

Zavarovalnica Triglav, d.d.

Audited annual report for the year ended 31 December 2012

MANAGEMENT BOARD:

President: Matjaž RAKOVEC

Members: Andrej SLAPAR

Stanislav VRTUNSKI

Benjamin JOŠAR

Marica MAKOTER



ZAVAROVALNICA TRIGLAV D.D.
HEADQUARTERS
MIKLOŠIČEVA CESTA 19, 1000 LJUBLJANA



**MANAGEMENT REPORT OF
ZAVAROVALNICA TRIGLAV D.D.
FOR 2012**

Ljubljana, 29. March 2013

CONTENTS:

1. ZAVAROVALNICA TRIGLAV IN 2012	3
2. STRATEGY AND PLANS OF THE TRIGLAV GROUP	5
3. CORPORATE GOVERNANCE STATEMENT	11
4. SHARE CAPITAL AND SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV	22
5. DEVELOPMENT AND SALES ACTIVITIES	29
6. PERFORMANCE OF ZAVAROVALNICA TRIGLAV	40
7. FINANCIAL RESULT OF ZAVAROVALNICA TRIGLAV IN 2012.....	51
8. FINANCIAL STANDING OF ZAVAROVALNICA TRIGLAV IN 2012.....	55
9. CASH FLOW STATEMENT	58
10. RISK MANAGEMENT	58
11. SUSTAINABLE DEVELOPMENT IN ZAVAROVALNICA TRIGLAV	73
12. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD	100
13. BUSINESS NETWORK OF ZAVAROVALNICA TRIGLAV	101
14. PERFORMANCE INDICATORS OF ZAVAROVALNICA TRIGLAV	102

1. ZAVAROVALNICA TRIGLAV IN 2012

1.1 Financial highlights of Zavarovalnica Triglav

- 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.
- Zavarovalnica Triglav continued consolidating ownership of its subsidiaries.

	in million EUR			Index	
	2012	2011	2010	2012/2011	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 Dec.	1,990.2	1,940.8	1,985.1	103	98
Equity as at 31 Dec.	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 Dec.	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.

1.2 Financial calendar 2013

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).

1.3 Subsidiaries and associated companies of Zavarovalnica Triglav d.d.

Subsidiaries of the Zavarovalnica Triglav:

- **Pozavarovalnica Triglav Re d.d.**
- **Triglav, Zdravstvena zavarovalnica d.d.**
- **Triglav INT, holdinška družba d.d.**
- **Triglav Skladi, družba za upravljanje d.o.o.**
- **Triglav Naložbe, finančna družba d.d.**
- **Triglav Penzijski fondovi a.d.**
- **TRI-PRO d.o.o.**
- **AS Triglav - servis in trgovina d.o.o.**
- **Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami d.o.o.**
- **Slovenijales d.d.**
- **Gradis IPGI d.d.**
- **Hotel Grad Podvin d.d.**

Associated companies of the Zavarovalnica Triglav:

- **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.**

1.3.1 Changes to the equity holdings of Zavarovalnica Triglav in subsidiaries in 2012

- Zavarovalnica Triglav d.d. transferred its shareholdings in Triglav Osiguranje d.d., Zagreb to Triglav INT d.d.
- 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 a 100% equity stake in IP Nova d.o.o. and IP Nova A d.o.o., which were merged to the controlling company on 30 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.

1.3.2 Changes to the Triglav Group composition in 2012

- 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%.
- Triglav INT carried out a capital increase in Triglav Osiguranje, Banja Luka by issuing 973 shares at par value of BAM 2,000 each, totalling BAM 1,946,000 or EUR 994,974. The recapitalisation funds were transferred on 6 August 2012 and recapitalisation was entered into the local Court Register on 16 October 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.

- 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.
- 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 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).
- 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.

1.4 The management of Zavarovalnica Triglav

As at the end of 2012, the Management Board of the Company included:

- Matjaž Rakovec, President;
- Andrej Slapar, Member 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.

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.

2. STRATEGY AND PLANS OF THE TRIGLAV GROUP

- **With consistent implementation of the Group strategy, focused on the insurance business and profitability of operations, Zavarovalnica Triglav successfully mitigated the effects of increasingly unfavourable economic conditions.**
- **Profit was achieved as planned and it was 15% higher compared to the previous year.**
- **Despite demanding business conditions, the net profit of the Triglav Group in 2013 is planned at EUR 55.2 million.**

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 Values

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.

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

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.

<p>Level 1: Employees, knowledge and learning</p> <ul style="list-style-type: none"> - 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. 	<p>Level 2: Processes and organisation</p> <ul style="list-style-type: none"> - 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.
<p>Level 3: Clients</p> <ul style="list-style-type: none"> - 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. 	<p>Level 4: Finances</p> <ul style="list-style-type: none"> - 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.

2.3 Objectives achieved by Zavarovalnica Triglav in 2012

Despite a difficult economic and financial situation, the Company's dedicated business attitude and consistent implementation of strategic guidelines generated a **profit of EUR 50.4 million**, representing a high, **15% 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 achieved the planned profit level. 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 and Zavarovalnica Triglav* 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 7% 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 – **reached 81.4%**.

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 Environmental impact on Zavarovalnica Triglav's operations for more details*).

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 56.5 million**. The year-end profit was additionally affected by the investment loss (EUR 7.5 million) arising from the Greek securities holdings, owing to the effect of unilateral write-off of the Greek government debt. 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 Zavarovalnica Triglav increased by 16%, **amounting to EUR 507.7 million** at the end of the year. The portion of equity in the balance sheet total increased by 2.1 percentage points compared to 31 December 2011, reaching 19.5% (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.

Financial highlights of the Triglav Group business plan for 2013

	Plan 2013
Gross written premium from insurance and co-insurance contracts	EUR 941.1 million
Gross claims paid	EUR 648.2 million
Net profit/loss	EUR 55.2 million
Capital as at the year end	EUR 611.9 million
Combined ratio	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.

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).

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 (<http://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 <http://www.zav-zdruzenje.si>.

3.3 Management bodies of Zavarovalnica Triglav

Zavarovalnica Triglav is managed and governed according to a two-tier system. The management bodies, i.e. the General Meeting of Shareholders, the Management Board and the Supervisory Board, operate in compliance with primary and secondary legislation, the Articles and Memorandum of Association of the Company, and their own rules of procedure. 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, and when it is in the interest of the Company.

The competences and operation of the General Meeting of Shareholders are set out in the Companies Act and the Articles 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 Supervision 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.
- Stanislav Vrtunski took office on 23 May 2012.

Member of the Management Board – 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. After the transformation into KD Banka, he was positioned first as its Executive Director and later as an Executive Member of the Board of Directors. In the period from 2008 to 2011, he participated in management and supervisory bodies in KD Group subsidiaries in Romania, Bulgaria and Croatia. 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.
- 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 in the Novo Mesto Regional Unit.
- 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 Stabernak.

Data on the earnings of the Management Board members are disclosed in *Chapter 8.1 of the Accounting Report*.

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	<ul style="list-style-type: none"> • Lovćen 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	<ul style="list-style-type: none"> • Triglav Pojišt'ovna a.s., Brno • Pozavarovalnica Triglav Re d.d. • Triglav Osiguranje d.d., Sarajevo • Triglav INT d.d. • Abanka Vipa d.d.
Stanislav Vrtunski Management Board Member	<ul style="list-style-type: none"> • Triglav Osiguranje d.d., Zagreb • AS Triglav d.o.o. • Triglav INT d.d.
Benjamin Jošar Management Board Member	<ul style="list-style-type: none"> • Triglav Skladi d.o.o. • Triglav INT d.d.
Marica Makoter Management Board Member, Employee Representative	<ul style="list-style-type: none"> • Triglav Osiguranje a.d., Skopje

3.3.2.4 Functioning and powers of the Management Board

As at 31 December 2012, the Management Board members were in charge of the following areas:

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, of whom six are representatives of the shareholders and three are representatives of employees, supervise with full responsibility the conducting of the Company's business.

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.

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	Bartimaeus, finančno poslovanje 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.	/

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.

Data on earnings of the Supervisory Board members are disclosed in *Section 8.1 of the Accounting Report*.

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 2011, 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;
- 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 Mihajlovič 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 Mihajlovič 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.

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 the *section 10 on risk management*.

3.6 Main characteristics of the internal control and risk management system

Zavarovalnica Triglav has an efficiently designed integrated system for risk management and internal control in the Group. 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 Zavarovalnica Triglav. 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).

Zavarovalnica Triglav 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, Zavarovalnica Triglav 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.

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.

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 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.

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

ITEMS	31 Dec. 2012	31 Dec. 2011	31 Dec. 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
Net earnings/loss per share (in EUR)	2.22	1.93	1.41
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 Company (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).

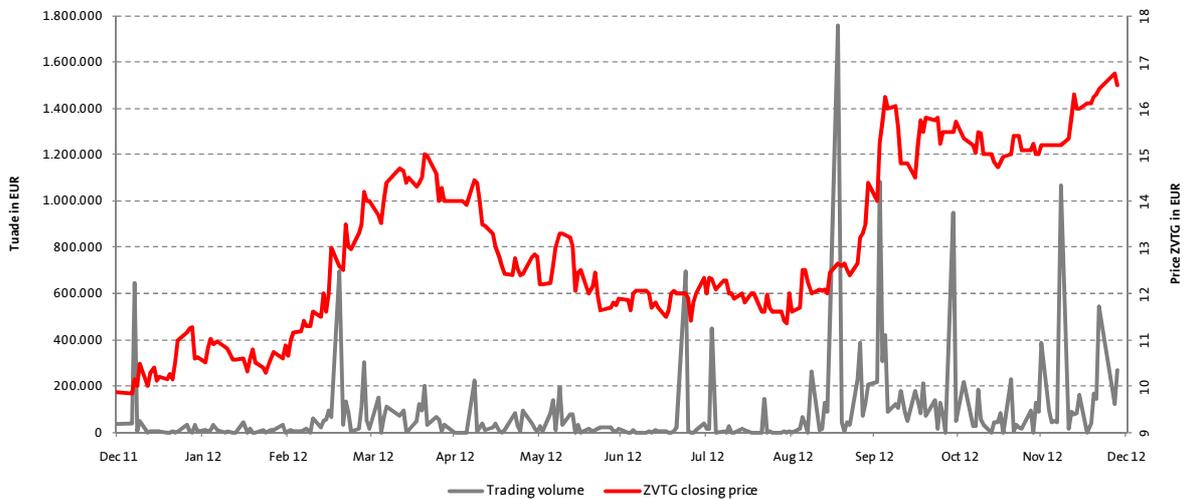
Holders of shares that have been acquired or are possessed contrary to the Insurance Act have no voting rights. See the Insurance Act for details.

4.3 Movements in the share value of Zavarovalnica Triglav in 2012

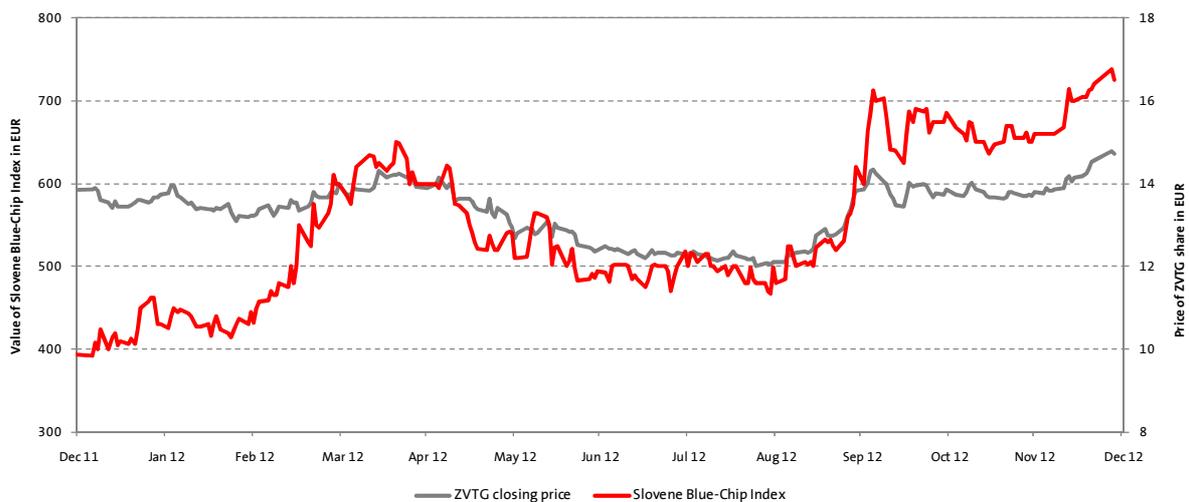
The year 2012 was very successful for ZVTG shares. At the beginning of January 2012, the share price fell under EUR 10, which was the closing price at the end of 2011. However, it rose continuously throughout the year and reached EUR 16.50 at the end of 2012. The highest closing price, EUR 16.75, was 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.

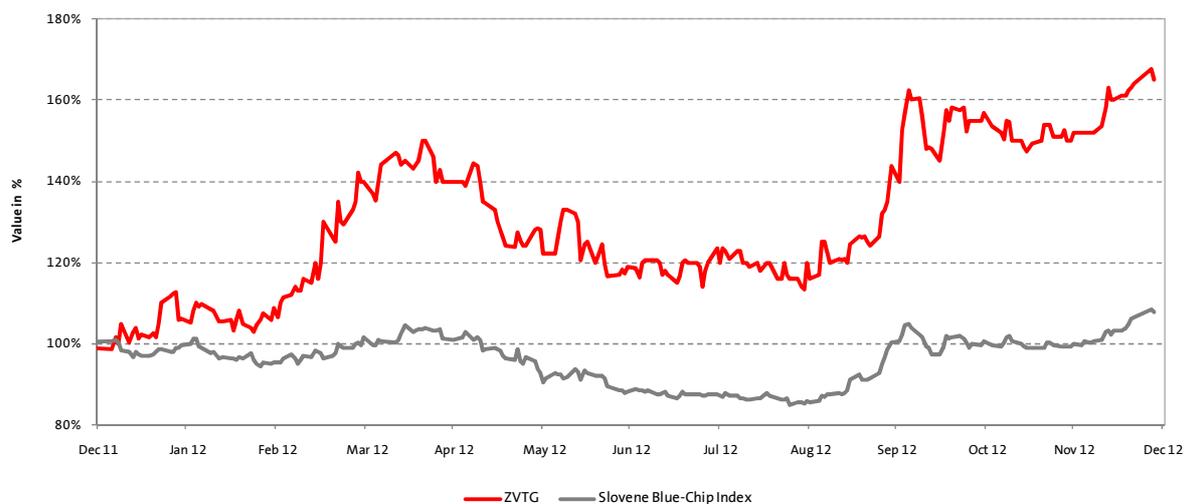
Movements in the closing price (right axis) and turnover in EUR (left axis) of the ZVTG share of Zavarovalnica Triglav



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 2012 as compared to 31 December 2011



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

Month	in EUR				
	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.

Shareholder structure of Zavarovalnica Triglav as at 31 December 2012

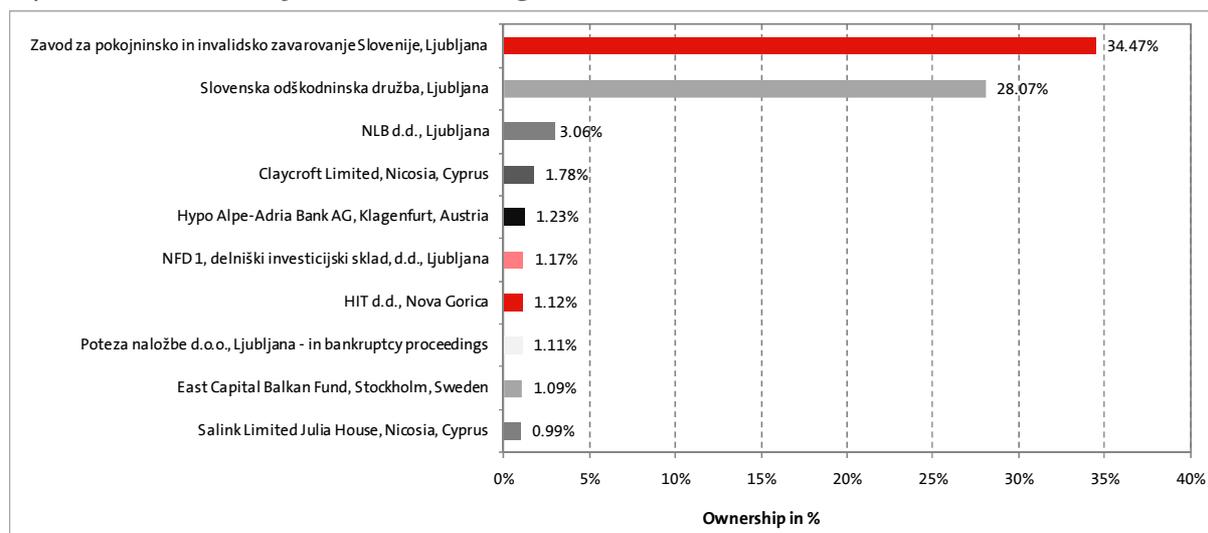
	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	20,492,650	2,242,498	20,853,112	1,882,036
Number of shareholders	28,686	28,204	482	688	27,998
Number of shares – percentage	100.00 %	90.14 %	9.86 %	91.72 %	8.28 %
Number of shareholders – percentage	100.00 %	98.32 %	1.68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

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.

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.*

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 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
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.

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
M.Sc. Uroš Ivanc, Executive Director of Finance Division
Phone: +386 (1) 47 47 468
Fax: +386 (1) 231 64 56
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 and Zavarovalnica Triglav d.d.

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.

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.

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.

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.

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.

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 prices; 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 equalling 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 2012. 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 activities:

- 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.

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.

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. In the second half of 2012, the Company measured client satisfaction levels.

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.

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.

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 business 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 services. 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
- 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 product.

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 communication, Zavarovalnica Triglav operates in line with the Slovene Advertising Code. In 2012, no proceedings for infringement of the Code were initiated against Zavarovalnica Triglav.

5.3 Investments in property and equipment in 2012

In 2012, Zavarovalnica Triglav invested EUR 4,8 million in property, plant and equipment, EUR 230 thousand in investment property and EUR 7,6 million in intangible fixed assets (software and property rights).

There were no large-scale investments in real property. The Company's investment policy was focused only on urgent repairs, renewals and refurbishment of existing business premises, primarily aimed at improvement of working conditions. The largest investment took place in the Novo Mesto Regional Unit, where new premises were renovated, and the lift was replaced. In Ljubljana, over 2,000 square meters of flooring was refurbished and ventilation was installed along the entire appraisal line. In Murska Sobota, the office kitchenette was renovated, and in Postojna builders' joinery was replaced. In Koper, fire alarms and emergency lighting were set up, and in Krško the heating station was renovated together with NLB. Builders' joinery was replaced in holiday capacities in Sabunike, and in Velika Planina and Vodice a new roof covering was laid. In addition to that, approximately 500 chairs were replaced.

The reorganisation required 350 relocations in all regional units locations, most of those in the headquarters and the Ljubljana branch office. Additional business premises for the middle office and the back office in Ljubljana were rented.

5.4 Organisation of Zavarovalnica Triglav

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.

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 office" and "back office" functions.

