKit application for asset management was set up.
- A new application for implementing the management-by-objectives system in Zavarovalnica Triglav and the classification of job performance was introduced.
- A new application was developed for compiling the business process register.
- The department provided IT support for the investment process and for processing applications for sponsorships and donations.
- The Sales Planning, and Prevention and Detection of Fraud projects were put into action.

■ **IT system support:**

- System backup infrastructure was upgraded, which increased the level of availability.
- The infrastructure was upgraded to provide more efficient system support to data warehouse building and the virtual server environment on the Intel platform for operation in case of failure at the primary location.
- Further control mechanisms were implemented for the monitoring of the functioning of the entire IT system, and primarily its availability.

■ **IT user support:**

- The strategy of standardised IT solutions in the insurance segment was pursued by introducing the BMC Remedy Help Desk, a user support solution, in Triglav Osiguranje, Belgrade, Triglav Osiguranje, Zagreb and Triglav Osiguruvanje, Skopje.

■ **IT support for the Triglav Group:**

- IT support for non-life insurance was introduced in Triglav Osiguranje, Banja Luka and Triglav Osiguruvanje, Skopje. Pre-project activities in Triglav Pojišt'ovna, Brno, started in mid-2012.

- In the scope of the »AdInsure Group« programme, additional functionalities were developed for the needs of the Triglav Group (collection of overdue premium, new products), whilst towards the end of 2012 work started on the development of a reinsurance module. In the framework of the »AdInsure Group« programme, training courses were organised for a group of international experts on insurance products and IT specialists who work on standardising and developing insurance products in the Triglav Group.

Information security management system and IT compliance

The transfer of Zavarovalnica Triglav's internal documents to the remaining insurance subsidiaries in the Triglav Group continued, with the aim of uniform management of the information security system. The project for setting up a business continuity system in Zavarovalnica Triglav and Triglav Osiguranje, Zagreb was finalised.

The public website of Zavarovalnica Triglav was examined in terms of safety and security. In Triglav Group subsidiaries, an assessment of internal IT audits began, which is planned to continue in 2013.

Plans for 2013

- application support upgrade for non-life insurance;
- the implementation of a target application solution in the subsidiaries Triglav Pojišt'ovna, Brno, and Triglav Zdravstvena zavarovalnica;
- continuation of the Data Warehouse project;
- IT support for personal insurance related to the expansion of i.triglav portal with additional functionalities for active online life insurance portfolio management and mobile device access;
- preparation of integrated IT support for underwriting and for various sales channels in the personal insurance segment in the scope of i.Zastopnik (i.Agent) project;
- transfer of knowledge and technology to the Triglav Group subsidiaries together with the introduction of standard solutions for information protection and business continuity;
- transfer of internal documents on information protection management to the rest of the Triglav Group subsidiaries.

6. Performance of the Triglav Group

- The impacts of the economic and financial crisis were strongly reflected in Slovenia and other markets of the Triglav Group and influenced its performance.
- Zavarovalnica Triglav, Triglav Osiguruvanje, Skopje and Lovćen Osiguranje maintained the leading positions in their respective markets.
- The Triglav Group responded to the changed realities and conducted its business in line with the strategic guidelines - profitable and secure operations.

6.1 General economic environment in Slovenia

While the tackling of the debt crisis was slow and uncertain, the conditions in the euro zone worsened. In spite of the adopted programmes and mechanisms for the stabilisation of the financial system, the economy at the end of 2012 was in recession. In Slovenia, corporate financing conditions, conditions in the labour market and in the construction sector remained tight, while domestic demand was extremely weak. According to the autumn forecast of the Institute of Macroeconomic Analysis and Development (hereinafter IMAD), the growth of GDP in real terms decreased by 2.0% in 2012. Inflation rate rose by 1% to a still moderate rate of 2.8%. Slovene GDP, measured in current prices, somewhat decreased and reached EUR 35.7 billion.

Real wage bill and social transfers as well as general trust have declined; all categories of domestic consumption decreased significantly as early as mid 2012. The government considerably decreased its expenditure by measures for fiscal consolidation. Domestic consumption decreased for as much as 3% and the government consumption decreased by further 0.4 percentage point. Gross fixed capital formation dropped by 9%, even more than in 2011. Of particular concern is the decline in the investment in equipment and machinery, which followed the decrease of construction investment in 2012.

Conditions in international trade became tougher through the year. The export of goods and services practically stagnated by the end of 2012. The portion of export outside of the EU was slowly increasing, however, the slow improvement in competitiveness indicators was primarily the consequence of the depreciation of euro. The import of goods and services declined considerably due to the lower domestic consumption and decreased import of intermediate products, thus the contribution of foreign trade balance of 2.3% was relatively high.

In 2012, the population of working age gradually decreased again, the largest fall in employment was recorded in the construction sector with a major decline in commercial activities as well. In spite of this, the registered unemployment rate grew only by 0.1 percentage point to 11.9%, while the surveyed unemployment rate increased from 8.2% to 8.3%.

European inter-bank interest rates remained at record low levels, but no major revival of lending activity occurred in Slovenia. Companies and households continued to reduce their debt, while signs of borrowing for overcoming liquidity problems were seen only in households. Financing conditions for companies with domestic banks further worsened. In September, the interest rate for borrowing was

as much as 2.6 percentage points higher than with foreign banks. The quality of balance sheet assets of Slovene banks decreased through the year. According to the IMAD estimate, at the end of September there was EUR 6.7 billion of bad debt, representing 13.6% of the entire exposure of the Slovene banking sector.

The state of the Slovene public finances remained problematic in 2012, however, the first adopted measures for consolidation of public finances and structural reforms brought more optimism. Along with the increase in trust in the settlement of the debt crisis, the required rate of return on long-term Slovene bonds decreased to a more tolerable level by the end of 2012. According to the latest forecast by the Ministry of Finance, the budget deficit and public debt were 4.2% and 53.8% of GDP respectively. In accordance with the Stability and Growth Pact, Slovenia needs to reduce the deficit to below 3% of GDP no later than by the end of 2013. In order to accomplish that, it must further reduce expenditure, consistently implement the adopted reforms and maintain its political stability.

In the future years, an uncertain revival of the Slovene economy can be expected. According to the autumn forecast by IMAD, GDP growth will be negative for the second consecutive year at -1.4%. Domestic and government consumption will decrease further, while the capital consumption will show signs of modest growth for the first time in four years. According to forecasts, net export will grow as well, further alleviating the recession. The economy will experience a moderate, 2.2% inflation rate, while the survey and registered unemployment rate will increase to 9.1% and 13.1% respectively. According to the autumn forecast of the European Commission, budget deficit will further decrease, and the gross government debt will increase and reach 59.0% by the end of the year. The forecasts are accompanied by many uncertainties, distributed unevenly in the direction of lower economic growth than anticipated. The majority of risks originate from the uncertainty regarding the development of the debt crisis in the peripheral states of the euro area, the political instability in the country and the government's efficacy in the implementation of the adopted and planned structural reforms.

6.2 Impact of the environment on the performance of the Triglav Group

The performance of the Triglav Group in 2012 was again affected by economic and financial crisis. The Group is closely intertwined with financial markets and cannot avoid their influence entirely, which can also be deduced from the fact that equity investments represent a major part of its assets. Despite the relatively conservative investment policy of the Triglav Group, the value of certain investments

decreased which resulted in decreased net profit. Owing to significant or long-term decreases in the value of investments, permanent impairment of financial assets was carried out in the amount of EUR 43.7 million. Profit was also adversely affected by loss arising from Greek securities holdings, owing to the effect of unilateral write-off of the Greek government debt.

The downgrade of the Republic of Slovenia (see *Section 4.8 Credit rating of the Triglav Group*) caused a cut in the long-term rating and financial strength rating of the Triglav Group from »A« to »A-«, applying to Zavarovalnica Triglav and Pozavarovalnica Triglav Re.

The crisis also affected the insurance business of the Company (see *Section 2.3 Objectives achieved by the Triglav Group in 2012*). The depth of the crisis in the public and private sector caused the already mentioned reasons for the decrease in demand by households and companies for certain insurance products. Increased competitiveness in the motor vehicle insurance market and changed buying habits of the policy holders led to adjustments of the terms and conditions and increased sales promotion, which was reflected in the reduced volume of written premium from motor vehicle insurance. An additional loss of planned premium income resulted from the insurance portfolio selection and the intense measures taken to mitigate poorer insurance technical results in non-life insurance, manifested in a good claims ratio of the Triglav Group and Zavarovalnica Triglav.

The year and the profit were also affected by individual mass loss events - consequences of bora wind storms, frost, hail, storms and floods. The largest loss event was the floods that affected most of Slovenia in November, causing approximately EUR 10.0 million in claims. In February, bora wind storms in western Slovenia caused EUR 4.5 million in claims. Claims settled in crop and fruit insurance amounted to approximately EUR 3.9 million due to the spring frost in early April, which significantly decreased crop output, especially in fruit growing and to a lesser extent also in viticulture. Summer hails caused crop claims of approximately EUR 1.8 million. Bora wind storms and hail in central and western Slovenia caused claims of approximately EUR 1.8 million in June and in July some EUR 3.0 million in central and north-western Slovenia. Mass loss events due to storms affected the Istria and Rijeka area in Croatia, while extreme weather conditions in February hit Montenegro and Bosnia and Herzegovina.

Numerous negative factors which had a significant impact on operating conditions in 2012 indicate the efficacy of measures adopted by the Triglav Group to successfully meet the set profit targets.

6.3 The insurance markets and market positions of Group members in 2012

The trends, characteristic of previous years, continued. Europe's dominant position in the global insurance market somewhat declined again. According to the official data by Swiss RE (from May 2012), Europe underwrote 36% of the total insurance premium in 2011, which is 1.4 percentage

points less than the year before. The premium underwritten by North and South America also somewhat decreased (by 0.3 percentage point), while Asia's position strengthened once again. Its share grew by 1.3 percentage points up to 28%. Africa and Oceania jointly accounted for just below 4% of total global insurance premium, thus increasing their share as well.

In 2011, the Slovene insurance market accounted for 0.07% of the global insurance market (0.06% in 2010), ranking 50th in the world. Although it is 112 times smaller than the British market, which is the biggest European insurance market, it is nonetheless well developed. This is also indicated by the fact that in terms of absolute size, the Slovene insurance market is larger than the markets of Slovakia, Romania, Malta, Croatia, Cyprus, Bulgaria and some other European insurance markets. Its development is more adequately shown by relative indicators. On an international scale, Slovenia is ranked 28th in premium per capita (one place higher than the year before) and 23rd in insurance penetration, i.e. premium as a percentage of GDP (two places higher than in 2010).

Premium per capita and market penetration in Slovenia and certain European countries in 2011

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(as a % of GDP)	World rank
Slovenia*	1,392	28	5.8%	23
Austria	2,740	21	5.5%	25
Croatia	389	47	2.7%	51
Czech Republic	832	34	3.9%	38
Great Britain	4,535	7	11.8%	4
Switzerland	8,012	1	10.0%	8
Greece	608	36	2.3%	55
Serbia	107	66	1.7%	65
EU - geographic area	2,997	-	7.6%	-
EU - 27	2,757	-	7.9%	-

Source: Swiss RE, SIGMA 3/2012,
*data on premium for Slovenia by Slovenian Insurance Association

There were 16 insurance companies and 3 foreign branch offices active in the Slovene insurance market in 2012. Together they recorded a gross written premium amounting to EUR 2.036 billion, which was slightly less than in 2010 (index of 99.2). There were 18 traditional reinsurance companies, of which 10 composite and 8 specialised insurance companies (life, health and non-life insurance).

In October of 2011, Modra zavarovalnica was included among the traditional insurance companies. It was founded in the process of division by exclusion from Kapitalska družba (upon incorporation it took over the management of Closed Mutual Pension Fund for Civil Servants, Capital Mutual Pension Fund, First Pension Fund of the Republic of Slovenia and Guarantee Fund of the First Pension Fund). Since the SODPZ fund was not transferred to Modra zavarovalnica, but remained under KAD control, the comparison of total premium and life insurance to 2011 is not realistic, as in 2011 the entire KAD premium was taken into account.

Traditional insurance companies booked a total of EUR 2.034 billion in premium, of which 72% stemmed from non-life insurance and the remainder from life insurance. Non-

Intertwining with
financial markets

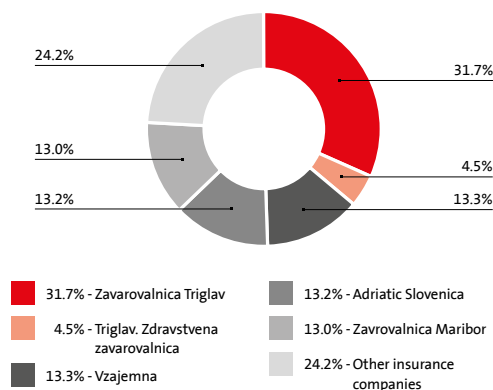


Market development in
global perspective



Individual mass loss
events

The 2012 market share of traditional insurance companies
in Slovenia



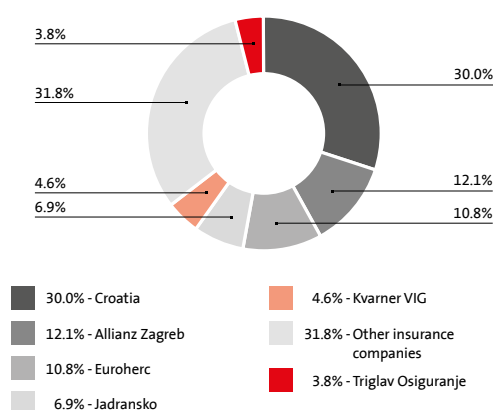
Source: Slovenian Insurance Association

life insurance premium remained at the same level as in the year before (index of 100.2), while life insurance premium decreased (index of 96.7). The data do not include insurance transactions concluded in Slovenia directly by foreign-owned subsidiaries (FOS). Their share is growing but, according to our data, is still negligible. Zavarovalnica Triglav directly operates in all 27 EU member states.

The four largest insurers controlled over 71.3% of the traditional insurance market (vs. 71.8% in 2011). By holding 31.7% of the market, Zavarovalnica Triglav remained the market leader (excluding Modra zavarovalnica, the market share of Zavarovalnica Triglav was 33.3%). The second largest market share was held by Vzajemna zdravstvena zavarovalnica, a company 2.4 times smaller. At the year-end, Zavarovalnica Triglav and Triglav Zdravstvena zavarovalnica had a combined market share of 36.2%, which was 1.6 percentage points less than in 2011 (excluding Modra zavarovalnica, their combined market share would be 38.0%). Predominantly foreign-owned insurance companies (Generali, Merkur, Grawe, Wiener Städtische, Allianz, Victoria-Volksbanken (Ergo branch office), Ergo življenjska zavarovalnica, Arag) recorded a total of EUR 206.8 million in premium and increased their market share from 9.9% in 2011 to 10.2%.

Zavarovalnica Triglav held 33.3% of the life insurance market (excluding Modra zavarovalnica, the market share of Zavarovalnica Triglav was 39.8%) and 31.1% of the non-life insurance market. In the conditions of high market concentration, the competition is directed at the existing clients. Maintaining the leading position and increasing comparative advantages are therefore both demanding and stimulating for Triglav's development strategy.

Shares in the Croatian insurance market



6.4 Triglav Group's operations in other markets

6.4.1 South-East Europe

The Triglav Group, operating in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, the Czech Republic, Serbia and Macedonia, has continued the process of integration and internal consolidation.

Among others, the following goals were pursued in the markets outside Slovenia:

- servicing of Slovene corporate clients' insurance needs in foreign markets;
- using the presence in rapid-growth markets to boost the insurance operations of the Triglav Group;
- observing the local legislation and reinsuring risks that exceed equalisation schemes of subsidiaries abroad by Pozavarovalnica Triglav Re, a member of the Triglav Group;
- using comparative advantages in foreign markets;
- ensuring long-term yields on invested assets;
- achieving higher productivity based on economies of scale and synergies.

6.4.2 Croatia

2012 main macroeconomic indicators

Population	4.4 million
2012 GDP growth (estimate)	-1.1%
2012 GDP (estimate)	USD 57.5 billion
2012 GDP per capita (estimate)	USD 13,061
2012 inflation rate (retail prices) (estimate)	3.0%

Source: IMF, World Economic Outlook, October 2012

Decreased domestic and foreign demand reflected in lower GDP, which was, according to different estimates, smaller by one to two percent. Industrial production dropped by approximately 5% or by a total of 17% in the last four years. The continuation of negative trends was also witnessed in retail trade and construction. Tourism, the most successful industry in the Croatian economy, managed to achieve a 4% increase in the number of overnight stays despite the crisis and several weaker months.

The inflation rate was 3%. Reduced economic activity in the last few years and particularly in 2012 strongly affected the labour market, indicating that the crisis will continue in the real economy as well. At 19%, the unemployment rate reached its record high, rising almost 1 percentage point year-to-year.

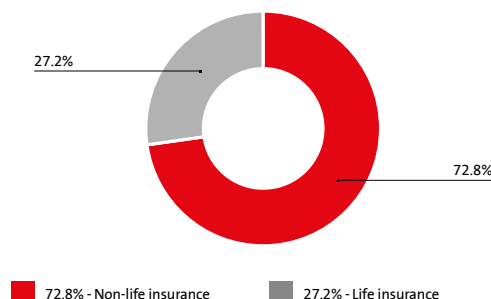
Croatia recorded one of the highest rises in the public debt-to-GDP ratio among European countries. Since the beginning of the global economic crisis the public debt grew from 29% in 2008 to 52% in 2012.

Insurance market

10 composite, 10 non-life and 7 life insurance companies recorded a total of HRK 9.04 billion in premium or 1.2% less than in 2011 (and 1% less in the year before). In the structure of written premium, non-life insurance accounted for 73% and life insurance for the rest. Non-life insurance premium decreased by 2%, while life insurance premium rose by 1.2%.

The five biggest insurance companies control almost two thirds of the insurance market. The largest insurance company, Croatia osiguranje, has a 30.0% market share and a leading position in non-life insurance. Allianz is leading in the life insurance segment with a 16.7% market share. Triglav Osiguranje was ranked 8th with a 3.8% market share, or 0.5 percentage point less than in 2011. Along with 27 insurance companies (one more than in 2011), there was also one reinsurance company present in the market.

Premium structure in the Croatian insurance market



6.4.3 Bosnia and Herzegovina

2012 main macroeconomic indicators

Population	3.9 million
2012 GDP growth (estimate)	0.0%
2012 GDP (estimate)	USD 16.6 billion
2012 GDP per capita (estimate)	USD 4,262
2012 inflation rate (retail prices) (estimate)	2.2%

Source: IMF, World Economic Outlook, October 2012

The economy of Bosnia and Herzegovina was affected by the global economic crisis and the continuation of a difficult political situation. Political tensions prevent the implementation of reform processes and hinder the economic progress. The unemployment rate and country's external debt have increased significantly since the beginning of the economic crisis. External Debt as a percentage of GDP is still relatively low and acceptable compared to most European countries, particularly to the EU member states.

The unemployment rate in the Federation of Bosnia and Herzegovina and the Republic of Srpska remains exceptionally high and ranges from 39% to 46% of the population of working age. The household purchasing power is low, as the average wage is approximately EUR 400. In recent years, the GDP per capita in the Republic of Srpska is about 10% higher than in the Federation of Bosnia and Herzegovina. The government has managed to restrain the inflation in recent years.

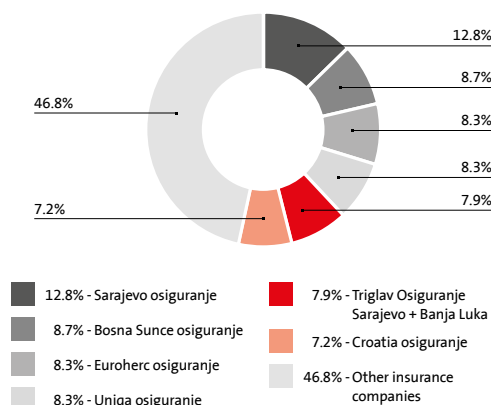
Insurance market

At the 2012 year-end, 24 insurance companies operated in the insurance market, of which 13 were domiciled in the Federation of Bosnia and Herzegovina and 11 in the Republic of Srpska. In June, the Agency for Insurance Control of the Federation of Bosnia and Herzegovina revoked the insurance licence held by Lido. Most insurance companies still do not conduct their business in line with the norms of insurance and general business ethics, whilst competition is not adequately controlled.

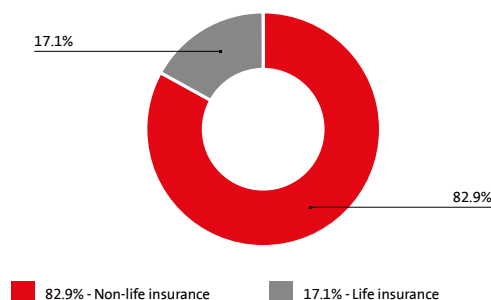
Written premium totalled BAM 505.1 million, of which BAM 352.0 million originated in the Federation of Bosnia and Herzegovina and BAM 166.8 million in the Republic Srpska. Written premium in Bosnia and Herzegovina increased by 3.5% in comparison to the preceding year. The main reason is the 8.7% increase of written premium in the Republic of Srpska, particularly the growth of life insurance premium. In the structure of total written premium, the largest segment was non-life insurance with a 82.9% market share, although the share of life insurance products has increased in recent years.

The insurers domiciled in the Republic of Srpska or in the Federation of Bosnia and Herzegovina continue to expand their operations to the entire territory of Bosnia and Herzegovina. The premium written by insurance companies domiciled

Shares in the entire insurance market
of Bosnia and Herzegovina



Premium structure in the entire
Bosnia and Herzegovina insurance market



in the Federation of Bosnia and Herzegovina increased by 16% in the territory of the Republic of Srpska, while the insurance companies domiciled in Republic of Srpska collected 21% more premium in the territory of the Federation of Bosnia and Herzegovina.

The market leader in the Federation of Bosnia and Herzegovina was Agram (Bosna Sunce Osiguranje and Euroherc) with a market share of 22.8%, followed by Sarajevo Osiguranje (17.0%), Uniqua (10.4%) and Croatia (10.0%). With an increase in market share from 8.9% in 2011 to 9.3% in 2012, Triglav Osiguranje, Sarajevo maintained its 6th rank in the market.

Jahorina osiguranje remains the market leader in the territory of Republic of Srpska (18.4% market share). It is followed by Dunav osiguranje (10.9% market share), Bobar osiguranje and Drina osiguranje (each 8.9% market share). Triglav Osiguranje, Banja Luka, was ranked ninth, two places lower than at the 2011 year-end (4.5% market share, which is 2.1% less than the year before). The decrease in written premium and consequent drop in market share resulted from the strategic decision to change the insurance portfolio structure, and reduce the share of motor liability insurance in the total premium.

In the insurance market of Bosnia and Herzegovina as a whole, the two insurance companies in the Triglav Group, Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Banja Luka taken together ranked fifth, holding 7.9% of the market.

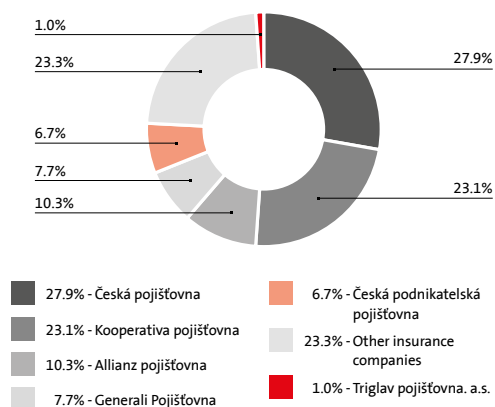
6.4.4 Czech Republic

2012 main macroeconomic indicators

Population	10.6 million
2012 GDP growth (estimate)	-1.0%
2012 GDP (estimate)	USD 193.5 billion
2012 GDP per capita (estimate)	USD 18,337
2012 inflation rate (retail prices) (estimate)	3.4%

Source: IMF, World Economic Outlook, October 2012

Shares in the Czech non-life insurance market



The Czech economy also started to decline due to the economic crisis, although the relatively sound financial sector did not much feel the effects of the recession. The production sector, in which the car industry is the most important segment, generates 40% of the GDP. The increase of the GDP came to a halt after two consecutive years of growth. In 2012, the GDP in the Czech Republic decreased by a little more than 1%, however growth is forecasted again for 2013. The inflation rate was 3% (3.4% according to the IMF forecasts). Capital consumption decreased by a little over 1%, the value of exports was reduced by approximately 3%, while labour costs grew by some 4%. The accession to the euro zone, planned for 2016, remains among top priority goals.

Most of the economic activity is concentrated in the Prague area (Central Bohemia) and the highly industrial Ostrava area. Prague with its surroundings generates one quarter of total GDP. At the end of 2012, the unemployment rate in the area was 4.4%, while the general unemployment rate in the country was 8.7%.

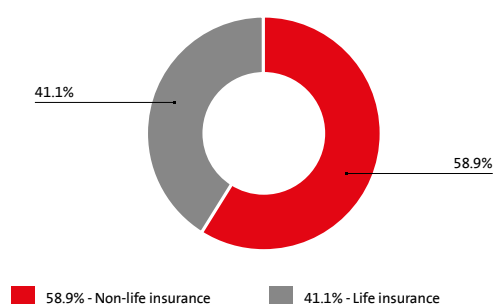
Insurance market

Insurance was provided by 31 insurers in the well developed and very competitive insurance market. Together they collected CZK 115.5 billion in written premium, representing a 0.1% fall compared to the previous year. The top three insurers (Česka Pojišťovna, Kooperativa Pojišťovna and Allianz Pojišťovna) controlled more than 53% of the Czech insurance market.

The life insurance premium increased (index 101.9), while the non-life segment was weaker than in 2011 (index 98.6). The share of non-life insurance products in total premium decreased and amounted to 58.9%, compared to 59.7% in 2011.

Triglav Pojišťovna ranked one place lower than in the year before. It gained a 1.0% market share in non-life insurance, which is the same as in 2011, ranking eleventh.

Premium structure in the Czech insurance market



6.4.5 Montenegro

2012 main macroeconomic indicators

Population	0.62 million
2012 GDP growth (estimate)	0.2%
2012 GDP (estimate)	USD 4.3 billion
2012 GDP per capita (estimate)	USD 6,966
2012 inflation rate (retail prices) (estimate)	3.4%

Source: IMF, World Economic Outlook, October 2012

The relative stability of the economy is threatened by several factors, including the high illiquidity of the real economy, the rapid growth of public debt, the high share of low-quality assets in the banking sector and the fear of the negative spill-over effects from global markets.

The inflation rate totalled 5.1% (3.4% according to IMF data). Compared to the previous year, government consumption increased. Public debt increased by more than 15% to 51.4% of the GDP; although still below the Maastricht convergence criteria, its intense growth is causing great concern. The unemployment rate went down by 3.0 percentage points and equalled 12.2%.

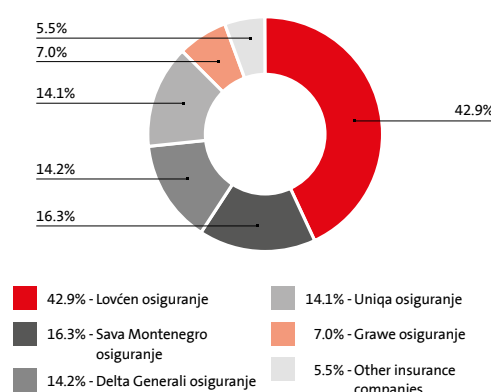
In December 2012, Standard & Poor's confirmed the credit rating of Montenegro, which was a »BB-« with a stable outlook.

Insurance market

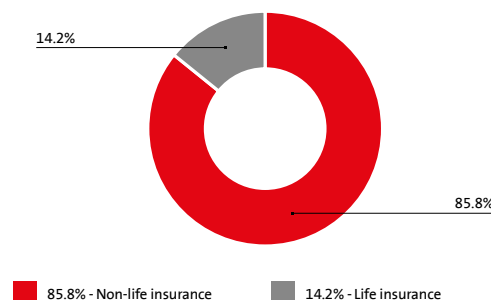
On the Montenegrin insurance market, 11 insurance companies (five selling non-life and six life insurance) collected EUR 66.8 million in written premiums, i.e. 3.1% more compared to the previous year. Non-life insurance strongly prevailed, with its share totalling 85.8%. Non-life insurance premiums increased by 2.9% and life insurance premiums by 4.4%.

Lovćen Osiguranje and its subsidiary Lovćen životna osiguranja reached a 42.9% market share. Both preserved their leading roles on the insurance market, although their market share decreased by 4.4 percentage points. Lovćen Osiguranje is followed by Sava Montenegro (16.3% market share) and Delta Generali (14.2% market share).

Shares in the insurance market of Montenegro



Premium structure in the insurance market of Montenegro



6.4.6 Serbia

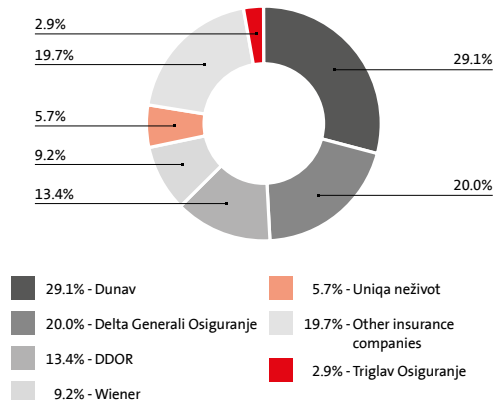
2012 main macroeconomic indicators

Population	7.6 million
2012 GDP growth (estimate)	-0.5%
2012 GDP (estimate)	USD 37.2 billion
2012 GDP per capita (estimate)	USD 4,917
2012 inflation rate (retail prices) (estimate)	5.9%

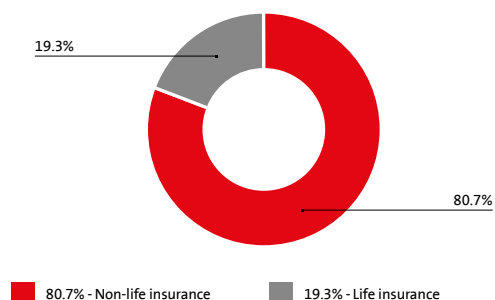
Source: IMF, World Economic Outlook, October 2012

The influence of the global economic crisis was reflected in the drop in the Serbian real GDP. Among the most affected were the construction and energy supply sectors; however, some sectors, such as financial services, insurance, information and communication services, transport and communications as well as trade, recorded growth. The foreign trade exchange of the country amounted to EUR 23.6 billion. Compared to the previous year, exports and imports both increased by almost 5% and 4%, respectively. The export/import ratio was 59.7%.

Shares in the Serbian insurance market



Premium structure in the Serbian insurance market



The stability of the Serbian currency was and will be influenced by inflationary trends, high public debt, budget and foreign trade deficit, as well as a chronic lack of liquidity in the economy.

The annual inflation rate was 12% (5.9% according to IMF data), while the unemployment rate was high at 23%. The foreign currency exchange rate saw considerable fluctuations. As at 31 December 2011, the middle exchange rate of the national currency amounted to 104.6; in the middle of 2012, it increased to almost 116; at the end of 2012, it reached 113.7 dinar per euro.

Insurance market

The majority of 24 insurance companies were predominantly foreign-owned (6 composite, 11 non-life and 7 life insurance companies), while the biggest insurance company, Dunav (29.1% market share), was state-owned. The market is highly concentrated, as the first three insurers hold almost two thirds of the insurance market.

Total premiums increased in 2012 by 7.2% compared to the 2011. Non-life insurance accounted for the leading share at 80.7%. The share of life insurance products has been on the rise in recent years, also due to the arrival of foreign insurance companies.

Compared to 2011, Triglav Osiguranje, Belgrade saw a decrease in the volume of written premiums. Its market share dropped to 2.9% (3.7% in 2011) and it ranked eighth among insurance companies in Serbia, a rank lower than in 2011.

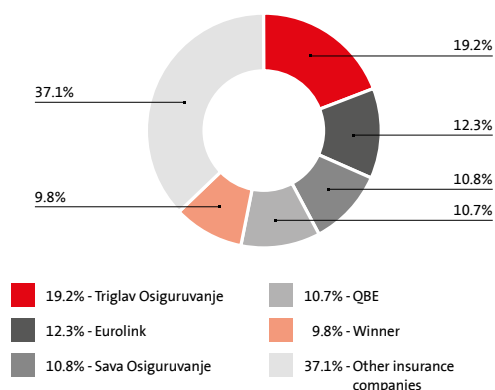
6.4.7 Former Yugoslav Republic of Macedonia

2012 main macroeconomic indicators

Population	2.1 million
2012 GDP growth (estimate)	1.0%
2012 GDP (estimate)	USD 10.2 billion
2012 GDP per capita (estimate)	USD 4,935
2012 inflation rate (retail prices) (estimate)	3.7%

Source: IMF, World Economic Outlook, October 2012

Shares in the insurance market of the
Former Yugoslav Republic of Macedonia



In the first half of 2012, the Macedonian economy saw its GDP decrease due to the situation in the EU Member States that are its key trading partners. In Q3, GDP slightly increased to reach a 1% growth at the annual level, which was a sign of a gradual recovery.

The governmental measures were aimed at strengthening the macroeconomic stability of the country, creating a favourable business environment for direct foreign investments and preserving a low level of public debt. The relatively insignificant level of integration of the Macedonian financial system into the global financial system is reducing some risks related to the global financial crisis. Macedonia preserved a stable dinar currency rate and a low inflation rate.

The macroeconomic measures taken thus far have not yet yielded the desired results; therefore, the real sector remains weak, the unemployment rate high and the living standard of the population low. In order to implement long-term strategic goals, economic restructuring will also have to be followed by a thorough institutional restructuring.

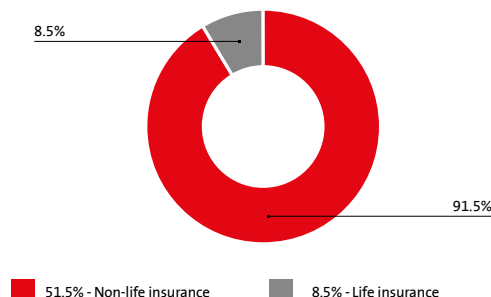
Insurance market

In Macedonia, the majority of 16 insurance companies were foreign-owned (80% of the total equity of the insurance sector). There were 11 non-life and 5 life insurance companies; one of the insurance companies offering non-life insurance products also held a reinsurance licence. The five biggest insurance companies operating in the heavily concentrated insurance market recorded almost 58% of written premiums. The market concentration was particularly high in the segments of life insurance and reinsurance.

In 2012, the premiums written of the insurance companies totalled MKD 7.0 billion or 3.0% more than in 2011. Non-life insurance accounted for as much as 91.5% of the total premium booked in the market. Non-life insurance and life insurance premiums both increased, by 1.7% and 20.4% respectively.

Triglav Osiguruvanje held an 19.2% market share in non-life insurance (19.7% in 2011). It was followed by Eurolink and Sava Osiguruvanje with 12.3% and 10.8% market shares, respectively. Despite its drop in written premiums, with a 17.6% market share, Triglav Osiguruvanje continues to hold the leading market position in the Macedonian insurance market.

Premium structure in the insurance market of
the Former Yugoslav Republic of Macedonia



6.5 Gross written premium for insurance and co-insurance contracts

In 2012, gross written premium for insurance and co-insurance contracts reached EUR 936.3 million or 5% less than in 2011. Non-life insurance total was EUR 639.9 million (index 92), life insurance reached EUR 204.9 million (index 96) and health insurance increased to EUR 91.5 million gross written premium (index 114).

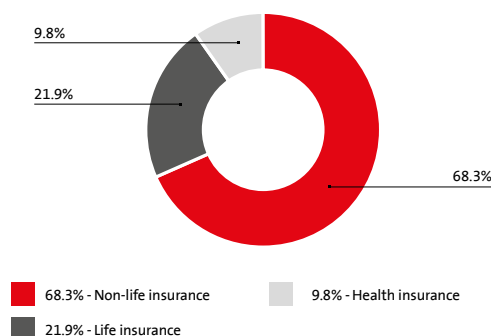
The structure of consolidated written premium was the following:

- non-life insurance accounted for 68.3%,
- life insurance for 21.9% and
- health insurance for 9.8%.

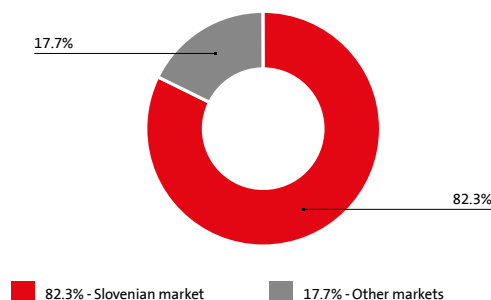
In 2012, 82.3% of the consolidated gross written premium was charged in the Slovene insurance market. The share of gross written premium charged in Slovenia increased by 0.5 percentage point compared to the same period in the previous year.

The Triglav Group members (excluding Triglav Re) booked EUR 897.8 million in non-consolidated gross insurance and co-insurance premium, or 6% less than the year before. Trends varied depending on company and market. The insurance premium of Zavarovalnica Triglav was lower by 7% compared to 2011, whilst that of Triglav Zdravstvena zavarovalnica was higher by 14%. Premium growth was recorded in Triglav Osiguranje, Sarajevo (by 6%), and in Lovćen životna osiguranja (by 11%). In Triglav Pojišt'ovna premium remained at the same level as the year before (index 100). Other members of the Group earned less premium. Lower premium was written in Triglav Osiguranje, Zagreb (13%), Lovćen Osiguranje, Podgorica (7%), Triglav Osiguranje, Belgrade (23%), Triglav Osiguranje, Banja Luka (26%) and Triglav Osiguruvanje, Skopje (1%).

Gross written premium from insurance and co-insurance contracts
of the Triglav Group by segments



Gross written premium from insurance and co-insurance contracts
of the Triglav Group by markets



Gross written premium from insurance and co-insurance contracts by Triglav Group insurance subsidiaries

Insurance company	in EUR						Structure 2012
	Gross written premium in 2012			Index			
	Non-life	Life	Total	Non-life	Life	Total	
1 Zavarovalnica Triglav	455,669,605	191,828,913	647,498,518	92	95	93	72.1%
2 Triglav, Zdravstvena zavarovalnica	91,454,582	0	91,454,582	114		114	10.2%
3 Triglav Osiguranje, Zagreb	37,082,149	9,165,610	46,247,759	85	95	87	5.2%
4 Triglav Osiguranje, Sarajevo	14,381,077	2,295,439	16,676,516	104	121	106	1.9%
5 Triglav Pojišt'ovna, Brno	27,321,366	0	27,321,366	100		100	3.0%
6 Lovćen Osiguranje, Podgorica	27,284,656	0	27,284,656	93		93	3.0%
7 Triglav Osiguranje, Belgrade	15,456,540	587,207	16,043,747	77	96	77	1.8%
8 Triglav Osiguranje, Banja Luka	3,850,126	0	3,850,126	74		74	0.4%
9 Triglav Osiguruvanje, Skopje	20,002,349	0	20,002,349	99		99	2.2%
10 Lovćen životna osiguranja, Podgorica	0	1,411,886	1,411,886		111	111	0.2%
TOTAL	692,502,450	205,289,055	897,791,505	94	96	94	100.0%
11 Pozavarovalnica Triglav Re	116,323,384	0	116,323,384	95		95	
Consolidation eliminations	-77,439,331	-412,535	-77,851,866	94	130	94	
TOTAL - CONSOLIDATED	731,386,503	204,876,520	936,263,023	94	96	95	

6.5.1 Non-life insurance

In non-life insurance, the Triglav Group insurance companies charged EUR 692.5 million of non-consolidated insurance and co-insurance premium or 6% less in nominal terms than one year earlier.

In total written premium, the bulk was accounted for by **motor vehicle insurance** (34.4%). Insurance companies of the Group collected EUR 128.5 million in **comprehensive car insurance** premium, an 11% drop compared to 2011. Growth was recorded by Triglav Osiguranje, Banja Luka (index 103) and Triglav Osiguranje, Sarajevo (index 102). Other insurance companies of the Group recorded a decrease in premium written, the largest Triglav Osiguranje, Belgrade and Triglav Osiguranje, Zagreb. The Group collected EUR 180.6 million in motor liability insurance premium, which was 12% less than at the 2011 year-end. Premium written increased in Triglav Osiguranje, Sarajevo (index 102), while other insurance companies recorded a drop in premium.

petitive insurers offer clients large discounts and different material incentives, such as roadworthiness test or registration vouchers, gas coupons and partial premium reimbursement. The decrease in premium written from compulsory insurance recorded in Triglav Osiguranje, Banja Luka resulted from a strategic decision to change the insurance portfolio structure, causing motor liability insurance to account for a lesser share of total premium. In addition to the above mentioned causes, the drop in premium in Triglav Osiguranje, Zagreb was caused by the portfolio clean-up performed to restructure the technical result in comprehensive car insurance and by premium payment defaults in comprehensive motor vehicle insurance. In Lovćen Osiguranje lower premium was a result of extreme weather conditions and restrictions on the sale of insurance at border crossings.

A high growth of 14% was recorded in **health insurance**, where the Triglav Group wrote EUR 92.1 million in premium. The considerable growth of written premium stems from the operations of Triglav Zdravstvena zavarovalnica, i.e. its successful marketing of supplemental health insurance, a rise in the number of policy holders and the increased price of this insurance product. Triglav Zdravstvena zavarovalnica booked a total of EUR 91.5 million in gross insurance premium or 14% more than in same period of 2011.

In the **real property insurance class** (fire and natural disaster insurance and other damage to property insurance) a premium of EUR 158.2 million was booked, representing a 5% decrease compared to the previous year. In fire and natural disaster insurance, the same growth of 5% was achieved, whilst other damage to property insurance recorded a 12% premium decrease. The highest drop premium was posted by Zavarovalnica Triglav and Triglav Osiguranje, Zagreb, whose combined share in total premium from real property insurance represents 88%. The premium decrease of 7% in Zavarovalnica Triglav is predominantly a result of a drop in combined non-life insurance products, which last year included »one-off« policies with a high premium price, and of the further portfolio purification with regard to machinery breakdown insurance and car warranty insurance. The decrease in premium in Triglav Osiguranje, Zagreb (index 87) is

Premium growth
in health insurance

The decrease in premium from motor vehicle insurance was caused by several factors, some of which have already been mentioned. They include primarily price competition among insurance companies, greater prudence of policy holders as well as measures for retaining good and loyal clients by means of a new client loyalty programme. The effects of the economic crisis are considerable (reduced purchasing power, lower economic growth, lower sales of cars and comprehensive motor vehicle insurance from leasing contracts, stricter borrowing terms and conditions, higher unemployment). Premium from large policy holders which are won through public tenders continues to fall (stricter tender requirements, competition, participation of insurance brokers and agencies and their commissions). The insurance markets in Serbia, Bosnia and Herzegovina, Montenegro and Macedonia are characterised by the insufficient role of the supervisory bodies and lack of respect for established rules of conduct (premium system, bonus-malus system, insurance codes). Characteristic for these markets are competitive insurers that pay high commissions to agents, brokers, agencies and roadworthiness test providers, as well as unfair competition among insurers on most markets, where com-

due to the discontinuation of business with two major clients and the bankruptcies of numerous companies. On the other hand, growth rates were high in Triglav Osiguranje, Skopje and Triglav Pojišt'ovna.

Accident insurance represented 5.3% of total written premium or EUR 47.7 million in nominal terms. Compared to the previous year, the premium booked fell by 8%. More than a half of premium from accident insurance arises from two insurance sub-classes taken out simultaneously with car insurance (driver and passenger accident insurance and AO-plus insurance), where the decrease in written premium results from the developments in the motor vehicle insurance market. The decline of written premium from other accident insurance was influenced mostly by the poor state of the economy and growing unemployment. Subsidiaries with the largest decrease in premium written from accident insurance were Triglav Osiguranje, Banja Luka, Triglav Osiguranje, Skopje and Zavarovalnica Triglav, while Triglav Pojišt'ovna, Lovćen Osiguranje and Triglav Osiguranje, Sarajevo collected more premium in this insurance class than in 2011.

In **general liability insurance** the Triglav Group collected EUR 35.7 million in premium or 2% more than at the 2011 year-end, which represented 4.0% of total premium. In these harsh economic conditions, this growth is considered a success. Solid sales results were achieved in the largest subclasses, including general liability insurance and product liability insurance as well as in the majority of professional liability insurance products, such as the liability of medical doctors, attorneys-at-law, insurance brokerage firms, tax advisers etc. Zavarovalnica Triglav, accounting for 84% of total premium, recorded a 3% growth in written premium. Premium written increased considerably in Triglav Osiguranje, Skopje, Triglav Osiguranje, Belgrade and Triglav Osiguranje, Banja Luka (their combined share accounting for a good 2% of general liability insurance premium), while the other insurance subsidiaries collected less premium than in 2011.

Credit insurance accounted for 2.3% of total premium and was 1% lower than in the year before. A significant growth in premium was recorded in Triglav Osiguranje, Sarajevo, achieved as a result of business co-operation with one of the banks. Zavarovalnica Triglav (accounting for 97% of total premium) posted a 2% decrease in written premium, mostly due to the decline in consumer loan insurance. The results of other sub-classes of credit insurance were solid, especially in trade credit insurance, payment card claims and overdraft insurance.

Premium from **other non-life insurance** (accounting for 3.3% of total premium) decreased by 7%, owing mostly to the loss of a large client in aircraft insurance and aircraft liability insurance in Lovćen Osiguranje, loss of premium from miscellaneous financial loss insurance in Triglav Osiguranje, Zagreb, as well as lower premium from aircraft insurance, financial loss insurance and assistance insurance in Zavarovalnica Triglav. Premium written grew in railway insurance, marine insurance and suretyship insurance.

6.5.2 Life insurance

In total, Triglav Group members charged EUR 205.3 million in non-consolidated gross written premium from life insurance contracts, which represents a 4% decrease on 2011. This accounted for 22.9% of total gross written premium, which was 0.3 percentage point more than in 2011.

Premium from **life insurance** (traditional life insurance, annuity insurance, voluntary pension insurance) fell by 2% compared to the 2011 year-end. Life insurance premium stood at EUR 94.7 million, accounting for 46.1% of total premium in the life insurance class.

The premium generated by **unit-linked life insurance** totalled EUR 89.1 million or 43.4% of gross written premium in the life insurance class. It was 9% lower than in 2011. The main reasons for this decrease can be found in the sustained uncertainty of financial markets and the economic crisis, as clients are more prudent when purchasing long-term life insurance policies, in dropping out from the existing life insurance portfolio and in the ageing of the life insurance portfolio (maturities and surrenders). Unit-linked life insurance are available from Zavarovalnica Triglav (index 91) and Triglav Osiguranje, Zagreb, which booked EUR 4.0 million in written premium or 8% less than a year earlier.

Supplemental voluntary pension insurance (capital redemption insurance) generated EUR 21.5 million or 10.5% of total life insurance premium. Premiums of the former grew by 9% compared to the previous year, owing to the growth in the annuity pension insurance premium.

Gross written premium from insurance and co-insurance contracts of the Triglav Group (excluding Pozavarovalnica Triglav Re) and growth indexes per insurance class

Insurance class	Gross written premium			Index		Structure 2012
	2012	2011	2010	2012/2011	2011/2010	
1 Accident insurance	47,715,064	51,881,696	55,537,351	92	93	5.3%
2 Health insurance	92,087,938	80,888,967	73,602,675	114	110	10.3%
3 Comprehensive car insurance	128,525,464	144,099,735	147,436,763	89	98	14.3%
4 Real property insurance	158,229,083	166,632,065	163,502,412	95	102	17.6%
5 Motor liability insurance	180,622,810	205,077,707	224,668,795	88	91	20.1%
6 General liability insurance	35,686,105	35,070,402	34,275,095	102	102	4.0%
7 Credit insurance	20,370,273	20,598,151	22,320,290	99	92	2.3%
8 Other non-life insurance	29,265,713	31,506,871	28,288,224	93	111	3.3%
NON-LIFE INSURANCE	692,502,450	735,755,594	749,631,606	94	98	77.1%
9 Life insurance	94,716,178	96,651,038	100,311,203	98	96	10.5%
10 Unit-linked life insurance	89,120,094	98,001,240	99,782,278	91	98	9.9%
11 Capital redemption insurance	21,452,783	19,690,306	21,280,476	109	93	2.4%
LIFE INSURANCE	205,289,055	214,342,584	221,373,956	96	97	22.9%
TOTAL	897,791,505	950,098,178	971,005,562	94	98	100.0%

6.5.3 Gross reinsurance premium written of Pozavarovalnica Triglav Re

In 2012, Pozavarovalnica Triglav Re collected EUR 116.3 million in gross reinsurance premium or 5% less than in 2011, when the growth rate was 1%. This drop was caused mostly by lower reinsurance premium from other damage to property insurance (by 22%) and a 7% fall in premium from comprehensive car insurance and motor liability insurance. Pozavarovalnica Triglav Re achieved the highest growth in premium in suretyship insurance (index 126) and marine insurance (index 122). The largest class, fire and natural forces insurance (39% share in total premium written), recorded an 8% increase in premium. Lower gross reinsurance premium is primarily the result of lower premium from optional business with Zavarovalnica Triglav, whereas the reinsurance premium earned outside the Triglav Group rose by 1%.

Pozavarovalnica Triglav Re provides high quality reinsurance coverage to the Triglav Group. In accordance with the strategy and based on the Triglav Group reinsurance scheme in Slovenia and abroad, in the future, Pozavarovalnica Triglav Re will be able to concentrate even more on acquiring business with cedants outside the Group. Its growth will continue to be based on conservative underwriting of high-quality risks and on maintaining a stable and profitable portfolio.

6.6 Gross claims paid

In 2012, the Triglav Group posted a total of EUR 635.3 million in consolidated gross claims (excluding subrogation receivables) or 3% more than in the previous year. Gross claims paid in **non-life insurance** came to EUR 401.4 million (index 97), in the **life-insurance** segment they amounted to EUR 163.2 million (index 116) and in **health insurance** they totalled EUR 70.7 million (index 113).

Excluding Pozavarovalnica Triglav Re, the insurance members of the Triglav Group posted EUR 610.1 million in non-consolidated gross claims, representing an increase of 3% over the preceding year. Growth rates were highest in Lovćen životna osiguranja (index 129), Triglav Osiguranje, Zagreb (index 123) and Triglav Pojišt'ovna (index 116). Gross claims increased by 13% in Triglav Zdravstvena zavarovalnica, by 12% in Triglav Osiguranje, Banja Luka and by 6% in Triglav Osiguranje, Sarajevo. In Zavarovalnica Triglav gross claims paid remained at the same level as the year before (index 100). Gross claims paid decreased in Triglav Osiguranje, Belgrade (index 84), Triglav Osiguruvanje, Skopje and Lovćen Osiguranje, Podgorica (index 96).

Gross claims paid (excluding subrogation receivables) in 2012 by insurance company of the Triglav Group

Insurance companies	Gross claims paid in 2012			Index			Structure 2012
	Non-life	Life	Total	Non-life	Life	Total	
1 Zavarovalnica Triglav	277,564,989	157,746,444	435,311,433	93	116	100	71.3%
2 Triglav, Zdravstvena zavarovalnica	70,726,034	0	70,726,034	113		113	11.6%
3 Triglav Osiguranje, Zagreb	30,325,317	3,920,137	34,245,454	123	127	123	5.6%
4 Triglav Osiguranje, Sarajevo	7,444,197	719,709	8,163,906	104	127	106	1.3%
5 Triglav Pojišt'ovna, Brno	19,300,374	0	19,300,374	116		116	3.2%
6 Lovćen Osiguranje, Podgorica	16,845,177	0	16,845,177	96		96	2.8%
7 Triglav Osiguranje, Belgrade	8,787,555	167,643	8,955,198	84	66	84	1.5%
8 Triglav Osiguranje, Banja Luka	1,898,474	0	1,898,474	112		112	0.3%
9 Triglav Osiguruvanje, Skopje	14,033,313	0	14,033,313	96		96	2.3%
10 Lovćen životna osiguranja, Podgorica	0	667,443	667,443		129	129	0.1%
TOTAL	446,925,430	163,221,376	610,146,806	99	116	103	100.0%
11 Pozavarovalnica Triglav Re	53,408,612	0	53,408,612	96		96	
Consolidation eliminations	-28,236,764	-780	-28,237,544	87		87	
TOTAL - CONSOLIDATED	472,097,278	163,220,596	635,317,874	99	116	103	

6.6.1 Non-life insurance

The increase in claims in **non-life insurance** was 5 index points higher than the growth of premium written. Non-consolidated gross claims in non-life insurance amounted to EUR 446.9 million or 1% less than in 2011.

Claims related to **motor liability insurance** represented 17.5% of total gross claims paid by the Triglav Group insurance companies. Total claims paid amounted to EUR 107.1 million, which was 13% less than as at 2011 year end. The majority of the Group members recorded a lower growth of gross claims in this insurance class. This applies particularly to Lovćen Osiguranje, Podgorica, Triglav Osiguruvanje, Skopje and Zavarovalnica Triglav. In the parent company, which accounts for 63% of the total, claims settled in motor vehicle liability insurance fell by as much as 15%. In addition to external factors, amended legislation in road traffic safety and improved road infrastructure, this improvement was affected also by the modernised process of claim handling and loss adjustment.

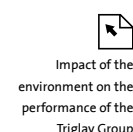
A 7% decrease in gross claims paid was recorded in the **comprehensive car insurance class**. Gross claims paid amounted to EUR 100.0 million, which was 16.4% of all claims settled. In this insurance class, the majority of the Triglav Group insurance companies posted a decrease in gross claims paid, mainly due to a lower number of reported. Higher claims were registered only in Triglav Osiguranje, Sarajevo, Triglav Osiguranje, Banja Luka, and Triglav Pojišt'ovna, Brno.

In **real property insurance**, total claims paid amounted to EUR 93.7 million or 15% more than the year before. A high growth was recorded by Triglav Osiguranje, Zagreb due to payments of certain large claims made on fronting policies and heavy storms in the regions of Rijeka and Istria. Claims growth was high also in Triglav Osiguruvanje, Skopje and Triglav Pojišt'ovna due to individual large claims paid, as well as in Lovćen Osiguranje on account of extreme weather conditions in February. In Zavarovalnica Triglav, which has a 72% share and the greatest weight in this insurance class, claims paid increased by 2% due to the higher number of loss events resulting from extraordinary weather conditions (details in *Section 6.2 Impact of the environment on the performance of the Triglav Group*) and a large fire claim from mine insurance.

In **health insurance** gross claims increased by 13%, partly affected by the adoption of the Fiscal Balance Act (ZUF), which transferred a part of health care costs from compulsory to supplemental health insurance. Equalisation scheme expenses totalled EUR 7.4 million or 11% more than in 2011 (an increase of EUR 0.8 million).

Gross claims paid in **accident insurance** decreased by 5%, mostly due to the decline in claims paid in the two largest insurance subclasses, i.e. group accident insurance and AO-plus insurance (driver insurance against bodily harm) in Zavarovalnica Triglav, which account for almost two thirds of the Group's total premium. Triglav Osiguranje, Belgrade also recorded a decrease in claims paid.

The volume of gross claims settled in **general liability insurance** was lower by 13%. This predominantly resulted from a decrease in the largest insurance sub-class, i.e. general liability insurance, which represents more than 76% of claims in this insurance class. The drop in total claims can be attributed to redesigned terms and conditions, a reduced number of claims reported, lower general amounts of claims and portfolio selection. The majority of gross claims paid represent claims paid by Zavarovalnica Triglav and Triglav Osiguranje, Zagreb, which recorded a significant decrease in claims settled. In other insurance subsidiaries gross claims paid increased.



In **credit insurance**, gross claims grew by 9%. The financial and economic crisis increased claims from trade credit insurance due to a higher level of illiquidity and insolvency of companies, affecting also a higher volume of claims from overdraft insurance and payment card insurance. Gross claims in the largest subclass, consumer loan insurance, decreased by 3%.

The 3% increase in gross claims paid in **other non-life insurance** was mostly due to higher claims paid in railway insurance (as a result of a train accident), aircraft liability insurance and roadside assistance insurance in Zavarovalnica Triglav, as well higher claims in aircraft insurance Lovćen Osiguranje resulting from bad weather conditions. A decrease in claims paid was registered in miscellaneous financial loss insurance, goods in transit insurance, suretyship insurance and marine liability insurance. Significantly higher claims paid were recorded in most insurance subsidiaries, with the exception Triglav Osiguranje, Belgrade and Triglav Osiguruvanje, Skopje.

6.6.2 Life insurance

Gross claims paid in life insurance totalled EUR 163.2 million and were 16% higher compared to the previous year. Claims in the life insurance class accounted for 26.8% of total claims paid or 3.1 percentage points more than in 2011. The increase in life insurance claims was caused by maturities due to the aging of the portfolio and due to surrenders, mostly as a result of the economic crisis.

The bulk of all claims settled is accounted for by the **life insurance class** (life assurance, annuity insurance, voluntary pension insurance), which reached EUR 94.7 million, i.e. 7% more compared to the previous year. A high increase of claims paid was recorded in **unit-linked life insurance** (index 142) and in **capital redemption insurance** (supplemental voluntary pension insurance) (index 118).

Gross claims paid (excluding subrogation receivables) by insurance class

Insurance class	in EUR			Index		Structure 2012
	Gross claims paid 2012	2011	2010	2012/2011	2011/2010	
1 Accident insurance	24,911,025	26,272,057	28,429,650	95	92	4.1%
2 Health insurance	71,191,716	63,136,259	57,892,635	113	109	11.7%
3 Comprehensive car insurance	100,021,998	107,558,697	121,730,767	93	88	16.4%
4 Real property insurance	93,665,725	81,736,961	94,635,842	115	86	15.4%
5 Motor liability insurance	107,064,949	123,532,936	131,105,452	87	94	17.5%
6 General liability insurance	17,321,817	19,973,854	19,367,906	87	103	2.8%
7 Credit insurance	18,012,393	16,550,627	17,692,229	109	94	3.0%
8 Other non-life insurance	14,735,807	14,281,268	15,312,159	103	93	2.4%
NON-LIFE INSURANCE	446,925,430	453,042,659	486,166,641	99	93	73.2%
9 Life insurance	94,672,995	88,162,604	84,817,529	107	104	15.5%
10 Unit-linked life insurance	39,775,085	27,976,054	18,568,703	142	151	6.5%
11 Capital redemption insurance	28,773,296	24,344,033	3,904,953	118	623	4.7%
LIFE INSURANCE	163,221,376	140,482,691	107,291,185	116	131	26.8%
TOTAL	610,146,806	593,525,350	593,457,825	103	100	100.0%

6.6.3 Gross claims paid by Pozavarovalnica Triglav Re from reinsurance

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 53.4 million, or 4% less than the preceding year. This decrease was caused by lower gross claims settled in the Triglav Group in land motor vehicle insurance and miscellaneous financial loss insurance classes.

Compared to 2011, gross claims paid in business outside the Triglav Group increased by 13%, mostly on account of higher claims in goods in transit insurance due to stolen goods, in fire and natural forces insurance (due to large fires in the Czech Republic, Germany and Croatia), natural disasters and an increase in marine insurance claims. Natural disasters, affecting Pozavarovalnica Triglav Re's operation in 2012, included a storm with floods in Scandinavia at the end of 2011 and two earthquakes, which severely struck the north of Italy in May 2012.

6.7 Gross operating expenses

Gross consolidated operating expenses totalled EUR 299.5 million, increasing 5% over the preceding year due to the inclusion of new non-insurance companies in the Group and higher expenses of non-insurance operations (index 134). On the other hand, expenses of the insurance business decreased by 2%, totalling EUR 230.3 million. Gross operating expenses in **non-life insurance** came to EUR 186.6 million (index 98), in the **life-insurance** segment they amounted to EUR 36.5 million (index 98), in **health insurance** they totalled EUR 7.1 million (index 104) and in non-insurance activities they were EUR 69.2 million (index 134).

Acquisition costs (fees and charges) equalled EUR 31.5 million, increasing 2% over the 2011 year end. The costs of goods sold amounted to EUR 21.2 million and were 13% lower than the year before. Due to large-scale investments in IT, depreciation charges amounted to EUR 16.4 million, increasing 42% over the previous year. With 45.8%, labour costs accounted for the largest portion of total expenses. They totalled EUR 142.8 million or 5% more compared to 2011. Costs of services provided by natural persons other than sole proprietors equalled EUR 2.8 million, representing a decrease of 7% from the year before. Other operating expenses increased by 9% to EUR 97.0 million. The highest growth was seen in costs of material and energy (index 151), other costs of services (index 121) and costs of intellectual and personal services (index 120).

Impact of investments
in information
technology

Total gross operating expenses of the insurance business fell by 2% to EUR 230.3 million. The growth of insurance business operating expenses was 3 index points higher than the growth of gross written premium. Insurance business operating expenses accounted for 24.6% of gross written premium, which was 0.9 percentage point more than in 2011.

In total gross operating expenses, broken down by functional groups, costs of insurance contract acquisition accounted for 55.6%, which is the same as in 2011. Claim handling costs accounted for 12.1% (11.5% in 2011) and asset management costs for 1.7% (1.9% in 2011). Other operating expenses represented 30.6%, having decreased by 0.3 percentage point.

Gross operating expenses by nature

Expenses by nature	in EUR			Index		Structure 2012
	2012	2011	2010	2012/2011	2011/2010	
Gross operating expenses						
Acquisition costs (fees and charges)	31,495,708	30,926,417	28,872,958	102	107	10.1%
Cost of goods sold	21,249,493	24,487,665	27,122,451	87	90	6.8%
Depreciation of operating assets	16,446,782	11,598,595	11,231,762	142	103	5.3%
Labour costs	142,838,624	136,195,600	141,905,945	105	96	45.8%
- wages and salaries	101,406,075	96,152,794	99,924,116	105	96	32.5%
- social security and pension insurance costs	23,828,680	22,652,065	22,772,526	105	99	7.6%
- other labour costs	17,603,869	17,390,741	19,209,303	101	91	5.6%
Costs of services provided by natural persons other than SPs including related taxes	2,821,276	3,043,158	3,783,322	93	80	0.9%
Other operating expenses	96,993,360	89,237,493	89,253,813	109	100	31.1%
- costs of entertainment, advertising, trade shows	14,677,373	17,482,936	17,864,671	84	98	4.7%
- costs of material and energy	14,982,277	9,929,943	9,673,483	151	103	4.8%
- maintenance costs	9,479,010	8,527,111	8,780,727	111	97	3.0%
- reimbursement of labour-related costs	4,806,995	4,885,484	5,796,068	98	84	1.5%
- costs of intellectual and personal services	4,563,062	3,817,644	2,768,653	120	138	1.5%
- non-income-related costs, excluding insurance	2,696,851	2,623,521	3,754,571	103	70	0.9%
- costs of transport and communications services	4,999,056	5,096,185	5,340,285	98	95	1.6%
- costs for insurance premiums	1,880,079	2,002,248	1,850,330	94	108	0.6%
- payment transaction costs and banking services	3,982,190	3,980,632	4,096,357	100	97	1.3%
- rents	6,985,007	7,692,983	6,532,582	91	118	2.2%
- costs of services of professional training	1,132,831	1,040,200	1,070,049	109	97	0.4%
- other costs of services	26,808,629	22,158,606	21,726,037	121	102	8.6%
TOTAL operating expenses	311,845,243	295,488,928	302,170,251	106	98	100.0%
Consolidation eliminations	-12,373,919	-9,090,898	-9,031,929	136	101	
TOTAL	299,471,324	286,398,030	293,138,322	105	98	

6.8 Risk equalisation

The Triglav Group equalised 92% of the risks within its own equalisation capacities. The Group was able to equalise risks that exceeded its own equalisation capabilities by reinsurance and, to a lesser extent, by co-insurance arrangements. Within Triglav's own equalisation capacities, claims were covered with the current annual inflow of technical premium by insurance class and the insurance technical provisions formed.

Share of own
equalisation
capacities

6.8.1 Insurance technical provisions

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured parties. At the 2012 year-end, the Group allocated EUR 2,305.3 million to gross insurance technical provisions, which represented an increase of 3% compared to 2011. In non-life insurance, the amount of gross insurance technical provisions decreased by 1%, whereas in life insurance it increased by 6% compared to 2011.

Provisions by type as at 31 December 2012 compared to the same day of the preceding year:

- Gross provisions for unearned premiums decreased by 8%, reaching EUR 268.4 million. Provisions for unearned premiums for non-life insurance amounted to EUR 268.0 million (index 92), while provisions for unearned premiums for life insurance totalled EUR 416 thousand, which was 2% less than one year earlier.
- Gross claims provisions increased by 3% and amounted to EUR 723.2 million. Claims provisions for non-life insurance totalled EUR 702.7 million (index 103) and those for life insurance EUR 20.4 million (index 99).
- Mathematical provisions stood at EUR 1,287.3 million, representing a 6% increase over last year. Of the total amount of mathematical provisions, EUR 702.7 million originated from the long-term business fund backing life insurance, EUR 158.1 million from two long-term business fund backing SVPI, EUR 9.2 million from the long term business fund backing SVPI, i.e. annuities, and EUR 417.3 million from the long-term business fund backing unit-linked life insurance. The main reason for higher mathematical provisions is an increase in the provisions for unit-linked life insurance, which is the result of a general increase in the value of investments linked to the unit-linked life insurance assets.
- Provisions for bonuses and rebates increased by 3% to EUR 17.2 million;
- Other insurance technical provisions totalled EUR 9.2 million or 11% less than in 2011, primarily due to the decrease in provisions for unexpired risks, the value of which is based on insurance technical results by individual insurance class. The improvement in these results caused a decrease in provisions.

Gross insurance technical provisions as at 31 December 2012

	in EUR			Index	
	Gross insurance technical provisions			2012/2011	2011/2010
	31 December 2012	31 December 2011	31 December 2010		
Unearned premium	268,424,573	291,740,398	296,367,451	92	98
Mathematical provisions	1,287,288,920	1,209,960,825	1,225,930,838	106	99
Claims provisions	723,176,114	705,464,250	711,728,317	103	99
Provisions for bonuses and rebates	17,153,835	16,599,643	17,836,389	103	93
Other insurance technical provisions	9,216,323	10,377,656	19,052,894	89	54
TOTAL	2,305,259,765	2,234,142,772	2,270,915,889	103	98

6.8.2 Reinsurance

Reinsurance cover for the Triglav Group is provided by the reinsurance company Triglav Re, while certain risks are co-insured with other insurance companies.

In 2012, the Group allocated EUR 74.1 million of reinsurance premium to external equalisation, which was 6% less than at the 2011 year end. Reinsurance premium accounted for 7.9% of total gross written premium. The change in gross premium reserves related to the reinsurers' share amounted to EUR 1.9 million, which was 40% less than one year earlier. An amount of EUR 23.6 million was received from reinsurance (index 102). Gross claims provisions for the reinsurance portion equalled EUR 38.1 million. The Group also received EUR 257 thousand in ceding commissions. The reinsurance result was negative, amounting to EUR -10.2 million.

Optimum coverage terms and conditions were achieved in all reinsurance and co-insurance contracts.