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

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

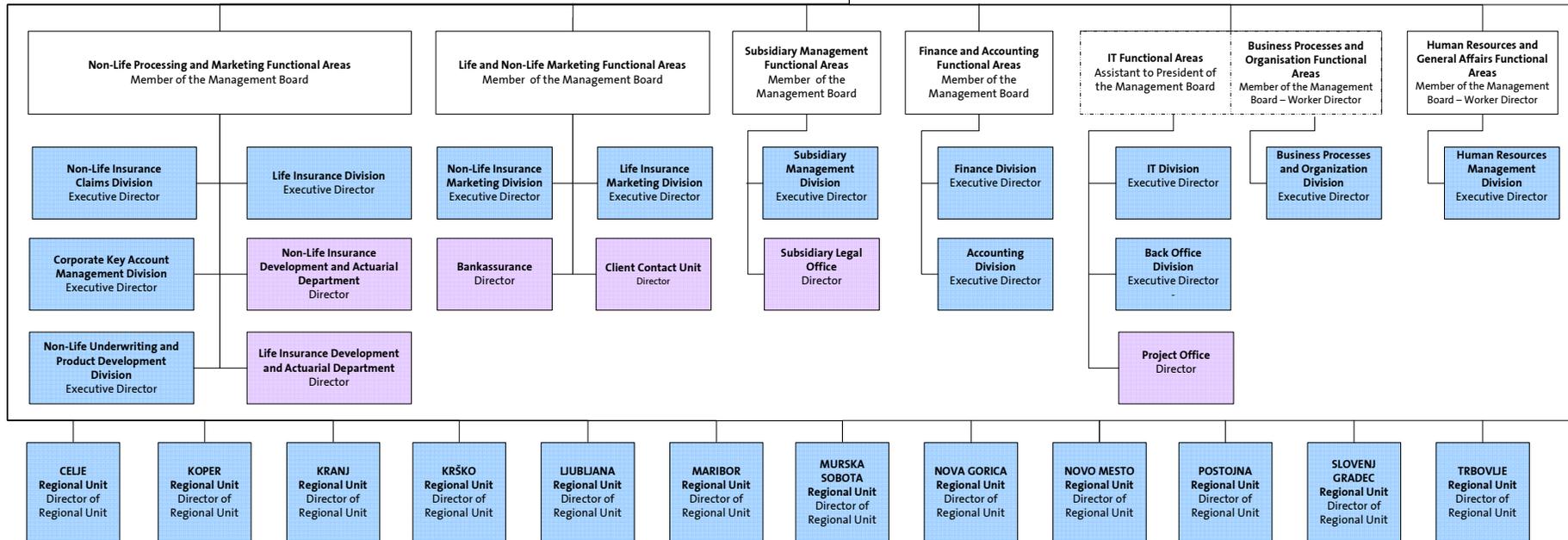
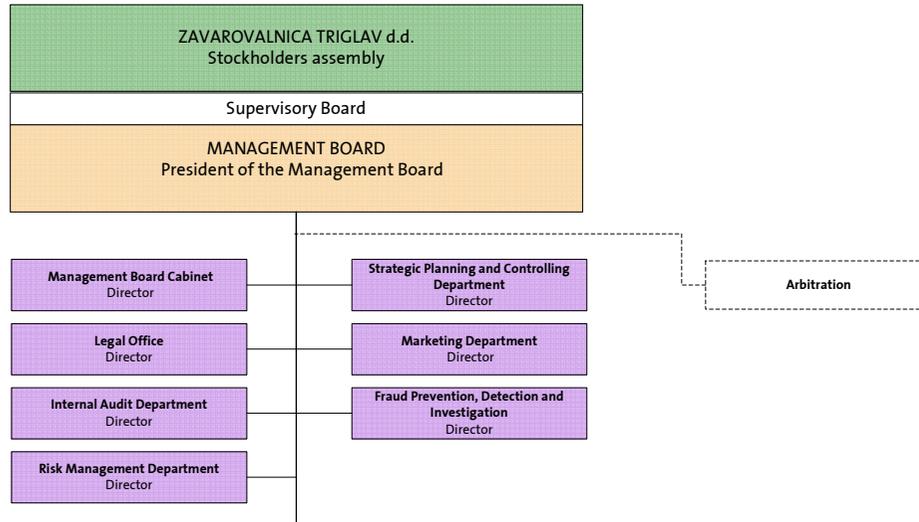
- the responsibilities for process management were defined in greater detail;
- the system of competences and powers continued to be implemented;
- the process document Business Process Management System in Zavarovalnica Triglav was prepared, which sets out the roles of owners, administrators and operators of the business process management system and defines the sub-process steps in the business process management (BPM) and business process reengineering (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 business processes was compiled;
- a process measurement methodology was enforced, serving as the basis for determining process indicators used to measure the performance, efficacy and improvement of a process;
- a new system of process documentation was set up; and
- the implementation of internal document management system continued (the management of the system was complemented and upgraded, an updated management application was launched, and a transparent ownership and administration system was established).

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

Organisational structure of Zavarovalnica Triglav as at 31 December 2012

ZAVAROVALNICA TRIGLAV d.d.

- Legend**
- Zavarovalnica Triglav, d.d.
 - Management Board
 - Functional Areas
 - Division, Regional Unit
 - Headquarters Department
 - Department



5.5 Development of IT support

The upgrade of important IT segments also took place. The department enabled the efficient execution of business 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 stakeholders was broadened (primarily with courts, banks, authorities and some business partners). Software support was provided for new insurance products, modified business processes for underwriting, 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 framework of the new IT support system for non-life insurance. The redesigning of the remote underwriting application 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 payments with BON-i was developed. Software support for updated rules on agent fee calculation was developed. Adjustments were made to all IT system segments 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 support 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 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 ZAVAROVALNICA TRIGLAV

- **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 maintained the leading position in insurance market.**
- **Zavarovalnica Triglav 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 Influence of the environment on the performance of Zavarovalnica Triglav

The performance of Zavarovalnica Triglav in 2012 was again affected by economic and financial crisis. The Company is closely intertwined with financial markets and cannot avoid their influence entirely, which can also be deducted from the fact that equity investments represent a major part of its assets. Despite the relatively conservative investment policy of Zavarovalnica Triglav, 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 56.5 million. Profit was also adversely affected by loss arising from Greek securities holdings in the amount of EUR 7.5 million, owing to the effect of unilateral write-off of the Greek government debt and, consequently, additional valuation of its position.

The downgrade of the Republic of Slovenia (see *Section 4.8 Credit rating of the Triglav Group and Zavarovalnica Triglav*) 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 Zavarovalnica Triglav 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 Company.

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.

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

6.3 The insurance market 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 insurance companies, of which 10 composite and 8 specialised insurance companies (life, health and non-life insurance).

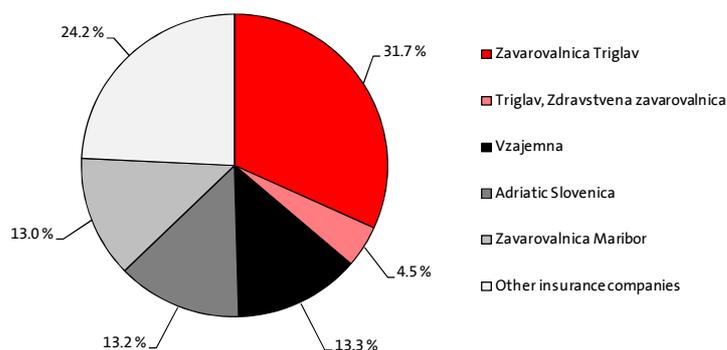
In October of 2011, Modra zavarovalnica was included among the traditional insurance companies. It was founded in the process of division by exclusion from Kapitalska družba (upon incorporation it took over the management of Closed Mutual Pension Fund for Civil Servants, Capital Mutual Pension Fund, 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-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.

The 2012 market share of traditional insurance companies in Slovenia



Source: Slovenian Insurance Association

6.4 Gross written premium for insurance and co-insurance contracts

Zavarovalnica Triglav booked a total of EUR 645.6 million in written insurance premiums or 7% less than in 2011. In addition to gross written insurance premiums, it booked EUR 2.0 million in co-insurance premiums, or 13% more than in 2011.

In total written premiums, non-life insurance accounted for 70.3% and life insurance for 29.7%. The share of life insurance premium in total gross written premium increased by 0.8 percentage point.

Gross written premium per insurance class in 2012

Insurance class	Gross written premium			Index		Structure
	2012	2011	2010	2012/2011	2011/2010	2012
1 Accident insurance	36,183,126	40,111,479	43,537,675	90	92	5.6%
2 Comprehensive car insurance	108,291,760	121,432,435	124,341,259	89	98	16.8%
3 Real property insurance	126,677,779	136,050,289	132,992,849	93	102	19.6%
4 Motor liability insurance	111,525,660	124,713,349	141,108,286	89	88	17.3%
5 General liability insurance	29,983,506	29,226,748	29,340,076	103	100	4.6%
6 Credit insurance	19,837,754	20,303,284	21,710,884	98	94	3.1%
7 Other non-life insurance	21,302,545	22,176,512	19,201,778	96	115	3.3%
NON-LIFE INSURANCE	453,802,130	494,014,097	512,232,807	92	96	70.3%
8 Life insurance	85,209,421	87,585,033	91,314,306	97	96	13.2%
9 Unit-linked life insurance	85,162,447	93,679,475	95,036,511	91	99	13.2%
10 Capital redemption insurance	21,452,783	19,683,762	21,280,476	109	92	3.3%
LIFE INSURANCE	191,824,651	200,948,270	207,631,293	95	97	29.7%
TOTAL	645,626,781	694,962,367	719,864,100	93	97	100.0%

6.4.1 Non-life insurance

The gross written premium in non-life insurance totalled EUR 453.8 million, which was 8% less in nominal terms than the year before. The main reasons for the expected decrease in the premium are:

- aggressive price competition among insurance companies, particularly in the motor vehicle insurance sector, and the entrance of new competitors (Ergo insurance company);
- deepening of the economic crisis, which changed the behaviour of policyholders due to which several sales promotion activities were carried out (reductions on new motor vehicle

- insurance premiums, gift vouchers and similar) and the introduction of the »Triglav Komplet« bonus programme (for more information see *Section 5.1.1*);
- continued efforts to mitigate the poor technical results recorded in insurance of property and interests in property as well as in agricultural insurance. The resulting changes caused a decrease in written premium and a simultaneous improvement of insurance technical results. Having introduced the central key customer organization unit, Zavarovalnica Triglav changed its key client management process, reduced the number of entry points, and improved the level of professionalism in sales and after-sales services.

The largest (34.0%) share in the portfolio was accounted for by **motor vehicle insurance**. In 2012, EUR 219.8 million in premiums was recorded, i.e. 11% less than in 2011. The Group collected EUR 111.5 million in **motor liability insurance premium** and EUR 108.3 million in **comprehensive car insurance premiums**. Both insurance classes recorded an 11% drop in total premiums. Some reasons for the lower total of the motor vehicle insurance premiums have already been mentioned in the introduction to this *Section*, as well as in *Sections 2.3 Implementing the goals of Zavarovalnica Triglav d.d. in 2012* and *6.2 Impact of the environment on the performance of Zavarovalnica Triglav d.d.* Sales promotion activities (additional discounts on new motor vehicle insurance premiums, gift vouchers and prize competitions) accompanied by the introduction of the »Triglav Komplet« product attracted a great deal of attention, but also resulted in decreased prices of insurance products and the lower level of premium realization. In corporate insurance, decreased premiums were substantially affected by the bankruptcies of large construction and transport companies.

In the **real property insurance class** (fire and natural disaster insurance and other damage to property insurance), premiums of EUR 126.7 million were booked, representing a 7% decrease. In fire and natural disaster insurance, a nominal growth of 5% was achieved, whilst other damage to property insurance recorded a 14% premium decrease. This drop was predominantly a result of the lower written premiums from combined non-life insurance products, which last year included »one-off« policy with a high premium price, and of the further portfolio purification with regard to machinery breakdown insurance and car warranty insurance. Premiums from home insurance package for individuals (DOM) decreased because earthquake insurance was redesigned to form an independent insurance sub-class. However, solid sales results were achieved in fire (power industry), construction, and food freezer insurance. Favourable sales results were also recorded for crop and fruit insurance. In the latter sector, even better results could have been achieved, but actuarial bases were made stricter by having introduced deductible franchises, stricter terms of risk underwriting and a cap on the sum insured for crops with government co-financing of insurance premiums.

Accident insurance represented 5.6 % of the total written premiums or EUR 36.2 million in nominal terms. The reasons for lower premiums in accident insurance (index 90) could be ascribed to the situation in the motor vehicle insurance market. Specifically, a half of premium in this insurance group arose from two insurance sub-classes taken out simultaneously with car insurance: AO-plus (index 85) and driver and passenger accident insurance (index 92). Growing unemployment and the poor state of the economy were the main reasons for the lower premiums written in group accident insurance (index 94), which represents 37% of the total accident insurance. However, a favourable result was achieved in mandatory personal accident insurance and the insurance of public transport passengers, as well as in individual accident insurance.

General liability insurance represented 4.6 % of total written premiums or EUR 30.0 million in nominal terms. A 3% premium growth was recorded, mainly due to good sales results in the two largest sub-classes of this insurance class (general liability insurance and product liability insurance), which together represented 88% of the total. Bearing in mind the poor economic

situation, the achieved result can be considered successful. Very solid sales results were also achieved in the majority of professional liability insurance products, such as the liability of medical doctors, attorneys-at-law, insurance brokerage firms, tax advisers as well as other classes of professional liability insurance.

In **credit insurance** (3.1% of the total), premiums written amounted to EUR 19.8 million, which is a 2% reduction compared to 2011. This drop can primarily be ascribed to a 10% decrease in consumer loan insurance (62% share of total credit insurance) due to a decreased volume of bank lending, lower general amounts of loans as well as the low EURIBOR rate and thereby reduced basis for premium calculation. The results of other sub-classes of credit insurance were solid, especially in trade credit insurance (index 131), payment card claims (index 127) and overdraft insurance (index 114).

Other non-life insurance (railway insurance, aircraft insurance, marine insurance, goods in transit insurance, aircraft liability insurance, marine liability insurance, suretyship insurance, miscellaneous financial loss insurance, legal expense insurance and assistance insurance) accounted for 3.3% of total written premiums. In 2012, written premiums in this insurance class amounted to EUR 21.3 million, i.e. 4% less than the year before. This resulted from a lower growth of aircraft insurance premium, miscellaneous financial loss insurance and assistance insurance. The aircraft insurance premium decreased due to the reduced fleet and a lower insured sum of a large policyholder, the sale of an aircraft, the bankruptcy of a policyholder and strong competition. The lower premiums of miscellaneous financial loss insurance were particularly affected by the further portfolio clean up with regard to business interruption insurance due machinery breakdown. In assistance insurance, the premium decrease can predominantly be attributed to redesigned terms and conditions, and stricter requirements in the underwriting documentation for trip cancellation insurance. Good sales results were achieved in railway insurance and suretyship insurance.

6.4.2 Life insurance

In total, Zavarovalnica Triglav charged EUR 191.8 million in gross written premiums from **life insurance** contracts, which represents a 5% decrease on 2011. Their share in total gross written premium was 29.7%.

Life insurance (traditional life insurance, annuity insurance, voluntary pension insurance) premiums stood at EUR 85.2 million, accounting for 44.4% of the total premiums in the life insurance class. The premiums were 3% lower than in 2011.

The premiums generated by **unit-linked life insurance** (life insurance linked to the units of investment funds) also totalled EUR 85.2 million, which was 9% less compared to the previous year. The main reasons for this decrease can be found in the uncertainty of financial markets and the economic crisis (as clients were 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).

Supplemental voluntary pension insurance (capital redemption insurance) generated EUR 21.5 million or 11.2% 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 premiums.

In 2012, the new written premiums from instalment-based insurance totalled EUR 1.2 million and from one-off life insurance EUR 7.0 million. Most of the one-off life insurance premiums were generated by pension annuities from supplemental voluntary pension insurance.

6.5 Gross claims paid

The Company recorded EUR 413.7 in gross claims (excluding loss adjustment costs), which is approximately the same as in the preceding year.

Gross claims paid (excluding loss adjustment costs) by insurance class in 2012

Insurance class	Gross claims settled			Index		Structure
	2012	2011	2010	2012/2011	2011/2010	2012
1 Accident insurance	14,333,408	16,543,182	17,866,670	87	93	3.5%
2 Comprehensive car insurance	78,086,686	84,463,145	97,359,864	92	87	18.9%
3 Real property insurance	63,073,403	61,756,912	75,734,906	102	82	15.2%
4 Motor liability insurance	62,935,251	74,724,405	82,615,826	84	90	15.2%
5 General liability insurance	14,087,009	16,772,216	16,446,886	84	102	3.4%
6 Credit insurance	13,547,163	12,954,393	14,076,954	105	92	3.3%
7 Other non-life insurance	11,953,624	11,182,733	13,445,727	107	83	2.9%
NON-LIFE INSURANCE	258,016,544	278,396,985	317,546,833	93	88	62.4%
8 Life insurance	89,430,423	83,545,897	79,058,366	107	106	21.6%
9 Unit-linked life insurance	37,578,482	26,370,827	17,355,857	143	152	9.1%
10 Capital redemption insurance	28,629,201	24,258,129	3,825,578	118	634	6.9%
LIFE INSURANCE	155,638,107	134,174,853	100,239,802	116	134	37.6%
TOTAL	413,654,651	412,571,838	417,786,635	100	99	100.0%

6.5.1 Non-life insurance

The comparison of growth rates between claims and insurance premium in non-life insurance shows that claims grew at a rate of 1 index point higher than insurance premiums. In non-life insurance, total gross claims paid amounted to EUR 258.0 million or 7% less than the year before.

The gross claims paid for **motor vehicle insurance** amounted to 34.1% of all claims settled. In 2012, EUR 141.0 million in total claims was recorded, i.e. 11% less than in the previous year. Their slower growth was affected not only by the changed legislation in road traffic safety and improved road infrastructure, but also by the modernised process of claim handling and loss adjustment. Total claims for the **comprehensive car insurance** class represented 18.9% of total gross claims paid. Claims paid amounted to EUR 78.1 million or 8% less compared to the previous year. With EUR 62.9 million or 15.2% of total gross claims booked, **motor liability insurance decreased** by as much as 16% in nominal terms.

In **real property insurance** (fire and other property insurance), total claims paid amounted to EUR 63.1 million or 2% more than the year before. Total claims grew due to the higher number of loss events resulting from extraordinary weather conditions and increased fire claims from mine insurance. In February, bora wind storms in western Slovenia caused EUR 4.5 million of damage. Claims settled in crop and fruit insurance amounted to approximately EUR 3.9 million, due to the spring frost in early April that reduced crop output in fruit growing and, to a lesser extent, in viticulture. Summer hail storms caused approximately EUR 1.8 million of damage in crops. In June, a hail storm in central and western Slovenia caused approximately EUR 1.8 million, and in July a hail storm in central and north-western Slovenia resulted in some EUR 3.0 million of damage. Due to the floods that affected a large part of Slovenia in November, Zavarovalnica Triglav had claims of around EUR 10.0 million.

Gross claims paid in **accident insurance** amounted to EUR 14.3 million or 13% less than the year before. The decrease in claims in this insurance class was mostly due to the drop in claims paid

in the two biggest insurance sub-classes: group accident insurance and AO-plus insurance (together, they account for 82 % of total claims in this insurance class).

In the **general liability insurance class**, as much as a 16% decrease in gross claims paid was recorded. This predominantly resulted from the 23% reduction in claims in the largest insurance sub-class, i.e. general liability insurance, which represents more than 76% of 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.

Gross claims from **credit insurance** rose by 5%. For the most part, this was the consequence of the financial and economic crisis, with the increased claims from commodity loan insurance reflecting a higher level of illiquidity and insolvency of companies, while the crises also affected higher claims from overdraft insurance and payment card insurance. Gross claims in the largest insurance sub-class, consumer loan insurance (61% share), decreased by 3%.

The 7% increase in gross claims paid for **other non-life insurance** was mostly due to more claims in railway accident insurance, aircraft liability insurance and roadside assistance insurance. With regard to other insurance classes, the claims paid were lower than the year before.

6.5.2 Life insurance

Gross claims paid in life insurance totalled EUR 155.6 million and were 16% higher compared to the previous year. Claims in the life insurance class accounted for 37.6% of total claims paid or 5.1 percentage points more than the year before. The increase in claims paid from life insurance 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 89.4 million, i.e. 7% more compared to the previous year. A high increase of claims paid was recorded in **unit-linked life insurance** (index 143) and in **capital redemption insurance** (supplemental voluntary pension insurance) (index 118).

6.6 Gross operating expenses

Gross operating expenses totalled EUR 160.9 million, decreasing 2% compared to the preceding year. The growth of operating expenses was 5 index points higher than the growth of gross written premium. Operating expenses accounted for 24.9% of gross written premium, which was 1.4 percentage points more than in 2011.

Acquisition costs (fees and charges) totalled EUR 18.3 million and decreased by 4% over the preceding year. Due to large-scale investments in IT, depreciation charges amounted to EUR 8.8 million, increasing 34% over the previous year. With 55.9%, labour costs accounted for the largest portion of total expenses. They amounted to EUR 90.0 million, decreasing by 4% compared to 2011. Costs of services provided by outsourced natural persons totalled EUR 1.9 million, representing an increase of 6% on the year before, due to increasing costs for student jobs. Other operating costs decreased by 1% to EUR 42.0 million.

Gross operating expenses in non-life insurance experienced a 2% decrease to EUR 125.9 million. Their share in gross written premium was 27.7%. Operating expenses in life insurance

decreased by 3%, reaching EUR 35.0 million. They accounted for 18.3% of gross written premium.

In total gross operating expenses, broken down by functional groups, costs of insurance contract acquisition accounted for 60.1%, decreasing by 0.5 percentage points. Claim handling costs accounted for 12.8% (12.1% in 2011) and asset management costs for 2.2% (2.5% in 2011). Other operating expenses represented 24.9%, having decreased by 1.0 percentage point.

Gross operating expenses by nature in 2012

Expenses by nature	Gross operating expenses			Index	
	2012	2011	2010	2012/2011	2011/2010
1. Acquisition costs (fees and charges)	18,305,679	19,013,601	19,536,284	96	97
2. Other operating expenses	142,637,642	144,827,082	150,872,262	98	96
2.1 Depreciation of operating assets	8,819,073	6,589,262	6,327,970	134	104
2.2 Labour costs	89,989,713	94,132,867	96,669,151	96	97
- wages and salaries	66,623,332	66,988,903	70,474,852	99	95
- social security and pension insurance costs	11,377,667	11,294,059	11,930,156	101	95
- other labour costs	11,988,713	15,849,905	14,264,143	76	111
2.3 Costs of services provided by natural persons other than SPs, including related taxes	1,871,262	1,765,421	1,866,017	106	95
- costs of work contracts and work-made-for-hire agreements	573,190	614,081	719,278	93	85
- costs of student employment agency services	1,298,072	1,151,340	1,146,739	113	100
2.4 Other operating costs	41,957,593	42,339,531	46,009,123	99	92
- costs of entertainment, advertising, trade shows	10,551,146	11,799,643	11,406,683	89	103
- costs of material and energy	4,895,177	4,518,150	4,984,389	108	91
- maintenance costs	6,817,466	6,100,830	5,919,078	112	103
- reimbursement of labour-related costs	3,872,283	3,980,464	4,093,184	97	97
- costs of intellectual and personal services	1,843,919	2,080,381	1,437,412	89	145
- non-income-related costs, excluding insurance	1,799,319	1,874,058	2,719,133	96	69
- costs of transport and communications services	2,905,142	2,936,076	3,126,504	99	94
- costs for insurance premiums	1,341,042	1,368,959	1,305,684	98	105
- payment transaction costs and banking services	3,099,269	3,130,177	3,262,471	99	96
- rents	2,687,949	2,573,623	2,469,355	104	104
- costs of services of professional training	823,218	765,919	747,802	107	102
- other costs of services	1,321,665	1,211,250	1,223,091	109	99
- long-term provisions for pensions, employee benefits and other provisions	0	0	3,314,338	0	0
TOTAL	160,943,321	163,840,683	170,408,546	98	96

Gross operating expenses by insurance class in 2012

Insurance class	Gross operating expenses			Index		Structure
	2012	2011	2010	2012/2011	2011/2010	2012
1 Accident insurance	10,591,655	11,075,645	12,401,634	96	89	6.6%
2 Comprehensive car insurance	26,399,267	27,236,890	27,714,831	97	98	16.4%
3 Real property insurance	43,713,612	43,410,553	44,038,790	101	99	27.2%
4 Motor liability insurance	25,779,320	27,331,801	31,033,012	94	88	16.0%
5 General liability insurance	8,218,351	8,221,853	8,423,881	100	98	5.1%
6 Credit insurance	4,377,848	4,466,691	4,567,144	98	98	2.7%
7 Other non-life insurance	6,823,553	6,092,223	6,078,374	112	100	4.2%
NON-LIFE INSURANCE	125,903,607	127,835,656	134,257,666	98	95	78.2%
8 Life insurance	15,542,483	14,398,076	13,588,405	108	106	9.7%
9 Unit-linked life insurance	17,251,397	19,357,353	20,197,035	89	96	10.7%
10 Capital redemption insurance	2,245,834	2,249,598	2,365,439	100	95	1.4%
LIFE INSURANCE	35,039,714	36,005,027	36,150,880	97	100	21.8%
TOTAL	160,943,321	163,840,683	170,408,546	98	96	100.0%

6.7 Risk equalisation

In 2012, Zavarovalnica Triglav equalised approximately 89% of the risks within its own equalisation capacities. The Company was able to equalise risks that exceeded its own equalisation capabilities by reinsurance and, to a lesser extent, by co-insurance arrangements. Within its own equalisation capacities, losses were covered with the current annual inflow of technical premium by insurance class and the insurance technical provisions formed.

6.7.1 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 Zavarovalnica Triglav allocated EUR 1,990.2 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 3%, 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 9%, reaching EUR 200.5 million. Provisions for unearned premiums for non-life insurance amounted to EUR 200.1 million (index 91), while provisions for unearned premiums for life insurance totalled EUR 403 thousand, which was 3% less than one year earlier.
- **Gross claims provisions** remained at the same level as the year before (index 100), amounting to EUR 538.9 million. Claims provisions for non-life insurance totalled EUR 519.6 million (index 100) and those for life insurance EUR 19.3 million (index 99). In addition to the recorded gross claims provisions in the amount of EUR 169.8 million and claims provisions for co-insurance of EUR 1.4 million, gross claims provisions of EUR 333.5 million were formed for incurred but not reported claims. Provisions for loss adjustment costs totalled EUR 43.1 million, while provisions for expected subrogations reduced the gross claims provisions by EUR 8.9 million.
- **Mathematical provisions** stood at EUR 1,231.6 million, representing a 6% increase over last year. Of the total amount of mathematical provisions, EUR 651.9 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 long-term business funds backing SVPI - annuities and EUR 404.9 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** rose by 3% to EUR 17.0 million.
- **Other insurance technical provisions** totalled EUR 2.3 million or 61% 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

	Gross insurance technical provisions			Index	
	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	2012/2011	2011/2010
Unearned premium	200,453,389	219,683,849	222,359,771	91	99
Mathematical provisions	1,231,565,049	1,160,953,401	1,183,104,444	106	98
Claims provisions	538,904,153	537,912,790	547,035,843	100	98
Provisions for bonuses and rebates	16,958,869	16,397,603	17,695,443	103	93
Other insurance technical provisions	2,269,292	5,877,503	14,860,821	39	40
TOTAL	1,990,150,752	1,940,825,147	1,985,056,321	103	98

6.7.2 Reinsurance

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

In 2012, the Company allocated EUR 69.2 million of reinsurance and coinsurance premium to external equalisation, which was 7% less than in 2011. Reinsurance premium accounted for 10.7% of total gross written premium. A reinsurers' share of gross claims settled of EUR 20.1 million was received from reinsurance and coinsurance (index 75).

In 2012, optimum coverage terms and conditions were achieved in all reinsurance and co-insurance contracts.

7. FINANCIAL RESULT OF ZAVAROVALNICA TRIGLAV IN 2012

- **Profit before tax was 21% and net profit 15% higher than in 2011.**
- **Net premium earned decreased by 5% and claims incurred by 2%.**
- **Return on financial investments totalled EUR 40.1 million.**

Despite tight conditions, Zavarovalnica Triglav performed well and ended 2012 with a profit. The disclosed profit before tax amounted to EUR 65.6 million or 21% more than in the preceding year. Net profit reached EUR 50.4 million, increasing by 15% over 2011. Net return on equity stood at 10.7%, having risen by 1.1 percentage points compared to 2011.

The combined ratio, which shows the profitability of operations in non-life insurance, reached 81.4%, an improvement of 1.6 percentage points over 2011. Any value of this ratio below 100 means, that the non-life insurance portfolio, as the core business, is earning a profit.

7.1 Premium income, claims incurred and operating expenses

The net premium earned (calculated on the basis of gross written insurance and co-insurance premiums, reduced by the reinsurers' share and adjusted by the change in gross unearned premiums taking into account the reinsurers' share in unearned premiums) amounted to EUR 596.8 million and was 5% lower than in 2011. Both net non-life and net life premium earned decreased by 5%. Gross written premium from reinsurance and co-insurance operations totalled EUR 69.2 million, representing a 7% decrease compared to 2011. Net unearned premium grew by EUR 18.4 million.

The 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) of EUR 376.6 million were 2% lower than in 2011. Net claims incurred from non-life insurance decreased by 11%, whereas net claims incurred from life insurance rose by 16%. The reinsurers' and co-insurers' shares of gross claims decreased by 25% compared to 2011 and totalled EUR 20.1 million. The change in net claims provisions was EUR -20.1 million, compared with EUR -5.4 million in 2011.

Operating expenses (costs of insurance contract acquisitions and other operating expenses) amounted to EUR 136.8 million and were 2% lower than in 2011. Acquisition costs totalled EUR 96.7 million (index 99), whereas other operating expenses amounted to EUR 40.1 million (index 95).

7.2 Income and expenses from financial assets

Income from financial assets increased by 24% to EUR 144.0 million. Income from financial assets in associates reached EUR 2.5 million. Income from other financial assets totalled EUR 113.2 million, while net unrealised gains on unit-linked life insurance assets amounted to EUR 28.3 million. Interest income of EUR 68.7 million accounted for the largest share of financial assets. Realised gains on disposals amounted to EUR 26.2 million, fair value gains from financial assets totalled EUR 16.9 million, whereas dividend income reached EUR 2.5 million. Other financial income equalled EUR 1.3 million.

Financial expenses stood at EUR 103.9 million, decreasing 42% compared to the 2011 year-end. Expenses from financial assets in associates totalled EUR 14.0 million, while expenses from other financial assets were EUR 89.5 million. Net unrealised losses on unit-linked life insurance assets reached EUR 374 thousand. The bulk of financial expenses comes from permanent impairment of EUR 56.5 million. The portfolio investments of Zavarovalnica Triglav were permanently impaired primarily due to the situation and developments in the Slovene banking sector. Moreover, Zavarovalnica Triglav had to recognise an impairment loss on the investment in the Triglav INT subsidiary due to deteriorated economic conditions and the situation in South-East Europe, affecting the underperformance of certain Triglav Group subsidiaries.

The return on financial investments of Zavarovalnica Triglav (the difference between income and expenses from financial assets) in 2012 amounted to EUR 40.1 million. This compares with a negative figure of EUR -63.8 million in 2011. In addition to the permanent impairment of assets, investment return in 2012 was also adversely affected by a loss arising from Greek securities holdings, owing to the effect of a unilateral write-off of the Greek government debt 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 -6.7 million, with **change in mathematical provisions** totalling EUR -3.1 million and change in other provisions EUR -3.6 million. The decrease in mathematical technical provisions was caused mostly by a higher number of maturities due to the aging of the life insurance portfolio and surrenders, while the change other provisions resulted mostly from 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 50.0 million due to the increase in the unit price, while expenses for bonuses and discounts amounted to EUR 7.6 million (index 143).

Other insurance income of EUR 29.5 million decreased by 6%. Other income totalled EUR 6.5 million or 9% more than on the last day of 2011. Other insurance expenses amounted to EUR 32.0 million (index 90), whereas other expenses reached EUR 11.0 million (index 209).

Income statement for 2012 – according to IFRS

	2012	2011	Index
NET PREMIUM INCOME	596,818,667	628,109,132	95
- gross written premium	647,591,877	696,696,368	93
- ceded written premium	-69,169,119	-74,151,361	93
- change in unearned premiums	18,395,908	5,564,125	331
INCOME FROM FINANCIAL ASSETS	143,980,876	116,412,108	124
<i>INCOME FROM FINANCIAL ASSETS IN ASSOCIATES</i>	2,540,584	1,868,713	136
- interest income	1,773,249	1,503,605	118
- dividends	750,904	364,626	206
- fair value gains	0	0	
- realised gains on disposals	0	0	
- other financial income	16,431	482	
<i>INCOME FROM OTHER FINANCIAL ASSETS</i>	113,159,477	89,694,474	126
- interest income	66,976,057	70,521,806	95
- dividends	1,749,633	2,884,919	61
- fair value gains	16,903,685	5,879,135	288
- realised gains on disposals	26,203,738	9,676,006	271
- other financial income	1,326,365	732,607	181
<i>NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS</i>	28,280,816	24,848,921	114
OTHER INSURANCE INCOME	29,457,651	31,182,642	94
- fees and commission income	24,208,197	27,202,415	89
- other income from insurance operations	5,249,454	3,980,228	132
OTHER INCOME	6,535,404	5,996,603	109
NET CLAIMS INCURRED	376,579,593	382,950,931	98
- gross claims settled	416,700,797	415,203,813	100
- reinsurers' and co-insurers' share	-20,054,072	-26,874,461	75
- changes in claims provisions	-20,067,131	-5,378,421	373
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding UNIT-LINKED)	-6,736,775	-8,460,835	80
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	49,999,757	-13,398,829	
EXPENSES FOR BONUSES AND DISCOUNTS	7,605,842	5,315,757	143
OPERATING EXPENSES	136,837,206	139,957,133	98
- acquisition costs	96,740,329	97,581,422	99
- other operating expenses	40,096,877	42,375,711	95
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	103,907,826	180,227,976	58
<i>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES</i>	14,046,803	10,008,405	140
- interest expense	0	178,870	
- fair value losses	0	1,775,494	
- realised loss on disposals	0	0	
- permanent impairment of financial assets	14,017,150	8,053,513	174
- other expenses from financial assets and liabilities	29,653	528	
<i>EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES</i>	89,486,907	95,629,839	94
- interest expense	2,625,596	4,280,005	61
- fair value losses	17,640,835	9,569,908	184
- realised loss on disposals	22,249,251	16,719,731	133
- permanent impairment of financial assets	42,448,404	59,005,759	72
- other expenses from financial assets and liabilities	4,522,821	6,054,436	75
<i>NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS</i>	374,116	74,589,732	
OTHER INSURANCE EXPENSES	31,985,406	35,470,665	90
OTHER EXPENSES	10,976,575	5,241,762	209
PROFIT/LOSS BEFORE TAX	65,637,168	54,395,925	121
Income tax expense	15,244,994	10,613,367	144
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD	50,392,174	43,782,559	115

8. FINANCIAL STANDING OF ZAVAROVALNICA TRIGLAV IN 2012

- As at 31 December 2012, the total balance sheet assets of Zavarovalnica Triglav stood at EUR 2,603.1 million, which is 3% higher than in 2011.
- The total value of equity increased by 16%.
- Debt securities accounted for 63.1% of total financial assets.

8.1 Equity and liabilities

The total value of equity as at 31 December 2012 was EUR 507.7 million or 16% higher than in 2011. The share of equity in the balance sheet total increased by 2.1 percentage points, from 17.4% to 19.5%. The share capital of EUR 73.7 million was divided into 22,735,148 ordinary shares. As at the reporting date, the fair value reserve (which represents changes in the fair value of available-for-sale financial assets) stood at EUR 46.0 million. This compared with EUR 6.0 million as at the 2011 year-end. Share premium amounted to EUR 53.4 million, while reserves from profit totalled EUR 236.3 million. Reserves from profit include legal and statutory reserves in the amount of EUR 4.7 million, credit risk equalisation reserves of EUR 30.6 million and other reserves from the profit of EUR 201.0 million. The latter increased by EUR 25 million over 2011. As at 31 December 2012, accumulated profit totalled EUR 98.2 million and, in addition to net profit for the year, included EUR 72.8 million of net profit brought forward (as at 31 December 2011: EUR 49.5 million). Net profit for the year totalled EUR 25.4 million, which was EUR 25.0 million less than in the previous year, as the Company used part of the net profit to form other reserves from profit. According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, however only up to one half of the net profit remaining after statutory allocations.

In comparison with 31 December 2011, **subordinated liabilities** decreased by 5% to EUR 38.7 million as at 31 December 2012, due to a redemption of debt securities (ZT 01) totalling EUR 2.2 million. Subordinated liabilities accounted for 1.5% of the balance sheet total.

On the liabilities side, **gross insurance technical provisions** increased by 3% to EUR 1,990.2 million at the end of 2012. In the balance sheet total, their share decreased by 0.7 percentage points, from 77.1 to 76.5%. As at the last day of 2012, mathematical provisions amounted to EUR 1,231.6 million, increasing 6% over the end of the previous year. Provisions for gross unearned premiums shrunk by 9%, gross claims provisions remained at the same level as the year before (index 100), while other insurance technical provisions fell by 14%

Financial liabilities decreased in comparison with the end of 2011, amounting to EUR 1.0 million (EUR 29.2 million as at 31 December 2011). They accounted for only 0.04% of the total balance sheet liabilities.

Operating liabilities as at the 2012 year-end totalled EUR 26.1 million or 9% below the figure reported one year earlier. In the balance sheet total, they accounted for 1.0%, which is 0.1 percentage point less than in 2011. Liabilities from direct insurance operations fell by 7% to EUR 12.5 million and liabilities from co-insurance and reinsurance operations by 8% to EUR 13.6 million. As at the reporting date, there were no current tax liabilities, whereas as at 31 December 2012 they totalled EUR 0.5 million.

Other liabilities increased by 2%. As at 31 December 2012, they stood at EUR 30.5 million, representing a 1.2% share of total assets.

8.2 Assets

As at the 2012 year-end, **financial assets** stood at EUR 2,072.9 million, which represents a 5% increase compared to the previous year. Their share in total assets grew by 1.2 percentage points, reaching 79.6%. Unit-linked insurance assets amounted to EUR 406.5 million and financial investments to EUR 1,666.4 million. In total financial investments, EUR 222.8 million was accounted for by deposits and loans, EUR 199.3 million by investments held to maturity, EUR 1,144.3 million by investments available for sale and EUR 100.0 million by investments recognised at fair value through profit and loss.

With 63.1%, debt securities accounted for the bulk of total financial assets, as at 31 December 2012 totalling EUR 1,433.8 (index 118). In 2012, investments in equity securities equalled EUR 439.2 million, remaining approximately the same as the year before (index 100). They represented 19.3% of total financial assets. As at 31 December 2012, loans and receivables stood at EUR 198.1 million (index 62), their share in total financial assets being 8.7%. The share of derivate financial instruments, which as at the 2012 year-end amounted to EUR 1.8 million, increased by 29% (index 129).

Financial investments in subsidiaries and associated companies decreased by 3%, totalling EUR 198.4 million and accounting for a 7.6% share of total assets. Financial investments in subsidiaries and associated companies amounted to EUR 185.6 million and 12.8 million, respectively.

Investment property stood at EUR 19.3 million. Its value decreased by 3% and accounted for 0.7% of total assets.

As at the 2012 year-end, **receivables** totalled EUR 98.3 million and were 7% below the figure reported one year earlier. They represented 3.8% of total assets. Receivables from direct insurance operations amounted to EUR 70.3 million (index 87), receivables from co-insurance and reinsurance operations totalled EUR 8.2 million (index 101), other receivables stood at EUR 12.3 million (index 74) and current tax receivables at EUR 7.4 million.

The **insurance technical provisions transferred to reinsurance contracts** as at 31 December 2012 totalled EUR 75.4 million, increasing by 38% compared to one year earlier. Assets from reinsurance contracts from claim provisions totalled EUR 58.8 million, while unearned premiums equalled EUR 16.5 million.

Property, plant and equipment amounted to EUR 66.3 million and accounted for 2.5% of total assets. **Intangible assets** amounted to EUR 53.3 million and accounted for 2.0% of total assets.

Cash and cash equivalents equalled EUR 2.3 million, whilst **other assets** totalled EUR 2.2 million.

Balance sheet as at 31 December 2012 – according to IFRS

Assets	31 Dec. 2012	31 Dec. 2011	Index	Structure 2012	Structure 2011
Intangible assets	53,298,272	49,863,069	107	2.0%	2.0%
Property, plant and equipment	66,300,323	71,932,485	92	2.5%	2.9%
Deferred tax receivables	14,638,478	30,423,884	48	0.6%	1.2%
Investment property	19,344,982	19,984,888	97	0.7%	0.8%
Investments in subsidiaries	185,617,295	193,131,295	96	7.1%	7.7%
Investments in associates	12,766,962	10,855,503	118	0.5%	0.4%
Financial assets	2,072,924,001	1,972,634,968	105	79.6%	78.4%
Financial investments	1,666,421,213	1,617,636,390	103	64.0%	64.3%
- loans and deposits	222,777,533	363,304,828	61	8.6%	14.4%
- held to maturity	199,277,500	211,599,458	94	7.7%	8.4%
- available for sale	1,144,343,784	976,228,336	117	44.0%	38.8%
- investments recognised at fair value	100,022,396	66,503,768	150	3.8%	2.6%
Unit-linked insurance assets	406,502,788	354,998,578	115	15.6%	14.1%
Reinsurers' share of insurance technical provisions	75,391,557	54,547,910	138	2.9%	2.2%
Receivables	98,274,364	105,902,050	93	3.8%	4.2%
- receivables from direct insurance operations	70,291,060	80,970,481	87	2.7%	3.2%
- receivables from reinsurance and co-insurance operations	8,243,477	8,187,183	101	0.3%	0.3%
- current tax receivables	7,403,575	0		0.3%	0.0%
- other receivables	12,336,252	16,744,387	74	0.5%	0.7%
Other assets	2,225,894	3,060,960	73	0.1%	0.1%
Cash and cash equivalents	2,278,084	4,216,855	54	0.1%	0.2%
Total assets	2,603,060,213	2,516,553,868	103	100.0%	100.0%

Equity and liabilities	31 Dec. 2012	31 Dec. 2011	Index	Structure 2012	Structure 2011
Equity	507,657,101	437,692,451	116	19.5%	17.4%
- share capital	73,701,392	73,701,392	100	2.8%	2.9%
- share premium	53,412,884	53,412,884	100	2.1%	2.1%
- reserves from profit	236,286,919	211,286,919	112	9.1%	8.4%
- fair value reserve	46,049,906	5,969,185	771	1.8%	0.2%
- net profit/loss brought forward	72,813,826	49,539,512	147	2.8%	2.0%
- net profit/loss for the year	25,392,174	43,782,559	58	1.0%	1.7%
Subordinated liabilities	38,721,260	40,932,091	95	1.5%	1.6%
Insurance technical provisions	1,585,250,868	1,585,925,020	100	60.9%	63.0%
- unearned premium	200,453,389	219,683,849	91	7.7%	8.7%
- mathematical provisions	826,665,165	806,053,274	103	31.8%	32.0%
- claims provisions	538,904,153	537,912,790	100	20.7%	21.4%
- other insurance technical provisions	19,228,161	22,275,106	86	0.7%	0.9%
Insurance technical provisions for unit-linked insurance contracts	404,899,884	354,900,127	114	15.6%	14.1%
Employee benefits	7,994,891	8,300,010	96	0.3%	0.3%
Other provisions	934,334	835,806	112	0.0%	0.0%
Deferred tax liabilities	0	0		0.0%	0.0%
Other financial liabilities	962,561	29,231,960	3	0.0%	1.2%
Operating liabilities	26,135,315	28,761,344	91	1.0%	1.1%
- liabilities from direct insurance operations	12,519,990	13,489,315	93	0.5%	0.5%
- liabilities from reinsurance and co-insurance operations	13,615,325	14,753,844	92	0.5%	0.6%
- current tax liabilities	0	518,186	0	0.0%	0.0%
Other liabilities	30,503,998	29,975,059	102	1.2%	1.2%
Total equity and liabilities	2,603,060,213	2,516,553,868	103	100.0%	100.0%

9. CASH FLOW STATEMENT

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

The operating cash flow of the Zavarovalnica Triglav was positive and equalled EUR 36.7 million, whereas in the previous year it was negative and amounted to EUR -68.4 million.