7. Financial result of the Triglav Group in 2012

- Profit before tax was 55% higher than in 2011 and 22% higher than targeted, while net profit increased by 54%.
- Net premium earned fell by 3%, whereas net claims incurred remained at the same level as in the previous year.
- Return on financial investments totalled EUR 72.7 million.

Despite tight conditions, the Triglav Group performed well and ended 2012 with a profit. The disclosed profit before tax amounted to EUR 89.7 million or 55% more than in the preceding year. Net profit reached EUR 73.2 million, increasing by 54% over 2011. Net return on equity stood at 13.8%, having risen by 4.1 percentage points compared to the preceding year.

The combined ratio, showing the profitability of operations in non-life insurance, reached 89.6%, an improvement of 0.5 percentage point over 2011. 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.

7.1 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 884.4 million and was 3% lower than in 2011. Net premium earned from health insurance grew by 14%, whilst net non-life and life premium earned decreased by 6% and 4% respectively. Gross written premium from reinsurance and co-insurance operations totalled EUR 75.0 million, representing a 6% decrease compared to 2011. Net unearned premium grew by EUR 23.1 million (index 331).

Net claims incurred (gross claims increased by assessment 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' share in these provisions) totalled EUR 578.9 million, which was approximately the same as in 2011 (index 100). Net claims incurred from non-life insurance decreased by 8%, while those from life insurance increased by 17% and those from health insurance by 15%. The reinsurers' and co-insurers' shares in gross claims remained at the level of the previous year, totalling EUR 22.5 million. The change in net claims provisions was EUR -19.7 million, compared with EUR -2.0 million in 2011.

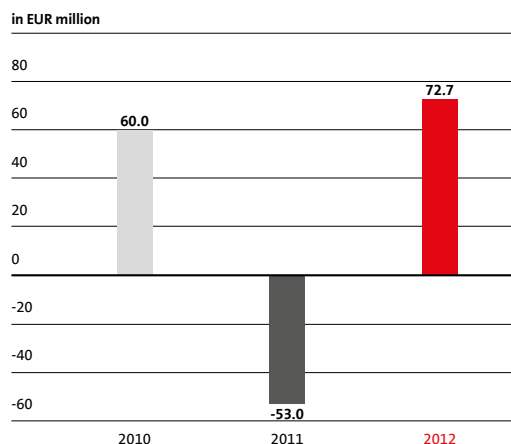
Operating expenses (costs of insurance contract acquisitions and other operating expenses) amounted to EUR 198.5 million and were 2% lower than in 2011. Acquisition costs totalled EUR 128.0 million (index 98), whereas other operating expenses amounted to EUR 70.5 million (index 97).

7.2 Income and expenses from financial assets

Income from financial assets increased by 17% and reached EUR 173.7 million, whereas income from financial assets in associates equalled EUR 5.8 million. Income from other financial assets totalled EUR 138.1 million, while net unrealised gains on unit-linked life insurance assets amounted to EUR 29.8 million. Interest income of EUR 82.5 million accounted for the largest share of financial assets. Realised gains on disposals amounted to EUR 29.3 million, fair value gains from financial assets totalled EUR 17.6 million, whereas dividend income reached EUR 3.1 million. Other financial income equalled EUR 5.6 million and profit on equity investments in associates and joint venture companies EUR 1.7 million.

Consolidated financial expenses stood at EUR 101.0 million, decreasing 50% compared to the 2011 year-end. Expenses from financial assets in associates totalled EUR 2.1 million, while expenses from other financial assets equalled EUR 98.2 million. Net unrealised losses on unit-linked life insurance assets reached EUR 675.8 thousand. The bulk of financial expenses comes from permanent impairment of EUR 43.7 million. The Triglav Group had to recognise impairment losses primarily due to the situation and developments in the Slovene banking sector.

Return on financial investments of the Triglav Group



The return on financial investments of the Triglav Group (the difference between income and expenses from financial assets) in 2012 amounted to EUR 72.7 million. This compares with a negative figure of EUR -53.0 million in 2011. In addition to the permanent impairment of assets, profit was also adversely affected by loss arising from Greek securities holdings, owing to the effect of unilateral write-off of the Greek government debt and, consequently, additional valuation of this position in the amount of EUR 7.5 million.

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

Change in other insurance technical provisions amounted to EUR -1.4 million, mostly as a result of a decrease in provisions for unexpired risks, affected by better insurance technical results recorded in individual insurance classes.

The change in insurance technical provisions for unit-linked insurance contracts reached EUR 52.9 million due to the increase in the unit price, while expenses for bonuses and discounts amounted to EUR 8.6 million (index 134).

Other insurance income totalled EUR 20.7 million, having decreased by 22%. Other income stood at EUR 76.0 million or 33% more than on the last day of 2011. Other insurance expenses equalled EUR 42.8 million (index 77), whereas other expenses reached EUR 83.8 million (index 137).

Income statement for 2012 - according to IFRS

	in EUR		
	2012	2011	Index
NET PREMIUM INCOME	884,367,872	916,278,896	97
- Gross written premium	936,263,023	989,398,804	95
- Ceded written premium	-74,983,245	-80,087,864	94
- Change in unearned premiums	23,088,094	6,967,956	331
TOTAL INCOME FROM FINANCIAL ASSETS	173,651,547	148,981,933	117
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	5,754,725	4,269,157	135
- profit on equity investments accounted for using the equity method	1,720,451	4,265,615	40
- interest income	0	3,060	
- other financial income	4,034,274	482	
INCOME FROM OTHER FINANCIAL ASSETS	138,074,118	118,961,870	116
- interest income	82,502,711	85,744,485	96
- dividends	3,120,364	4,366,741	71
- fair value gains	17,616,160	6,575,898	268
- realised gains on disposals	29,270,460	16,145,886	181
- other financial income	5,564,423	6,128,860	91
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	29,822,704	25,750,906	116
OTHER INSURANCE INCOME	20,702,957	26,441,506	78
- fees and commission income	13,741,969	17,402,868	79
- other income from insurance operations	6,960,988	9,038,638	77
OTHER INCOME	76,039,900	57,156,897	133

Income statement for 2012 - according to IFRS

	in EUR		
	2012	2011	Index
NET CLAIMS INCURRED	578,938,271	576,117,033	100
- gross claims paid	613,765,178	593,872,215	103
- reinsurers' and co-insurers' share	-22,515,985	-22,450,576	100
- changes in claims provisions	-19,720,565	-1,961,843	
- equalisation scheme expenses for supplemental health insurance	7,409,643	6,657,237	111
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-1,446,818	-2,909,572	50
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	52,882,779	-11,402,162	
EXPENSES FOR BONUSES AND DISCOUNTS	8,647,771	6,458,995	134
OPERATING EXPENSES	198,477,965	203,308,320	98
- acquisition costs	127,960,690	130,633,390	98
- other operating expenses	70,517,275	72,674,930	97
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	100,957,942	202,010,429	50
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	2,104,247	19,175,570	11
- loss on equity investments in associates and joint ventures accounted for using the equity method	2,104,247	16,977,661	12
- fair value losses	0	1,775,494	
- realised loss on disposals	0	94,434	
- permanent impairment of financial assets	0	327,453	
- other expenses from financial assets and liabilities	0	528	
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	98,177,882	107,035,830	92
- interest expense	3,576,326	5,849,807	61
- fair value losses	18,768,643	10,847,926	173
- realised loss on disposals	24,081,742	17,273,701	139
- permanent impairment of financial assets	43,652,275	62,861,127	69
- other expenses from financial assets and liabilities	8,098,896	10,203,269	79
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	675,813	75,799,029	1
OTHER INSURANCE EXPENSES	42,829,908	55,953,030	77
OTHER EXPENSES	83,803,046	61,323,544	137
PROFIT/LOSS BEFORE TAX	89,671,412	57,999,615	155
Income tax expense	-16,490,349	-10,502,374	157
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD	73,181,063	47,497,241	154
Net profit / loss attributable to the controlling company	72,512,985	47,060,748	154
Net profit / loss attributable to non-controlling interest holders	668,078	436,490	153

Financial result ratios

	2012	2011	2010
Claims ratio	60.9%	61.0%	61.9%
Expense ratio	28.8%	29.2%	30.1%
Combined ratio	89.6%	90.1%	92.0%
Gross operating expenses of insurance business in gross written premium	24.6%	23.7%	23.7%
Gross written premium per company employee* (in EUR)	212,353	226,147	219,767

* Only the employees of the insurance and the reinsurance companies of the Triglav Group are included.

8. Financial standing of the Triglav Group in 2012

- As at 31 December 2012, the total balance sheet assets of the Triglav Group stood at EUR 3,123.8 million, which is 5% higher than in 2011.
- The total value of equity increased by 17%.
- Debt securities accounted for 69.2% of total financial assets.

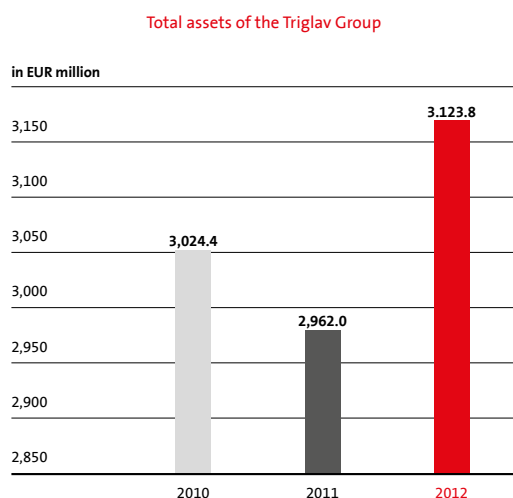
8.1 Equity and liabilities

The **total value of equity** as at 31 December 2012 was EUR 574.6 million or 17% more than at the 2011 year-end. The share of equity in the balance sheet total increased by 1.9 percentage points, from 16.5% to 18.4%. Controlling interests amounted to EUR 567.9 million, while non-controlling interests holders had EUR 6.7 million. The share capital of EUR 73.7 million was divided into 22,735,148 ordinary shares.

The **fair value reserve**, which represents changes in the fair value of available-for-sale financial assets, totalled EUR 51.8 million. Share premium amounted to EUR 56.7 million, while reserves from profit totalled EUR 253.2 million.

As at 31 December 2012, **accumulated profit for the year** was EUR 135.6 million, including net profit for the year and net profit brought forward of EUR 86.8 million. Net profit for the year totalled EUR 48.8 million, after a decrease of EUR 25.0 million due to the formation of other reserves from profit and an increase of EUR 1.3 million due to the release of reserves for credit risk and catastrophe claims.

In comparison with 31 December 2011, **subordinated liabilities** decreased by 10% to EUR 37.0 million as at 31 December 2012, primarily due to a redemption of debt securities (ZT 01) totalling EUR 2.2 million. Subordinated liabilities accounted for 1.2% of the balance sheet total.



On the liabilities side, **gross insurance technical provisions** increased by 3% to EUR 2,305.3 million at the end of 2012. In the balance sheet total their share decreased by 1.6 percentage points, from 75.4% as at the 2011 year end to 73.8% one year later. As at the last day of 2012, mathematical provisions amounted to EUR 1,287.3 million, increasing 6% over the end of the previous year. Provisions for gross unearned premiums shrunk by 8%, while gross claims provisions fell by 3%. Other insurance technical provisions decreased by 11%.

Financial liabilities remained at the same level as the year before (index 100), amounting to EUR 39.4 million or 1.3% of total balance sheet liabilities.

Operating liabilities as at the 2012 year end totalled EUR 58.2 million or 1% above the figure reported one year earlier. In the balance sheet total, they accounted for 1.9%, which is 0.1 percentage point less than in 2011. Liabilities from direct insurance operations dropped as well, by 1% to EUR 20.8 million. Liabilities from co-insurance and reinsurance operations as at the 2012 year end amounted to EUR 36.7 million or 2% more than a year earlier. Current tax liabilities equalled EUR 594.3 thousand.

Other liabilities decreased by 5%, as at 31 December 2012 totalling EUR 57.9 million and representing a 1.9% share of total assets.

8.2 Assets

As at the 2012 year end, **financial assets** stood at EUR 2,445.9 million, which represents a 5% increase compared to the previous year. Their share in total assets dropped by 0.2 percentage points, reaching 78.3%. Unit-linked insurance assets amounted to EUR 418.9 million and financial investments to EUR 2,027.0 million. In total financial investments, EUR 273.3 million is accounted for by deposits and loans, EUR 228.4 million by investments held to maturity, EUR 1,417.6 million by investments available for sale and EUR 107.7 million by investments recognised at fair value through profit and loss.

With 69.2%, debt securities accounted for the bulk of total financial assets, as at 31 December 2012 totalling EUR 1,692.6 (index 123). Investments in equity securities amounted to EUR 516.4 million and were 8% lower in comparison with the end of 2011. They represented 21.1% of total financial assets. As at 31 December 2012, loans and receivables stood at EUR 231.2 million (index 59), their share in total financial assets totalling 9.5%. Derivative financial instruments decreased to EUR 1.5 million as at the 2012 year-end (index 99) and accounted for 0.1% of total assets.

The **Triglav Group's financial investments in associates** fell by 30%, totalling EUR 14.4 million and representing a 0.5% share of total assets.

Investment property stood at EUR 100.2 million. Its value increased by 4%, accounting for 3.2% of total assets.

As at the 2012 year-end, **receivables** of the Triglav Group amounted to EUR 194.9 million and were 5% below the figure reported one year earlier. They represented 6.2% of total assets. Receivables from direct insurance operations decreased to EUR 103.9 million (index 88), receivables from co-insurance and reinsurance operations totalled EUR 42.9 million (index 105), other receivables stood at EUR 38.7 million (index 85) and current tax receivables at EUR 9.3 million.

Reinsurers' share of insurance technical provisions of the Group stood at EUR 83.6 million, having increased by 90% compared to 31 December 2011. Assets from reinsurance contracts from claim provisions totalled EUR 67.2 million, while unearned premium equalled EUR 16.4 million.

Property, plant and equipment amounted to EUR 130.4 million and accounted for 4.2% of total assets. **Intangible assets** of EUR 66.9 million represented 2.1% of total assets.

Cash and cash equivalents equalled EUR 17.3 million, **other assets** amounted to EUR 33.7 million and non-current assets held for sale stood at EUR 2.3 million.

Financial result ratios

	2012	2011	2010
Share of equity in total liabilities	18.4%	16.5%	16.5%
Average equity balance as % of gross written premium	56.8%	50.0%	48.2%
Return on equity	13.8%	9.6%	5.5%
Share of gross insurance technical provisions in total liabilities	73.8%	75.4%	75.1%
Average balance of gross insurance technical provisions as % of gross written premium	242.4%	227.7%	218.7%
Financial assets to total assets ratio	78.3%	78.5%	75.5%
Financial assets to gross insurance technical provisions ratio (in EUR)	106,1	104,1	100,5

Balance sheet as at 31 December 2012 - according to IFRS

	in EUR		
	31 December 2012	31 December 2011	Index
ASSETS			
Intangible assets	66,878,286	63,333,465	106
Property, plant and equipment	130,350,482	128,808,682	101
Deferred tax receivables	34,434,717	40,661,243	85
Investment property	100,186,863	96,784,890	104
Investments in associates	14,384,184	20,504,563	70
Financial assets	2,445,878,652	2,326,023,820	105
<i>Financial investments:</i>	2,026,996,736	1,961,339,446	103
- <i>loans and deposits</i>	273,278,022	439,712,247	62
- <i>held to maturity</i>	228,416,165	245,218,281	93
- <i>available for sale</i>	1,417,564,782	1,192,865,725	119
- <i>recognised at fair value through profit and loss</i>	107,737,767	83,543,191	129
<i>Unit-linked insurance assets</i>	418,881,916	364,684,374	115
Reinsurers' share of insurance technical provisions	83,575,712	43,983,083	190
Receivables	194,850,052	205,049,270	95
- receivables from direct insurance operations	103,865,001	118,559,323	88
- receivables from reinsurance and co-insurance operations	42,942,784	40,739,474	105
- current tax receivables	9,331,709	459,509	2,031
- other receivables	38,710,558	45,290,964	85
Other assets	33,680,408	12,597,206	267
Cash and cash equivalents	17,251,420	22,771,667	76
Non-current assets held for sale	2,337,617	1,482,215	158
TOTAL ASSETS	3,123,808,393	2,962,000,104	105
EQUITY AND LIABILITIES			
Equity	574,563,757	489,469,838	117
<i>Controlling interests</i>	567,863,820	465,264,933	122
- share capital	73,701,392	73,701,402	100
- share premium	56,710,713	53,204,076	107
- reserves from profit	253,233,080	230,826,820	110
- fair value reserve	51,819,054	2,786,975	1,859
- net profit/loss brought forward	86,769,095	61,135,220	142
- net profit/loss for the year	48,809,667	46,175,732	106
- currency translation differences	-3,179,181	-2,565,292	124
<i>Non-controlling interests</i>	6,699,937	24,204,905	28
Subordinated liabilities	37,025,550	40,932,090	90
Insurance technical provisions	1,887,920,781	1,869,646,881	101
- unearned premium	268,424,573	291,740,398	92
- mathematical provisions	869,949,936	845,464,934	103
- claims provisions	723,176,114	705,464,250	103
- other insurance technical provisions	26,370,158	26,977,299	98
Insurance technical provisions for unit-linked insurance contracts	417,338,984	364,495,891	114
Employee benefits	10,573,673	10,392,165	102
Other provisions	19,621,552	19,140,222	103
Deferred tax liabilities	21,351,998	9,613,587	222
Other financial liabilities	39,380,566	39,491,120	100
Operating liabilities	58,150,107	57,860,742	101
- liabilities from direct insurance operations	20,811,717	20,928,061	99
- liabilities from reinsurance and co-insurance operations	36,744,115	36,106,029	102
- current tax liabilities	594,275	826,652	72
Other liabilities	57,881,425	60,957,569	95
TOTAL EQUITY AND LIABILITIES	3,123,808,393	2,962,000,104	105

9. Cash Flow Statement

- Positive operating cash flow.
- Negative investing cash flow and cash flow from financing activities.

The operating cash flow of the Triglav Group was positive and equalled EUR 36.1 million. This compares with a negative operating cash flow of EUR -93.4 million last year.

In 2012, the investing cash flow was negative and amounted to EUR -14.8 million, whereas in 2011 it was positive at EUR 94.4 million. Negative investing cash flow recorded in 2012 arose mainly from investments in software, investments in stakes of Investicijsko podjetje d.o.o. and investments in the acquisition of minority shareholdings in

Slovenijales d.d., Triglav Re d.d. and Triglav Zdravstvena zavarovalnica d.d.

The cash flow from financing activities was negative as well, reaching EUR -26.3 million (index 212). The reasons were higher cash outflows from dividends paid and profit sharing (index 179) and cash outflows for payments of short-term financial liabilities (index 535). The closing balance of cash and cash equivalents amounted to EUR 17.3 million, falling below the 2011 figure by 24%.

Summary cash flow statement

	2012	2011	Index
A. OPERATING CASH FLOW			
a. Income statement items	45,877,945	15,483,061	296
b. Changes in net current assets - operating balance sheet items	-9,804,340	-108,901,945	9
c. Operating cash flow	36,073,605	-93,418,884	
B. CASH FLOWS FROM INVESTING ACTIVITIES			
a. Cash inflows from investing activities	2,712,442,552	3,154,641,695	86
b. Cash outflows from investing activities	-2,727,253,065	-3,060,222,681	89
c. Total cash flow from investing activities	-14,810,513	94,419,014	
C. CASH FLOW FROM FINANCING ACTIVITIES			
a. Cash inflows from financing activities	33,413,521	21,248,068	157
b. Cash outflows from financing activities	-59,716,158	-33,673,683	177
c. Total cash flow from financing activities	-26,302,637	-12,425,615	212
D. OPENING BALANCE OF CASH AND CASH EQUIVALENTS	22,771,666	34,108,090	67
E1. NET CASH FLOW FOR THE PERIOD	-5,039,545	-11,425,485	44
E2. FOREIGN EXCHANGE DIFFERENTIALS	-480,702	89,061	
F. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	17,251,419	22,771,666	76



Mobile application for claim filing

The Mobile Loss Adjustment Unit can reach the affected area within one or two days after a bad weather event.



First mobile unit of loss adjusters in Slovenia

In June, following a hail storm, the first Slovene Mobile Loss Adjustment Unit was established in Ljubljana, and in July another was set up in Bovec.

Enter



»Thanks to good organisation and IT support, damage claims are filed without glitches. Assessment, photos, document inspection and – voilà - a printed copy of a claim report and, optionally, a repair order form and a temporary replacement vehicle for the policyholder.«

Zmago Slevc,
member of the Mobile Loss Adjustment Unit,
Ljubljana Regional Centre



10. Risk Management

- Risk management is embedded in all business processes of the Group.
- The Group has a conservative risk culture and attitude, and uses state-of-the-art tools for risk management.
- An external quality assessment of the functioning of the Internal Audit Department was conducted in 2012.
- Risk management is further discussed in Section 4 under Financial Statements.

Professional risk management is one of the key tasks of an insurer, since taking on the risks of business partners in exchange for an insurance premium constitutes their core business. In addition to insurance risks, insurance companies are faced with other risk types, such as financial, operational and strategic risk. For the purpose of identifying, measuring, managing and controlling risk, the Triglav Group has introduced an effective risk management system. This system is continuously adapted to the Group's growth and the expansion of its operations. The Group has been accumulating knowledge and expertise since the year 1900, when it first became involved in the insurance business. Risk management represents a crucial part of the corporate governance of the Triglav Group.

Risk management is embedded in all business processes. It is based on clear and precise organisation and the well-defined competences and powers of functions and committees. Managing and controlling uncertainties in business opportunities are crucial for making better business decisions and improving performance results.

An integrated risk management system:

- allows for verification as to whether lines of defence effectively include all major risks;
- enables the identification, measurement and management of all risk types;
- defines the Group's risk appetite and monitors risk exposure;
- implements a risk management system in compliance with Solvency II requirements; and
- creates a favourable environment for the development of a risk management culture in line with the Company's business strategy.

10.1 Main characteristics of the risk management system

Risk management is effectively embedded in the entire business process of the Company and in line with the Triglav Group's strategy that defines risk appetites. The integrated system ensures that all known and recurring typical risks can be identified, measured, managed, controlled and reported on as soon as they arise.

10.1.1 Key risk management system objectives:

- providing an integrated and effective risk management process that is embedded in the entire business structure at all levels, is in line with the strategy and entails a clear segregation of du-

ties and responsibilities while also complying with limits that help maintain an appropriate risk level in accordance with the Group's risk appetite;

- increasing the value of the Group by additionally focusing on both return and risk;
- providing adequate capital, liquidity and profitability levels, ensuring that the Group is able to meet its obligations even if extreme risks should materialise;
- supporting decision making, based on thorough insight into the risks and their effects and consequences;
- providing safety and satisfaction for investors, employees, clients and all other stakeholders; and
- raising awareness and spreading the risk management culture within the Group.

10.1.2 Risk management system process and structure

The established system allows for the reliable identification of regular and potential risk events and for the selection of appropriate activities, such as risk aversion, limitation, reduction or acceptance. These risk management activities implement strategies, policies, internal rules and limits, which ensure that no knowingly accepted risks ever jeopardise the long-term good performance of the Group.

The scope of risk management activities is set out in the Risk Management Strategy, which is clear, detailed and consistent with the Triglav Group's Strategy. The overall risk management system set out in the strategy is designed to allow transparency and efficient communication. Policies for managing individual risk categories are developed on the basis of the strategy. These policies define the risk management system with relevant competences and responsibilities, in consideration of the business environment, target risk exposure, target return and other objectives of the Group.

In order to limit excessive exposure to individual risks, individual policies are drafted and adopted by the competent committees and business functions in the risk management process. The risk exposure limits are:

- general limits by key portfolio; and
- additional limits by risk type.

Whenever a risk arises that is unacceptable for business, the Group follows policies and internal rules stipulating (in accordance with

the law and other external regulation) which of the three possible courses of action is most suitable given the specific risk:

- adoption of measures for risk prevention and risk aversion;
- reduction of current risks by applying pre-set limits and control procedures and partial risk acceptance; or
- transfer of unwanted risk to other business partners, such as reinsurance companies and retrocessionaires.

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

- **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 the strategic objectives.
- **Second line of defence:** The second line of defence consists of the Risk Management Committee, the Assets and Liabilities Committee (ALCO) 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, at least one member of the Risk Management Department, and the selected executive directors and directors of departments directly accountable to the Management Board of Zavarovalnica Triglav.

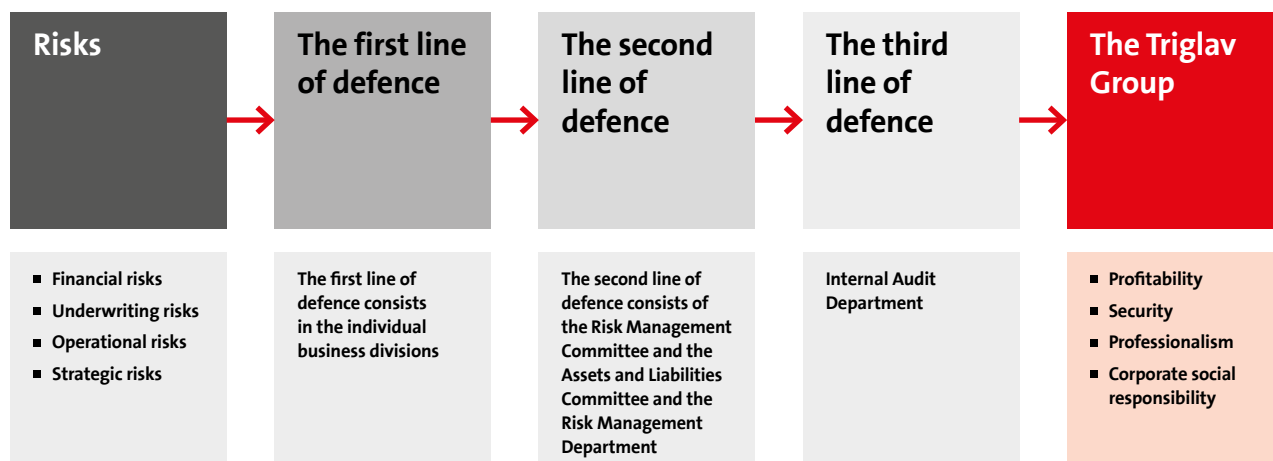
The Risk Management Department draws up a risk management framework (methodologies used for risk identification, measurement and management, minimum requirements for the internal control system, development of assets and liabilities management models, setting investment policy limits and operational risk limits, and verifying compliance with the risk management framework). The Director of the Risk Management Department, who is directly accountable to the Management Board, is also a member of the Risk Management Committee and the chairman of the ALCO. This and other parts of the organisational structure clearly reflect the Group's awareness on the importance of risk management.

The compliance function actively verifies the compliance of operations with the legislation in force and advises divisions and the Management Board of Zavarovalnica Triglav on all relevant issues in this regard, develops activities for the prevention of money laundering and the financing of terrorism, and supervises their implementation.

- **Third line of defence:** The Internal Audit Department regularly tests the effectiveness and reliability of the internal control environment and processes in accordance against legal requirements. Furthermore, it periodically evaluates the quality of the risk management system.

Risk management chart

Three level risk management



The risk management process entails clearly defined competences, duties and responsibilities:

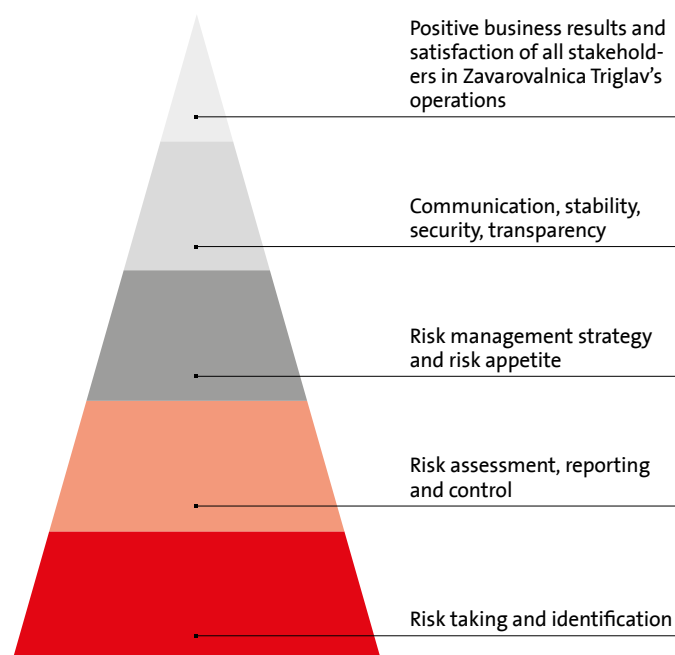
Management Board of Zavarovalnica Triglav d.d.	<ul style="list-style-type: none"> Defines the risk management strategy in line with the Triglav Group's Strategy. Approves the risk management policy. Approves individual components of the risk management system. Approves the internal documents with reference to risk management.
Risk Management Committee	<ul style="list-style-type: none"> Gives preliminary approval to the Management Board's decisions relating to individual components of the risk management system, including the target risk exposure. Defines risk management standards. Defines methodologies of risk management and risk measurement for all risk categories. Defines operational risk exposure limits and monitors the operational risk exposure levels. Monitors the implementation of IT security policies. Monitors the implementation of the compliance system. Monitors the outsourcing risk exposure levels.
Assets and Liabilities Committee (ALCO)	<ul style="list-style-type: none"> Gives preliminary approval to the Management Board's draft decisions relating to assets and liabilities management. Approves investment policies for individual long-term business funds and assets backing liabilities. Gives preliminary approval to the Management Board's decisions relating to bonus allocations to the insurers. Monitors risk exposures arising from assets and liabilities management. Monitors changes in the external environment relating to assets and liabilities management (e.g. changes concerning measurement methods, the legislative environment, external reporting).
Risk Management Department	<ul style="list-style-type: none"> Develops the risk management system of Zavarovalnica Triglav, including the methods, processes, models and framework of the internal control system. Regularly carries out risk analyses and reports on exposure levels to the Management Board. Drafts the Management Board's decisions on risk reduction. Coordinates preparations for Solvency II. Provides operational support to the Risk Management Committee and the ALCO. Promotes good practices in the risk management culture through workshops, seminars and the like.
Business segments	<ul style="list-style-type: none"> Actively manage risks in their business segments by adhering to the set limits and strategic guidelines. Develop internal controls required in accordance with the framework of the internal control system. Cooperate with the Risk Management Department in risk analyses and/or model development.

10.1.3 Added value of the risk management system

The Group has a conservative risk culture and attitude, which is comprehensively managed with state-of-the-art tools. As risk management represents one of the most important functions of the Group, an appropriate level of funds must be allocated, depending on the organisational structure, strategic guidelines, staff training as well as regular and continuous controls of risks, process and systems. Risk management enables the Group to efficiently transform risks into value and its own comparative advantage. By employing the risk management system, the Group is able to control and adapt the entire risk portfolio and limit exposure towards certain types of risk. Efficient and prudent risk taking and risk management give the Group financial strength and thus the possibility to meet its clients' expectations, to fulfil its obligations towards them, and to create long-term value for its shareholders.

The added value of the risk management system is based on real-time risk identification. Clear benchmarks, criteria and limits were set, and an internal control system was established for all business divisions. A range of advanced tools is also used to thoroughly analyse interactions between different risks. The same applies to reporting and monitoring, which are additionally governed by several internal rules.

Added value of Zavarovalnica Triglav's risk management system



All levels of risk assessment are involved in sharing topical and transparent information. As a consequence, the Group's operations are more transparent, stable and secure.

10.1.4 Risk management at the Group level

Risk management at the Group level is more extensive than that at the level of individual companies. Since Triglav is a multinational group, its risk management system has to be adequate, efficient and proportional to, as well as compliant with, the structure, nature, volume and complexity of operations and related risks. The system must take account of the differences in risk, depending on the country of operation, the specificities of individual companies, their business environment and the impacts of risks of any individual company on other Group members and the Group as a whole.

In the light of all the above, the Triglav Group pays particular attention to concentration risks. Due to the diversity of its structures and systems, the decision making at the Group or subsidiary level incorporates the specifics of the situation and the effects of the decision on all group members and at both levels. This was enabled by the reorganisation and centralisation of functions in the Group in recent years with the establishment of the Subsidiary Governance Committee.

Despite its complex structure and demanding overall tasks, the Triglav Group has established an effective and, most importantly, a

reliable risk management system. In doing so, it brought together both concepts typical of such systems:

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

Both systems have their pros and cons. The Triglav Group considers them to be complementary rather than contrasting concepts. This is why the Group was able to merge the two concepts in such a way that the benefits of both are in synergy.

In order to effectively identify, classify, control and mitigate arising risks, the Triglav Group gradually developed appropriate risk management strategies and policies.

The hierarchy structure and participation of all group members as along with the strong organisational structure of the Group, emphasising the importance of risk management at all levels, provide for the efficacy of the risk management system. Clear and transparent information flows both top-down and bottom-up, further strengthening the system and making it more effective. Several compatible IT systems enabling the unification of internal control systems facilitate efficient information flows and a transparent decision-making process.

The main activities within the risk management system in 2012:

- defining a policy for limiting exposure to individual banks;
- participation in the development and implementation of the data warehouse for more efficient and up-to-date reporting and provision of information as a decision-making support for specialised departments and management;
- an upgrade of the system of strategic indicators by amending the indicators as well as the reporting and control processes;
- the development of ALM models for the long-term business funds and assets backing liabilities;
- preparations for reporting in accordance with the requirements of Solvency II, in terms of assigning responsibilities and providing system support; and
- other preparatory activities for the Solvency II Directive and phase 2 of the IFRS 4.

10.2 Capital management and capital adequacy management

The primary objective of capital management is ensuring a sufficient and appropriate level of capital adequacy of the Company.

In compliance with the legislation in force, the amount of available capital for meeting capital adequacy requirements is measured at the level of individual insurance companies as well as at the level of the Triglav Group as a financial conglomerate. In parallel, capital adequacy is monitored by applying Standard & Poor's model and in accordance with Directive 2009/138/EC of the European Parliament and of the Council (Solvency II).

10.2.1 Legally required capital adequacy

The amount of, and primarily the fluctuations in, the available capital of the Group subsidiaries 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. Every subsidiary insurance company of the Group continually monitors its capital adequacy and keeps a certain surplus of available capital above the capital requirement for maintaining the core business and covering potential losses. The available capital surplus offers high protection against losses arising from unexpected adverse events. In addition to current capital adequacy levels, the Triglav Group also monitors the maintenance of planned capital adequacy levels and capital adequacy as such. In doing so, it monitors the effects of the environment on capital adequacy and provides for optimal capital allocations of the Group and group members.

The main objective is to maintain an appropriate capital level in the Group and in all its members. Furthermore, the capital adequacy ratios of insurance technical provisions are continually monitored for the purpose of assessing the solvency needs of individual Group members.

- Zavarovalnica Triglav maintained the required capital adequacy throughout 2012, as it did in 2011. The minimum required capital-to-available-capital ratio in non-life insurance as at 31 December 2012 was 323% (vs. 189% as at 31 December 2011) and in life insurance the respective ratio was 168% (vs. 161% as at 31 December 2011).

See also *Section 4.2.1. under Financial Statements*.

10.2.2 Capital adequacy of the Triglav Group as a financial conglomerate

The Triglav Group, Abanka Vipava and its subsidiaries together form a financial conglomerate (according to the EU Directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and the relevant laws of the Republic of Slovenia). The law requires a financial conglomerate to regularly monitor its capital adequacy by calculating the available solvency margin at the consolidated level and by taking into account the capital adequacy requirements for all the sectors in which the financial conglomerate is involved (insurance, banking, asset management).

10.2.3 Rating agency capital adequacy

Decisions concerning capital management are supported by the results of all capital models. Under Standard & Poor's (hereinafter: S&P) capital adequacy model, measuring capital adequacy remains the essential component of the credit-rating process. As a rule, the capital adequacy requirements under S&P capital model are higher than those prescribed by the legislation in force.

- As at 31 December 2012, Zavarovalnica Triglav was rated »A« »stable« (FSR, ICR). At the same time, the credit-rating agency affirmed the »A« long-term credit rating and financial strength rating of Zavarovalnica Triglav

Main activities within
the risk management
system in 2012



Legally required
capital adequacy



Credit rating of the
Triglav Group

d.d. and its subsidiary Pozavarovalnica Triglav Re d.d. The credit rating has a negative outlook. Prior to that, S&P issued a warning of a possible downgrade of the long-term sovereign credit rating of the Republic of Slovenia to »A-«, which could in turn negatively affect the credit ratings of the Triglav Group, Zavarovalnica Triglav d.d. and Pozavarovalnica Triglav Re d.d., causing a one-notch downgrade. S&P can remove the Triglav Group rating from the CreditWatch negative list, if the ratings of the Republic of Slovenia are removed from it or if the Triglav Group's financial and business profiles prove more resilient to the deteriorating operating, macroeconomic and financial environments in Slovenia than was assumed at the time. The credit rating is discussed in greater detail in *Section 4.8 Credit rating of the Triglav Group*.

10.3 Financial risk

- In the assets and liabilities management of long-term business funds and assets backing liabilities, in reinsurance operations and in all funding operations within the scope of capital management, the Group is exposed to the following financial risks:
 - equity risk and interest rate risk,
 - credit risk, and
 - liquidity risk.

The investment policies of individual long-term business funds and assets backing liabilities take into account the nature and characteristics of the Group's liabilities and aim to optimise asset spread and to maximise return.

The Group's investment policies are based on analyses of the sources of risk and returns, i.e. on the assessment of the relationship between risk and return for the main asset management categories (long-term business funds, assets backing liabilities, own resources). Investment policies are regularly updated and adapted to trends and changes on financial markets. This approach ensures that the Group's investment policies are current, up-to-date, in line with general trends in the economy, and that they reflect the relationship between risk and return and are also consistent with the strategic objectives of the Triglav Group (return on equity, risk appetite). In 2012, the investment policies of all subsidiary insurance companies were updated and improved, in order to optimise their portfolios so as to enable lower capital requirements, provide more security and higher profitability and avoid any mismatches with the liabilities of the Group subsidiaries.

Competences and authorisations regarding risk management are shown in the figure under 10.1.2. Financial risk assessment is in greater detail discussed in *Section 4.3. under Financial Statements*.



Market risk
management



Financial risk
assessment

10.3.1 Market risks and assets-liability management in insurance portfolios

- In assets and liabilities management, the Group is most exposed to interest rate and equity risks on the assets side. To a lesser extent, the Triglav Group 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.

Among other things, the exposure to market risks is determined by the net balance of assets and liabilities. The Group monitors and 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 long-term business funds and assets backing liabilities, regular monitoring of capital adequacy by applying models and hedging against certain risks with derivative financial instruments. The Group's life insurance portfolio includes unit-linked insurance policies, where most of the financial risk is borne by the insurers; 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 lies in portfolio diversification, including the portfolios of subsidiaries and of the entire Triglav Group. This includes diversification across various industries, across different types of securities as well as across issuers of geographically diverse origin. Another tool for successful market risk management is appropriate and advanced investment policies (described in *Section 10.3*). The use of pre-set limits allows the Group to achieve an optimum portfolio composition in terms of the lowest possible capital requirements and (market) risk exposures and the target profitability required for the settlement of liabilities and the generation of excess return. The Group also conducts a range of stress tests, sensitivity analyses and cash-flow matching, which are instrumental in the elaboration of investment policies, optimising portfolios and hedging market risks.

The goal of the asset-liability management process is to ensure an optimal return on investments with respect to the nature of insurance liabilities. Legal requirements currently in force make insurance liabilities insensitive to the fluctuations of market parameters. Therefore, the process of asset-liability management optimisation takes into account the static nature of insurance liabilities as an input parameter and aims at improving the investment policies by optimising the ratio between the market sensitivity of the balance sheet and the return on assets. This process, in a legally acceptable scope, also considers the results of other capital adequacy measurement models (Standard & Poor's, Solvency II).

By means of the optimisation process, investment policies are determined for long-term business 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 long-term business funds and assets backing liabilities.

10.3.2 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.

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 Group also uses sensitivity analyses of interest rate risk, which include 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, which depends on the structure of individual instruments.

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

10.3.3 Equity risk

The Triglav Group manages the equity risk of securities in the portfolio through exposure limits as well as through geographical and sectorial diversification. It invests most of its assets within the European Union, and spreads its investments to other geographic areas only in order to hedge the risks and the profitability of its equity portfolio. To a large extent, the portfolio consists of debt securities: this diversification causes a slightly lower equity risk. Another important factor affecting any investment decision is the liquidity of shares. Due to the diverse market-related (development of capital markets) and local statutory limitations in the Adriatic region, each subsidiary of the Group in this region pursues an investment policy that is adapted to its individual market. The portfolios of these subsidiaries contain smaller shares of equity securities compared to the portfolios of other subsidiaries, and collectively they represent only a small percentage of the Group's portfolio.

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

10.3.4 Liquidity risk

The risk or threat of a liquidity mismatch, i.e. the mismatched maturity of assets and liabilities, may 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 the regular monitoring of projected and actual cash flows from assets and liabilities. In order to obtain additional liquidity when needed, the Group 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*.

10.3.5 Foreign exchange risk

- The Group's exposure to foreign exchange risk is minor, as most of its assets are denominated in euros.

In terms of the foreign exchange risk structure, the highest exposures are to the currencies of the countries of the former Yugoslavia, which in total represent no more than 0.30% of the portfolio.

10.3.6 Credit risk

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

The Triglav Group manages its exposure to credit risk through a system of exposure limits, which constitute part of the investment policies for different types of assets. Exposures to individual issuers and changes in their credit ratings are continually monitored in order to ensure timely and suitable responses to potential adverse developments on financial markets. In 2012, attention was paid to operations with banks.

- The aim is to achieve optimal diversification of the credit portfolio and the desired »A« credit rating.

See also *Section 4.3.6 under Financial Statements*.

10.4 Underwriting risks

The risks in this category are associated with insurance perils arising from individual insurance classes and specific work processes related to performing insurance operations. The Triglav Group is exposed to the following risks: 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 loss development changes, the allocation of insurance technical provisions, changes in policyholders' behaviour and general changes in the external economic environment.

Individual insurance companies within the Triglav Group are primarily responsible for the active management of the underwriting risk. Clearly structured competences and powers include the segregation of duties, underwriting limits and an authorisation system. In addition, underwriting risks are managed with a set of actuarial techniques



Liquidity risk



Interest rate risks



Credit risk



Exposure to equity risk

applied in product pricing and allocations of insurance technical provisions. The Group also conducts regular performance monitoring, optimisation of reinsurance schemes and regular supervision of the adequacy of re-insurance contracts.

Reinsurance is one of the basic hedging tools used for underwriting risks. Insurance companies within the Triglav Group are cosignatories of the same 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;
- a 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, enabling more stable business operations for the Group, which are reflected in more stable cash flows.

10.4.1 Underwriting risk concentration

The concentration of underwriting risk is managed by adequate re-insurance 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 and floods. Over the previous four years, the Company on average sustained two major natural disasters annually, which triggered reinsurance policies covering natural events. Past events showed that the reinsurance scheme is suitable, as Zavarovalnica Triglav was able to discharge its obligations arising from its insurance contracts without exposure to increased liquidity risk and capital adequacy risk.

Based on the experience from previous years, an increase in the frequency of such disasters with high impact is expected and Triglav's reinsurance schemes are being modified accordingly. These disasters predominantly affect the fire, technical and car insurance classes (comprehensive car insurance) as well as crop insurance.

Over the previous three years, the Triglav Group intensively adapted its business to climate change. In the future, reinsurance schemes of this kind are likely to become increasingly costly and coverage increasingly narrower. In an attempt to minimise climate change

impacts, the Group has started to tailor its products accordingly and exercise greater prudence in the process of risk underwriting²¹.

See also *Section 4.5.1 under Financial Statements*.

10.4.2 Geographical and sectorial concentration

The Triglav Group's business is concentrated in the Republic of Slovenia and countries of the former Yugoslavia, with a minor amount of its business activities in the neighbouring EU countries. The Group also provides »fronting« services, ceding most of the business to the parent company.

- On the basis of previous experience, the Group believes that all potential risk concentrations have suitable reinsurance cover.

In terms of business segments, Zavarovalnica Triglav is the strongest in 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 risk concentration for the Company. Comprehensive car insurance, however, represents a potential threat of segment concentration. This insurance risk is suitably covered by catastrophe reinsurance coverage, which has previously proved to be adequate.

As one of the three insurance companies in Slovenia to offer supplementary health insurance, with an 18.7% market share, and one of two reinsurers in the country, holding 46.5% (first three quarters results) of the market, the Group has an insurance concentration risk. As regards the reinsurance portfolio, the Triglav Group manages the reinsurance portfolio concentration risk by the geographical spread of inwards reinsurance risks and with adequate retrocession of outwards reinsurance risks. The supplemental health insurance segment is characterised by dispersed underwriting risks. Therefore, the Group is not exposed to risk concentration in this business segment.

10.4.3 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 affected Triglav's business.

- 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.

A potentially catastrophic loss occurrence could arise from the nuclear peril that Zavarovalnica Triglav has assumed from the Slovenian Nuclear Pool. Such a loss oc-



Underwriting risk
concentration

²¹ GRI 3.1, EC2 indicator, partially, and FS2.

currence is characterised by an extremely low frequency, as no major loss event has been reported in 25 years, and the correlation between such a potential loss event and the arising liabilities is low or null. In the worst-case scenario, a net claim from a nuclear loss event would not exceed claims from a single natural disaster event. In underwriting nuclear risks, the rule is that if several risks (nuclear reactors) exist on a single location, the share of aggregate exposure may not exceed Zavarovalnica Triglav's own share for such risks.

See also *Section 4.5.2 under Financial Statements*.

10.5 Operational risk

Operational risk is defined as the risk of loss due to:

- inadequate or inefficient internal procedures (disruption of work procedures, client complaints, lack of reliable information for the management, disruptions to business continuity, improper cost management, poor change management, inconsistent or incomplete process documentation, etc.);
- inappropriate or inefficient staff behaviour (inadequate human resource management, key staff turnover, lack of know-how and skills, inappropriate staff actions, etc.);
- inadequate and inefficient functioning of systems (obsolete software and/or infrastructure, lack of documented audit trails in software, inadequate control of system operability, etc.); or
- external events (changes in legislation, natural disasters, competition, fraud, 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. In 2011, an extensive analysis was carried out of the internal control system, focusing on the accuracy and reliability of financial reporting in all departments of Zavarovalnica Triglav. This serves a basis for further improvements of the internal control environment in the parent company and, as the need arises, additional controls of subsidiaries' operations. Professional liability insurance is used for the management of risk or possible losses resulting from the actions of management staff.

- In general, insurance companies have a large potential exposure to insurance fraud. To manage this type of operational risk, Zavarovalnica Triglav established a special department responsible for the development and implementation of fraud indicators, the research of potential fraudulent activity, and reporting to the Management Board on the findings and initiated procedures.

Another important segment of operational risks is compliance risk, which is managed in the framework of the compliance function.

See also *Section 4.6 under Financial Statements*.

10.6 Strategic risk

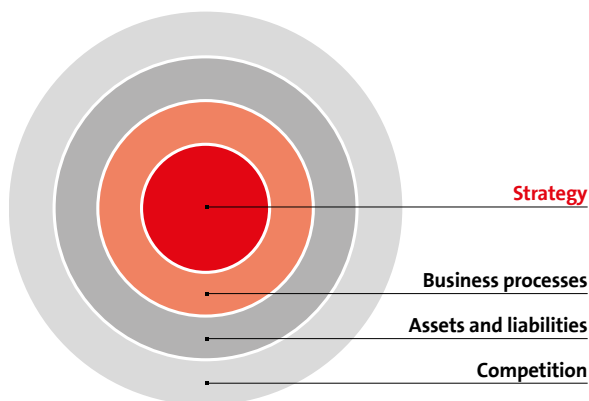
Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Triglav Group's ability to achieve its strategic objectives and thus the Group's value. Achieving strategic goals and managing strategic risks is a responsibility of all three lines of defence against risk. Strategic risk management is directly and most actively managed by the Management Board of Zavarovalnica Triglav, the Subsidiary Governance Committee, the Project Steering Committee, the Life Insurance Product Forum, the Non-life Insurance Product Forum, the Risk Management Committee and the Assets and Liabilities Committee.

Strategic risk does not fall in the scope of capital requirements under Solvency II. The Group manages this type of risk in an effort to ensure efficient system management, growing returns accompanied by minimum risks, and secure and profitable business operations.

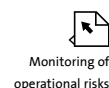
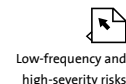
Strategic risks are addressed at their creation, i.e. during the strategic planning process. The strategy implementation process is monitored with internal controls, while the competences and responsibilities of the above-mentioned bodies in managing strategic risk are clearly defined. A clear organisational structure of functions and committees provides for an effective strategic risk control as well as the achievement of short-, mid- and long-term goals. At the Group level, special attention is paid to the synergies between individual Group members' strategies, their mutual harmonisation as well as compliance with the strategy of the Triglav Group.

In order to successfully manage strategic risk, the Group organises on-going training for its employees and holds regular in-house strategic conferences and meetings. It also monitors indicators related to the broader economic environment and market, regularly reviews the implementation of its strategic objectives, the meeting of capital requirements, and uses state-of-the-art models, tools and good business practice.

Sources of strategic risk



Strategic risk



Strategy

The Strategy of the Triglav Group clearly defines objectives, tools and implementation processes. The same is true for the strategies of other insurance companies, which have been harmonised with the strategy of the Group. All strategies follow trends in the industry, legislative and legal matters as well as the micro- and macro-environments. The Strategy enables rapid and efficient adaptation to changes in the environment. Good business results achieved despite the economic crisis and effects of unpredictable weather events show that the implementation of the strategy has been successful and efficient.

Business processes

Internal controls enacted to monitor operational risks (see *Section 10.5*) enable employees to adopt and implement

more appropriate and correct decisions, and to enhance the Company's general ability to adapt to changes in the environment.

Assets and liabilities

Due to the nature of their operations, members of the Triglav Group employ different assets and liabilities management systems. Nevertheless, all systems are designed to allow optimum and efficient management of assets and liabilities. In this regard, synergies are used, together with information and expertise sharing to facilitate and improve the Group's operations. The Triglav Group effectively manages asset risks by active monitoring of its liabilities, premium inflow, and the state of real property, investments and developments in financial and all other markets, which positively affects the Group's financial results.

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.
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 the 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 and making a portfolio selection in line with its strategic orientation, the Company increases the appeal and quality of its products and lowers the amount of claims paid.
Regulatory risk	Low	For a long period of time, Zavarovalnica Triglav has been preparing for the Solvency II Directive and phase 2 of the IFRS 4.

10.7 Internal audit

The Internal Audit Department (IAD) is an independent organisational unit directly accountable to the Management Board. In Zavarovalnica Triglav, the department carries out internal audit tasks. In its work, the IAD abides by the Insurance Act and other relevant regulations, the professional and ethical rules on 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.

The IAD provides independent and impartial audit and advisory services, which help the Management Board achieve objectives by encouraging well-considered and organised methods of evaluating and the improving processes of risk monitoring and risk management.

In addition to regular and extraordinary audits of the departments where major risks have been identified, the IAD also carries out the following series of activities:

- based on an audit risk assessment of individual departments, draws up IAD's medium-term and annual audit plans and submits these drafts 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 internal auditors' recommendations;
- 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;
- 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.

In 2012, the Internal Audit Department met the terms of its annual audit plan. The IAD conducted 20 regular audits of the operations of the parent company as well as eight

The Triglav Group in 2012
 Comments of the Management Board
 Report of the Supervisory Board
 Strategy and plans of the Triglav Group
 Corporate Governance Statement
 Share Capital and Shareholders of
 Zavarovalnica Triglav

Development and sales activities of
 the Triglav Group
 Performance of the Triglav Group
 Financial result of the Triglav Group
 in 2012
 Financial standing of the Triglav
 Group in 2012
 Cash Flow Statement
 Risk Management

Sustainable Development in the Triglav Group
 Significant events after the end of the Reporting
 Period
 Information on the Triglav Group
 as at 31 December 2012
 Sales Network of Triglav Group
 GRI G3.1 Content Index

Independent Auditor's Report
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 Appendix

regular and one irregular audit of the operations of other subsidiaries of the Triglav Group, which were jointly conducted with the internal audit departments of the individual companies. Moreover, the IAD assessed the quality of the functioning of internal audit departments in six subsidiaries and pursued all of its other (described above) internal audit activities.

- In 2012, the IAD was also subject to an external quality assessment of the functioning of the department. The independent external assessor concluded that the functioning of the IAD was in compliance with the International Standards for the Professional Practice of Internal Auditing. The IAD has included the assessor's recommendations into its quality assurance programme for the 2013–2015 period.

Activities of the Internal Audit Department in 2012





Children of Triglav

In cooperation with local communities and partners, we rebuilt and renovated four playgrounds in Slovenia and financed the building of a new playground for children in Macedonia.

Enter

Over 2,000 children at the World Cup Biathlon on Pokljuka.
3,300 children at the Ski Jumping World Cup in Planica.

Through the Children of Triglav programme, we motivate children to exercise and do sports, and enable them to take part in carefree outdoor activities in nature and meet top athletes.

We joined efforts to recognise distress and assist in the rehabilitation of young traffic accident victims.

11. Sustainable Development in the Triglav Group

- The Group has realised its goals in the area of social responsibility.
- The principles of ethical business practice have been implemented on the basis of the Declaration on Fair Business and the Code of Good Business Practice.
- The Triglav Group has been awarded the Family-Friendly Enterprise first certificate.
- The Group has improved the transparency, accessibility and comprehensibility of insurance services by introducing new online services and mobile applications.
- The Group has been striving to reduce its impact on the environment and raise awareness of environmental issues.

11.1 Sustainable Business and Corporate Social Responsibility²²

The approach of the Triglav Group towards sustainability is reflected in the responsibilities the Company has assumed in the social, economic and environmental spheres. This approach is an integral part of the business strategy and consequently the business processes of the Triglav Group. The Group endeavours to ensure that this approach finds its way into the mentality and actions of every single employee.

Corporate social responsibility is one of the three values of the Triglav Group, and it is an integral part of the Group's strategy to 2015. It is implemented in seven key areas which entail all the significant impacts that are included in the Group's reports:

- management of the organisation;
- fair business practices;
- recruitment and work practices;
- human rights;
- attitude to clients and suppliers;
- engagement in the local and the broader community and its development;
- care for the natural environment.

When making decisions and adopting measures, effort is made to take into consideration all the relevant stakeholders, their needs and expectations, as well as any possible impacts on them. In doing so, the Group pursues the following priorities:

- ensuring that stakeholders are well informed and maintaining mutual understanding in order to reduce risks;
- achieving better competition in the market;
- improving the reputation and image of the company and its trade mark, and increasing public confidence;
- improving the ownership spirit, integration, engagement and boosting the morale of employees (being a sought-after employer);
- ensuring the efficient management of resources;
- achieving a positive standing in the eyes of investors, shareholders, financial institutions;
- maintaining good relations with the local community, clients, the government, the media and suppliers.

Information on sustainable development:

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

Luka Pušnik, Director of Marketing Department
Phone: ++386 (1) 47 47 109
E-mail: pr@triglav.si

Key guidelines and objectives of the 2012 Corporate Social Responsibility Strategy

Key objectives and results in implementing corporate social responsibility in 2012

Objectives for 2012	Status	Results in 2012
- Adopting preventive measures contributing to the creation of sound conditions that can foster the development of the natural environment and society.	Achieved	- Successful completion of the third edition of the »Let's Clean the Mountains and Hills« drive. Successful implementation and beginning of operation of the task force Triglav.smo for promoting the health of Zavarovalnica Triglav employees.
- Organising the campaign »Children of Triglav – Safe on Roads« and setting up the first training ground for children.	Achieved	- Successful completion of the »Children of Triglav – Safe on Roads« campaign including the setting-up of the first training ground for children.
- Establishing an awareness-raising campaign for a higher level of road traffic culture in Slovenia.	Partly achieved	- Devising a programme of awareness-raising activities for a higher level of road traffic culture in Slovenia, targeted in particular at educating children.
- Implementing the »Children of Triglav – Life after Accidents« project.	Achieved	- Successful implementation of the project »Children of Triglav – Life after Accidents« through which Zavarovalnica Triglav funds the provision of psychosocial counselling to traffic accident victims and their family members in cooperation with the Safe Journey Institute (Zavod Varna pot).
- Including more than 5% of employees or their family members into the »World Cleanup« corporate volunteering campaign.	Achieved	- Almost 50% of employees, their friends and family members have participated in »World Cleanup« volunteering campaign.
- Implementation of the intranet.	Partly achieved	- The process of establishing an intranet for employees is underway.
- Implementation of the Declaration on Fair Business.	Achieved	- An anti-corruption clause is included in all outsourcing contracts with a value of over EUR 10,000.
- Continuation of activities in the anti-corruption working group Ethos operating under the auspices of the UN Global Compact Slovenia.	Achieved	- The Company supports the goals and activities of the Ethos working group.
- Introducing, in agreement with suppliers, the criterion of social responsibility in the selection process.	Achieved	- Corporate social responsibility criteria have been introduced into the supplier selection process.
- Providing more than 3,000 children with the opportunity to watch the World Cup Ski Jumping final in Planica.	Achieved	- Successful completion of the project, over 3,300 children have been given the opportunity to see the ski jumping competition live.
- Proceeding with the »Children of Triglav – Carefree Play, in Harmony with Nature« project and renovating up to five playgrounds in Slovenia.	Achieved	- Successful completion of the project. Four playgrounds for children have been renovated.
- Continuing with the introduction of waste sorting bins at business premises of Zavarovalnica Triglav.	Achieved	- The introduction of waste sorting bins at business premises is being carried out successfully. The waste sorting bins are used by 34 per cent of employees.
- Starting calculations of the carbon footprint of Zavarovalnica Triglav.	Achieved	- A calculation of the carbon footprint has been made for the headquarters and the Ljubljana regional unit. Guidelines for reducing the carbon footprint are to be adopted by members of the Eco team in the beginning of 2013.

Key guidelines of the 2013 Corporate Social Responsibility Strategy²³

Key guideline	Objectives 2013
Management of the organisation	- Credit rating.
Fair business practices	- Maintenance of a stable credit rating. - Drafting and implementing the Code of Conduct of the Triglav Group. - Supporting activities and goals of the Ethos working group. - Establishing at least 100 additional key fraud indicators.
Recruitment and work practices	- Using preventive measures to contribute to healthy working conditions. - Promoting healthy leisure time for employees. - Further upgrades of internal communication tools and active communication in the Triglav Group.
Human rights	- Training and communication on health promotion in the framework of the Triglav.smo project. - At least 10% membership of employees in the Triglav Sports Club. - Launch of intranet in Zavarovalnica Triglav.
Responsibility to clients and suppliers	- Implementing measures for zero tolerance to for discrimination, harassment or mobbing at the workplace. - Organisation of at least one event to educate the general public. - Improving accessibility in at least 5% of the sales points.
Engagement in the community and its development	- Inclusion of road traffic culture into communication activities. - Organisation of at least 10 prevention campaign for children with the Watch Out Doggy mascot in the framework of the Children of Triglav – Safe on Roads. - At least 10% employees as active volunteers. - Take at least 3,000 children to the ski jumping event in Planica. - Organisation of the Triglav Run with at least 1,000 active participants. - Participation in the renovation of at least 3 playgrounds.
Mitigating adverse effects on the environment	- Continuous installation of waste sorting bins. - Installing waste sorting bins in all business units that allow individual disposal of waste fractions. - Continuation and upgrade of the Let's Clean the Mountains drive. - Making biodegradable waste bags available in at least 20 new mountain huts. - Reducing the consumption of energy products. - Decreasing energy product consumption in the Ljubljana Regional Unit by a minimum of 5%. - Reducing greenhouse gas emissions. - Preparation and implementation start of at least 5 measures to reduce greenhouse gas emissions. - Development of green insurance products. - Launch of at least one new green insurance product.

Framework objective: Good practices of and guidelines for corporate social responsibility will be transferred to subsidiaries.



Awards and prizes

High business standards are applied to increase the satisfaction of our stakeholders, especially our employees, clients, investors and the local communities. We are motivated by the results of our joint efforts, expert awards and positive responses. In 2012, we were commended on many occasions for our well-designed activities.

In 2012, the Triglav Group members received the following awards and prizes in different areas:

- **Best financial expert of 2011:** the president of the Management Board Matjaž Rakovec was awarded the title of best financial expert as selected by the publishing house Založba Kapital;
- **Portal:** Zavarovalnica Triglav was granted the Ljubljana Stock Exchange Special Achievement Prize for making significant headway in investor relations;
- **Trusted Brand 2012:** for the sixth consecutive year, Zavarovalnica Triglav was at the top of the list of the most trusted insurance companies in Slovenia;
- **Gold Quill:** the regional European award of the International Association of Business Communicators EMerald for the campaign »Let's Clean the Mountains and Hills«; SoRS 2012 award: At the gathering of insurance and reinsurance companies in Sarajevo, Zavarovalnica Triglav received the best website award for www.triglav.si;
- **Digital Communication Awards:** an international communication award in the category Corporate Social Responsibility for the campaign »Let's Clean the Mountains and Hills« (awarded by the Berlin-based Quadriga University of Applied Sciences);
- **Websi 2012 award:** award for the best Slovene product and sales website in the categories B2B and B2C for www.triglav.si;
- **Papirus 2012 award:** The Section of the Internal Communications of the Public Relations Society of Slovenia has awarded the internal magazine »Obzornik« with the title of best in-house medium (third consecutive year) and a prize for the best front page (second consecutive year);
- **The 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 2011 in Slovenia in terms of reporting on sustainable development and reporting on communication;
- **Netko 2012 award:** best website award in the »Company Profile and Corporate Communication« category for www.triglav.eu and shortlisted in the »Products and Brands« category with the www.triglav.si website and in the »Mobile Applications« category with the Claim Report application (The Netko is awarded by the Association of Informatics and Telecommunications at the Slovene Chamber of Commerce and Industry in cooperation with the Safe-si Centre for Safer Internet);
- **TOP 10 Training and Education Management:** for the fourth consecutive year, Triglav has received this award granted to Slovene 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);
- **Horus Social Responsibility Award** Zavarovalnica Triglav was runner-up in the category of large companies;
- **Auto-Moto Association Of Montenegro:** special award to Lovćen Osiguranje for its contribution to the development of motorsports;
- **Advertiser of the Year 2012:** Zavarovalnica Triglav was selected Advertiser of the Year by the Slovenian Advertising Chamber.

Commitments to external initiatives

The Triglav Group supports initiatives that foster business practices that are ethically, environmentally, socially and economically sustainable in the long term.

The Group complies with the Insurance Code of the Slovenian Insurance Association that lays down the basic standards of professional business practice in insurance.

It follows the recommendations of the Slovene Consumers' Association for improving financial literacy²⁴, notably by strengthening its e-business. Improvements of the online insurance portal iTriglav and the entire website (www.triglav.si) have enabled clients to have a better overview of their insurance policies and have provided them with easier access to insurance services and even more exhaustive information. Investors have a wide choice of innovative tools for monitoring the Group's performance.

The Triglav Group is a signatory of the Declaration on Fair Business, which was prepared by the Ethos anti-corruption working group that operates within the UN Global Compact Slovenia. By implementing this declaration, the Group is actively engaged in creating a transparent and fair business environment for a more efficient and competitive economy.

Membership in associations

The Triglav Group is a member of several insurance industry-related 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 Association of Employees' Councils of Slovenian Companies, the Supervisors Association of Slovenia, the American Chamber of Commerce of Slovenia and the Slovenian-German Chamber of Commerce. Subsidiaries outside Slovenia are members of industry associations and economic groupings in their respective countries.

Report parameters

Reports on the business operations and results of Zavarovalnica Triglav and the Triglav Group for 2012 have been upgraded to provide even more integrated information on the economic, social and environmental aspects of business operations. The Group is gradually introducing integrated reporting that will provide users with a comprehensive insight into financial and non-financial comparable business data based on measurable indicators and allows it to keep abreast of the most advanced international practices in company reporting.

In addition to the International Financial Reporting Standards (IFRS), the Group also adheres to the international sustainability reporting guidelines drafted by the **Global Reporting Initiative G3.1 (GRI)**. To this end, Triglav followed the specific guidelines for the financial sector, which resulted in a significantly higher number of indicators, and focused on the insurance business as the core business of the Group. Data are collected by business divisions of the parent com-

pany, which, as the entity in charge of reporting, also reports on all aspects of sustainable development of the Group. In subsidiaries, data collection using indicators based on GRI guidelines is gradually being introduced. Where these indicators are already followed at the Group level, reports are prepared accordingly; however, they are mainly reported on at the level of the parent company.

Sustainable development reports are drafted in the framework of annual reports for each financial and calendar year. The most recent report was published in 2011. Information on the calculation methodology is given in the text or in the footnotes, where necessary. In 2012, there have been no significant changes in the data provided in previous reports that have affected the current state of affairs. Thus far, external assurance of sustainability reporting has not been introduced. A decision in this regard will be adopted in the near future.

11.2 Key stakeholders

The key stakeholder groups include shareholders, the insured, public entities, supervisory bodies, suppliers, creditors, employees, analysts, media and local and broader communities. The cooperation with these groups is based on an open and responsible dialogue. Special attention is devoted to internal communication among the employees of Zavarovalnica Triglav and the Triglav Group. Stakeholder groups and strategies defining communication and cooperation with them are also set out in the Governance Policy of Zavarovalnica Triglav.

The Investor Relations page of the website www.triglav.eu contains a section devoted to small shareholders, providing them with contact information and answers to basic questions related to their Zavarovalnica Triglav shares.

Employees have the possibility of asking questions or submitting initiatives via the Works Council or through the employee representatives on the Supervisory Board. They can be contacted directly or by e-mail.

Communication with stakeholders

The guiding principle of the Group is to maintain comprehensive and active communication with stakeholders. It endeavours to achieve fair and balanced two-way communication, thereby opening a responsible dialogue and building trust in the environment in which it conducts its business.

In today's rapidly changing economic situation, the identity, image and reputation of the Group play an increasingly important role. These are the primary responsibility of the Public Relations Management and the Digital Presence Section. Since its corporate image represents a strategic value for the Group, it is crucial to nurture it and invest in it.

In 2012, the efforts to improve the visibility and renown of the Triglav brand continued in all countries in which the Group operates. These activities were implemented through a corporate communication system that allows for daily communication with employees, the media, the professional public and investors in seven countries and on eight markets through the PR and marketing officers in subsidiary companies. The high standards of communication adopted



The Investor Relations

Range of indicators GRI

²⁴ GRI 3.1, FS16 indicator.



www.triglav.eu

by the parent company have been transferred to subsidiaries. The coordination and planning of the marketing and communication mix and the activities of all subsidiaries takes place in the Marketing Department.

Internal communication

Internal communication forms an integral **part of strategic integrated communication** and is based on the principles of clarity, fairness, transparency, consistency and timeliness. In implementing these principles, the Group follows the following strategic guidelines:

- credibility of internal communication;
- management of information (over)load;
- strengthening personal communication tools;
- building a communication culture;
- and management of internal communication at the regional level.