Investing cash flow was negative and amounted to EUR -20.8 million, whereas in 2011 it was positive at EUR 75.0 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 and reached EUR -17.8 million (index 153). Bond interest payments totalled EUR 2.2 million, while payments of dividends reached EUR 15.6 million. The closing balance of cash and cash equivalents amounted to EUR 2.3 million, below the 2011 figure by 46%.

Summary cash flow statement

	2012	2011	Index
A Operating cash flow			
a. Income statement items	38,334,466	10,252,113	374
b. Changes in net current assets - operating balance sheet items	-1,652,238	-78,644,323	2
c. Operating cash flow	36,682,228	-68,392,209	
B Cash flows from investing activities			
a. Cash inflows from investing activities	2,297,616,438	2,775,893,368	83
b. Cash outflows from investing activities	-2,318,408,592	-2,700,854,060	86
c. Total cash flow from investing activities	-20,792,154	75,039,309	
C. Cash flow from financing activities			
a. Cash inflows from financing activities	0	0	
b. Cash outflows from financing activities	-17,828,844	-11,672,239	153
c. Total cash flow from financing activities	-17,828,844	-11,672,239	153
D. Opening balance of cash and cash equivalents	4,216,855	9,241,996	46
E. Net cash flow for the period	-1,938,770	-5,025,140	39
F. Closing balance of cash and cash equivalents	2,278,085	4,216,855	54

10. RISK MANAGEMENT

- **Risk management is embedded in all business processes of Zavarovalnica Triglav.**
- **The Company 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, Zavarovalnica Triglav has introduced an effective risk management system. This system is continuously adapted to the Company's growth and the expansion of its operations. The Company 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 Zavarovalnica Triglav.

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 Company'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 Zavarovalnica Triglav and is in line with the Triglav Group 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 duties and responsibilities while also complying with limits that help maintain an appropriate risk level in accordance with the Company's risk appetite;
- increasing the value of the Company by additionally focusing on both return and risk;
- providing adequate capital, liquidity and profitability levels, ensuring that the Company 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 Company.

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 Company.

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 level 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 Company.

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 Company 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

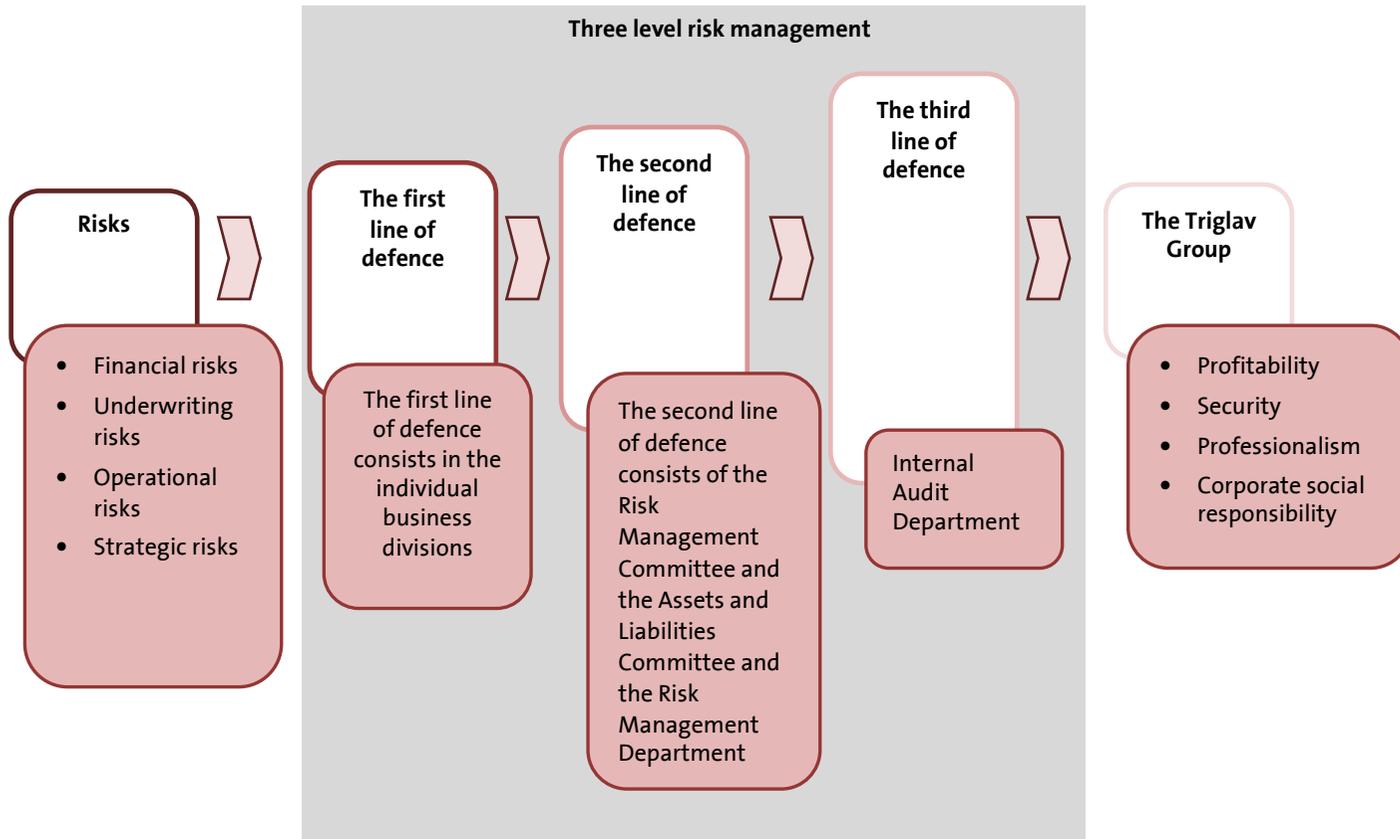
- **First line of defence:** The basic responsibility for active risk management lies with individual business divisions. They are also responsible for the effective functioning of internal controls and the implementation of business activities within the set limits and policies and in accordance with 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 Company'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 on all relevant issues in this regard, monitors the state of legal compliance of the Company on an on-going basis, 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



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

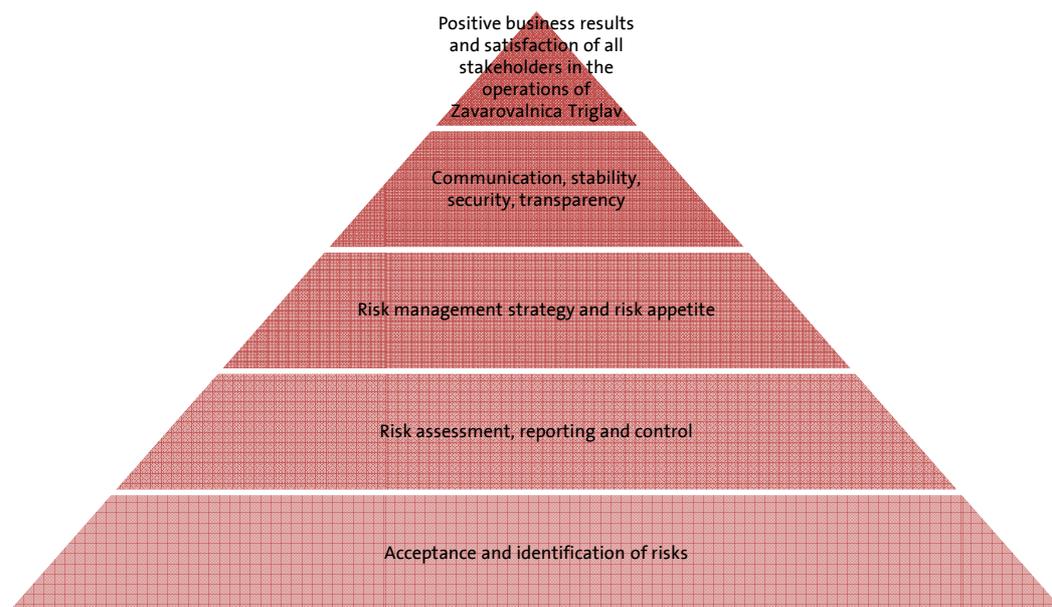
Management Board of Zavarovalnica Triglav d.d.	<ul style="list-style-type: none"> • Defines the risk management strategy in line with the Triglav Group's Strategy. • Approves the risk management policy. • Approves individual components of the risk management system. • Approves the internal documents 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 Zavarovalnica Triglav, 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 Company to efficiently transform risks into value and its own comparative advantage. By employing the risk management system, the Company 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 Company 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 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

Zavarovalnica Triglav 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 ensures high protection against losses arising from unexpected adverse events. In addition to current capital adequacy levels, the Company 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, the Triglav Group 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 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 and Zavarovalnica Triglav.*

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 Company 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 Company's liabilities and aim to optimise asset spread and to maximise return.

Competences and authorisations regarding risk management are shown in the figure under 10.2 Financial risk assessment is in greater detail discussed in *Section 4.3. under Financial Statements*.

10.3.1 Market risks and assets-liability management in insurance portfolios

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

The Company 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 Company's life insurance portfolio includes unit-linked insurance policies, where most of the financial risk is borne by the insurers.

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.

■ 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

Zavarovalnica Triglav 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.

Details on the exposure to equity risk are discussed in *Section 4.3.3. under 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 Company makes use of a number of credit lines with domestic and foreign banks.

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

10.3.5 Foreign exchange risk

■ The Company'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 Company'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 Company 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.

■ 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 risk

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 Company 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 divisions in charge of the core business within the Company 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. To manage risks related to the development of insurance products, Zavarovalnica Triglav has established two product forums for life and non-life insurance, which are in charge of product development, pricing and terms and conditions. In addition, underwriting risks are managed with a set of actuarial techniques applied in product pricing and allocations of insurance technical provisions. The Company 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.

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.

Experience from previous years suggests that an increased number of mass loss events represent one of the main risks to which Zavarovalnica Triglav is exposed. Whereas a single event does not threaten the Company's operations, several successive events could pose a

serious threat. 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, Zavarovalnica Triglav intensely 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 Company has started to tailor its products accordingly and exercise greater prudence in the process of risk underwriting.

See also Section 4.4.1 under Financial Statements.

10.4.2 Geographical and sectorial concentration

Zavarovalnica Triglav's business is concentrated in the Republic of Slovenia, with a minor amount of its business activities in the neighbouring EU countries.

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

In terms of business segments, Zavarovalnica Triglav is 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. Natural disasters with severe levels of loss typically strike in certain geographical areas in Slovenia, whereas the non-life insurance portfolio is distributed evenly throughout Slovenia.

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 occurrence 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 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..

■ 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.

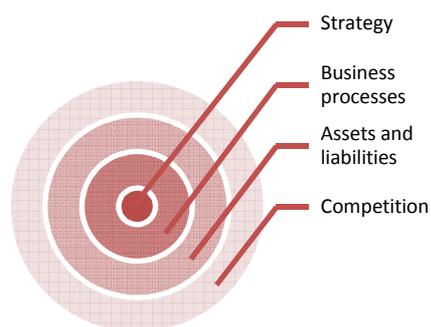
See also Section 4.6 under Financial Statements.

10.6 Strategic risk

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 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.

Sources of strategic risk



Strategy

The Strategy of Zavarovalnica Triglav clearly defines objectives, tools and implementation processes and it follows 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

The Company 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 Company'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 of internal auditing set by the Institute of Internal Auditors based in the USA, the Slovene Institute of Internal Auditors, as well as the internal company rules on internal auditing.

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 meet the terms of its annual audit plan. The IAD conducted 20 regular audits of the operations of the parent company as well as eight 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.

11. SUSTAINABLE DEVELOPMENT IN ZAVAROVALNICA TRIGLAV

- The Company 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.
- Zavorovalnica Triglav has been awarded the basic Family-Friendly Enterprise Certificate.
- The Company has improved the transparency, accessibility and comprehensibility of insurance services by introducing new online services and mobile applications.
- The Company has been striving to reduce its impact on the environment and raise awareness of environmental issues.

11.1 Sustainable Business and Corporate Social Responsibility

The approach of Zavorovalnica Triglav 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 social responsibility of Company employees towards society and the natural environment is closely linked to sustainable development. The Company 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 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 Company 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

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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 Strategy

Key guidelines and objectives of the 2013 Corporate Social Responsibility Strategy

KEY GUIDELINE	OBJECTIVES 2013	
Management of the organisation	- Credit rating.	- Maintenance of a stable credit rating.
Fair business practices	<ul style="list-style-type: none"> - Implementation of the Declaration on Fair Business. - Continuing activities in the Ethos anti-corruption working group operating under the auspices of the UN Global Compact Slovenia. - Amendments to the Key Fraud Indicator Register. 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - 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.
Human rights	- Zero tolerance for discrimination, harassment or mobbing at the workplace.	- Implementing measures for zero tolerance to for discrimination, harassment or mobbing at the workplace.
Responsibility to clients and suppliers	<ul style="list-style-type: none"> - Launch of the insurance education campaign. - Improving access to services for physically disabled persons. 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Implementing a communication campaign for a higher level of road traffic culture. - Constant implementation of prevention programmes aimed at improving traffic safety at the level of the entire Group. - Employee volunteering in local communities. - Continuation of the Triglav Generations in Planica drive. - Organisation of the 2nd Triglav Run. - Continuation of the Children of Triglav – Carefree at play, connected to nature project. 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Continuous installation of waste sorting bins. - Continuation and upgrade of the Let's Clean the Mountains drive. - Reducing the consumption of energy products. - Reducing greenhouse gas emissions. - Development of green insurance products. 	<ul style="list-style-type: none"> - Installing waste sorting bins in all business units that allow individual disposal of waste fractions. - Making biodegradable waste bags available in at least 20 new mountain huts. - Decreasing energy product consumption in the Ljubljana Regional Unit by a minimum of 5%. - Preparation and implementation start of at least 5 measures to reduce greenhouse gas emissions. - 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

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

- **Portal:** Zavarovalnica Triglav was granted the Ljubljana Stock Exchange Special Achievement Prize for making significant headway in investor relations;
- **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;
- **Trusted Brand 2012:** for the sixth consecutive year, Zavarovalnica Triglav was at the top of the list of the most trusted insurance companies;
- **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 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 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, the company has received an award for companies that invest the most in knowledge, education and training of their employees and that do so using a systemic approach (the award is granted by Planet GV and the Sofos Institute of Training Management);
- **Horus Social Responsibility Award** Zavarovalnica Triglav was runner-up in the category of large companies.

Commitments to external initiatives

In accordance with its guidelines for social responsibility, Zavarovalnica Triglav supports initiatives that foster business practices that are ethically, environmentally, socially and economically sustainable in the long term.

The Company 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 literacy, 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 Company's performance.

Zavarovalnica Triglav 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 Company is actively engaged in creating a transparent and fair business environment for a more efficient and competitive economy.

Membership in associations

Zavarovalnica Triglav 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 Company is gradually introducing integrated reporting that will provide users with a comprehensive insight into financial and non-financial business data based on measurable indicators.

In addition to the International Financial Reporting Standards (IFRS), the Company also adheres to the international sustainability reporting guidelines drafted by the Global Reporting Initiative G3.1 (GRI). This approach provides the Company with comparable non-financial business indicators and allows it to keep abreast of the most advanced international practices in company reporting. Data are collected by business divisions of the parent company, which, as the entity in charge of reporting, also reports on all aspects of sustainable development. 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. There have been no significant changes in the data provided in previous reports that have affected the current state of affairs.

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 Company 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 Company 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 Company, 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 by the parent company have been transferred to subsidiaries throughout South-East Europe. The coordination and planning of communication 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 Company 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 Company, 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 using a diverse communication network ranging from e-mail, the internal magazine "Obzornik" and the international internal magazine Obzornik International that is addressed to all employees of the Group, to meetings, morning coffee get-togethers, strategic workshops, rulebooks, and including 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.

The corporate website www.triglav.eu is often the first calling card of the Company. Throughout 2012, the website continued to be upgraded, with new, easily accessible content presented in an up-to-date format being added to ensure a pleasant user experience. The website enables 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.

The Company has also started using social media for communicating with its target stakeholders. In this way, an open, sincere and more easily accessible line of communication can be established with follower communities. Social media presence has been used in the past with individual projects, and very good results have been achieved for some of them. 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 the objectives to be achieved.

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.

Another tool for establishing contact with the financial public is the Investor Relations page of the corporate website www.triglav.eu, where all important information for investors is published. This information is also made available on the Ljubljana Stock Exchange portal (SEOnet) in Slovene and English.

On the basis of the results of an opinion poll conducted amongst Slovene and foreign financial analysts, the Company 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 selected 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 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 Company 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 Business Report.

11.3 Fair business practice

The Code of Good Business Practice, which was adopted already in 2010, is the Company'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 Company'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.

In 2012, the Company 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 partners. In 2012, the Company adopted the Rules on Protecting Employees' Dignity at Work which, among others, lays down the procedure in dealing with mobbing in the workplace.

The Company 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, Zavarovalnica Triglav 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.

Implementation of the Code in the area of compliance was last year focused on the upgrade of the reporting system and the personal data protection system. In terms of transparent operations and due the fact that Zavarovalnica Triglav shares are listed on the LSE Prime Market, accurate and timely reporting is of utmost importance for the Company. Controls in the reporting systems for timely and responsible implementation of reporting were upgraded. Due to very strict legislation on personal data protection, high potential penalties and the fact that Triglav manages one of the largest personal data bases in the country, the personal data filing system was upgraded as well. The system contains sensitive personal data of Triglav's insurers which the Company wishes to treat with special care and responsibility. Therefore, in 2012, software for personal data management was developed, which will enable stronger control of all data banks and offer an overview of the type of processed personal data and the processing purpose.

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

Zavarovalnica Triglav desires to implement the principles and rules of the Code also in relations to its business partners, especially those who work on behalf of the Company or have significant ties to the Triglav brand. 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.

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, which deal with complex cases within committees, made up of members from two or all three of the departments. In case fraud indications, the reports must be forwarded to the Fraud Prevention, Detection and Investigation Department. In treating reports of Code violations, 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/sl/o_skupini/zavarovalnica_triglav/.

Fraud prevention, detection and investigation is comprehensively managed at the Company's headquarters by the department of the same name. Zavarovalnica Triglav has a zero tolerance policy against fraud, which clearly reflects the Company's commitment to ensuring fair, responsible and lawful business practices. The FPDID manages the entire spectrum of fraud, which can be divided into specific forms 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 Company;
- introduced an advanced IT solution for efficient fraud detection and analysis;
- established fraud prevention, detection and investigation departments in larger subsidiaries, modelled on the department in the parent company;
- carried out a training course on fraud prevention for a total of 1,157 employees;
- 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.)

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 multicultural 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 either the parent company or 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. 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 leave

In percentage

Year	Paid by		Rate of absenteeism in	
	Zavarovalnica Triglav	Reimbursed by ZZZS	Zavarovalnica Triglav	Absenteeism in Slovenia ⁽¹⁾
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 ⁽²⁾

⁽¹⁾ Source: Health Insurance Institute of Slovenia - sick leave data base.

⁽²⁾ 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 ages

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 gender

Gender	Newcomers		Leavers	
	Number	Percentage	Number	Percentage
Men	56	46.3	53	45.7
Women	65	53.7	63	54.3
Total	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 2,405 employees in Zavarovalnica Triglav, which is five more than the year before. The average total years of work of the employees amounted to 20.47 years, while the average years of work in Zavarovalnica Triglav totalled 14.51 years.

Number of employees in Zavarovalnica Triglav as at 31 December 2012

As at 31 Dec. 2012	Number of employees	Difference
2007	2,496	+ 19
2008	2,507	+ 11
2009	2,514	+ 7
2010	2,441	- 73
2011	2,400	- 41
2012	2,405	+5

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)

Type of employment	Number 2012	Percentage 2012	Number 2011	Percentage 2011	Number 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 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 type

Type of employment	Number 2012	Percentage 2012	Number 2011	Percentage 2011	Number 2010	Percentage 2010
Za določen čas	121	5.0	86	3.6	136	5.6
Za nedoločen čas	2,284	95.0	2,314	96.4	2,305	94.4
Skupaj	2,405	100.0	2,400	100.0	2,441	100.0

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

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

Level of education	Number 2012	Percentage 2012	Number 2011	Percentage 2011	Number 2010	Percentage 2010
Level I–IV	186	7.7	213	8.9	225	9.2
Level V	1,035	43.0	1,067	44.5	1,133	46.4
Level VI	340	14.1	313	13.0	301	12.3
Level VII	770	32.0	747	31.1	727	29.8
Masters and PhDs	74	3.1	60	2.5	55	2.3
Total	2,405	100.0	2,400	100.0	2,441	100.0

The share of employees under the age of 40 decreased (from 41.3% to 38.0%), while the share of employees in age groups over 41 increased (from 58.7% to 62.0% in total). The average age of persons employed in Zavarovalnica Triglav is slightly higher than in previous years, i.e. 43.61 years (43 years in 2011).

Employees of Zavarovalnica Triglav as at 31 December 2012 – structure by age

Age group	Number 2012	Percentage 2012	Number 2011	Percentage 2011	Number 2010	Percentage 2010
From 20 to 25	19	0.8	31	1.3	41	1.7
From 26 to 30	177	7.4	183	7.6	224	9.2
From 31 to 35	290	12.1	349	14.5	384	15.7
From 36 to 40	429	17.8	428	17.8	428	17.5
From 41 to 45	439	18.3	477	19.9	471	19.3
From 46 to 50	449	18.7	416	17.3	401	16.4
From 51 to 55	370	15.4	351	14.6	342	11.5
56 and over	232	9.6	165	6.9	150	5.5
Total	2,405	100.0	2,400	100.0	2,441	100.0

In terms of gender, the employee structure shows no significant changes over the longer time period and is comparable to the gender ratio in the Slovene general population; in 2012, the structure changed by 0.1 percentage point in favour of men.

Employees of Zavarovalnica Triglav as at 31 December 2012 – structure by gender

Gender	Number 2012	Percentage 2012	Number 2011	Percentage 2011	Number 2010	Percentage 2010
Men	1,175	48.9	1,171	48.8	1,191	48.8
Women	1,230	51.1	1,229	51.2	1,250	51.2
Total	2,405	100.0	2,400	100.0	2,441	100.0

The share of women in top management reached 24.1% (27.3% in 2011) and in middle management 41.8% (38.5 in 2011).

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).

11.4.2 Staff training and development

11.4.2.1 Training

The staff training policy supports professionalism as one of the fundamental values of the Triglav Group. Boosting professionalism and gaining new skills and competencies is crucial in order to deliver on all strategic goals. Therefore, 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.

In 2012, Zavarovalnica Triglav invested in the development of its scholarship holders and organised work experience for high school and university students. The Company'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	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 adjusters.

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 per employee in 2012, 2011 and 2010

	2012	2011	2010	Index	
				2012/2011	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.

Training costs of Zavarovalnica Triglav in 2012, 2011 and 2010

	2012	2011	2010	Index	
				2012/2011	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

Within the framework of the management-by-objectives system, regular annual interviews were conducted in which employees (in cooperation with their superiors) set objectives for the current business year. 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 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.

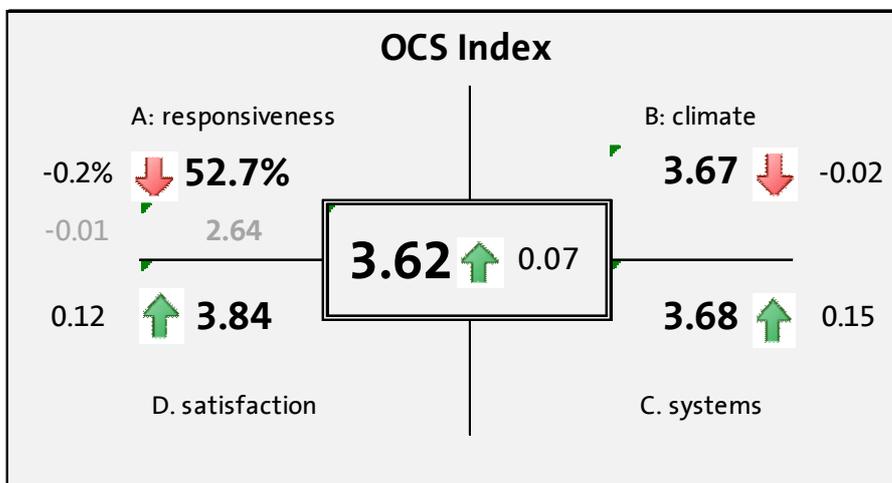
11.4.2.3 Organisational climate survey

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 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.

Organisational climate in Zavarovalnica Triglav



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. 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

The Company puts effort into providing a safe and healthy work environment for its employees, focusing on professionalism and continuous compliance with legal requirements.

Employees responsible for safety and health at work are in charge of cooperation with various departments at the Company and Group level.

The relevant risks are managed by regular monitoring, while standards are upgraded in line with professional guidelines. The monitoring of the safety system is supported by an electronic register in which all statutory documentation is kept.

Zavarovalnica Triglav also guarantees a safe and healthy working environment with workplace inspections, advising employees with regard to the ergonomic organisation of the workplace, 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, the Company plans a new set of workshops on enhancing the well-being of employees.

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, Zavarovalnica Triglav 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 2010

	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

Within the long-term project called Harmony of Life and Work: Triglav.smo project started in 2011, a series of events and drives on different topics was organised in 2012. Its purpose is to contribute to the well-being and personal health of employees, thus boosting their satisfaction and loyalty.

The Company 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, designed a carnival event with donoughts, organised organic markets, exhibitions 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.

A special event in September 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, aimed at guaranteeing employee satisfaction in the broadest possible sense.

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.

In the reporting year, parental or child care leave was taken by 112 women and three men, i.e. by 115 employees in total. The father's leave of 15 days (in the period up to the child's age of six months) was used by 55 employees, and the father's leave of 75 days (to be used up to the child's age of three years) was taken by 12 fathers. All employees (of either gender) who used parental leave had the right to resume work or their position.

Employees' needs and requirements are followed in working time adjustments, as much as work processes allow. As at the end of 2012, the option to work part-time pursuant to the Parental Protection and Family Benefits Act was used by 28 mothers.

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.

Zavarovalnica Triglav pays 88.6% of its employees a supplemental pension insurance premium amounting to 4% of their gross salary.

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.

Family Friendly Enterprise first certificate

In 2012, Zavarovalnica Triglav was awarded Family-Friendly Enterprise (FFE) first certificate, which will have positive short-term and long-term effects on boosting employee satisfaction. The certificate is an additional contribution to socially responsible management and governance of the Company.

In the following three years, measures that were proposed and selected will be introduced according to the implementation plan. These include manager training on work-family balance and employee surveys, while staff will be provided with flexible working hours, child bonus time or additional extraordinary leave. The managers' attitude toward employees balancing work and family will be evaluated, more attention will be put on the philosophy of

management, while employees resuming work after a longer period of absence will be guided back into the work process. Upon the receipt of the certificate, an officer was appointed in charge of issues related to work-family balance.

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.

The Company 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

Zavarovalnica Triglav seeks to foster long-term relations with its clients based on their trust and satisfaction. Emphasis is put on transparent, intelligible and accessible insurance products. The Company follows these guidelines in the development phase of insurance products, at the same time taking 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. Zavarovalnica Triglav keeps to the principle of fair and fast loss adjustment. 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.

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 internet-literate users with reduced mobility with equal accessibility to Triglav's range of products.

Measuring client satisfaction

One of the ways in which Zavarovalnica Triglav implements its responsibility to clients is through measuring client satisfaction and examining comments and complaints, which 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, the Company 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.

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.

Enabling fair competition

Zavarovalnica Triglav's 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 provisions.

In 2012, there were no new legal actions filed against Zavarovalnica Triglav before the Competition Protection Office. The legal action on the grounds of unfair competition filed in 2010 against Zavarovalnica Generali was concluded in 2012.

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

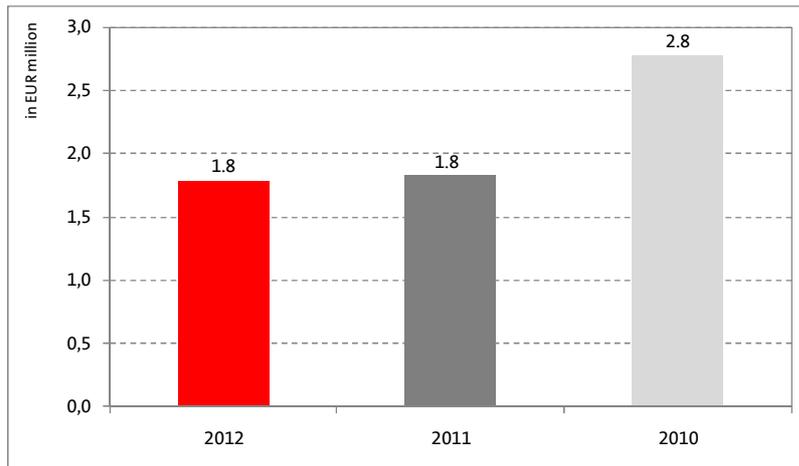
One of the ways in which the Triglav Group implements its corporate social responsibility wherever it is present is by cooperating with and participating in the local environment and the wider community and its development.

11.6.1 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 1.8 million was used to this purpose, approximately the same as in 2011. 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.

Amount of funds allocated for prevention activities in 2012, 2011 and 2010



Prevention activity projects

In fire safety, Zavarovalnica 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 drivers were carried out in 2012. The safe driving day event was attended by 1,227 seniors and 830 young drivers who participated in 19 classes. Young drivers 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%).

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 test their knowledge on rules and safe behaviour 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, the Company organised a children's course at the safe driving range, where kids could test their knowledge of traffic rules and learn how to independently participate in traffic.

11.6.2 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 sponsorship 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 development.

The three open calls for tender for sponsorships and donations published on Triglav’s website in 2012 attracted 1966 applicants. A total of 41% of all applications were accepted.

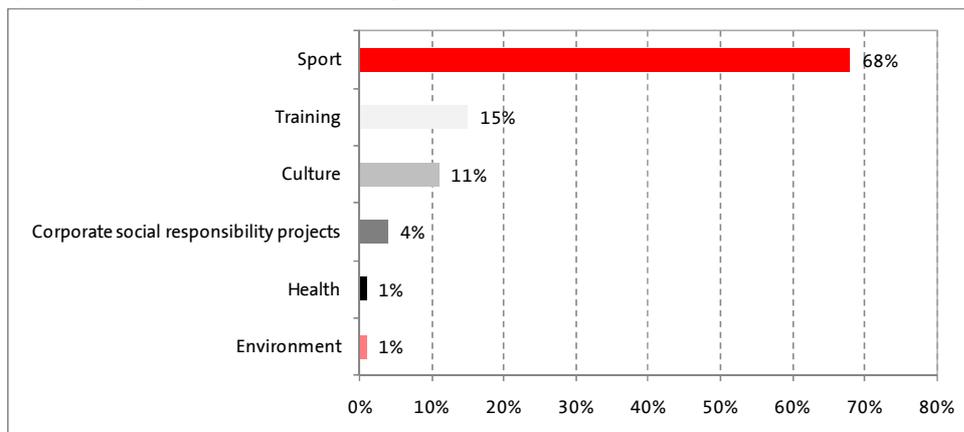
Sponsorship and donation funds in Zavarovalnica Triglav – 2010-2012 trends

In 2012, Zavarovalnica Triglav allocated EUR 3.2 million for sponsorships and EUR 0.3 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.

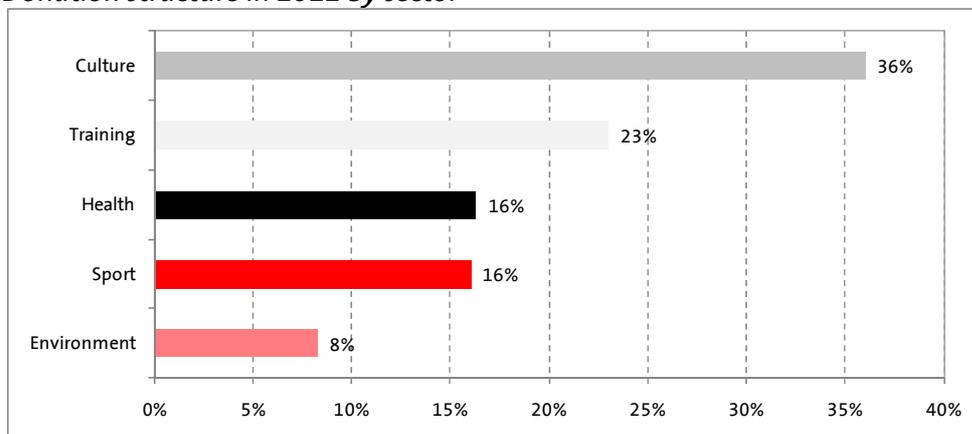
Amounts for sponsorships and donations

	2012	2011	2010	Index 2012/2011	Index 2011/2010
Sponsorships	3,225,862	3,984,572	3,467,093	81	115
Donations	296,723	336,023	314,095	88	107

Sponsorship structure in 2012 by sector



Donation structure in 2012 by sector



Major sponsorships and donations

Sports

Zavarovalnica 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. The Company also sponsored the World Cup Ski Jumping final in Planica and, as in previous years, took 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. In this way, Zavarovalnica Triglav encourages the sporting spirit in children and promotes a healthy lifestyle.

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, Zavarovalnica 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 well-known Tour of Slovenia and the Franja Marathon cycling races.

Cooperation with local communities

In the framework of the "Children of Triglav – Carefree at Play, in Harmony with Nature" project, Zavarovalnica Triglav invited Slovene municipalities to report their needs to renovate playgrounds. In cooperation with the municipalities and 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.

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 Zavarovalnica Triglav included the Carniola Festival in Kranj, the Jazzinity International Music Festival in Novo mesto and the International Youth Music Festival in Postojna.

Education

In 2012, Zavarovalnica 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, the Company supported the eighth generation of Slovene-major students in 2012.

Support of humanitarian activities and civil society initiatives

By organising a charity golf tournament, which featured Anže Kopitar, the first Slovene winner of the Stanley Cup, and other top athletes, Zavarovalnica Triglav financed a summer camp for children in cooperation with the Children in the Heart of Nature project and the Jesenice Association of Friends of Youth.

In its care for the elderly, the Company partnered with the Golden Years Festival for seniors.

In addition, Zavarovalnica 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.

In 2012, the Company organised the first Triglav Run, a well-received charity race that helped raise funds allocated 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, employees 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.

Decision-making powers for sponsorships and donations

The process for evaluating applications for sponsorships and donation is transparent and precisely defined. Applications are submitted through the Triglav website and evaluated according to previously defined criteria by a four-member committee. The projects with the highest point score and complying with the Company's business strategy are selected.

Information on sponsorships and donations

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

11.7 Responsibility to the natural environment

Products and services

Through certain insurance products and services, especially in agriculture, Zavarovalnica Triglav promotes a responsible 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 regard.
 - 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 areas. 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 protection.
 - 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 insurance.
 - Through quick loss adjustment procedures, agricultural producers are offered effective support in cases of increasingly frequent natural disasters.

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*).

Carbon footprint calculation

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:

- Headquarters: 902.8 tons CO₂, which is 3.3 tons of CO₂ per Headquarters' employee;
- Ljubljana Regional Unit: 1,905.4 tons of CO₂ or 2.2 tons per employee.

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 paper.

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 60b in Ljubljana. It is expected that appropriate organisational and investment measures will lower energy consumption by 10%.

Zavarovalnica Triglav began collecting data on the use of individual energy products. In 2012, the Company used the following amounts:

- warm water: 3,155.8 MWh
- fuel oil: 85,000.00 l
- gas: 135,000.00 m³
- electricity: 6,443.85 MWh.

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 2011), the largest energy resource is nuclear energy (39%), followed by solid fuels (33%), while renewable sources of energy accounted for 24% of the total.¹

Waste disposal policy

The transition to waste sorting in the regional units, which started in 2011, continued. Waste sorting is already in place at the Headquarters and in the regional units in Ljubljana, Postojna, Nova Gorica and Koper. 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 2011.

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.

¹ 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.

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/sl/odnosi_z_vlagatelji/porocila_in_objave/skupscina
- 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. BUSINESS NETWORK OF ZAVAROVALNICA TRIGLAV

The registered office of Zavarovalnica Triglav is where the management, developmental and coordinating functions are performed. Products and services offered by Zavarovalnica Triglav can be easily and quickly accessed through its network of 12 regional offices throughout Slovenia. Zavarovalnica Triglav's own sales network is expanded by insurance agencies and insurance brokerage firms. Agency contracts for selling insurance products are concluded with companies carrying out motor vehicle roadworthiness tests. Moreover, the 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.