Particular attention continued to be paid to internal communication within the Triglav Group. In this respect, the goal was to inform all employees in due time of any important business events, plans, changes or projects in the Group, allowing them to understand what lies ahead. This has enabled every employee to actively participate in the practical implementation of planned activities to the best of their abilities. At the same time, this approach has fostered the development of two-way communication and the exchange of views, resulting in mutual trust, motivation and employee satisfaction.

Communication within Zavarovalnica Triglav is run through a diverse communication mix ranging from e-mail, Obzornik in-house magazine and Obzornik International in-house magazine for all employees of the Group, to meetings, strategic workshops, rulebooks, as well as celebrations for employees on various occasions, employee events, sport events, visits of the Management Board to regional units, etc.

Framework objective: In 2013, the Triglav Group will continue with the upgrade of internal communication tools and active communication about changes within the Group.

Communication with external public

In communication with the external public, emphasis is placed on providing balanced, consistent and up-to-date information to stakeholders on the business operations of Zavarovalnica Triglav and the Triglav Group. Providing the public with fast and relevant information promotes confidence and fosters a positive image of both the Company and the Group. The public is informed about important developments through press releases and at press conferences and other corporate events.

The most frequently used tools for communicating with external stakeholders include: the corporate website www.triglav.eu, press conferences, press releases, roadshows, personal meetings with individuals, webcasts of other organisers, information published on the SEOnet portal, the international meeting for the financial sector hosted by Zavarovalnica Triglav, annual and interim reports of Zavarovalnica Triglav and the Triglav Group, etc.

Throughout 2012, the corporate website www.triglav.eu continued to be upgraded and developed to enable more

intense and in-depth two-way communication with investors and the professional public.

Any information published on the website is made available in compliance with the Media Act, the Communication Code of the Triglav Group, the Corporate Governance Code for Joint Stock Companies, the Ljubljana Stock Exchange Guidelines on Disclosure for Listed Companies, the Financial Instruments Act, the Insurance Act, and the Articles and Memorandum of Association of Zavarovalnica Triglav.

Triglav's communication through social media was upgraded as well. The Facebook profiles of the campaigns »Let's Clean the Mountains and Hills« and »I Drive« have led to the development of active online communities with a total of over 44,000 members. Work has started on developing the corporate profile of the Triglav Group. The intention is to use it for presenting content related to corporate social responsibility projects, achievements, awards and innovations, and for supporting corporate events and marketing campaigns. Corporate profiles have also been created on YouTube and Twitter.

In 2012, foundations were laid for a more comprehensive and targeted presence in social media. This has included the establishment of a two-tier Digital Forum consisting of a Strategic Development Committee and an Operational Group. Strategic guidelines have been drafted in order to direct the further development of a comprehensive social media presence and to set precisely defined objectives.

Communication with the financial public

Financial public relations are developed in the framework of the interdepartmental group for investor relations. In addition to the Management Board, the group also includes the Finance and Accounting Divisions, the Strategic Planning and Controlling Department and the Marketing Department.

A tool for establishing the first contact with the financial public is the Investor Relations page at the www.triglav.eu corporate website. All important information for investors is also published on SEOnet - the Ljubljana Stock Exchange portal - in Slovene and English.

On the basis of the results of an opinion poll conducted amongst Slovene and foreign financial analysts, the Group has prepared a new strategy and forged new plans in the field of financial public relations. The Zavarovalnica Triglav Rules on financial instruments has also been updated.

Thanks to the website and mobile applications, the Annual Report has become even more easily accessible. The Annual Report of the Triglav Group for 2011, in Slovene and English, was made available on a stand-alone website www.lp2011.triglav.eu and www.ar2011.triglav.eu for the first time. To facilitate the work of analysts, financial statements were attached in the form of Microsoft Excel tables, and the entire website has been adapted for mobile devices using iOS and Android operating systems. The printed version of the Annual Report is equipped with QR codes, enabling easy access to online content. These innovations have been introduced to better cater to the expectations and needs of the financial public in Slovenia and abroad, which is relying increasingly

Digital forum

Strategy of financial
public relations



The Annual Report
of the Triglav Group
for 2011

on the use of mobile devices, mobile phones and tablets. These new formats of the Annual Report ensure that information is readily available whilst also reducing the consumption of natural resources per user and the costs related to the disposal of waste material.

The Group regularly participated in presentations organised by the Ljubljana Stock Exchange as well as in numerous other events involving the financial public, both in Slovenia and abroad. Furthermore, it hosted the first international gathering of financial analysts.

The professional and financial public has recognised the advances made by Zavarovalnica Triglav in the field of communication in 2012. The Ljubljana Stock Exchange prize for significant headway in investor relations awarded to the Company is proof of that.

Investor relations and relevant contacts are disclosed in *Section 4. Share capital and shareholders of Zavarovalnica Triglav* of the Management Report. Details on the Company's communication activities with clients and suppliers can be found in *Section 11.5*.

11.3 Fair Business Practice

The Code of Good Business Practice, which was adopted already in 2010, is the Group's ethical compass for its conduct, business decisions and relation building. Zavarovalnica Triglav implements the commitments of the Code adhering to the Code's rules in everyday practices and all sections of the Group's business operations. This way, it strengthens the corporate culture, which is based on legal compliance and fairness as one of the essentials for maintaining the excellence of operations and the trust of partners.²⁵

In 2012, the Group reinforced its adherence to ethical principles on the basis of the Declaration on Fair Business, signed in 2011, by embedding integrity into the foundation of the redesigned identity of the Triglav brand.

Of key importance is the attitude of employees towards clients and business partners, as well as open and fair relations among employees in the work processes. The Triglav Group builds its reputation on its efforts to comply with the highest standards of business ethics and equitable partnerships, rejecting any discrimination among employees, as well as towards clients and business partners²⁶. In 2012, the Group adopted the Rules on Protecting Employees' Dignity at Work which, among others, lays down the procedure in dealing with mobbing in the workplace. It laid down procedures for dealing with mobbing at the workplace, measures and means to help the victims and appropriate sanctions for offenders. In order to deal with cases of discrimination, Triglav has appointed a counsellor, a mediator and a five-member board (composed of two representatives of employees and two employer representatives and a member of the Management Board-employee representative). In case the board confirms the suspected discrimination charge, the Executive Director of Human Resource Management Division decides on possible measures. In 2012, Zavarovalnica Triglav, did not record any reported discrimination²⁷.

The Group amended the rules and procedures for resolving complaints in 2012, the taking into account the guidelines adopted by the European Insurance and Occupational Pensions Authority (EIOPA) and the recommendations of the Insurance Ombudsman. By putting even greater emphasis on the prevention of conflict of interest, efficient and professional procedures, equal treatment of clients, right to information and active management of complaints, the Group created a basis to increase the quality of the procedure for resolving client requests. Complaint analysis reports serve as the basis for proposals how to further improve the business practices, particularly by eliminating the key reasons for complaints. They are also regarded as a source of information on compliance risks.

In 2012, the reporting system and the personal data protection system were upgraded to ensure the compliance. After the Zavarovalnica Triglav shares are listed on the LSE Prime Market, accurate and timely reporting is of utmost importance for the Company.

Since the Group manages one of the largest personal data bases in the country, containing sensitive personal data of Triglav's insurers, personal data protection is of utmost importance. Therefore, the new software for personal data management enables stronger control of all data banks and offers an overview of the type of processed personal data and the processing purpose.

Personal data protection control is exercised by the Information Commissioner, who can initiate a procedure against a company based on applications filed by individuals.

In 2012, the Information Commissioner in its control procedures imposed no financial penalties on Zavarovalnica Triglav. However, the Company was issued a regulatory order, pursuant to which it eliminated the infringement, and a written order which was complied with. In two other cases, the control procedure was suspended with a decision.

Some cases related to personal data protection are dealt with in Zavarovalnica Triglav's internal complaint procedures. The issue is mostly the dissatisfaction of individuals regarding direct marketing (via telephone) and marketing performed by insurance agents.

In 2012, there were no justified complaints with regard to personal data protection²⁸.

In 2012, the Fraud Prevention, Detection and Investigation Department (FPDID) began using a tool for automatic detection of fraud indicators, thereby significantly increasing its efficiency²⁹.

Zavarovalnica Triglav desires to implement the principles and rules of the Code also in relations to its business partners. The Marketing Department thus upgraded the application and selection procedure for the Triglav sponsorships and donations partners to make it even more transparent. Agreements with suppliers, brokers and agents now include provisions on conflict of interest prevention. Furthermore, Triglav's contractual partners in all departments undergo a thorough inspection with respect to their treatment of contract-related personal data.



Contacts for investors



Communication
activities with clients
and suppliers

Personal data
protection

Rules on Protecting
Employees' Dignity
at Work

Automatic detection
of fraud indicators

Resolving client
requests

²⁵ GRI 3.1, DMA SO

²⁶ GRI 3.1, DMA HR

²⁷ GRI 3.1, HR4 indicator

²⁸ GRI 3.1, PR8 indicator

²⁹ GRI 3.1, FS2 indicator



The Code of Good
Business Practice

Each employee has the right to report a breach of the Code directly, either to the Legal Office, Human Resource Management Department or Compliance Office. The complex cases are dealt with within committees, made up of members from two or all three of the departments. The Company makes sure that the results of the examination include measures aimed at preventing similar cases in the future and eliminating potential system weaknesses.

The Code is available on the corporate website at:
http://www.triglav.eu/en/about_us/zavarovalnica_triglav/.

Zavarovalnica Triglav has a zero tolerance policy against fraud. Fraud prevention, detection and investigation is comprehensively managed by the department of the same name. The FPDID manages the entire spectrum of fraud, related to the following types of conduct:

- unlawful appropriation of the Company's property;
- corrupt acts;
- falsifying accounts.

In 2012, the FPDID:

- performed a fraud risk assessment (details in *Section 10 Risk Management*) for the entire Company³⁰;
- introduced an advanced IT solution for efficient fraud detection and analysis;
- established fraud prevention, detection and investigation departments in seven insurance subsidiaries³¹, modelled on the department in the parent company³², while monitoring in other insurance subsidiaries is implemented through different control activities (reporting of subsidiaries, fraud risk assessment etc.)
- carried out a training course on fraud prevention for a total of 1,157 employees or 48% of the Zavarovalnica Triglav employees³³;
- organised panel discussions on preventing corruption for senior management and management staff.

Furthermore, FPDID maintains a Fraud Hotline for receiving reports, offering assistance and the managing fraud cases or inquiries reported via the hotline. The Fraud Hotline is designed for both employees and third parties who want to report fraud. In 2012, short of 500 reports were received via the Hotline. The Help Hotline is intended only for employees. The protocol for conducting internal investigations in case of suspected fraud is defined in a specific document, which sets out the basic investigation procedures and actions (filing of a criminal complaint or a request to suspend an ISA licence, employment law measures against employees, lawsuits etc.)³⁴

11.4 Human resources management / Recruitment and work practices

Zavarovalnica Triglav puts its employees' ability to realise their professional and personal goals at the top of its agenda. Thanks to the Company's international and multi-cultural character, its employees are offered a wide range of

opportunities for professional and personal development. Employees are encouraged to realise their potential in a working environment where knowledge and experience are shared and passed forward. Motivation and high professional qualification are particularly cherished.

Zavarovalnica Triglav has implemented all of its key strategic objectives in relation to employees:

- successful adaptation of the number and structure of staff to process redesign and reorganisation requirements;
- increased mobility and internationalisation of human resources;
- identification of promising employees and planning their career paths;
- development and retention of key promising employees;
- renewal of the organisational culture in compliance with the reorganisation of processes in the Group; and
- increasing the share of performance-related pay for high achievers.

Providing employees with an opportunity to become actively engaged in the pursuit of strategic objectives has been an important contributing factor in the implementation of these objectives. This was achieved through talent identification, open communication, motivation and fostering innovation, cooperation and responsible governance.

In Zavarovalnica Triglav, the year 2012 was marked by a centralisation of processes aimed at optimising cost-efficiency. In the course of this process, the Company remained conscious that every individual is invaluable and put this maxim into practice by identifying promising employees, fostering the development of key employees, increasing the share of performance-related remuneration for high-achieving individuals, and by using other material and immaterial forms of motivation.

Recruitment policy

The Company's recruitment policy is based on making a careful selection from among the best human resources on the labour market and on education and motivation. Its aim is to contribute to achieving good business results and long-term business development, and to the satisfaction and loyalty of employees.

Thanks to the security of employment, the good reputation, the size of the business system, and its values, becoming an employee of the Triglav Group represents a challenge for professionals in various fields as well as an opportunity for young and promising employment seekers to develop their expert or management career. Triglav scholarship holders are also given an opportunity to assert themselves.

Absenteeism

In 2012, the absenteeism rate in Zavarovalnica Triglav remained on a downward trend, falling by 0.15 percentage point compared to the previous year. The absenteeism rate in Zavarovalnica Triglav was also 0.42 percentage point below the national average (data for the period from January to September 2012).

Temporary absence from work due to illness or injury is measured by the number of lost working days in a year.



Fraud risk assessment

³⁰ GRI 3.1, SO2 indicator

³¹ GRI 3.1, FS10 indicator

³² GRI 3.1, FS4 indicator

³³ GRI 3.1, SO3 indicator

³⁴ GRI 3.1, SO4 indicator

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, sick-nursing, accompanying a sick person). Compared to 2012, the share of work days lost due to medical leave reimbursed by Zavarovalnica Triglav decreased by 0.08 percentage point, while there was also a 0.07 percentage point reduction in the share of work days lost due to medical leave reimbursed by the Health Insurance Institute of Slovenia.

Absenteeism rates in Zavarovalnica Triglav and Slovenia by year and type of sick leave³⁵

Year	Paid by Zavarovalnica Triglav	Reimbursed by ZZZS	Rate of absenteeism in Zavarovalnica Triglav	Absenteeism in Slovenia* in %
2007	2.31	1.76	4.07	4.21
2008	2.34	2.05	4.39	3.69
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	3.98**

* Source: Health Insurance Institute of Slovenia - sick leave data base.

** Data from January to September 2012.

Staff turnover

The staff turnover rate of 4.6% in Zavarovalnica Triglav is slightly higher than in the previous year (3.6% in 2011). In 2012, 121 new employees joined the Company, while 116 left. Among leavers, the main reason was retirement of staff in the older age group (over 56 years of age) and most newcomers were aged between 26 and 30. In 2012, women prevailed both among newly recruited employees (53.7%) as well as among leavers (54.3%).

Number of leavers and newcomers in Zavarovalnica Triglav in 2012 and their ages³⁶

Age group	Newcomers		Leavers	
	Number	Percentage	Number	Percentage
20–25	13	10.7	0	0.0
26–30	59	48.8	5	4.3
31–35	19	15.7	6	5.2
36–40	19	15.7	9	7.8
41–45	7	5.8	10	8.6
46–50	3	2.5	9	7.8
51–55	1	0.8	12	10.3
Over 56	0	0.0	65	56.0
TOTAL	121	100.0	116	100.0

Number of leavers and newcomers in Zavarovalnica Triglav in 2012 by gender³⁷

Spol	Prihodi		Odhodi	
	Number	Percentage	Number	Percentage
Moški	56	46.3	53	45.7
Ženske	65	53.7	63	54.3
SKUPAJ	121	100.0	116	100.0

11.4.1 Recruitment and employee structure

Recruitment activities were carried out according to the recruitment plan and in line with the business objectives and strategic goals, with an emphasis on integrated cost management.

As at 31 December 2012, there were 5,379 employees in the Triglav Group, which is 315 more than the year before. The number of staff increased, as the Avrigo Group and Investicijsko podjetje (renamed Triglav Nepremičnine d.o.o.) were added as subsidiaries to the Triglav Group.

Number of employees in the Triglav Group as at 31 December 2012³⁸

Subsidiaries of the Triglav Group	Number of employees			Difference 2012-2011
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	
Zavarovalnica Triglav d.d., Ljubljana	2,405	2,400	2,441	3
Pozavarovalnica Triglav RE d.d., Ljubljana	41	37	38	4
Triglav, Zdravstvena zavarovalnica d.d., Koper	77	78	78	-1
Triglav Osiguranje d.d., Zagreb	532	518	566	14
Triglav Osiguranje d.d., Sarajevo	242	234	248	8
Triglav Pojištvo a.s., Brno	123	116	125	7
Lovčen Osiguranje a.d., Podgorica	283	264	272	19
Triglav Osiguranje a.d.o, Belgrade	449	488	603	-39
Triglav penzijski fondovi a.d., Belgrade	5	5	9	0
Triglav Osiguranje a.d., Banja Luka	81	84	86	-3
Triglav Osiguruvanje a.d., Skopje	168	150	155	18
Triglav Skladi d.o.o., Ljubljana	37	36	34	1
AS Triglav d.o.o., Ljubljana	31	31	31	0
TRI-PRO d.o.o., Domžale	73	75	79	-2
Triglav nepremičnine d.o.o., Ljubljana	49	5	5	44
Triglav Naložbe d.d., Ljubljana	6	5	4	1
Slovenijales d.d., Ljubljana	132	196	239	-64
Golf Arboretum d.o.o., Volčji potok	11	11	11	0
Gradis IPGI d.d., Ljubljana	1	1	4	0
TRI-PRO BH d.o.o., Sarajevo	16	16	12	0
Unis automobili i dijelovi d.o.o., Sarajevo	33	33	34	0
Autocentar BH d.o.o., Sarajevo	45	47	47	-2
Triglav INT d.d., Ljubljana	5	4	0	1
Lovčen životna osiguranja a.d., Podgorica	8	6	0	2
Sarajevostan d.d., Sarajevo	121	126	126	-5
Triglav Auto d.o.o., Banja Luka	0	0	0	0
Lovčen auto a.d., Podgorica	114	98	0	16
Avrigo d.o.o., Nova Gorica	202	0	0	202
Integral Notranjska d.o.o., Cerknica	16	0	0	16
Integral Zagorje d.o.o., Zagorje ob Savi	47	0	0	47
Integral Stojna Kočevje d.o.o., Kočevje	26	0	0	26
Alptours, d.o.o., Bovec	0	0	0	0
TOTAL	5,379	5,064	5,247	315

³⁵ GRI 3.1, LA7 indicator, partially

³⁶ GRI 3.1, LA2 indicator

³⁷ GRI 3.1, LA2 indicator

³⁸ GRI 3.1, LA1 indicator

Due to the inclusion of new non-insurance companies in the Triglav Group, the number of staff with secondary school education or less increased. The share of employees with higher education or university degrees, as well as with masters or doctoral degrees is higher while the share of those with secondary school education or less is lower.

Employees of the Triglav Group as at 31 December 2012 – structure by education

Level of education	Number in 2012	Percentage 2012	Number in 2011	Percentage 2011	Number in 2010	Percentage 2010
Level I–IV	1,624	30.2	1,105	21.8	1,172	22.3
Level V	1,502	27.9	1,849	36.5	1,966	37.5
Level VI	567	10.5	596	11.8	554	10.6
Level VII	1,549	28.8	1,399	27.6	1,443	27.5
Masters and PhDs	137	2.5	115	2.3	112	2.1
TOTAL	5,379	100.0	5,064	100.0	5,247	100.0

The number of fixed-term employees in Zavarovalnica Triglav was 121 (5.0%), while 2,284 employees (95.0%) were in permanent employment. The share of fixed-term employees increased by 1.4 percentage points.

Employees in Zavarovalnica Triglav as at 31 December 2012 by employment type³⁹

Type of employment	Number in 2012	Percentage 2012	Number in 2011	Percentage 2011	Number in 2010	Percentage 2010
Fixed-term	121	5.0	86	3.6	136	5.6
Permanent	2,284	95.0	2,314	96.4	2,305	94.4
TOTAL	2,405	100.0	2,400	100.0	2,441	100.0

The number of full-time employees was 2,313 (96.2%), while 92 (3.8%) were part-time employees. The share of part-time employees in 2012 remained the same as the year before.

Employees in Zavarovalnica Triglav as at 31 December 2012 by employment type (full-time, part-time)⁴⁰

Type of employment	Number in 2012	Percentage 2012	Number in 2011	Percentage 2011	Number in 2010	Percentage 2010
Part-time	92	3.8	90	3.8	83	3.4
Full-time	2,313	96.2	2,310	96.2	2,358	96.6
TOTAL	2,405	100.0	2,400	100.0	2,441	100.0

The share of women

The share of women in top management reached 24.1% (27.3% in 2011) and in middle management it increased from 38.5% to 41.8%⁴¹. The share of women in the parent company Zavarovalnica Triglav reached 51.1%.

As at the end of the year, 2,248 or 93.5% of all staff were employed under the collective agreement. The remaining 6.5% are top management (157 employees)⁴².

11.4.2 Staff training and development

11.4.2.1 Training⁴³

The staff training policy supports professionalism as one of the fundamental values and conditions for the implementation of strategic goals of the Triglav Group. Numerous in-house specialised courses were organised for different employee target groups, while employees were also sent to external training courses in Slovenia and abroad, and given the possibility to gain formal education in Slovene and foreign educational institutions.

³⁹ GRI 3.1, LA1 indicator

⁴⁰ GRI 3.1, LA1 indicator

⁴¹ GRI 3.1, LA13 indicator, partially

⁴² GRI 3.1, LA4 indicator, partially

⁴³ GRI 3.1, DMA LA



Employees of Triglav Group spend an increasing amount of time in direct contact and meetings with stakeholders.

Promoting healthy lifestyle to our employees has become increasingly important. In addition to the hiking club established last year, Zavarovalnica Triglav now also has a new sports association.



In 2012, Zavarovalnica Triglav invested in the development of its scholarship holders and organised work experience for high school and university students. Triglav's doors were also open to schools and university departments that wanted to become acquainted with careers in insurance. Over the previous few years, the number of scholarship holders and number of employees involved in work-study remained approximately same. Compared to 2010, these numbers slightly decreased as many of the employees graduated. The number of trainees is adapted to the current recruitment needs and in 2012 remained the same as the year before. Compared to previous years, the number in-house training participants increased, whereas the number of employees attending external training courses somewhat decreased, reflecting a prudent and streamlined approach to external training.

Number of training participants in Zavarovalnica Triglav in 2012, 2011 and 2010

Type of training	2012	2011	2010	Index 2012/2011	Index 2011/2010
Scholarships	27	28	31	96	90
Work study	252	253	288	100	88
Probationers	14	14	17	100	82
Work experience	48	57	46	84	124
External training	450	503	504	89	100
In-house training	9,806	9,150	8,795	107	104
TOTAL	10,597	10,005	9,681	106	103

Half of the total number of in-house training hours was accounted for by specific insurance topics and sales training. Employees were also able to attend training in business communication, IT, languages and other in-house courses, aimed mainly at managers, sales agents and loss adjusters⁴⁴.

Training courses

Other forms of knowledge transfer among Group member employees were strengthened as well, mainly by the many seminars organised by individual business divisions of the parent company. For employees of subsidiaries, in 2012 a three-week specialised in-house training in the parent company was organised twice, while they also participated in the Triglav Group Marketing Academy and the 2nd Triglav International Business Academy, which began in autumn 2012 and will end in May 2013. In an effort to foster inter-cultural understanding in the Triglav Group, employees of the parent company who work with colleagues in the subsidiaries received training in intercultural communication.

Number of functional training hours in 2012, 2011 and 2010^{45 46}

	2012	2011	2010	Index 2012/2011	Index 2011/2010
Total number of functional training hours	75,045	75,373	76,249	100	99
Number of hours of in-house training	67,680	66,139	68,066	102	97
Number of hours of external training	7,365	9,234	8,183	80	113
Number of functional training hours per employee	31	31	31	100	101

Compared to 2011, the training costs rose due to an increase in the number of participants, but remained below the budgeted amount.

⁴⁴ GRI 3.1, LA11 indicator

⁴⁵ GRI 3.1, LA11 indicator

⁴⁶ GRI 3.1, LA10 indicator



The Triglav.smo project, started in 2011, was expanded to include speeches on maintaining health and work capacity. Participation in sports events was encouraged, special morning events were held to welcome the seasons, and organic food markets were organised.



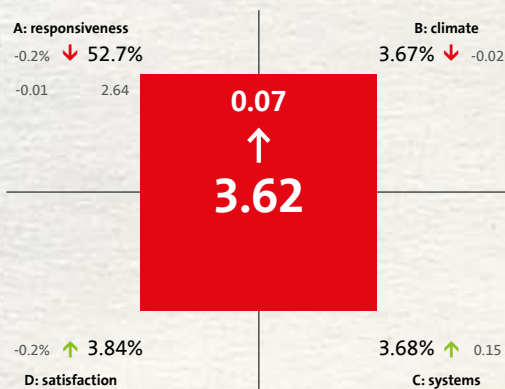
Training costs of Zavarovalnica Triglav in 2012, 2011 and 2010

	2012	2011	2010	Index 2012/2011	Index 2011/2010
Total costs*	1.412.347	1.295.396	1.395.797	109	93
Costs per employee	587	540	572	109	94
Costs per participant	133	129	144	103	90

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

11.4.2.2 Management by objectives and annual development interviews

Organisational climate in Zavarovalnica Triglav in 2012



All employees have been included in the management-by-objectives system, except insurance agents and call centre clerks who, due to the nature of their work, are subject to other forms of remuneration (in total 70% of employees)⁴⁷. Regular annual interviews were conducted in which employees (in cooperation with their superiors) set objectives for the current business year. In 2012, a new software application was developed to support performance management by objectives and enable the simple monitoring and evaluation of objectives per individual employee.

11.4.2.3 Organisational climate survey

For the purpose of the 5th annual measurement of organisational climate, the questionnaire was upgraded from the aggregate viewpoint. The OCS index was introduced, representing the weighted mean of four indexes:

- responsiveness: weighted 10%;
- climate: weighted 30%;
- systems: weighted 30%; and
- satisfaction: weighted 30%.

The aggregate OCS index of Zavarovalnica Triglav equals 3.62, which is 0.07 points more than in 2011. The key advantages and scope for improvement remain the same as in previous years. Employees are loyal to the organisation and are of the opinion that it has a clearly defined vision and mission and is efficiently organised. Positive improvement trends can be seen in the management-by-objectives system and the use of employee stimulation, although a certain share of managers still shows room for improvement. Challenges for improvement include relatively low respect for the work of other colleagues and divisions, and dissatisfaction with the remuneration and career system, although this category has shown an improvement trend in the past years. Based on an analysis of the OCS results, the Management Board adopted measures for improvement, which were presented to the employees together with the results of the survey.

In the Triglav Group, an organisational climate survey was conducted for the second time. The OCS index reached 3.65, which is a slight improvement on 2011 (+0.05 point). Advantages include a positive attitude and strong loyalty of employees, while the challenges are similar to those in the parent company.

11.4.3 Safety and health at work

In providing a safe and healthy work environment for its employees, the Company focuses on professionalism and continuous compliance with legal require-

⁴⁷ GRI 3.1, LA12 indicator

⁴⁸ GRI 3.1, DMA LA



Zavarovalnica Triglav was in 2012 awarded the Family-Friendly Enterprise (FFE) first certificate, which will help boost short- and long-term employee satisfaction⁴⁸. The certificate is an additional contribution to socially responsible management and governance of the Company.



www.triglav.si



ments. Employees responsible for safety and health at work are in charge of cooperation with various departments at the parent company and Group level.

The relevant risks are managed by regular monitoring, while standards are upgraded in line with professional guidelines⁴⁹. The monitoring of the safety system is supported by an electronic register in which all statutory documentation is kept.

During work-place inspections, the Group gives advice to employees with regard to the ergonomic organisation of the work-place, raising awareness through safe work instructions, providing regular training and workshops and following up on the measures adopted to increase work safety. In the framework of the »Harmony of Life and Work: Triglav.smo« project (see *Section 11.4.4 Care for employee satisfaction*), workshops entitled »Preserve your health and work capacity« were organised in several regional units of Zavarovalnica Triglav. In 2013, Triglav plans a new set of workshops.



Care for employee
satisfaction

Fire safety

In order to achieve a higher level of intervention in protection against fire:

- an e-application was developed to keep records of fire protection measures;
- regular maintenance of active fire safety systems and equipment was carried out at all locations in Slovenia;
- practical training for evacuation and fighting initial fires was organised in order to mitigate the risk for employees.

Injuries at work

In 2012, the Company registered 23 work-related injuries, one fewer than a year earlier. Compared to the previous year, the number of injuries at work decreased by 50%, whereas the number of injuries during business trips and injuries while commuting to/from work rose by 100%. Due to changes in legislation, as of 2013 commuting accidents will no longer be deemed as work accidents, which are therefore expected to decline in the future.

Injuries at work in 2012, 2011 and 2010⁵⁰

	Number 2012	Percentage 2012	Number 2011	Percentage 2011	Number 2010	Percentage 2010	Index 2012/2011	Index 2011/2010
At work	8	34.8	17	70.8	6	23.1	47	283
On business trips	2	8.7	1	4.2	12	46.2	200	8
Commuting to/from work	13	56.5	6	25.0	8	30.8	217	75
TOTAL	23	100.0	24	100.0	26	100.0	96	92

11.4.4 Care for employee satisfaction

The aim is to contribute to the well-being and personal health of employees, thus boosting their satisfaction and loyalty⁵¹. Within the abovementioned long-term project Harmony of Life and Work: Triglav.smo project started in 2011, a series of events and drives on different topics was organised in 2012.

Triglav continued organising lectures on preserving health and work capacities, encouraged participation in sports events, organised special morning events for employees to greet the changing seasons, organised organic markets, exhibitions, travelogues and a joint New Year's gift giving to the children of employees. At the latter, children were presented with a fairy-tale book entitled *Kašljavček* written by Ms Vanda Lavrič, a Triglav employee.

In September Triglav took families of employees with three or more children on a museum train ride. The list of drives in 2013 offers even more variety, as the project now includes the recently established sports association and various health promotion campaigns.

Triglav.smo

Sports association

⁴⁹ GRI 3.1, DMA LA

⁵⁰ GRI 3.1, LA7 indicator, partially

⁵¹ GRI 3.1, DMA LA

In upcoming years, measures that were proposed and selected will be introduced according to the implementation plan. Among others, these include training courses for managers on work and family reconciliation and studies on employees. Our staff will be offered flexible working hours, children time bonus, and special leave in exceptional cases.



Managers' attitude toward employees balancing work and family will be evaluated, more attention will be placed on the philosophy of management, while employees resuming work after a longer period of absence will be ushered back into the work process.

After receiving the certificate, an officer was put in charge of issues related to work-family reconciliation.

Additional benefits for employees

In order to promote good health, Zavarovalnica Triglav guarantees its employees a healthy work environment and safe working conditions. Regular and, if needed, extraordinary medical check-ups are provided. Efforts are made to alleviate the burdens of employees who became disabled while employed with Zavarovalnica Triglav and staff with other health issues, and to provide for their well-being by adapting the work processes to their working capacities.

Parental leave and part-time work in 2012⁵²

	Women	Men	Total
Parental and child care leave	112	3	115
The father's leave of 15 days (in the period up to the child's age of six months)	0	55	55
The father's leave of 75 days (up to the child's age of three years)	0	12	12
Option to work part-time pursuant to the Parental Protection and Family Benefits Act	28	0	28

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

In certain circumstances, employees can also take unpaid leave in agreement with their superiors. In 2012, seven employees took a short unpaid leave.

Moreover, employees are given the following insurance advantages:

- 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 voluntary supplemental pension insurance and voluntary pension insurance.

Supplemental pension
insurance premium

Zavarovalnica Triglav pays 88.6% of its employees a supplemental pension insurance premium amounting to 4% of their gross salary⁵³.

All employees have the possibility to vacation in Triglav's holiday facilities in Slovenia and Croatia, while workers with disabilities can use them free of charge. Employees enjoy occasional discounts on clothes, cars, car tyres and similar goods.

⁵² GRI 3.1, LA15 indicator

⁵³ GRI 3.1, EC3 indicator

⁵⁴ GRI 3.1, FS1 indicator

Care for employees outside working hours

The Triglav.smo project, which includes the Mountaineering Association as a health-promoting project and the recently established Sports Association, takes the Company's existing efforts to promote active leisure time one step further. Employees are encouraged to participate in both external and in-house recreation events and other happenings. The year 2012 was again marked by the strong participation of Triglav employees in the Ljubljana Marathon and the »Let's Clean the Mountains and Hills« drive. Furthermore, employees enjoy discounts on the purchase of theatre and concert tickets, tickets for various sports events, and the organisation of trips and outings.

Triglav supports the organisation of various social events and gatherings under the auspices of the trade union, such as the traditional Triglav Group Day and the Winter and Summer Games of Financial Organisations (ŠIFO), while retired Triglav employees are invited to New Year's gatherings with gift exchanges.

11.5 Responsibility to clients and suppliers

11.5.1 Clients

The Company seeks to foster long-term relations with its clients based on their trust and satisfaction. Already in the development phase of insurance products, emphasis is put on transparent, intelligible and accessible insurance products. At the same time, Triglav takes into account the needs of policy holders and international trends.

Special importance is attached to services provided to clients in case of a loss event or insurance claim. The Group keeps to the principle of fair and fast loss adjustment⁵⁴. To this end, Triglav launched Apple App Store and Android Market applications enabling users to report car claims wherever and whenever they are. Following the heavy storms in Ljubljana and Bovec, Mobile Loss Adjustment Units (MLAU) were set up to facilitate fast damage inspection and assessment, mainly for car claims. Furthermore, two new mobile apps were developed: Triglav Toča (Triglav Hail) for real time hail alerts and Gorski vodnik (Mountaineering Guide), a support app for the »Let's Clean the Mountains and Hills« drive, enabling visitors to the mountains to report their rescue coordinates in case of an accident.



We invest in safety improvement. Investments in preventive measures aimed at improving traffic and fire safety were kept at the same level. Safe-driving training was organised for elderly and young drivers, and our mascot accompanied children on their way to school on the first school day and helped them to cope with traffic.



The i.triglav web application gives policy holders an option to follow and to a certain extent manage their life, property, car and health insurance; it's accessible 24 hours a day. Furthermore, Zavarovalnica Triglav completely redesigned its triglav.si website, which now features a user-friendly and simple way to become acquainted with Triglav's offerings, safely buy insurance products, report claims, manage policies or find advice. The website provides insurers with reduced mobility with equal accessibility to Triglav's range of products.

Measuring client satisfaction

Measuring client satisfaction and examining comments and complaints serve as the basis for introducing improvements and corrective measures. As in previous years, the results were used to improve business processes and the attitude of staff towards clients and to guide the development of products and services.

In the reporting year, Triglav carried out a general survey of client satisfaction and loyalty and continued the regular multi-annual mystery shopper research (see also *Section 5.2.1*). It began to measure the satisfaction of clients by »insurance events«, i.e. the sale of insurance policies and loss adjustment.

Complaints and compliments are regularly analysed and resolved according to previously defined procedures. In 2012, a slightly increased number of complaints was recorded. Via insurance agents, the Company's own and contracted points of sale, 1.5 million insurance policies were sold. The percentage of complains in the total number of policies sold equalled 3.4%, decreasing by 6% compared to 2011.

Communication with clients

For clients, sales officers are the first point of contact with Triglav, not only when buying insurance policies but also increasingly when seeking information on claim procedures. Therefore, the sales staff receives regular training and coaching. In 2012, much attention was paid to training in advising clients on the basis of identifying their needs.

Clients can receive information on non-life insurance products, various services and claims procedures by calling the toll free number 080 555 555 or, if they need roadside assistance, and a special 24/7 hotline at 080 2864 (or +386 2222 2864 for international calls). The www.triglav.si web portal is becoming an increasingly important communication channel featuring the entire range of Zavarovalnica Triglav's non-life insurance products. Through the website, clients

can buy certain insurance policies and report claims (see *Section 5*). In all information materials, be it for the internet, printed media or audio-video contents, the Company strives for simplicity and transparency that enable the easy understanding of insurance content.

Direct marketing campaigns in which existing clients are offered an opportunity to upgrade their existing insurance are very important for raising clients' awareness and ensuring access to new products and services.

11.5.2 Suppliers

Procurement processes in Zavarovalnica Triglav are centralised, which provides for better spending control, greater cost efficiency and the uniform implementation and transparency of the processes.

Criteria for supplier selection

Zavarovalnica Triglav established detailed rules for supplier selection to guarantee equal treatment and transparency of the selection procedures. Five obligatory criteria are considered when examining bids: price, corporate social responsibility, premium, claims and capital ties, in which bidders have capital connections with the Company. Other criteria, such as payment terms, previous collaboration, after-sale activities and guarantees, are also taken into account. In selecting bidders, social corporate responsibility has been added to the set of obligatory criteria. The Company sends a questionnaire to suppliers whose answers are then rated and the results taken into account in the selection.

The questionnaire among other includes: use of child labour, respect for human rights, working conditions, staff remuneration, safety and health at work, support to the social environment as well as mitigation of impacts on the natural environment⁵⁵.

Communication with suppliers

Zavarovalnica Triglav communicates most frequently with strategic partners and regular suppliers. Once or twice a year, operational meetings with suppliers are organised in order to improve the procurement process and mutual cooperation. Communication with smaller suppliers is done when required. For certain types of procurement, the Company has appointed persons responsible for forwarding orders and dealing with complaints. Suppliers thus have a person they can contact for any inquiries.

Redesigned triglav.si website



Online buying insurance policies and report claims



Client satisfaction

Social responsibility as criteria

⁵⁵ GRI 3.1, F55 indicator

Triglav also strived to improve traffic safety in Montenegro, as well as provide for greater fire safety in Bosnia and Herzegovina and in Slovenia.



Remuneration of insurance agencies and their sales staff

Zavarovalnica Triglav sells its non-life insurance services through contracted points of sale and its life insurance services through insurance agents, brokers and banks.

Quality partnership relations with sales staff at contracted points of sale are maintained by attractive terms and conditions, which include not only stimulating remuneration (fees) but also competitive products, effective business processes, training courses and programmes and invitations to social events such as ski flying in Planica. Contracted partners are carefully selected. The precondition for signing a contractor's agreement is the authorisation to perform insurance operations in accordance with the Insurance Act.

11.6 Responsibility to the social environment

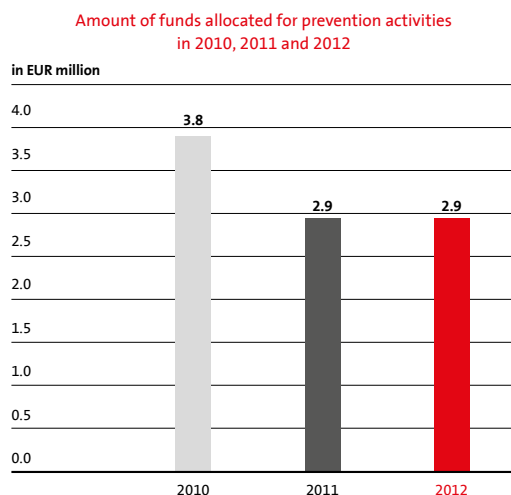
One of the ways in which the Triglav Group implements its corporate social responsibility wherever it is present is by cooperating with and participating in the local environment and the wider community and its development.

11.6.1 Enabling fair competition

Zavarovalnica Triglav is committed to respecting the principles of fair competition. Its conduct regarding fair competition is rooted in the Protection of Competition Act and the Prevention of Restriction of Competition Act. The competitiveness of suppliers is checked in public tenders and random offers. In this way, prices are controlled, and price rigging by suppliers is prevented. Agreements with Zavarovalnica Triglav include provisions on conflict of interest prevention and anti-corruption clauses. All agreements contain a clause specifying an agreement administrator who is responsible for the observance and implementation of contractual provisions⁵⁶.

The legal action on the grounds of unfair competition filed in 2010 against Zavarovalnica Generali was concluded in 2012. In 2012, there were no new legal actions filed against Zavarovalnica Triglav before the Competition Protection Office⁵⁷.

11.6.2 Prevention activities



Prevention activities form part of Zavarovalnica Triglav's responsibility to its policy holders and are – with their more than a century of tradition – closely connected to the development of its core insurance business. Principles and guidelines for the development of prevention activities are laid down in the Rules on Prevention and Suppression Activities of Zavarovalnica Triglav.

In 2012, a total of EUR 2.9 million was used to the prevention activities of the Triglav Group, the same as in 2011⁵⁸. The funds were spent mostly on prevention programmes aimed at improving traffic and fire safety. The amount of funds allocated to the prevention of damage and hazards is determined in the percentage of insurance premiums for each class of insurance separately.

Prevention activity projects

In fire safety, Triglav supports fire brigades in purchasing fire trucks and equipment. Other fire safety activities of the Company include enhancing fire safety in economic systems, supporting the purchase of fire safety equipment and fire trucks and installing burglary protection systems.

Safe driving workshops both for seniors and for young drivers⁵⁹ were carried out in 2012. The safe driving day event was attended by 1,227 seniors and 830 young

⁵⁶ GRI 3.1, DMA SO
⁵⁷ GRI 3.1, SO7 indicator
⁵⁸ GRI 3.1, F55 indicator
⁵⁹ GRI 3.1, F55 indicator

Triglav is the first insurance company in Slovenia to provide clients an overview of their non-life, life and health policies on a single website. Users can access all of their insurance policies, including those in the archive, and have an overview of all premiums charged as well as of insurance terms and conditions.



Presentation of the use of
i.triglav mobile application

drivers who participated in 19 classes. The latter had the option of receiving additional safe driving training at the Triglav mladi (Triglav Young) workshop. The latter was offered as an additional workshop to young drivers who passed the statutory training for new drivers, giving them a discount on the extra charges payable on car insurance for new drivers (from 30% to 5%, 537 insurance policies)⁶⁰.

Traffic safety was also a topic of the Triglav Rewards Safety contest, which was supported by a marketing campaign in the mass media. By answering questions on traffic safety, participants were actively involved in the contest and additionally motivated to expand their knowledge on safe behaviour in traffic.

To be easily seen in traffic, first graders were given yellow neckerchiefs and reflective items. In the first week of the school year, Triglav's mascot Watch Out Doggy, accompanied elementary school children from 39 elementary schools in 12 Slovene towns on their way to school and taught them the rules of road safety.

In the framework of the »Children of Triglav – Safe on Roads« project for the safe participation of children in traffic, Triglav organised a children's course at the safe driving range, where kids could test their knowledge of traffic rules.

Zavarovalnica Lovćen Osiguranje a.d., allocated prevention funds to projects for reducing traffic risks in Montenegro.

Triglav Osiguranje, Sarajevo funded the repair of pitched roofs and snow guards and helped improve safety through state-of-the-art technologies. The company supported the purchase of fire protection equipment to help improve fire safety. Furthermore, Triglav Osiguranje helped with the purchase and installation of a hydrant network and a petrol engine analysis device used in roadworthiness test stations.

Improving traffic and
fire safety

11.6.3 Sponsorships and donations

The new sponsorships and donations policy and its implementation in 2012

The launch of a new, more transparent system of allocating funds to sponsorships and donations through calls for tender strengthens the accessibility, transparency and efficiency of Zavarovalnica Triglav's activities in this field. Participants are encouraged to accept the new sponsorship model as a positive upgrade of the joint cooperation. Candidates for sponsorships or donations can apply online on Triglav's corporate website in periods of open calls for tender, which are organised up to four times a year.

With sponsorships and donations, Zavarovalnica Triglav supports the development of organisations and other non-profit associations, institutes and individuals active in sport, culture, education, health care, humanitarian projects and other socially responsible activities. In addition to supporting the implementation of their primary goals, Zavarovalnica Triglav also encourages sponsorship recipients to follow-up on the sponsored events with additional activities aimed at improving social responsibility and sustainable development⁶¹.

The three open calls for tender for sponsorships and donations published on Triglav's website in 2012 attracted 1,966 applicants. A total of 41% of all applications were accepted.

Sponsorship and donation funds in the Triglav Group

In 2012, the Triglav Group allocated EUR 3.8 million for sponsorships and EUR 0.4 million for donations. The largest portion of these funds was granted to sports activities, followed by cultural activities, training, humanitarian activities, health care and environmental protection. Despite a decrease in funds due to the streamlining of operations, the upgraded system covered a larger spectrum of socially responsible projects.

⁶⁰ GRI 3.1, F57 indicator, partially

⁶¹ GRI 3.1, DMA EC



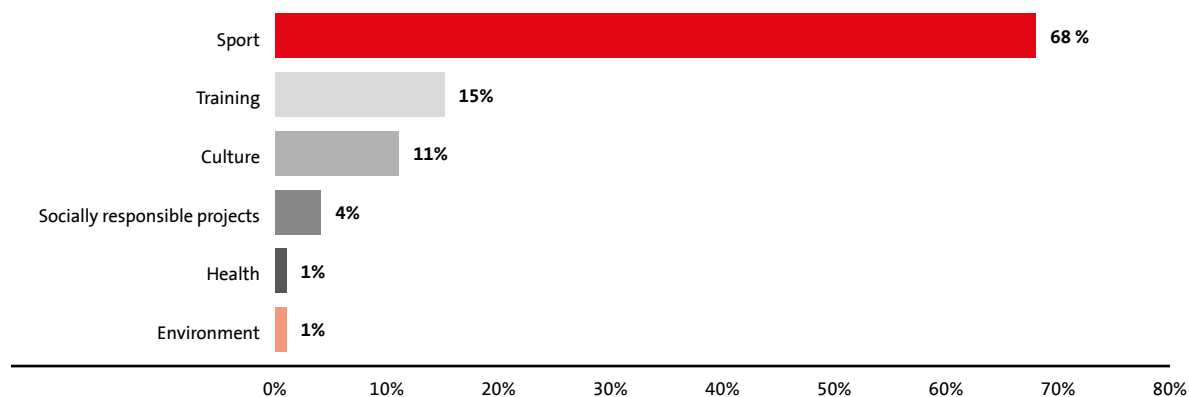
The range of products available on the online insurance portal i.triglav was widened to include non-life insurance, and the website triglav.si was completely redesigned. This has made our product range more transparent and easily accessible.



Amounts for sponsorships and donations

	2012	2011	2010	Index 2012/2011	Index 2011/2010
Sponsorships	3,804,641	4,397,911	3,784,556	87	116
Donations	370,586	381,175	339,560	97	112

Sponsorship structure in 2012 by sector



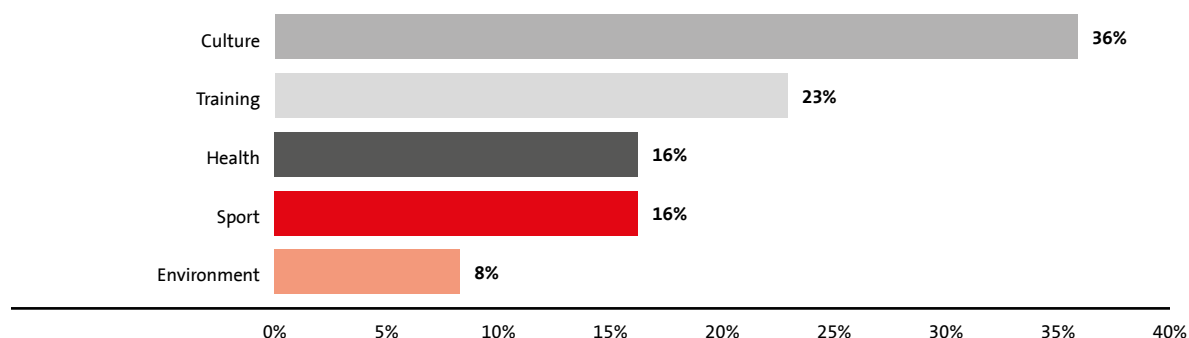
Major sponsorships and donations

Sports

Triglav supports both sports societies and associations and individual athletes, enabling them to achieve top-notch results.

In 2012, Triglav was once again sponsor of the Ski Association of Slovenia and the golden sponsor of the Slovene Nordic skiing and biathlon teams. It also sponsored the World Cup Ski Jumping final in Planica and, in line with the tradition, took more than 3,300 children from all over Slovenia to watch the competition. In the framework of the Children of Triglav for Klemen Bauer project, 2,000 children had the chance to see the Biathlon World Cup races on Pokljuka.

Donation structure in 2012 by sector



Children of Triglav



Individual athletes sponsored by Zavarovalnica Triglav are Peter Prevc, Jaka Hvala, Maja Vtič, Eva Logar and Katja Požun. In the previous winter, funds were also provided to the snowboarder Žan Košir. Support also went to the Ski Jumping World Cup Ladies in Ljubno and, as in previous years, to the Kranjska Gora Alpine Ski Club as the organisers of the Vitranc Cup.

In addition, Triglav has been a long-time sponsor of the Ice Hockey Federation of Slovenia and of the Adriatic Water Polo League. Other large sports clubs sponsored by Triglav include the Union Olimpija and Krka Novo Mesto basketball clubs, the ACH Volley Volleyball Club and the Celje Handball Club, while the Company also supports many smaller clubs. The Adria Mobil and Rog Cycling Clubs receive Triglav's support for the popular Tour of Slovenia and the Franja Marathon cycling races.

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

Triglav Osiguranje, Zagreb sponsored the Medveščak tennis club from Zagreb and the Zagreb Ice Hockey Club, which focuses on young athletes.

Lovćen Osiguranje partnered up with the Montenegrin Olympic Committee, while also sponsoring the Lovćen-Cetinje football club, Lovćen handball club, Water Polo and Swimming Federation of Montenegro and the Javorak hiking and ski club. Moreover, Lovćen supported the Jelena sailing club from Bar in their participation at an international regatta in Italy and Croatia and the Budućnost T-Mobile women's handball club in organising a first round match of the EHF Women's Champions League. Sponsoring the Budućnost handball club. Lovćen helped organise a national league match and a competition cup.

Triglav Osiguranje d.d., Sarajevo mostly sponsored sports events, including the ATP Challenger Tour-Sarajevo Open 2012 tennis tournament, BBI Ice, outdoor ice skating, Street football, outdoor minifootball and an international veteran basketball tournament. The company also supported the Playoff basketball club and the Velež football club from Mostar.

Zavarovalnica Triglav Osiguranje, Belgrade, continued its sponsorship of the Crvena zvezda football club, while Triglav Osiguranje, Banja Luka provided support for the Rookie and Servitium basketball clubs, Kozara football club, Mladost tennis club and Jahorina ski club.

Triglav Osiguruvanje, Skopje, allocated funds for the organisation of the Šarplaninski kup international skiing competition and an international beach volleyball tournament, also becoming a sponsor of the Bitola handball club, MZT basketball club and the Junior mini basketball school.

Triglav Pojišt'ovna continued its cooperation with the Czech Handball Federation.

Cooperation with local communities⁶²

In the framework of the »Children of Triglav – Carefree at Play, in Harmony with Nature« project, Triglav invited Slovene municipalities to report their needs to renovate playgrounds. In cooperation with the local communities, the Company helped renovate four playgrounds. The project attracted the participation of Slovene athletes, who acted as ambassadors and important role models for children in promoting active leisure time and outdoor activities. With its contribution, Triglav Osiguruvanje, Skopje supported the Rosoman municipality in the construction of a new playground.

Support of cultural creativity

Zavarovalnica Triglav supported a large number of music and theatre projects including:

- projects of the Music of the World concert cycle organised by the Cankarjev dom cultural centre;
- the Ljubljana Summer Festival and Ljubljana Puppet Theatre;
- the Godibodi Festival of contemporary folk music;
- a series of free concerts in Ljubljana's old town called »Music evenings in the Kongresni Trg Pavilion«.

Local festivals sponsored by Triglav included the Carniola Festival in Kranj, the Jazzinity International Music Festival in Novo Mesto and the International Youth Music Festival in Postojna.

Triglav Osiguranje, Zagreb was the main sponsor of Samoborski fašnik, an event with a long tradition that each year attracts many visitors. The company also supported the Kastav Cultural Summer, the oldest summer festival in the Kvarner region.

Triglav Osiguruvanje, Skopje, allocated funds for the »Zlatna bubamara« (Golden Ladybird) popularity prize-giving ceremony, the Pivolend festival, the Vinoskop international wine festival and a classic car show in the centre of Skopje.

»Children of Triglav
– Carefree at Play«
project



⁶² GRI 3.1, EC8 indicator

Zavarovalnica Triglav has, in cooperation with local communities and partners, rebuilt and renovated four playgrounds in the Slovene municipalities of Brezovica, Velenje, Kobarid and Krško. The ambassadors of the »Children of Triglav - Carefree at Play« project were top athletes Klemen Bauer, Sara Isaković, Goran Jagodnik, Peter Prevc and Jurij Tepeš.

Zavarovalnica Triglav Osiguruvanje, Skopje helped finance the construction of a new playground in the Rosoman Municipality, Macedonia.



Humanitarian activities in BiH and Montenegro

With the support of Lovćen Osiguranje, the Tivat cultural centre organised the »Purgatorije Tivat 2012« International Festival of Mediterranean Theatre.

Triglav Osiguranje, d.d., Sarajevo gave funds to the Orchestral project association for its 2012 music project.

Education

In 2012, Triglav continued to support the Cici Vesela Šola project and competition for kindergarten and elementary school pupils. Through the scholarship scheme of the Peter Škrabec Foundations, Triglav supported the eighth generation of Slovene-major students in 2012.

Triglav Osiguranje, Zagreb donated funds to the centre for encouraging children's talents called »Bistriči« (Smarties), which organises extra-curricular workshops for gifted children from 7 to 11 years old, and is also supported by the Ministry in charge of family affairs and the Ministry of Science.

Support of humanitarian activities and civil society initiatives

In cooperation with the Jesenice Association of Friends of Youth and the Children in the Heart of Nature project, Triglav financed a summer camp for children. A charity golf tournament was organised to this end, featuring Anže Kopitar, the first Slovene winner of the Stanley Cup, and other top athletes.

In its care for the elderly, Triglav partnered with the Golden Years Festival for seniors.

In addition, Triglav became a partner of the Alpine Association of Slovenia, participating in a joint drive organised by mountaineering clubs called Family-Friendly Mountain Huts, and further strengthened its commitment to mountaineering by supporting the Ljubljana-Matica Mountaineering Club.

First Triglav Run

The first Triglav Charity Run was well received. The participants donated the raised funds to the Children's Hospital in Ljubljana for the purchase of a cardiac probe for newborns.

Before the start of the school year, Triglav, in cooperation with the Anina Zvezdica charity organisation, donated 500 school bags to children from socially disadvantaged families, while Triglav employees filled them with school supplies. During the end of the year holidays, Triglav also collected food and donated it, also in partnership with Anina Zvezdica and the Association of Friends of Youth, to children in more than 200 socially disadvantaged families.

Triglav Osiguranje, Sarajevo funded the participation of the Wheelchair Basketball Association of Bosnia and Herzegovina at the European Championships in Laško. Triglav Osiguranje also took part in raising funds for the schooling of socially disadvantaged children at the winter bazaar organised by the Embassy of Slovenia. It donated funds for the 2013 calendar designed by the Education Builds Bosnia and Herzegovina Association, which helps children of victims of war, as well as disabled and gifted children.

Zavarovalnica Lovćen osiguranje funded the purchase of a machine for the Haemodialysis Ward of the Kotor General Hospital. Together with the Podgorica Rotary Club, the company helped buy school bags for hardworking school children from socially disadvantaged families in Montenegro.

Decision-making powers for sponsorships and donations

The process for evaluating applications for sponsorships and donation is transparent and precisely defined. Applications are submitted online and evaluated according to previously defined criteria by a four-member committee. The projects with the highest point score that comply with the Triglav's business strategy are selected.

Information on sponsorships and donations:

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

11.7 Responsibility to the natural environment

Triglav regulates its impacts on the natural environment by the following four measures:

- boosting energy efficiency and lowering operating costs;
- decreasing waste production, sorting and responsible disposal of waste;
- measuring and decreasing the carbon footprint; and
- offering special insurance products and benefits to encourage the insurers to adopt a responsible attitude toward the natural environment⁶³.

Products and services

Through certain insurance products and services, especially in agriculture, Zavarovalnica Triglav promotes a responsible

63 GRI 3.1, DMA EN



The mobile application enables users to file a claim on damage to a vehicle directly from the accident site – whenever and wherever. Another mobile application, Triglav Toča (Triglav Hail), was developed for sending timely alerts of hail threats.



Triglav Toča (Triglav Hail)



attitude to the natural environment and encourages locally grown food supply.

- 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 at the national level.
- Policy holders who invest in active protection enjoy premium policy incentives, so that compared to inactive policy holders, they are given up to an 80% discount for the same insurance cover of the same outdoor crops. Existing and potential clients are informed and advised in this regard⁶⁴.
- They are also made aware of the likelihood of extreme loss events (natural disasters including hailstorms, windstorms, floods, frosts, droughts, etc.), which may require them to gradually discontinue certain crops in individual more exposed areas⁶⁵. This is additionally encouraged by 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.
- In crop and fruit insurance, Zavarovalnica Triglav promotes active defence against insurable and uninsurable risks through the use of anti-hail nets, greenhouses, tunnels, and irrigation and sprinkler systems for spring frost protection⁶⁶.
- For several years now, the Company has been encouraging less intensive animal production, which is not only environmentally friendlier but also involves fewer insurance risks, by amending insurance covers or premium price of animal insurance⁶⁷.
- Through quick loss adjustment procedures, agricultural producers are offered effective support in cases of increasingly frequent natural disasters.

The implementation of the above measures is controlled through a premium policy. The prices of premium in agricultural insurance are determined annually on the basis of underwriting inspections. Premium price for less intensive animal production is set out in cooperation with the breeders at inspections preceding policy renewals, while the Company also offers assistance through advice on prevention and moderate production intensity. More than half of 3,000

economic animal insurance policies were concluded using this premium procedure. Available data shows, that the share of covered orchards is growing with almost all Triglav's policy holders⁶⁸.

Protection of the environment in work processes

In line with its corporate social responsibility strategy, Zavarovalnica Triglav employed different measures to reduce the existing and prevent new negative effects on the environment. In an effort to reduce the use of sanitary supplies, a call for tender was published to replace all toilet supplies dispensers with modern substitutes guaranteeing lower consumption in 2013. Moreover, in 2013 the Company will also start using 100% biodegradable toilet paper.

The recently introduced e-procurement for office supplies slightly reduced the use of paper. Environmental criteria have also been included in supplier selection procedures (see Section 11.5.2 *Suppliers*)⁶⁹.

Carbon footprint calculation⁷⁰

In 2012, Zavarovalnica Triglav joined the European Green Office project, and consequently performed carbon footprint calculations for its Headquarters and the Ljubljana Regional Unit for the first time. The »carbon footprint« is used to express the amount of CO₂ and other greenhouse gasses caused by the activities of individuals or organisations. The measurements indicate the carbon footprint amount of Zavarovalnica Triglav's mainly office-based activities and serves as a guideline for future goals and measures for reducing the amount of emissions. The carbon footprint calculation included emissions due to heating of the premises, electricity consumption, work-related transport and the use of printing paper in 2012.

Carbon footprint results in 2012

	Carbon footprint in tons equivalent CO ₂	Carbon footprint in tons equivalent CO ₂ per employee
Zavarovalnica Triglav d.d. – Headquarters Ljubljana	902.8	3.3
Zavarovalnica Triglav d.d. – Ljubljana Regional Unit	1,905.4	2.2



Supplier selection procedures



⁶⁴ GRI 3.1, FS8 indicator, partially

⁶⁵ GRI 3.1, FS1 indicator

⁶⁶ GRI 3.1, FS8 indicator, partially

⁶⁷ GRI 3.1, FS8 indicator, partially

⁶⁸ GRI 3.1, FS3 indicator

⁶⁹ GRI 3.1, EN7 indicator, partially

⁷⁰ GRI 3.1, FS8 indicator



Mobile application for claim filing

Information on the range of non-life insurance products, different services and claim handling procedures is available at the toll-free number 080 555 555, and 24 hours a day at a special number, 080 2864 (+386 2222 2864 for international calls), to all seekers of assistance.



Largest source of greenhouse gasses

The bulk of greenhouse gas emissions is produced by electricity consumption and heating, followed by work-related transport, while the smallest share is due to the use of printing paper⁷¹.

The share of CO₂ emissions caused by printing paper is very small compared to the use of energy products and transport; it serves, however, as a measurable indicator of the ecological awareness and environmentally responsible behaviour of office employees. In 2012, an average employee at the Headquarters used 15 sheets of paper a day, while the Ljubljana Regional Unit used 12 sheet of paper per employee a day.

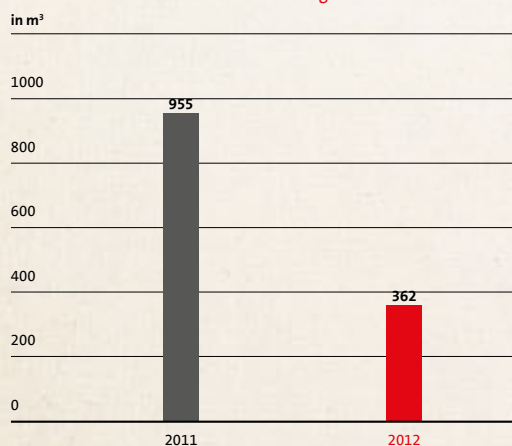
Use of energy products and water

Zavarovalnica Triglav started to pursue an active policy on the energy performance of buildings and commissioned energy audits on the premises at Verovškova 60b⁷² in Ljubljana. It is expected that appropriate organisational and investment measures will lower energy consumption by 10%.

Use of energy products and water by Zavarovalnica Triglav in 2012

	2012
Warm water	3,155.8 MWh ⁷³
Fuel oil	85,000.00 l ⁷⁴
Gas	135,000.00 m ³ ⁷⁵
Electricity	6,443.85 MWh ⁷⁶

The amount of residual waste at the Headquarters of Zavarovalnica Triglav



Zavarovalnica Triglav does not yet keep records of its electricity consumption, but estimates its structure to be comparable to the structure of energy resources at the national level. According to the latest available data (from 2011⁷⁷, the largest energy resource is nuclear energy (39%), followed by solid fuels (33%), while renewable sources of energy accounted for 24% of the total.⁷⁸

Waste disposal policy

Waste paper and electronic equipment account for the largest bulk of waste. The transition to waste sorting in the regional units, which started in 2011, continued. In 2012, waste sorting took place at the Headquarters and in the regional units in Ljubljana, Postojna, Nova Gorica and Koper, which was already in place in 2011. In 2013, the Company will continue installing recycling containers in the regional units.

At the start of 2012, 10% of employees of Zavarovalnica Triglav were sorting waste; at the end of the year the share had reached 34%. Waste was sorted at the Headquarters throughout 2012. The amount of waste reduced, amounting to 362 m³ residual waste, 96 m³ plastics and 168 m³ of paper in 2012, compared to 955 m³ of residual waste in 2011⁷⁹.

⁷¹ GRI 3.1, EN16 indicator

⁷² GRI 3.1, EN7 indicator; partially, EN5 indicator; partially

⁷³ GRI 3.1, EN4 indicator, partially

⁷⁴ GRI 3.1, EN3 indicator

⁷⁵ GRI 3.1, EN3 indicator

⁷⁶ GRI 3.1, EN4 indicator, partially

⁷⁷ Source: Ministry of Agriculture and Environment of RS, Slovenian Environment Agency, Environmental indicators in Slovenia, http://kazalci.arso.gov.si/?data=indicator&ind_id=456

⁷⁸ GRI 3.1, EN4 indicator, partially

⁷⁹ GRI 3.1, EN22 indicator, partially



The pursuit of corporate social responsibility, a value of the Triglav Group, motivated us to join the »World Cleanup 2012« international campaign.

Care for the broader natural environment

For the third year in a row, Zavarovalnica Triglav organised the popular Slovenia-wide **»Let's clean the mountains and Hills«** drive in an effort to promote responsible behaviour and enjoyment in the mountains. In 2012, as many as 25,000 100% degradable refuse sacks were distributed to 40 mountain huts 35 in 2011) in the Slovene mountains and among mountain goers. At the end of 2012, this Slovenia-wide drive had more than 20,000 Facebook fans (15,000 in 2011).

Moreover, Zavarovalnica Triglav employees and their colleagues from the entire Triglav Group joined the **»World Cleanup 2012«** and helped clean their local illegal dump sites.



www.ocistimogore.si

Zavarovalnica Triglav's
Facebook community



This drive brought together, for the first time, volunteers from the entire Triglav Group. We took part in national drives to clean up illegal dumping sites, taking place at the local level.

In the future we will once a year organise such volunteering events at the Group level to implement an initiative that is beneficial to the society.



12. 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 2012.

Events after the reporting date that are important for the operations in 2013 are the following:

- In February 2013, the Standard & Poor's credit rating agency lowered the long-term rating of the Triglav Group, which applies to both Zavarovalnica Triglav and Pozavarovalnica Triglav Re, by one notch from »A-« to »BBB+«. This downgrade was caused by the lowering of the long-term sovereign credit on the Republic of Slovenia. At the same time, S&P changed the outlook of the standalone Triglav Group rating to positive.
- The 37th General Meeting of the Shareholders of Zavarovalnica Triglav was held on 14 February 2013, during which Shareholders took note of:
 - the expiration of terms of office as at 7 April 2013 of the following Supervisory Board members/shareholder representatives: Igor Mihajlovič, Aljoša Valentinčič, Vladimir Uršič, Adolf Zupan, Gregor Kastelic and Jovan Lukovac;
 - the appointment of new Supervisory Board members/shareholder representatives with four-year terms of office commencing on 8 April 2013: Jovan Lukovac, Aleš Živkovič, Rok Strašek, Mihael Perman, Žiga Andoljšek and Blaž Šlemic;
 - the activities regarding the participation of Zavarovalnica Triglav d.d. in the share capital increase of Triglav INT d.d. and the entry of a strategic partner in the latter and, in particular, the supervision and investment decision making in the subsidiaries of Triglav INT d.d., as well as the current state of affairs regarding the entry of the strategic partner in the shareholder structure of Triglav INT d.d. For detailed information on the above see the Report to the General Meeting of Shareholders of Zavarovalnica Triglav, d.d. available at the Company's website: http://www.triglav.eu/en/investors/announcements_and_reports/general_meetings/
- On 28 February 2013, Zavarovalnica Triglav was served an action for voidness by the shareholder Association of Small Shareholders of Slovenia, Dalmatinova Street 10, 1000 Ljubljana (hereinafter: MDS Association) with reference to certain resolutions passed at the 37th General Meeting of Shareholders of Zavarovalnica Triglav on 14 February 2013. In the action for voidness, the MDS Association requires from the Court to declare the following resolutions null and void: Resolution

No. 1, No. 3.1, No. 3.2, No. 3.3, No. 3.5 and No. 3.6. As two main reasons to declare certain resolutions by the General Meeting of Shareholders void and null, the MDS Association states the failure to prohibit the exercising of voting rights to persons who (in Zavarovalnica Triglav) allegedly acted in concert in accordance with the provisions of the Takeover Act, and the lack of power of Slovenska odškodninska družba d.d. to act as a proxy for the shareholder Zavod za pokojninsko in invalidsko zavarovanje Slovenije at the General Meeting of Shareholders of Zavarovalnica Triglav.

- On 5 March 2013, Zavarovalnica Triglav d.d. was served a Securities Market Agency Decision of 4 March 2013, ordering them 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. 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, hoteli, igralnice, turizem 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 no longer reach the takeover threshold.

13. Information on the Triglav Group as at 31 December 2012

Insurance

Zavarovalnica Triglav d.d.

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

Pozavarovalnica Triglav Re d.d.

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

Triglav, zdravstvena zavarovalnica d.d.