■ ZAVAROVALNICA TRIGLAV D.D. LJUBLJANA, HEADQUARTERS - REGISTERED OFFICE

Regional units:

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

14. PERFORMANCE INDICATORS OF ZAVAROVALNICA TRIGLAV

14.1 Growth of gross written premium (index)

Gross written premium growth for the current year*100

Gross written premium for the preceding year

No.	INSURANCE CLASS	GROSS WRITTEN PREMIUM			GROWTH INDEX	
		2012	2011	2010	2012/2011	2011/2010
1	2	3	4	5	6=3/4*100	7=4/5*100
1	Accident insurance	36,183,126	40,111,479	43,537,675	90	92
2	Health insurance	-	-	-	-	-
3	Land motor vehicle insurance	108,291,760	121,432,435	124,341,259	89	98
4	Railway insurance	2,681,606	2,050,269	262,397	131	781
5	Aircraft insurance	510,624	1,046,317	1,244,777	49	84
6	Marine Insurance	384,395	426,359	527,812	90	81
7	Cargo insurance	4,747,464	4,750,712	4,255,215	100	112
8	Fire and natural forces insurance	54,465,794	52,038,984	51,962,359	105	100
9	Other damage to property insurance	72,211,985	84,011,305	81,030,490	86	104
10	Motor TPL insurance	111,525,660	124,713,349	141,108,286	89	88
11	Aircraft liability insurance	742,163	876,020	906,764	85	97
12	Marine liability insurance	347,841	367,577	391,000	95	94
13	General liability insurance	29,983,506	29,226,748	29,340,076	103	100
14	Credit insurance	19,837,754	20,303,284	21,710,884	98	94
15	Suretyship insurance	995,685	804,434	745,328	124	108
16	Miscellaneous financial loss insurance	2,418,582	3,043,293	3,139,262	79	97
17	Legal expenses insurance	953,070	1,021,652	1,098,341	93	93
18	Travel assistance insurance	7,521,115	7,789,881	6,630,884	97	117
19	TOTAL NON-LIFE INSURANCE (No. 1-18)	453,802,130	494,014,097	512,232,807	92	96
20	Life insurance	85,209,421	87,585,033	91,314,306	97	96
21	Wedding insurance or birth insurance	-	-	-	-	-
22	Unit-linked life insurance	85,162,447	93,679,475	95,036,511	91	99
23	Tontine	-	-	-	-	-
24	Capital redemption insurance	21,452,783	19,683,762	21,280,476	109	92
25	Income protection insurance due to accident or illness	-	-	-	-	-
26	TOTAL LIFE INSURANCE (No. 20-25)	191,824,651	200,948,270	207,631,293	95	97
27	TOTAL (No. 19+26)	645,626,781	694,962,367	719,864,100	93	97

14.2 Net written premium as % of gross written insurance premium

$$\frac{\text{Net written premium} \times 100}{\text{Gross written premium}}$$

in EUR

No.	INSURANCE CLASS	PREMIUM WRITTEN 2012		PREMIUM WRITTEN 2011		2012	2011
		NET	GROSS	NET	GROSS	IN %	IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Accident insurance	35,012,181	36,183,126	38,805,118	40,111,479	97	97
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	98,903,351	108,291,760	111,084,312	121,432,435	91	91
4	Railway insurance	2,165,941	2,681,606	1,498,538	2,050,269	81	73
5	Aircraft insurance	-696,218	510,624	208,291	1,046,317		20
6	Marine Insurance	725,289	384,395	585,625	426,359	189	137
7	Cargo insurance	3,338,367	4,747,464	3,573,842	4,750,712	70	75
8	Fire and natural forces insurance	33,020,448	54,465,794	33,228,738	52,038,984	61	64
9	Other damage to property insurance	57,691,220	72,211,985	61,921,310	84,011,305	80	74
10	Motor TPL insurance	104,961,535	111,525,660	117,361,156	124,713,349	94	94
11	Aircraft liability insurance	-244,548	742,163	-129,030	876,020	-33	-15
12	Marine liability insurance	318,090	347,841	336,019	367,577	91	91
13	General liability insurance	25,104,833	29,983,506	25,458,442	29,226,748	84	87
14	Credit insurance	17,206,875	19,837,754	17,853,652	20,303,284	87	88
15	Suretyship insurance	485,174	995,685	415,599	804,434	49	52
16	Miscellaneous financial loss insurance	997,501	2,418,582	1,430,208	3,043,293	41	47
17	Legal expenses insurance	905,416	953,070	970,463	1,021,652	95	95
18	Travel assistance insurance	7,030,825	7,521,115	7,293,228	7,789,881	93	94
19	TOTAL NON-LIFE INSURANCE (No. 1-18)	386,926,281	453,802,130	421,895,511	494,014,097	85	85
20	Life insurance	84,881,248	85,209,421	87,286,259	87,585,033	100	100
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	85,162,447	85,162,447	93,679,475	93,679,475	100	100
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	21,452,783	21,452,783	19,683,762	19,683,762	100	100
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	TOTAL LIFE INSURANCE (No. 20-25)	191,496,478	191,824,651	200,649,496	200,948,270	100	100
27	TOTAL (No. 19+26)	578,422,759	645,626,781	622,545,007	694,962,367	90	90

14.3 Movements in gross claims paid (index)

Gross claims paid for the current year*100

Gross claims paid for the preceding year

in EUR

No.	INSURANCE CLASS	GROSS CLAIMS PAID			GROWTH INDEX	
		2012	2011	2010	2012/2011	2011/2010
1	2	3	4	5	6=3/4*100	7=4/5*100
1	Accident insurance	14,333,408	16,543,182	17,866,670	87	93
2	Health insurance	-	-	-	-	-
3	Land motor vehicle insurance	78,086,686	84,463,145	97,359,864	92	87
4	Railway insurance	3,095,373	1,166,016	872,107	265	134
5	Aircraft insurance	44,794	46,265	1,059,444	97	4
6	Marine Insurance	241,782	333,892	489,037	72	68
7	Cargo insurance	602,589	885,322	826,299	68	107
8	Fire and natural forces insurance	21,030,009	19,282,611	25,916,961	109	74
9	Other damage to property insurance	42,043,394	42,474,300	49,817,944	99	85
10	Motor TPL insurance	62,935,251	74,724,405	82,615,826	84	90
11	Aircraft liability insurance	659,540	268,046	635,302	246	42
12	Marine liability insurance	47,346	77,822	160,445	61	49
13	General liability insurance	14,087,009	16,772,216	16,446,886	84	102
14	Credit insurance	13,547,163	12,954,393	14,076,954	105	92
15	Suretyship insurance	409,486	1,057,705	421,396	39	251
16	Miscellaneous financial loss insurance	1,148,557	2,375,357	3,946,384	48	60
17	Legal expenses insurance	-379	792	2,307		34
18	Travel assistance insurance	5,704,533	4,971,518	5,033,007	115	99
19	TOTAL NON-LIFE INSURANCE (No. 1-18)	258,016,544	278,396,985	317,546,833	93	88
20	Life insurance	89,430,423	83,545,897	79,058,366	107	106
21	Wedding insurance or birth insurance	-	-	-	-	-
22	Unit-linked life insurance	37,578,482	26,370,827	17,355,857	143	152
23	Tontine	-	-	-	-	-
24	Capital redemption insurance	28,629,201	24,258,129	3,825,578	118	634
25	Income protection insurance due to accident or illness	-	-	-	-	-
26	TOTAL LIFE INSURANCE (No. 20-25)	155,638,107	134,174,853	100,239,802	116	134
27	TOTAL (No. 19+26)	413,654,651	412,571,838	417,786,635	100	99

14.4 Average claims paid

Gross claims paid

Number of claims

in EUR

No.	INSURANCE CLASS	GROSS CLAIMS PAID 2012	NUMBER OF CLAIMS 2012	GROSS CLAIMS PAID 2011	NUMBER OF CLAIMS 2011	AVERAGE CLAIM PAID 2012	AVERAGE CLAIM PAID 2011
1	2	3	4	5	6	7 = 3/4	8 = 5/6
1	Accident insurance	14,333,408	21,158	16,543,182	23,292	677	710
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	78,086,686	107,791	84,463,145	115,048	724	734
4	Railway insurance	3,095,373	160	1,166,016	70	19,346	16,657
5	Aircraft insurance	44,794	6	46,265	5	7,466	9,253
6	Marine Insurance	241,782	90	333,892	91	2,686	3,669
7	Cargo insurance	602,589	907	885,322	937	664	945
8	Fire and natural forces insurance	21,030,009	16,800	19,282,611	14,583	1,252	1,322
9	Other damage to property insurance	42,043,394	63,406	42,474,300	66,464	663	639
10	Motor TPL insurance	62,935,251	23,003	74,724,405	27,122	2,736	2,755
11	Aircraft liability insurance	659,540	5	268,046	9	131,908	29,783
12	Marine liability insurance	47,346	6	77,822	7	7,891	11,117
13	General liability insurance	14,087,009	4,209	16,772,216	4,837	3,347	3,467
14	Credit insurance	13,547,163	3,900	12,954,393	3,776	3,474	3,431
15	Suretyship insurance	409,486	54	1,057,705	56	7,583	18,888
16	Miscellaneous financial loss insurance	1,148,557	666	2,375,357	967	1,725	2,456
17	Legal expenses insurance	-379	14	792	13	-	61
18	Travel assistance insurance	5,704,533	27,373	4,971,518	23,997	208	207
19	TOTAL NON-LIFE INSURANCE (No. 1-18)	258,016,544	269,548	278,396,985	281,274	957	990
20	Life insurance	89,430,423	46,572	83,545,897	46,503	1,920	1,797
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	37,578,482	23,045	26,370,827	17,126	1,631	1,540
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	28,629,201	6,632	24,258,129	5,648	4,317	4,295
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	TOTAL LIFE INSURANCE (No. 20-25)	155,638,107	76,249	134,174,853	69,277	2,041	1,937
27	TOTAL (No. 19+26)	413,654,651	345,797	412,571,838	350,551	1,196	1,177

14.5 Loss ratio

$$\frac{\text{Gross claims paid}}{\text{Gross written premium}}$$

in EUR

No.	INSURANCE CLASS	GROSS				LOSS RATIO	
		WRITTEN PREMIUM	CLAIMS PAID	WRITTEN PREMIUM	CLAIMS PAID	2012	2011
		2012	2012	2011	2011		
1	2	3	4	5	6	7=4/3	8=6/5
1	Accident insurance	36,183,126	14,333,408	40,111,479	16,543,182	0.40	0.41
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	108,291,760	78,086,686	121,432,435	84,463,145	0.72	0.70
4	Railway insurance	2,681,606	3,095,373	2,050,269	1,166,016	1.15	0.57
5	Aircraft insurance	510,624	44,794	1,046,317	46,265	0.09	0.04
6	Marine Insurance	384,395	241,782	426,359	333,892	0.63	0.78
7	Cargo insurance	4,747,464	602,589	4,750,712	885,322	0.13	0.19
8	Fire and natural forces insurance	54,465,794	21,030,009	52,038,984	19,282,611	0.39	0.37
9	Other damage to property insurance	72,211,985	42,043,394	84,011,305	42,474,300	0.58	0.51
10	Motor TPL insurance	111,525,660	62,935,251	124,713,349	74,724,405	0.56	0.60
11	Aircraft liability insurance	742,163	659,540	876,020	268,046	0.89	0.31
12	Marine liability insurance	347,841	47,346	367,577	77,822	0.14	0.21
13	General liability insurance	29,983,506	14,087,009	29,226,748	16,772,216	0.47	0.57
14	Credit insurance	19,837,754	13,547,163	20,303,284	12,954,393	0.68	0.64
15	Suretyship insurance	995,685	409,486	804,434	1,057,705	0.41	1.31
16	Miscellaneous financial loss insurance	2,418,582	1,148,557	3,043,293	2,375,357	0.47	0.78
17	Legal expenses insurance	953,070	-379	1,021,652	792	0.00	0.00
18	Travel assistance insurance	7,521,115	5,704,533	7,789,881	4,971,518	0.76	0.64
19	TOTAL NON-LIFE INSURANCE (No. 1-18)	453,802,130	258,016,544	494,014,097	278,396,985	0.57	0.56
20	Life insurance	85,209,421	89,430,423	87,585,033	83,545,897	1.05	0.95
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	85,162,447	37,578,482	93,679,475	26,370,827	0.44	0.28
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	21,452,783	28,629,201	19,683,762	24,258,129	1.33	1.23
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	TOTAL LIFE INSURANCE (No. 20-25)	191,824,651	155,638,107	200,948,270	134,174,853	0.81	0.67
27	TOTAL (No. 19+26)	645,626,781	413,654,651	694,962,367	412,571,838	0.64	0.59

14.6 Operating costs as % of gross written insurance premium

$$\frac{\text{Operating costs} \times 100}{\text{Gross written premium}}$$

in EUR

No.	INSURANCE CLASS	OPERATING	GROSS WRITTEN	OPERATING	GROSS WRITTEN	2012	2011
		COSTS 2012	PREMIUM 2012	COSTS 2011	PREMIUM 2011	IN %	IN %
1	2	3	4	5	6	7=3/4	8=5/6
1	Accident insurance	10,591,655	36,183,126	11,075,645	40,111,479	29	28
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	26,399,267	108,291,760	27,236,890	121,432,435	24	22
4	Railway insurance	413,754	2,681,606	176,864	2,050,269	15	9
5	Aircraft insurance	192,892	510,624	213,063	1,046,317	38	20
6	Marine Insurance	294,880	384,395	318,638	426,359	77	75
7	Cargo insurance	1,153,543	4,747,464	1,237,905	4,750,712	24	26
8	Fire and natural forces insurance	17,569,923	54,465,794	16,696,633	52,038,984	32	32
9	Other damage to property insurance	26,143,689	72,211,985	26,713,920	84,011,305	36	32
10	Motor TPL insurance	25,779,320	111,525,660	27,331,801	124,713,349	23	22
11	Aircraft liability insurance	197,300	742,163	228,179	876,020	27	26
12	Marine liability insurance	227,002	347,841	237,329	367,577	65	65
13	General liability insurance	8,218,351	29,983,506	8,221,853	29,226,748	27	28
14	Credit insurance	4,377,848	19,837,754	4,466,691	20,303,284	22	22
15	Suretyship insurance	549,947	995,685	525,000	804,434	55	65
16	Miscellaneous financial loss insurance	938,441	2,418,582	969,503	3,043,293	39	32
17	Legal expenses insurance	397,619	953,070	336,164	1,021,652	42	33
18	Travel assistance insurance	2,458,175	7,521,115	1,849,577	7,789,881	33	24
19	TOTAL NON-LIFE INSURANCE (No. 1-18)	125,903,607	453,802,130	127,835,656	494,014,097	28	26
20	Life insurance	15,542,483	85,209,421	14,398,076	87,585,033	18	16
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	17,251,397	85,162,447	19,357,353	93,679,475	20	21
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	2,245,834	21,452,783	2,249,598	19,683,762	10	11
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	TOTAL LIFE INSURANCE (No. 20-25)	35,039,714	191,824,651	36,005,027	200,948,270	18	18
27	TOTAL (No. 19+26)	160,943,320	645,626,781	163,840,683	694,962,367	25	24

14.7 Acquisition costs as % of gross written insurance premium

$$\frac{\text{Acquisition costs} \times 100}{\text{Gross written insurance premium}}$$

		in EUR					
No.	INSURANCE CLASS	ACQUISITION COSTS 2012	GROSS WRITTEN PREMIUM 2012	ACQUISITION COSTS 2011	GROSS WRITTEN PREMIUM 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4	8=5/6
1	Accident insurance	906,399	36,183,126	859,910	40,111,479	2.5	2.1
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	2,357,818	108,291,760	2,502,188	121,432,435	2.2	2.1
4	Railway insurance	178,750	2,681,606	57,886	2,050,269	6.7	2.8
5	Aircraft insurance	7,012	510,624	3,788	1,046,317	1.4	0.4
6	Marine Insurance	4,023	384,395	2,667	426,359	1.1	0.6
7	Cargo insurance	169,119	4,747,464	227,720	4,750,712	3.6	4.8
8	Fire and natural forces insurance	1,695,458	54,465,794	1,522,651	52,038,984	3.1	2.9
9	Other damage to property insurance	2,170,401	72,211,985	2,263,532	84,011,305	3.0	2.7
10	Motor TPL insurance	3,136,187	111,525,660	3,106,038	124,713,349	2.8	2.5
11	Aircraft liability insurance	11,805	742,163	16,260	876,020	1.6	1.9
12	Marine liability insurance	3,228	347,841	5,703	367,577	0.9	1.6
13	General liability insurance	1,308,609	29,983,506	1,118,333	29,226,748	4.4	3.8
14	Credit insurance	264,390	19,837,754	248,095	20,303,284	1.3	1.2
15	Suretyship insurance	5,808	995,685	3,403	804,434	0.6	0.4
16	Miscellaneous financial loss insurance	126,244	2,418,582	180,928	3,043,293	5.2	6.0
17	Legal expenses insurance	22,417	953,070	19,478	1,021,652	2.4	1.9
18	Travel assistance insurance	139,454	7,521,115	113,352	7,789,881	1.9	1.5
19	TOTAL NON-LIFE INSURANCE (No. 1-18)	12,507,122	453,802,130	12,251,931	494,014,097	2.8	2.5
20	Life insurance	1,585,597	85,209,421	525,597	87,585,033	1.9	0.6
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	4,111,768	85,162,447	6,171,343	93,679,475	4.8	6.6
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	101,192	21,452,783	64,730	19,683,762	0.5	0.3
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	TOTAL LIFE INSURANCE (No. 20-25)	5,798,557	191,824,651	6,761,670	200,948,270	3.0	3.4
27	TOTAL (No. 19+26)	18,305,679	645,626,781	19,013,601	694,962,367	2.8	2.7

14.8 Investment return as % of average balance of investments (from the starting and ending balance for the year)

Investment return*100
(starting balance for the year + ending balance for the year)/2

in EUR

No.	INVESTMENTS	INVESTMENT RETURN 2012	AVERAGE BALANCE OF INVESTMENTS 2012	INVESTMENT RETURN 2011	AVERAGE BALANCE OF INVESTMENTS 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4	8=5/6
1	Assets backing liabilities	16,505,628	748,952,865	-426,809	737,996,882	2.2	-0.1
2	Long-term business fund backing life insurance	23,079,595	683,145,247	10,264,837	678,835,115	3.4	1.5
3	Long-term business fund backing SVPI – PN-ZT-01,02,03,04	6,518,551	159,485,054	2,556,320	165,657,282	4.1	1.5
4	Long-term business fund backing SVPI – PN-ZT-05,06	5,434	90,755			6.0	
5	Long-term business fund backing SVPI – during the annuity pay-out period	202,686	5,973,494	50,329	1,127,785	3.4	4.5
6	Long-term business fund backing unit-linked insurance	29,480,738	380,750,683	-52,848,154	362,654,287	7.7	-14.6
7	Investments not financed from insurance technical provisions	-35,678,757	265,231,848	-22,907,974	288,218,101	-13.5	-7.9
8	TOTAL	40,113,876	2,243,629,947	-63,311,451	2,234,489,452	1.8	-2.8

14.9 Net claims provisions as % of net premium income

Net claims provisions*100

Net premium earned

in EUR

No.	INSURANCE CLASS	NET CLAIMS PROVISIONS	NET PREMIUM	NET CLAIMS PROVISIONS	NET PREMIUM	2012	2011
		31 Dec. 2012	INCOME 2012	31 Dec. 2011	INCOME 2011	IN %	IN %
1	2	3	4	5	6	7=3/4	8=5/6
1	Accident insurance	43,887,405	36,772,984	47,459,561	39,361,989	119	121
2	Health insurance	-	-	-	-	-	-
3	Land motor vehicle insurance	22,631,708	104,478,440	23,897,006	113,335,931	22	21
4	Railway insurance	4,855,643	2,339,345	4,256,773	1,272,141	208	335
5	Aircraft insurance	105,608	123,578	82,571	217,904	85	38
6	Marine Insurance	925,315	732,312	322,755	614,648	126	53
7	Cargo insurance	1,110,125	3,458,841	826,514	3,650,671	32	23
8	Fire and natural forces insurance	17,706,760	32,946,574	12,153,294	32,941,917	54	37
9	Other damage to property insurance	26,733,586	59,194,086	21,145,108	58,802,337	45	36
10	Motor TPL insurance	203,414,691	110,813,199	225,541,883	121,620,456	184	185
11	Aircraft liability insurance	343,525	59,332	129,328	19,695	579	657
12	Marine liability insurance	787,272	321,473	547,260	341,177	245	160
13	General liability insurance	128,794,029	25,213,479	134,281,791	25,465,262	511	527
14	Credit insurance	4,482,340	19,153,674	4,464,929	20,150,492	23	22
15	Suretyship insurance	1,806,038	415,294	1,873,798	390,622	435	480
16	Miscellaneous financial loss insurance	960,550	1,087,895	1,800,706	1,280,939	88	141
17	Legal expenses insurance	72,594	941,053	69,855	984,728	8	7
18	Travel assistance insurance	2,129,787	7,258,619	1,786,350	7,074,702	29	25
19	TOTAL NON-LIFE INSURANCE (No. 1-18)	460,746,974	405,310,176	480,639,481	427,525,612	114	112
20	Life insurance	19,309,606	84,893,261	19,484,230	87,220,283	23	22
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	-	85,162,447	-	93,679,475	-	-
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	-	21,452,783	-	19,683,762	-	-
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	TOTAL LIFE INSURANCE (No. 20-25)	19,309,606	191,508,491	19,484,230	200,583,520	10	10
27	TOTAL (No. 19+26)	480,056,580	596,818,667	500,123,712	628,109,132	80	80

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

$$\frac{\text{Gross profit/loss} \cdot 100}{\text{Net written premium}}$$

in EUR

No.	INSURANCE	GROSS PROFIT/LOSS 2012	GROSS WRITTEN PREMIUM 2012	GROSS PROFIT/LOSS 2011	GROSS WRITTEN PREMIUM 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	58,807,077	386,926,281	49,026,554	421,895,511	15.2	11.6
2	Life insurance	6,830,091	191,496,478	5,369,371	200,649,496	3.6	2.7
3	TOTAL	65,637,168	578,422,759	54,395,925	622,545,007	11.4	8.7

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

$$\frac{\text{Gross profit/loss} \cdot 100}{(\text{equity beginning balance for the year} + \text{equity ending balance for the year})/2}$$

in EUR

No.	INSURANCE	GROSS PROFIT/LOSS 2012	AVERAGE EQUITY BALANCE 2012	GROSS PROFIT/LOSS 2011	AVERAGE EQUITY BALANCE 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	58,807,077	395,167,036	49,026,554	380,009,290	14.9	12.90
2	Life insurance	6,830,091	77,507,740	5,369,371	79,762,886	8.8	6.73
3	TOTAL	65,637,168	472,674,776	54,395,925	459,772,176	13.9	11.83

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

$$\frac{\text{Gross profit/loss} \times 100}{(\text{assets beginning balance for the year} + \text{assets ending balance for the year}) / 2}$$

in EUR

No.	INSURANCE	GROSS PROFIT/LOSS 2012	AVERAGE ASSETS BALANCE 2012	GROSS PROFIT/LOSS 2011	AVERAGE ASSETS BALANCE 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	58,807,077	1,246,403,437	49,026,554	1,268,482,106	4.7	3.9
2	Life insurance	6,830,091	1,330,590,268	5,369,371	1,311,600,778	0.5	0.4
3	TOTAL	65,637,168	2,576,993,704	54,395,925	2,580,082,884	2.6	2.1