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

Triglav Osiguranje d.d., Zagreb

Address:	Antuna Heinza 4, 10000 Zagreb, Croatia
Phone:	++ 385 (1) 563 27 77
Fax:	++ 385 (1) 563 27 99
E-mail address:	centrala@triglav-osiguranje.hr
Website:	www.triglav-osiguranje.hr
Activity:	Zavarovanje
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 99.76%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 99.76%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	- / 17,443,319 EUR

Triglav Pojišt'ovna a.s., Brno

Address:	Novobranska 544/1, 602 00 Brno, Czech Republic
Phone:	++ 420 (5) 424 250 00
Fax:	++ 420 (5) 422 179 10
E-mail address:	triglav@triglav.cz
Website:	www.triglav.cz
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	- / 13,263,239 EUR

Lovćen Osiguranje a.d., Podgorica

Address:	Ulica Slobode 13a, 81 000 Podgorica, Montenegro
Phone:	++ 382 (20) 404 400
Fax:	++ 382 (20) 665 281
E-mail address:	info@lo.co.me
Website:	www.lo.co.me
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 94.95%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 94.95%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	- / 16,172,602 EUR

Triglav Osiguranje d.d., Sarajevo

Address:	Dolina 8, 71000 Sarajevo, Bosnia and Herzegovina
Phone:	++ 387 (33) 252 110
Fax:	++ 387 (33) 252 179
E-mail address:	info@triglav.ba
Website:	www.triglav.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 68.94%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 78.71%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	- / 2.929.127 EUR

Insurance

Triglav Osiguranje a.d., Banja Luka	
Address:	Trg srpskih junaka br. 4, 78000 Banja Luka, Bosnia and Herzegovina
Phone:	++ 387 (51) 215 262
Fax:	++ 387 (51) 215 262
E-mail address:	info@triglavrs.ba
Website:	www.triglavrs.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	- / 2,845,566 EUR
Triglav Osiguranje a.d.o., Beograd	
Address:	Milutina Milankovića 7a, 11000 Beograd, Serbia
Phone:	++ 381 (11) 330 51 00
Fax:	++ 381 (11) 330 51 38
E-mail address:	office@triglav.rs
Website:	www.triglav.rs
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 97.10%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 97.10%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	- / 9,010,051 EUR
Triglav Osiguruvanje a.d., Skopje	
Address:	Bulevar 8-mi Septemvri 16, 1000 Skopje, Makedonija
Phone:	++ 389 (2) 510 22 22
Fax:	++ 389 (2) 510 22 97
E-mail address:	info@triglav.mk, pr@triglav.mk
Website:	www.triglav.mk
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / the Triglav Group:	- / 73.38%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	- / 73.38%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	- / 2,207,582 EUR

Asset management

Triglav Skladi d.o.o.	
Address:	Slovenska cesta 54, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 300 73 00
Fax:	++ 386 (1) 300 73 50
E-mail address:	info@triglavskladi.si
Website:	www.triglavskladi.si
Activity:	Management of mutual funds
Equity stake of Zavarovalnica Triglav / the Triglav Group:	67.50% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	96.43% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	563,345 EUR / 834,585 EUR
Triglav Naložbe, Finančna družba d.d.	
Address:	Slovenska cesta 54, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 434 55 40
Fax:	++ 386 (1) 434 55 50
E-mail address:	info@triglav-fd.si
Website:	www.triglav-fd.si
Activity:	Asset management
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	43,231,211 EUR / 43,231,211 EUR
Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami d.o.o.	
Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenija
Phone:	++ 386 (1) 47 44 440, 430 41 50
Fax:	++ 386 (1) 242 06 93, 231 31 70
E-mail address:	info@triglav-nepremicnine.si
Activity:	Real estate management
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	23,652,199 EUR / 23,652,199 EUR
Triglav penzijski fondovi a.d. – in liquidation	
Address:	Ulica Milutina Milankovića 7a, 11070 Novi Beograd, Serbia
Phone:	++ 381 (11) 330 51 00

Other

Triglav INT, holdinška družba d.d.	
Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 73 52
E-mail address:	triglavint@triglav-int.si
Activity:	Holding company
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	88,598,008 EUR / 88,598,008 EUR
TRI - PRO d.o.o.	
Address:	Ljubljanska cesta 86, 1230 Domžale, Slovenia
Phone:	++ 386 (1) 724 66 50
Fax:	++ 386 (1) 724 66 75
E-mail address:	info@tri-pro.si
Website:	www.tri-pro.si
Activity:	Insurance brokerage
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	8,763 EUR / 8,763 EUR
AS Triglav - servis in trgovina d.o.o.	
Address:	Verovškova 60b, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 580 68 72
Fax:	++ 386 (1) 580 68 75
E-mail address:	info@as-triglav.si
Activity:	Maintenance and repair of motor vehicles
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	43,663 EUR / 43,663 EUR
Slovenijales d.d.	
Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 42 00
Fax:	++ 386 (1) 431 41 45
E-mail address:	info@slovenijales.si
Website:	www.slovenijales.si
Activity:	Trade
Equity stake of Zavarovalnica Triglav / the Triglav Group:	97.90% / 97.90%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	97.90% / 97.90%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	11.177.530 EUR / 11.177.530 EUR

Gradis IPGI d.d.	
Address:	Industrijska cesta 2, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 541 19 97
Fax:	++ 386 (1) 541 19 98
E-mail address:	info@gradis-ipgi.si
Website:	www.gradis-ipgi.si
Activity:	Construction
Equity stake of Zavarovalnica Triglav / the Triglav Group:	56.95% / 85.66%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	56.95% / 85.66%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	455,988 EUR / 685,851 EUR
Hotel Grad Podvin d.d.	
Address:	Miklošičeva cesta 19, 1000, Ljubljana, Slovenia
Phone:	++ 386 (4) 474 74 76
Fax:	++ 386 (4) 474 74 69
Activity:	Tourism
Equity stake of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / the Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav /the Triglav Group:	750,984 EUR / 750,984 EUR

Triglav Group

Annual Audited Consolidated Financial Statements 2012

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I. Statement of Management's Responsibilities



I. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board herewith confirms the consolidated financial statements for the year ended 31 December 2012, 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 Group's assets and the results of its operations for the year ended 31 December 2012.

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 consolidated 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 Group, including a description of the major risks to which Zavarovalnica Triglav as the parent company and its consolidated subsidiaries are exposed to as the Group.

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.

MANAGEMENT BOARD:

President: Matjaž RAKOVEC

Members: Andrej SLAPAR

Stanislav VRTUNSKI


Benjamin JOŠAR

Marica MAKOTER

Ljubljana, 29. March 2013

II. Independent Auditor's Report

To the Management and Supervisory Board of Zavarovalnica Triglav d.d., Ljubljana



INDEPENDENT AUDITOR'S REPORT

To the owners of Zavarovalnica Triglav d.d

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Group Zavarovalnica Triglav which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Consolidated Annual Report for year ended December 31, 2011 was audited by another auditor, who issued unqualified audit opinion on March 29, 2012.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Group Zavarovalnica Triglav as of December 31, 2012, 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 consolidated 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. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated financial statements.

Ljubljana, 29. 3. 2013


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana


Revizija, poslovno
svetovanje d.o.o., Ljubljana


Primož Kovačič
Certified Auditor

This is translation of the original report in Slovene language

III. Consolidated Financial Statements

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		in EUR	
	Notes	31 December 2012	31 December 2011
ASSETS			
Intangible assets	6.1	66,878,286	63,333,465
Property, plant and equipment	6.2	130,350,482	128,808,682
Deferred tax receivables	6.16	34,434,717	40,661,243
Investment property	6.3	100,186,863	96,784,890
Investments in associates	6.4	14,384,184	20,504,563
Financial assets	6.5	2,445,878,652	2,326,023,820
<i>Financial investments</i>		2,026,996,736	1,961,339,446
- <i>loans and deposits</i>		273,278,022	439,712,247
- <i>held to maturity</i>		228,416,165	245,218,281
- <i>available for sale</i>		1,417,564,782	1,192,865,725
- <i>recognised at fair value through profit and loss</i>		107,737,767	83,543,191
<i>Unit-linked insurance assets</i>		418,881,916	364,684,374
Reinsurers' share of technical provisions	6.6	83,575,712	43,983,083
Receivables	6.7	194,850,052	205,049,270
- receivables from direct insurance operations		103,865,001	118,559,323
- receivables from reinsurance and coinsurance operations		42,942,784	40,739,474
- current tax receivables		9,331,709	459,509
- other receivables		38,710,558	45,290,964
Other assets	6.8	33,680,408	12,597,206
Cash and cash equivalents	6.9	17,251,420	22,771,667
Non-current assets held for sale	6.10	2,337,617	1,482,215
TOTAL ASSETS		3,123,808,393	2,962,000,104
EQUITY AND LIABILITIES			
Equity	6.11	574,563,757	489,469,838
<i>Controlling interests</i>		567,863,820	465,264,933
- share capital		73,701,392	73,701,402
- share premium		56,710,713	53,204,076
- reserves from profit		253,233,080	230,826,820
- fair value reserve		51,819,054	2,786,975
- net profit brought forward		86,769,095	61,135,220
- net profit/loss for the year		48,809,667	46,175,732
- currency translation differences		-3,179,181	-2,565,292
<i>Non-controlling interests</i>		6,699,937	24,204,905
Subordinated liabilities	6.12	37,025,550	40,932,090
Insurance technical provisions	6.13	1,887,920,781	1,869,646,881
- unearned premiums		268,424,573	291,740,398
- mathematical provisions		869,949,936	845,464,934
- claims provisions		723,176,114	705,464,250
- other insurance technical provisions		26,370,158	26,977,299
Insurance technical provisions for unit-linked insurance contracts	6.13	417,338,984	364,495,891
Employee benefits	6.14	10,573,673	10,392,165
Other provisions	6.15	19,621,552	19,140,222
Deferred tax liabilities	6.16	21,351,998	9,613,587
Other financial liabilities	6.17	39,380,566	39,491,120
Operating liabilities	6.18	58,150,107	57,860,742
- liabilities from direct insurance operations		20,811,717	20,928,061
- liabilities from reinsurance and co-insurance operations		36,744,115	36,106,029
- current tax liabilities		594,275	826,652
Other liabilities	6.19	57,881,425	60,957,569
TOTAL CAPITAL AND LIABILITIES		3,123,808,393	2,962,000,104

B. CONSOLIDATED INCOME STATEMENT

		in EUR	
	Notes	2012	2011
NET PREMIUM INCOME	7.1	884,367,872	916,278,896
- gross written premium		936,263,023	989,398,804
- ceded written premium		-74,983,245	-80,087,864
- change in unearned premiums		23,088,094	6,967,956
INCOME FROM FINANCIAL ASSETS	7.2	173,651,547	148,981,933
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES		5,754,725	4,269,157
- profit on equity investments accounted for using the equity method		1,720,451	4,265,615
- interest expense		0	3,060
- fair value gains	7.4	0	0
- realised gains on disposals	7.5	0	0
- other financial income		4,034,274	482
INCOME FROM OTHER FINANCIAL ASSETS		138,074,118	118,961,870
- interest income		82,502,711	85,744,485
- dividends		3,120,364	4,366,741
- fair value gains	7.4	17,616,160	6,575,898
- realised gains on disposals	7.5	29,270,460	16,145,886
- other financial income		5,564,423	6,128,860
NET UNREALISED GAINS ON UNITLINKED LIFE INSURANCE ASSETS		29,822,704	25,750,906
OTHER INCOME FROM INSURANCE OPERATIONS	7.6	20,702,957	26,441,506
- fees and commission income		13,741,969	17,402,868
- other income from insurance operations		6,960,988	9,038,638
OTHER INCOME	7.7	76,039,900	57,156,897
NET CLAIMS INCURRED	7.8	578,938,271	576,117,033
- gross claims settled		613,765,178	593,872,215
- reinsurers' share		-22,515,985	-22,450,576
- changes in claims provisions		-19,720,565	-1,961,843
- equalisation scheme expenses for supplementary health insurance		7,409,643	6,657,237
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	7.9	-1,446,818	-2,909,572
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	7.9	52,882,779	-11,402,162
EXPENSES FOR BONUSES AND DISCOUNTS	7.10	8,647,771	6,458,995
OPERATING EXPENSES	7.11	198,477,965	203,308,320
- acquisition costs		127,960,690	130,633,390
- other operating costs		70,517,275	72,674,930
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	7.3	100,957,942	202,010,429
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES		2,104,247	19,175,570
- loss on investments accounted for using the equity method		2,104,247	16,977,661
- interest expense		0	0
- fair value losses	7.4	0	1,775,494
- realised loss on disposals		0	94,434
- loss on impairment of financial assets	7.3	0	327,453
- other expenses from financial assets and liabilities		0	528
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES		98,177,882	107,035,830
- interest expense		3,576,326	5,849,807
- fair value losses	7.4	18,768,643	10,847,926
- realised loss on disposals	7.5	24,081,742	17,273,701
- loss on impairment of financial assets	7.3	43,652,275	62,861,127
- other expenses from financial assets and liabilities		8,098,896	10,203,269
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS		675,813	75,799,029
OTHER INSURANCE EXPENSES	7.12	42,829,908	55,953,030
OTHER EXPENSES	7.13	83,803,046	61,323,544
PROFIT/ LOSS BEFORE TAX		89,671,412	57,999,615
Income tax expense	7.14	-16,490,349	-10,502,374
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD		73,181,063	47,497,241
Net profit / loss attributable to the controlling company		72,512,985	47,060,748
Net profit / loss attributable to non-controlling interest holders		668,078	436,490

C. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		in EUR	
	Notes	2012	2011
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX		73,181,063	47,497,241
II. OTHER COMPREHENSIVE INCOME AFTER TAX		48,810,646	-43,870,371
1. Net gains/losses from the re-measurement of available-for-sale financial assets		85,240,369	-69,942,764
Gains/losses recognised in fair value reserve		56,130,261	-130,511,883
Transfer from fair value reserve to profit/loss		29,110,108	60,569,123
2. Net gains/losses from non-current assets held for sale		0	-198,746
3. Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	7.2	246,560	-2,164,189
4. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	7.14	-23,745,609	9,274,697
5. Currency translation adjustment	6.11	-638,532	-566,861
6. Tax on other comprehensive income	7.14	-12,292,142	19,727,492
III. COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX		121,991,709	3,626,870
Controlling interests		120,972,431	3,718,858
Non-controlling interests		1,019,278	-91,988

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁸⁰

2012	in EUR															
	Share capital	Share premium	Reserves from profit						Fair value reserve	Net profit brought forward	Net profit/ loss	Treasury shares	Currency translation differences	TOTAL equity attributable to the controlling company	Non-controlling interests	TOTAL
OPENING BALANCE FOR THE PERIOD	73,701,392	53,204,076	529,798	364,680	19,430,985	34,866,038	0	176,000,000	2,786,975	61,135,220	46,175,732	-364,680	-2,565,265	465,264,951	24,204,905	489,469,857
Comprehensive income for the year after tax								49,073,336		72,512,985			-613,890	120,972,431	1,019,278	121,991,709
Dividend payment									-15,904,095					-15,904,095	6,511	-15,897,584
Increase of share capital															0	0
Allocation to reserves from profit					86,405			25,000,000		-86,405	-25,000,000				0	0
Allocation to other equity items															0	0
Allocation to credit risk reserves						-2,680,146					1,296,682			-1,383,464	75,613	-1,307,851
Allocation to net profit/loss brought forward										46,175,732	-46,175,732			0		0
Transactions with non-controlling interest holders		3,506,637												3,506,637	-18,606,370	-15,099,733
Other								-41,257	-4,551,357					-4,592,614		-4,592,614
CLOSING BALANCE FOR THE PERIOD	73,701,392	56,710,713	529,798	364,680	19,517,390	32,185,892	0	201,000,000	51,819,054	86,769,095	48,809,667	-364,680	-3,179,181	567,863,820	6,699,937	574,563,757

2011	in EUR															
	Share capital	Share premium	Reserves from profit						Fair value reserve	Net profit brought forward	Net profit/ loss	Treasury shares	Currency translation differences	TOTAL equity attributable to the controlling company	Non-controlling interests	TOTAL
OPENING BALANCE FOR THE PERIOD	23,701,392	53,655,514	529,798	364,680	19,451,956	33,436,225	0	16,000,000	45,520,845	269,153,671	11,313,295	-364,680	-1,997,661	470,765,035	28,212,772	498,977,808
Comprehensive income for the year after tax								-42,774,286		47,060,748			-567,604	3,718,858	-91,988	3,626,870
Dividend payment									-9,088,053					-9,088,053	-22,019	-9,110,072
Increase of share capital	50,000,000								-50,000,000					0		0
Allocation to reserves from profit								160,000,000	-160,000,000					0		0
Allocation to other equity items					-20,971			40,416	-19,445					0		0
Allocation to credit risk reserves						936,144				-885,016				51,128	-51,128	0
Allocation to net profit/loss brought forward									11,313,295	-11,313,295				0		0
Other		-451,438				493,669			-224,248					-182,017	-3,842,732	-4,024,749
CLOSING BALANCE FOR THE PERIOD	73,701,402	53,204,076	529,798	364,680	19,430,985	34,866,038	0	176,000,000	2,786,975	61,135,220	46,175,732	-364,680	-2,565,292	465,264,933	24,204,905	489,469,838

⁸⁰ For additional notes on equity see Section 6.11.

E. CONSOLIDATED CASH FLOW STATEMENT⁸¹

	Notes	2012	in EUR 2011
A. OPERATING CASH FLOW			
a. Income statement items		45,877,945	15,483,061
1. Net written premium for the period	7.1	870,023,930	921,231,920
2. Investment income (excluding financial income) arising from:	7.2	23,934,772	52,023,035
- insurance technical provisions		20,759,650	48,394,304
- other sources		3,175,122	3,628,731
3. Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables		107,126,416	92,424,896
4. Net claims paid	7.8	-600,003,778	-575,979,434
5. Bonuses and rebates paid		-8,083,904	-10,789,820
6. Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	7.11	-198,650,682	-180,378,877
7. Investment expenses (excluding financial expenses) arising from:	7.3	-48,570,963	-128,112,894
- technical sources		-10,064,141	-113,123,136
- other sources		-38,506,822	-14,989,758
8. Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	7.13	-85,565,697	-130,489,363
9. Corporate income tax and other taxes excluded from operating expenses		-14,332,149	-24,446,402
b. Changes in net current assets-operating balance sheet items		-9,804,340	-108,901,945
1. Movements in receivables from insurance operations	6.7	-6,846,251	-8,701,560
2. Movements in receivables from reinsurance operations		181,594	13,231,300
3. Movements in other receivables from (re)insurance operations		-5,890,243	11,946,762
4. Movements in other receivables and assets		3,101,504	-5,150,334
5. Movements in deferred tax assets		2,337,454	-8,192,753
6. Movements in inventories		1,879,031	543,313
7. Movements in debts from direct insurance operations	6.18	11,410,478	-763,375
8. Movements in debts from reinsurance operations		-1,505,423	1,501,610
9. Movements in operating debts		-16,822,070	-93,986,597
10. Movements in other liabilities (excluding unearned premiums)		-4,600,737	2,732,819
11. Movements in deferred tax liabilities	6.16	6,950,323	-22,063,130
c. Operating cash flow	8.5	36,073,605	-93,418,884
B. CASH FLOWS FROM INVESTING ACTIVITIES			
a. Cash inflows from investing activities		2,712,442,552	3,154,641,695
1. Cash inflows from interest from investing activities and from:	6.5	79,822,024	81,672,158
- investment financed by insurance technical provisions		74,795,607	77,990,411
- other investment		5,026,417	3,681,747
2. Cash inflows from dividends received and profit sharing, arising from:	6.5	9,601,940	4,820,953
- investment financed by insurance technical provisions		1,612,124	1,563,343
- other investment		7,989,816	3,257,610
3. Cash inflows from the disposal of intangible assets financed by:	6.1	232,862	776,499
- insurance technical provisions		317,636	155,769
- other sources		-84,774	620,730
4. Cash inflows from the disposal of property, plant and equipment financed by:	6.2	6,104,632	2,239,195
- insurance technical provisions		2,479,264	294,039
- other sources		3,625,368	1,945,156
5. Cash inflows from the disposal of non-current investments financed by:	6.5	1,246,931,676	854,302,483
- insurance technical provisions		1,103,905,564	741,489,085
- other sources		143,026,112	112,813,398
6. Cash inflows from the disposal of current investments financed by:	6.5	1,369,749,418	2,210,830,407
- insurance technical provisions		1,195,426,053	2,055,075,841
- other sources		174,323,365	155,754,566

⁸¹ For additional notes to the cash flow statement see Chapter 8.5.

Consolidated Cash Flow Statement - continued

		in EUR	
	Notes	2012	2011
b. Cash outflows from investing activities		-2,727,253,065	-3,060,222,681
1. Cash outflows for the purchase of intangible assets	6.1	-8,515,221	-5,123,713
2. Cash outflows for the purchase of property, plant and equipment financed by:	6.2	-7,452,052	-9,586,447
- insurance technical provisions		-851,175	-4,532,464
- other sources		-6,600,877	-5,053,983
3. Cash outflows for the purchase of non-current investments financed by:	6.5	-1,385,444,793	-926,368,493
- insurance technical provisions		-1,251,414,012	-788,020,378
- other sources		-134,030,781	-138,348,115
4. Cash outflows for the purchase of current investments financed by:	6.5	-1,325,840,999	-2,119,144,028
- insurance technical provisions		-1,146,279,066	-1,968,482,135
- other sources		-179,561,933	-150,661,893
c. Total cash flow from investing activities		-14,810,513	94,419,014
C. CASH FLOWS FROM FINANCING ACTIVITIES			
a. Cash inflows from financing activities		33,413,521	21,248,068
1. Cash inflows from paid-in capital		0	0
2. Cash inflows from long-term loans received	6.12	5,735,970	4,857,115
3. Cash inflows from short-term loans received		27,677,551	16,390,953
b. Cash outflows from financing activities		-59,716,158	-33,673,683
1. Cash outflows for paid interest		-2,822,301	-3,829,877
2. Cash outflows for repayments of principal		0	0
3. Cash outflows for payments of long-term financial liabilities		-3,390,936	-13,933,500
4. Cash outflows for payments of short-term financial liabilities		-37,604,980	-7,030,545
5. Cash outflows from dividends paid and profit sharing		-15,897,941	-8,879,761
c. Total cash flow from financing activities		-26,302,637	-12,425,615
D. OPENING BALANCE OF CASH AND CASH EQUIVALENTS		22,771,666	34,108,090
E1. NET CASH FLOW FOR THE PERIOD	6.9	-5,039,545	-11,425,485
E2. FOREIGN EXCHANGE DIFFERENCES		-480,702	89,061
F. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		17,251,419	22,771,666

Notes on the pages 114 to 177 are integral part of these financial statements.

IV. Notes to the Consolidated Financial Statements

1. General information

1.1 Company profile

Zavarovalnica Triglav d.d. (hereinafter: »Zavarovalnica Triglav« or »the controlling company«) with its subsidiaries and associated companies form the Triglav Group (hereinafter: »the Group«).

Zavarovalnica Triglav is a public limited company, with its registered office at Miklošičeva 19 in Ljubljana, Slovenia. The controlling interest in Zavarovalnica Triglav is held by the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije, hereinafter: ZPIZ) and the Slovene Restitution Fund (Slovenska odškodninska družba, hereinafter: SOD), which participate with 34.47% and 28.07% of the share capital, respectively.

Insurance is the core business of the Group, including a wide range of life, property and health insurance, as well as reinsurance products. In addition, the Group provides a variety of asset management, servicing and other financial services.

On 29 March 2013, the Management Board approved the issuance of the consolidated financial statements. Once the financial statements are issued, the shareholders are entitled to make amendments. Zavarovalnica Triglav also prepared separate financial statements in accordance with IFRS. The consolidated 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 2012, the Supervisory Board had the following members:

- Anton Ribnikar, shareholder representative (Chairman and member until 12 June 2012);
- Uroš Slavinec, shareholder representative (Vice President until 12 June 2012);
- Igor Mihajlovič, shareholder representative (Chairman as of 21 June 2012);
- Gregor Kastelic, shareholder representative (member as of 13 June 2012 and Vice President as of 21 June 2012)
- Aljoša Valentinčič, shareholder representative;
- Vladimir Uršič, shareholder representative;
- Adolf Zupan, shareholder representative (member as of 12 June 2012);
- Jovan Lukovac, shareholder representative (member as of 13 June 2012);

- Branko Gorjan, employee representative;
- Peter Celar, employee representative;
- Miran Krštinc, employee representative (member as of 30 May 2011).

The Supervisory Board members-shareholder representatives began their term of office on 7 April 2009 for a period of four years, to 7 April 2013. Because the term of office of Mirko Miklavčič ended on 25 September 2009, the General Meeting of Shareholders appointed in his stead Vladimir Uršič as a member of the Supervisory Board - shareholder representative on 28 June 2010. The term of office of Borut Jamnik ended on 19 September 2011; on 12 June 2012, the General Meeting of Shareholders appointed Adolf Zupan in his stead as a member of the Supervisory Board - shareholder representative. On 13 June 2012, the General Meeting of Shareholders appointed Jovan Lukovac and Gregor Kastelic as Supervisory Board members, because Anton Ribnikar and Uroš Slavinec ended their terms of office on 12 June 2012.

On 8 April 2011, the Works Council of Zavarovalnica Triglav elected Miran Krštinc, Peter Celar and Branko Gorjan as new members of the Supervisory Board/employee representatives for four-year terms of office starting 30 May 2011 and ending on 30 May 2015.

At its session on 21 June 2012, the Supervisory Board appointed Igor Mihajlovič as its Chairman and Gregor Kastelic as its Vice-Chairman. In the reporting year, the function of the Chairman of the Supervisory Board was held by Anton Ribnikar until 12 June 2012 and that of its Deputy Chairman by Uroš Slavinec.

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 2012, the Management Board had the following composition:

- Matjaž Rakovec, president;
- Andrej Slapar, member;
- Stanislav Vrtunski, member (as of 23 May 2012);
- Benjamin Jošar, member (as of 2 November 2012);
- Marica Makoter, member, employee representative.

Until 30 June 2012, i.e. until the expiry of his term of office, the office of the Management Board member was held by Igor Stabernak.

1.3 Employees

As at 31 December 2012, the Group had 5,379 employees. In 2012, the average number of employees was 5,406 (vs. 5,140 in 2011). The educational structure of employees is shown in the table.

Level of education	31 December 2012	31 December 2011
Primary and Vocational (I-IV)	260	243
Secondars School (V)	2,866	2,711
Post-Secondary Education (VI)	567	596
Higher Education and University (VII)	1,549	1,399
Masters and Doctorate (VIII-IX)	137	115
TOTAL	5,379	5,064
Average number of employees	5,406	5,140

1.4 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter: IFRS), the Companies Act (hereinafter: ZGD-1) and the Insurance Act (hereinafter: ZZavar).

1.5 Reporting basis

The consolidated financial statements of Triglav Group are compiled under the going concern assumption. These consolidated financial statements have been prepared on the historical cost basis, except in the following cases in which the fair value was used instead:

- derivative financial instruments, which are measured at fair value;
- financial assets measured at fair value through profit and loss;
- available-for-sale financial assets measured at fair value; and
- equity instruments in associates, which are accounted for using the equity method.

The methods used for measuring fair value are described in Section 2.8.

For the preparation of the statement of financial position, the Group 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, the Group 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 of the balance sheet date (non-current).

Financial assets and liabilities on the statement of financial position are offset only when the Group 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 Group.

The consolidated 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 distribution of profits is discussed separately for each company of the Group by the General Meeting of Shareholders.

1.6 Basis for consolidation

The entities in which the Group directly or indirectly holds more than half of the voting rights or otherwise has the power to exercise control over their operations (subsidiaries) have been fully consolidated. The subsidiaries are consolidated from the date on which effective control was transferred to the Group and are no longer consolidated from the date that such control ceases. The changes in the equity share of the controlling company which do not cause a loss of control are accounted for as equity transactions. The difference between the amount for which the non-controlling interests are adjusted and the fair value of paid or received consideration is recognised directly in equity and allocated to shareholders of the controlling company. In the case of a loss of control over the subsidiary, assets (including goodwill) and liabilities are derecognised by their carrying value as at the date of loss of control and the carrying amount of non-controlling interest is derecognised.

All intercompany transactions, balances and any income and expenses arising from intra-group transactions have been eliminated in the process of consolidation.

The subsidiaries' accounting policies are predominantly the same as the accounting policies of Zavarovalnica Triglav. Where necessary, the accounting policies for subsidiaries have been changed in order to ensure consistency with the policies adopted by the Group. In the consolidated statement of financial position, non-controlling interests are disclosed separately from the equity of the controlling company. Net profit / loss attributable to minority interests is disclosed separately in the statement of changes in equity and in the income statement.

In 2012 the following changes occurred in the ownership structure of the Group:

Purchase of shares in Pozavarovalnica Triglav Re d.d., Ljubljana

In the reporting period, Zavarovalnica Triglav purchased 1,950 shares of Pozavarovalnica Triglav Re d.d. from non-controlling interest holders, thus becoming the sole owner (100%) of that subsidiary. The purchase price for a 13% equity stake was recorded at EUR 2,809,950. The difference between the amount for which non-controlling interest is adjusted and the compensation received, equalling EUR 1,698,612, was recognised directly in equity (capital reserves).

Purchase of shares of Triglav Zdravstvena zavarovalnica d.d., Ljubljana

Zavarovalnica Triglav purchased 3,029 shares of Triglav Zdravstvena zavarovalnica d.d. from non-controlling interest holders and thus became its sole owner (100%). The purchase price for a 0.49% equity stake was EUR 18,174. The difference between the amount for which non-controlling interest is adjusted and the compensation received, equalling EUR 15,190, was recognised directly in equity (capital reserves).

Purchase of shares of Slovenijales d.d., Ljubljana

In the last quarter of 2012, Zavarovalnica Triglav purchased 98,947 shares of Slovenijales d.d. from non-controlling shareholders, which increased its shareholding to 97.9% of that company. The purchase price for a 36.24% equity stake was EUR 11,817,240. The difference between the amount for which non-controlling interest is adjusted and the compensation received, equalling EUR 1,352,609, was recognised directly in equity (capital reserves).

Acquisition of Investicijsko podjetje d.o.o. (IP) and its subsidiaries (IP Nova, IP Nova A)

Zavarovalnica Triglav d.d. acquired the company Investicijsko podjetje d.o.o., Ljubljana on 22 June 2012 and thereby became its 100% own-

er. The purpose of the acquisition was to exploit synergies in investment property management, which could help streamline operations and improve investment property management at the group level. The acquisition, therefore, represents a reasonable addition to the real property business of the Triglav Group.

As at the acquisition day IP d.o.o. had two 100%-owned subsidiaries:

- IP Nova d.o.o. and
- IP Nova A d.o.o.

The acquisition of IP d.o.o. and both its subsidiaries was recognised in the interim consolidated financial statements for the first half of 2012, i.e. as at 30 June 2012 (the reporting date), applying the acquisition method (previously »purchase method«) according to IFRS 3 – Business Combinations. On 31 December 2012 a renewed valuation of the land and buildings disclosed by the acquired company under property, plant and equipment, investment property and inventories was performed. Consequently, the fair value of acquired assets was reestablished. The initially assessed profit from the acquisition was therefore reduced from EUR 5,828,826 to EUR 2,039,806, which is recognised under other financial income.

The acquired assets and liabilities of the acquired companies were finally recognised and measured as follows:

Items	in EUR		
	IP	IP Nova	IP Nova A
1 ASSETS	34,623,597	239,033	9,004
- intangible assets	101,800	0	0
- property, plant and equipment	1,973,989	0	0
- investment property	2,849,054	110,000	0
- financial investments	5,003,070	120,000	8,346
- deferred tax assets	128,713	0	0
- other receivables	179,813	2,703	78
- cash	1,184,629	6,330	580
- inventory	22,867,223	0	0
- accrued income and deferred costs	335,306	0	0
2 LIABILITIES	17,770,422	0	11
- long-term provisions	269,889	0	0
- liabilities to banks	16,820,447	0	0
- other operating liabilities	328,792	0	11
- deferred tax liabilities	351,294	0	0
3 NET value of assets acquired and liabilities assumed	16,853,176	239,033	8,993
4 Acquisition price of IP	14,813,370	8,763	8,763
5 Equity stake (%)	100	100	100
6 Fair value of acquired stake	14,813,370	8,763	8,763
7 BADWILL (recognised under income)	2,039,806	230,270	230
8 Value of non-controlling interest (calculated as proportionate share in equity instruments in recognised value of net identifiable assets)	0	0	0

Contingent receivables from the Housing Fund of the Republic of Slovenia (Stanovanjski sklad RS) and the Tax Administration of the Republic of Slovenia - Ljubljana Tax Office (DURS Davčni urad Ljubljana) as well as contingent liabilities arising from the agreement with IMP Nova d.o.o., Zagreb, and the building society Zagrebstan (for which a guarantee contract was signed, obliging Zavarovalnica Triglav to pay the seller of IP EUR 1,845,422, conditional upon the collection of con-

tingent receivables and the discharge of contingent liabilities within period of three years) are not recognised as assets of IP.

On 30 June 2012, Triglav nepremičnine d.d. was merged to IP d.d., whereupon the latter was renamed Triglav nepremičnine d.o.o. Assets and liabilities were transferred at book value. On 31 October 2012, both its subsidiaries (IP Nova d.o.o. and IP Nova A d.o.o.) were merged to IP d.d. Assets and liabilities were transferred at book value.

Liquidation procedure of Triglav Penzijski fondovi a.d., Belgrade

On 24 December 2012 the Companies Register (Agencija za privredne registre) in the Republic of Serbia issued a decision to start a liquidation procedure for Triglav Penzijski fondovi a.d., Belgrade.

Other changes in the Triglav Group:

Triglav INT d.d. – capital increase in Triglav Osiguranje a.d., Belgrade

A capital increase was carried out in Triglav Osiguranje a.d.o., Belgrade, by issuing 377,000 shares with a nominal value of RSD 700 each or RSD 263,900,000 (EUR 2,308,836) in total. Triglav INT d.d. thus increased its stake in the said company from 96.08% to 97.1%. Newly raised capital was used to cover loss brought forward from previous years of RSD 257,278,700 in total.

Triglav INT d.d. – capital increase in Triglav Osiguranje a.d.o., Banja Luka

A capital increase was carried out through the issue of 973 shares with a nominal value of BAM 2,000 each or BAM 1,946,000 (EUR 994,974) in total. The recapitalisation funds were transferred on 6 August 2012 and recapitalisation was entered into the local Court Register on 16 October 2012.

Sianal d.o.o. – winding-up in a simplified procedure without liquidation

On 26 September 2012, Sianal d.o.o. was stricken out from the Companies Register. After the winding-up, the total assets of the company were assigned to Salnal d.d.

Acquisition of equity stake of Triglav Skladi d.o.o.

On 9 November 2012, Triglav Skladi d.o.o., acquired a 2.5% equity stake from non-controlling interest holders. The difference between the amount for which non-controlling interest is adjusted and the compensation received, equalling EUR 237,831, was recognised directly in equity (capital reserves).

Triglav Naložbe d.d. – gradual acquisition of Avrigo d.d. and its subsidiaries

On 6 February 2012, Triglav Naložbe d.d. started a gradual acquisition of Avrigo d.d., Nova Gorica, by increasing its equity stake from 46.51% to 77.96%. Prior to this acquisition, the holding of Triglav Naložbe in Avrigo was consolidated using the equity method. Avrigo d.d., assessed to have the ability to generate high return on equity, was acquired in order to gain control over its operations.

The business combination was recognised using the acquisition method according to IFRS 3 – Business Combinations. At the acquisition date, the fair value of identifiable assets and acquired liabilities was established. Goodwill in the amount of EUR 184,853 was recognised.

By the balance sheet date, i.e. 31 December 2012, Triglav Naložbe acquired additional 19.35% in Avrigo, thus its equity stake rose to 97.31%. The difference between the amount for which non-controlling interest is adjusted and the compensation received, equalling EUR 202,394, was recognised directly in equity (capital reserves).

As at the acquisition date the acquired assets and liabilities in the acquired company were recognised and measured as follows:

Items	in EUR Avrigo d.d.
1 ASSETS	14,011,573
- intangible assets	25,952
- property, plant and equipment	8,226,379
- Investment property	35,025
- financial assets	2,436,695
- deferred tax assets	69,409
- other receivables	2,206,310
- cash and cash equivalents	921,430
- other assets	90,373
2 LIABILITIES	5,136,319
- long-term provisions	372,356
- liabilities to banks	1,464,647
- other operating liabilities	3,299,316
3 NET value of assets acquired and liabilities assumed	8,875,254
4 Value of identifiable assets and acquired liabilities using the equity method as at the acquisition date (46.51% stake)	3,981,756
5 Fair value calculation for 46.51% stake	4,127,881
6 Difference (5 - 4) recognised in financial income	146,124
7 Acquisition price of acquired stake (31.45%)	2,976,120
8 Fair value of acquired stake (31.45%)	2,791,267
9 GOODWILL	184,853
10 Value of non-controlling interest (calculated as proportionate share in equity instruments in recognised value of net identifiable assets (22.04%))	1,956,106

In the course of the acquisition of Avrigo d.d., the following subsidiaries of this company were also acquired:

- Integral Notranjska d.o.o., družba za prevoz in turizem, Cerknica – 100% owned by the acquired company;
- Integral avtobusni promet in turizem Zagorje d.o.o. – 78.57% owned by the acquired company; until 31 December 2012, though this capital increase, the equity holding of Zavarovalnica Triglav in the said company was raised to 87.31%.⁸²
- Integral Stojna Kočevje d.o.o. – 79.88% owned; until 31 December 2012, Avrigo d.d. increased its share by 99.27%.⁸³
- Alptours Turizem, trgovina, storitve d.o.o., Bovec – 97.66% owned.

⁸² As at 31 December 2012 Integral avtobusni promet in turizem Zagorje d.o.o. held 12.69% of its own equity.

⁸³ As at 31 December 2012 Integral Stojna Kočevje d.o.o. held 0.73% of its own equity.

As at the acquisition date, the acquired assets, liabilities and non-controlling interests in the acquired companies are outlined below:

Items	Integral Notranjska d.o.o.	Integral - Zagorje d.o.o.	Integral Stojna Kočevje d.o.o.	in EUR Alptours d.o.o.
1 ASSETS	2,863,709	2,509,642	1,784,116	31,088
- intangible assets	0	2,381	2,838	0
- property, plant and equipment	1,266,080	1,717,030	1,355,057	28,870
- Investment property	2,000	0	0	0
- financial assets	431,497	208,269	100,126	0
- deferred tax assets	3,291	244,933	99,000	0
- other receivables	725,861	295,543	223,165	0
- cash and cash equivalents	434,570	41,486	3,930	2,218
- other assets	410	0	0	0
2 LIABILITIES	183,078	1,725,261	1,227,756	42,679
- long-term provisions	32,906	114,302	495,000	0
- liabilities to banks	15,910	0	0	0
- other operating liabilities	134,262	1,610,959	732,756	42,679
3 NET value of assets acquired and liabilities assumed	2,680,631	784,381	556,360	-11,591
4 Acquisition price of Avrigo -subsidiary	842,050	1,000,000	495,000	9,804
5 Acquisition price of Integral Stojna Kočevje - subsidiary	0	100,126	0	0
6 Acquisition price of Integral Zagorje - subsidiary	0	0	98,269	0
7 Equity stake (%)	100	88	99	98
8 Fair value of acquired stake	2,680,631	687,079	552,299	-11,320
9 GOODWILL (recognised under intangible assets)	0	413,047	50,596	21,124
10 BADWILL (recognised under income)	1,838,581	0	9,626	0
11 Value of non-controlling interest (calculated as proportionate share in equity instruments in recognised value of net identifiable assets)	0	97,302	4,061	-271

in EUR								
Company	Address	Tax rate (In %)	Activity	Equity stake (in %)		Share of voting rights (in %)		Value of equity As at 31 December
				2012	2011	2012	2011	2012 2011
1 Pozavarovalnica Triglav RE d.d., Ljubljana	Miklošičeva 19, Ljubljana, Slovenia	18	Reinsurance	100.00	87.00	100.00	87.00	46,589,340 36,116,708
2 Triglav, Zdravstvena zavarovalnica d.d., Koper	Pristaniška 10, Koper, Slovenia	18	Insurance	100.00	99.51	100.00	99.51	10,401,682 6,808,987
3 Triglav Osiguranje d.d., Zagreb	Antuna Heinza 4, Zagreb, Croatia	18	Insurance	99.76	99.76	99.76	99.76	18,017,228 17,097,723
4 Triglav Osiguranje d.d., Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	10	Insurance	68.94	68.94	78.71	78.71	19,783,613 16,574,222
5 Triglav Pojišt'ovna a.s., Brno	Novobranska 544/1, Brno, Czech Republic	19	Insurance	100.00	100.00	100.00	100.00	6,952,409 8,447,011
6 Lovćen Osiguranje a.d., Podgorica	Slobode 13a, Podgorica, Montenegro	9	Insurance	94.95	94.95	94.95	94.95	7,110,207 8,158,696
7 Lovćen životna osiguranja a.d., Podgorica	Novaka Miloševa br.6, Podgorica, Montenegro	9	Insurance	94.95	94.95	94.95	94.95	1,824,479 1,422,414
8 Triglav Osiguranje a.d., Beograd	Milutina Milankovića 7A, Novi Beograd, Serbia	10	Insurance	97.10	96.08	97.10	96.08	3,230,342 6,666,570
9 Triglav penzijski fondovi a.d., in liquidation, Beograd	Milutina Milankovića 7A, Novi Beograd, Serbia	10	Fund management	99.86	98.93	99.86	98.93	874,596 997,486
10 Triglav Osiguranje a.d.o., Banja Luka	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Insurance	100.00	100.00	100.00	100.00	2,916,584 1,891,605
11 Triglav Osiguruvanje a.d., Skopje	Bulevar 8-mi Septemvri 16, Skopje, FRYOM	10	Insurance	73.38	73.38	73.38	73.38	8,700,278 7,955,520
12 Triglav Skladi, družba za upravljanje d.o.o., Ljubljana	Slovenska 54, Ljubljana, Slovenia	18	Asset management	100.00	96.43	100.00	96.43	27,778,617 25,161,392
13 AS Triglav d.o.o., Ljubljana	Verovškova 60b, Ljubljana, Slovenia	18	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	44,394 34,971
14 TRI-PRO d.o.o., Domžale	Ljubljanska 86, Domžale, Slovenia	18	Insurance agency	100.00	100.00	100.00	100.00	392,813 388,194
15 Triglav INT, holdinška družba d.d., Ljubljana	Miklošičeva 19, Ljubljana, Slovenia	18	Holding company	100.00	100.00	100.00	100.00	64,710,526 85,747,502
16 Triglav Nepremičnine d.o.o., Ljubljana	Dunajska 22, Ljubljana, Slovenia	18	Real estate management	100.00	100.00	100.00	100.00	18,297,105 750,445
17 TRIGLAV Naložbe, finančna družba d.d., Ljubljana	Slovenska 54, Ljubljana, Slovenia	18	Holding company	100.00	100.00	100.00	100.00	44,024,326 43,405,649
18 Slovenijales d.d., Ljubljana	Dunajska 22, Ljubljana, Slovenia	18	Retail trade	97.90	61.74	97.90	61.74	38,025,661 36,430,767
19 Golf Arboretum d.o.o., Volčji Potok	Volčji potok 3a, Radomlje, Slovenia	18	Sport facilities management	80.10	80.10	80.10	80.10	736,409 823,955
20 Gradis IPGI, d.d., Ljubljana	Industrijska 2, Ljubljana, Slovenia	18	Construction	85.66	85.66	85.66	85.66	-3,579,552 -2,851,473
21 Slovenijales trgovina d.o.o., Ljubljana	Plemljeva 8, 1210 Ljubljana, Slovenja	18	Retail trade	97.90	61.74	97.90	61.74	8,655,871 8,826,709
22 TRI-PRO BH d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	10	Insurance agency	89.57	89.57	89.57	89.57	-122,515 -138,311
23 Autocentar BH d.o.o., Sarajevo	Topal Osman Paše BB, Sarajevo, Bosnia and Herzegovina	10	Car retailer	78.71	78.71	78.71	78.71	1,397,407 1,334,775
24 Unis automobili i dijelovi d.o.o., Sarajevo	M. EF. Pandže Br.13, Sarajevo, Bosnia and Herzegovina	10	Car retailer	64.42	64.42	64.42	64.42	946,317 1,135,607
25 Sarajevostan d.d., Sarajevo	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	10	Real estate management	49.80	49.80	49.80	49.80	3,392,562 3,269,718
26 Lovćen Auto a.d., Podgorica	Novaka Miloševa 6/2, Podgorica, Montenegro	9	Maintenance and repair of motor vehicles	94.95	94.95	94.95	94.95	275,797 231,041
27 Triglav Auto d.o.o., Banja Luka	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	1,023 1,023
28 Salnal d.d., Deskle	Anhovo 1, 5210 Deskle, Slovenia	18	Real estate management	100.00	100.00	100.00	100.00	20,942,901 21,064,603
29 Pista d.o.o., Beograd	Ul.Milutina Milankovića 7a, Beograd, Serbia	7	Real estate management	100.00	100.00	100.00	100.00	4,567,657 4,838,588
30 Avrigo d.o.o., Nova Gorica	Kidričeva ul. 20, Nova Gorica, Slovenia	18	Transport	100.00	-	100.00	-	5,325,692 -

Company	Address	Tax rate (ln %)	Activity	in EUR					
				Equity stake (in %)		Share of voting rights (in %)		Value of equity As at 31 December	
				2012	2011	2012	2011	2012	2011
31 Integral - Zagorje d.o.o., Zagorje ob Savi	Cesta zmage 4, Zagorje ob Savi, Slovenia	18	Transport	100.00	-	100.00	-	742,487	-
32 Integral Notranjska d.o.o., Cerknica	Čebranska ul. 8, Cerknica, Slovenia	18	Transport	100.00	-	100.00	-	2,250,020	-
33 Integral Stojna Kočevje d.o.o., Kočevje	Reška cesta 1, Kočevje, Slovenia	18	Transport	100.00	-	100.00	-	542,473	-
34 Alptours d.o.o., Bovec	Trg golobarskih žrtev 47, Bovec, Slovenia	18	Transport	97.66	-	97.66	-	-15,710	-
35 PROF-IN d.o.o., Sarajevo	M.P.Sokolovića 15, Sarajevo, Bosnia and Herzegovina	10	Fund management	62.54	60.31	62.54	60.31	2,463,844	1,984,213
36 Polara Invest d.d., Banja Luka	Veselina Masleše 1, Banja Luka, Bosnia and Herzegovina	10	Asset management	78.27	75.47	78.27	75.47	1,474,570	1,389,660
37 Zdravstveni center morje d.o.o., Koper	Ljubljanska 6/a, Koper, Slovenia	18	Health services	69.84	69.50	69.84	69.50	23,547	30,606
38 Hotel Grad Podvin d.d., Radovljica	Miklošičeva c. 19, Ljubljana, Slovenia	18	Tourism	100.00	100.00	100.00	100.00	1,089,895	1,531,493
39 Sianal d.o.o., Ljubljana	Slovenska 54, Ljubljana, Slovenia	18	Real estate management	-	100.00	-	100.00	-	558,122

Note:
The companies listed under numbers 1 to 34 have been included in the consolidated financial statements using the full consolidation method. The companies listed under numbers 35 to 38 have not been included using the full consolidation method, as they are not of importance to the Group. In 2012, the company listed under number 39 was wound up (in a simplified procedure without liquidation) and thus excluded from the Group.

2. Main Accounting Policies

2.1 The use of estimates and judgments

The preparation of consolidated 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 for the period to which the estimate refers 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 2.19, the main assumptions in Section 3, and an analysis of changes in these provisions in Section 6.13. A liability adequacy test as at 31 December 2012 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 2.7, 2.8 and 2.9. The parameters and assumptions applied in the valuation of non-quoted financial assets are presented in Section 3.5. The values of individual types of assets are reported in Section 6.5. Sensitivity analysis for the calculation of fair values is presented in Section 4.3.

2.2 Functional and presentation currency

Items included in the separate financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the respective entity operates (functional currency). The consolidated financial statements are presented in euros, which is the presentation currency of the Group. In the consolidated financial statements, the amounts and disclosures are rounded to one euro.

Foreign exchange differences arising from changes in the amortised cost of monetary items, denominated in foreign currency and classified as available-for-sale financial assets, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as financial assets measured at fair value through profit or loss, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as available for sale financial

assets, are recognised in equity as fair value reserve together with the effects of the measurement at fair value under other comprehensive income.

The financial statements of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the final exchange rate as at the balance sheet date; and
- income, expenses and costs at the average exchange rate for the year.

For the consolidation of equity items the historical exchange rate is used. Differences arising from the use of the historical exchange rate are disclosed as a separate equity item: currency translation differences.

2.3 Intangible assets

Intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Amortisation is calculated using the straight-line amortisation method.

	Annual amortisation rate
Software	20%
Other economic rights	1% - 20%

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each business year. If the expected useful life of an asset differs from previous estimates, the amortisation period is adjusted accordingly.

Intangible assets with an indefinite useful life are not amortised, but are subject to impairment tests on an annual basis. These assets are impaired if their carrying amount exceeds their recoverable amount.

Deferred acquisition costs for non-life insurance contracts, determined proportionally to unearned premiums, are also a part of intangible assets.

Deferred acquisition costs for life insurance contracts are considered in the calculation of mathematical provisions using the Zillmer method. Negative reserves after the application of this method are not capitalised. A change in the deferred acquisition cost of life insurance contracts is recognised as a change in the mathematical provision.

Decrease or increase in deferred acquisition costs is recognised as a change in unearned premium provision in the income statement, within net premium income.

Accounting policies regarding the impairment of intangible assets are described in Section 2.15.

Goodwill

Upon the acquisition of a subsidiary, goodwill can be recognized. Upon acquisition of a subsidiary or associated company, the difference between the Group's share in the fair value of assets and

liabilities acquired and the fair value of the given consideration is calculated. Where the consideration exceeds the net assets acquired, goodwill is recognised.

2.4 Property, plant and equipment

Property, plant and equipment are accounted for using the cost model. The cost of an item of property, plant and equipment comprises its purchase price and any other costs directly attributable to bringing the asset to the location and the conditions necessary for it to be capable of operating.

After initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line depreciation method. Depreciation rates are given below.

	Annual depreciation rate
Buildings	1.5% - 5.0%
Transport vehicles	12.50%
Computers and hardware	50.00%
Office and other furniture	10% - 20%
Other equipment	6.7% - 25.0%

Depreciation of an asset begins when it is available for use. The depreciation charge for each period is recognised in profit or loss. Depreciation of an asset ceases as at the date that the asset is derecognised.

The residual value and useful life of an asset are reviewed as at the reporting date and adjusted in the event expectations differ from previous estimates.

The gain or loss from the derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is included in profit or loss when it is derecognised.

Maintenance and repair costs are recognised in the income statement as incurred. Further investments that increase future economic benefits increase the value of property, plant and equipment.

Accounting policies regarding the impairment of property, plant and equipment are described in Section 2.15.

2.5 Investment property

Investment property is property held to earn rentals. Property is classified as investment property if not used by the holder for performing its business activities or if only a minor part of the building is used for that purpose.

Investment property is accounted for using the cost model. The cost of purchased investment property comprises its purchase price and any directly attributable expenditure. After initial recognition, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated and impaired using the same method as that used for property, plant and equipment described under 2.4.

Fair values for disclosure purposes are based on a valuation by an independent appraiser who holds a recognised and relevant professional qualification.

All income arising from investment property is rental income and is shown in the income statement under »Other income«. Expenses arising from investment property consist of the depreciation charges and maintenance costs of the investment property. In the income statement, they are disclosed under »Other expenses«.

Accounting policies regarding the impairment of investment property are described in Section 2.15.

2.6 Investments in associates

Associates are those entities in which the Group has a significant influence. In the consolidated financial statements, investments in associates are accounted for using the equity method. The part of the profit or loss of associates attributable to the Group is recognised in the income statement. The percentage of change in the other comprehensive income of the associate is recognised in the other comprehensive income of the Group.

2.7 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 at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset (allowances to agents, consultants, and brokers, fees paid to the Stock Exchange and other transfer related fees).

The trade date is used for the initial recognition of financial assets, except for loans and receivables, 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 using different pricing models (discounting of expected cash flow). Details on valuation models are described in Section 3.5. 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 the Group 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 long-term funds⁸⁴ 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 the Group's investment policy.

After initial recognition, financial assets measured at fair value through profit or loss, excluding derivative financial markets not traded and not quoted on stock markets, 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.

After 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.

2.8 Fair value of financial assets

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 the Group.

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: valuation through market prices quoted for identical assets in an active market (stock exchange prices and Bloomberg generic prices).
- Level 2: valuation through comparable market data (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset.
- Level 3: valuation through valuation models operating mostly based on unobservable market inputs.

2.9 Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to cash flows from the financial asset expire;
- the Group 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 Group 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.

⁸⁴ Long-term business funds include the assets of insured persons arising from life insurance, supplementary voluntary pension insurance, supplementary voluntary pension insurance during the annuity pay-out period and unit-linked insurance.

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. Receivables from active reinsurance are recognised based on estimates and calculations based on valid reinsurance contracts. 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, 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 that 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 Non-current assets held for sale

Non-current assets held for sale include assets that meet the criteria to be classified as such in accordance with IFRS 5. These assets are measured at the lower of the carrying amount and fair value less costs to sell. The same applies to subsequent measurement of these assets. In such subsequent measurements, it is necessary to recognise impairment losses arising from initial or subsequent write-offs of assets to their fair value, less costs to sell or profits resulting from a subsequent increase in fair value less costs to sell, which may not exceed any accumulated impairment losses.

2.15 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.

The value of goodwill and contractual rights is tested as at the reporting date so as to ascertain if there are any objective signs of impairment. Impairment of goodwill and contractual rights is recognised for a cash generating unit, which represents an individual company. In the event signs of impairment are present, the recoverable amount of assets is estimated that represent its value in use.

Goodwill impairment testing is carried out in compliance with IAS 36, while testing of valuation techniques is carried out in compliance with the International Valuation Standards (IVS). The testing and the estimation of potential impairment is carried out in accordance with the estimated recoverable amount. The basis for the explicit forecast period are the available plans of the management and assessors' estimates of market convergence towards more developed ones, taking into account the forecasted economic convergence of international financial institutions and other EU regulators. The discount rate is calculated by applying the CAPM method and surpluses for specific risks. Goodwill impairment tests are carried out on an annual basis.

At the reporting date, the value of property, plant and equipment is estimated to determine whether there are any objective signs of impairment. In the event there are objective 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 an amount equalling the difference between the two.

Financial assets and investments in associates

Objective signs of the impairment of investments in associates are reviewed on an annual basis. Underperformance of an associate may represent an objective sign of impairment.

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 instruments, classified as available-for-sale financial assets, is recognised in other comprehensive income.

The impairment loss of a financial asset, measured at amortised cost, is calculated as the difference between that asset's carrying amount and the present value of expected future cash flows, determined on the basis of the historical effective interest rate.

A reversal of previously recognised impairment of financial assets measured at amortised cost and debt instruments classified as available for sale is recognised in the income statement. Impairment may be reversed if such a 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 at least at the end of the business year. Impairments are recorded as an adjustment of the value of receivables and are formed individually or collectively for receivables with similar credit risk. Credit risk is assessed based on the classification of receivables by maturity and the experience of previous years regarding the recovery of receivables with the same maturity. Impairment loss is recognised as an expense from insurance operations.

Reinsurers' share of technical provisions

Reinsurers' share of technical provisions (assets from reinsurance contracts) is tested for impairment on an annual basis. These assets are impaired only if there is objective evidence resulting from an event occurring after the initial recognition of the reinsurance asset showing that the amounts due from reinsurers in accordance with a contract may not be recovered and if the event has a reliably measurable effect on the amounts that will be recovered by Zavarovalnica Triglav from the reinsurer. An impairment loss of assets from reinsurance contracts is recognised in the income statement.

2.16 Equity

Share capital equals the nominal value of paid-up ordinary shares, denominated in euros. When Zavarovalnica Triglav or a subsidiary acquires shares of Zavarovalnica Triglav, their value is disclosed as a deduction from the Group's equity. The same amount is then allocated to treasury share reserves as required by the Companies Act (hereinafter: »ZGD-1«).

Share premium is formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. Share premium also includes amounts resulting from the introduction of IFRS (the reversal of a general equity revaluation adjustment).

Reserves from profit are legal reserves, statutory and other reserves, treasury share reserves, credit risk equalisation reserves reserves. Some insurance companies outside the Republic of Slovenia that are members of the Triglav Group set aside contingency reserves as well.

The consolidated financial statements also include legal, statutory and other reserves from profit. Legal reserves are formed and used in line with the Companies Act (ZGD-1) and the local legislation of each subsidiary. Together with share premium, they have to amount to no less than 10% of the share capital. They represent tied capital set aside in order to protect creditors' interests.

Statutory reserves represent up to 20% of share capital of the parent company. Based on a decision by the Management Board, Zavarovalnica Triglav may allocate up to 5% of net profit to statutory reserves in any business year, decreased by any amounts used for covering losses brought forward and amounts allocated to legal reserves and reserves from profit. Statutory reserves may be used for covering loss after tax for the business year or loss brought forward, for treasury share reserves, for increasing share capital from authorised capital, as well as for dividend payment policy purposes.

According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations.

Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act. The Insurance Act defines equalisation reserves as a liability and requires that they are recognised under insurance technical provisions and formed or used through the income statement. Pursuant to local legislation governing subsidiary insurance companies outside the Republic of Slovenia, equalisation reserves were also formed by in Lovćen Osiguranje a.d., Podgorica. As this local legislation 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.

Contingency reserves are formed in accordance with the local legislation of Croatia and Bosnia and Herzegovina. They amount to no less than one third of net profit for the year and are earmarked for covering possible future losses.

2.17 Subordinated liabilities

Subordinated liabilities refer to subordinated debt instruments which are, in accordance with the underlying agreements, to be paid last in the event of the issuer's bankruptcy or liquidation. Subordinated liabilities are measured at amortised cost.

2.18 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. 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.

For the purpose of accounting for assets covering liabilities that arise from insurance contracts, in addition to assets backing liabilities, three 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 and a combined long-term business fund for life, annuity and voluntary pension insurance.

2.19 Insurance-technical provisions

Unearned premium provisions

Unearned premium provisions are formed for the part of gross written premium that refers to the following business year(s). These are calculated separately for individual insurance contracts using the pro rata temporis method, except for insurance policies where insurance coverage changes during their term and where the expiry of insurance coverage is agreed to be more than one year after the insurance policy is taken out. Unearned premiums are calculated both for life and non-life insurance contracts.

Claims provisions

Claims provisions are formed for claims incurred but not settled until the reporting date. Claims provisions are formed for reported claims as well as for unreported and inadequately reported claims.

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Zavarovalnica Triglav are calculated as a capitalised annuity value based on the German mortality tables of 1994 and an interest rate of 2.75%, as prescribed by the regulator. Other insurance companies in the Triglav Group use different local mortality tables.

Provisions for incurred but not reported claims (IBNR) are calculated by means of »triangle« methods (a combination of Chain Ladder and Bornhuetter- Ferguson methods). The basis for calculation is a sample of past claims experience with appropriate allowance for future trends. For this purpose a several-year-long time series of settled claims is applied.

With the exception of annuities, provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on an quarterly basis.

Mathematical provisions

Mathematical provisions for life, annuity, pension and unit-linked products are calculated separately for each individual policy. For life, annuity and pension contracts in the pay-out period, a modified net premium prospective method is applied, taking into account insurance contract acquisition costs. For pension contracts in the saving period, where the nature of products makes the aforementioned method inappropriate, the retrospective net premium method is applied. The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products, additional provisions are formed for covering contractual risk payments.

All calculations allow for prudent actuarial assumption bases, the legislation in force and all liabilities to policyholders arising from contracts and the respective terms and conditions.

Mathematical provisions also contain components for discretionary benefits allocated to policyholders in the past, based on the terms and conditions of the underlying contracts.

A portion of fair value reserve of available-for-sale financial assets, which will be distributed among policyholders after maturity, is also included in mathematical provisions. The principle of shadow accounting is applied. All effects from fair value measurement of available-for-sale financial assets are recorded in equity (fair value reserve). The sums are then transferred to mathematical provisions on the reporting date, as follows:

- the entire fair value reserve from available-for-sale financial assets (disclosed as investment in the fund covering the Supplementary Voluntary Pension Insurance Fund (SVPI)) is transferred from other comprehensive income to mathematical provisions;
- an 80% portion of the entire fair value reserve from available-for-sale financial assets (disclosed under the life insurance long-term business fund) is transferred from other comprehensive income to mathematical provisions.
- 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 3.1.

Other insurance-technical provisions

Provisions for bonuses in non-life insurance are formed for the part of the premium that will be reimbursed to those beneficiaries who meet certain beneficiary criteria set out in insurance conditions (total loss ratio over the last three years, financial discipline in premium payment and total insurance premium). An annual analysis and preset criteria are used to calculate the amount of premium reimbursement.

Provisions for cancellations represent that part of unearned premiums which is expected to be reimbursed in the event of early cancellation and for which deferred acquisition costs have been formed.

Provisions for unexpired risk are formed for policies where, based on past experience, it is assumed that the amount of unearned premiums will not suffice for covering all future claims.

2.20 Other provisions

Employee benefits comprise provisions for jubilee and retirement benefits and unused leave. The calculation of these provisions is made by using the actuarial evaluation method, i.e. the method of the estimated relevance of units or the method including profit proportionally to the work carried out. In line with IAS 19, the calculation is based on the following actuarial assumptions:

- demographic variables (employee mortality and labour turnover),
- financial assumptions, such as:
 - discount rate with reference to the yield curve published by the European Central Bank or other European bonds as at the reporting date and estimates of

- future salary increases taking into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the labour market.

2.21 Other financial liabilities

At initial recognition financial liabilities are measured at the cost arising from relevant underlying documents. They are decreased by paid amounts and increased by accrued interest. In the financial statement financial liabilities are measured at amortised cost. Interest paid on loans taken is recognised as expense and accordingly accrued over the term of the underlying loan.

2.22 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.

2.23 Premium income

Net premium income is calculated on the basis of gross written premium and gross outward reinsurance premium, reduced by reinsurers' and retrocessionaires' share and adjusted depending on the change in gross provisions for unearned premiums taking into account the reinsurers' and retrocessionaires' share in provisions for unearned premiums. The invoiced premium serves as the basis for recognising gross written premium.

2.24 Income from financial assets

Income from financial assets arises from interest income, dividends, changes in fair value, capital gains and other financial income. In the income statement, interest income is carried at amortised cost using the effective interest rate, which does not apply to financial assets recognised at fair value through profit and loss. Income from dividends is recognised in the income statement once the right to the payment is obtained. Income from changes in fair value arises from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss. Gains on disposal arise from the derecognition of financial assets other than those recognised at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a realised gain.

Income from financial assets includes net unrealised gains on unit-linked life insurance assets. The latter arise from changes in the fair value of unit-linked life insurance assets.

2.25 Other income from insurance operations

Other income from insurance operations represents fees and commission income (asset management fees, reinsurance commissions, entrance and withdrawal fees and other) and includes other income from insurance operations (income from green card sales, loss adjustment services, assistance services and other). It is recognised in the income statement once a service has been provided and/or invoiced.

2.26 Other income

Other income includes investment property income, income from intangible assets and property, plant and equipment, as well as other income not directly related to insurance operations. Other income is recognised in the income statement when an invoice is issued.

2.27 Claims incurred

Net claims represent gross claims settled (claims incurred and claim handling costs), reduced by the reinsurers' share and subrogated receivables, and adjusted by the change in gross provisions for outstanding claims, taking into account the reinsurers' share of these provisions. Claim handling costs consist of external and internal costs of assessing the eligibility and amount of claims, including court fees and charges, expert fees and subrogation recovery expenses.

Gross claims are recognised in the income statement once they have been settled.

2.28 Other operating costs and insurance acquisition costs

Gross operating costs are recognised as original expenses by natural type of cost. In the income statement these costs are classified by function. Claim handling costs are a constituent part of claims incurred, asset management costs are a constituent part of investment expense, whilst insurance contract acquisition costs and other operating costs are separately disclosed in the statement. All operating costs are disclosed by natural type and function.

2.29 Expenses from financial assets and liabilities

Other financial expenses are interest expenses, fair value losses, net realised losses on financial assets, permanent impairment losses and other financial expenses.

In the income statement, interest expense is recognised using the effective interest method, which does not apply to the financial assets measured at fair value through profit and loss.

Expenses due to changes in fair value arise from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss.

Losses on disposal arise from the derecognition of financial assets other than those measured at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a loss incurred.

Expenses from financial assets include net unrealised losses on unit-linked life insurance assets. These expenses reflect the change in the fair value of unit-linked insurance assets.

2.30 Borrowing expenses

Borrowing expenses include interest expenses and other expenses incurred by the Group in relation to the borrowing of financial assets. Borrowing expenses can include interest on overdraft balances and interest on loans taken, exchange rate differences related to loans

taken in foreign currencies and financial expenses related to finance leases. Borrowing expenses are recognised as expenses in the period when incurred and are disclosed under expenses from financial assets and liabilities.

2.31 Other insurance expenses

Other insurance expenses include entrance, withdrawal and management fees, losses arising from the impairment of receivables, fire protection tax, prevention expenses and other insurance-related expenses. Other insurance expenses are recognised in the income statement once a service is provided.

2.32 Other expenses

Other expenses comprise other expenses not directly arising from insurance operations. Other expenses are recognised in the income statement once a service is provided.

2.33 Lease

A lease is a contractual arrangement under which the lessor transfers the right to use an asset for an agreed time period to the lessee in exchange for a payment.

In cases when the Group acts as the lessor, the lease is classified as a finance lease, if under the terms and conditions of such a lease the practically all risks and benefits incident to ownership of the leased asset are transferred to the lessee. When an asset is subject to a finance lease, the present value of the lease is recognised as a liability and disclosed under loans. The difference between the gross and present value of the liability is recognised as non-earned financial income. During the term of the lease, income from the lease is recognised using the net investment method (before tax) which reflects the periodic earnings rate and is disclosed as part of interest income.

In cases where the Group acts as a lessee, the tangible fixed assets acquired under a finance lease are carried at the lower of fair value or the present value of minimum payments to the end of the lease, less accumulated depreciation and impairment losses. These assets are depreciated for the duration of their useful life. In the absence of reasonable assurance that the lessee will acquire ownership before the end of the term of the financial lease, the relevant fixed assets have to be depreciated for the duration of the term of the financial lease or for the duration of their useful life, whichever is shorter.

Any lease that is not a finance lease is treated as an operating lease. For an operating lease, the book value of the leased asset is increased by the initial direct expenses incurred in relation to lease brokerage and recognised for the duration of the term of the lease on the same basis as lease income. Rents are recognised as income in the time period when generated.

2.34 Taxes

Tax expense for the year comprises current and deferred tax. Deferred tax is calculated for all temporary differences between the amounts of assets and liabilities used for taxation and their carrying amount. The impact of the recognition of deferred tax receivables or liabilities is disclosed as income or expense in the income statement,

excluding taxes charged on a business event recognised under other comprehensive income.