14.13 Gross profit/loss for the year per share

$$\frac{\text{Gross profit/loss}}{\text{Number of shares}}$$

in EUR

No.	INSURANCE	GROSS PROFIT/LOSS 2012	NUMBER OF SHARES 31 Dec. 2012	GROSS PROFIT/LOSS 2011	NUMBER OF SHARES 31 Dec. 2011	EARNING PER SHARE 2012	EARNING PER SHARE 2011
1	2	3	4	5	6	7=3/4	8=5/6
1	Non-life insurance	58,807,077	15,837,448	49,026,554	15,837,448	3.7	3.1
2	Life insurance	6,830,091	6,897,700	5,369,371	6,897,700	1.0	0.8
3	TOTAL	65,637,168	22,735,148	54,395,925	22,735,148	2.9	2.4

14.14 Net profit/loss for the year as % of average equity

$$\frac{\text{Net profit/loss*100}}{(\text{equity beginning balance for the year} + \text{equity ending balance for the year})/2}$$

in EUR

No.	INSURANCE	GROSS PROFIT/LOSS 2012	AVERAGE EQUITY BALANCE 2012	GROSS PROFIT/LOSS 2011	AVERAGE EQUITY BALANCE 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	45,979,234	395,167,036	39,674,093	380,009,290	11.6	10.4
2	Life insurance	4,412,939	77,507,740	4,108,466	79,762,886	5.7	5.2
3	TOTAL	50,392,174	472,674,776	43,782,559	459,772,176	10.7	9.5

14.15 Available capital of the insurance company as % of net written insurance premium

$$\frac{\text{Available capital*100}}{\text{Net written premium}}$$

in EUR

No.	INSURANCE	AVAILABLE CAPITAL 31 Dec. 2012	NET WRITTEN PREMIUM 2012	AVAILABLE CAPITAL 31 Dec. 2011	NET WRITTEN PREMIUM 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	242,406,101	386,926,281	147,979,528	421,895,511	62.7	35.1
2	Life insurance	80,058,116	191,496,478	74,360,455	200,649,496	41.8	37.1
3	TOTAL	322,464,217	578,422,759	222,339,983	622,545,007	55.8	35.7

14.16 Available capital of the insurance company as % of minimum capital of the insurance company

$$\frac{\text{Available capital} \cdot 100}{\text{Minimum capital}}$$

in EUR

No.	INSURANCE	AVAILABLE CAPITAL	MINIMUM CAPITAL	AVAILABLE CAPITAL	MINIMUM CAPITAL	2012 IN %	2011 IN %
		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011		
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	242,406,101	75,143,052	147,979,528	78,387,314	322.6	188.8
2	Life insurance	80,058,116	47,587,970	74,360,455	46,123,054	168.2	161.2
3	TOTAL	322,464,217	122,731,022	222,339,983	124,510,367	262.7	178.6

14.17 Available capital of the insurance company as % of insurance technical provisions

$$\frac{\text{Available capital} \cdot 100}{\text{Insurance technical provisions}}$$

in EUR

No.	INSURANCE	AVAILABLE CAPITAL	INSURANCE TECHNICAL PROVISIONS	AVAILABLE CAPITAL	INSURANCE TECHNICAL PROVISIONS	2012 IN %	2011 IN %
		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011		
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	242,406,101	633,450,595	147,979,528	674,773,942	38.3	21.9
2	Life insurance	80,058,116	1,251,086,960	74,360,455	1,180,853,004	6.4	6.3
3	TOTAL	322,464,217	1,884,537,554	222,339,983	1,855,626,947	17.1	12.0

14.18 Available capital as % of receivables from reinsurance and reinsurers' share of insurance technical provisions

Available capital*100

$$\frac{\text{Available capital*100}}{\text{Receivables from reinsurance and reinsurers' share of insurance technical provisions}}$$

in EUR

No.	INSURANCE	AVAILABLE CAPITAL 31 Dec. 2012	RECEIVABLES FROM REINSURANCE 31 Dec. 2012	AVAILABLE CAPITAL 31 Dec. 2011	RECEIVABLES FROM REINSURANCE 31 Dec. 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	242,406,101	75,385,422	147,979,528	54,544,229	322	271
2	Life insurance	80,058,116	6,135	74,360,455	3,681	1,304,856	2,019,896
3	TOTAL	322,464,217	75,391,557	222,339,983	54,547,910	428	408

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

Net written premium*100

$$\frac{\text{Net written premium*100}}{\text{Average balance of equity and insurance technical provisions}}$$

in EUR

No.	INSURANCE	NET WRITTEN PREMIUM 31 Dec. 2012	AVERAGE BALANCE OF EQUITY AND INSURANCE TECHNICAL PROVISIONS 31 Dec. 2012	NET WRITTEN PREMIUM 31 Dec. 2011	AVERAGE BALANCE OF EQUITY AND INSURANCE TECHNICAL PROVISIONS 31 Dec. 2011	2012 IN %	2011 IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	386,926,281	1,144,584,567	421,895,511	1,150,857,726	33.8	36.7
2	Life insurance	191,496,478	1,293,578,158	200,649,496	1,271,855,183	14.8	15.8
3	TOTAL	578,422,759	2,438,162,725	622,545,007	2,422,712,909	23.7	25.7

14.20 Net written premium as % of average equity balance

$$\frac{\text{Net written insurance premium} \times 100}{\text{Average equity balance}}$$

in EUR

No.	INSURANCE	NET WRITTEN PREMIUM	AVERAGE EQUITY BALANCE	NET WRITTEN PREMIUM	AVERAGE EQUITY BALANCE	2012	2011
		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011	IN %	IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	386,926,281	395,167,036	421,895,511	380,009,290	97.9	111.0
2	Life insurance	191,496,478	77,507,740	200,649,496	79,762,886	247.1	251.6
3	TOTAL	578,422,759	472,674,776	622,545,007	459,772,176	122.4	135.4

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

$$\frac{\text{Average balance of net insurance technical provisions} \times 100}{\text{Net premium income}}$$

in EUR

No.	INSURANCE	AVERAGE BALANCE OF NET INSURANCE TECHNICAL PROVISIONS	NET PREMIUM INCOME	AVERAGE BALANCE OF NET INSURANCE TECHNICAL PROVISIONS	NET PREMIUM INCOME	2012	2011
		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011	IN %	IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	654,112,269	405,310,176	685,225,422	427,525,612	161.4	160.3
2	Life insurance	1,215,969,982	191,508,491	1,192,088,898	200,583,520	634.9	594.3
3	TOTAL	1,870,082,251	596,818,667	1,877,314,319	628,109,132	313.3	298.9

14.22 Equity as % of net unearned premium

$$\frac{\text{Equity} * 100}{\text{Net unearned premium}}$$

in EUR

No.	INSURANCE	EQUITY	NET UNEARNED	EQUITY	NET UNEARNED	2012	2011
		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011	IN %	IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	422,753,538	153,475,459	367,580,534	171,859,354	275	214
2	Life insurance	84,903,563	403,360	70,111,917	415,373	21,049	16,879
3	TOTAL	507,657,101	153,878,820	437,692,451	172,274,727	330	254

14.23 Equity as % of liabilities

$$\frac{\text{Equity} * 100}{\text{Liabilities}}$$

in EUR

No.	INSURANCE	EQUITY	LIABILITIES	EQUITY	LIABILITIES	2012	2011
		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011	IN %	IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100
1	Non-life insurance	422,753,538	1,254,190,963	367,580,534	1,238,615,910	33.7	29.7
2	Life insurance	84,903,563	1,368,740,758	70,111,917	1,292,439,778	6.2	5.4
3	TOTAL	507,657,101	2,622,931,721	437,692,451	2,531,055,688	19.4	17.3

14.24 Net insurance technical provisions as % of liabilities

$$\frac{\text{Net insurance technical provisions} * 100}{\text{Liabilities}}$$

in EUR

No.	INSURANCE	NET INSURANCE TECHNICAL PROVISIONS		NET INSURANCE TECHNICAL PROVISIONS		LIABILITIES		2012		2011	
		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011	31 Dec. 2011	31 Dec. 2011	IN %	IN %	IN %	IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100				
1	Non-life insurance	633,450,595	1,254,190,963	674,773,942	1,238,615,910	50.5	54.5				
2	Life insurance	1,251,086,960	1,368,740,758	1,180,853,004	1,292,439,778	91.4	91.4				
3	TOTAL	1,884,537,554	2,622,931,721	1,855,626,947	2,531,055,688	71.9	73.3				

14.25 Net mathematical provisions as % of net insurance technical provisions

$$\frac{\text{Net mathematical provisions} * 100}{\text{Net insurance technical provisions}}$$

in EUR

No.	INSURANCE	NET MATHEMATICAL PROVISIONS		NET INSURANCE TECHNICAL PROVISIONS		NET INSURANCE TECHNICAL PROVISIONS		2012		2011	
		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011	31 Dec. 2011	31 Dec. 2011	31 Dec. 2011	IN %	IN %	IN %	IN %
1	2	3	4	5	6	7=3/4*100	8=5/6*100				
1	Non-life insurance	-	633,450,595	-	674,773,942	0.0	0.0				
2	Life insurance	1,231,373,993	1,251,086,960	1,160,953,401	1,180,853,004	98.4	98.3				
3	TOTAL	1,231,373,993	1,884,537,554	1,160,953,401	1,855,626,947	65.3	62.6				

14.26 Gross written insurance premium as % number of permanent staff

$$\frac{\text{Gross written insurance premium for the current year}}{\text{Average number of employees}}$$

in EUR

No.	INSURANCE	GROSS WRITTEN PREMIUM 2012	AVERAGE NUMBER OF EMPLOYEES 2012	GROSS WRITTEN PREMIUM 2011	AVERAGE NUMBER OF EMPLOYEES 2011	PREMIUM PER EMPLOYEE 2012	PREMIUM PER EMPLOYEE 2011
1	2	3	4	5	6	7=3/4	8=5/6
1	Non-life insurance	453,802,130	1,784	494,014,097	1,788	254,429	276,354
2	Life insurance	191,824,651	496	200,948,270	503	386,440	399,116
3	TOTAL	645,626,781	2,280	694,962,367	2,291	283,170	303,331

ZAVAROVALNICA TRIGLAV, D.D.

**ANNUAL AUDITED SEPARATE
FINANCIAL STATEMENTS**

2012

TABLE OF CONTENTS

I.	STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	6
II.	INDEPENDENT AUDITOR'S REPORT	7
III.	FINANCIAL STATEMENTS	8
IV.	NOTES TO THE FINANCIAL STATEMENTS	14
1.	GENERAL INFORMATION	14
1.1.	Company profile.....	14
1.2.	Management and supervisory bodies	14
1.3.	Employees.....	15
1.4.	Statement of compliance	16
1.5.	Reporting basis	16
2.	MAIN ACCOUNTING POLICIES	17
2.1.	The use of estimates and judgments.....	17
2.2.	Functional and presentation currency.....	17
2.3.	Intangible assets	18
2.4.	Property, plant and equipment	18
2.5.	Investment property	19
2.6.	Investments in subsidiaries and associated companies	19
2.7.	Financial assets (excluding operating receivables and cash)	20
2.8.	Fair value of financial assets	22
2.9.	Derecognition of financial assets	23
2.10.	Reinsurers' share of technical provisions.....	23
2.11.	Receivables from insurance operations	23
2.12.	Other assets.....	23
2.13.	Cash and cash equivalents	23
2.14.	Impairment.....	24
2.15.	Equity	25
2.16.	Subordinated liabilities	26
2.17.	Classification of insurance and financial contracts.....	26
2.18.	Insurance technical provisions	26
2.19.	Employee benefits	28
2.20.	Other financial liabilities.....	28
2.21.	Operating liabilities and other liabilities	28
2.22.	Premium income.....	28
2.23.	Income from financial assets	29
2.24.	Other income from insurance operations	29
2.25.	Other income	29
2.26.	Claims incurred.....	29

2.27. Other operating costs and costs of insurance contract acquisition.....	29
2.28. Expenses from financial assets	30
2.29. Other insurance expenses	30
2.30. Other expenses.....	30
2.31. Taxes	30
2.32. Standards and interpretations	31
3. MAIN ASSUMPTIONS	37
3.1. Parameters and assumptions in calculating life insurance provisions	37
3.2. The liability adequacy test (LAT) for life insurance.....	38
3.3. Parameters and assumptions in calculating non-life insurance provisions	40
3.4. Liability adequacy test (LAT) for non-life insurance.....	41
3.5. Parameters and assumptions applied in measuring the value of subsidiaries, associates and other non-market entities.....	41
4. RISK REPORT	45
4.1. Risk governance and risk management system.....	45
4.2. Capital management	45
4.3. Financial risk and sensitivity analysis	47
4.4. Strategic risk.....	57
4.4. Operational risks	60
5. SEGMENT REPORTING.....	61
5.1. Reporting by business segment	61
5.2. Reporting by geographical area	68
6. NOTES TO THE STATEMENT OF FINANCIAL POSITION	69
6.1. Intangible assets	69
6.2. Property, plant and equipment	70
6.3. Investment property	71
6.4. Investments in subsidiaries.....	72
6.5. Investments in associates.....	76
6.6. Financial assets.....	78
6.7. Reinsurers' share of technical provisions.....	83
6.8. Receivables	83
6.9. Other assets.....	84
6.10. Cash and cash equivalents	84
6.11. Equity	85
6.12. Subordinated liabilities	88
6.13. Insurance technical provisions and insurance technical provisions for unit- linked insurance contracts.....	89
6.14. Employee benefits	93
6.15. Other provisions.....	93
6.16. Deferred tax assets and liabilities	93

6.17. Other financial liabilities.....	94
6.18. Operating liabilities.....	94
6.19. Other liabilities.....	95
7. NOTES TO THE INCOME STATEMENT	96
7.1. Premium income.....	96
7.2. Overview of premium income by insurance class.....	96
7.3. Income from financial assets.....	97
7.4. Expenses from financial assets and liabilities.....	98
7.5. Fair value gains and losses.....	99
7.6. Realised gains and losses.....	99
7.7. Other insurance income.....	100
7.8. Other income.....	100
7.9. Claims.....	101
7.10. Change in other insurance-technical provisions.....	105
7.11. Expenses for bonuses and discounts.....	105
7.12. Acquisition costs and other operating expenses.....	105
7.13. Other expenses from insurance operations.....	108
7.14. Other expenses.....	108
7.15. Income tax expense.....	109
8. OTHER INFORMATION	110
8.1. Related party transaction.....	110
8.2. Amounts spent on auditors.....	114
8.3. Earnings per share.....	115
8.4. Additional notes the cash flow statement.....	115
8.5. Contingent assets and contingent liabilities.....	116
8.6. Reviews by supervisory bodies.....	117
8.7. Subsequent events.....	119
APPENDIX	

I. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board herewith confirms the 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 Company'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 financial statements, together with the notes are prepared on a going concern basis and that they comply with the applicable legislation and International Financial Reporting Standards, as adopted by the EU.

The Management Board confirms that the Business Report includes a fair presentation of the development and financial position of the Company, including a description of the major risks to which the Company is exposed to.

The Management Board is also responsible for appropriate accounting practices, for the adoption of appropriate measures for the protection of property, and for the prevention and identification of fraud and other irregularities or illegal acts.

The tax authorities may, at any time within the period of five years since the day the tax become chargeable, review the operations of the Company, which may result in additional tax liabilities, default interest and penalties related to corporate income tax and/or other taxes or levies. The Management Board of the Company is unaware of any circumstances that could potentially result in any such significant liability.

Matjaž Rakovec
President of the Management Board

Andrej Slapar
Member 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

INDEPENDENT AUDITOR'S REPORT

To the owners of Zavarovalnica Triglav d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Zavarovalnica Triglav d.d. which comprise the statement of financial position as at December 31, 2012, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zavarovalnica Triglav d.d. as of December 31, 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 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 financial statements.

Ljubljana, 29.3.2013


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana


Revizija, poslovno
svetovanje d.o.o., Ljubljana 1


Primož Kovačič
Certified Auditor

III. FINANCIAL STATEMENTS

A. STATEMENT OF FINANCIAL POSITION

in EUR

	Notes	31 December 2012	31 December 2011
ASSETS			
Intangible assets	6.1.	53,298,272	49,863,069
Property, plant and equipment	6.2.	66,300,323	71,932,485
Deferred tax receivables	6.16.	14,638,478	30,423,884
Investment property	6.3.	19,344,982	19,984,888
Investments in subsidiaries	6.4.	185,617,295	193,131,295
Investments in associates	6.5.	12,766,962	10,855,503
Financial assets	6.6.	2,072,924,001	1,972,634,968
<i>Financial investments</i>		1,666,421,213	1,617,636,390
- loans and deposits		222,777,533	363,304,828
- held to maturity		199,277,500	211,599,458
- available for sale		1,144,343,784	976,228,336
- recognised at fair value through profit and loss		100,022,396	66,503,768
<i>Unit-linked insurance assets</i>		406,502,788	354,998,578
Reinsurers' share of technical provisions	6.7.	75,391,557	54,547,910
Receivables	6.8.	98,274,364	105,902,050
- receivables from direct insurance operations		70,291,060	80,970,481
- receivables from reinsurance and coinsurance operations		8,243,477	8,187,183
- current tax receivables		7,403,575	0
- other receivables		12,336,252	16,744,387
Other assets	6.9.	2,225,894	3,060,960
Cash and cash equivalents	6.10.	2,278,084	4,216,855
TOTAL ASSETS		2,603,060,213	2,516,553,868
EQUITY AND LIABILITIES			
Equity	6.11.	507,657,101	437,692,451
- share capital		73,701,392	73,701,392
- share premium		53,412,884	53,412,884
- reserves from profit		236,286,919	211,286,919
- fair value reserve		46,049,906	5,969,185
- net profit brought forward		72,813,826	49,539,512
- net profit/loss for the year		25,392,174	43,782,559
Subordinated liabilities	6.12.	38,721,260	40,932,091
Insurance technical provisions	6.13.	1,585,250,868	1,585,925,020
- unearned premiums		200,453,389	219,683,849
- mathematical provisions		826,665,165	806,053,274
- claims provisions		538,904,153	537,912,790
- other insurance technical provisions		19,228,161	22,275,106
Insurance technical provisions for unit-linked insurance contracts	6.13.	404,899,884	354,900,127
Employee benefits	6.14.	7,994,891	8,300,010
Other provisions	6.15.	934,334	835,806
Other financial liabilities	6.17.	962,561	29,231,960
Operating liabilities	6.18.	26,135,315	28,761,344
- liabilities from direct insurance operations		12,519,990	13,489,315
- liabilities from reinsurance and co-insurance operations		13,615,325	14,753,844
- current tax liabilities		0	518,186
Other liabilities	6.19	30,503,998	29,975,059
TOTAL CAPITAL AND LIABILITIES		2,603,060,213	2,516,553,868

Notes on the pages 14 to 120 are integral part of these financial statements.

B. INCOME STATEMENT

		in EUR	
	Notes	2012	2011
NET PREMIUM INCOME	7.1.	596,818,667	628,109,132
- gross written premium		647,591,877	696,696,368
- ceded written premium		-69,169,119	-74,151,361
- change in unearned premiums		18,395,908	5,564,125
INCOME FROM FINANCIAL ASSETS	7.3.	143,980,876	116,412,108
<i>INCOME FROM FINANCIAL ASSETS IN ASSOCIATES</i>		2,540,584	1,868,713
- interest expense		1,773,249	1,503,605
- dividends		750,904	364,626
- fair value gains		0	0
- realised gains on disposals		0	0
- other financial income		16,431	482
<i>INCOME FROM OTHER FINANCIAL ASSETS</i>		113,159,477	89,694,474
- interest income		66,976,057	70,521,806
- dividends		1,749,633	2,884,919
- fair value gains		16,903,685	5,879,135
- realised gains on disposals		26,203,738	9,676,006
- other financial income		1,326,365	732,607
<i>NET UNREALISED GAINS ON UNITLINKED LIFE INSURANCE ASSETS</i>		28,280,816	24,848,921
OTHER INCOME FROM INSURANCE OPERATIONS	7.7.	29,457,651	31,182,642
- fees and commission income		24,208,197	27,202,415
- other income from insurance operations		5,249,454	3,980,228
OTHER INCOME	7.8.	6,535,404	5,996,603
NET CLAIMS INCURRED	7.9.	376,579,593	382,950,931
- gross claims settled		416,700,797	415,203,813
- reinsurers' share		-20,054,072	-26,874,461
- changes in claims provisions		-20,067,131	-5,378,421
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	7.10.	-6,736,775	-8,460,835
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS		49,999,757	-13,398,829
EXPENSES FOR BONUSES AND DISCOUNTS	7.11.	7,605,842	5,315,757
OPERATING EXPENSES	7.12.	136,837,206	139,957,133
- acquisition costs		96,740,329	97,581,422
- other operating costs		40,096,877	42,375,711
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	7.4.	103,907,826	180,227,976
<i>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES</i>		14,046,803	10,008,405
- interest expense		0	178,870
- fair value losses		0	1,775,494
- realised loss on disposals		0	0
- loss on impairment of financial assets		14,017,150	8,053,513
- other expenses from financial assets and liabilities		29,653	528
<i>EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES</i>		89,486,907	95,629,839
- interest expense		2,625,596	4,280,005
- fair value losses		17,640,835	9,569,908
- realised loss on disposals		22,249,251	16,719,731
- loss on impairment of financial assets		42,448,404	59,005,759

		in EUR	
	Notes	2012	2011
- other expenses from financial assets and liabilities		4,522,821	6,054,436
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS		374,116	74,589,732
OTHER INSURANCE EXPENSES	7.13.	31,985,406	35,470,665
OTHER EXPENSES	7.14.	10,976,575	5,241,762
PROFIT/ LOSS BEFORE TAX		65,637,168	54,395,925
Income tax expense	7.15.	-15,244,994	-10,613,366
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD		50,392,174	43,782,559
Earnings per share (basic and diluted)	8.3.	2.22	1.93

C. COMPREHENSIVE INCOME¹

		in EUR	
		2012	2011
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX		50,392,174	43,782,559
II. OTHER COMPREHENSIVE INCOME AFTER TAX		40,080,721	-78,847,949
1. Net gains/losses from the re-measurement of available-for-sale financial assets		71,255,682	-106,240,651
- Net gains/losses recognized directly in equity		44,044,534	-166,521,056
- Transfers from equity to income statement		27,211,148	60,280,405
2. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)		-23,745,609	9,274,697
3. Tax on other comprehensive income ²		-7,429,351	18,118,005
III. COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX		90,472,895	-35,065,390

Notes on the pages 14 to 120 are integral part of these financial statements.