In the Republic of Slovenia, current income tax is charged at a 18% tax rate and in other countries where subsidiaries operate at tax rates enacted by local tax laws (as shown in Section 1.6).

In consolidation, temporary differences may be recognised, arising either from the difference between the official financial statements of a subsidiary and those adjusted for consolidation purposes, or from consolidation procedures.

2.35 Standards and Interpretations

The accounting policies, used in the preparation of the consolidated financial statements are consistent with those of the consolidated annual financial statements for the year ended 31 December 2011, except for new and amended standards as of 1 January 2012, as presented below.

New standards

IFRS 7 – Financial Instruments: Disclosures – Transfer of Financial Assets

The amendments are effective for periods beginning on or after 1 July 2011 and were issued to improve the disclosure requirements relating to the transfer of financial assets. Amendments require disclosures for transfers of financial assets that are derecognised in their entirety, as well as those that are not, to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. The amendment requires retrospective application. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Standards and interpretations issued but not yet effective and not early adopted

The Group has not early adopted any standard or interpretation issued but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective.

The following new and amended standards will be applied in future periods as required by IFRSs and the European Union:

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amended)

The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied.

IFRS 10 – Consolidated Financial Statements

This standard replaces the part of IAS 27 Consolidated and Separate Financial Statements which refers to consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. The standard is applicable in the EU for periods beginning on or after 1 January 2014. IFRS 10 establishes a single control model that applies to all entities. This will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. The standard also changes the definition of control.

IFRS 11 – Joint Arrangements

This standard replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly-controlled entities – non-monetary contributions by venturers. The new standard addresses only two forms of joint arrangements (joint operations and joint ventures), where there is joint control. IFRS 11 uses the principle of control in IFRS 10. In addition, IFRS 11 removes the option to account for jointly-controlled entities using proportionate consolidation, leaving only the option to use the equity method. The standard is effective in the EU for periods beginning on or after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities

This standard is effective in the EU for periods beginning on or after 1 January 2014 and includes disclosure requirements that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. A number of new disclosures are also required, especially regarding judgments made to determine whether an entity controls another entity.

IFRS 13 – Fair Value Measurement

The new standard is applicable for periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRSs.

IAS 1 – Presentation of Financial Statements: Presentation of Items in Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments are effective for periods beginning on or after 1 July 2012.

IAS 12 – Deferred Tax (amended)

The amendment is effective in the EU for annual periods beginning on or after 1 January 2013. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include a) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and b) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

IAS 19 – Employee Benefits (amended)

In June 2011, the International Accounting Standards Board (the »IASB«) issued numerous amendments to IAS 19. The key amendment refers to the removal of the corridor mechanism for recognising changes in the value of defined benefit plans. This means all changes in the value of defined benefit plans will be recognised as they occur depending on the type of change either in profit or loss or in other comprehensive income. The amendments are effective for periods beginning on or after 1 January 2013.

IAS 27 – Separate Financial Statements (revised)

This revised standard was issued in May 2011 as a result of the new standards IFRS 10, IFRS 11 and IFRS 12. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The standard is effective in the EU for periods beginning on or after 1 January 2014.

IAS 28 – Investments in Associates and Joint Ventures (revised)

This revised standard was issued in May 2011 as a result of the new standards IFRS 10, IFRS 11 and IFRS 12. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This revised standard is effective in the EU for periods beginning on or after 1 January 2014.

IAS 32 – Financial Instruments: Presentation (amended) – Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of 'currently has a legally enforceable right to set-off' and also clarifies 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 amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 – Offsetting Financial Assets and Financial Liabilities amendments.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The interpretation applies to waste removal (stripping) costs incurred in surface mining activities, during the production phase of the mine. It represents a change from the current life of mine average strip ratio approach used by many mining and metals entities reporting under IFRS. The Interpretation is effective for annual periods beginning on or after 1 January 2013.

In compliance with the requirements of IFRSs and subject to the endorsement by the European Union, the Group will have to apply in future periods the following amended and revised standards and interpretations:

IFRS 9 – Financial Instruments

The Standard replaces IAS 39. IFRS 9 *Financial Instruments* was published in November 2009 and contained requirements for financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities. In December 2011, the IASB amended IFRS 9 to require application for annual periods beginning on or after 1 January 2015 and to not require the restatement of comparative-period financial statements upon initial application.

Phase II of IFRS 9, relating to impairment, has been in the process of re-deliberations from January 2011.

In September 2012, the IASB issued a review draft on general hedge accounting requirements (Phase III of IFRS 9) which will be added to IFRS 9 *Financial Instruments*.

IFRS 10 – Consolidated Financial Statements: Investment Entities (amendment)

In October 2012, IASB issued an amendment to IFRS 10 Consolidated Financial Statements to provide an exception to the consolidation requirements for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. An entity must meet all three elements of the definition and consider whether it has four typical characteristics, in order to qualify as an investment entity. There is one exception to this requirement not to consolidated subsidiaries for investment entities. If an investment entity has a subsidiary that provides investment-related services (e.g. investment management services) to the entity or third parties, then the investment entity must consolidated its subsidiary. The amendment applies for annual periods beginning on or after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities: Investment Entities (amendment)

In addition to the amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities has also been amended to require additional disclosures for investment entities. The amendment applies for annual periods beginning on or after 1 January 2014.

IAS 27 – Separate Financial Statements: Investment Entities (amendment)

In addition to the amendments to IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements has also been amended to define the accounting for and disclosure of subsidiaries of investment entities in the separate financial statements of an investment entity. The amendment applies for annual periods beginning on or after 1 January 2014.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief.

The Group is reviewing the impact of standards and interpretations which are not yet mandatory and have not yet been endorsed by the EU and, for the time being, has not assessed the impact of new pronouncements on its financial statements. The Group will apply new standards and interpretations in accordance with their requirements, if endorsed by the EU.

Improvements to IFRS

In May 2012, the IASB issued its annual improvements to IFRSs which included improvements of some of the existing standards. The effective date for the amendments is for annual periods beginning on or after 1 January 2013, but the amendments have not been endorsed yet by the EU.

IAS 1 – Presentation of Financial Statements: Clarification of the requirements for comparative information

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information (this is generally the previous period information). If an entity chooses to voluntarily provide comparative information beyond the minimum required comparative period, it must include comparative information also in the related notes to the financial statements.

Also, the amendment requires entities to present a third balance sheet (the opening balance sheet) (a) when an entity changes its accounting policies; or (b) makes retrospective restatements or makes reclassifications which have a material effect on the balance sheet. In such cases the entity is not required to provide supporting notes for the opening balance sheet.

IAS 16 – Property, plant and equipment: Classification of servicing equipment

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 – Financial instruments: Presentation: Tax effect of distributions to holders of equity instruments

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 Income taxes to any income tax arising from distributions to equity holders.

IAS 34 – Interim financial reporting: Interim financial reporting and segment information for total assets and liabilities

This amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. It also ensures that interim disclosures are aligned with annual disclosures in IFRS 8 Operating segments.

The Group is reviewing the impact of the improvements to IFRS which are not yet mandatory and have not yet been endorsed by the EU and, for the time being, has not assessed the impact of new pronouncements on its financial statements. The Group will apply the improvements to IFRS in accordance with their requirements, if endorsed by the EU.

3. Main Assumptions

The main assumptions used for measuring the value of insurance contracts, non-tradable financial assets and impairment test for goodwill are described below.

3.1 Parameters and assumptions in calculating life insurance provisions

3.1.1 Life and annuity insurance

For life and annuity insurance contract liabilities valuation, a modified prospective net premium method is applied by taking into account insurance acquisition costs, all of the contractual obligations and the previously allocated surplus. The insurance technical parameters used by the method are either the same as those used for calculating insurance premiums or corrected so as to reflect the subsequent circumstances which increase the value of liabilities. A correction to reflect the current circumstances applies to the annuity insurance products of Zavarovalnica Triglav, where the relevant liabilities are valued on the basis of rather conservative mortality tables and a prudently set lower interest rate of 3.8% p.a. for the contracts containing a fixed interest rate guarantee of 4% or 4.5% p.a. For the purpose of valuing annuity insurance contracts, instead of the legally allowed German mortality tables of 1987, Zavarovalnica Triglav applies the German mortality tables of 1994.

The guaranteed interest rate used for valuation at the Group level ranges between 2.75% p.a. and 3.8% p.a. The calculation takes into account insurance contract acquisition costs below the legally imposed level of 3.5% of the sum insured under life insurance policies.

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 3.8% 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 3.80% p.a., instead of the legally allowed German mortality tables of 1987 the Group 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 which 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, the Group applies the more conservative German mortality tables of 1994. During the accumulation period, the insurance companies of the Group guarantee a minimum annual return on net premiums paid, equalling 50% of the average annual interest rate on government securities with a maturity of over one year (figures published by the Ministry of Finance of the Republic of Slovenia). During the annuity pay-out period, the insurance companies value their liabilities at an interest rate ranging from 2.75% to 3.8%.

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 additional provisions are formed to cover contractual risk payments under basic and additional policies.

In 2012, additional insurance technical provisions for credit risks totalling EUR 1.5 million were formed for single-premium unit-linked life insurance with a guaranteed capital investment.

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 Segmentation of life insurance products for the purpose of LAT test

Insurance contracts are segmented into homogenous groups which feature similar risks and are kept within the same portfolio. As a rule, insurance contracts are grouped according to their insurance classes:

- traditional life insurance,
- unit-linked life insurance and
- capital redemption insurance (supplementary voluntary pension insurance).

The adequacy of liabilities is measured on the level of a homogenous group. If the test shows that the liabilities are insufficient, the total amount of the difference is recognised as an increase in provisions and an expense in the income statement.

3.2.2 Parameters and assumptions applied to life insurance

Mortality, longevity and morbidity assumptions

Assumptions regarding mortality, longevity and morbidity rates are based on internal analysis of the company's life insurance portfolio, on the data of national statistical offices, the data of reinsurers and other sources.

Persistency

The model takes into account the lapse rates determined on the basis of analysis of past experience. The Group continuously monitors the persistency of insurance policies by duration and type of insurance, and adapts their assumptions accordingly.

Expenses

The calculation takes into account policy handling/maintenance expenses, claim handling expenses and asset management expenses, as defined on the basis of an analysis of the individual company's expenses in preceding years. Estimated future expenses are increased every year in line with the expected inflation rate.

Increasing insurance premiums

In the case of insurance policies for which the monthly premium directly or indirectly follows the increase in salaries, the increase is calculated in line with the expected inflation rate.

Expected returns and discount interest rates

The applied methodology sets out that the yield curve should reflect the yield of government securities, denominated in the same cur-

rency as the currency of insurance policy benefits. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2012 was applied to Zavarovalnica Triglav d.d., Triglav Osiguranje d.d., Sarajevo, and Lovćen životna osiguranja a.d. The reference value for a period of 10 years is 5.51%. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2012 was applied to Triglav Osiguranje, Zagreb. The reference value for a period of 10 years is 4.81%. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2012 was applied for Triglav Osiguranje Beograd a.d. The reference value for a period of 10 years is 5.87%.

Profit participation

The determination of the profit participation rate is at the discretion of each Group member and regulated by internal rules. The estimated future allocation of surpluses are in line with the expected performance, the previous profit allocation rates and the policyholders' reasonable expectations.

In the model, profit is allocated in an excess of the technical interests for with-profit policies. The allocation is determined on the basis of the mathematical provisions as at the end of the financial year.

Annuity factor guarantee

The liability adequacy test allows for the possibility of a change in annuity factors by the insurer in the event of insurance policies for which the mortality forecasts indicate that life expectancy is likely to increase to such an extent that the contract conditions justify such a change. The calculation also takes into account the assumption that 15% of supplemental voluntary pension insurance policyholders and 50% 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 at the Group level 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%,
- a decrease in longevity rates by 10%,
- an increase in lapse rates by 10%,

- an increase in expenses by 10%,
- an increase in the annuisation rate by 10%.

Test results have proven mathematical provisions in all these scenarios of changing key technical parameters to be adequate.

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 are the exception to this rule. These policies include credit insurance, since the insurance cover in such cases gradually decreases, and construction and erection insurance, where the insurance cover rises. For such type of insurance, the calculation of unearned premiums is based on the assumption of a constant claim frequency throughout the duration of the insurance contract and variable insurance cover.

In general, the claims provisions are calculated in the Group as the sum of total claims reported but not settled (RBNS) and incurred but not reported (IBNR) claims. 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 2.75%

3.4 Liability adequacy test (LAT) for non-life insurance

The insurance companies of the Group form reserves for unexpired risks for those lines of business where the expected loss ratio exceeds 100%. Additional reserves for unexpired risks are calculated as a product of unearned premiums and the difference between the value of the loss ratio and 100%.

Additional tests are performed to check the adequacy of the unearned premiums and unexpired risk reserves. The amounts of future gross claims and gross claim handling costs are applied in these tests and compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs.

The results of tests show that the level of unearned premiums reserves, together with the level of unexpired risk reserves, is sufficient.

3.5 Parameters and assumptions applied in measuring non-quoted financial assets

In accordance with the internal rules on the valuation of equity investments relating to certain non-tradable assets, their fair value is established by arriving at a valuation (i.e. by making an appraisal) in compliance with IAS 39. The methods used include: the discounted cash flow method, the listed comparable companies method and the asset valuation method. The choice of method depends on the nature of the business of the company under appraisal. In order to obtain an impartial opinion, most of the value appraisals of other non-tradable assets have been provided by outsourced assessors.

Value appraisals of other non-tradable assets are based on the assumptions the assessor makes on the basis of public information and, where possible, on an interview with the management of the company under appraisal. The applied estimates and assumptions involve certain risks as to their future realisation. With the aim of reducing this risk, the assumptions and estimates applied are verified by different methods (by comparing assumptions and estimates against the industry average, individual traded companies, etc.). Moreover, a sensitivity analysis of the following value drivers is applied in order to estimate the value range of the company: the discount rate, net sales income, the EBITDA margin, brokerage margin, return on investment portfolio operating costs and cash flow growth over a forecast period.

4. Risk Report

We define risk as the threat or possibility that an action or event will adversely or beneficially affect our ability to achieve our strategic objectives. We understand risk management as a process that encourages well-considered and responsible risk taking as a legitimate response to opportunity and uncertainty and enables us to achieve better results for the Group through improved decision-making and targeted risk mitigation and control.

In order to effectively hedge risks, Triglav has developed a risk management system that enables it to effectively manage exposures. As such, the system represents an important part of the Company's corporate governance. The risk management system incorporates:

- a clear organisational structure of risk management functions and committees in charge of the system; and
- a well-defined system of risk management competences and powers.

The scope of risk management activities is defined in the risk management strategy. On that basis, individual risk management policies are formulated according to risk type, defining for each risk category a separate management system, competences and powers in dependence of the target risk exposure. Further details on the system, process, activities and main objectives of risk management are discussed in Section 10.1 of the Management Report.

4.1 Main characteristics of the risk management system

Risk management is successfully integrated into the entire business process of the Company. It is also in line with the Company's strategy and the risk appetite defined therein. The integrated risk management system ensures that the typical existing and recurring risks are identified, measured, managed, controlled and reported on an on-going basis.

4.2 Capital management and capital adequacy management

The amount of available capital for meeting capital adequacy requirements is measured in compliance with the legislation in force at the level of individual subsidiaries as well as at the Group level. In parallel, capital adequacy is monitored by applying the Standard & Poor's model in accordance with the Directive 2010/138/EC of the European Parliament and of the Council (Solvency II).

4.2.1 Group capital adequacy

The amount of required capital and, above all, the fluctuation in the level of the capital available to insurance companies of the Triglav Group, are subject to various factors, mostly the structure and nature of services, the volume of premium, assets and liabilities, as well as the impact of interest rates and capital markets parameters on changes in the said items. The Group members regularly monitor their capital adequacy in line with the applicable legislation, whereby they are required to maintain a surplus of the available solvency margin over

the capital requirement in order to maintain their core business and ensure coverage of potential losses. Capital surplus offers high coverage of losses due to unexpected adverse events, with regard to the previous and current developments in the environment of the Group and future expectations. In addition to measuring current capital adequacy levels, the Group members monitor their planned capital adequacy levels, which enables them to monitor the effects of the extended and narrow environment on capital adequacy. Furthermore, this enables optimal distribution of capital both at the level of the Group and in its individual members.

Regulators impose minimum capital requirements on the level of the Group as well as on the level of individual Group members. The main objective is to maintain a suitable capital level in the Group and in all its members.

Furthermore, the capital adequacy ratios of insurance technical provisions are continually monitored for the purpose of assessing the solvency needs of individual Group members.

4.2.2 Capital adequacy of the Triglav Group as a financial conglomerate

Within the scope of the directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and related Slovene law, the Triglav Group, Abanka Vipra and its subsidiaries form a financial conglomerate. The law requires that a financial conglomerate regularly monitors its capital adequacy by calculating consolidated available capital, taking into account sectoral regulatory solvency requirements for all three financial sectors represented in the conglomerate (insurance, banking, asset management).

4.2.3 Rating agency capital adequacy

Under Standard & Poor's (hereinafter: S&P) capital adequacy model, measuring capital adequacy remains the essential component of the credit rating process.

As at 31 December 2012, the Triglav Group was rated »A-« »stable« (FSR, ICR): with this rating, the credit rating agency S&P also affirmed the »A-« long-term credit rating and the financial strength rating of Zavarovalnica Triglav and its subsidiary Pozavarovalnica Triglav Re. The credit rating has a negative outlook.

4.3 Financial risk and sensitivity analysis

Financial risks, therefore, arise in the assets and liabilities management of long-term business funds and assets backing liabilities, in

reinsurance operations and in all funding operations within the scope of capital management. As mentioned in Section 11.3 of the Management Report, the main types of financial risk to which the Group is exposed are as follows:

- equity risk and interest rate risk related to the operating activities (core business) of Group members;
- credit risk; and
- liquidity risk.

Financial risks are managed through a system of clearly defined competences and powers that includes a scheme of exposure limits and a reporting process, both on the Group level and in individual group members. The investment policies of individual Group members are approved by the Assets and Liabilities Committee (ALCO), which regularly monitors the group members' exposure against investment limits.

Investment policies are structured so as to account for the nature and characteristics of individual members' liabilities, optimise asset spread and maximise return.

The breakdown of the Triglav Group's financial assets portfolio by industry is shown in the table below.

Industry	31 December 2012 (in EUR)	Percent- age *	31 December 2011 (in EUR)	Percent- age *
(Raw) materials	48,305,354	1.97	29,012,238	1.25
Communications	66,437,840	2.72	46,189,478	1.99
Cyclical activities	46,162,486	1.89	35,951,877	1.55
Non-cyclical activities	90,380,465	3.70	84,411,100	3.63
Highly diversified activity - conglomerates	9,626,298	0.39	7,383,155	0.32
Energy	84,163,359	3.44	85,317,770	3.67
Finance	615,947,434	25.18	837,199,318	35.99
Manufacturing	61,685,581	2.52	55,471,424	2.38
Technologies	0	0.00	57,317	0.00
Goods and services of public interest	64,492,207	2.64	47,503,621	2.04
EMU countries	786,903,795	32.17	564,425,439	24.27
EU countries (except EMU)	124,214,078	5.08	104,730,454	4.50
Other countries	110,919,780	4.53	108,366,355	4.66
Small businesses and households	3,990,424	0.16	1,607,986	0.07
No data**	332,649,557	13.60	318,396,290	13.69
TOTAL	2,445,878,658	100.00	2,326,023,822	100.00

* Percentages are calculated on the basis of carrying amounts.

** Including investments in regional financial funds.

In terms of financial assets, the prevailing category is investments in the financial sector with a share of 25.18%, followed by sovereign bonds of EMU countries with 32.17%. The detailed structure of debt securities in the portfolio of the Triglav Group is shown in Section 4.3.6.

4.3.1 Market risk and asset-liability management of insurance portfolios

A description of market risks, related processes and the methods and tools used for managing this type of risk is given in Sections 10.3.1 through 10.3.6 of the Management Report.

In assets and liability management, the Group is mostly exposed to interest rate and equity risk on the assets side. To a lesser extent, the Group is also exposed to the regulatory risk of potential changes in

the minimum standard for setting the applicable technical interest rate for calculation mathematical provisions on the existing insurance portfolio.

Sections 4.3.2 and 4.3.3 show the results of the sensitivity analysis of the Group's financial assets for both major risks and their impact on comprehensive income and the income statement of the Group.

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.

Reinvestment risk arises for interest-sensitive assets yielding coupons in the period up to maturity, depending on the structure of the individual instruments.

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 2012 amounted to EUR 1,413,878,701 and as at 31 December 2011 to EUR 1,066,191,782. 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 Group's portfolio to interest rate risk and its impact on comprehensive income and the income statement.

Type of security	31 December 2012		31 December 2011	
	+100bp	-100bp	+100bp	-100bp
Government securities	-27,578,791	27,578,791	-13,879,083	13,879,084
Securities issued by financial institutions	-3,903,238	3,903,238	-3,632,285	3,632,285
Securities issued by companies	-18,752,855	18,752,855	-12,617,178	12,617,178
Composite securities	-2,218,278	2,218,278	-6,220,840	6,220,840
Other	10,250	-10,250	0	0
TOTAL	-52,442,912	52,442,912	-36,349,386	36,349,387
Impact on comprehensive income	-49,683,433	49,683,433	-32,643,346	32,643,346
Impact on the income statement	-2,759,477	2,759,477	-3,706,040	3,706,040

The table above shows that it is the positive and negative changes in interest rates that have the strongest impact on the sovereign and corporate securities, which also represent the bulk of the Triglav Group's 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 Group's portfolio that are sensitive to such fluctuations. A description of the processes, methods and tools used for managing this type of risk is given in Section 10.3.3 of the Management Report. To a large extent, the portfolio consists of debt securities: this diversification causes a slightly lower equity risk (for details see 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 2012	31 December 2011
Equities in the EU	352,731,878	427,081,235
Equities in the USA	36,154	33,460
Equities in Asia*	3,473	3,393
Equities in emerging markets	63,077,748	54,829,800
Global equities**	102,324,025	79,145,836
TOTAL	518,173,278	561,093,724

* Equity investments in developed Asian countries (Japan, Hong Kong)

** Globally diversified equity investments

The largest part of the portfolio of the Group consists of shares of issuers originating from the EU, worth EUR 352,731,878 in total as at 31 December 2012. These are followed by globally diversified investments in shares totalling EUR 102,324,025, and shares in emerging markets worth EUR 63,077,748 follow in the third place. American and Asian equities, worth EUR 36,154 and EUR 3,473 respectively, represent the smallest share of the portfolio.

The equity portfolio's sensitivity to equity price fluctuations and their impact on comprehensive income and/or the income statement of the Group is shown in the table below.

	in EUR			
	31 December 2012		31 December 2011	
Type of security	10 %	-10 %	10 %	-10 %
Equities in the EU	35,273,188	-35,273,188	42,708,124	-42,708,124
Equities in the USA	3,615	-3,615	3,346	-3,346
Equities in Asia	347	-347	339	-339
Equities in emerging markets	6,307,775	-6,307,775	5,482,981	-5,482,981
Global equities	10,232,403	-10,232,403	7,914,584	-7,914,584
TOTAL	51,817,328	-51,817,328	56,109,374	-56,109,374
Impact on comprehensive income	15,554,998	-13,612,724	19,939,944	-13,632,743
Impact on the income statement	36,262,332	-38,204,606	36,169,430	-42,476,631

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the prices of the equities in the portfolio as at 31 December 2012 were 10% above their disclosed values, the comprehensive income and profit of the Group would be EUR 15.6 million and EUR 36.3 million higher, respectively. In contrast, if the prices of the equities in the portfolio as at 31 December 2012 were 10% lower, the comprehensive income and profit of the Group would be EUR 13.6 million and EUR 38.2 million lower, respectively.

Due to the established long-term decrease in the fair value of equity securities, the Triglav Group, in accordance with International Financial Reporting Standards, impaired certain equity securities. The impacts of impairments are disclosed in Section 7.3.

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. Details on processes, methods and tools used for managing these types of risks are given in Section 10.3.4 of the Management Report. The following tables show the maturity structure of the Group's financial assets and liabilities.

Maturity structure of financial assets and liabilities

	in EUR					
31 December 2012	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
FINANCIAL ASSETS						
Investments in associates	14,384,184	0	0	0	0	14,384,184
Financial assets	500,234,602	314,577,099	824,077,583	508,866,661	298,122,707	2,445,878,652
Reinsurers' share of technical provisions	4,983,137	45,859,520	23,707,990	8,081,875	943,190	83,575,712
Receivables	6,306,690	186,943,308	1,588,928	4,839	6,287	194,850,052
Cash and cash equivalents	10,622,328	6,629,092	0	0	0	17,251,420
TOTAL FINANCIAL ASSETS	536,530,941	554,009,019	849,374,501	516,953,375	299,072,184	2,755,940,020
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	8,769,000	0	28,256,550	0	37,025,550
Insurance technical provisions	447,109,716	627,863,404	439,309,597	306,606,156	484,370,892	2,305,259,765
Other financial liabilities	54,262	21,902,099	14,681,042	2,743,163	0	39,380,566
TOTAL FINANCIAL LIABILITIES	447,163,978	658,534,503	453,990,639	337,605,869	484,370,892	2,381,665,881
Given financial guarantees	0	3,086,692	0	0	0	3,086,692

Maturity structure of financial assets and liabilities

	in EUR				
31 December 2011	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years
TOTAL					
FINANCIAL ASSETS					
Investments in associates	20,504,563	0	0	0	0
Financial assets	495,131,141	335,614,391	664,673,714	534,315,284	296,289,292
Reinsurers' share of technical provisions	482,240	25,893,097	11,481,694	4,526,098	1,599,954
Receivables	5,503,317	199,350,508	178,131	9,695	7,619
Cash and cash equivalents	17,553,389	5,218,278	0	0	0
TOTAL FINANCIAL ASSETS	539,174,650	566,076,274	676,333,539	538,851,077	297,896,865
FINANCIAL LIABILITIES AND PROVISIONS					
Subordinated liabilities	0	0	10,998,000	29,934,090	0
Insurance technical provisions	368,800,112	690,276,031	395,169,444	292,975,857	486,921,328
Other financial liabilities	0	29,231,960	10,259,160	0	0
TOTAL FINANCIAL LIABILITIES	368,800,112	719,507,991	416,426,604	322,909,947	486,921,328
					2,314,565,982

4.3.5 Foreign exchange risk

Our exposure to foreign exchange risk is minor, as most of our assets are denominated in euros. In terms of the foreign exchange risk structure, the highest exposures are to the currencies of the countries that emerged from the former Yugoslavia, which in total represent no more than 5% of the portfolio.

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).

Details on the processes, methods and tools used for managing this type of risk are given in Section 10.3.6 of the Management Report.

Credit risk exposure arising from insurance business operations is regularly monitored by analysing:

- The maturity structure of receivables from insurance operations (see Section 2.11 for guidelines and Section 6.7 for analysis of receivables by maturity) and
- Reinsurers' and co-insurers' credit ratings. The Group monitors the financial standing of reinsurers and, as a rule, enters into retrocession reinsurance agreements for liability insurance only with A- rated reinsurers, and for all other insurance classes only with at least BBB+ rated reinsurers (70% of reinsurers are A-rated).

The Group'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) as at 31 December 2012 amounted to EUR 2,755,940,017 (vs. EUR 2,618,332,403 as at 31 December 2011).

The table below shows the credit-rating structure of debt securities.

The table shows that 61.34% of the debt securities in the Group portfolio have a credit rating of at least »A«, while 30.46% of debt securities have a credit rating of at least »BBB«.

In 2012, the single largest exposure of the Triglav Group was to Abanka Vipava amounting to EUR 40,219,914 same as the year before (EUR 94,601,082).

Credit rating	31 December 2012 (in EUR)	Percentage	31 December 2011 (in EUR)	Percentage
AAA	371,163,307	21.73%	133,986,431	9.39%
AA	80,790,325	4.73%	405,105,707	28.39%
A	595,674,280	34.88%	299,579,162	20.99%
BBB	345,372,264	20.22%	298,354,327	20.91%
BB	148,060,347	8.67%	107,408,814	7.53%
B	26,844,428	1.57%	18,428,007	1.29%
less than B	140,118,939	8.20%	164,140,370	11.50%
TOTAL	1,708,023,890	100.00%	1,427,002,818	100.00%

Total exposure of the Triglav Group to Greece, Portugal, Spain, Ireland, Italy and Hungary on the reporting date amounting to EUR 38.4 million.

Due to adverse developments in the global financial markets and increased credit risk, certain debt securities were impaired. The impact of impairments is described in detail in Section 7.3.

4.4 Strategic risk

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Triglav Group's ability to achieve its strategic objectives and thus the Group's value.

Strategic risks are addressed upon their creation, i.e. during the strategic planning process. The strategy implementation process is monitored with internal controls, while competences and responsibilities of the above-mentioned bodies in managing strategic risk are clearly defined. A clear organisational structure of functions and committees provides for an effective strategic risk control as well as the achievement of short-, mid- and long-term goals. At Group level, special attention is paid to the synergies between individual Group members' strategies, their mutual harmonisation as well as compliance with the strategy of the Triglav Group.

Achieving strategic goals and managing strategic risks is a responsibility of all three lines of defence against risk. Strategic risk management is directly and most actively managed by: the Management Board of Zavarovalnica Triglav, the Subsidiary Governance Committee, the Project Steering Committee, the Life Insurance Product Forum, the Non-life Insurance Product Forum, the Risk Management Committee and the Assets and Liabilities Committee.

Continuous training for employees as well as the application of state-of-the-art models, tools and good business practices enable the Group to effectively manage strategic risks.

A description of strategic risks as well as Group's processes, methods and tools for managing this type of risk is given in Section 10.6 of the Management Report.

4.5 Underwriting risk

Underwriting risk comprises a group of risks related to the core insurance business, i.e. underwriting insurance contracts and related product development, pricing and formation of provisions. This also entails exposure to the risk of changes in loss events and changes in client behaviour.

As part of the basic underwriting process, the risks related to the occurrence of a loss event are transferred from the policy holder to the insurance company. As mentioned in Section 10.4 of the Management Report, the primary responsibility for the active management of the underwriting risk lies with the individual insurance companies of the Triglav Group. This type of risk is managed with clear policies and clearly structured competences and powers, which include the segregation of duties, underwriting limits and an authorisation system. In addition, underwriting risks are managed with established actuarial techniques linked to product pricing and allocations of insurance technical provisions, as well as by means of regular performance monitoring, optimisation of reinsurance schemes and regular monitoring of the adequacy of the insurance technical, mathematical and claims provisions.

To manage risks related to the development of insurance products, the Group has established two product forums for life and non-life insurance, which are responsible for deciding on all activities concerning product development, pricing and terms and conditions.

Reinsurance is one of the basic tools used to mitigate underwriting risks. Insurance companies within the Triglav Group are cosignatories of the same reinsurance contract according to which net retained lines are based on the tables of maximum net retained lines of Zavarovalnica Triglav. If retained line for specific subsidiary exceeds the retained line covered by the reinsurance contract for the Group, additional contract is signed that covers only part of the risks not covered by the above mentioned reinsurance contract. For each business year a plan of reinsurance is adopted that contains:

- calculated retained lines by individual class of insurance,
- a 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 (see also Section 4.3.6). This provides even more stable operations, which result in more stable cash flows.

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 with 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, such as natural disasters (earthquakes, storms, hail and floods).

4.5.1.1 Insurance risk and concentration

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. Over the previous five 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 we were able to discharge our obligations arising from our insurance contracts despite adverse loss event developments, whilst liquidity risk and capital adequacy risk did not increase.

For the Group earthquakes are events with the biggest potential loss risk. The re-insurance scheme is designed accordingly. In the case of an earthquake with a return period of 1,000 years, the retained loss of the Group increased by 20% would account for two thirds of the maximum risk that the Group is still able to assume according to the tables of maximum net retained lines.

In terms of the number of policies, motor vehicle insurance represents the bulk of the Group's business, as shown in Section 7.1. Of the various types of motor vehicle insurance, motor liability insurance accounts for the biggest part of the Group's portfolio. As this type of insurance is characterised by high risk dispersion, this segment does not entail any underwriting risk concentration. A potential danger of risk type concentration exists in comprehensive motor vehicle insurance. However, it is covered by a catastrophe reinsurance scheme, which has proved to be adequate in recent years.

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.

The concentration of life underwriting risk is low, as the risk sum insured is below EUR 35,000 and accounts for 99.6% 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 99.3% of the respective portfolio. Both sums insured represent the stipulated retention in line with the reinsurance agreement for most insurance policies.

Being one of only three insurance companies in Slovenia to offer supplemental health insurance, with a market share of 17.7%, and one of only two reinsurers in the country, holding 44% of the Slovene market, the Group is exposed to market concentration risk in both segments. As regards the reinsurance portfolio, the Group manages the reinsurance portfolio concentration risk by the international geographical spread of inwards reinsurance risks and with the adequate retrocession of outwards reinsurance risks. The supplemental health insurance segment, in contrast, is characterised by dispersed underwriting risks, and thus does not entail any risk concentration exposure.

4.5.1.2 Geographical and sectorial concentration

Triglav conducts insurance business mainly in the territory of the Republic of Slovenia and the countries of the former Yugoslavia, with limited operations in the Czech Republic. On the basis of previous experience, the Group believes that all potential risk concentrations is adequately reinsured.

The table below summarises the gross written premium in the countries in which the insurance companies of the Group operate.

Country	Gross written premium (in EUR)		Share (in %)	
	2012	2011	2012	2011
Slovenia	777,472,347	816,330,978	83.04	82.51
Croatia	46,247,759	53,226,451	4.94	5.38
Montenegro	28,696,542	30,670,813	3.07	3.10
Czech Republic	27,321,366	27,431,720	2.92	2.77
Bosnia and Herzegovina	20,480,464	20,835,500	2.19	2.11
Serbia	16,042,196	20,796,183	1.71	2.10
FYROM	20,002,349	20,107,159	2.14	2.03
TOTAL	936,263,023	989,398,804	100.00	100.00

4.5.2 Low-frequency and high severity risk

The threat of earthquakes represents the highest potential risk in this segment for the Group. Reinsurance protection against earthquakes and other natural disasters is arranged accordingly. Thus far, no earthquake of catastrophic proportions has occurred. The earthquake models available 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 with which Triglav is faced almost every year.

The table below shows the earthquake model for the Group's portfolio for 2012.

Return period (years)	Share of total exposure	in EUR
		Gross claims paid
100	0.33	64,057,466
250	0.71	137,820,609
500	1.31	254,288,730
1000	2.81	545,459,031

Another 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, since no major loss event has been reported in 25 years and the correlation between such a potential loss event and the arising liabilities is low or null. In the worst-case scenario, a net claim arising from nuclear risk would not exceed claims arising from a single natural event (see also Section 4.5.1). There were no such significant low frequency and high severity events in 2012.

4.6 Operational risks

Operational risk is defined as the risk of loss due to:

- Inadequate or failed internal processes (process disruptions, customer complaints, lack of reliable management information, business continuity issues, mismanagement of business-related costs, inefficient change management, inconsistent or incomplete process documentation, etc.);
- Inappropriate or inefficient human behaviour (inadequate human resource management, loss of key personnel, lack of knowledge and competences, employee misconduct, etc.);
- Inadequate or failed systems (outdated software applications and/or infrastructure in use, lack of audit trails in software, inadequate backup and recovery times, etc.);
- External events (changes in regulation, natural disasters, competition, fraudulent activity, etc.).

Zavarovalnica Triglav has determined a framework to identify and measure operational risks, their reasons and their consequences, assessment methodology and identification of internal controls. To provide a unified standard, an extensive analysis of the internal controls system was performed at Zavarovalnica Triglav in 2011, focused on the regularity and reliability of financial reporting in Zavarovalnica Triglav. On the basis of the analysis results, the Risk Management Department proposed a series of measures for reducing exposures in identified areas and set the minimum standard of internal controls, focusing on the accuracy and reliability of financial reporting and optimal management of individual core business processes in the Group. In 2012, the minimum standard of internal controls was introduced and complied with in associate companies and business divisions. The controls are used for monitoring the business operations of individual Group members, as well as the Group as a whole.

In the scope of operational risks, insurance companies have a large potential exposure to insurance fraud. To manage this type of operational risk, a special department was established, responsible for the development and implementation of fraud detection indicators, the research of potential fraudulent activity and reporting to the Management Board on the findings and initiated procedures.

In the coming years, these activities will also be, mutatis mutandis, transferred to other Group members.

Another important segment of operational risks is compliance risk, which is managed in the framework of the compliance function (see also Section 4.1.).

5. Segment Reporting

The management monitors the operations of the Group by business segments (non-life insurance, life insurance, health insurance and non-insurance operations) and by geographical segments (separately for the Slovene and foreign markets).

Distribution of income and expenses between the segments

Income

Income from insurance premiums is disclosed separately by insurance group and insurance class, as well as by geographical areas (separately for Slovenia and other countries).

Investment income is posted separately by insurance group. Within individual insurance classes and types of insurance technical provisions, investment income is distributed according to the structure of technical provisions. Investment income from assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions is accounted for separately. The latter are accounted for separately by insurance group as well.

Other income from insurance operations and other income is accounted for by insurance group. In order to ensure an appropriate presentation of the insurance-technical result, income from non-insurance operations is disclosed as other income.

Furthermore, all income is accounted for by geographical area – separately for Slovenia and for other countries.

Expenses

Net claims incurred are disclosed separately by insurance group and insurance class. Direct claim handling costs are posted by insurance class. Part of the claim handling costs, primarily accounted for by their natural type within operating costs, is shown by insurance groups and insurance classes directly and by using a matrix which 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 from insurance technical provisions. The latter are also accounted for separately by insurance group.

Other net insurance expenses are accounted for separately by insurance group and by insurance class - partly directly and partly by using a matrix. Other expenses from insurance operations and other expenses are posted separately by insurance group. In order to ensure the appropriate presentation of the insurance-technical result, operating expenses of non-insurance companies are disclosed as other expenses in the income statement. In the Notes to financial statements they are disclosed also by nature.

Furthermore, all expenses are accounted for by geographical area – separately for Slovenia and for other countries.

Additional disclosures

Depreciation and amortisation charges by business segment are disclosed under operating expenses in Section 7.11.

Values of investments in intangible assets, property, plant and equipment and investment property by business segments are shown in the table below.

	2012					in EUR 2011				
	Non-life	Life	Health	Non-insurance	TOTAL	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	7,394,236	1,478,182	117,561	135,540	9,125,519	5,078,782	1,390,944	13,460	902,901	7,386,087
Investments in property plant and equipment	6,768,880	1,134,927	224,951	2,551,498	10,680,256	4,478,560	131,549	24,689	1,678,530	6,313,328
Investments in investment property	2,482,094	17,673	0	14,951	2,514,718	3,814,365	1,245,658	0	205,737	5,265,760

5.1 Business segments

The consolidated statement of financial position and consolidated income statement by business segment are shown below for the reporting and the previous year.

In the consolidation process, the key inter-company eliminations between segments which influenced their profit/loss were the following: acquisition costs and acquisition income, premium income

and operating expenses. The aforementioned eliminations had no impact on the consolidated profit/loss. The key inter-company eliminations, which did impact both the profit/loss of individual segments and the consolidated profit/loss, were the effects of the capital method and the elimination of investment impairments in subsidiary companies. These effects are disclosed under financial income and financial expenses.

The management monitors the operations of the Group according to the following main segments:

- non-life insurance,
- life insurance,
- health insurance and
- non-insurance operations.

Consolidated statement of financial position by segment as at 31 December 2012

in EUR

	Non-life	Life	Health	Other	TOTAL (before eliminations)	Eliminations	TOTAL (after eliminations)
ASSETS	1,789,171,344	1,436,934,084	29,000,678	323,905,677	3,579,011,783	-455,203,390	3,123,808,393
Intangible assets	60,948,409	2,520,675	365,434	1,225,906	65,060,424	1,817,862	66,878,286
Property, plant and equipment	88,270,604	10,704,707	2,359,236	28,780,580	130,115,127	235,355	130,350,482
Deferred tax receivables	28,918,980	2,520,432	374,901	2,620,404	34,434,717	0	34,434,717
Investment property	33,836,897	3,188,771	0	51,564,069	88,589,737	11,597,126	100,186,863
Investments in subsidiaries	189,198,013	1,600,761	0	106,823,405	297,622,179	-297,622,179	0
Investments in associates	810	7,285,249	0	7,098,125	14,384,184	0	14,384,184
Financial assets	998,058,697	1,402,003,876	21,673,158	73,131,790	2,494,867,521	-48,988,869	2,445,878,652
<i>Financial investments:</i>	998,058,697	983,121,960	21,673,158	73,131,790	2,075,985,605	-48,988,869	2,026,996,736
- <i>loans and deposits</i>	179,767,954	121,980,439	3,710,271	15,112,515	320,571,179	-47,293,157	273,278,022
- <i>held to maturity</i>	3,159,459	225,256,706	0	0	228,416,165	0	228,416,165
- <i>available for sale</i>	794,005,173	551,280,008	17,962,887	56,012,426	1,419,260,494	-1,695,712	1,417,564,782
- <i>investments recognised at fair value</i>	21,126,111	84,604,807	0	2,006,849	107,737,767	0	107,737,767
<i>Unit-linked insurance assets</i>	0	418,881,916	0	0	418,881,916	0	418,881,916
Reinsurers' share of technical provisions	168,833,642	9,617	0	0	168,843,259	-85,267,547	83,575,712
Receivables	206,346,575	4,656,692	4,076,095	14,263,480	229,342,842	-34,492,790	194,850,052
- receivables from direct insurance operations	101,885,358	558,578	3,777,336	0	106,221,272	-2,356,271	103,865,001
- receivables from reinsurance and co-insurance operations	70,778,349	20,843	0	0	70,799,192	-27,856,408	42,942,784
- current tax receivables	9,240,257	154	0	91,298	9,331,709	0	9,331,709
- other receivables	24,442,611	4,077,117	298,759	14,172,182	42,990,669	-4,280,111	38,710,558
Other assets	6,326,403	197,703	30,307	29,608,343	36,162,756	-2,482,348	33,680,408
Cash and cash equivalents	8,432,314	2,245,601	121,547	6,451,958	17,251,420	0	17,251,420
Non-current assets held for sale	0	0	0	2,337,617	2,337,617	0	2,337,617
EQUITY AND LIABILITIES	1,789,171,344	1,436,934,084	29,000,678	323,905,677	3,579,011,783	-455,203,390	3,123,808,393
Equity	522,540,892	96,776,850	10,401,682	231,551,006	861,270,430	-286,706,673	574,563,757
<i>Controlling interests</i>	522,540,892	96,776,850	10,401,682	231,551,006	861,270,430	-293,406,610	567,863,820
- <i>share capital</i>	115,974,541	31,119,897	25,822,144	186,624,504	359,541,086	-285,839,694	73,701,392
- <i>share premium</i>	43,254,647	13,067,907	0	19,884,306	76,206,860	-19,496,147	56,710,713
- <i>reserves from profit</i>	222,346,715	32,091,323	0	3,760,902	258,198,940	-4,965,860	253,233,080
- <i>fair value reserve</i>	42,650,453	5,407,124	-117,016	20,669,741	68,610,302	-16,791,248	51,819,054
- <i>net profit brought forward</i>	79,339,131	9,801,205	-18,268,658	19,011,205	89,882,883	-3,113,788	86,769,095
- <i>net profit/loss for the year</i>	20,628,500	6,191,169	2,965,212	-17,546,338	12,238,543	36,571,124	48,809,667
- <i>currency translation differences</i>	-1,653,095	-901,775	0	-853,314	-3,408,184	229,003	-3,179,181
<i>Non-controlling interests</i>	0	0	0	0	0	6,699,937	6,699,937
Subordinated liabilities	26,406,976	13,677,269	1,500,000	0	41,584,245	-4,558,695	37,025,550
Insurance technical provisions	1,072,460,633	890,796,041	9,981,170	0	1,973,237,844	-85,317,063	1,887,920,781
- unearned premium	283,810,138	415,636	1,869,256	0	286,095,030	-17,670,457	268,424,573
- mathematical provisions	0	869,949,936	0	0	869,949,936	0	869,949,936
- claims provisions	763,526,567	20,430,469	6,865,684	0	790,822,720	-67,646,606	723,176,114
- other insurance technical provisions	25,123,928		1,246,230	0	26,370,158	0	26,370,158
Insurance technical provisions for unit-linked insurance contracts	0	417,338,984	0	0	417,338,984	0	417,338,984
Employee benefits	7,723,483	1,437,173	282,477	1,130,540	10,573,673	0	10,573,673
Other provisions	8,351,432	127,059	169,602	10,973,459	19,621,552	0	19,621,552
Deferred tax liabilities	10,788,513	2,861,666	0	7,350,526	21,000,705	351,293	21,351,998
Other financial liabilities	22,412,471	892,596	0	52,981,785	76,286,852	-36,906,286	39,380,566
Operating liabilities	77,708,078	7,370,405	3,288,659	146,445	88,513,587	-30,363,480	58,150,107
- liabilities from direct insurance operations	11,235,706	7,278,280	3,288,659	0	21,802,645	-990,928	20,811,717
- liabilities from reinsurance and co-insurance operations	66,080,146	36,521	0	0	66,116,667	-29,372,552	36,744,115
- current tax liabilities	392,226	55,604	0	146,445	594,275	0	594,275
Other liabilities	40,778,866	5,656,041	3,377,088	19,771,916	69,583,911	-11,702,486	57,881,425

Consolidated statement of financial position by segment as at 31 December 2011

in EUR

	Non-life	Life	Health	Other	TOTAL (before eliminations)	Eliminations	TOTAL (after eliminations)
ASSETS	1,727,489,315	1,352,282,081	22,952,603	288,845,146	3,391,569,145	-429,569,041	2,962,000,104
Intangible assets	58,347,323	2,091,664	503,270	1,242,965	62,185,222	1,148,243	63,333,465
Property, plant and equipment	95,093,620	11,165,759	2,638,647	19,910,656	128,808,682	0	128,808,682
Deferred tax receivables	31,530,559	5,156,245	586,802	3,387,637	40,661,243	0	40,661,243
Investment property	36,017,082	3,236,659	0	46,552,001	85,805,742	10,979,148	96,784,890
Investments in associates	227,046,559	9,188,006	0	107,678,422	343,912,987	-323,408,424	20,504,563
Financial assets	943,491,451	1,307,690,817	15,312,405	59,529,147	2,326,023,820	0	2,326,023,820
<i>Financial investments:</i>	943,491,451	943,006,443	15,312,405	59,529,147	1,961,339,446	0	1,961,339,446
- <i>loans and deposits</i>	241,728,764	185,861,724	7,410,950	4,710,809	439,712,247	0	439,712,247
- <i>held to maturity</i>	4,420,046	240,798,235	0	0	245,218,281	0	245,218,281
- <i>available for sale</i>	664,130,314	467,455,530	7,901,455	53,378,426	1,192,865,725	0	1,192,865,725
- <i>investments recognised at fair value</i>	33,212,325	48,890,954	0	1,439,912	83,543,191	0	83,543,191
<i>Unit-linked insurance assets</i>	0	364,684,374	0	0	364,684,374	0	364,684,374
Reinsurers' share of technical provisions	100,568,860	17,461	0	0	100,586,321	-56,603,238	43,983,083
Receivables	215,274,084	8,797,084	3,862,792	38,651,204	266,585,164	-61,535,894	205,049,270
- receivables from direct insurance operations	115,165,850	1,969,843	3,641,378	0	120,777,071	-2,217,748	118,559,323
- receivables from reinsurance and co-insurance operations	69,524,867	8,192	0	0	69,533,059	-28,793,585	40,739,474
- current tax receivables	392,857	154	0	66,498	459,509	0	459,509
- other receivables	30,190,510	6,818,895	221,414	38,584,706	75,815,525	-30,524,561	45,290,964
Other assets	8,457,864	244,655	28,757	4,014,806	12,746,082	-148,876	12,597,206
Cash and cash equivalents	11,661,913	4,693,731	19,930	6,396,093	22,771,667	0	22,771,667
Non-current assets held for sale	0	0	0	1,482,215	1,482,215	0	1,482,215
EQUITY AND LIABILITIES	1,727,489,315	1,352,282,081	22,952,603	288,845,146	3,391,569,145	-429,569,040	2,962,000,104
Equity	460,317,468	80,010,670	6,808,987	223,023,290	770,160,415	-280,690,577	489,469,838
<i>Controlling interests</i>	460,317,468	80,010,670	6,808,987	223,023,290	770,160,415	-304,895,482	465,264,933
- <i>share capital</i>	115,916,612	31,119,897	25,822,144	159,361,215	332,219,868	-258,518,466	73,701,402
- <i>share premium</i>	43,254,651	13,067,907	0	17,558,739	73,881,297	-20,677,221	53,204,076
- <i>reserves from profit</i>	199,910,474	32,091,323	0	2,950,511	234,952,308	-4,125,488	230,826,820
- <i>fair value reserve</i>	9,768,055	-8,964,301	-744,499	19,297,694	19,356,949	-16,569,974	2,786,975
- <i>net profit brought forward</i>	53,276,018	6,727,413	-20,368,943	21,058,080	60,692,568	442,652	61,135,220
- <i>net profit/loss for the year</i>	39,808,441	6,704,672	2,100,285	3,147,653	51,761,051	-5,585,319	46,175,732
- <i>currency translation differences</i>	-1,616,783	-736,241	0	-350,602	-2,703,626	138,334	-2,565,292
<i>Non-controlling interests</i>	0	0	0	0	0	24,204,905	24,204,905
Subordinated liabilities	28,623,604	13,672,424	1,500,000	0	43,796,028	-2,863,938	40,932,090
Insurance technical provisions	1,051,421,356	866,517,668	8,466,282	0	1,926,405,306	-56,758,425	1,869,646,881
- unearned premium	307,369,081	427,347	2,025,805	0	309,822,233	-18,081,835	291,740,398
- mathematical provisions	0	845,464,934	0	0	845,464,934	0	845,464,934
- claims provisions	718,208,945	20,625,387	5,306,508	0	744,140,840	-38,676,590	705,464,250
- other insurance technical provisions	25,843,330	0	1,133,969	0	26,977,299	0	26,977,299
Insurance technical provisions for unit-linked insurance contracts	0	364,495,891	0	0	364,495,891	0	364,495,891
Employee benefits	8,194,705	1,488,470	159,001	549,989	10,392,165	0	10,392,165
Other provisions	8,136,557	333,893	399,522	10,270,250	19,140,222	0	19,140,222
Deferred tax liabilities	1,905,791	-307,328	0	8,015,124	9,613,587	0	9,613,587
Other financial liabilities	51,698,726	5,498,322	0	28,310,568	85,507,616	-46,016,496	39,491,120
Operating liabilities	77,207,270	8,211,610	2,405,045	26,693	87,850,618	-29,989,876	57,860,742
- liabilities from direct insurance operations	11,009,638	8,139,667	2,405,045	0	21,554,350	-626,289	20,928,061
- liabilities from reinsurance and co-insurance operations	65,421,610	48,006	0	0	65,469,616	-29,363,587	36,106,029
- current tax liabilities	776,022	23,937	0	26,693	826,652	0	826,652
Other liabilities	39,983,838	12,360,461	3,213,766	18,649,232	74,207,297	-13,249,728	60,957,569

Consolidated income statement by segment as at 31 December 2012

in EUR

	2012				
	TOTAL	Non-life	Life	Health	Other
NET PREMIUM INCOME	884,367,872	587,891,014	204,865,726	91,611,132	0
- gross written premium	936,263,023	639,931,921	204,876,520	91,454,582	0
- ceded written premium	-74,983,245	-74,961,173	-22,072	0	0
- change in unearned premiums	23,088,094	22,920,266	11,278	156,550	0
TOTAL INCOME FROM FINANCIAL ASSETS	173,651,547	68,677,859	99,147,955	647,941	5,177,792
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	5,754,725	2,039,807	1,032,252	0	2,682,666
- profit on equity investments accounted for using the equity method	1,720,451	0	1,032,252	0	688,199
- other income from financial assets in associated companies	4,034,274	2,039,807	0	0	1,994,467
INCOME FROM OTHER FINANCIAL ASSETS	138,074,118	66,638,052	68,292,999	647,941	2,495,126
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	29,822,704	0	29,822,704	0	0
OTHER INCOME FROM INSURANCE OPERATIONS	20,702,957	6,408,944	14,260,442	33,571	0
- fees and commission income	13,741,969	1,034,523	12,707,446	0	0
- other income from insurance operations	6,960,988	5,374,421	1,552,996	33,571	0
OTHER INCOME	76,039,900	4,797,804	263,336	71,118	70,907,642
NET CLAIMS INCURRED	578,938,271	336,266,693	163,030,391	79,641,187	0
- gross claims settled	613,765,178	379,872,215	163,220,596	70,672,367	0
- reinsurers' and co-insurers' share	-22,515,985	-22,515,985	0	0	0
- changes in claims provisions	-19,720,565	-21,089,537	-190,205	1,559,177	0
- equalisation scheme expenses for supplementary health insurance	7,409,643	0	0	7,409,643	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-1,446,818	-2,484,155	925,077	112,260	0
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	52,882,779	0	52,882,779	0	0
EXPENSES FOR BONUSES AND DISCOUNTS	8,647,771	8,645,999	1,772	0	0
OPERATING EXPENSES	198,477,965	158,508,803	33,079,066	6,890,096	0
- costs of insurance contract acquisition	127,960,690	107,688,800	19,066,816	1,205,074	0
- other operating costs	70,517,275	50,820,003	14,012,250	5,685,022	0
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	100,957,942	52,894,939	43,795,727	38,235	4,229,042
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	2,104,247	11	5,513	0	2,098,723
- loss on investments accounted for using the equity method	2,104,247	11	5,513	0	2,098,723
- other expenses from financial assets and liabilities in associates	0	0	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	98,177,882	52,894,927	43,114,401	38,235	2,130,319
- permanent impairments	43,652,275	35,272,321	8,282,210	4,930	92,814
- other expenses from financial assets and liabilities	54,525,607	17,622,606	34,832,191	33,305	2,037,505
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	675,813	0	675,813	0	0
OTHER INSURANCE EXPENSES	42,829,908	27,297,194	14,982,024	550,690	0
OTHER EXPENSES	83,803,046	11,204,554	1,902,292	482,888	70,213,312
PROFIT/ LOSS BEFORE TAX	89,671,412	75,441,594	7,938,331	4,648,406	1,643,081
Income tax expense	-16,490,349	-12,787,533	-2,475,667	-46,426	-1,180,723
NET PROFIT/LOSS	73,181,063	62,654,061	5,462,664	4,601,980	462,358

Consolidated income statement by segment as at 31 December 2011

in EUR

	2011				
	TOTAL	Non-life	Life	Health	Other
NET PREMIUM INCOME	916,278,896	622,224,753	213,951,694	80,102,449	0
- gross written premium	989,398,804	695,184,863	214,024,239	80,189,702	0
- ceded written premium	-80,087,864	-80,073,669	-14,195	0	0
- change in unearned premiums	6,967,956	7,113,559	-58,350	-87,253	0
TOTAL INCOME FROM FINANCIAL ASSETS	148,981,933	57,673,229	79,089,050	538,870	11,680,784
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	4,269,157	482	904,067	0	3,364,608
- profit on equity investments accounted for using the equity method	4,265,615	0	904,067	0	3,361,548
- other income from financial assets in associated companies	3,542	482	0	0	3,060
INCOME FROM OTHER FINANCIAL ASSETS	118,961,870	57,672,747	52,434,077	538,870	8,316,176
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	25,750,906	0	25,750,906	0	0
OTHER INCOME FROM INSURANCE OPERATIONS	26,441,506	11,086,941	15,340,479	14,086	0
- fees and commission income	17,402,868	2,538,224	14,864,644	0	0
- other income from insurance operations	9,038,638	8,548,717	475,835	14,086	0
OTHER INCOME	57,156,897	4,784,876	232,321	36,224	52,103,476
NET CLAIMS INCURRED	576,117,033	366,936,881	139,655,048	69,525,104	0
- gross claims settled	593,872,215	390,913,095	140,482,689	62,476,431	0
- reinsurers' and co-insurers' share	-22,450,576	-22,450,576	0	0	0
- changes in claims provisions	-1,961,843	-1,525,638	-827,641	391,436	0
- equalisation scheme expenses for supplementary health insurance	6,657,237	0	0	6,657,237	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-2,909,572	-8,608,879	5,475,511	223,796	0
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	-11,402,162	0	-11,402,162	0	0
EXPENSES FOR BONUSES AND DISCOUNTS	6,458,995	6,457,203	1,792	0	0
OPERATING EXPENSES	203,308,320	163,016,584	33,696,548	6,595,188	0
- costs of insurance contract acquisition	130,633,390	109,739,851	19,736,401	1,157,138	0
- other operating costs	72,674,930	53,276,733	13,960,147	5,438,050	0
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	202,010,429	77,700,867	117,623,920	87,969	6,597,673
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	19,175,570	13,714,642	2,559,602	0	2,901,326
- loss on investments accounted for using the equity method	16,977,661	11,938,620	2,538,220	0	2,500,821
- other expenses from financial assets and liabilities in associates	2,197,909	1,776,022	21,382	0	400,505
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	107,035,830	63,986,225	39,265,289	87,969	3,696,347
- permanent impairments	62,861,127	44,887,428	15,964,595	66,624	1,942,480
- other expenses from financial assets and liabilities	33,971,434	11,865,487	20,822,381	0	1,283,566
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	75,799,029	0	75,799,029	0	0
OTHER INSURANCE EXPENSES	55,953,030	39,675,068	15,920,559	357,403	0
OTHER EXPENSES	61,323,544	7,281,704	1,011,311	531,912	52,498,617
PROFIT/ LOSS BEFORE TAX	57,999,615	43,310,371	6,631,017	3,370,257	4,687,970
Income tax expense	-10,502,374	-10,702,125	-1,256,829	63,168	1,393,412
NET PROFIT/LOSS	47,497,241	32,608,246	5,374,188	3,433,425	6,081,382

Consolidated statement of comprehensive income by business segment for the year 2012

Consolidated statement of comprehensive income by business segment for the year 2012					in EUR
	Non-life	Life	Health	Non-insurance	TOTAL
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX	62,654,061	5,462,664	4,601,980	462,358	73,181,063
II. OTHER COMPREHENSIVE INCOME AFTER TAX	32,875,073	14,236,179	627,483	1,071,911	48,810,646
1. Net gains/losses from the remeasurement of available-for-sale financial assets	38,246,253	44,162,943	792,958	2,038,215	85,240,369
2. Net gains/losses related to non-current assets held for sale	0	0	0	0	0
3. Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	0	246,560	0	0	246,560
4. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	-23,745,609	0	0	-23,745,609
5. Currency translation differences	-9,867	-135,246	0	-493,419	-638,532
6. Tax on other comprehensive income	-5,361,313	-6,292,469	-165,475	-472,885	-12,292,142
III. COMPREHENSIVE INCOME / LOSS FOR THE YEAR AFTER TAX	95,529,134	19,698,843	5,229,463	1,534,269	121,991,709
Controlling interests	94,639,077	19,431,692	5,229,463	1,672,199	120,972,431
Non-controlling interests	890,057	267,151	0	-137,930	1,019,278

Consolidated statement of comprehensive income by business segment for the year 2011

Consolidated statement of comprehensive income by business segment for the year 2011					in EUR
	Non-life	Life	Health	Non-insurance	TOTAL
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX	32,608,246	5,374,188	3,433,425	6,081,382	47,497,241
II. OTHER COMPREHENSIVE INCOME AFTER TAX	-24,974,852	-16,497,683	-798,620	-1,599,216	-43,870,371
1. Net gains/losses from the remeasurement of available-for-sale financial assets	-39,247,654	-29,273,313	-798,620	-623,177	-69,942,764
2. Net gains/losses related to non-current assets held for sale	0	0	0	-198,746	-198,746
3. Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	-688,350	-401,331	0	-1,074,508	-2,164,189
4. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	9,274,697	0	0	9,274,697
5. Currency translation differences	-538,961	-56,488	0	28,588	-566,861
6. Tax on other comprehensive income	15,500,113	3,958,752	0	268,627	19,727,492
III. COMPREHENSIVE INCOME / LOSS FOR THE YEAR AFTER TAX	7,633,394	-11,123,495	2,634,805	4,482,166	3,626,870
Controlling interests	7,575,824	-11,184,247	2,628,427	4,698,854	3,718,858
Non-controlling interests	57,570	60,752	6,378	-216,688	-91,988

5.2 Reporting by geographical area

Consolidated statement of financial position by geographical area as at 31 December 2012

	Slovenia	Other	TOTAL (before eliminations)	Eliminations	TOTAL (after eliminations)
ASSETS	3,190,566,666	388,445,117	3,579,011,783	-455,203,390	3,123,808,393
Intangible assets	54,118,220	10,942,204	65,060,424	1,817,862	66,878,286
Property, plant and equipment	93,518,448	36,596,679	130,115,127	235,355	130,350,482
Deferred tax receivables	32,743,054	1,691,663	34,434,717	0	34,434,717
Investment property	64,986,142	23,603,595	88,589,737	11,597,126	100,186,863
Investments in subsidiaries	292,440,723	5,181,456	297,622,179	-297,622,179	0
Investments in associates	14,384,184	0	14,384,184	0	14,384,184
Financial assets	2,289,877,331	204,990,190	2,494,867,521	-48,988,869	2,445,878,652
<i>Financial investments:</i>	1,883,374,543	192,611,062	2,075,985,605	-48,988,869	2,026,996,736
- <i>loans and deposits</i>	255,524,416	65,046,763	320,571,179	-47,293,157	273,278,022
- <i>held to maturity</i>	199,277,500	29,138,665	228,416,165	0	228,416,165
- <i>available for sale</i>	1,325,255,570	94,004,924	1,419,260,494	-1,695,712	1,417,564,782
- <i>investments recognised at fair value</i>	103,317,057	4,420,710	107,737,767	0	107,737,767
<i>Unit-linked insurance assets</i>	406,502,788	12,379,128	418,881,916	0	418,881,916
Reinsurers' share of technical provisions	132,202,677	36,640,582	168,843,259	-85,267,547	83,575,712
Receivables	174,932,784	54,410,058	229,342,842	-34,492,790	194,850,052
- receivables from direct insurance operations	74,079,379	32,141,893	106,221,272	-2,356,271	103,865,001
- receivables from reinsurance and co-insurance operations	64,471,298	6,327,894	70,799,192	-27,856,408	42,942,784
- current tax receivables	7,490,565	1,841,144	9,331,709	0	9,331,709
- other receivables	28,891,542	14,099,127	42,990,669	-4,280,111	38,710,558
Other assets	31,250,939	4,911,817	36,162,756	-2,482,348	33,680,408
Cash and cash equivalents	7,774,547	9,476,873	17,251,420	0	17,251,420
Non-current assets held for sale	2,337,617	0	2,337,617	0	2,337,617
EQUITY AND LIABILITIES	3,190,566,666	388,445,117	3,579,011,783	-455,203,390	3,123,808,393
Equity	781,402,446	79,867,984	861,270,430	-286,706,673	574,563,757
<i>Controlling interests</i>	781,402,446	79,867,984	861,270,430	-293,406,610	567,863,820
- <i>share capital</i>	276,279,152	83,261,934	359,541,086	-285,839,694	73,701,392
- <i>share premium</i>	74,443,895	1,762,965	76,206,860	-19,496,147	56,710,713
- <i>reserves from profit</i>	242,702,915	15,496,025	258,198,940	-4,965,860	253,233,080
- <i>fair value reserve</i>	66,014,133	2,596,169	68,610,302	-16,791,248	51,819,054
- <i>net profit brought forward</i>	104,230,833	-14,347,950	89,882,883	-3,113,788	86,769,095
- <i>net profit/loss for the year</i>	17,731,518	-5,492,975	12,238,543	36,571,124	48,809,667
- <i>currency translation differences</i>	0	-3,408,184	-3,408,184	229,003	-3,179,181
<i>Non-controlling interests</i>	0	0	0	6,699,937	6,699,937
Subordinated liabilities	40,221,260	1,362,985	41,584,245	-4,558,695	37,025,550
Insurance technical provisions	1,739,652,960	233,584,884	1,973,237,844	-85,317,063	1,887,920,781
- unearned premium	226,269,982	59,825,048	286,095,030	-17,670,457	268,424,573
- mathematical provisions	826,665,167	43,284,769	869,949,936	0	869,949,936
- claims provisions	665,571,588	125,251,132	790,822,720	-67,646,606	723,176,114
- other insurance technical provisions	21,146,223	5,223,935	26,370,158	0	26,370,158
Insurance technical provisions for unit-linked insurance contracts	404,899,884	12,439,100	417,338,984	0	417,338,984
Employee benefits	9,363,448	1,210,225	10,573,673	0	10,573,673
Other provisions	11,944,984	7,676,568	19,621,552	0	19,621,552
Deferred tax liabilities	20,615,780	384,925	21,000,705	351,293	21,351,998
Other financial liabilities	51,489,102	24,797,750	76,286,852	-36,906,286	39,380,566
Operating liabilities	73,604,679	14,908,908	88,513,587	-30,363,480	58,150,107
- liabilities from direct insurance operations	15,808,735	5,993,910	21,802,645	-990,928	20,811,717
- liabilities from reinsurance and co-insurance operations	57,320,673	8,795,994	66,116,667	-29,372,552	36,744,115
- current tax liabilities	475,271	119,004	594,275	0	594,275
Other liabilities	57,372,123	12,211,788	69,583,911	-11,702,486	57,881,425

Consolidated statement of financial position by geographical area as at 31 December 2011

	Slovenia	Other	TOTAL (before eliminations)	Eliminations	TOTAL (after eliminations)
ASSETS	3,015,049,209	376,519,936	3,391,569,145	-429,569,041	2,962,000,104
Intangible assets	50,731,242	11,453,980	62,185,222	1,148,243	63,333,465
Property, plant and equipment	86,280,649	42,528,033	128,808,682	0	128,808,682
Deferred tax receivables	38,475,326	2,185,917	40,661,243	0	40,661,243
Investment property	64,166,737	21,639,005	85,805,742	10,979,148	96,784,890
Investments in subsidiaries	336,061,478	7,851,509	343,912,987	-323,408,424	20,504,563
Investments in associates	2,125,551,370	200,472,450	2,326,023,820	0	2,326,023,820
Financial assets	1,770,552,792	190,786,654	1,961,339,446	0	1,961,339,446
<i>Financial investments:</i>	370,997,749	68,714,498	439,712,247	0	439,712,247
- <i>loans and deposits</i>	211,599,458	33,618,823	245,218,281	0	245,218,281
- <i>held to maturity</i>	1,117,989,900	74,875,825	1,192,865,725	0	1,192,865,725
- <i>available for sale</i>	69,965,684	13,577,507	83,543,191	0	83,543,191
- <i>investments recognised at fair value</i>	354,998,578	9,685,796	364,684,374	0	364,684,374
<i>Unit-linked insurance assets</i>	81,923,035	18,663,286	100,586,321	-56,603,238	43,983,083
Reinsurers' share of technical provisions	213,401,379	53,183,785	266,585,164	-61,535,894	205,049,270
Receivables	84,628,155	36,148,916	120,777,071	-2,217,748	118,559,323
- receivables from direct insurance operations	64,234,278	5,298,781	69,533,059	-28,793,585	40,739,474
- receivables from reinsurance and co-insurance operations	435,240	24,269	459,509	0	459,509
- current tax receivables	64,103,706	11,711,819	75,815,525	-30,524,561	45,290,964
- other receivables	6,665,824	6,080,258	12,746,082	-148,876	12,597,206
Other assets	10,309,954	12,461,713	22,771,667	0	22,771,667
Cash and cash equivalents	1,482,215	0	1,482,215	0	1,482,215
Non-current assets held for sale	50,731,242	11,453,980	62,185,222	1,148,243	63,333,465
EQUITY AND LIABILITIES	3,015,049,209	376,519,936	3,391,569,145	-429,569,040	2,962,000,104
Equity	690,276,727	79,883,688	770,160,415	-280,690,577	489,469,838
<i>Controlling interests</i>	690,276,727	79,883,688	770,160,415	-304,895,482	465,264,933
- <i>share capital</i>	250,215,863	82,004,005	332,219,868	-258,518,466	73,701,402
- <i>share premium</i>	72,118,328	1,762,969	73,881,297	-20,677,221	53,204,076
- <i>reserves from profit</i>	216,767,136	18,185,172	234,952,308	-4,125,488	230,826,820
- <i>fair value reserve</i>	21,168,811	-1,811,862	19,356,949	-16,569,974	2,786,975
- <i>net profit brought forward</i>	76,434,327	-15,741,759	60,692,568	442,652	61,135,220
- <i>net profit/loss for the year</i>	53,572,262	-1,811,211	51,761,051	-5,585,319	46,175,732
- <i>currency translation differences</i>	0	-2,703,626	-2,703,626	138,334	-2,565,292
<i>Non-controlling interests</i>	0	0	0	24,204,905	24,204,905
Subordinated liabilities	42,432,090	1,363,938	43,796,028	-2,863,938	40,932,090
Insurance technical provisions	1,705,835,686	220,569,620	1,926,405,306	-56,758,425	1,869,646,881
- unearned premium	246,082,775	63,739,458	309,822,233	-18,081,835	291,740,398
- mathematical provisions	806,053,274	39,411,660	845,464,934	0	845,464,934
- claims provisions	629,969,034	114,171,806	744,140,840	-38,676,590	705,464,250
- other insurance technical provisions	23,730,603	3,246,696	26,977,299	0	26,977,299
Insurance technical provisions for unit-linked insurance contracts	354,900,127	9,595,764	364,495,891	0	364,495,891
Employee benefits	9,037,774	1,354,391	10,392,165	0	10,392,165
Other provisions	11,314,516	7,825,706	19,140,222	0	19,140,222
Deferred tax liabilities	9,447,240	166,347	9,613,587	0	9,613,587
Other financial liabilities	54,801,866	30,705,750	85,507,616	-46,016,496	39,491,120
Operating liabilities	74,957,364	12,893,254	87,850,618	-29,989,876	57,860,742
- liabilities from direct insurance operations	15,803,708	5,750,642	21,554,350	-626,289	20,928,061
- liabilities from reinsurance and co-insurance operations	58,628,262	6,841,354	65,469,616	-29,363,587	36,106,029
- current tax liabilities	525,394	301,258	826,652	0	826,652
Other liabilities	62,045,819	12,161,478	74,207,297	-13,249,728	60,957,569

Consolidated income statement by geographical area for the year 2012 and 2011

in EUR

	2012			2011		
	TOTAL	Slovenia	Other	TOTAL	Slovenia	Other
NET PREMIUM INCOME	884,367,872	737,842,838	146,525,034	916,278,896	758,449,927	157,828,969
- gross written premium	936,263,023	777,472,347	158,790,676	989,398,804	816,330,978	173,067,826
- ceded written premium	-74,983,245	-59,068,376	-15,914,869	-80,087,864	-62,575,390	-17,512,474
- change in unearned premiums	23,088,094	19,438,867	3,649,227	6,967,956	4,694,339	2,273,617
TOTAL INCOME FROM FINANCIAL ASSETS	173,651,547	157,502,031	16,149,516	148,981,933	134,165,135	14,816,798
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	5,754,725	5,754,725	0	4,269,157	4,269,157	0
- profit on equity investments accounted for using the equity method	1,720,451	1,720,451	0	4,265,615	4,265,615	0
- other income from financial assets in associated companies	4,034,274	4,034,274	0	3,542	3,542	0
INCOME FROM OTHER FINANCIAL ASSETS	138,074,118	123,466,490	14,607,628	118,961,870	105,047,057	13,914,813
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	29,822,704	28,280,816	1,541,888	25,750,906	24,848,921	901,985
OTHER INCOME FROM INSURANCE OPERATIONS	20,702,957	16,544,951	4,158,006	26,441,506	19,216,379	7,225,127
- fees and commission income	13,741,969	12,285,835	1,456,134	17,402,868	15,839,413	1,563,455
- other income from insurance operations	6,960,988	4,259,116	2,701,872	9,038,638	3,376,966	5,661,672
OTHER INCOME	76,039,900	68,641,629	7,398,271	57,156,897	49,512,450	7,644,447
NET CLAIMS INCURRED	578,938,271	484,036,436	94,901,835	576,117,033	492,922,581	83,194,452
- gross claims settled	613,765,178	512,687,516	101,077,662	593,872,215	500,889,938	92,982,277
- reinsurers' and co-insurers' share	-22,515,985	-13,963,801	-8,552,184	-22,450,576	-18,400,675	-4,049,901
- changes in claims provisions	-19,720,565	-22,096,922	2,376,357	-1,961,843	3,776,081	-5,737,924
- equalisation scheme expenses for supplementary health insurance	7,409,643	7,409,643	0	6,657,237	6,657,237	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-1,446,818	-6,278,879	4,832,061	-2,909,572	-8,078,044	5,168,472
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	52,882,779	49,999,757	2,883,022	-11,402,162	-13,398,829	1,996,667
EXPENSES FOR BONUSES AND DISCOUNTS	8,647,771	7,610,509	1,037,262	6,458,995	5,319,138	1,139,857
OPERATING EXPENSES	198,477,965	143,175,597	55,302,368	203,308,320	145,854,419	57,453,901
- costs of insurance contract acquisition	127,960,690	96,708,063	31,252,627	130,633,390	97,374,714	33,258,676
- other operating costs	70,517,275	46,467,534	24,049,741	72,674,930	48,479,705	24,195,225
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	100,957,942	97,778,795	3,179,148	202,010,429	196,935,445	5,074,984
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	2,104,247	2,104,247	0	19,175,570	19,175,570	0
- loss on investments accounted for using the equity method	2,104,247	2,104,247	0	16,977,661	16,977,661	0
- other expenses from financial assets and liabilities in associates	0	0	0	2,197,909	2,197,909	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	98,177,882	95,300,432	2,877,450	107,035,830	103,170,143	3,865,687
- permanent impairments	43,652,275	42,934,102	718,173	62,861,127	61,938,686	922,441
- other expenses from financial assets and liabilities	54,525,607	52,366,330	2,159,277	33,971,434	32,969,318	1,002,116
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	675,813	374,116	301,697	75,799,029	74,589,732	1,209,297
OTHER INSURANCE EXPENSES	42,829,908	32,694,106	10,135,802	55,953,030	36,125,402	19,827,628
OTHER EXPENSES	83,803,046	73,903,491	9,899,555	61,323,544	52,924,727	8,398,817
PROFIT/ LOSS BEFORE TAX	89,671,412	97,611,638	-7,940,226	57,999,615	52,739,052	5,260,563
Income tax expense	-16,490,349	-17,857,098	1,366,749	-10,502,374	-9,914,476	-587,898
NET PROFIT/LOSS	73,181,063	79,754,540	-6,573,477	47,497,241	42,824,576	4,672,665

6. Notes to the Statement of Financial Position

6.1 Intangible assets

	Goodwill	Deferred acquisition cost	Software	Other intangible assets	in EUR TOTAL
COST					
As at 1 January 2011	2,460,627	38,587,347	36,747,788	659,350	78,455,112
- purchase	0	0	7,321,761	19,000	7,340,761
- disposal	0	0	-2,748,002	-5,592	-2,753,594
- increase	0	489,438	0	0	489,438
- decrease	0	-1,625,982	0	0	-1,625,982
- reclassification	0	0	228,025	0	228,025
- impairment	-1,312,384	0	0	0	-1,312,384
- changes in consolidation area	0	0	84,246	0	84,246
- exchange rate difference	0	-81,795	-89,941	-9	-171,745
As at 31 December 2011	1,148,243	37,369,008	41,543,877	672,750	80,733,878
- purchase	0	0	9,026,034	99,485	9,125,519
- disposal	0	0	-524,688	-2,983	-527,671
- increase	0	923,795	0	0	923,795
- decrease	0	-1,860,654	0	0	-1,860,654
- reclassification	0	0	1,790,529	0	1,790,529
- changes in consolidation area	669,619	0	242,081	0	911,700
- exchange rate difference	0	18,793	-195,711	-46	-176,964
As at 31 December 2012	1,817,862	36,450,942	51,882,122	769,205	90,920,131
ACCUMULATED AMORTISATION					
As at 1 January 2011	0	0	-16,713,305	-523,700	-17,237,005
- current year amortisation	0	0	-2,929,202	-33,747	-2,962,949
- disposal	0	0	2,805,059	0	2,805,059
- reclassification	0	0	-31,535	0	-31,535
- changes in consolidation area	0	0	-564	-543	-1,107
- exchange rate difference	0	0	27,113	9	27,122
As at 31 December 2011	0	0	-16,842,434	-557,981	-17,400,415
- current year amortisation	0	0	-5,108,831	-33,469	-5,142,300
- disposal	0	0	366,030	0	366,030
- reclassification	0	0	-1,790,966	0	-1,790,966
- changes in consolidation area	0	0	-108,410	0	-108,410
- exchange rate difference	0	0	34,171	46	34,217
As at 31 December 2012	0	0	-23,450,440	-591,404	-24,041,844
CARRYING AMOUNT					
As at 31 December 2011	1,148,243	37,369,008	24,701,443	114,768	63,333,462
As at 31 December 2012	1,817,862	36,450,942	28,431,682	177,801	66,878,287

The Group did not pledge any intangible assets as collateral. As at 31 December 2012, trade payables for intangible assets amounted to EUR 587,309 (vs. EUR 689,814 as at 31 December 2011).

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 7.11.

As at 31 December 2012, intangible assets with an indefinite useful life amounted to EUR 9,368 and remained the same compared to previous year. The amount refers to a licence issued for an indefinite period.

The Group has no individual intangible assets of material value to the consolidated financial statements.

Other increases and decreases due to changes in the consolidation area refer to intangible assets acquired through the acquisition of the companies of the Avrigo group.

Transfers refer to transfers between the cost of intangible assets and their value adjustments and do not affect the carrying amount of the property.

Goodwill

Goodwill due to	in EUR			
	As at 31 December 2011	Increase	Decrease	As at 31 December 2012
- additional acquisition of equity shares of TRI-PRO d.o.o.	112,759	0	0	112,759
- additional acquisition of equity shares of Golf Arboretum d.o.o.	146,422	0	0	146,422
- additional acquisition of equity shares of Lovćen Osiguranje a.d.	763,796	0	0	763,796
- additional acquisition of equity shares of Sarajevostan d.o.o.	125,267	0	0	125,267
- takeover of Avrigo d.d.	0	184,853	0	184,853
- takeover of Integral Stojna Kočevje d.o.o.	0	50,596	0	50,596
- takeover of Integral Zagorje d.o.o.	0	413,047	0	413,047
- takeover of Alptours d.o.o.	0	21,124	0	21,124
TOTAL GOODWILL	1,148,243	669,620	0	1,817,864

	in EUR	
	2012	2011
COST		
As at 1 January	1,148,243	2,460,627
- acquisition of subsidiaries	669,620	0
As at 31 December	1,817,863	2,460,627
ACCUMULATED AMORTISATION		
As at 1 January	0	0
- impairment	0	-1,312,384
As at 31 December	0	-1,312,384
CARRYING AMOUNT AS AT 31. 12.	1,817,863	1,148,243

In 2012, goodwill in the amount of EUR 669,620 was recognised in relation to the business combination with Avrigo d.d. and its subsidiaries. A detailed explanation of this business combination is given in Section 1.6.

A test of goodwill impairment revealed no signs of impairment. The valuation covered a five-year detailed forecast period, with a nominal discount rate of 12.4% and a long-term free cash flow growth rate of 3%.

6.2 Property, plant and equipment

	Land directly used in insurance activities	Buildings directly used in insurance activities	Other land and buildings directly used in insurance activities	Equipment and small tools	Other tangible fixed assets	in EUR TOTAL
COST						
As at 1 January 2011	17,108,699	128,499,557	2,658,023	67,688,858	3,858,450	219,813,587
- increases	12,908	1,911,990	19,292	4,015,043	376,250	6,335,483
- disposal	0	-1,808,476	-1,458,773	-3,972,555	-183,860	-7,423,664
- reclassification	0	-6,156,718	667,723	304,099	-729,937	-5,914,833
- impairment	-578	-70,773	0	-152,589	0	-223,940
- changes in consolidation area	-5,511,130	1,410,811	0	-33,409	33,410	-4,100,318
- exchange rate difference	-52,486	-393,503	10,057	-62,906	-20,867	-519,705
As at 31 December 2011	11,557,413	123,392,888	1,896,322	67,786,541	3,333,446	207,966,610
- increases	276,087	2,309,731	825,231	6,908,934	360,271	10,680,254
- disposal	-7,209	-513,796	-971,415	-8,675,470	-547,935	-10,715,825
- reclassification	1,751,154	-6,609,121	0	177,401	0	-4,680,566
- impairment	-53,268	-6,136,250	0	-60,445	0	-6,249,963
- changes in consolidation area	1,701,622	6,992,996	0	32,349,548	-35,249	41,008,917
- exchange rate difference	-5,793	-531,143	-17,083	-131,489	10,297	-675,211
As at 31 December 2012	15,220,006	118,905,305	1,733,055	98,355,020	3,120,830	237,334,216
ACCUMULATED DEPRECIATION						
As at 1 January 2011	0	-25,415,189	-160,296	-49,210,490	-2,476,954	-77,262,929
- current year depreciation	0	-2,279,643	-39,881	-5,969,675	-119,936	-8,409,135
- disposal	0	605,437	0	3,737,162	147,015	4,489,614
- reclassification	0	850,828	32,237	-3,806	180,348	1,059,607
- impairment	0	18,358	0	120,774	51	139,183
- changes in consolidation area	0	703,144	0	23,177	-21,095	705,226
- exchange rate difference	0	38,662	-3,242	69,455	15,636	120,511
As at 31 December 2011	0	-25,478,403	-171,182	-51,233,403	-2,274,935	-79,157,923
- current year depreciation	0	-2,213,981	-31,836	-8,098,503	-206,937	-10,551,257
- disposal	0	124,741	158,136	8,583,393	190,135	9,056,405
- reclassification	0	156,887	0	-34,328	475	123,034
- impairment	0	991,904	-719,748	60,033	0	332,189
- changes in consolidation area	0	-3,903,671	0	-23,014,656	35,249	-26,883,078
- exchange rate difference	0	15,181	12,882	76,193	-7,356	96,900
As at 31 December 2012	0	-30,307,342	-751,748	-73,661,271	-2,263,369	-106,983,730
CARRYING AMOUNT						
As at 31 December 2011	11,557,413	97,914,485	1,725,140	16,553,138	1,058,511	128,808,687
As at 31 December 2012	15,220,006	88,597,963	981,307	24,693,749	857,461	130,350,486

The depreciation charge for the current year is disclosed in several items of the income statement, as income statement expenses are recorded by functional group, as described in Section 2.28. For details, see expenses by nature and function in Section 7.11.

Transfers of cost totalling EUR 4.7 million refer to the transfer of real property from property, plant and equipment to investment property.

The transfer was carried out by the companies Triglav Osiguranje, Belgrade and Pista, Belgrade. Other transfers refer to dividing the value of property between land and buildings.

Other increases or decreases due to changes in the consolidation area refer to property, plant and equipment acquired through the acquisition of the companies of the Avrigo group.

6.3 Investment property

	Land	Buildings	in EUR TOTAL
COST			
As at 1 January 2011	35,746,675	58,415,216	94,161,891
- increases	2,346,467	2,922,694	5,269,161
- disposal	-725,292	-2,406,893	-3,132,185
- reclassification	0	5,488,995	5,488,995
- impairment	0	-96,530	-96,530
- changes in consolidation area	4,846,451	3,401,638	8,248,089
- exchange rate difference	-138	-98,177	-98,315
As at 31 December 2011	42,214,163	67,626,943	109,841,106
- increases	2,123,021	391,696	2,514,717
- disposal	-429,181	-4,791,344	-5,220,525
- reclassification	0	6,025,479	6,025,479
- impairment	0	8,384	8,384
- changes in consolidation area	182,624	3,700,094	3,882,718
- exchange rate difference	-9,697	-39,903	-49,600
As at 31 December 2012	44,080,930	72,921,349	117,002,279
ACCUMULATED DEPRECIATION			
As at 1 January 2011	0	-9,905,637	-9,905,637
- current year depreciation	0	-2,090,430	-2,090,430
- disposal	0	179,504	179,504
- reclassification	0	-482,553	-482,553
- impairment	0	1,984	1,984
- changes in consolidation area	0	-776,259	-776,259
- exchange rate difference	0	17,176	17,176
As at 31 December 2011	0	-13,056,215	-13,056,215
- current year depreciation	0	-1,650,016	-1,650,016
- disposal	0	158,492	158,492
- reclassification	0	-1,324,399	-1,324,399
- impairment	0	-29,558	-29,558
- changes in consolidation area	0	-913,809	-913,809
- exchange rate difference	0	89	89
As at 31 December 2012	0	-16,815,416	-16,815,416
CARRYING AMOUNT			
As at 31 December 2011	42,214,163	54,570,728	96,784,891
As at 31 December 2012	44,080,930	56,105,933	100,186,863

Transfers of cost amounting to EUR 4.7 million refer to the transfer of real property items from property, plant and equipment to investment property. Other transfers refer to transfers between cost and accumulated depreciation of investment property and do not affect the carrying amount of the investment property.

Other increases or decreases due to changes in consolidation area refer to investment property gained through the acquisition of the company Triglav nepremičnine (previously named Investicijsko podjetje).

The Group leases its investment properties, i.e. individual business premises. All leasing agreements, stipulated for an initial period from one to ten years, may be rescinded at any moment. Rents do not include conditional rents.

All investment property income relates exclusively to rents and is shown in the income statement under the item »Other income« (see Section 7.7). All investment property expenses relate to depreciation and maintenance costs arising from the investment property and are shown in the income statement under the item »Other expenses« (see Section 7.13). Fair value is disclosed below.

	31 December 2012	31 December 2011
Carrying amount	100,186,863	96,784,890
Estimated fair value	159,742,353	148,738,591

6.4 Investments in associates

As a result of the acquisition of an additional stake in the Avrigo d.d. in 2012, Avrigo d.d. became a subsidiary company, while in 2011 it was included in the group of associated companies. Other changes in investments in associated companies did not take place. The status of Abanka Vipa d.d. in 2012 remained the same as in 2011. Zavarovalnica Triglav has a 25.61% equity stake in Abanka. On 20 January 2011, Zavarovalnica Triglav received a decision of the Securities Market Agency on the suspension of voting rights in Abanka. Thereby, its influence in the respective company was significantly reduced. The investment in Abanka Vipa d.d. is therefore not recognised under investments in associated companies but disclosed under investments available for sale.

In the first round of the share capital increase of Abanka Vipa in January 2013, Zavarovalnica Triglav paid up an amount of EUR 23.04 million, which was reimbursed at the end of February 2013 as the capital increase of Abanka Vipa failed.

The effect of the valuation of investments using the equity method is disclosed as a separate item in the financial statements (see Section 7.2 for more details).

Quoted fair value of the equity investments in associated companies

Nama d.d. is the only investment in associated companies for which price is quoted. As at 31 December 2012, the fair value of this capital investment was EUR 9,317,091. At 31 December 2012 the fair value of this investment amounted to EUR 9,432,623.

Name of the legal entity	Address	Tax rate in %	Activity	Share in capital (in %)		Voting rights (in %)		Value of investment (in EUR)	
				2012	2011	2012	2011	2012	2011
1 Avrigo d.d.	Kidričeva ulica 20, 5000 Nova Gorica, Slovenia	18	Transport	100.00	46.51	100.00	46.51	0	3,981,756
2 Elan skupina d.o.o.	Begunje na Gorenjskem 1, 4275 Begunje na Gorenjskem, Slovenia	18	Holding company	25.05	25.05	25.05	25.05	220,693	1,253,505
3 Goriške opekarne d.d.	Merljaki 7, 5292 Renče, Slovenia	18	Manufacturing	46.74	47.43	46.74	47.43	108,535	880,259
4 Info TV d.d.	Brilejeva ul. 6, 1000 Ljubljana, Slovenia	18	Radio and television	41.41	41.41	41.41	41.41	0	0
5 NAMA trgovsko podjetje d.d.	Tomšičeva ulica 1, 1000 Ljubljana, Slovenia	18	Retail	39.07	39.07	39.07	39.07	4,296,703	4,725,768
6 SKUPNA pokojninska družba d.d.,	Trg Republike 3, 1000 Ljubljana, Slovenia	18	Pension funds	30.14	30.14	30.14	30.14	3,262,269	2,952,815
7 Tehnološki center varne vožnje Vransko	Vransko 66a, 3305 Vransko, Slovenia	18	Research and development	25.01	25.01	25.01	25.01	810	821
8 Triglavko, d.o.o.	Ulica XXX. divizije 23, 5000 Nova Gorica, Slovenia	18	Insurance brokerage	38.47	38.47	38.47	38.47	13,366	18,879
9 ZIF Polara Invest Fond, A.D. Banja Luka	Veselina Masleše 1, Banjaluka, Republika srpska- BiH	10	Investment fund	20.83	20.09	20.83	20.09	2,680,984	2,799,786
10 ZIF Prof Plus	Veselina Masleše 1, Banjaluka, Republika srpska- BiH	10	Investment fund	22.11	24.65	22.11	24.65	3,800,821	3,890,973
TOTAL								14,384,184	20,504,562

Name of the legal entity	Assets		Liabilities		Equity		Revenues		in EUR Profit/loss	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1 Elan skupina d.o.o.	Data not available	101,055,000	Data not available	56,004,000	Data not available	45,051,000	Data not available	64,857,000	Data not available	87,000
2 Goriške opekarne d.d.	14,388,509	16,128,286	9,124,784	9,024,566	5,173,725	7,103,720	6,868,497	8,787,072	-1,539,645	-576,575
3 Info TV d.d.	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available
4 NAMA trgovsko podjetje d.d.	12,345,071	13,074,423	1,849,078	3,152,553	10,495,993	9,921,871	14,104,058	14,731,589	134,774	465,899
5 SKUPNA pokojninska družba d.d.	263,668,874	328,861,757	246,764,252	312,970,057	16,918,474	15,891,700	6,269,379	6,188,142	3,254,713	2,521,774
6 Tehnološki center varne vožnje Vransko	6,844	6,887	0	0	6,844	6,887	182	152	-43	-71
7 Triglavko d.o.o.	244,210	221,889	159,619	122,968	84,591	98,921	532,122	789,858	-14,330	-29,786
8 ZIF Polara Invest Fond, A.D. Banja Luka	12,917,083	13,780,885	46,300	339,761	12,870,783	13,441,124	1,001,266	979,526	285,629	-1,306,172
9 ZIF Prof Plus	26,401,626	26,691,754	155,628	141,806	26,245,998	26,549,948	891,959	1,096,491	1,628,220	65,488

6.5 Financial assets⁸⁵

	in EUR	
	2012	2011
Held to maturity	228,416,165	245,218,283
At fair value through profit and loss	107,737,767	83,543,191
- designated	104,849,906	77,743,543
- held for trading	2,887,861	5,799,648
Available for sale	1,417,564,782	1,192,865,726
Loans and receivables	273,278,022	439,712,248
Unit-linked insurance assets	418,881,916	364,684,374
- at fair value through profit and loss	413,790,847	357,924,243
- loans and receivables	4,661,793	6,760,131
- available for sale	429,275	0
TOTAL	2,445,878,652	2,326,023,820

The table above shows the carrying amount of financial assets (without operating receivables and cash or cash equivalents).

⁸⁵ 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
- UL – financial assets of long-term business fund backing unit-linked insurance

Overview of financial assets by type

2012	HTM	FVTPL - held for trading	FVTPL - classified into this group	AFS	L&R	in EUR TOTAL
Debt and other fixed-return securities	228,416,165	0	154,826,027	1,257,599,388	51,738,939	1,692,580,519
Investments in shares, other floating-rate securities and fund coupons	0	15,932,053	344,918,549	155,598,917	0	516,449,519
Financial derivatives	0	289,434	1,163,846	0	0	1,453,280
Loans and receivables	0	0	4,398,706	4,795,752	222,014,998	231,209,456
- deposits with banks	0	0	0	0	158,405,271	158,405,271
- loans given	0	0	0	0	61,182,317	61,182,317
- other financial investments	0	0	4,398,706	4,795,752	2,427,410	11,621,868
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	4,185,878	4,185,878
TOTAL	228,416,165	16,221,487	505,307,128	1,417,994,057	277,939,815	2,445,878,652

2011	HTM	FVTPL - held for trading	FVTPL - classified into this group	AFS	L&R	in EUR TOTAL
Debt and other fixed-return securities	245,218,283	2,022,004	74,189,892	988,511,242	60,612,127	1,370,553,548
Investments in shares, other floating-rate securities and fund coupons	0	4,676,545	357,017,737	199,399,442	0	561,093,724
Financial derivatives	0	257,549	1,211,095	0	0	1,468,644
Loans and receivables	0	0	2,092,612	4,955,042	382,145,634	389,193,288
- deposits with banks	0	0	0	1,023	310,976,269	310,977,292
- loans given	0	0	0	0	69,170,879	69,170,879
- other financial investments	0	0	2,092,612	4,954,019	1,998,486	9,045,117
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	3,714,618	3,714,618
TOTAL	245,218,283	6,956,098	434,511,336	1,192,865,726	446,472,379	2,326,023,820

Movements of financial assets

FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	VEP	in EUR TOTAL
As at 1 January 2011	253,578,582	91,013,031	1,195,021,035	364,944,602	377,892,261	2,282,449,511
Purchases	17,212,027	46,143,794	814,644,304	2,383,513,740	49,433,033	3,310,946,898
Maturities	0	-33,653,446	-599,831,267	-144,855,212	-13,036,510	-791,376,435
Disposals	-34,099,940	-20,036,146	-103,676,914	-2,177,642,589	-284,666	-2,335,740,255
Amount removed from equity at disposal	0	0	-3,644,673	0	0	-3,644,673
Valuation trough profit and loss	0	-3,756,926	-2,719,164	-130,310	-49,790,011	-56,396,411
Valuation trough equity	0	0	-86,427,178	0	0	-86,427,178
Impairments	-2,973,687	0	-56,353,893	-706,174	0	-60,033,754
Premiums and discounts	3,695,099	0	-234,965	421,066	187,088	4,068,288
Interest income	8,028,979	3,847,365	37,310,866	14,382,381	283,179	63,852,770
Exchange rate difference	-222,777	-14,481	-1,222,425	-215,256	0	-1,674,941
As at 31 December 2011	245,218,283	83,543,191	1,192,865,726	439,712,248	364,684,374	2,326,023,820
Purchases	4,961,442	109,677,916	930,345,023	595,363,149	35,878,027	1,676,225,557
Maturities	-23,176,148	-76,946,719	-720,405,477	-80,088,113	-11,218,407	-911,834,864
Disposals	-13,691,802	-10,361,708	-83,578,577	-696,590,196	-335,372	-804,557,655
Amount removed from equity at disposal	0	0	19,140,625	0	0	19,140,625
Valuation trough profit and loss	0	-536,601	-40,271,042	-355,117	29,166,164	-11,996,596
Valuation trough equity	0	0	76,298,875	0	0	76,298,875
Impairments	-511,188	0	-221,160	-58,808	0	-791,156
Premiums and discounts	3,854,533	0	575,233	-258,454	193,918	4,365,230
Interest income	11,767,377	3,027,378	42,625,153	15,475,768	532,202	73,427,878
Exchange rate difference	-6,332	-665,690	190,403	77,545	-18,990	-423,062
As at 31 December 2012	228,416,165	107,737,767	1,417,564,782	273,278,022	418,881,916	2,445,878,652

Fair value of financial assets held to maturity

	2012	2011
Financial assets held to maturity:		
- amortised cost	228,416,165	245,218,283
- fair value	233,869,738	218,481,530

Financial assets according to valuation levels

	2012	2011
Financial assets available for sale	1,417,564,788	1,192,865,726
- Level 1	1,242,542,219	1,084,482,228
- Level 2	142,583,765	53,658,357
- Level 3	32,438,804	54,725,140
Financial assets available for sale	526,619,684	441,467,434
- Level 1	388,283,287	293,999,138
- Level 2	137,754,828	147,468,296
- Level 3	581,569	0

In valuing financial assets at fair value the Group applied the following price hierarchy:

- Level 1: valuation through market prices quoted for identical assets in an active market (stock exchange prices and Bloomberg generic prices). This group includes financial assets with available market prices in an active market, as well as listed derivative financial instruments.
- Level 2: valuation through comparable market data (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset.
- Level 3: valuation through valuation models mostly using unobservable market inputs. This group includes shares in companies with no active market, valued through valuation models using unobservable market inputs, and security holding measured at historical cost, since their fair value cannot be reliably measured. Valuation models used for the measurement of financial assets are described in Section 3.5.

Changes of Level 3 financial assets

	AFS	FVTPL	TOTAL
Opening balance	54,561,860	0	54,561,860
Purchases	805,158	526,173	1,331,331
Disposal	-3,657,062	0	-3,657,062
Valuation through profit and loss	-14,696,813	0	-14,696,813
Valuation through equity	-4,574,339	55,396	-4,518,943
CLOSING BALANCE	32,438,804	581,569	33,020,373

The sale of financial assets classified to valuation level 3 generated:

- a profit of EUR 474,128, recognised in the income statement under income from financial assets; and
- a loss of EUR 213,194, recognised in the income statement under expenses from financial assets.

Revaluation through profit and loss relates to impairments of financial assets. Revaluation in comprehensive income refers to unrealized loss in the amount of EUR 5,628,906 and unrealised income in the amount of EUR 1,054,567.

The sensitivity analysis shows the level of increase or decrease in the fair value of Level 3 equity investments in case of differently applied assumptions that are not based on available market data (nominal discount rate ranged between 10-13.75%; the applied long-term free cash flow growth rate »g« ranged between 0-2.5%). The calculated range is shown in the table below:

Total value in EUR	Estimated value deviation -/+
Non-marketable financial assets (Level 3)	33,020,373 -9,100,000/+5,400,000

Reclassification of financial assets between levels

In 2012, following reclassifications were carried out:

- From level 1 to level 2: debt securities in the amount of EUR 79,632,398 which were all reclassified as financial assets available for sale. The reclassification was as it was determined in 2012 that the securities in question do not reflect fair value due to the low trading volume at the Ljubljana stock exchange. The discount rate used to determine the fair value of these instruments was set on the basis of active instruments by the same issuer.
- No other reclassifications between levels were made.

Reclassification of financial assets in accordance with amendments to IFRS

In accordance with amendments to IFRS (IAS 39.50) and IAS 39.54, individual members of the Group opted for a reclassification of financial assets already in 2008. The effects of reclassifications are disclosed below.

Reclassifications from financial assets »available for sale« (AFS) category to »loans and receivables« (L&R) category

	2012	2011
Amount of reclassified financial assets	0	6,339,066
Effective interest rate at the date of reclassification	0	14 %
Carrying amount of reclassified as at 31 December	18,319,360	44,763,595
Fair value of reclassified assets as at 31 December	17,270,874	44,708,640
Impact on comprehensive income if not reclassified	-1,048,487	21,640
Impact on net profit if not reclassified	39,397	144,641
Loss at disposal of reclassified assets	-3,957,712	350,245
Estimated cash flows	20,370,071	62,747,215

Reclassifications from the financial assets »available for sale« (AFS) category to the »held to maturity« (HTM) category

	2012	2011
Amount of reclassified financial assets	0	31,054,332
Effective interest rate at the date of reclassification %	0	6 %
Carrying amount of reclassified assets as at 31 December	104,457,036	81,585,780
Fair value of reclassified financial assets as at 31 December	112,809,600	80,040,798
Impact on comprehensive income if not reclassified	6,461,219	-1,574,884
Impact on net profit if not reclassified	1,807,925	1,402,846
Profit from disposal of reclassified financial assets	0	0
Estimated cash flows	63,228,131	110,725,011

Reclassifications from the financial assets »measured at fair value through profit and loss« (FVTPL) category to the financial assets »available for sale« (AFS) category

	2012	2011
Amount of reclassified financial assets	0	930,985
Effective interest rate at the date of reclassification %	0	0
Carrying amount of reclassified assets as at 31 December	567,619	648,297
Fair value of reclassified financial assets as at 31 December	567,619	648,297
Impact on comprehensive income if not reclassified	0	0
Impact on net profit if not reclassified	24,411	-214,367
Profit from disposal of reclassified financial assets	17,595	0
Estimated cash flows	491,204	648,297

6.6 Reinsurers' share of technical provisions

	2012	2011
NON-LIFE INSURANCE		
Reinsurers' share of unearned premiums	16,382,042	14,626,864
Reinsurers' share of claims	67,190,188	29,336,584
Reinsurers' share of other technical provisions	0	5,855
TOTAL NON-LIFE INSURANCE	83,572,230	43,969,303
LIFE INSURANCE		
Reinsurers' share of unearned premiums	3,482	3,655
Reinsurers' share of other mathematical provisions	0	10,125
TOTAL LIFE INSURANCE	3,482	13,780
TOTAL ASSETS FROM REINSURANCE CONTRACTS	83,575,712	43,983,083

6.7 Receivables

Receivables by maturity

2012	Receivables by maturity			
	Not due	Overdue up to 180 days	Overdue over 180 days	TOTAL 31 December 2012
RECEIVABLES FROM DIRECT INSURANCE	75,982,498	23,238,501	4,644,002	103,865,001
Receivables from insurers	74,144,184	20,459,503	4,031,021	98,634,708
Receivables from insurance brokers	543,447	1,231,891	505,211	2,280,549
Other receivables from direct insurance operations	1,294,867	1,547,107	107,770	2,949,744
RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	28,956,261	5,278,237	8,708,290	42,942,788
Premium receivable from co-insurance	914,306	116,483	278	1,031,067
Premium receivable from reinsurance	20,912,451	1,573,424	8,073,133	30,559,008
Receivables from co-insurers' share in claims	564,438	89,383	0	653,821
Receivables from reinsurers' share in claims	3,994,789	3,426,350	591,959	8,013,098
Other receivables from co-insurance and reinsurance operations	2,570,277	72,597	42,920	2,685,794
OTHER RECEIVABLES	34,052,833	11,603,716	2,385,717	48,042,266
Other short-term receivables from insurance operations	6,392,903	3,842,851	1,980,568	12,216,322
Short-term receivables from financing	1,175,917	1,180,945	85,484	2,442,346
Other short-term receivables	13,626,742	6,579,920	319,665	20,526,327
Long-term receivables	3,525,562	0	0	3,525,562
Receivables from corporate profit tax	9,331,709	0	0	9,331,709
TOTAL	138,991,592	40,120,454	15,738,009	194,850,055
Insured receivables as at 31 December 2011				7,379,246
Insured receivables as at 31 December 2011				187,470,809

Receivables by maturity

in EUR

2011	Receivables by maturity			
	Not due	Overdue up to 180 days	Overdue over 180 days	TOTAL 31 December 2011
RECEIVABLES FROM DIRECT INSURANCE	87,198,616	25,880,696	5,480,011	118,559,323
Receivables from insurers	84,958,154	21,870,751	5,336,405	112,165,310
Receivables from insurance brokers	314,152	1,239,091	56,556	1,609,799
Other receivables from direct insurance operations	1,926,310	2,770,854	87,050	4,784,214
RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	27,744,123	6,337,095	6,658,256	40,739,474
Premium receivable from co-insurance	537,804	50,506	5,765	594,075
Premium receivable from reinsurance	19,848,071	3,083,384	5,978,835	28,910,290
Receivables from co-insurers' share in claims	22,212	65,527	0	87,739
Receivables from reinsurers' share in claims	4,548,027	3,038,595	631,270	8,217,892
Other receivables from co-insurance and reinsurance operations	2,788,009	99,083	42,386	2,929,478
OTHER RECEIVABLES	31,389,725	12,282,004	2,078,743	45,750,472
Other short-term receivables from insurance operations	10,882,648	3,194,814	1,331,603	15,409,065
Short-term receivables from financing	5,664,669	435,192	33,603	6,133,464
Other short-term receivables	13,054,032	8,651,998	713,537	22,419,567
Long-term receivables	1,328,867			1,328,867
Receivables from corporate profit tax	459,509			459,509
TOTAL	146,332,464	44,499,795	14,217,010	205,049,269
Insured receivables as at 31 December 2011				4,496,358
Insured receivables as at 31 December 2011				200,552,911

The gross and net amounts of each group of receivables are disclosed below:

2012	Gross value	Impairment	in EUR Net value
Receivables from direct insurance operations	182,921,761	-79,056,760	103,865,001
Receivables from co-insurance and reinsurance operations	42,942,784	0	42,942,784
Other receivables	132,063,206	-93,352,648	38,710,558
TOTAL	357,927,751	-172,409,408	185,518,343
2011	Gross value	Impairment	in EUR Net value
Receivables from direct insurance operations	193,528,827	-74,969,504	118,559,323
Receivables from co-insurance and reinsurance operations	40,739,474	0	40,739,474
Other receivables	134,092,655	-88,801,692	45,290,963
TOTAL	368,360,956	-163,771,196	204,589,760

6.8 Other assets

	2012	2011
Deferred costs	5,880,361	7,426,729
Inventories	27,159,826	4,199,703
Other assets	640,221	970,774
TOTAL	33,680,408	12,597,206

Inventories increased in 2012 as a result of the acquisition of the company Investicijsko podjetje (renamed Triglav Nepremičnine). Inventories include investment property for sale in the amount of EUR 23.1 million.

6.9 Cash and cash equivalents

	2012	2011
Cash in bank accounts in EUR	5,128,879	6,303,385
Cash in bank accounts in other currencies	8,533,441	10,587,894
Cash on hand and cheques in EUR	41,841	46,057
Cash on hand and cheques in other currencies	135,592	164,999
Deposits redeemable at notice	3,397,733	5,574,552
Other	13,935	94,830
TOTAL	17,251,420	22,771,667

6.10 Non-current assets held for sale

The amount of non-current assets held for sale arise from the following companies within the Triglav Group:

	2012	2011
Slovenijales	2,337,617	1,482,215
TOTAL	2,337,617	1,482,215

6.11 Equity

As at 31 December 2012, 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	2012 Ownership (in %)	2012 Number of shares	2011 Ownership (in %)	2011 Number of shares
Zavod za pokojninsko in invalidsko zavarovanje, Ljubljana, Slovenia	34.47	7,836,628	34.47	7,836,628
Slovenska odškodninska družba d.d., Ljubljana, Slovenia	28.07	6,380,728	28.07	6,380,728
Nova ljubljanska banka d.d., Ljubljana, Slovenia	3.06	696,213	3.06	696,213
Claycroft Limited, Nicosia, Cyprus	1.78	404,460	1.78	404,460
NFD 1 delniški investicijski sklad d.d., Ljubljana, Slovenia	1.17	266,723	1.63	371,187
Poteza Naložbe d.o.o., Ljubljana, Slovenia	1.11	252,370	1.52	346,570
Hypo Alpe Adria Bank AG Klagenfurt, Klagenfurt, Austria	1.23	280,720	1.24	282,055
HIT d.d., Nova Gorica, Slovenia	1.12	255,408	1.12	255,408
East Capital Balkan Fund, Sweden	1.09	248,006	0	0
Other shareholders (individual less than 1%)	26.90	6,113,892	27.11	6,161,899
TOTAL	100.00	22,735,148	100.00	22,735,148

Stock exchange listing and share price

On 5 December 2012, the shares of Zavarovalnica Triglav bearing the ZVTG ticker were transferred from the Standard to the Prime Market of the Ljubljana Stock Exchange. By listing shares on LJSE Prime Market, Zavarovalnica Triglav became one of the most prominent issuers at the Ljubljana Stock Exchange.

The quoted price of the Company's share on the Ljubljana Stock Exchange at the year end is given below

	31 December 2012	31 December 2011
Quoted price of the share	16.50	10.00
Carrying amount per share ⁸⁶	24.98	20.46

Dividende

	2012	2011
Dividends to be distributed to shareholders ⁸⁷	To be defined	15,897,584
Dividend per share	-	0.70

⁸⁶ Carrying amount per share is calculated using the amount of controlling interests.

⁸⁷ The total amount of dividend also includes amounts to be paid to non-controlling interest holders.

⁸⁸ The amount does not include translation differences relating to non-controlling interests.

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 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 addition to prudent risk management, strategic capital needs are considered when forming these profit reserves.

Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act. The calculation of these reserves is also stipulated by local legislation in Montenegro and Serbia. The abovementioned legal requirements treat these equalisation reserves as insurance technical provisions. Any change in these reserves should be recognised through the income statement. Since the above mentioned requirements do not comply with IFRS, insurance companies in compliance with IFRS disclose equalisation provisions in reserves from profit. Any changes in these reserves are also recognised as an increase or decrease in the net profit/loss for the year in the statement of changes in equity.

Reserves from treasury shares and treasury shares (as a deductible item)

In 2008, Slovenijales d.d. acquired 24,312 shares of Zavarovalnica Triglav d.d. worth EUR 364,680. In the consolidated statement of financial position, they are disclosed as a deductible equity item of the same amount. Equivalent reserves for treasury shares are formed for these shares in the consolidated statement of financial position (from profit from previous years).

Fair value reserve

The fair value reserve represents changes in the fair value of available-for-sale financial assets. The fair value reserve is reduced by the deferred tax liabilities. Changes in the fair value reserve are specified in more detail in the statement of comprehensive income in Chapter III – Consolidated Financial Statements (Consolidated Statement of Comprehensive Income).

Currency translation adjustment

Currency translation differences arise from foreign exchange differences in consolidation procedures. In 2012, the currency translation adjustment totalled EUR 613,879 (vs. EUR 567,604 in 2011)⁸⁸, primarily due to the decrease in the Serbian dinar (RSD).

Notes to the statement of changes in equity

The following changes are shown in the statement of changes in equity for 2012:

- The Management Board of Zavarovalnica Triglav allocated EUR 25 million of net profit earned in 2012 to statutory reserves.
- Triglav Osiguruvanje a.d., Skopje allocated EUR 86,000 from net profit brought forward to legal and statutory reserves.
- Based on the resolution of the General Meeting of Shareholders adopted on 12 June 2012 on the distribution of accumulated profit for 2011, EUR 15.9 million was allocated for dividend payments to shareholders.
- Credit risk equalisation reserves decreased by EUR 2.7 million, which lead to an increase of net profit for the year by EUR 1.4 million (EUR 1,297 thousand in net profit attributable to the controlling interest holders and EUR 76,000 in net profit attributable to the non-controlling interest holders). The difference in the amount of EUR 1.3 million was transferred directly to other insurance technical provisions – provisions for unexpired risks. Net profit brought forward decreased by EUR 4.5 million as a result of the creation of deferred tax liabilities, pertaining to credit risk reserves.
- Capital reserves increased by EUR 3.5 million due to changes in shares in subsidiaries. The abovementioned is a result of the acquisition of equity stakes from non-controlling interest holders in: Avrigo d.d., Pozavarovalnica Triglav Re d.d., Triglav Zdravstvena zavarovalnica d.d., Slovenijales d.d. and Triglav Skladi d.d. Changed ownership structure as a result decreased equity attributable to the non-controlling interest holders, as described in Section 1.6.

The total amount of subordinated liabilities refers to Zavarovalnica Triglav bonds.

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 ZT01 as at 31 December 2011 was 102.0% (same as at the end of the last year) and the price for ZT02 was 98.0% (vs. 101.0% as at 31 December 2010).

The ZT01 bonds were issued in 2003 as subordinated registered bonds denominated in EUR and in a dematerialised form. A total of 30,000 bonds were issued with the nominal value of EUR 1,000 each. All of the bonds were sold. In years 2009 and 2010 the Company bought 19,002 of the said bonds. As at 31 December 2011 the Company has an outstanding commitment for 10,998 bonds. The bond has fixed interest rate of 5.125% p.a. The last coupon and the principal will fall due on 20 October 2013.

The ZT02 were issued in 2009 as subordinated registered bonds denominated in EUR and in a dematerialised form. A total of 30,000 bonds worth EUR 1,000 each were issued. All issued bonds were also sold. The fixed interest rate of this 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.

In the event of winding-up or liquidation, liabilities arising from the above-mentioned bond issue are subordinated to net debt instruments and payable only after the satisfaction of all non-subordinated liabilities to ordinary creditors. These bonds may not be cashed before the maturity set by the amortisation schedule, and likewise Zavarovalnica Triglav has no right to redeem them before maturity. The bonds are not convertible into capital or any other form of debt. ZT01 bonds were listed on the Ljubljana Stock Exchange in 2004, whilst ZT02 bonds were listed in 2010.

6.12 Subordinated liabilities

	Amortised cost 2012	Amortised cost 2011	Fair value 2012	Fair value 2011
ZT01 bonds	8,769,000	10,998,000	9,038,213	11,217,960
ZT02 bonds	28,256,550	29,934,091	30,793,767	30,300,000
TOTAL SUBORDINATED LIABILITIES	37,025,550	40,932,091	39,831,980	41,517,960

6.13 Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts

	2012	v EUR 2011
NON-LIFE INSURANCE		
GROSS PROVISIONS FOR UNEARNED PREMIUMS		
Gross provision for unearned premiums	267,877,005	291,217,540
Gross provisions for unearned premiums from coinsurance	131,931	97,853
TOTAL GROSS UNEARNED PREMIUM PROVISIONS	268,008,937	291,315,393
GROSS CLAIMS PROVISIONS		
Gross provisions for incurred and reported claims	263,591,097	219,320,381
Gross claims provisions for co-insurance	1,374,658	1,453,679
Gross claims provisions for IBNR and IBNER	400,367,167	429,159,213
Expected subrogation	-8,886,913	-10,303,807
Provisions for claim handling costs	46,299,638	45,209,397
GROSS CLAIMS PROVISIONS	702,745,646	684,838,863
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	17,153,835	16,599,643
TOTAL OTHER INSURANCE TECHNICAL PROVISIONS	9,216,323	10,377,656
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	997,124,741	1,003,131,555
LIFE INSURANCE		
GROSS UNEARNED PREMIUM PROVISIONS	415,636	425,005
GROSS MATHEMATICAL PROVISIONS*		
Gross mathematical provisions covering life insurance	702,665,715	685,151,142
Gross mathematical provisions covering SVPI	158,074,465	158,096,122
Gross mathematical provisions covering SVPI during the annuity pay-out period	9,209,756	2,217,670
TOTAL GROSS MATHEMATICAL PROVISIONS	869,949,936	845,464,934
GROSS CLAIMS PROVISIONS	20,430,469	20,625,387
OTHER TECHNICAL PROVISIONS	0	0
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	890,796,041	866,515,326
TOTAL INSURANCE TECHNICAL PROVISIONS	1,887,920,782	1,869,646,881
GROSS MATHEMATICAL PROVISIONS COVERING ULI	417,338,984	364,495,891

* 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 insurance technical provisions

						in EUR
NON-LIFE INSURANCE	31 December 2011	Increase (formation)	Use	Release	Exchange rate difference	31 December 2012
Gross unearned premium	291,315,393	186,905,944	-201,890,838	-7,724,317	-597,246	268,008,937
Gross claims provisions	684,838,863	247,749,961	-105,005,208	-124,280,712	-557,259	702,745,646
Gross provisions for bonuses and discounts	16,599,643	10,873,379	-7,005,294	-3,314,764	871	17,153,835
Other gross insurance technical provisions	10,377,656	8,212,324	-7,870,054	-1,498,445	-5,158	9,216,323
TOTAL	1,003,131,555	453,741,608	-321,771,394	-136,818,238	-1,158,792	997,124,741

						in EUR
LIFE INSURANCE	31 December 2011	Increase (formation)	Use	Release	Exchange rate difference	31 December 2012
Gross unearned premium	425,005	409,790	-418,894	0	-265	415,636
Gross claims provisions	845,464,934	135,128,029	-110,483,709	0	-159,318	869,949,936
Gross provisions for bonuses and discounts	20,625,387	13,221,935	-7,982,673	-5,428,898	-5,282	20,430,469
Other gross insurance technical provisions	364,495,891	90,447,604	-37,578,482	0	-26,029	417,338,984
TOTAL	1,231,011,217	239,207,358	-156,463,758	-5,428,898	-190,894	1,308,135,025

Analysis of the decrease in gross mathematical provisions

			in EUR
			2012
			2011
Surrenders			48,885,707
Endowments			53,358,103
Deaths			2,503,099
Other			5,736,800
TOTAL			110,483,709
			123,284,629

Analysis of changes in loss events for non-life insurance

											in EUR
	Before 2004	2004	2005	2006	2007	2008	2009	2010	2011	2012	TOTAL*
Cumulative loss assessment											
- at the end of year of occurrence		345,954,557	337,227,075	395,532,468	452,588,309	580,563,977	560,952,881	535,615,958	509,028,152	537,773,397	4,255,236,776
- 1 year after year of occurrence		364,915,806	349,418,055	388,699,228	441,568,602	558,871,106	502,868,739	492,902,084	461,311,067	0	3,560,554,688
- 2 years after year of occurrence		388,566,812	364,418,433	386,951,625	437,542,206	531,833,942	492,609,753	473,335,579	0	0	3,075,258,351
- 3 years after year of occurrence		419,309,049	394,812,349	391,396,176	429,583,969	530,609,243	484,758,847	0	0	0	2,650,469,633
- 4 years after year of occurrence		493,011,817	437,600,736	391,600,750	430,229,469	526,347,769	0	0	0	0	2,278,790,541
- 5 years after year of occurrence		527,660,587	462,894,947	391,808,717	426,895,003	0	0	0	0	0	1,809,259,254
- 6 years after year of occurrence		550,965,574	481,557,073	397,476,476	0	0	0	0	0	0	1,429,999,123
- 7 years after year of occurrence		547,869,910	495,484,757	0	0	0	0	0	0	0	1,043,354,667
- 8 years after year of occurrence		547,025,194	0	0	0	0	0	0	0	0	547,025,194
- 9 years after year of occurrence	70,266,450	0	0	0	0	0	0	0	0	0	
Cumulative loss assessment		547,025,194	495,484,757	397,476,476	426,895,003	526,347,769	484,758,847	473,335,579	461,311,067	537,773,397	4,350,408,088
Cumulative payments until balance sheet date	0	508,327,898	465,438,449	369,023,046	395,706,530	490,885,147	438,885,411	417,272,055	374,351,194	288,478,785	3,748,368,513
CLAIM PROVISIONS BALANCE	61,918,689	38,697,297	30,046,308	28,453,430	31,188,473	35,462,622	45,873,436	56,063,524	86,959,874	249,294,612	663,958,264

* The triangle includes gross claims provisions for incurred and reported claims as well as gross claims provisions for IBNER.

6.14 Employee benefits

	31 December 2011	Increase (formation)	Use	Release	Changes in consolidation area	Exchange rate difference	in EUR 31 December 2012
Provisions for (redundancy) payments (at retirement)	5,654,878	147,956	-163,878	-670,597	602,474	-11,600	5,559,233
Provisions for jubilee rewards	1,637,592	175,887	-335,547	-4,962	12,796	-798	1,484,968
Provisions for unused holidays	3,099,695	432,140	-2,365	0	0	0	3,529,472
TOTAL	10,392,165	755,983	-501,790	-675,559	615,270	-12,396	10,573,673

The change in provisions for jubilee rewards and (redundancy) payments (at retirement) is disclosed under other operating costs.

6.15 Other provisions

	31 December 2011	Increase (formation)	Use	Release	Changes in consolidation area	Exchange rate difference	in EUR 31 December 2012
Provisions for litigation	10,345,275	159,943	-364,688	-37,123	0	0	10,103,407
Guarantee fund provisions	6,323,009	0	-89,698	0	0	0	6,233,311
Other long-term provisions	2,471,938	1,273,048	-702,176	0	165,227	76,797	3,284,834
TOTAL	19,140,222	1,432,991	-1,156,562	-37,123	165,227	76,797	19,621,552

The increase in other provisions is shown as »Other income« in the income statement. Other provisions include provisions for litigation, which mostly arise from the legal action of Jugobanka against Slovenijales (EUR 9.6 million)). The amount of provision has not changed compared to year 2011. Due to the above mentioned litigation, in 2011, EUR 5.5 million was frozen in the bank account of Slovenijales. These assets have been released in January, 2012. For detail, see Section 8.6.

The maturity of over 90% of other provisions is above 12 months.

6.16 Deferred tax assets and liabilities

	2012	in EUR 2011
DEFERRED TAX ASSETS		
As at 1 January	40,661,243	27,545,028
Increase	0	13,116,215
Decrease	-6,226,526	0
As at 31 December	34,434,717	40,661,243
DEFERRED TAX LIABILITIES		
As at 1 January	9,613,587	14,110,839
Increase	11,738,411	0
Decrease	0	-4,497,252
As at 31 December	21,351,998	9,613,587
NET DEFERRED TAX ASSETS	13,082,719	31,047,656

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 and carrying amount on property, plant and equipment.

Deferred tax liabilities are recognised due to the valuation of available-for-sale financial assets.

The change in deferred tax assets is recognised in the income statement, increasing and/or decreasing income tax expense, whilst 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 7.14.

6.17 Other financial liabilities

	2012	in EUR 2011
Loans secured by fixed-return securities	0	500,000
Loans from banks	29,080,514	14,867,924
Loans from other institutions	875,097	395,308
Long-term liabilities for a finance lease	6,733,166	6,721,004
Other financial liabilities	2,691,788	17,006,884
TOTAL FINANCIAL LIABILITIES	39,380,566	39,491,120

As at 31 December 2011 the Group has outstanding liabilities for loans totalling EUR 29.95 million (vs. EUR 15.8 million as at 31 December 2011). Outstanding liabilities refer to loans received by non-insurance group entities in the amount of EUR 25.95 million and loans received by insurance group entities in the amount of EUR 4.0 million.

The interest rates on these loans range between 2.28% and 8.28%. The interest rates linked to 3M or 6M EURIBOR was 1.0% to 3.5% plus margin.

Long-term liabilities for a finance lease are related to Triglav Osiguranje, Zagreb in the amount of EUR 6.1 million. These amounts are intended for completing the construction of an office building in Zagreb and Belgrade.

Other financial liabilities mostly refer to liabilities for security purchases.

6.18 Operating liabilities

	in EUR	
	2012	2011
DIRECT INSURANCE LIABILITIES		
Liabilities towards policyholders	12,851,059	13,988,154
Liabilities towards insurance brokers	1,870,713	1,729,573
Other liabilities from direct insurance operations	6,053,381	5,187,283
Liabilities from direct insurance operations towards Group companies	36,563	23,051
TOTAL LIABILITIES FROM DIRECT INSURANCE OPERATIONS	20,811,716	20,928,061
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS		
Liabilities from re/coinsurance premiums	16,205,989	17,109,130
Liabilities from the share of claims from co-insurance	10,523,112	9,279,464
Other re/coinsurance liabilities	10,015,014	9,717,435
TOTAL LIABILITIES FROM CO-INSURANCE AND RE-INSURANCE	36,744,115	36,106,029
Current tax liabilities	594,275	826,652
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	58,150,107	57,860,742

All liabilities are short-term and are to be settled within the next 12 months.

6.19 Other liabilities

	in EUR	
	2012	2011
Short-term liabilities to employees	14,412,755	14,681,752
Other short-term liabilities from insurance operations	10,382,563	15,419,555
Other short-term liabilities	24,874,389	24,064,214
Accrued costs and expenses	4,726,411	3,950,952
Other accruals	3,485,307	2,841,096
TOTAL OTHER LIABILITIES	57,881,425	60,957,569

Other short-term liabilities from insurance operations include payments to the claim fund, liabilities from insurance contract tax, fire tax and other liabilities related to insurance operations.

Other short-term liabilities include accounts payable and all of the liabilities from non-insurance companies.

All liabilities are short-term and are to be settled within the next 12 months.

7. Notes to the Income Statement

7.1 Premium income

	in EUR	
	2012	2011
NON-LIFE INSURANCE		
Gross written premium	637,587,818	693,333,593
Assumed co-insurance written premium	2,344,103	1,851,270
Ceded co-insurance written premium	-925,411	-896,740
Reinsurance written premium	-74,035,762	-79,176,929
Changes in gross provisions for unearned premiums	21,041,965	3,964,286
Changes in reinsurers' share of unearned premiums	1,878,301	3,149,273
NET PREMIUM INCOME ON NON-LIFE INSURANCE	587,891,014	622,224,753
LIFE INSURANCE		
Gross written premium	204,876,520	214,024,239
Reinsurance written premium	-22,072	-14,195
Changes in gross provisions for unearned premiums	11,448	-61,623
Changes in reinsurers' share of unearned premiums	-170	3,273
NET PREMIUM INCOME ON LIFE INSURANCE	204,865,726	213,951,694
HEALTH INSURANCE		
Gross written premium	91,454,582	80,189,702
Changes in gross provisions for unearned premiums	156,550	-87,253
NET PREMIUM INCOME ON HEALTH INSURANCE	91,611,132	80,102,449
TOTAL NET PREMIUM INCOME	884,367,872	916,278,896

Overview of premium income by insurance class

	in EUR		
2012	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	50,733,945	-1,866,569	48,867,376
Health insurance	92,369,081	0	92,369,081
Land motor vehicle insurance	141,358,371	-17,820,916	123,537,455
Railway insurance	3,385,182	-1,160,110	2,225,072
Aircraft insurance	4,106,759	-4,638,310	-531,551
Marine Insurance	3,327,041	-342,211	2,984,830
Cargo insurance	9,922,204	-3,657,331	6,264,873
Fire and natural forces insurance	116,913,579	-56,751,286	60,162,293
Other damage to property insurance	113,419,028	-29,305,840	84,113,188
Motor TPL insurance	190,403,549	-13,259,787	177,143,762
Aircraft liability insurance	1,700,260	-1,888,983	-188,723
Marine liability insurance	794,212	-204,878	589,334
General liability insurance	39,085,536	-10,332,190	28,753,346
Credit insurance	23,083,162	-4,298,872	18,784,290
Suretyship insurance	2,810,648	-1,073,154	1,737,494
Miscellaneous financial loss insurance	5,502,529	-3,950,464	1,552,065
Legal expenses insurance	1,026,152	-47,653	978,499
Travel assistance insurance	8,884,594	-667,989	8,216,605
TOTAL NON-LIFE INSURANCE	808,825,832	-151,266,543	657,559,289
Life insurance	94,669,710	-386,330	94,283,380
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	89,120,094	0	89,120,094
Capital redemption insurance	21,452,783	-4	21,452,779
Loss of income due	46,468	-23	46,445
TOTAL LIFE INSURANCE	205,289,055	-386,357	204,902,698
TOTAL	1,014,114,887	-151,652,900	862,461,987
Consolidation adjustments	-77,851,866	76,669,649	-1,182,217
TOTAL	936,263,021	-74,983,251	861,279,770

Overview of premium income by insurance class

	in EUR		
2011	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	55,507,992	-1,851,434	53,656,558
Health insurance	81,264,464	-20,561	81,243,903
Land motor vehicle insurance	157,849,294	-19,241,948	138,607,346
Railway insurance	2,789,593	-1,257,378	1,532,215
Aircraft insurance	4,941,295	-4,504,309	436,986
Marine Insurance	2,780,481	-166,703	2,613,778
Cargo insurance	10,318,366	-3,091,744	7,226,622
Fire and natural forces insurance	110,155,368	-50,940,483	59,214,885
Other damage to property insurance	132,592,098	-44,278,672	88,313,426
Motor TPL insurance	215,630,841	-13,998,881	201,631,960
Aircraft liability insurance	2,685,519	-2,647,645	37,874
Marine liability insurance	787,029	-203,459	583,570
General liability insurance	38,078,758	-9,172,477	28,906,281
Credit insurance	23,167,332	-3,943,254	19,224,078
Suretyship insurance	2,574,483	-926,205	1,648,278
Miscellaneous financial loss insurance	6,512,262	-4,518,722	1,993,540
Legal expenses insurance	1,106,230	-51,189	1,055,041
Travel assistance insurance	8,975,453	-748,219	8,227,234
TOTAL NON-LIFE INSURANCE	857,716,858	-161,563,283	696,153,575
Life insurance	96,600,427	-349,081	96,251,346
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	98,001,240	0	98,001,240
Capital redemption insurance	19,690,306	0	19,690,306
Loss of income due	50,611	-559	50,052
TOTAL LIFE INSURANCE	214,342,584	-349,640	213,992,944
TOTAL	1,072,059,442	-161,912,923	910,146,519
Consolidation adjustments	-82,660,636	81,825,054	-835,582
TOTAL	989,398,804	-80,087,864	909,310,940

7.2 Income from financial assets

	2012	in EUR 2011
Interest income from financial assets		
- available for sale	44,379,232	42,938,852
- loans and deposits	3,160,562	17,522,886
- held to maturity	15,847,124	12,749,710
- at fair value through profit and loss	11,727,593	3,074,134
- derivate financial instruments	110,666	1,873,321
- cash or cash equivalents	108,481	167,716
- interest on late payments of insurance receivables	1,226,999	1,484,388
- interest income from subrogated receivables	5,834,091	5,538,261
- other interest income from insurance operations	107,963	398,274
TOTAL INTEREST INCOME	82,502,711	85,747,542
Dividends from		
- available-for-sale financial assets	2,786,845	4,099,373
- financial assets at fair value through profit and loss	333,519	267,368
TOTAL DIVIDENDS	3,120,364	4,366,741
Fair value gains	47,438,864	32,326,804
Realised gains on disposals	29,270,460	16,145,883
Profit on investments accounted for using the equity method	1,720,451	4,265,615
Other financial income	9,598,697	6,129,348
TOTAL INVESTMENT INCOME	173,651,547	148,981,933

Fair value gains are described in detail in Section 7.4 and realised gains on disposals in Section 7.5.

7.3 Expenses from financial assets and liabilities

	2012	in EUR 2011
Interest expense from derivative financial instruments held for trading	229,499	1,961,257
Interest expense from current debt	461,377	881,704
- on bank loans	229,682	737,344
- other loans	136,208	742
- other interest expense	95,487	143,618
Interest expense from noncurrent debt	589,859	678,052
- bank loans	243,716	312
- other loans	129,689	0
- other interest expense	216,454	677,740
Interest expense from bonds issued	2,295,590	2,328,793
TOTAL INTEREST EXPENSE	3,576,326	5,849,806
Fair value losses	19,444,456	88,422,449
Realised loss on disposals	24,081,741	17,368,136
Loss on equity investments in associates accounted for using the equity method	2,104,247	16,977,661
Loss on impairment of financial assets	43,652,275	63,188,577
Other finance costs	8,098,896	10,203,797
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	100,957,942	202,010,426

Fair value losses are described in detail in Section 7.4 and realised loss on disposals of financial assets in Section 7.5.

Of the total loss on equity investments in associated companies, calculated using the equity method, EUR 1.0 million refers to the Elan Group and EUR 720,000 refers to Goriške opekarne d.d. (in 2011: EUR 14.5 million in relation to Abanka Vipava d.d.). The note in Section 6.4 discusses Abanka Vipava.

The loss arising from the impairment of financial assets is primarily accounted for by the impairment of available-for-sale financial assets. As much as 89.5% of the loss arising from the impairment of financial assets is accounted for by the impairment of shares issued by Abanka Vipava d.d. and NLB d.d.

7.4 Fair value gains and losses

	2012	in EUR 2011
Financial assets recognised at fair value through profit/loss	27,833,129	-54,144,385
- gains	46,826,801	29,967,250
- losses	-18,993,672	-84,111,635
Derivative financial instruments	177,848	-1,951,260
- gains	612,063	2,359,554
- losses	-434,215	-4,310,814
NET GAINS FROM CHANGES IN FAIR VALUE	28,010,977	-56,095,645

Net income from changes in fair value of financial assets includes net unrealised gains on unit-linked life insurance assets. Net expenses from changes in fair value of financial assets include net unrealised losses on unit-linked life insurance assets.

7.5 Realised gains and losses

	2012	in EUR Leto 2011
Financial assets recognised at fair value through profit/loss	-3,482,800	-4,113,369
- realised gains on disposals	3,251,902	198,270
- realised losses on disposals	-6,734,702	-4,311,639
Available-for-sale financial assets	16,881,794	1,694,091
- realised gains on disposals	25,340,003	14,680,146
- realised losses on disposals	-8,458,209	-12,986,055
Loans and deposits	-4,106,222	329,232
- realised gains on disposals	678,555	376,356
- realised losses on disposals	-4,784,777	-47,124
Derivative financial instruments	-69,117	867,793
- realised gains on disposals	0	891,111
- realised losses on disposals	-69,117	-23,318
Held-to-maturity financial assets	-4,034,936	0
- realised gains on disposals	0	0
- realised losses on disposals	-4,034,936	0
TOTAL REALISED GAINS AND LOSSES	5,188,719	-1,222,253

Loss related to financial assets held to maturity in 2012 refers to the early redemption of Greek bonds that were replaced by new issues.

7.6 Other insurance income

	2012	in EUR 2011
FEES AND COMMISSION INCOME		
- investment management services	11,838,087	13,608,621
- reinsurance commission income	-315,504	2,538,894
- policyholder administration	571,563	645,574
- other fees and commission income	1,352,099	0
- surrender charges and other contract fees	295,724	609,779
TOTAL FEES AND COMMISSION INCOME	13,741,969	17,402,868
OTHER INCOME FROM INSURANCE OPERATIONS		
- income from sale of green cards for motor vehicles	2,174,668	2,780,282
- income from claims settled for other insurance companies	725,410	704,462
- income from assistance services	81,623	57,553
- other income from insurance operations	3,979,287	5,496,343
TOTAL OTHER INCOME FROM INSURANCE OPERATIONS	6,960,988	9,038,640
OTHER INSURANCE INCOME	20,702,957	26,441,508

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

7.7 Other income

	2012	in EUR 2011
Income from investment property	6,733,729	7,397,964
Rental income	404,557	507,813
Income from other services	2,094,331	1,913,913
Claims refund	141,536	73,110
Fair value gains	111,932	175,617
Income from noninsurance companies in the Group	66,553,811	47,088,480
TOTAL OTHER INCOME	76,039,900	57,156,897

Income from noninsurance companies mostly refers to the purchase of Slovenijales d.d., totalling EUR 27.5 million (in 2011 EUR 34.6 million) and net income from transportation services of Avrigo d.o.o. and its subsidiaries, amounting to EUR 20.8 million.

7.8 Claims

	in EUR	
	2012	2011
NON-LIFE INSURANCE		
Gross claims settled	401,383,777	413,518,015
Income from gross subrogated receivables	-21,511,562	-22,604,920
Reinsurers' share of gross claims settled	-23,585,994	-23,200,038
Co-insurers' share of gross claims settled	1,070,009	749,462
Change in gross claims provisions	17,005,774	-4,377,568
Change in gross claims provisions for re/co-insurer's share	-38,095,311	2,851,930
NET CLAIMS INCURRED ON NON-LIFE INSURANCE	336,266,693	366,936,881
LIFE INSURANCE		
Gross claims settled	163,220,596	140,482,689
Change in gross claims provisions	-190,205	-827,641
NET CLAIMS INCURRED ON LIFE INSURANCE	163,030,391	139,655,048
HEALTH INSURANCE		
Gross claims settled	70,713,501	62,541,802
Subrogation income	-41,134	-65,371
Change in gross claims provisions	1,559,177	391,436
Equalisation scheme expenses	7,409,643	6,657,237
TOTAL NET CLAIMS INCURRED ON HEALTH INSURANCE	79,641,187	69,525,104
NET CLAIMS INCURRED TOTAL	578,938,271	576,117,033

Overview of net claims incurred by insurance class in 2012

	in EUR		
Insurance class	Gross claims	Reinsurers' share	Net claims incurred
Accident insurance	26,628,529	-489,088	26,139,441
Health insurance	71,446,690	0	71,446,690
Land motor vehicle insurance	105,876,841	-6,939,742	98,937,099
Railway insurance	3,160,515	0	3,160,515
Aircraft insurance	427,304	-281,227	146,077
Marine Insurance	1,903,285	-19,222	1,884,063
Cargo insurance	2,852,642	-1,231,437	1,621,205
Fire and natural forces insurance	53,987,257	-15,458,869	38,528,388
Other damage to property insurance	71,428,928	-11,185,563	60,243,365
Motor TPL insurance	113,210,014	-8,014,648	105,195,366
Aircraft liability insurance	1,359,310	-1,307,727	51,583
Marine liability insurance	113,431	-2,367	111,064
General liability insurance	18,638,970	-2,536,913	16,102,057
Credit insurance	19,161,911	-1,919,041	17,242,870
Suretyship insurance	1,055,012	-445,934	609,078
Miscellaneous financial loss insurance	2,232,697	-924,742	1,307,955
Legal expenses insurance	6,076	22	6,098
Travel assistance insurance	6,844,630	-341,110	6,503,520
TOTAL NON-LIFE INSURANCE	500,334,042	-51,097,608	449,236,434
Life insurance	94,672,995	-73,673	94,599,322
Unit-linked life insurance	39,775,085	0	39,775,085
Capital redemption insurance	28,773,296	0	28,773,296
TOTAL LIFE INSURANCE	163,221,376	-73,673	163,147,703
TOTAL	663,555,418	-51,171,281	612,384,137
Consolidation adjustments	-28,237,544	27,585,287	-652,257
TOTAL	635,317,874	-23,585,994	611,731,880

Gross claims include gross claims settled and assessment costs divided by function, not reduced by subrogation receivables (see Section 7.11).

Overview of net claims incurred by insurance class in 2011

Insurance class	in EUR		
	Gross claims	Reinsurers' share	Net claims incurred
Accident insurance	27,727,094	-578,751	27,148,343
Health insurance	63,365,805	-29,982	63,335,823
Land motor vehicle insurance	114,822,402	-9,195,630	105,626,772
Railway insurance	1,177,697	0	1,177,697
Aircraft insurance	350,279	-66,025	284,254
Marine Insurance	1,520,554	-62,240	1,458,314
Cargo insurance	3,821,103	-1,067,552	2,753,551
Fire and natural forces insurance	42,904,406	-13,375,604	29,528,802
Other damage to property insurance	70,704,964	-12,812,500	57,892,464
Motor TPL insurance	130,239,045	-8,959,297	121,279,748
Aircraft liability insurance	615,551	-549,405	66,146
Marine liability insurance	176,412	-3,891	172,521
General liability insurance	21,412,649	-2,614,576	18,798,073
Credit insurance	17,869,802	-1,970,851	15,898,951
Suretyship insurance	1,850,439	-822,920	1,027,519
Miscellaneous financial loss insurance	4,286,905	-2,852,797	1,434,108
Legal expenses insurance	4,785	82	4,867
Travel assistance insurance	5,765,623	-318,885	5,446,738
TOTAL NON-LIFE INSURANCE	508,615,515	-55,280,824	453,334,691
Life insurance	88,162,604	-116,749	88,045,855
Unit-linked life insurance	27,976,054	0	27,976,054
Capital redemption insurance	24,344,033	0	24,344,033
TOTAL LIFE INSURANCE	140,482,691	-116,749	140,365,942
TOTAL	649,098,206	-55,397,573	593,700,633
Consolidation adjustments	-32,555,697	32,197,532	-358,165
TOTAL	616,542,506	-23,200,038	593,342,468

Reinsurance result

	in EUR	
	2012	2011
Reinsurance premiums	-74,057,838	-79,191,128
Changes in reinsurers' share of unearned premiums	1,878,130	3,152,548
Reinsurers' share of claims	23,585,997	23,200,041
Changes in claims provisions for reinsurers' shares	38,095,313	2,851,927
Net result from reinsurance operations	-10,498,398	-49,986,612
Reinsurance commission	256,749	2,450,904
GROSS REINSURANCE RESULT	-10,241,649	-47,535,708

7.9 Change in other insurance-technical provisions

	in EUR	
	2012	2011
Change in other insurance technical provisions	-1,446,818	-2,909,572
Change in insurance technical provisions for unit-linked insurance contracts	52,882,779	-11,402,162
TOTAL	51,435,961	-14,311,734

Change in other insurance technical provisions refers entirely to changes in mathematical provisions for unit-linked life insurance, provisions for cancellation and unexpired risk provisions.

7.10 Expenses for bonuses and discounts

	in EUR	
	2012	2011
Settled bonuses and discounts	8,093,579	5,222,249
Changes in gross provisions for bonuses and discounts	554,192	-1,236,746
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	8,647,771	6,458,995

7.11 Acquisition costs and other operating expenses

	in EUR	
	2012	2011
Acquisition costs	127,960,691	130,633,388
Other operating costs	70,517,275	72,674,935
Claim handling costs*	27,809,001	27,051,459
Costs of asset management**	4,011,058	4,457,480
Operating expenses from non-insurance operations***	69,220,741	51,580,768
TOTAL	299,518,766	286,398,030

* Claim handling costs are disclosed as a part of gross claims incurred.

** Costs of asset management are disclosed as financial expenses

*** Operating expenses from non-insurance operations are disclosed as other expenses.

Gross operating expenses by nature and business segment in 2012

	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	in EUR TOTAL
1. Acquisition costs (fees and charges)	23,392,684	6,507,588	1,595,436	31,495,708	0	31,495,708
2. Cost of goods sold	0	0	0	0	21,249,493	21,249,493
3. Depreciation of operating assets	10,388,515	1,849,076	414,730	12,652,321	3,794,461	16,446,782
4. Labour costs	100,195,562	17,726,994	3,253,173	121,175,729	21,662,895	142,838,624
- wages and salaries	71,088,021	13,054,225	2,288,657	86,430,903	14,975,172	101,406,075
- social security and pension insurance costs	17,215,226	2,552,636	410,124	20,177,986	3,650,694	23,828,680
- other labour costs	11,892,315	2,120,133	554,392	14,566,840	3,037,029	17,603,869
5. Costs of services provided by natural persons other than SPs, including related taxes	2,406,761	319,313	95,202	2,821,276	0	2,821,276
6. Other operating costs	53,174,911	12,309,379	3,365,517	68,849,807	28,143,553	96,993,360
- costs of entertainment, advertising, trade shows	11,577,652	2,640,434	459,287	14,677,373	0	14,677,373
- costs of material and energy	6,515,411	1,220,140	150,863	7,886,414	7,095,863	14,982,277
- maintenance costs	5,898,575	2,542,877	1,037,558	9,479,010	0	9,479,010
- reimbursement of labour-related costs	4,131,933	586,724	88,338	4,806,995	0	4,806,995
- costs of intellectual and personal services	3,901,170	603,462	58,430	4,563,062	0	4,563,062
- membership fees and charges	2,084,664	538,823	73,364	2,696,851	0	2,696,851
- costs of services - transport and communications	3,541,481	1,017,426	440,149	4,999,056	0	4,999,056
- costs for insurance premiums	1,523,621	327,618	28,840	1,880,079	0	1,880,079
- payment transaction costs and banking services	2,427,586	1,246,716	307,888	3,982,190	0	3,982,190
- rents	5,908,264	953,593	123,150	6,985,007	0	6,985,007
- costs of professional training services	875,921	214,016	42,894	1,132,831	0	1,132,831
- other costs of services	4,788,633	417,550	554,756	5,760,939	21,047,690	26,808,629
TOTAL OPERATING EXPENSES	189,558,433	38,712,350	8,724,058	236,994,841	74,850,402	311,845,243
Consolidation adjustments	-2,934,177	-2,213,527	-1,596,554	-6,744,258	-5,629,661	-12,373,919
TOTAL OPERATING EXPENSES	186,624,256	36,498,823	7,127,504	230,250,583	69,220,741	299,471,324

Operating expenses by nature and function in 2012

	TOTAL	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	in EUR Costs of non-insurance operations
1. Acquisition costs (fees and charges)	31,495,708	28,474,152	5,478	26	3,016,052	0
2. Cost of goods sold	21,249,493	0	0	0	0	21,249,493
3. Depreciation of operating assets	16,446,782	5,812,436	1,630,519	259,602	4,949,764	3,794,461
4. Labour costs	142,838,624	63,346,487	19,548,918	2,733,240	35,547,084	21,662,895
- wages and salaries	101,406,075	44,776,020	13,472,619	2,043,867	26,138,397	14,975,172
- social security and pension insurance costs	23,828,680	10,191,229	3,167,451	344,321	6,474,985	3,650,694
- other labour costs	17,603,869	8,379,238	2,908,848	345,052	2,933,702	3,037,029
5. Costs of services provided by natural persons other than SPs, including related taxes	2,821,276	1,070,374	871,742	12,618	866,542	0
6. Other operating expenses	96,993,360	33,741,800	5,752,344	1,005,572	28,350,091	28,143,553
- costs of entertainment, advertising, trade shows	14,677,373	13,457,983	86,010	28,891	1,104,489	0
- costs of material and energy	14,982,277	3,523,584	1,311,399	132,673	2,918,758	7,095,863
- maintenance costs	9,479,010	1,893,768	784,929	162,183	6,638,130	0
- reimbursement of labour-related costs	4,806,995	3,640,314	180,463	92,086	894,132	0
- costs of intellectual and personal services	4,563,062	816,687	651,434	161,805	2,933,136	0
- membership fees and charges	2,696,851	972,803	183,448	53,119	1,487,481	0
- costs of services - transport and communications	4,999,056	2,307,746	620,826	78,451	1,992,033	0
- costs for insurance premiums	1,880,079	685,370	229,167	54,856	910,686	0
- payment transaction costs and banking services	3,982,190	1,410,720	33,428	116,375	2,421,667	0
- rents	6,985,007	3,204,496	604,134	26,745	3,149,632	0
- costs of professional training services	1,132,831	342,563	159,674	35,431	595,163	0
- other costs of services	26,808,629	1,485,766	907,432	62,957	3,304,784	21,047,690
TOTAL OPERATING EXPENSES	311,845,243	132,445,249	27,809,001	4,011,058	72,729,533	74,850,402
Consolidation adjustments	-12,373,920	-4,484,558	-47,117	-326	-2,212,258	-5,629,661
TOTAL OPERATING EXPENSES	299,471,323	127,960,691	27,761,884	4,010,732	70,517,275	69,220,741

Gross operating expenses by nature and business segment in 2011

	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	in EUR TOTAL
1. Acquisition costs (fees and charges)	22,398,579	7,427,193	1,100,645	30,926,417	0	30,926,417
2. Cost of goods sold	0	0	0	0	24,487,665	24,487,665
3. Depreciation of operating assets	8,250,860	1,417,868	410,098	10,078,826	1,519,769	11,598,595
4. Labour costs	101,866,040	17,537,707	3,082,402	122,486,149	13,709,451	136,195,600
- wages and salaries	71,964,627	12,651,387	2,199,129	86,815,143	9,337,651	96,152,794
- social security and pension insurance costs	17,503,908	2,502,390	384,435	20,390,733	2,261,332	22,652,065
- other labour costs	12,397,505	2,383,930	498,838	15,280,273	2,110,468	17,390,741
5. Costs of services provided by natural persons other than SPs, including related taxes	2,631,096	326,048	86,014	3,043,158	0	3,043,158
6. Other operating costs	57,611,957	12,793,024	3,469,465	73,874,446	15,363,047	89,237,493
- costs of entertainment, advertising, trade shows	14,073,868	3,006,432	402,636	17,482,936	0	17,482,936
- costs of material and energy	6,264,219	1,102,880	176,540	7,543,639	2,386,304	9,929,943
- maintenance costs	5,439,806	2,166,404	920,901	8,527,111	0	8,527,111
- reimbursement of labour-related costs	4,190,265	604,740	90,479	4,885,484	0	4,885,484
- costs of intellectual and personal services	3,061,473	646,495	109,676	3,817,644	0	3,817,644
- membership fees and charges	1,961,434	560,636	101,451	2,623,521	0	2,623,521
- costs of services - transport and communications	3,585,162	1,059,765	451,258	5,096,185	0	5,096,185
- costs for insurance premiums	1,728,705	248,623	24,920	2,002,248	0	2,002,248
- payment transaction costs and banking services	2,444,701	1,248,696	287,235	3,980,632	0	3,980,632
- rents	6,448,076	932,602	312,305	7,692,983	0	7,692,983
- costs of professional training services	801,460	186,551	52,189	1,040,200	0	1,040,200
- other costs of services	7,612,788	1,029,200	539,875	9,181,863	12,976,743	22,158,606
TOTAL OPERATING EXPENSES	192,758,532	39,501,840	8,148,624	240,408,996	55,079,932	295,488,928
Consolidation adjustments	-1,973,618	-2,343,447	-1,274,669	-5,591,734	-3,499,164	-9,090,898
TOTAL OPERATING EXPENSES	190,784,914	37,158,393	6,873,955	234,817,262	51,580,768	286,398,030

Operating expenses by nature and function in 2011

	TOTAL	Acquisition costs	Claim handling costs	Costs of asset management	Other operating expenses	in EUR Costs of non-insurance operations
1. Acquisition costs (fees and charges)	30,926,417	28,759,749	10,185	3	2,156,480	0
2. Cost of goods sold	24,487,665	0	0	0	0	24,487,665
3. Depreciation of operating assets	11,598,595	3,768,743	1,360,918	286,235	4,662,930	1,519,769
4. Labour costs	136,195,600	64,153,649	19,097,691	2,820,239	36,414,570	13,709,451
- wages and salaries	96,152,794	45,195,525	13,471,487	2,131,586	26,016,545	9,337,651
- social security and pension insurance costs	22,652,065	10,932,949	3,018,003	365,695	6,074,086	2,261,332
- other labour costs	17,390,741	8,025,175	2,608,201	322,958	4,323,939	2,110,468
5. Costs of services provided by natural persons other than SPs, including related taxes	3,043,158	1,461,815	838,708	4,211	738,424	0
6. Other operating expenses	89,237,493	36,406,714	5,743,957	1,346,792	30,376,983	15,363,047
- costs of entertainment, advertising, trade shows	17,482,936	15,068,714	78,198	28,374	2,307,650	0
- costs of material and energy	9,929,943	3,544,580	1,246,610	121,069	2,631,380	2,386,304
- maintenance costs	8,527,111	1,911,380	792,786	262,825	5,560,120	0
- reimbursement of labour-related costs	4,885,484	3,750,931	193,939	119,439	821,175	0
- costs of intellectual and personal services	3,817,644	744,662	560,597	418,871	2,093,514	0
- membership fees and charges	2,623,521	994,542	156,884	139,312	1,332,783	0
- costs of services - transport and communications	5,096,185	2,492,008	616,672	75,392	1,912,113	0
- costs for insurance premiums	2,002,248	640,942	426,507	23,760	911,039	0
- payment transaction costs and banking services	3,980,632	1,280,203	46,645	42,812	2,610,972	0
- rents	7,692,983	4,172,865	571,118	26,661	2,922,339	0
- costs of professional training services	1,040,200	368,291	139,822	25,735	506,352	0
- other costs of services	22,158,606	1,437,596	914,179	62,542	6,767,546	12,976,743
TOTAL OPERATING EXPENSES	295,488,928	134,550,670	27,051,459	4,457,480	74,349,387	55,079,932
Consolidation adjustments	-9,090,898	-3,917,282			-1,674,452	-3,499,164
TOTAL OPERATING EXPENSES	286,398,030	130,633,388	27,051,459	4,457,480	72,674,935	51,580,768

7.12 Other expenses from insurance operations

	in EUR	
	2012	2011
Expenses of preventive activity	2,915,506	2,917,957
Contributions for claims from uninsured or unidentified vehicles	2,045,788	2,659,920
Commission expenses	14,082,788	15,094,442
Fire tax	4,430,888	4,387,933
Expenses from impairment of insurance receivables and write-offs	13,324,405	21,981,546
Other net insurance expenses	6,030,535	8,911,232
OTHER EXPENSES FROM INSURANCE OPERATIONS	42,829,908	55,953,030

7.13 Other expenses

	in EUR	
	2012	2011
Depreciation of investment property	1,902,506	1,597,034
Other investment property expenses	1,193,298	1,190,752
Other expenses	80,707,238	58,535,760
- operating expenses of non-insurance companies	68,458,315	51,788,944
- impairment charge	5,688,392	1,312,388
- other expenses	6,560,535	5,434,428
TOTAL	83,803,046	61,323,544

Expenses under the item impairment charge refer to the impairment of property, plant and equipment. Other expenses also include employee bonuses (performance-related pay) based on business performance in 2012 in the total amount of EUR 4.2 million.

7.14 Income tax expense

Tax expense in the income statement

	in EUR	
	2012	2011
Current tax expense	13,439,188	-22,513,769
Deferred tax expense/income	3,051,161	12,011,395
TOTAL TAX EXPENSE IN THE INCOME STATEMENT	16,490,349	-10,502,374

Tax expense in other comprehensive income

	2012			2011		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available for sale financial assets	87,631,599	-14,646,387	72,985,212	-70,141,510	21,060,913	-49,080,597
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	-26,136,839	2,391,229	-23,745,610	9,274,697	-1,854,939	7,419,758
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	246,560	-36,984	209,576	-2,164,189	521,519	-1,642,670
Translation differences	-638,532	0	-638,532	-566,861	0	-566,861
TOTAL OTHER COMPREHENSIVE INCOME	61,102,788	-12,292,142	48,810,646	-63,597,863	19,727,492	-43,870,371

Reconciliation between tax expense and accounting profit

	in EUR	
	2012	2011
ACCOUNTING PROFIT	89,671,412	59,999,615
Income tax rate tax rate average of several countries	17.80%	19.50%
Accounting profit multiplied by tax rate	-15,959,905	-11,700,496
Tax effect of income deductible for tax purposes	4,519,693	3,512,035
Tax effect of expenses not deductible for tax purposes	-5,232,046	-14,006,957
Tax effect of income added for tax purposes	251,776	-76,706
Revenues or expenses concerning tax relief	1,110,238	943,858
Changes in temporary differences	-4,613,107	10,825,892
Adjusted tax return for 2011	3,433,002	0
TOTAL TAX EXPENSE	-16,490,349	-10,502,374
Effective tax rate	18.39%	17.50%

In accordance with the Corporate Income Tax Act (hereinafter CITA-2), the Company applied a 18% tax rate to the taxable profit for 2012 (20% tax rate for 2011). For subsidiaries operating outside the Republic of Slovenia, the Group applied the tax rate of the country of operation in compliance with the local legislation. See Section 1.6. for details on tax rates by company.

As at 31 December 2012, unused tax losses of the Group amounted to EUR 65.5 million (EUR 25.9 million as at 31 December 2011).

8. Other Information

8.1 Related party transactions

Related party transactions are disclosed separately for transactions with:

- associates,
- government related entities, and
- other related entities.

Associates are those entities in which the Group has a significant influence. These companies are presented in detail in Section 6.4.

Government related companies are all the companies in which the Republic of Slovenia has a significant influence. The Republic of Slovenia has a significant influence in Zavarovalnica Triglav through the two major shareholders (the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije - ZPIZ) and the Slovene Restitution Fund (Slovenska odškodninska družba - SOD), which hold 34.37% and 28.07% of share capital respectively).

Other related entities are those which are related to Zavarovalnica Triglav through the management, i.e. members of the management and supervisory boards

In addition to capital links, business cooperation with associates mostly refers to financial services (deposits and certificates of deposits) and insurance operations (reinsurance and co-insurance, insurance acquisition, development and launch of new products, handling of claims). Only a minor part of cooperation refers to operating leases and other service activities.

Business cooperation with government related companies refers to financial services and insurance business. Zavarovalnica Triglav made no direct transactions with the Republic of Slovenia, except for the purchase of Government bonds and treasury bills; with other government related companies, however, Zavarovalnica Triglav concluded and carried out financial and insurance business under the same conditions as apply to other non-related companies.

The services exchanged between Group companies are rendered at prices that are applied to other companies outside the Group.

Outstanding balances referring to the above-mentioned related parties as at the reporting date and income and expenses during the period are shown below.

ASSETS	Associates	Other related entities
Receivables from insurance premium	4,087	0
Short-term receivables from financing	750,904	0
Other short-term receivables	75,509	49

All loans given to associates are secured with mortgages or pledged securities.

LIABILITIES	Associates	Other related entities
Liabilities to insureds	25,312	0
Liabilities to agents and brokers	11,252	6,351
Liabilities for shares in claims from coinsurance	0	77,474
Other short-term liabilities	350	60,352
Accrued costs and expenses	14	0

INCOME AND EXPENSES	Associates	Other related entities
Gross written premium	140,443	5,927,429
Net premium income	140,443	5,927,429
Interest income	0	3,111,769
Other income	382	0
TOTAL INCOME	140,825	9,039,198
Gross claims settled	63,757	1,835,267
Net claims expenses	63,757	1,835,267
Other costs and expenses	578,602	0
TOTAL EXPENSES	642,359	1,835,267

8.2 Members of the Management and Supervisory Board

In 2012, the Management Board members were paid the following amounts as compensation for their work:

MANAGEMENT BOARD	Fixed salary (gross)	Other additional payments*	Bonuses	BENEFITS		Reimbursements	Net pay received
				Insurance premiums**	Other benefits***		
Matjaž Rakovec							57,867
Igor Stebernak	101,683	382	13,949	12,397	3,644	1,592	50,925
Andrej Slapar	144,040	763	0	23,104	8,712	2,701	57,382
Vladimir Mišo Čeplak	0	0	14,712	0	0	0	7,127
Marica Makoter	135,250	763	0	22,261	7,253	1,124	52,373
Stanislav Vrtunski	75,544	465	0	13,604	4,067	610	29,660
Benjamin Jošar	11,367	0	0	875	524	530	4,833
TOTAL	618,520	3,136	28,661	96,418	36,544	13,365	260,167

* 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.

In 2012, members of the Management Board did not receive any payments for their work in subsidiaries.

As at 31 December 2012, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

	in EUR	
MANAGEMENT BOARD	31 December 2012	31 December 2011
RECEIVABLES		
Matjaž Rakovec	96	206
Andrej Slapar	112	37
Stanislav Vrtunski	17	0
Benjamin Jošar	0	0
Marica Makoter	16	0
Igor Stebernak	0	50
Vladimir Mišo Čepelak	0	0
TOTAL RECEIVABLES FROM THE MANAGEMENT BOARD	241	293
LIABILITIES		
Matjaž Rakovec	8,254	12,520
Andrej Slapar	11,581	12,017
Stanislav Vrtunski	4,783	0
Benjamin Jošar	5,108	0
Marica Makoter	4,417	2,047
Igor Stebernak	0	12,536
Vladimir Mišo Čepelak	0	7,127
TOTAL PAYABLES TO THE MANAGEMENT BOARD	34,143	46,247

In 2012, 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
Uroš Slavinec	10,400	2,816	0	13,216	10,243
Anton Ribnikar	13,000	2,902	0	15,902	12,324
Igor Mihajlovič	24,556	5,885	0	30,441	23,591
Aljoša Valentinčič	17,604	6,589	0	24,193	18,750
Vladimir Uršič	17,604	6,413	1,891	25,908	20,078
Branko Gorjan	17,604	6,369	2,423	26,396	20,457
Peter Celar	17,604	4,125	573	22,302	17,284
Miran Krštinc	19,338	5,830	0	25,168	19,505
Barbara Nose	5,254	2,288	0	7,542	5,845
Srečko Jadek	0	1,540	0	1,540	1,193
Eva Boštjančič	0	220	0	220	171
Tomaž Kuntarič	0	220	0	220	171
Vanessa Grmek	0	660	0	660	512
Adolf Zupan	8,901	3,300	668	12,869	9,974
Gregor Kastelic	10,409	2,475	7,800	20,684	16,030
Jovan Lukovac	9,723	4,059	0	13,782	10,681
TOTAL	171,997	55,691	13,355	241,043	186,809

Members of Supervisory Board Committees:

- Appointments and Compensation Committee: Anton Ribnikar (till 12 June 2012), Igor Mihajlovič (since 21 June 2012), Adolf Zupan (since 21 June 2012), Miran Krštinc and Srečko Jadek.

- Audit Committee: Uroš Slavinec (till 12 June 2012), Jovan Lukovac (since 21 June 2012), Vladimir Uršič, Aljoša Valentinčič, Branko Gorjan, Barbara Nose.
- Strategic Committee: Anton Ribnikar (till 12 June 2012), Gregor Kastelic (since 21 June 2012), Igor Mihajlovič, Peter Celar.
- Nomination Committee (till on 12 June 2012): Uroš Slavinec, Miran Krštinc, Eva Boštjančič, Vanessa Grmek, Tomaž Kuntarič. Re-established on 20 December 2012: Igor Mihajlovič, Branko Gorjan, Matjaž Jauk and Peter Ješovnik.

As at 31 December 2012 there are no outstanding receivables or liabilities from members of Supervisory Board and members of Supervisory Board Committees.

Proposed criteria for the assessment of the performance of Management Board Members are prepared by the Appointments and Compensation Committee and approved by the Supervisory Board. The purpose of these criteria is to ensure objective monitoring of existing goals and evaluation of the performance of Management Board Members on a regular basis. The above mentioned criteria are determined in such way so as to follow the strategy of Zavarovalnica Triglav. The definition of an individual goal includes its description, expected target value, assigned weight and the method of measurement or assessment. According to this method, the Board member is entitled to a bonus when goals are exceeded. On the other hand, a deduction is assumed when the goals are not met.

First half of an annual bonus for business efficiency is paid 30 days after the Supervisory Board approves the annual report and adopts a decision on bonus payments. If the annual report is approved at the Annual General Meeting, the first half of annual bonus is paid 30 days after the Annual General Meeting. Second half of an annual bonus is paid after 2 years. Bonus is paid in a proportion according to the time spent on a function.

Management Board Members are entitled to severance pay amounting to six of his average monthly salaries received as a board member, if he or she is dismissed for economic reasons. Severance is paid within one month after dismissal.

8.3 Amounts spent on auditors

The annual financial statements of the Group for 2012 were audited by Ernst&Young d.o.o. The amounts, paid for auditing services to; Ernst&Young d.o.o. and to KPMG Slovenija d.o.o. – the latter audited the annual financial statements for 2011 – were as follows:

	in EUR	
	2012	2011
Auditing of the Annual Report	561,008	565,346
Other assurance services	337,126	105,364
Tax advising services	35,223	23,918
TOTAL	933,357	694,628

8.4 Profit per share

Net profit per share is calculated for the parent company and is disclosed in the separate financial statements of Zavarovalnica Triglav.

8.5 Additional notes to the cash flow statement

The consolidated cash flow statement is composed of the combined cash flows of all Triglav Group companies, taking into account inter-company eliminations.

Operating cash flows and cash flows from investing activities are recognised based on the data from financial statements and adjusted for the non-cash flow items (impairments, changes of claims and other provisions). Receipts/payments for intangible assets, for property, plant and equipment and for investment property were calculated based on the changes in their carrying amount, adjusted by depreciation charges and increased or decreased by realised losses or gains on disposals. Therefore, the figures differ from those in the tables of changes in Sections 6.1, 6.2. and 6.3.

Cash flow from financing activities is prepared based on actual payments. The amount of dividend payments in the cash flow statement differs from that disclosed in the statement of changes in equity by the amount of unpaid dividends.

The table below shows the reconciliation of operating cash flows.

	2012	2011
in EUR		
RECONCILIATION OF OPERATING CASH FLOWS		
PROFIT/ LOSS BEFORE TAX	89,671,404	57,999,615
Depreciation	16,446,782	11,598,595
Impairment of receivables	13,324,405	21,981,546
Change in receivables	-68,685,893	-40,745,928
Change in deferred tax assets	2,337,454	-8,192,753
Change in inventory	1,879,031	543,313
Change in liabilities	-4,567,429	-112,156,870
Payment of income tax	-14,332,149	-24,446,402
OPERATING CASH FLOW	36,073,605	-93,418,884

8.6 Significant legal disputes

- Triglav Naložbe d.d. versus Informativna TV produkcija d.o.o
In 2010, a claim was lodged against the company Informativna TV produkcija d.o.o, requiring payment from the bankruptcy estate. Bankruptcy proceedings were initiated against the debtor at the petition of Triglav naložbe d.d. The claim of Triglav naložbe in the amount of EUR 3.9 million was recognised in full and included in the final list of admissible claims. The currently available information on the amount of the bankruptcy estate does not indicate that the claim could be recovered.
- Stojan Klopčevski versus Triglav Osiguruvanje a.d., Skopje
In April 2012, the former general manager of Triglav Osiguruvanje a.d., Skopje, lodged a claim against the company for damages in the amount of EUR 2.6 million. The claim was based on an unlawful decision on the termination of employment and the resulting loss of the possibility to exercise put option and call option agreements concluded with Zavarovalnica Triglav.
- Jugobanka a.d., Belgrade, in bankruptcy proceedings, and new creditor Municipium S, Belgrade, versus Slovenijales d.d.
In three claims, Jugobanka demands that Slovenijales d.d. pay the principal sums totalling USD 5,545,153 together with default interest (USD 4,540,723.54 + USD 238,843.52 + USD

765,587.35) for the period from 1 December 1994 onwards.

The claim concerns guarantees allegedly issued by Slovenijales for liabilities of its subsidiaries in the USA, Canada and Australia. At a public auction Jugobanka's liabilities were acquired by Municipium S, which later sold them to Fincor Invest Anstalt AG according to information obtained from other judicial records. The defendant contests the existence of the capacity to bring proceedings and the capacity to be sued and filed a time-barring of claims. The Court appointed expert witnesses to the proceedings to determine the amount of the defendant's potential debt. In the proceedings in which USD 4.5 million plus costs and interest are claimed, the court of first instance found in favour of Slovenijales d.d. The plaintiff appealed against this judgement, but the appeal is still pending.

In the proceedings in which USD 0.2 million plus costs and interest are claimed, the court ruled in favour of Slovenijales and the judgement is final. The plaintiff lodged an appeal on a point of law and a request for the protection of legality, however no decision has yet been taken.

In the proceedings in which USD 0.8 million plus costs and interest are claimed, the court ruled in favour of Slovenijales and the judgement is final. Both the appeal on a point of law and the request for the protection of legality were rejected.

- Fincor Invest Anstalt AG versus Slovenijales d.d.
As stated above, by endorsing the bills it acquired at a public auction, Municipium S sold its receivables to Fincor Invest Anstalt. The proceedings were initiated in 2010 on the proposal for execution based on an original document (bills of exchange) filed by Fincor Invest Anstalt. The Court referred the case to the District Court in Ljubljana, which will decide the case in a civil proceeding.
In these proceedings the plaintiff demands payment of a bill of exchange amounting to EUR 7,295,131 together with default interest for the period from 23 September 2010 onwards. The defendant contests payment and claims the transfer of the bill of exchange from its previous owner to the plaintiff to be null and void. It simultaneously raises an objection regarding the due date of the bills. The main hearing was concluded in December 2011. The court delivered a judgement rejecting all claims entered by Fincor Invest Anstalt. The judgement is not final as the plaintiff appealed. The same judgement also rejected the application by Slovenijales d.d. for the issue of a temporary injunction that would prohibit Fincor Invest Anstalt from disposing of the remaining bills of exchange in its possession. Slovenijales appealed against this part of the judgement. The appeal is still pending before the Higher Court in Ljubljana. The arguments of the first instance court for rejecting Fincor's claim were based on the fact that the court recognised the time-barring of the initial claim presented by Slovenijales. At this point in time, it is difficult to estimate whether or not the judgement will be upheld by the second instance court.
In 2010 and 2011, preliminary injunctions were issued for the purpose of securing the alleged receivable of Fincor Invest Anstalt as the creditor. They included a distraint of liquid assets, distraint of certain receivables from rentals and the registration of mortgages on two properties of Slovenijales. With a decision issued on 16 December 2012 the court annulled the preliminary injunctions.
The decision on the temporary protection of asset recovery claim rendered by an investigating judge on 23 June 2011 as part of

the pre-trial investigation on the basis of the suspicion of money laundering, was repealed with the investigating judge's decisions issued on 26 September 2011.

- **Fincor Invest Anstalt AG versus Slovenijales d.d.**
On 31 January 2012 Slovenijales received a request from Fincor Invest Anstalt for the payment of an additional sum of USD 6,997,000 (EUR 5,323,000) referring to interest. On the same day, the bill of exchange for the amount of USD 6,997,000 plus costs and interest (EUR 5,323,000 plus costs and interest) was protested. At the petition of the creditor, the court issued an order of execution on the basis of an authentic instrument including the attachment of liquid assets in transaction accounts with banks. Slovenijales appealed against this order which resulted in the abrogation of the part of the order allowing the execution. The court will rule on the creditor's claim in contentious proceedings. The order is final. At the petition of the creditor, the court issued a preliminary injunction on the basis of which a provisional registration of a mortgage on Slovenijales property (land around the building and parts of the building at Dunajska 22 in Ljubljana) was made. The decision regarding the preliminary injunction is not yet final, since an appeal is pending before the Higher Court in Ljubljana.
- **Westminster network Ltd. versus Triglav pojišt'ovna a.s., Brno**
The claim for the amount of CZK 39,634,272 was filed in 2009 and refers to a cooperation agreement concluded between the plaintiff's predecessor in law as the insurance agent and Triglav Pojišt'ovna a.s., Brno as the insurance company, on the basis of which the plaintiff's predecessor in law was entitled to a commission. In court proceedings the plaintiff requested the payment of commission for the period from March 2007 to October 2009, but later extended the claim to include commission for the period from November 2009 to March 2010, which means that the requested amount in commission payments from March 2007 to March 2010 total CZK 45,827,127. In 2010 the receivable was sold off to Barcolanza a.s. Brno, which continued the litigation with Triglav pojišt'ovna. At the hearing on 13 October 2011 the court of first instance ruled in favour of the Defendant. The plaintiff has appealed to a court of second instance but the case is still pending.
- **G.P. Hoteli d.o.o. versus Hotel Grad Podvin d.d.**
In the first half of 2012, a claim was lodged against Hotel Grad Podvin d.d. by G.P. Hoteli d.o.o. In its claim, the plaintiff G.P. Hoteli d.o.o. as a former leasee of the business premises owned by Hotel Grad Podvin requested from the defendant EUR 7,940,000 capital expenditure refund plus costs and interest. 7. 2. In 2007 a lease agreement for an indefinite time period had been made between Hotel Grad Podvin d.d. and Maxicom d.o.o. which then sublet the property to G.P. Hoteli d.o.o. On 22 February 2012 Hotel Grad Podvin d.d. withdrew from the lease agreement which automatically resulted in the termination of the sublet. G.P. Hoteli d.o.o. claims that after the withdrawal from the lease agreement, the defendant benefited from unjust enrichment related to certain investments of the defendant in the property. In its statement of defence, Hotel Grad Podvin d.d. contested this claim on the grounds that the real condition of the property shows no sign of the claimed investment and that no proof of that investment had been submitted to the defendant. The case is still pending.

- **Request of Hotel Grad Podvin d.d. for a refund of overpaid VAT**
Hotel Grad Podvin d.d. requested a refund of overpaid VAT in relation to the withdrawal from a contract on the purchase of property that had been concluded with Maxicom d.o.o. At the beginning of 2009, Maxicom sold all its real property and a VAT of 20% was added to the purchase price. After a unilateral withdrawal from the said contract due to the failure of the buyer, i.e. Maxicom d.o.o. to pay the purchase price, Hotel Grad Podvin d.d. requested a refund of the overpaid VAT in the amount of EUR 730,000 from the Tax Administration of Slovenia. In response the Tax Administration decided to charge on Hotel Grad Podvin a VAT of EUR 730,000. Hotel Grad Podvin d.d. appealed against this decision. Until the Ministry of Finance decides the appeal, the process will remain pending.
- **Triglav osiguranje a.d., Banja Luka, versus Republic of Srpska Public Corporation »Business Premises« and the Republic of Srpska**
In 2001, Triglav osiguranje a.d., Banja Luka, lodged a claim against the Republic of Srpska Public Corporation »Business Premises« and the Republic of Srpska in which it requested the payment of outstanding insurance premium of EUR 612,726.87 plus cost and interest on late payment which as at 31 December 2012 totalled EUR 1,242,288. The part of the claim referring to the Republic of Srpska was rejected, while the part referring to the Public Corporation was granted. However the Public Corporation has no assets from which the claim of Triglav osiguranje could be recovered.
- **Triglav osiguranje d.d., Sarajevo, versus SCT BBM d.o.o., Sarajevo**
In 2011, Triglav osiguranje d.d., Sarajevo applied for execution against SCT BBM d.o.o. for the payment of EUR 1,075,029.70. The court issued an execution order freezing all assets in the defendant's accounts and ordered the sale of property against which Triglav osiguranje d.d., Sarajevo, has a lien.
- **Labour disputes**
As at 31 December 2012, there were 10 labour disputes involving employees or former employees as plaintiffs. Total claims as at the same date amounted to approximately EUR 90,000. There is a great probability that recovered amount will be significantly lower than claimed, considering the expected success rate in litigation. In one of the cases, the plaintiff already received the backdated salary, when the Supreme Court ruled that the contract termination had been legal and that the paid amount of EUR 90,000 shall be recovered.

8.7 Reviews by supervisory bodies

8.7.1 Insurance Supervision Agency (ISA)

- **Risk management review with focus on unit-linked life insurance**
In the period from 1 July 2008 to 27 October 2008, the Insurance Supervision Agency (hereinafter ISA) performed a review of Zavarovalnica Triglav's operations. The purpose of the review was to examine whether the Company abides by the risk management requirements and other provisions laid down in the Insurance Act and the pertaining secondary legislation, as well as other legislation regulating the insurance industry, with special emphasis on unit-linked life insurance. Having carried out the review, the ISA issued a report on its findings which Zavarovalnica Triglav received on 19 December 2008. Zavarovalnica Triglav submitted its comments to the report on 9 January 2009.

On 29 April 2009 the ISA notified Zavarovalnica Triglav of its intention to issue a decision the termination of infringements, to which Zavarovalnica Triglav responded on 20 May 2009 with a statement declaring that no infringements existed, that all previous infringements had been terminated and suggested to the ISA not to issue the decision. On 31 July 2009, Zavarovalnica Triglav submitted to the ISA a compliance report, based on its afore mentioned statement and referring to the intention of the ISA to issue a decision. On 6 March 2012 the ISA sent Zavarovalnica Triglav a request for a review of its business operations which would allow the ISA to verify the facts and evidence in the matter. On 31 December 2012, Zavarovalnica Triglav received a report from the ISA regarding the abovementioned matter to which it had no objections.

- Operations review of the subsidiary Vardar osiguranje a.d., Skopje, related to an insurance agent
Upon request, on 6 March 2012, ISA reviewed the operations of Zavarovalnica Triglav for an intermittent period from 16 March 2012 to 24 December 2012, regarding the operations of the Vardar osiguranje a.d., Skopje subsidiary and the conduct of an insurance agent. On 31 December 2012, Zavarovalnica Triglav received the report of the ISA regarding the abovementioned matter, to which Zavarovalnica Triglav had no objections.
- Operations review regarding the sale of life and non-life insurance through agent network in 2012 (internal and external)
Upon request, on 27 December 2012, ISA started the operations review regarding the sale of life and non-life insurance through the insurance agent network in 2012 (internal and external), concentrating on Zavarovalnica Triglav's assurance of compliance with the Chapter 13 of the Insurance Act – Insurance agents and brokers. As at 29 March 2013 the review was not completed.
- Audits by local regulators in subsidiaries
On 19 April 2012, the National Bank of Serbia as the supervisory authority of Triglav Osiguranje a.d., Belgrade, issued a decision on the termination of identified infringements. Subsequently, the National Bank of Serbia reviewed the business operations of the company, in the period from 23 April 2012 and 20 July 2012. On the basis of the comments submitted by Triglav Osiguranje to the subsequent review report, another review was conducted between 20 August and 5 September 2012.
The inspection covered expenses, the ratio between the costs of insurance contract acquisition and overheads and claim settlement in relation to motor liability insurance.
On the basis of the decision issued by the National Bank of Serbia on 20 December 2012 the company is undertaking activities to eliminate all identified infringements.

8.7.2 Securities Market Agency

- Legal proceedings against the Securities Market Agency – Abanka Vipra
On 13 January 2011 the Securities Market Agency (hereinafter: the SMA) issued a decision prohibiting Zavarovalnica Triglav, Slovenska odškodninska družba, Mobitel and Hit from exercising their voting rights in the offeree company Abanka Vipra (hereinafter: Abanka) and prohibiting Abanka from exercising its voting rights until such time as those companies and Luka Koper either make a take-over bid for Abanka's shares or dispose of them, so that neither one individual company nor several nor all companies as a whole exceed the takeover

threshold. In its decision the SMA found that after the Takeover Act entered into force on 11 June 2006, the persons acting in concert (Zavarovalnica Triglav, Slovenska odškodninska družba, Hit, Mobitel and Luka Koper) at Abanka increased their share of voting rights on 22 March 2010, when Luka Koper acquired 28 shares of Abanka. According to Article 75 of the Takeover Act, these companies were therefore required to make a takeover bid. The companies accused of acting in concert oppose the decision of the Securities Market Agency. The abovementioned companies brought legal proceedings against the Securities Market Agency in order to challenge the Securities Market Agency's decision, and to issue an interim injunction. In May 2012, the Supreme Court rejected the appeal by the abovementioned companies and dismissed Zavarovalnica Triglav's request to suspend the execution of the contested decision, and to issue the interim injunction.

- Orders issued by the Securities Market Agency
On similar grounds as in the case of the investment in Abanka Vipra described above, the SMA also initiated procedures to suspend voting rights in several other cases of offeree companies in which Zavarovalnica Triglav is a minor shareholder, such as Krka, Petrol, Sava Re, Aerodrom Ljubljana and Telekom. In the case of the investment in Petrol, the SMA issued a decision on 22 March 2011 prohibiting Zavarovalnica Triglav and other persons it considered to be acting in concert from exercising their voting rights arising from shares of Petrol. Zavarovalnica Triglav objected to the SMA's decision and has initiated legal proceedings before the Supreme Court of the Republic of Slovenia challenging the SMA's decision. Zavarovalnica Triglav was successful in its challenge and the SMA's decision was annulled.

In the Krka d.d. case, the Securities Market Agency also issued a decision on the suspension of voting rights in April 2012. However, on 26 May 2012, ZPre-1D was adopted, which increased the takeover threshold to one third (1/3), thus returning the right to execute voting rights to the companies accused of acting in concert.

In the Sava Re d.d. case, the Securities Market Agency also issued a decision on the prohibition of execution of voting rights in May 2012, which was contested before the Supreme Court and dismissed by the court.

In the Aerodrom Ljubljana d.d. case, the Securities Market Agency also issued a decision on the prohibition of execution of voting rights in December 2012, which was not contested by Zavarovalnica Triglav.

In the procedures concerning Telekom d.d., the Securities Market Agency has not yet issued any decisions on the suspension of voting rights.

8.7.3 Tax matters

Triglav Osiguranje d.d., Sarajevo, was served a decision by the Sarajevo court revoking the decision of the Ministry of Finance on additional tax liabilities based on an inspection audit in relation to income tax. The court ruled that Triglav Osiguranje d.d., Sarajevo, was entitled to a reimbursement of paid income tax in the amount of KM 3,040,754 (EUR 1,554,713) and late payment interest in the amount of KM 528,428 (EUR 270,181).

8.8 Subsequent events

No events occurring after the reporting date were material to the financial statements for 2012.

Events after the reporting date material to the operations in 2013 are the following:

- In February 2013, the Standard & Poor's credit rating agency lowered the long-term rating of the Triglav Group, which applies to both Zavarovalnica Triglav and Pozavarovalnica Triglav Re, by one notch from »A-« to »BBB+«. This downgrade was caused by the lowering of the long-term sovereign credit on the Republic of Slovenia. At the same time, S&P changed the outlook of the standalone Triglav Group rating to positive.
- The 37th General Meeting of the Shareholders of Zavarovalnica Triglav was held on 14 February 2013, during which Shareholders took note of:
 - the expiration of terms of office as at 7 April 2013 of the following Supervisory Board members/shareholder representatives: Igor Mihajlovič, Aljoša Valentinčič, Vladimir Uršič, Adolf Zupan, Gregor Kastelic and Jovan Lukovac;
 - the appointment of new Supervisory Board members/shareholder representatives with four-year terms of office commencing on 8 April 2013: Jovan Lukovac, Aleš Živkovič, Rok Strašek, Mihael Perman, Žiga Andoljšek and Blaž Šlemic.
 - the activities regarding the participation of Zavarovalnica Triglav d.d. in the share capital increase of Triglav INT d.d. and the entry of a strategic partner in the latter and, in particular, the supervision and investment decision making in the subsidiaries of Triglav INT d.d., as well as the current state of affairs regarding the entry of the strategic partner in the shareholder structure of Triglav INT d.d. For detailed information on the above see the Report to the General Meeting of Shareholders of Zavarovalnica Triglav, d.d. available at the Company's website:
http://www.triglav.eu/en/investors/announcements_and_reports/general_meetings/
- On 28 February 2013, Zavarovalnica Triglav was served an action for voidness by the shareholder Association of Small Shareholders of Slovenia, Dalmatinova Street 10, 1000 Ljubljana (hereinafter: MDS Association) with reference to certain resolutions passed at the 37th General Meeting of Shareholders of Zavarovalnica Triglav on 14 February 2013. In the action for voidness, the MDS Association requires from the Court to declare the following resolutions null and void: Resolution No. 1, No. 3.1, No. 3.2, No. 3.3, No. 3.5 and No. 3.6. As two main reasons to declare certain resolutions by the General Meeting of Shareholders void and null, the MDS Association states the failure to prohibit the exercising of voting rights to persons who (in Zavarovalnica Triglav) allegedly acted in concert in accordance with the provisions of the Takeover Act, and the lack of power of Slovenska odškodninska družba d.d. to act as a proxy for the shareholder Zavod za pokojninsko in invalidsko zavarovanje Slovenije at the General Meeting of Shareholders of Zavarovalnica Triglav.
- On 5 March 2013, Zavarovalnica Triglav was served a Securities Market Agency's 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, Kolodvorska 15, Ljubljana; Hit, hoteli, igralnice, turizem d.d., Delpinova ulica 7a, Nova Gorica; Elektro-Slovenija d.o.o., Hajdrihova ulica 2, Ljubljana; Luka Koper, pristaniški in logistični sistem d.d., Vojkovo nabrežje 38, Koper; D.S.U., družba za svetovanje in upravljanje d.o.o., Dunajska cesta 160, Ljubljana; NOVA KBM d.d., Ulica Vita Kraigherja 4, Maribor and Telekom Slovenije d.d., Cigaletova ulica 15, Ljubljana; 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 no longer reach the takeover threshold.

Appendix

1. Consolidated Balance Sheet as at 31 December 2012

1.1 Consolidated balance sheet for Non-life and Life insurance as at 31 December 2012

		in EUR	
	31 December 2012	31 December 2011	Index
ASSETS (from A. to G.)	3,123,808,393	2,962,000,104	105
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	66,878,286	63,333,465	106
1. Intangible assets	28,431,680	24,798,439	115
2. Goodwill	1,817,862	1,148,243	158
3. Deferred acquisition costs	36,450,944	37,369,009	98
4. Other long-term deferred items	177,800	17,774	
B. LAND, BUILDINGS AND FINANCIAL ASSETS	2,329,942,771	2,233,809,016	104
I. LAND AND BUILDINGS	204,986,139	207,981,925	99
a.) Directly used in insurance activities	104,799,276	111,197,035	94
1. Land directly used in insurance activities	15,220,005	11,557,411	132
2. Buildings directly used in insurance activities	88,597,965	97,914,484	90
3. Other land and buildings directly used in insurance activities	981,306	1,725,140	57
b.) Investment property	100,186,863	96,784,890	104
1. Land	44,080,928	42,214,161	104
2. Buildings	56,105,935	54,570,729	103
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	14,384,184	20,504,562	70
1. Shares in subsidiaries	0	0	
2. Debt securities and loans to subsidiaries	0	0	
3. Shares in associated companies	14,384,184	20,504,562	70
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	2,022,810,858	1,957,624,828	103
1. Long-term financial investments	1,867,730,882	1,806,376,898	103
1.1 Shares and other floating rate securities and fund coupons	129,918,275	170,824,413	76
1.2 Debt and other fixed return securities	1,575,031,596	1,359,408,951	116
1.3 Investment fund shares	1,669,433	1,677,527	100
1.4 Mortgage loans	6,057,327	6,686,867	91
1.5 Other loans	49,940,212	56,643,373	88
1.6 Deposits with banks	75,331,942	180,931,505	42
1.7 Other financial investments	29,782,097	30,204,262	99
2. Short-term financial investments	155,079,976	151,247,930	103
2.1 Shares available for sale	5,217,201	7,192,605	73
2.2 Securities available for sale and with maturity up to one year	54,219,934	4,154,358	
2.3 Short-term loans	5,203,047	5,946,763	87
2.4 Short-term bank deposits	77,639,032	121,412,619	64
2.5 Other short-term financial investments	12,800,762	12,541,585	102
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	4,185,878	3,714,618	113
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	83,575,712	43,983,083	190
1. From unearned premium	16,385,524	14,630,519	112
- in reinsurance	16,371,344	14,600,653	112
- in co-insurance	14,180	29,866	47
2. From mathematical provision	0	10,125	

Consolidated balance sheet for Non-life and Life insurance as at 31 December 2012 - continued

		in EUR		
		31 December 2012	31 December 2011	Index
3.	From outstanding claims	67,190,188	29,336,584	229
	- in reinsurance	67,127,460	29,136,440	230
	- in co-insurance	62,728	200,144	31
4.	From bonuses and discounts	0	0	
5.	From other technical provisions	0	5,855	
6.	From technical provisions for life insurance policy holders who bear investment risk	0	0	
C.	UNIT-LINKED INSURANCE CONTRACT INVESTMENTS	418,881,916	364,684,374	115
D.	RECEIVABLES	229,284,769	245,710,514	93
I.	RECEIVABLES FROM DIRECT INSURANCE	104,671,452	118,559,324	88
1.	Receivables from insurers	98,630,621	112,163,875	88
2.	Receivables from insurance brokers	2,280,549	1,609,799	142
3.	Other receivables from direct insurance operations	3,756,195	4,784,215	79
4.	Receivables from direct insurance operations - associates and subsidiaries	4,087	1,435	285
II.	RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	42,942,784	40,739,474	105
1.	Premium receivable from co-insurance	1,031,063	594,195	174
2.	Premium receivable from reinsurance	30,559,008	28,910,290	106
3.	Receivables from co-insurers' share in claims	653,821	87,739	745
4.	Receivables from reinsurers' share in claims	8,013,099	8,209,748	98
5.	Other receivables from co-insurance and reinsurance	2,685,793	2,937,502	91
6.	Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III.	OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	81,670,533	86,411,716	95
1.	Receivables for advanced payments for intangible assets	0	0	
2.	Other short-term receivables from insurance operations	12,216,322	15,409,067	79
3.	Short term receivables from financing	1,691,442	6,133,465	28
4.	Other short-term receivables	19,644,367	22,353,470	88
5.	Long-term receivables	3,525,562	1,328,867	265
6.	Current tax receivables	9,331,709	459,509	
7.	Deferred tax assets	34,434,717	40,661,243	85
8.	Other short-term receivables - associates and subsidiaries	826,414	66,095	
IV.	CALLED UP SHARE CAPITAL UNPAID	0	0	
E.	OTHER ASSETS	70,602,673	45,553,791	155
I.	TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	25,551,206	17,611,647	145
1.	Equipment and small tools	24,693,744	16,553,136	149
2.	Other tangible fixed assets	857,462	1,058,511	81
II.	CASH AT BANK AND IN HAND	17,251,420	22,771,667	76
III.	INVENTORIES AND OTHER ASSETS	27,800,047	5,170,477	538
1.	Inventories	27,159,826	4,199,703	647
2.	Other assets	640,221	970,774	66
F.	SHORT-TERM DEFERRED ASSETS	5,880,361	7,426,729	79
1.	Accrued interest and rent	24,645	42,499	58
2.	Deferred short-term expenses of insurance contract acquisition	3,083,455	4,233,083	73
3.	Other short-term deferred items	2,772,261	3,151,147	88
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	2,337,617	1,482,215	158
H.	OFF BALANCE SHEET ASSETS	167,454,744	113,932,790	147

		in EUR		
		31 December 2012	31 December 2011	Index
EQUITY AND LIABILITIES (from A. to I.)		3,123,808,393	2,962,000,104	105
A.	EQUITY	574,563,757	489,469,838	117
I.	SUBSCRIBED (CALLED UP) CAPITAL	73,701,392	73,701,402	100
1.	Share capital	73,701,392	73,701,402	100
2.	Unsubscribed capital (as deduction)	0	0	
II.	CAPITAL RESERVES	56,710,713	53,204,076	107
III.	RESERVES FROM PROFIT	253,233,080	230,826,820	110
1.	Security reserves	529,798	529,798	100
2.	Legal and statutory reserves	19,517,386	19,430,982	100
3.	Reserves for own shares	364,681	364,680	100
4.	Own shares (as deduction)	-364,680	-364,680	100
5.	Equalisation provision for credit insurance	32,185,894	34,866,040	92

Consolidated balance sheet for Non-life and Life insurance as at 31 December 2012 - continued

	in EUR		
	31 December 2012	31 December 2011	Index
6. Catastrophe reserves	0	0	
7. Other reserves from profit	201,000,001	176,000,000	114
IV. FAIR VALUE RESERVE	51,819,054	2,786,975	
1. Fair value reserve for tangible fixed assets	2,188	2,189	100
2. Fair value reserve for long-term investments	51,195,800	3,404,896	
3. Fair value reserve for short-term investments	673,256	-609,176	
4. Other fair value reserve	-52,190	-10,934	477
V. NET PROFIT / LOSS CARRIED FORWARD	86,769,095	61,135,220	142
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	48,809,667	46,175,732	106
VII. NON-CONTROLLING INTEREST	6,699,937	24,204,905	28
VIII. CURRENCY TRANSLATION DIFFERENCES	-3,179,181	-2,565,292	124
B. SUBORDINATED LIABILITIES	37,025,550	40,932,090	90
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	1,887,920,781	1,869,646,881	101
1. Gross provisions for unearned premiums	268,424,573	291,740,398	92
2. Gross mathematical provisions	869,949,936	845,464,934	103
3. Gross claim provisions	723,176,114	705,464,250	103
4. Gross provisions for bonuses and discounts	17,153,835	16,599,643	103
5. Other gross technical provisions	9,216,323	10,377,656	89
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	417,338,984	364,495,891	114
E. PROVISIONS FOR OTHER RISKS AND CHARGES	30,195,225	29,532,387	102
1. Provisions for pensions	10,573,673	10,392,165	102
2. Other provisions	19,621,552	19,140,222	103
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	168,370,968	161,130,969	104
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	20,811,717	20,928,061	99
1. Liabilities to policy holders	12,851,059	13,988,154	92
2. Liabilities to agents and brokers	1,870,713	1,729,573	108
3. Other liabilities from direct insurance operations	6,053,381	5,187,283	117
4. Liabilities from direct insurance operations-associates and subsidiaries	36,564	23,051	159
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	36,744,115	36,106,029	102
1. Liabilities for co-insurance premiums	1,144,984	351,997	325
2. Liabilities for reinsurance premiums	15,061,005	16,753,300	90
3. Liabilities for co-insurers' share in claims	452,881	230,150	197
4. Liabilities for reinsurers' share in claims	10,070,231	9,049,314	111
5. Other liabilities from co-insurance and re-insurance	10,015,014	9,717,435	103
6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	0	3,833	
III. LOANS SECURED BY FIXED RATE SECURITIES	0	1,843	
IV. LIABILITIES TO BANKS	29,080,514	10,989,987	265
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	81,734,622	93,105,049	88
a.) Other long term liabilities	28,139,985	16,560,493	170
1. Long term liabilities from finance leases	6,733,167	6,721,004	100
2. Other long term liabilities	54,820	225,902	24
3. Deferred tax liabilities	21,351,998	9,613,587	222
b.) Other short-term liabilities	53,594,637	76,544,556	70
1. Short-term liabilities to employees	14,412,755	14,681,752	98
2. Other short-term liabilities from insurance operations	10,382,563	15,419,553	67
3. Short-term liabilities from financing	3,566,885	21,778,287	16
4. Current income tax liabilities	594,275	826,652	72
5. Other short-term liabilities	24,638,159	23,838,312	103
H. ACCRUED EXPENSES AND DEFERRED INCOME	8,211,718	6,792,048	121
1. Accrued expenses	4,726,411	3,950,952	120
2. Other accruals and deferred income	3,485,307	2,841,096	123
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	181,410	0	
J. OFF BALANCE SHEET ASSETS	167,454,744	113,932,790	147

1.2 Consolidated balance sheet for Non-life insurance as at 31 December 2012

		in EUR		
		31 December 2012	31 December 2011	Index
ASSETS (from A. to G.)		1,688,668,271	1,612,275,243	105
A.	INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	64,357,610	61,221,153	105
1.	Intangible assets	25,911,004	22,686,127	114
2.	Goodwill	1,817,862	1,148,243	158
3.	Deferred acquisition costs	36,450,944	37,369,009	98
4.	Other long-term deferred items	177,800	17,774	
B.	LAND, BUILDINGS AND FINANCIAL ASSETS	1,327,060,472	1,269,490,942	105
I.	LAND AND BUILDINGS	192,799,631	195,021,549	99
a.)	Directly used in insurance activities	95,801,539	101,473,318	94
1.	Land directly used in insurance activities	14,581,948	10,917,192	134
2.	Buildings directly used in insurance activities	80,238,285	88,834,119	90
3.	Other land and buildings directly used in insurance activities	981,306	1,722,007	57
b.)	Investment property	96,998,092	93,548,231	104
1.	Land	43,752,859	41,886,092	104
2.	Buildings	53,245,233	51,662,139	103
II.	FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	7,098,935	13,088,391	54
1.	Shares in subsidiaries	0	0	
2.	Debt securities and loans to subsidiaries	0	0	
3.	Shares in associated companies	7,098,935	13,088,391	54
4.	Debt securities and loans to associated companies	0	0	
5.	Other financial investments in subsidiaries and associates	0	0	
III.	OTHER FINANCIAL INVESTMENTS	1,039,403,798	1,013,697,081	103
1.	Long-term financial investments	933,941,442	915,547,506	102
1.1	Shares and other floating rate securities and fund coupons	99,458,920	131,711,582	76
1.2	Debt and other fixed return securities	747,676,390	611,077,047	122
1.3	Investment fund shares	1,669,433	1,677,527	100
1.4	Mortgage loans	5,923,327	6,607,056	90
1.5	Other loans	18,721,804	25,393,963	74
1.6	Deposits with banks	33,979,840	109,595,842	31
1.7	Other financial investments	26,511,728	29,484,489	90
2.	Short-term financial investments	105,462,356	98,149,575	107
2.1	Shares available for sale	3,048,966	4,752,839	64
2.2	Securities available for sale and with maturity up to one year	37,435,369	1,364,338	
2.3	Short-term loans	5,196,108	5,946,763	87
2.4	Short-term bank deposits	47,815,254	74,244,896	64
2.5	Other short-term financial investments	11,966,659	11,840,739	101
IV.	FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	4,185,878	3,714,618	113
V.	ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI.	ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	83,572,230	43,969,303	190
1.	From unearned premium	16,382,042	14,626,864	112
-	in reinsurance	16,367,862	14,596,998	112
-	in co-insurance	14,180	29,866	47
2.	From mathematical provision	0	0	
3.	From outstanding claims	67,190,188	29,336,584	229
-	in reinsurance	67,127,460	29,136,440	230
-	in co-insurance	62,728	200,144	31
4.	From bonuses and discounts	0	0	
5.	From other technical provisions	0	5,855	
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	223,072,941	233,381,701	96
I.	RECEIVABLES FROM DIRECT INSURANCE	103,307,981	117,984,949	88

Consolidated balance sheet for Non-life insurance as at 31 December 2012- continued

	in EUR		
	31 December 2012	31 December 2011	Index
1. Receivables from insurers	98,101,980	111,760,939	88
2. Receivables from insurance brokers	2,280,338	1,609,568	142
3. Other receivables from direct insurance operations	2,921,576	4,613,007	63
4. Receivables from direct insurance operations - associates and subsidiaries	4,087	1,435	285
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	42,940,705	40,739,306	105
1. Premium receivable from co-insurance	1,031,063	594,195	174
2. Premium receivable from reinsurance	30,559,008	28,910,290	106
3. Receivables from co-insurers' share in claims	653,821	87,739	745
4. Receivables from reinsurers' share in claims	8,013,099	8,217,772	98
5. Other receivables from co-insurance and reinsurance	2,683,714	2,929,310	92
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	76,824,255	74,657,446	103
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	12,117,318	15,077,486	80
3. Short term receivables from financing	1,480,135	1,581,643	94
4. Other short-term receivables	18,445,319	20,694,878	89
5. Long-term receivables	3,525,562	1,328,867	265
6. Current tax receivables	9,331,555	459,336	
7. Deferred tax assets	31,914,285	35,504,998	90
8. Other short-term receivables - associates and subsidiaries	10,081	10,238	98
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	66,026,313	39,361,550	168
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	23,837,747	16,154,025	148
1. Equipment and small tools	23,011,974	15,119,508	152
2. Other tangible fixed assets	825,773	1,034,517	80
II. CASH AT BANK AND IN HAND	14,392,523	18,041,654	80
III. INVENTORIES AND OTHER ASSETS	27,796,043	5,165,871	538
1. Inventories	27,155,966	4,199,495	647
2. Other assets	640,077	966,376	66
F. SHORT-TERM DEFERRED ASSETS	5,813,318	7,337,682	79
1. Accrued interest and rent	24,645	42,499	58
2. Deferred short-term expenses of insurance contract acquisition	3,083,455	4,231,710	73
3. Other short-term deferred items	2,705,218	3,063,473	88
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	2,337,617	1,482,215	158
H. OFF BALANCE SHEET ASSETS	149,004,406	104,373,152	143

	in EUR		
	31 December 2012	31. 12. 2011	Index
EQUITY AND LIABILITIES (from A. to I.)	1,688,668,271	1,612,275,243	105
A. EQUITY	485,385,038	415,767,323	117
I. SUBSCRIBED (CALLED UP) CAPITAL	51,340,541	51,340,551	100
1. Share capital	51,340,541	51,340,551	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	43,642,806	40,136,169	109
III. RESERVES FROM PROFIT	221,144,944	198,738,684	111
1. Security reserves	376,299	376,299	100
2. Legal and statutory reserves	17,701,221	17,614,817	100
3. Reserves for own shares	364,681	364,680	100
4. Own shares (as deduction)	-364,680	-364,680	100
5. Equalisation provision for credit insurance	32,185,894	34,866,040	92
6. Catastrophe reserves	0	0	
7. Other reserves from profit	170,881,529	145,881,528	117
IV. FAIR VALUE RESERVE	46,645,576	11,735,592	397
1. Fair value reserve for tangible fixed assets	2,188	2,189	100

Consolidated balance sheet for Non-life insurance as at 31 December 2012 - continued

	in EUR		
	31 December 2012	31. 12. 2001	Index
2. Fair value reserve for long-term investments	45,907,282	11,939,585	384
3. Fair value reserve for short-term investments	788,296	-195,248	
4. Other fair value reserve	-52,190	-10,934	477
V. NET PROFIT / LOSS CARRIED FORWARD	75,550,031	51,421,795	147
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	43,412,531	40,561,626	107
VII. NON-CONTROLLING INTEREST	5,551,241	23,323,805	24
VIII. CURRENCY TRANSLATION DIFFERENCES	-1,902,632	-1,490,899	128
B. SUBORDINATED LIABILITIES	23,348,281	27,259,666	86
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	997,124,740	1,003,131,555	99
1. Gross provisions for unearned premiums	268,008,937	291,315,393	92
2. Gross mathematical provisions	0	0	
3. Gross claim provisions	702,745,645	684,838,863	103
4. Gross provisions for bonuses and discounts	17,153,835	16,599,643	103
5. Other gross technical provisions	9,216,323	10,377,656	89
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	28,630,416	27,709,339	103
1. Provisions for pensions	9,136,500	8,903,695	103
2. Other provisions	19,493,916	18,805,644	104
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	146,232,651	132,058,731	111
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	13,733,416	12,974,225	106
1. Liabilities to policy holders	6,825,176	6,875,575	99
2. Liabilities to agents and brokers	1,788,645	1,643,585	109
3. Other liabilities from direct insurance operations	5,092,922	4,449,815	114
4. Liabilities from direct insurance operations-associates and subsidiaries	26,673	5,250	508
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	36,722,459	36,093,786	102
1. Liabilities for co-insurance premiums	1,144,984	351,997	325
2. Liabilities for reinsurance premiums	15,039,378	16,741,057	90
3. Liabilities for co-insurers' share in claims	452,881	230,150	197
4. Liabilities for reinsurers' share in claims	10,070,231	9,049,314	111
5. Other liabilities from co-insurance and re-insurance	10,014,985	9,717,435	103
6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	0	3,833	
III. LOANS SECURED BY FIXED RATE SECURITIES	0	1,843	
IV. LIABILITIES TO BANKS	29,080,514	10,989,987	265
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	66,696,262	71,998,890	93
a.) Other long term liabilities	25,278,319	16,866,071	150
1. Long term liabilities from finance leases	6,733,167	6,721,004	100
2. Other long term liabilities	54,820	224,152	24
3. Deferred tax liabilities	18,490,332	9,920,915	186
b.) Other short-term liabilities	41,417,943	55,132,819	75
1. Short-term liabilities to employees	14,406,910	14,665,581	98
2. Other short-term liabilities from insurance operations	2,214,778	5,448,518	41
3. Short-term liabilities from financing	2,674,287	16,279,968	16
4. Current income tax liabilities	538,671	802,715	67
5. Other short-term liabilities	21,583,297	17,936,037	120
H. ACCRUED EXPENSES AND DEFERRED INCOME	7,770,717	6,348,629	122
1. Accrued expenses	4,293,854	3,516,453	122
2. Other accruals and deferred income	3,476,863	2,832,176	123
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	176,428	0	
J. OFF BALANCE SHEET ASSETS	149,004,406	104,373,152	143

1.3 Consolidated balance sheet for Life insurance as at 31 December 2012

		in EUR		
		31 December 2012	31 December 2011	Index
ASSETS (from A. to G.)		1,435,140,122	1,349,724,861	106
A.	INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	2,520,676	2,112,312	119
1.	Intangible assets	2,520,676	2,112,312	119
2.	Goodwill	0	0	
3.	Deferred acquisition costs	0	0	
4.	Other long-term deferred items	0	0	
B.	LAND, BUILDINGS AND FINANCIAL ASSETS	1,002,882,299	964,318,074	104
I.	LAND AND BUILDINGS	12,186,508	12,960,376	94
a.)	Directly used in insurance activities	8,997,737	9,723,717	93
1.	Land directly used in insurance activities	638,057	640,219	100
2.	Buildings directly used in insurance activities	8,359,680	9,080,365	92
3.	Other land and buildings directly used in insurance activities	0	3,133	
b.)	Investment property	3,188,771	3,236,659	99
1.	Land	328,069	328,069	100
2.	Buildings	2,860,702	2,908,590	98
II.	FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	7,285,249	7,416,171	98
1.	Shares in subsidiaries	0	0	
2.	Debt securities and loans to subsidiaries	0	0	
3.	Shares in associated companies	7,285,249	7,416,171	98
4.	Debt securities and loans to associated companies	0	0	
5.	Other financial investments in subsidiaries and associates	0	0	
III.	OTHER FINANCIAL INVESTMENTS	983,407,060	943,927,747	104
1.	Long-term financial investments	933,789,440	890,829,392	105
1.1	Shares and other floating rate securities and fund coupons	30,459,355	39,112,831	78
1.2	Debt and other fixed return securities	827,355,206	748,331,904	111
1.3	Investment fund shares	0	0	
1.4	Mortgage loans	134,000	79,811	168
1.5	Other loans	31,218,408	31,249,410	100
1.6	Deposits with banks	41,352,102	71,335,663	58
1.7	Other financial investments	3,270,369	719,773	454
2.	Short-term financial investments	49,617,620	53,098,355	93
2.1	Shares available for sale	2,168,235	2,439,766	89
2.2	Securities available for sale and with maturity up to one year	16,784,565	2,790,020	602
2.3	Short-term loans	6,939	0	
2.4	Short-term bank deposits	29,823,778	47,167,723	63
2.5	Other short-term financial investments	834,103	700,846	119
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	3,482	13,780	25
1.	From unearned premium	3,482	3,655	95
-	- in reinsurance	3,482	3,655	95
-	- in co-insurance	0	0	
2.	From mathematical provision	0	10,125	
3.	From outstanding claims	0	0	
-	- in reinsurance	0	0	
-	- 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	418,881,916	364,684,374	115

Consolidated balance sheet for Life insurance as at 31 December 2012 - continued

		in EUR		
		31 December 2012	31 December 2011	Index
D.	RECEIVABLES	6,211,828	12,328,813	50
I.	RECEIVABLES FROM DIRECT INSURANCE	1,363,471	574,375	237
1.	Receivables from insurers	528,641	402,936	131
2.	Receivables from insurance brokers	211	231	91
3.	Other receivables from direct insurance operations	834,619	171,208	487
4.	Receivables from direct insurance operations - associates and subsidiaries	0	0	
II.	RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	2,079	168	
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	-8,024	
5.	Other receivables from co-insurance and reinsurance	2,079	8,192	25
6.	Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III.	OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	4,846,278	11,754,270	41
1.	Receivables for advanced payments for intangible assets	0	0	
2.	Other short-term receivables from insurance operations	99,004	331,581	30
3.	Short term receivables from financing	211,307	4,551,822	5
4.	Other short-term receivables	1,199,048	1,658,592	72
5.	Long-term receivables	0	0	
6.	Current tax receivables	154	173	89
7.	Deferred tax assets	2,520,432	5,156,245	49
8.	Other short-term receivables - associates and subsidiaries	816,333	55,857	
IV.	CALLED UP SHARE CAPITAL UNPAID	0	0	
E.	OTHER ASSETS	4,576,360	6,192,241	74
I.	TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	1,713,459	1,457,622	118
1.	Equipment and small tools	1,681,770	1,433,628	117
2.	Other tangible fixed assets	31,689	23,994	132
II.	CASH AT BANK AND IN HAND	2,858,897	4,730,013	60
III.	INVENTORIES AND OTHER ASSETS	4,004	4,606	87
1.	Inventories	3,860	208	
2.	Other assets	144	4,398	3
F.	SHORT-TERM DEFERRED ASSETS	67,043	89,047	75
1.	Accrued interest and rent	0	0	
2.	Deferred short-term expenses of insurance contract acquisition	0	1,373	
3.	Other short-term deferred items	67,043	87,674	76
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H.	OFF BALANCE SHEET ASSETS	18,450,338	9,559,638	193

		in EUR		
		31 December 2012	31 December 2011	Index
EQUITY AND LIABILITIES (from A. to I.)		1,435,140,122	1,349,724,861	106
A.	EQUITY	89,178,719	73,702,515	121
I.	SUBSCRIBED (CALLED UP) CAPITAL	22,360,851	22,360,851	100
1.	Share capital	22,360,851	22,360,851	100
2.	Unsubscribed capital (as deduction)	0	0	
II.	CAPITAL RESERVES	13,067,907	13,067,907	100
III.	RESERVES FROM PROFIT	32,088,136	32,088,136	100
1.	Security reserves	153,499	153,499	100
2.	Legal and statutory reserves	1,816,165	1,816,165	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	30,118,472	30,118,472	100

Consolidated balance sheet for Life insurance as at 31 December 2012 - continued

	in EUR		
	31 December 2012	31 December 2011	Index
IV. FAIR VALUE RESERVE	5,173,478	-8,948,617	
1. Fair value reserve for tangible fixed assets	0	0	
2. Fair value reserve for long-term investments	5,288,518	-8,534,689	
3. Fair value reserve for short-term investments	-115,040	-413,928	28
4. Other fair value reserve	0	0	
V. NET PROFIT / LOSS CARRIED FORWARD	11,219,064	9,713,425	116
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	5,397,136	5,614,106	96
VII. NON-CONTROLLING INTEREST	1,148,696	881,100	130
VIII. CURRENCY TRANSLATION DIFFERENCES	-1,276,549	-1,074,393	119
B. SUBORDINATED LIABILITIES	13,677,269	13,672,424	100
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	890,796,041	866,515,326	103
1. Gross provisions for unearned premiums	415,636	425,005	98
2. Gross mathematical provisions	869,949,936	845,464,934	103
3. Gross claim provisions	20,430,469	20,625,387	99
4. Gross provisions for bonuses and discounts	0	0	
5. Other gross technical provisions	0	0	
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	417,338,984	364,495,891	114
E. PROVISIONS FOR OTHER RISKS AND CHARGES	1,564,809	1,823,048	86
1. Provisions for pensions	1,437,173	1,488,470	97
2. Other provisions	127,636	334,578	38
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	22,138,317	29,072,238	76
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	7,078,301	7,953,836	89
1. Liabilities to policy holders	6,025,883	7,112,579	85
2. Liabilities to agents and brokers	82,068	85,988	95
3. Other liabilities from direct insurance operations	960,459	737,468	130
4. Liabilities from direct insurance operations-associates and subsidiaries	9,891	17,801	56
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	21,656	12,243	177
1. Liabilities for co-insurance premiums	0	0	
2. Liabilities for reinsurance premiums	21,627	12,243	177
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	29	0	
6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	0	0	
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	15,038,360	21,106,159	71
a.) Other long term liabilities	2,861,666	-305,578	
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	0	1,750	
3. Deferred tax liabilities	2,861,666	-307,328	
b.) Other short-term liabilities	12,176,694	21,411,737	57
1. Short-term liabilities to employees	5,845	16,171	36
2. Other short-term liabilities from insurance operations	8,167,785	9,971,035	82
3. Short-term liabilities from financing	892,598	5,498,319	16
4. Current income tax liabilities	55,604	23,937	232
5. Other short-term liabilities	3,054,862	5,902,275	52
H. ACCRUED EXPENSES AND DEFERRED INCOME	441,001	443,419	99
1. Accrued expenses	432,557	434,499	100
2. Other accruals and deferred income	8,444	8,920	95
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	4,982	0	
J. OFF BALANCE SHEET ASSETS	18,450,338	9,559,638	193

2. Consolidated Statement of Comprehensive Income for the Year Ended at 31 December 2012

	2012	2011	Index
in EUR			
A. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE EXCEPT HEALTH INSURANCE BUSINESS			
I. Net premium earned	587,891,014	622,224,753	94
1. Gross written premium	637,587,818	693,333,593	92
2. Assumed co-insurance written premium (+)	2,344,103	1,851,270	127
3. Ceded co-insurance written premium (-)	-925,411	-896,740	103
4. Outward reinsurance premium (-)	-74,035,762	-79,176,929	94
5. Change in gross provision for unearned premiums (+/-)	21,041,965	3,964,286	531
6. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	1,878,301	3,149,273	60
II. ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (ITEM D. VIII.)	28,426,839	8,240,825	345
III. OTHER NET INCOME FROM INSURANCE OPERATIONS	6,152,328	8,636,703	71
IV. NET CLAIMS INCURRED	336,266,693	366,936,881	92
1. Gross claims settled	401,383,777	413,518,015	97
2. Income from gross subrogated receivables (-)	-21,511,562	-22,604,920	95
3. Co-insurers' share (+/-)	1,070,009	749,462	143
4. Reinsurers' share (-)	-23,585,994	-23,200,038	102
5. Changes in gross provisions for claims outstanding (+/-)	17,005,774	-4,377,568	
6. Changes in provisions for claims outstanding, reinsurers' and co-insurers' share (+/-)	-38,095,311	2,851,930	
V. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	-2,484,155	-8,608,879	29
VI. NET EXPENSES FOR BONUSES AND DISCOUNTS	8,645,999	6,457,203	134
VII. NET OPERATING EXPENSES	158,252,187	160,566,346	99
1. Acquisition costs	107,309,258	109,739,851	98
2. Change in deferred acquisition costs (+/-)	379,542	240,013	158
3. Other operating expenses	50,820,003	53,036,720	96
3.1 Depreciation of assets used in insurance business	3,869,570	3,736,181	104
3.2 Labour costs	25,825,565	26,800,623	96
- wages and salaries	18,944,512	19,113,294	99
- social security and pension insurance costs	5,012,430	4,738,707	106
- other labour costs	1,868,623	2,948,622	63
3.3 Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	540,675	543,931	99
3.4 Other operating expenses	20,584,193	21,955,985	94
4. Income from reinsurance commissions and shares in the technical profit from reinsurance contracts (-)	-256,616	-2,450,238	10
VIII. OTHER NET INSURANCE EXPENSES	27,297,194	39,675,068	69
1. Expenses of preventive activity	6,848,396	6,920,000	99
2. Contributions for covering losses on uninsured and unknown vehicles	1,902,599	2,681,782	71
3. Other net insurance expenses	18,546,199	30,073,286	62
IX. RESULT OF THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS, EXCEPT HEALTH INSURANCE BUSINESS (I. + II. + III. - IV. +/- V. - VI. - VII. - VIII.)	94,492,263	74,075,662	128
B. TECHNICAL ACCOUNT FOR LIFE INSURANCE BUSINESS			
I. Net premium earned	204,865,726	213,951,694	96
1. Gross written premium	204,876,520	214,024,239	96
2. Assumed co-insurance written premium (+)	0	0	
3. Ceded co-insurance written premium (-)	0	0	
4. Outward reinsurance premium (-)	-22,072	-14,195	155

Consolidated Statement of Comprehensive Income for the Year Ended at 31 December 2012 - continued

	2012	2011	Index
5. Change in gross provision for unearned premiums (+/-)	11,448	-61,623	
6. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	-170	3,273	
II. Income from investments	69,517,265	53,536,151	130
1. Income from dividends	755,859	1,146,586	66
1.1 Group companies	0	0	
1.2 Associates	0	0	
1.3 Others	755,859	1,146,586	66
2. Income from other investments	55,190,747	47,249,915	117
2.1 Income from land and buildings	65,874	67,959	97
- in Group companies	0	0	
- in associates	0	0	
- in others	65,874	67,959	97
2.2 Interest income	40,641,792	41,642,903	98
- in Group companies	0	0	
- in associates	0	0	
- in others	40,641,792	41,642,903	98
2.3 Other investment income	14,483,081	5,539,053	261
2.3.1 Financial income from revaluation	13,430,207	4,525,745	297
- in Group companies	0	0	
- in associates	0	0	
- in others	13,430,207	4,525,745	297
2.3.2 Other financial income	1,052,874	1,013,308	104
- in Group companies	0	0	
- in associates	1,032,252	904,067	114
- in others	20,622	109,241	19
3. Income from asset value adjustments	80,303	69,015	116
4. Profit on disposal of investments	13,490,356	5,070,635	266
III. NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	29,822,704	25,750,906	116
IV. OTHER NET INCOME FROM INSURANCE OPERATIONS	14,260,309	15,339,809	93
V. NET CLAIMS INCURRED	163,030,391	139,655,048	117
1. Gross claims settled	163,220,596	140,482,689	116
2. Income from gross subrogated receivables (-)	0	0	
3. Reinsurers' share (-)	0	0	
4. Changes in gross provisions for claims outstanding (+/-)	-190,205	-827,641	23
5. Changes in provisions for claims outstanding, reinsurers' share (+/-)	0	0	
VI. Change in other net technical provisions (+/-)	53,807,856	-5,926,651	
1. Change of mathematical provisions	53,797,731	-5,916,526	
1.1 Change in gross mathematical provision (+/-)	53,797,731	-5,916,526	
1.2 Change of reinsurers' share (+/-)	0	0	
2. Change of other net technical provisions (+/-)	10,125	-10,125	
2.1 Change of other gross technical provisions (+/-)	0	0	
2.2 Change of reinsurers' share (+/-)	10,125	-10,125	
VII. NET EXPENSES FOR BONUSES AND DISCOUNTS	1,772	1,792	99
VIII. NET OPERATING EXPENSES	33,078,933	33,695,878	98
1. Acquisition costs	19,066,816	19,736,401	97
2. Change of deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	14,012,250	13,960,147	100
3.1 Depreciation of assets used in insurance business	730,202	598,001	122
3.2 Labour costs	6,907,634	7,036,187	98
- wages and salaries	5,303,579	5,081,842	104
- social security and pension insurance costs	1,117,974	1,012,639	110
- other labour costs	486,081	941,706	52
3.3 Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	120,743	99,893	121
3.4 Other operating expenses	6,253,671	6,226,066	100

Consolidated Statement of Comprehensive Income for the Year Ended at 31 December 2012 - continued

	2012	2011	Index
4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-133	-670	20
IX. EXPENSES FROM INVESTMENTS	43,308,176	42,068,337	103
1. Depreciation and amortization of assets not used in operations	69,489	66,923	104
2. Expenses arising from asset management, interest expenses and other financial expenses	2,443,461	6,024,179	41
3. Revaluation financial expenses	23,067,271	22,457,306	103
4. Loss on disposal of investments	17,727,955	13,519,929	131
X. NET UNREALISED LOSSES ON INVESTMENTS FOR INSURANCE OF WHICH THE POLICYHOLDERS BEAR THE INVESTMENT RISK (UNIT-LINKED INSURANCE CONTRACTS)	675,813	75,799,029	1
XI. OTHER NET INSURANCE EXPENSES	14,982,024	15,920,559	94
1. Expenses of preventive activity	467,660	331,972	141
2. Other net insurance expenses	14,514,364	15,588,587	93
XII. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (-) (ITEM D. V.)	-7,193,795	-1,266,295	568
XIII. RESULT OF THE TECHNICAL ACCOUNT FOR LIFE INSURANCE BUSINESS (I. + II. + III. + IV. - V. +/- VI. - VII. - VIII. - IX. - X. - XI. - XII. - XIII.)	16,774,834	8,630,863	194
C. RESULT OF THE TECHNICAL ACCOUNT FOR HEALTH INSURANCE BUSINESS			
I. NET PREMIUM EARNED	91,611,132	80,102,449	114
1. Gross written premium	91,454,582	80,189,702	114
2. Outward reinsurance premium (-)	0	0	
3. Change in gross provision for unearned premiums (+/-)	156,550	-87,253	
4. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	0	0	
II. INCOME FROM INVESTMENT	647,941	538,870	120
1. Income from dividends	0	0	
1.1 Group companies	0	0	
1.2 Associates	0	0	
1.3 Others	0	0	
2. Income from other investments	647,941	538,870	120
2.1 Income from land and buildings	0	0	
- in group companies	0	0	
- in associates	0	0	
- in others	0	0	
2.2 Interest income	647,937	538,870	120
- in group companies	0	0	
- in associates	0	0	
- in others	647,937	538,870	120
2.3 Other investment income	4	0	
2.3.1 Financial income from revaluation	0	0	
- in group companies	0	0	
- in associates	0	0	
- in others	0	0	
2.3.2 Other financial income	4	0	
- in group companies	0	0	
- in associates	0	0	
- in others	4	0	
3. Income from asset value adjustments	0	0	
4. Profit on disposal of investments	0	0	
III. OTHER NET INCOME FROM INSURANCE OPERATIONS	33,571	14,086	238
IV. NET CLAIMS INCURRED	79,641,187	69,525,104	115
1. Gross claims settled	70,713,501	62,541,802	113
2. Income from gross subrogated receivables (-)	-41,134	-65,371	63
3. Reinsurers' share (-)	0	0	
4. Changes in gross provisions for claims outstanding (+/-)	1,559,177	391,436	398
5. Changes in provisions for claims outstanding reinsurers' share (+/-)	0	0	
6. Income from equalisation scheme (-)	0	0	
7. Expenses from equalisation scheme (-)	7,409,643	6,657,237	111
V. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	112,260	223,796	50

Consolidated Statement of Comprehensive Income for the Year Ended at 31 December 2012 - continued

	2012	2011	Index
1. Change of mathematical provisions (+/-)	0	0	
1.1 Change in gross mathematical provision (+/-)	0	0	
1.2 Change of reinsurers' share (+/-)	0	0	
2. Change of other net technical provisions (+/-)	112,260	223,796	50
2.1 Change of other gross technical provision (+/-)	112,260	223,796	50
2.2 Change of reinsurers' share (+/-)	0	0	
VI. NET EXPENSES FOR BONUSES AND DISCOUNTS	0	0	
VII. NET OPERATING EXPENSES	6,890,096	6,595,188	104
1. Acquisition costs	1,205,074	1,157,138	104
2. Change in deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	5,685,022	5,438,050	105
3.1 Depreciation of assets used in insurance business	349,993	328,748	106
3.2 Labour costs	2,647,061	2,497,716	106
- wages and salaries	1,890,308	1,821,411	104
- social security and pension insurance costs	344,581	322,739	107
- other labour costs	412,172	353,566	117
3.3 Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	47,606	54,514	87
3.4. Other operating expenses	2,640,362	2,557,072	103
4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	0	0	
VIII. EXPENSES FROM INVESTMENTS	38,234	87,969	43
1. Depreciation and amortization of assets not used in operations	0	0	
2. Expenses arising from asset management, interest expenses and other financial expenses	33,304	21,345	156
3. Revaluation financial expenses	4,930	66,624	7
4. Loss on disposal of investments	0	0	
IX. OTHER NET INSURANCE EXPENSES	550,690	357,403	154
1. Expenses of preventive activity	0	0	
2. Other net insurance expenses	550,690	357,403	154
X. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (-) (D. VI.)	207,435	76,907	270
XI. PROFIT /-LOSS FROM HEALTH INSURANCE (I. + II. + III. - IV. +/- V. - VI. - VII. - VIII. - IX. - X.) BEFORE ALLOCATION OF HALF OF THE PROFIT/-LOSS FROM SUPPLEMENTARY HEALTH INSURANCE	4,852,742	3,789,038	128
XII. ALLOCATED HALF OF THE PROFIT FROM SUPPLEMENTARY HEALTH INSURANCE (-)	0	0	
XIII. RESULT FOR THE TECHNICAL ACCOUNT FOR HEALTH INSURANCE BUSINESS (XI. - XII.)	4,852,742	3,789,038	128
D. NON-TECHNICAL ACCOUNT			
I. RESULT OF THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS, EXCEPT HEALTH INSURANCE BUSINESS (A. IX.)	94,492,263	74,075,662	128
II. RESULT OF TECHNICAL THE ACCOUNT FOR LIFE INSURANCE BUSINESS (B. XIII.)	16,774,834	8,630,863	194
III. RESULT OF TECHNICAL ACCOUNT FOR HEALTH INSURANCE BUSINESS (C. XIII.)	4,852,742	3,789,038	128
IV. INCOME FROM INVESTMENT	76,621,232	72,015,776	106
1. Income from participations	2,364,505	3,220,155	73
1.1 Group companies	0	0	
1.2 Associates	0	0	
1.3 Others	2,364,505	3,220,155	73
2. Income from other investments	56,604,915	57,287,724	99
2.1 Income from land and buildings	2,891,721	2,791,811	104
- Group companies	0	0	
- Associates	0	0	
- Others	2,891,721	2,791,811	104
2.2 Interest income	41,212,982	43,565,772	95
- Group companies	0	0	
- Associates	0	3,266	
- Others	41,212,982	43,562,506	95
2.3 Other income from investments	12,500,212	10,930,141	114
2.3.1 Financial income from revaluation	6,910,676	6,807,150	102

Consolidated Statement of Comprehensive Income for the Year Ended at 31 December 2012 - continued

	2012	2011	Index
- Group companies	0	482	
- Associates	0	0	
- Others	6,910,676	6,806,668	102
2.3.2. Other financial income	5,589,536	4,122,991	136
- Group companies	4,034,274	0	
- Associates	688,199	3,361,548	20
- Others	867,063	761,443	114
3. Income from asset value adjustments	1,871,708	432,646	433
4. Profit on disposal of investments	15,780,104	11,075,251	142
V. ALLOCATED INVESTMENT RETURN TRANSFERRED FROM LIFE INSURANCE TECHNICAL ACCOUNT (B. XII.)	-7,193,795	-1,266,295	568
VI. ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE HEALTH INSURANCE TECHNICAL ACCOUNT (C. X.)	207,435	76,907	270
VII. EXPENSES FROM INVESTMENTS	60,031,530	86,842,880	69
1. Depreciation and amortization of assets not used in operations	1,833,017	1,530,111	120
2. Expenses arising from asset management, interest expenses and other financial expenses	10,293,056	24,429,745	42
3. Revaluation financial expenses	41,551,670	57,034,818	73
4. Loss on disposal of investments	6,353,787	3,848,206	165
VIII. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS, EXCEPT HEALTH INSURANCE BUSINESS (A. II.)	28,426,839	8,240,825	345
IX. OTHER INCOME FROM INSURANCE BUSINESS	1,074,880	1,312,293	82
1. Other income from property insurance except for health insurance	897,421	1,195,537	75
2. Other income from life insurance	132,849	114,939	116
3. Other income from health insurance	44,610	1,817	
X. OTHER EXPENSES	9,860,617	4,599,430	214
1. Other expenses from property insurance except for health insurance	8,159,893	3,750,557	218
2. Other expenses from life assurance	1,700,724	848,873	200
3. Other expenses from health insurance	0	0	
XI. OTHER INCOME	72,007,425	52,984,834	136
1. Other income from property insurance except for health insurance	71,875,113	52,884,692	136
2. Other income from life assurance	105,804	65,735	161
3. Other income from health insurance	26,508	34,407	77
XII. OTHER EXPENSES	70,846,618	53,936,328	131
1. Other expenses from property insurance except for health insurance	70,171,378	53,195,271	132
2. Other expenses from life assurance	192,352	209,145	92
3. Other expenses from health insurance	482,888	531,912	91
XIII. PROFIT/LOSS BEFORE TAX (I. + II. + III. + IV. + V. + VI. - VII. - VIII. + IX. - X. + XI. - XII.)	89,671,412	57,999,615	155
1. Net profit / -loss from property insurance, except health insurance	77,096,389	48,142,134	160
2. Net profit / -loss from life assurance	7,926,616	6,487,224	122
3. Net profit / -loss from health insurance	4,648,407	3,370,257	138
XIV. CORPORATE INCOME TAX	13,439,188	22,513,769	60
XV. DEFERRED TAXES	3,051,161	-12,011,395	
XVI. NET PROFIT / -LOSS FOR THE ACCOUNTING PERIOD (XIII. - XIV. - XV.)	73,181,063	47,497,241	154
- Net profit / -loss from property insurance, except health insurance	63,128,133	38,833,421	163
- Net profit / -loss from life assurance	5,450,949	5,230,395	104
- Net profit / -loss from health insurance	4,601,981	3,433,425	134
Split of net profit / loss	73,181,063	47,497,241	154
- Net profit attributable to equity holders	72,512,985	47,060,748	154
- Net profit attributable to minority interests	668,078	436,490	153
E. COMPREHENSIVE INCOME			
I. Net profit/loss for the accounting period after tax	73,181,063	47,497,241	154
II. Other comprehensive income after tax (1. + 2. + 3. + 4. + 5. + 6. + 7. + 8. + 9.)	48,810,646	-43,870,371	
1. Net profit / loss recognised in a fair value reserve relating to tangible assets		0	

Consolidated Statement of Comprehensive Income for the Year Ended at 31 December 2012 - continued

	2012	2011	Index
2. Net profit / loss recognised in a fair value reserve relating to intangible assets		0	
3. Actuarial gains / loss for pension programs		0	
4. Valuation gains / losses on available-for-sale financial assets	61,494,760	-60,668,067	
5. Net profit / loss from non-current assets held for sale		-198,746	
6. Net profit / loss relating to cash flows hedges		0	
7. Share of other comprehensive income / loss of entities accounted for using the equity method	246,560	-2,164,189	
8. Other net profit / loss from other comprehensive income	0	0	
9. Currency translation differences	-638,532	-566,861	113
10. Tax on other comprehensive income	-12,292,142	19,727,492	
III. COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX (I. + II.)	121,991,709	3,626,870	
- attributable to the controlling company	120,972,431	3,718,858	
- attributable to non-controlling interest holders	1,019,278	-91,988	

3. Consolidated Assets and Liabilities of Technical Account on 31 December 2012

3.1 Consolidated assets and liabilities of technical account for life insurance, rent and supplementary pension insurance

		in EUR		
		31 December 2012	31 December 2011	Index
ASSETS (from A. to D.)		761,212,970	732,847,886	104
A.	INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	752,979,736	717,031,959	105
I.	INVESTMENT PROPERTY	2,076,146	2,116,572	98
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	750,893,973	714,897,925	105
1.	Shares and other floating rate securities	19,775,919	19,967,422	99
2.	Debt securities with fixed return	653,071,732	578,651,879	113
3.	Investment fund coupons	491,204	988,976	50
4.	Mortgage loans	134,000	79,811	168
5.	Other loans	27,988,033	27,953,540	100
6.	Bank deposits	48,074,859	86,018,179	56
7.	Other financial investments	1,358,226	1,238,119	110
IV.	ASSETS FROM REINSURANCE CONTRACTS	9,617	17,461	55
1.	From unearned premium	3,482	3,655	95
2.	From mathematical provision	0	10,125	
3.	From outstanding claims	6,135	3,681	167
4.	From bonuses and discounts	0	0	
5.	From technical provisions for life insurance policy holders who bear investment risk	0	0	
B.	RECEIVABLES	6,864,907	14,413,191	48
I.	RECEIVABLES FROM DIRECT INSURANCE	1,932,595	1,921,284	101
1.	Receivables from insurers	439,122	403,966	109
2.	Receivables from insurance brokers	169	231	73
3.	Other receivables from direct insurance operations	1,493,304	1,517,087	98
II.	RECEIVABLES FROM REINSURANCE	14,176	8,192	173
III.	OTHER RECEIVABLES	4,918,136	12,483,715	39
C.	OTHER ASSETS	1,170,847	1,158,549	101
I.	CASH AND CASH EQUIVALENTS	1,170,624	1,158,341	101
II.	OTHER ASSETS	223	208	107
D.	SHORT-TERM DEFERRED ASSETS	197,480	244,187	81
1.	Accrued interest and rent	0	940	
2.	Deferred expenses for insurance contract acquisition	0	156,513	
3.	Other deferred items	197,480	86,734	228
E.	OFF BALANCE SHEET ITEMS	10,130,700	3,130,000	324

Consolidated Assets and Liabilities of Technical Account for life insurance , rent and supplementary pension insurance - continued

		in EUR		
		31 December 2012	31 December 2011	Index
LIABILITIES (from A. to F.)		761,212,970	732,847,886	104
A.	FAIR VALUE RESERVE	3,846,280	-8,712,437	
B.	GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	723,661,319	706,353,802	102
1.	Gross provision for unearned premium	415,636	427,347	97
2.	Gross mathematical provisions	702,665,714	685,151,142	103
3.	Gross provisions for outstanding claims	20,430,469	20,625,407	99
4.	Gross provisions for bonuses and discounts	149,500	149,906	100
5.	Other gross technical provisions	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	33,696,927	35,197,602	96
I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	13,789,888	11,976,773	115
1.	Liabilities towards policyholders	3,859,915	3,981,581	97
2.	Liabilities towards intermediaries	291,938	289,726	101
3.	Other liabilities from direct insurance operations	9,638,035	7,705,466	125
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE	23,044	-78,273	
III.	OTHER LIABILITIES	19,883,995	23,299,102	85
F.	ACCRUED EXPENSES AND DEFERRED INCOME	8,444	8,919	95
G.	OFF-BALANCE SHEET ITEMS	10,130,700	3,130,000	324

3.2 Consolidated assets and liabilities of technical account - supplementary voluntary pension insurance - PN - ZT - 01, 02, 03, 04

in EUR			
	31 December 2012	31 December 2011	Index
ASSETS (from A. to D.)	160,311,604	161,576,050	99
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	160,131,218	158,838,890	101
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	160,131,218	158,838,890	101
1. Shares and other floating rate securities	3,129,268	3,998,818	78
2. Debt securities with fixed return	139,951,376	131,993,049	106
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	3,077,553	3,077,553	100
6. Bank deposits	13,973,022	19,769,470	71
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	13,693	43,650	31
I. RECEIVABLES FROM DIRECT INSURANCE	2,329	11,275	21
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	2,329	11,275	21
II. RECEIVABLES FROM REINSURANCE	0	0	
III. OTHER RECEIVABLES	11,363	32,375	35
C. OTHER ASSETS	166,693	2,693,510	6
I. CASH AND CASH EQUIVALENTS	166,693	2,693,510	6
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	1,890,000	0	

in EUR			
	31 December 2012	31 December 2011	Index
LIABILITIES (from A. to F.)	160,311,604	161,576,050	93
A. FAIR VALUE RESERVE	0	0	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	157,883,409	158,096,122	93
1. Gross provision for unearned premium	0	0	
2. Gross mathematical provisions	157,883,409	158,096,122	93
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	2,428,195	3,479,928	70
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	2,171,182	3,195,069	68
1. Liabilities towards policyholders	2,165,060	3,128,557	69
2. Liabilities towards intermediaries	0	0	
3. Other liabilities from direct insurance operations	6,121	66,512	9
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	257,014	284,859	90
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	1,890,000	0	

3.3 Consolidated assets and liabilities of technical account - supplementary voluntary pension insurance - PN - ZT - 05, 06

	in EUR
	31 December 2012
ASSETS (from A. to D.)	194,334
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	181,511
I. INVESTMENT PROPERTY	0
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0
1. Shares in subsidiaries	0
2. Shares in associates	0
III. OTHER FINANCIAL INVESTMENTS	181,511
1. Shares and other floating rate securities	0
2. Debt securities with fixed return	139,455
3. Investment fund coupons	0
4. Mortgage loans	0
5. Other loans	0
6. Bank deposits	42,056
7. Other financial investments	0
IV. ASSETS FROM REINSURANCE CONTRACTS	0
1. From unearned premium	0
2. From mathematical provision	0
3. From outstanding claims	0
4. From bonuses and discounts	0
5. From technical provisions for life insurance policy holders who bear investment risk	0
B. RECEIVABLES	0
I. RECEIVABLES FROM DIRECT INSURANCE	0
1. Receivables from insurers	0
2. Receivables from insurance brokers	0
3. Other receivables from direct insurance operations	0
II. RECEIVABLES FROM REINSURANCE	0
III. OTHER RECEIVABLES	0
C. OTHER ASSETS	12,823
I. CASH AND CASH EQUIVALENTS	12,823
II. OTHER ASSETS	0
D. SHORT-TERM DEFERRED ASSETS	0
1. Accrued interest and rent	0
2. Deferred expenses for insurance contract acquisition	0
3. Other deferred items	0
E. OFF BALANCE SHEET ITEMS	0

	in EUR
	31 December 2012
LIABILITIES (from A. to F.)	194,334
A. FAIR VALUE RESERVE	0
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	191,056
1. Gross provision for unearned premium	0
2. Gross mathematical provisions	191,056
3. Gross provisions for outstanding claims	0
4. Gross provisions for bonuses and discounts	0
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0
E. OTHER LIABILITIES	3,278
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	2,704
1. Liabilities towards policyholders	0
2. Liabilities towards intermediaries	0
3. Other liabilities from direct insurance operations	2,704
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0
III. OTHER LIABILITIES	574
F. ACCRUED EXPENSES AND DEFERRED INCOME	0
G. OFF-BALANCE SHEET ITEMS	0

3.4 Consolidated assets and liabilities of technical account - supplementary voluntary pension insurance at the time of payment of rent

		in EUR	
	31 December 2012	31 December 2011	Index
ASSETS (from A. to D.)	9,805,681	2,259,184	434
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	9,691,418	2,255,570	430
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	9,691,418	2,255,570	430
1. Shares and other floating rate securities	0	0	
2. Debt securities with fixed return	8,220,284	2,065,376	398
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	0	0	
6. Bank deposits	1,471,134	190,194	773
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	0	
I. RECEIVABLES FROM DIRECT INSURANCE	0	0	
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	0	0	
II. RECEIVABLES FROM REINSURANCE	0	0	
III. OTHER RECEIVABLES	0	0	
C. OTHER ASSETS	114,263	3,614	
I. CASH AND CASH EQUIVALENTS	114,263	3,614	
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 2012	31 December 2011	Index
LIABILITIES (from A. to F.)	9,805,681	2,259,184	434
A. FAIR VALUE RESERVE	0	-56,849	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	9,209,756	2,217,670	415
1. Gross provision for unearned premium	0	0	
2. Gross mathematical provisions	9,209,756	2,217,670	415
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	595,925	98,363	606
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	554,154	94,319	588
1. Liabilities towards policyholders	855	1,998	43
2. Liabilities towards intermediaries	0	0	
3. Other liabilities from direct insurance operations	553,299	92,322	599
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	41,772	4,043	
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	0	0	

3.5 Consolidated assets and liabilities of technical account - unit-linked insurance

		in EUR		
		31 December 2012	31 December 2011	Index
ASSETS (from A. to D.)		419,411,174	365,169,121	115
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS		418,881,917	364,684,375	115
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		418,881,917	364,684,375	115
1. Shares and other floating rate securities		344,509,806	294,435,153	117
2. Debt securities with fixed return		57,626,095	53,943,533	107
3. Investment fund coupons		11,799,781	9,137,682	129
4. Mortgage loans		0	0	
5. Other loans		0	0	
6. Bank deposits		4,514,340	6,760,131	67
7. Other financial investments		431,895	407,875	106
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		17,828	42,365	42
I. RECEIVABLES FROM DIRECT INSURANCE		7,413	29,109	25
1. Receivables from insurers		0	0	
2. Receivables from insurance brokers		0	0	
3. Other receivables from direct insurance operations		7,413	29,109	25
II. RECEIVABLES FROM REINSURANCE		58	0	
III. OTHER RECEIVABLES		10,357	13,256	78
C. OTHER ASSETS		511,429	442,382	116
I. CASH AND CASH EQUIVALENTS		511,429	442,382	116
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 2012	31 December 2011	Index
LIABILITIES (from A. to F.)		419,411,174	365,169,121	115
A. FAIR VALUE RESERVE		19,929	24,424	82
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		417,338,986	364,495,891	114
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS		0	0	
E. OTHER LIABILITIES		2,052,259	648,806	316
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS		4,163	7,745	54
1. Liabilities towards policyholders		0	0	
2. Liabilities towards intermediaries		0	0	
3. Other liabilities from direct insurance operations		4,163	7,745	54
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE		0	0	
III. OTHER LIABILITIES		2,048,096	641,061	319
F. ACCRUED EXPENSES AND DEFERRED INCOME		0	0	
G. OFF-BALANCE SHEET ITEMS		6,429,638	6,429,638	100

4. Consolidated Income Statements of Technical Account

4.1 Consolidated Income Statement for Life Insurance, Rent and Supplementary Pension Insurance

		in EUR		
		2012	2011	Index
I.	Premium earned	111,821,856	113,521,390	99
	1. Gross premium earned	111,810,578	113,582,082	98
	2. Change of unearned premium (+/-)	11,278	-60,692	
II.	Income from investments	49,938,124	41,958,827	119
	1. Income from dividends	279,147	254,432	110
	1.1 Dividends from subsidiaries	0	0	
	1.2 Dividends from associated companies	0	0	
	1.3 Dividends from others	279,147	254,432	110
	2. Income from other investments	42,008,235	37,543,604	112
	2.1 Income from land and buildings	29,405	123,527	24
	2.2 Interest income	31,543,527	32,378,254	97
	2.3 Other income from investments	10,435,303	5,041,823	207
	2.3.1 Financial income from revaluation	8,801,617	3,697,486	238
	2.3.2 Other financial income	1,633,686	1,344,337	122
	3. Income from investment value adjustments	-1,784	0	
	4. Gains from disposal of investments	7,652,526	4,160,791	184
III.	Other income from insurance	626,995	611,354	103
IV.	Expenses from claims	95,754,651	87,990,115	109
	1. Claims expenses	95,947,310	88,818,318	108
	2. Change in provisions from claims	-192,659	-828,203	23
V.	Change in other technical provisions (+/-)	4,289,079	10,409,288	41
	1. Change in mathematical provision (+/-)	4,278,954	10,409,288	41
	1.1 Change in mathematical provisions without share in profit(+/-)	-1,698,571	5,049,913	
	1.2 Change in mathematical provision from share in profit (+/-)	5,977,525	5,359,375	112
	2. Change in other technical provisions(+/-)	10,125	0	
VI.	Expenses for bonuses and discounts	1,772	1,792	99
VII.	Expenses included in policies	18,649,660	17,754,236	105
	1. Entry fees	3,311,596	2,850,514	116
	2. Incasso, administrative expenses	15,338,064	14,871,510	103
	3. Costs of claims settlement	0	32,212	
VII.a)	net operating expenses	17,050,116	16,022,804	106
	1. Cost of contract acquisition	9,782,593	9,073,905	108
	2. Change in deferred costs of contract acquisition (+/-)	0	0	
	3. Other operating expenses	7,299,443	6,997,447	104
	3.1 Amortisation and depreciation of assets, needed for operations	344,907	266,590	129
	3.2 Labour costs	3,484,046	3,427,991	102
	- salaries	2,603,356	2,455,099	106
	- costs of social and pension insurance	654,152	562,454	116
	- other labour costs	226,538	410,438	55
	3.3 Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	57,150	49,539	115
	3.4 Other operating expenses	3,413,340	3,253,327	105
	4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-31,920	-48,548	66
VIII.	Investment expenses	22,658,556	27,372,058	83
	1. Depreciation of assets, not necessary for operations	37,845	36,961	102
	2. Expenses arising from asset management, interest expenses and other financial expenses	1,044,770	1,592,645	66
	3. Financial expenses from revaluation	8,655,297	17,109,652	51
	4. Losses from disposal of financial investments	12,920,644	8,632,800	150
IX.	Other net insurance expenses	1,385,945	1,221,023	114
X.	Profit / Loss from life assurance (I. + II. + III. - IV. +/- V. - VI. - VII. - VIII. - IX.)	19,647,312	11,343,059	173
X.a)	Profit / Loss from life assurance (I. + II. + III. - IV. +/- V. - VI. - VII.a - VIII. - IX.)	21,246,856	13,074,491	163

4.2 Consolidated income statement for supplementary voluntary pension insurance - PN -ZT - 01, 02, 03, 04

		in EUR		
		2012	2011	Index
I.	Gross written premium	15,445,321	18,278,910	84
II.	Income from investments	10,982,346	8,034,850	137
1.	Income from dividends in companies	4,080	3,872	105
1.1	Group companies	0	0	
1.2	Associated companies	0	0	
1.3	Others	4,080	3,872	105
2.	Income from other investments	7,864,681	7,313,565	108
2.1	Income from investment property	0	0	
2.2	Interest income	6,207,038	7,213,465	86
2.3	Other income from investments	1,657,643	100,100	
2.3.1	Revaluation income	1,657,642	100,100	
2.3.2	Other financial income	1	0	
3.	Income from revaluation of investments	0	0	
4.	Gains on disposals of investments	3,113,585	717,413	434
III.	Expenses from repayment of insurance amounts or repurchase	28,019,622	24,180,917	116
1.	Ordinary termination	0	0	
2.	Extraordinary termination	28,019,622	24,180,917	116
2.1	Withdrawal from contract	27,814,657	23,866,571	117
2.2	Cancellation of contract	0	0	
2.3	Death of policyholder	204,964	314,346	65
IV.	Assets transfer on the other transactor (+/-)			
V.	Change of other technical provisions (+/-)	-8,479,012	-6,006,942	141
1.	Change of mathematical provision (+/-)	-8,479,012	-6,006,942	141
2.	Change of other technical provisions (+/-)	0	0	
VI.	Costs and commissions	2,788,268	2,949,583	95
1.	Entry fees	537,619	628,206	86
2.	Termination costs	279,795	242,215	116
3.	Management commission	1,970,854	2,079,162	95
VII.	Investment expenses	4,463,793	5,479,275	81
1.	Depreciation of assets, not used in operations	0	0	
2.	Expenses arising from asset management, interest expenses and other financial expenses	0	178,054	
3.	Impairment expenses	1,944,907	4,443,488	44
4.	Loss on disposal of investments	2,518,886	857,733	294
VIII.	Profit / Loss of technical account (I. + II. - III. +/- IV. +/- V. - VI. - VII.)	-365,004	-289,073	126

4.3 Consolidated income statement for supplementary voluntary pension insurance - PN - ZT - 05, 06

		in EUR
		I.-XII.2012
I.	Gross written premium	186,454
II.	Income from investments	5,450
1.	Income from dividends in companies	0
1.1	Group companies	0
1.2	Associated companies	0
1.3	Others	0
2.	Income from other investments	5,450
2.1	Income from investment property	0
2.2	Interest income	1,362
2.3	Other income from investments	4,088
2.3.1	Revaluation income	4,088
2.3.2	Other financial income	0
3.	Income from revaluation of investments	0
4.	Gains on disposals of investments	0
III.	Expenses from repayment of insurance amounts or repurchase	0
1.	Ordinary termination	0
2.	Extraordinary termination	0
2.1	Withdrawal from contract	0
2.2	Cancellation of contract	0
2.3	Death of policyholder	0
IV.	Assets transfer on the other transactor	
V.	Change of other technical provisions(+/-)	191,056
1.	Change of mathematical provision (+/-)	191,056
2.	Change of other technical provisions (+/-)	0
VI.	Costs and commissions	832
1.	Entry fees	419
2.	Termination costs	0
3.	Management commission	413
VII.	Investment expenses	16
1.	Depreciation of assets, not used in operations	0
2.	Expenses arising from asset management, interest expenses and other financial expenses	0
3.	Impairment expenses	16
4.	Loss on disposal of investments	0
VIII.	Profit / Loss of technical account (I. + II. - III. +/- IV. +/- V. - VI. - VII.)	0

4.4 Consolidated Income Statement for Supplementary Voluntary Pension Insurance at the Time of Payment of Rent

		in EUR		
		2012	2011	Index
I.	Transfer of funds from the pension plan for supplementary voluntary pension insurance	7,418,230	2,260,282	328
1.	These legal entities	1,962,226	1,144,504	171
2.	Other insurance	0	0	
3.	Other pension companies	5,456,004	1,115,778	489
4.	Mutual pension fund	0	0	
II.	Income from investments	205,738	50,440	408
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	205,738	29,096	707
2.1	Income from investment property	0	0	
2.2	Interest income	205,726	29,096	707
2.3	Other income from investments	13	0	
2.3.1	Revaluation income	0	0	
2.3.2	Other financial income	13	0	
3.	Income from revaluation of investments	0	0	
4.	Gains on disposals of investments	0	21,344	
III.	Expenses from claims	609,580	77,212	789
1.	Claims expenses	609,580	77,212	789
2.	Change in provisions from claims	0	0	
IV.	Change of other technical provisions(+/-)	6,886,180	2,217,670	311
1.	Change of mathematical provision (+/-)	6,886,180	2,217,670	311
2.	Change of other technical provisions (+/-)	0	0	
V.	Expenses included in policies	125,169	15,730	796
1.	Entry fees	33,524	0	
2.	Incasso, administrative expenses	75,716	15,730	481
3.	Costs of claims settlement	15,929	0	
V.a	Net operating expenses	127,560	4,654	
1.	Cost of contract aquisition	108,349	0	
2.	Change in deferred costs of contract aquisition (+/-)	0	0	
3.	Other operating expenses	19,211	4,654	413
3.1.	Amortisation and depreciation of assets, needed for operations	1,177	243	484
3.2.	Labour costs	11,018	2,646	416
3.2.1.	Salaries	8,620	1,937	445
3.2.2.	Costs of social and pension insurance	1,478	333	444
3.2.3.	Other labour costs	920	376	245
3.3.	Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	209	33	633
3.4.	Other operating expenses	6,807	1,732	393
4.	Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	0	0	
VI.	Investment expenses	3,040	110	
1.	Depreciation of assets, not necessary for operations	0	0	
2.	Expenses for asset management, interest expenses and other financial expenses	0	0	
3.	Financial expenses from revaluation	0	0	
4.	Losses from disposal of financial investments	3,040	110	
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.)	-2,391	11,076	

4.5 Consolidated Income Statement for unit-linked insurance

		in EUR	
	2012	2011	Index
I. Gross written premium	71,956,023	81,007,127	89
II. Income from investments	31,972,562	26,788,576	119
1. Income from dividends in companies	310,515	248,371	125
1.1 Group companies	0	0	
1.2 Associated companies	0	0	
1.3 Others	310,515	248,371	125
2. Income from other investments	30,454,091	26,402,332	115
2.1 Income from investment property	0	0	
2.2 Interest income	533,076	540,185	99
2.3 Other income from investments	29,921,015	25,862,147	116
2.3.1 Revaluation income	29,843,054	25,815,167	116
2.3.2 Other financial income	77,961	46,980	166
3. Income from revaluation of investments	1,987	0	
4. Gains on disposals of investments	1,205,969	137,873	875
III. Expenses from repayment of insurance amounts or repurchase	37,578,482	26,370,826	143
1. Ordinary termination	0	0	
2. Extraordinary termination	37,578,482	26,370,826	143
2.1 Withdrawal from contract	36,621,354	25,727,433	142
2.2 Cancellation of contract	0	0	
2.3 Death of policyholder	957,128	643,393	149
IV. Assets transfer on the other transactor (+/-)			
V. Change of other technical provisions(+/-)	52,882,778	-11,402,162	
1. Change of mathematical provision (+/-)	52,882,778	-11,402,162	
2. Change of other technical provisions (+/-)	0	0	
VI. Costs and commissions	12,354,288	13,021,203	95
1. Entry fees	5,735,274	4,703,891	122
2. Termination costs	47,578	36,258	131
3. Management commission	6,571,436	8,281,054	79
VII. Investment expenses	1,142,316	79,832,592	1
1. Depreciation of assets, not used in operations	0	0	
2. Expenses arising from asset management, interest expenses and other financial expenses	38	6,964	1
3. Impairment expenses	675,813	75,799,395	1
4. Loss on disposal of investments	466,465	4,026,233	12
VIII. Profit / Loss of technical account (I. + II. - III. +/- IV. +/- V. - VI. - VII.)	-29,279	-26,756	109

5. Consolidated Investment Return

5.1 Consolidated allocated investment return in group for the year 2012

5.1.1 Consolidated allocated investment return transferred from the non-technical account – non-life insurance 2012

	Income - non - life technical provisions	Income – non life own funds	in EUR TOTAL income
Income from dividends	1,093,042	1,271,463	2,364,505
Income from land and buildings	1,790,357	1,101,364	2,891,721
Interest income	39,580,149	1,632,833	41,212,982
Financial income from revaluation	6,387,747	522,929	6,910,676
Other financial income	202,325	5,387,211	5,589,536
Other financial income	63,953	1,807,755	1,871,708
Gains from disposal of investments	15,592,418	187,686	15,780,104
TOTAL INCOME	64,709,991	11,911,241	76,621,232

	Expenses - non - life technical provisions	Expenses – non - life own funds	in EUR TOTAL expenses
Amortisation and depreciation of assets not used in insurance business	574,826	1,258,191	1,833,017
Expenses from asset management, interest expenses and other financial expenses	4,074,318	6,218,738	10,293,056
Financial expenses from revaluations	26,345,986	15,205,684	41,551,670
Loss on disposal of investments	5,288,021	1,065,766	6,353,787
TOTAL	36,283,151	23,748,379	60,031,530
INVESTMENT INCOME (INCOME - EXPENSES)	28,426,840	-11,837,138	16,589,702

5.1.2 Consolidated allocated investment return transferred from the non-technical account – life insurance 2012

	Income - non - life technical provisions	Income – non life own funds	in EUR TOTAL income
Income from dividends	-157,163	913,022	755,859
Income from land and buildings	29,405	36,469	65,874
Interest income	38,536,746	2,105,046	40,641,792
Financial income from revaluation	10,483,696	2,946,511	13,430,207
Other financial income	20,622	1,032,252	1,052,874
Other financial income	80,303		80,303
Gains from disposal of investments	11,972,080	1,518,276	13,490,356
TOTAL INCOME	60,965,689	8,551,576	69,517,265

	Expenses - non - life technical provisions	Expenses – non - life own funds	in EUR TOTAL expenses
Amortisation and depreciation of assets not used in insurance business	37,845	31,644	69,489
Expenses from asset management, interest expenses and other financial expenses	1,044,771	1,398,690	2,443,461
Financial expenses from revaluations	10,571,154	12,496,117	23,067,271
Loss on disposal of investments	15,909,035	1,818,920	17,727,955
TOTAL	27,562,805	15,745,371	43,308,176
INVESTMENT INCOME (INCOME - EXPENSES)	33,402,884	-7,193,795	26,209,089

5.1.3 Consolidated allocated investment return transferred from the non-technical account – health insurance 2012

	Income - non - life technical provisions	Income – non life own funds	in EUR TOTAL income
Income from dividends	0	0	0
Income from land and buildings	0	0	0
Interest income	426,226	221,711	647,937
Financial income from revaluation	0	0	0
Other financial income	4	0	4
Other financial income	0	0	0
Gains from disposal of investments	0	0	0
TOTAL INCOME	426,230	221,711	647,941

	Expenses - non - life technical provisions	Expenses – non - life own funds	in EUR TOTAL expenses
Amortisation and depreciation of assets not used in insurance business			0
Expenses from asset management, interest expenses and other financial expenses	23,958	9,346	33,304
Financial expenses from revaluations		4,930	4,930
Loss on disposal of investments			0
TOTAL	23,958	14,276	38,234
INVESTMENT INCOME (INCOME - EXPENSES)	402,272	207,435	609,707

5.2 Consolidated allocated investment return in group for the year 2011

5.2.1 Consolidated allocated investment return transferred from the non-technical account – non-life insurance 2011

	Income - non - life technical provisions	Income – non life own funds	in EUR TOTAL income
Income from dividends	1,072,053	2,148,102	3,220,155
Income from land and buildings	2,310,874	480,937	2,791,811
Interest income	42,191,205	1,374,567	43,565,772
Financial income from revaluation	3,904,620	2,902,530	6,807,150
Other financial income	427,745	3,695,246	4,122,991
Other financial income	832,159	-399,513	432,646
Gains from disposal of investments	5,188,786	5,886,465	11,075,251
TOTAL INCOME	55,927,442	16,088,334	72,015,776

	Expenses - non - life technical provisions	Expenses – non - life own funds	in EUR TOTAL expenses
Amortisation and depreciation of assets not used in insurance business	453,087	1,077,024	1,530,111
Expenses from asset management, interest expenses and other financial expenses	6,570,444	17,859,301	24,429,745
Financial expenses from revaluations	36,918,215	20,116,603	57,034,818
Loss on disposal of investments	3,744,873	103,333	3,848,206
TOTAL	47,686,619	39,156,261	86,842,880
INVESTMENT INCOME (INCOME - EXPENSES)	8,240,823	-23,067,927	-14,827,104

5.2.2 Consolidated allocated investment return transferred from the non-technical account – life insurance 2011

	Income - non - life technical provisions	Income – non life own funds	in EUR TOTAL income
Income from dividends	314,309	832,277	1,146,586
Income from land and buildings	29,032	38,927	67,959
Interest income	40,197,826	1,445,077	41,642,903
Financial income from revaluation	3,862,230	663,515	4,525,745
Other financial income	1,013,308	0	1,013,308
Other financial income	68,011	1,004	69,015
Gains from disposal of investments	5,036,438	34,197	5,070,635
TOTAL INCOME	50,521,154	3,014,997	53,536,151

	Expenses - non - life technical provisions	Expenses – non - life own funds	in EUR TOTAL expenses
Amortisation and depreciation of assets not used in insurance business	36,960	29,963	66,923
Expenses from asset management, interest expenses and other financial expenses	4,330,628	1,693,551	6,024,179
Financial expenses from revaluations	19,902,584	2,554,722	22,457,306
Loss on disposal of investments	13,516,876	3,053	13,519,929
TOTAL	37,787,048	4,281,289	42,068,337
INVESTMENT INCOME (INCOME - EXPENSES)	12,734,106	-1,266,292	11,467,814

5.2.3 Consolidated allocated investment return transferred from the non-technical account – health insurance 2011

	Income - non - life technical provisions	Income – non life own funds	in EUR TOTAL income
Income from dividends	0	0	0
Income from land and buildings	0	0	0
Interest income	394,675	144,195	538,870
Financial income from revaluation	0	0	0
Other financial income	0	0	0
Other financial income	0	0	0
Gains from disposal of investments	0	0	0
TOTAL INCOME	394,675	144,195	538,870

	Expenses - non - life technical provisions	Expenses – non - life own funds	in EUR TOTAL expenses
Amortisation and depreciation of assets not used in insurance business	0	0	0
Expenses from asset management, interest expenses and other financial expenses	20,681	664	21,345
Financial expenses from revaluations	0	66,624	66,624
Loss on disposal of investments	0	0	0
TOTAL	20,681	67,288	87,969
INVESTMENT INCOME (INCOME - EXPENSES)	373,994	76,907	450,901

A. Sales Network of Triglav Group

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.

The Triglav Group'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 Group's range of products and services is also available in banks, post offices, in travel agencies and on the web portal and mobile applications of Zavarovalnica Triglav.

Insurance and reinsurance

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

Regional units:

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

- **Pozavarovalnica Triglav Re d.d., Ljubljana** – registered office
- **Triglav, Zdravstvena zavarovalnica d.d., Koper** – registered office
Triglav Zdravstvena zavarovalnica has its agencies in all 12 regional units of Zavarovalnica Triglav and health insurance outlet at its registered office.

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

Branch offices:

- Čakovec	- Osijek
- Koprivnica	- Split
- Pula	- Varaždin
- Rijeka	- Zadar
- Zagreb	

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

Branch offices:

- Bihać	- Zenica
- Tuzla	- Travnik
- Mostar	- Goražde

- **Triglav Pojišt'ovna a.s., Brno** – registered office

Branch offices:

- Brno	- Pardubice
- Praga	- Plzen
(3 outlets)	- Liberec
- České Budejovice	- Olomouc
- Ostrava	

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

Branch offices:

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

Offices and agencies:

- Bar	- Mojkovac
- Ulcinj	- Budva
- Danilovgrad	- Tivat
- Kolašin	- Herceg Novi
- Tuzi	- Cetinje
- Žabljak	- Šavnik
- Plav	- Plužine
- Rožaje	

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

Branch offices:

- Belgrade	- Subotica
- Novi sad	- Šabac
- Kruševac	- Kragujevac
- Niš	- Čačak
- Valjevo	- Jagodina
- Kikinda	- Vranje

Agencies:

- Bor	- Vršac
- Bečej	- Kraljevo
- Novi Pazar	- Arandelovac
- Pančevo	- Veliko Gradište
- Negotin	

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

Branch offices:

- Banja Luka	- Doboj
- Laktaši	- Bijeljina
- Prijedor	- Zvornik
- Novi Grad	- Vlasenica
- Kozarska Dubica	- Brčko
- Kostajnica	- Pale
- Gradiška	- Derventa
- Prnjavor	- Teslić
- Srbac	- Brod
- Mrkonjić Grad	- Modriča

- **Triglav Osiguruvanje a.d., Skopje** – registered office

Offices, outlets and agencies:

- Skopje	- Radoviš
- Bitola	- Kočani
- Ohrid	- Štip
- Gostivar	- Kavadarci
- Tetovo	- Strumica
- Kumanovo	- Kruševo
- Veles	- Berovo
- Gevgelija	- Delčevo
- Negotino	- Struga
- Resen	- Vinica
- Prilep	- Đorđe Petrov
- Kičevo	

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- **Triglav Skladi d.o.o., Ljubljana** – registered office
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- **Voluntary pension fund management company Triglav penzijski fondovi a. d., Belgrade** – registered office




Reporting
Level B

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STANDARD DISCLOSURES PART 1: Profile disclosures

	Disclosure	Reported	Page / chapter	Reasons for omission
1	1. STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization.		10 – 13; Comments of the Management Board	
1.2	Description of key impacts, risks, and opportunities.		10 – 13; Comments of the Management Board 72 – 81; Chap. 10	
2	2. ORGANIZATIONAL PROFILE			
2.1 – 2.5	Name of the organization. Primary brands, products, and/or services. Operational structure of the organization. Location of organization's headquarters. Number of countries where the organization operates.		6 – 9; Chap. 1.5 45; Chap. 5.2.3	
2.6 – 2.9	Nature of ownership and legal form. Markets served. Scale of the reporting organization. Significant changes regarding size, structure, or ownership.		37; Chap. 4.4 4; Chap. 1.5 107 – 109; Chap. 13 8; Chap. 1.5.4	
2.10	Awards received.		84, Chap. 11.1	
3	3. REPORT PARAMETERS			
3.1 – 3.3	Report profile, reporting purpose and limitations. Date of most recent previous report. Reporting cycle.		87; Chap. 11.1	
3.4	Contact point for questions regarding the report.		38; Chap. 4.6 84; Chap. 11.1	
3.5 – 3.7	Process for defining report content. Boundary of the report (e.g., countries, divisions) and any specific limitations in this regard.		84; Chap. 11.1 87; Chap. 11.1	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		87; Chap. 11.1	
3.9 – 3.11	Data measurement techniques and the bases of calculations. Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement. Significant changes from the previous reporting period.		87; Chap. 11.1	
3.12	GRI G3.1 Content Index		214 – 216; B.	
3.13	Policy and current practice with regard to seeking external assurance for the report.		87; Chap. 11.1	
4	4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
4.1 – 4.2	Governance structure of the organization. Indication whether the highest governance body also has an executive function.		26 – 33; Chap. 3	
4.3	For organizations that have a unitary board structure, information on members of the management board.		Does not exist.	Zavarovalnica Triglav is managed and governed according to a two-tier system.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the supervisory board.		87; Chap. 11.2	
4.5	Linkage between compensation for members of the supervisory and management boards and the organization's performance (including social and environmental performance).		87; Chap. 11.2 16; Report by the Supervisory Board.	
4.6 – 4.7	Processes in place for the supervisory board members to ensure conflicts of interest are avoided, and processes for determining the composition, qualifications, and expertise of the members of the supervisory board and its committees.		17; Report by the Supervisory Board 30; Chap. 3.3.3.2	
4.8	Statements of mission or values, codes of conduct.		22; Chap. 2.1 86; Chap. 11.2 27; Chap. 11.3	
4.9 – 4.10	Procedures of the supervisory board for overseeing the identification and management of economic, environmental, and social performance. Processes for evaluating the supervisory board's own performance.		17; Report by the Supervisory Board	
4.11	Explanation of whether and how the precautionary principle is addressed by the organization.		74; Chap. 10 78; Chap. 10.4.1 102 – 103; Chap. 11.7	
4.12	Externally developed charters, principles, or other initiatives. Memberships in associations.		87; Chap. 11.1	
4.14 – 4.16	Stakeholder Engagement. Basis for identification and selection of stakeholders with whom to engage. Approaches to stakeholder engagement and frequency of engagement.		87 – 89; Chap. 11.2	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded.		87 – 89; pogl. 11.2	


STANDARD DISCLOSURES PART 2: Disclosures on Management approach (DMAs)

G3.1 DMAs	Disclosure	Reported	 Page / chapter	Reasons for omission
DMA EC	Economic performance, market presence, indirect economic impacts.		6; Chap. 1.5 22; Chap. 2.1.2 23; Chap. 2.2 84, 85; Chap. 11.1 99; Chap. 11.6.3	
DMA EN	Energy, emissions, waste, products and services, compliance.		102; Chap. 11.7	Aspects concerning materials, biodiversity and waste water are not significant for our activity. Comprehensive data on water use and transport is not yet available.
DMA LA	Employment, labor/management relations, occupational health and safety, training and education, diversity and equal opportunity, equal remuneration for women and men.		22; Chap. 2.1.2 92; Chap. 11.4.2.1 94; Chap. 11.4.2.3 95; Chap. 11.4.4	
DMA HR	Investment and procurement practices, non-discrimination, child and compulsory labor, freedom of association and collective bargaining, verification of the application of policies, remediation.		89; Chap. 11.3	
DMA SO	Local communities, corruption, public policy, anti-competitive behavior, compliance.		89; Chap. 11.3 98; Chap. 11.6.1	
DMA PR	Customer health and safety, product and service labeling, customer privacy, compliance.		6; Chap. 1.3 22; Chap. 2.1.2 45; Chap. 5.2.3	

STANDARD DISCLOSURES PART 3: Performance Indicators

PRODUCT AND SERVICE IMPACT		Reported	 Page / chapter	Reasons for omission
FS1	Policies with specific environmental and social components applied to business lines.	fully	42; Chap. 5.1.1 43; Chap. 5.1.2 44; Chap. 5.2.1 96; Chap. 11.5.1 103; Chap. 11.7	
FS2	Procedures for assessing and screening environmental and social risks in business lines.	fully	78; Chap. 10.4.1 89; Chap. 11.3	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	fully	103; Chap. 11.7	
FS4	Processes for improving staff competency to implement the environmental and social policies as applied to business lines.	fully	90; Chap. 11.3	
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	fully	97; Chap. 11.5.2 98; Chap. 11.6.2	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	partially	99; Chap. 11.6.2	The system in place for monitoring this data does not yet allow precise calculation.
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	partially	103; Chap. 11.7	See explanation under FS7.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	fully	33; Chap. 3.6	
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	fully	90; Chap. 11.3	Only numeric data and not percentages are reported.
ECONOMIC PERFORMANCE INDICATORS				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, payments to shareholders.	fully	5; Chap. 1.3	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	partially	78; Chap. 10.4.1	Financial implications are not reported due to the data capturing method.
EC3	Coverage of the organization's defined benefit plan obligations.	fully	96; Chap. 11.4.4	
EC8	Development and impact of infrastructure investments provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	fully	101; Chap. 11.6.3	

STANDARD DISCLOSURES PART 3: Performance Indicators

	ENVIRONMENTAL PERFORMANCE INDICATORS	Reported	 Page / chapter	Reasons for omission
EN3	Direct energy consumption by primary energy source (fuel, gas).	fully	104; Chap. 11.7	
EN4	Indirect energy consumption by primary source (electricity).	partially	104; Chap. 11.7	The consumption monitoring system does not as yet include data on production sources.
EN5	Energy saved due to conservation and efficiency improvements.	partially	104; Chap. 11.7	Quantitative measurements are not yet carried out in a complete manner.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	partially	103, 104; Chap. 11.7	Quantitative measurements are not yet carried out in a complete manner.
EN16	Total direct and indirect greenhouse gas emissions by weight.	fully	104; Chap. 11.7	
EN22	Total weight of waste by type and disposal method.	partially	104; Chap. 11.7	The data monitoring system does not as yet include information on the waste disposal method.
SOCIAL PERFORMANCE INDICATORS: LABOR PRACTICES AND DECENT WORK				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	fully	91; Chap. 11.4.1	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	fully	91; Chap. 11.4	
LA4	Percentage of employees covered by collective bargaining agreements.	partially	92; Chap. 11.4.1	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender.	partially	91; Chap. 11.4 95; Chap. 11.4.3	Data capturing does not include categorization by gender.
LA10	Average hours of training per year per employee by gender, and by employee category.	partially	93; Chap. 11.4.2.1	Data capturing does not as yet include categorization by gender and employee category.
LA 11	Programs for skills management and lifelong learning.	fully	93; Chap. 11.4.2.1	
LA12	Percentage of employees receiving regular performance and career development reviews.	fully	94; Chap. 11.4.2.2	
LA 13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	partially	92; Chap. 11.4.1	Due to the data capturing method the number of employees per age group is not reported.
LA 15	Return to work and retention rates after parental leave, by gender.	fully	96; Chap. 11.4.4	
SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS				
HR4	Total number of incidents of discrimination and corrective actions taken.	fully	89; Chap. 11.3	
SOCIAL PERFORMANCE INDICATORS: SOCIETY				
FS13	Access points in low-populated or economically disadvantaged areas by type.	partially	44; Chap. 5.2.1	Numeric data on access points is not kept in this manner.
FS14	Initiatives to improve access to financial services for disadvantaged people.	fully	42; Chap. 5.1.1 43; Chap. 5.1.2 44; Chap. 5.2.1	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	fully	90; Chap. 11.3	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	fully	90; Chap. 11.3	
SO4	Actions taken in response to incidents of corruption.	fully	90; Chap. 11.3	
SO7	Anticompetitive behavior.	fully	98; Chap. 11.6.1	
SOCIAL PERFORMANCE INDICATORS: PRODUCT RESPONSIBILITY				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	fully	45; Chap. 5.2.2	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	partially	44; Chap. 5.2.1	Quantitative data is not reported.
FS15	Policies for the fair design and sale of financial products and services.	fully	42; Chap. 5.1.1 43; Chap. 5.1.2	
FS16	Initiatives to enhance financial literacy by type of beneficiary.	fully	87; Chap. 11.1	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	fully	45; Chap. 5.2.3	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	fully	45; Chap. 5.2.3	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	fully	89; Chap. 11.3	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	fully	45; Chap. 5.2.3	

The reporting of Zavarovalnica Triglav and the Triglav Group on sustainable development is based on GRI G3.1, with regard to which both comply with the criteria for B level reporting.



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Triglav Group Annual
report 2012

This Annual Report is also
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for smart phones (iOS) and
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