¹ For additional notes to Comprehensive income see Sections 5 and 6.11.

² A breakdown of tax on other comprehensive income is shown in Section 7.15.

D. STATEMENT OF CHANGES IN EQUITY³

in EUR

2012	Share capital	Share premium	Reserves from profit			Fair value reserve	Net profit brought forward	Net profit/loss	TOTAL EQUITY
			Legal and statutory reserves	Credit risk reserves	Other reserves from profit				
1. OPENING BALANCE FOR THE PERIOD	73,701,392	53,412,884	4,662,643	30,624,276	176,000,000	5,969,185	49,539,512	43,782,559	437,692,451
2. Comprehensive income for the year after tax	0	0	0	0	0	40,080,721	0	50,392,174	90,472,895
3. Dividend payment	0	0	0	0	0	0	-15,914,604	0	-15,914,604
4. Transfer of net profit to reserves from profit	0	0	0	0	25,000,000	0	0	-25,000,000	0
5. Distribution of net profit / loss	0	0	0	0	0	0	43,782,559	-43,782,559	0
6. Other	0	0	0	0	0	0	-4,593,641	0	-4,593,641
7. CLOSING BALANCE FOR THE PERIOD	73,701,392	53,412,884	4,662,643	30,624,276	201,000,000	46,049,906	72,813,826	25,392,174	507,657,101
Distributable profit for the year							72,813,826	25,392,174	98,206,000

in EUR

2011	Share capital	Share premium	Reserves from profit			Fair value reserve	Net profit brought forward	Net profit/loss	TOTAL EQUITY
			Legal and statutory reserves	Credit risk reserves	Other reserves from profit				
1. OPENING BALANCE FOR THE PERIOD	23,701,392	53,412,884	4,662,644	30,624,276	16,000,000	84,817,134	252,529,148	16,104,423	481,851,900
2. Comprehensive income for the year after tax	0	0	0	0	0	-78,847,949	0	43,782,559	-35,065,390
3. Dividend payment	0	0	0	0	0	0	-9,094,059	0	-9,094,059
4. Share capital increase	50,000,000	0	0	0	0	0	-50,000,000	0	0
5. Other reserves from profit	0	0	0	0	160,000,000	0	-160,000,000	0	0
6. Distribution of net profit / loss	0	0	0	0	0	0	16,104,423	-16,104,423	0
7. CLOSING BALANCE FOR THE PERIOD	73,701,392	53,412,884	4,662,644	30,624,276	176,000,000	5,969,185	49,539,512	43,782,559	437,692,452
Distributable profit for the year							49,539,512	43,782,559	93,322,071

³ For additional notes on equity see Section 6.11.

E. CASH FLOW STATEMENT⁴

			in EUR	
		Notes	2012	2011
A. OPERATING CASH FLOW				
a.	Income statement items		38,334,466	10,252,113
1.	Net written premium for the period	7.1.	578,422,759	622,545,007
2.	Investment income (excluding financial income) arising from	7.3.	8,901,582	43,196,582
	- insurance technical provisions		6,574,433	40,339,150
	- other sources		2,327,148	2,857,433
3.	Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables		22,583,384	22,776,145
4.	Net claims paid	7.9.	-396,646,725	-388,329,352
5.	Bonuses and rebates paid	7.11.	-7,044,576	-6,613,596
6.	Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	7.12.	-116,284,945	-120,499,586
7.	Investment expenses (excluding financial expenses) arising from	7.4.	-8,879,542	-112,832,081
	- technical sources		-4,599,866	-104,690,810
	- other sources		-4,279,676	-8,141,271
8.	Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	7.14.	-31,234,890	-28,080,766
9.	Corporate income tax and other taxes excluded from operating expenses		-11,482,581	-21,910,241
b.	Changes in net current assets-operating balance sheet items		-1,652,238	-78,644,323
1.	Movements in receivables from insurance operations	6.8.	818,352	-10,290,121
2.	Movements in receivables from reinsurance operations		-56,294	12,655,026
3.	Movements in other receivables from (re)insurance operations		3,531,777	12,117,018
4.	Movements in other receivables and assets		919,470	12,487,186
5.	Movements in deferred tax assets		0	-6,901,150
6.	Movements in inventories		41,684	88,435
7.	Movements in debts from direct insurance operations	6.18.	-969,325	-2,067,177
8.	Movements in debts from reinsurance operations		-1,138,518	3,017,198
9.	Movements in operating debts		-2,216,018	-77,428,726
10.	Movements in other liabilities (excluding unearned premiums)		-10,012,713	-1,117,728
11.	Movements in deferred tax liabilities		7,429,348	-21,204,283
c.	Operating cash flow		36,682,228	-68,392,209
B. CASH FLOWS FROM INVESTING ACTIVITIES				
a.	Cash inflows from investing activities		2,297,616,438	2,775,893,368
1.	Cash inflows from interest from investing activities and from	6.6.	63,745,893	72,025,412
	- investment financed by insurance technical provisions		60,413,640	69,479,437
	- other investment		3,332,253	2,545,975
2.	Cash inflows from dividends received and profit sharing, arising from	6.6.	1,674,883	3,254,774
	- investment financed by insurance technical provisions		1,518,612	1,485,308
	- other investment		156,271	1,769,466
3.	Cash inflows from the disposal of intangible assets financed by	6.1.	-90,512	615,579
	- insurance technical provisions		0	0
	- other sources		-90,512	615,579
4.	Cash inflows from the disposal of property, plant and equipment financed by	6.2.	3,302,207	980,130
	- insurance technical provisions		0	294,039

⁴ For additional notes on cash flow statement see Section 8.4.

			in EUR	
	Notes	2012	2011	
- other sources		3,302,207	686,091	
5. Cash inflows from the disposal of non-current investments financed by	6.6.	1,142,679,479	711,317,220	
- insurance technical provisions		1,001,373,463	692,344,248	
- other sources		141,306,015	18,972,972	
6. Cash inflows from the disposal of current investments financed by	6.4.	1,086,304,488	1,896,763,781	
- insurance technical provisions		1,012,037,565	1,838,832,885	
- other sources		74,266,923	57,930,896	
7. Cash inflows from the disposal of investments in subsidiaries and associates financed by:	6.4.	0	90,936,472	
- insurance technical provisions		0	8,875,677	
- other sources		0	82,060,794	
b. Cash outflows from investing activities		-2,318,408,592	-2,700,854,060	
1. Cash outflows for the purchase of intangible assets	6.1.	-7,498,501	-4,755,743	
2. Cash outflows for the purchase of property, plant and equipment financed by	6.2.	-2,752,063	-4,883,820	
- insurance technical provisions		-409,143	-2,208,770	
- other sources		-2,342,921	-2,675,050	
3. Cash outflows for the purchase of non-current investments financed by	6.6.	-1,228,749,022	-731,772,329	
- insurance technical provisions		-1,108,149,318	-712,506,422	
- other sources		-120,599,704	-19,265,906	
4. Cash outflows for the purchase of current investments financed by	6.6.	-1,049,950,273	-1,818,845,505	
- insurance technical provisions		-968,295,002	-1,756,313,596	
- other sources		-81,655,271	-62,531,908	
5. Cash outflows for the purchase of investments in subsidiaries and associates financed by:	6.4.	-29,458,733	-140,596,663	
- insurance technical provisions		-17,641,493	-2,145,679	
- other sources		-11,817,240	-138,450,985	
c. Total cash flow from investing activities	8.4.	-20,792,154	75,039,309	
C. CASH FLOWS FROM FINANCING ACTIVITIES				
a. Cash inflows from financing activities		0	0	
1. Cash inflows from paid-in capital		0	0	
2. Cash inflows from long-term loans received	6.12	0	0	
3. Cash inflows from short-term loans received	6.17	0	0	
b. Cash outflows from financing activities		-17,828,844	-11,672,239	
1. Cash outflows for paid interest	6.17	-2,236,755	-2,792,478	
2. Cash outflows for repayments of principal		0	0	
3. Cash outflows for payments of long-term financial liabilities	6.12	0	0	
4. Cash outflows for payments of short-term financial liabilities	6.17	0	0	
5. Cash outflows from dividends paid and profit sharing		-15,592,089	-8,879,761	
c. Total cash flow from financing activities		-17,828,844	-11,672,239	
D. Opening balance of cash and cash equivalents	6.10	4,216,855	9,241,996	
E. Net cash flow for the period		-1,938,770	-5,025,140	
F. Closing balance of cash and cash equivalents	6.10	2,278,085	4,216,855	

Notes on the pages 14 to 120 are integral part of these financial statements.

IV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Company profile

Zavarovalnica Triglav d.d. (hereinafter: Zavarovalnica Triglav or the Company) is a public limited company with its registered office on Miklošičeva 19 in Ljubljana, Slovenia. The controlling interest in Zavarovalnica Triglav is held by the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije: ZPIZ) and the Slovene Restitution Fund (Slovenska odškodninska družba: SOD), which participate with 34.47% and 28.07% of the share capital, respectively.

Zavarovalnica Triglav offers a broad range of life and non-life insurance, as well as ancillary insurance and pension fund services. Zavarovalnica Triglav is the parent company of the Triglav Group.

On 29 March 2013, the Management Board approved the issuance of separate and consolidated financial statements. Once the financial statements are issued, the shareholders are entitled to make amendments. Financial statements are available at the headquarters of Zavarovalnica Triglav and on its website.

1.2. Management and supervisory bodies

Supervisory Board

The Supervisory Board monitors and supervises the management and performance of Zavarovalnica Triglav. According to the Articles and Memorandum of Association, the Supervisory Board has nine members (six representatives of shareholders and three representatives of employees). Members of the Supervisory Board are given a four-year mandate and can be re-elected without limitation. In 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.

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 Mihajlović 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

The table below shows the educational structure of employees and the average number of employees in Zavarovalnica Triglav in 2011 and 2012.

Level of education	2012	2011
Primary and vocational	186	213
Secondary school	1,035	1,067
Post-Secondary Education	340	313
Higher Education and University	770	747
Masters and Doctorates	74	60
TOTAL	2,405	2,400
Average number of employees	2,412	2,426

1.4. Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter: IFRS), the Companies Act (hereinafter: ZGD-1) and the Insurance Act (hereinafter: ZZavar).

1.5. Reporting basis

The financial statements of Zavarovalnica Triglav are compiled under the going concern assumption. These financial statements are separate financial statements of Zavarovalnica Triglav, prepared on the historical cost basis, except in the following cases in which the fair value was used instead:

- investments in associates,
- derivative financial instruments,
- financial assets measured at fair value through profit and loss, and
- available-for-sale financial assets.

The methods used for measuring fair value are described in detail in Section 2.8.

For the preparation of the statement of financial position, the Company classifies individual items into groups of assets and liabilities depending on their nature, listed in the order of their liquidity and/or maturity. In additional disclosures Zavarovalnica Triglav posts current and non-current assets as well as current and non-current liabilities as separate items, depending on whether they are expected to be paid or settled within 12 months of the balance sheet date (current) or after more than 12 months from the balance sheet date (non-current).

Financial assets and liabilities on the statement of financial position are offset only when Zavarovalnica Triglav has a legal right to offset the amounts, and intends either to settle them on a net basis or to settle the asset and settle the liability simultaneously. Income and expenses on the income statement are offset only if so provided by the standards, explained in the notes or required by the accounting policies of the Company.

The Annual Report is adopted by the Management Board and approved by the Supervisory Board. In the event the Supervisory Board fails to approve the report, it is discussed by the General Meeting of Shareholders. The General Meeting of Shareholders also decides on the distribution of accumulated profits. The proposal for the distribution of accumulated profits is described in Section 6.11.

2. MAIN ACCOUNTING POLICIES

2.1. The use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the amount of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge of current events and activities, actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an on-going basis. A change in an accounting estimate is recognised in the period for which the estimate has been changed, as well as for any future periods affected.

The most important uncertainty estimates and decisive judgments prepared by the management while applying the accounting principles and having the strongest impact on the figures in the financial statements are the following:

- Insurance technical provisions: provisions are calculated on the basis of insurance contracts and past trends in occurred loss events and adjusted for future expectations. The accounting policies are presented in Section 2.18, the main assumptions in Section 3, and an analysis of changes in these provisions in Section 6.13. A calculation of the adequacy of claims provisions 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 6.6, and the impacts of impairments in Section 7.4. Sensitivity analysis for the calculation of fair values is presented in Sections 3.5.2 and 3.5.3.

2.2. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which Zavarovalnica Triglav operates (functional currency). The financial statements are presented in euros, which is the functional and presentation currency of Zavarovalnica Triglav. In the financial statements, the amounts and disclosures are rounded to one euro.

Transactions in foreign currencies are translated into the functional currency at the related exchange rate from the reference exchange rates of the European Central Bank, published by the Bank of Slovenia. Exchange-rate differences arising from the settlement of these transactions or from the translation of cash items are recognised in the Profit and Loss Account.

Foreign exchange differences arising from changes in the amortised cost of monetary items, denominated in foreign currencies and classified as available-for-sale financial assets, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as financial assets measured at fair value through profit or loss, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as available-

for-sale financial assets, are recognised in equity as fair value reserve together with the effects of the measurement at fair value under other comprehensive income.

2.3. Intangible assets

Intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Amortisation is calculated using the straight-line amortisation method.

	Annual amortisation rate
Software	20%
Other economic rights	1% - 20%

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed by at least the end of each business year. If the expected useful life of an asset differs from previous estimates, the amortisation period is adjusted accordingly.

Intangible assets with an indefinite useful life are not amortised, but are subject to impairment tests on an annual basis. These assets are impaired if their carrying amount exceeds their recoverable amount.

Intangible assets include deferred acquisition costs for non-life insurance contracts. Decrease or increase in deferred acquisition costs is recognised as a change in unearned premium provision in the income statement, within net premium income.

Deferred acquisition costs for life insurance contracts are considered in the calculation of mathematical provisions using the Zillmer method. Change in deferred acquisition costs for life insurance is recognised as change in mathematical provisions.

Accounting policies regarding the impairment of intangible assets are described in Section 2.14.

2.4. Property, plant and equipment

Property, plant and equipment are accounted for using the cost model. After initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment loss. The historical cost includes acquisition expenses and all other costs incurred in the process of putting the assets into use.

Depreciation is calculated using the straight-line depreciation method. The depreciation rates given below have been used consistently through the years.

	Annual depreciation rate
Buildings	1.5% - 5.0%
Transport vehicles	12.5%
Computers and hardware	50%
Office and other furniture	10% - 20%
Other equipment	6.7% - 25.0%

The assets acquired in the current year become subject to depreciation on the first day of the month following the month in which they are put into use. Depreciation of an asset being constructed begins when it is available for use.

The residual value and useful life of an asset are reviewed as at the reporting date and adjusted in the event expectations differ from previous estimates.

The gain or loss from the derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in profit or loss when it is derecognised.

Maintenance and repair costs are recognised in the income statement as incurred. Further investments that increase future economic benefits increase the value of property, plant and equipment.

Accounting policies regarding the impairment of property, plant and equipment are described in Section 2.14.

2.5. Investment property

Investment property is land or a building held by the owner or by the lessee under a finance lease, which are leased out under an operating lease. Property is classified as investment property if not used by Zavarovalnica Triglav for performing its business activities, or if only a minor part of the building is used for that purpose.

After initial recognition investment property is measured at historical cost, including costs for the purpose of acquiring the asset. Investment property is accounted for using the cost model. Investment property is depreciated and impaired using the same method as that used for property, plant and equipment described under Section 2.4., 2.14.

Fair values for disclosure purposes are based on a valuation by an independent appraiser who holds a recognised and relevant professional qualification.

All income arising from investment property is rental income and is shown in the income statement under 'Other income'. Expenses arising from investment property consist of the depreciation charges and maintenance costs of the investment property. In the income statement, they are disclosed under 'Other expenses'.

Accounting policies regarding the impairment of investment property are described in Section 2.14.

2.6. Investments in subsidiaries and associated companies

In separate financial statements, investments in equity instruments of subsidiaries (shares, stakes) are measured at cost. Investment in a company in which Zavarovalnica Triglav holds an equity interest of more than 50% and has thus acquired controlling influence in it, is classified as investment in a subsidiary. Initial recognition follows as soon as the shares or equity interest has been entered into the Court Register.

Increase in the share capital of subsidiaries with in-kind contributions solely owned by Zavarovalnica Triglav is initially measured at the carrying amount of the contributions in kind. The carrying amount of the contributions in kind as at the date of investment equals the value of assets invested as the in-kind contribution recorded in the financial statements of Zavarovalnica Triglav as at that date.

In separate financial statements investments in equity instruments of associated companies (shares, stakes) are measured at fair value. Investment in a company in which Zavarovalnica Triglav holds an equity interest of more than 20%, but less than 49.9%, and

in which has thus acquired significant influence, is classified as investment in an associated company. For associated companies with no quoted price on the stock exchange, internal models of valuating are used (listed comparable companies method, comparable transactions method, discounting of cash flows, contract value). The valuation assumptions applied are presented in greater detail in Sections 3.5.1 and 3.5.2. The effects of the valuation at fair value are disclosed in other comprehensive income. Dividends are recognised in income statement once the right to payment is obtained.

Accounting policies regarding the impairment of investments in subsidiaries and associated companies are described in Section 2.14.

2.7. 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 based on their fair value. Initially recognised values are increased by transaction costs that are directly attributable to the acquisition or disposal of the financial asset (allowances to agents, consultants, and brokers, fees paid to the stock exchange and other transfer related fees). The rule does not apply to financial assets classified as assets disclosed at their fair value through profit and loss, where these costs are recognised directly in the income statement at acquisition.

The trade date is used for the initial recognition of financial assets, except for loans and deposits, for which the settlement date is used.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are classified as available for sale and not classified as loans and receivables, financial assets held to maturity, or financial assets recognised at fair value through profit and loss.

After initial recognition, financial assets classified as available for sale are measured at their fair value, without deducting transaction costs that may occur in their sale or other disposal. Financial instruments not listed on a stock exchange are measured at fair value on the basis of their prices in the latest transactions (official price offers by stock broking firms or banks for certain securities) or through a valuation model (discounting of expected cash flows). Details on valuation models are described in Section 3.5.3. Equity instruments not quoted in an active market and for which the fair value cannot be reliably measured are measured at cost.

Changes in fair value are recognised directly in other comprehensive income as an increase (gain) or decrease (loss) in the revaluation surplus, with the exception of asset impairments and foreign exchange differences regarding monetary items, such as debt securities recognised in the income statement.

When available-for-sale financial assets are derecognised, the accumulated losses or gains, previously recognised under other comprehensive income, are transferred to the income statement.

Held-to-maturity financial assets

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that Zavarovalnica Triglav definitely intends to hold and is able to hold to their maturity.

Financial assets held to maturity are measured at amortised cost reduced for impairment.

Financial assets at fair value through profit and loss

This category is divided into two groups: financial instruments held for trading and financial instruments measured at fair value through profit and loss.

A financial asset is classified as such if the underlying purpose of its acquisition was for resale within a short period of time, if it forms part of a portfolio of financial instruments aimed at short-term profit generation or if this classification was decided on by the management. Derivative financial instruments are always classified as financial instruments held for trading.

A financial asset designated at fair value through profit and loss is an asset:

- held in the long-term funds⁵ of Zavarovalnica Triglav for the purpose of covering liabilities arising from insurance contracts, relating to a change in the fair value of these assets; such a classification eliminates or reduces any mismatches that might arise from the measurement of assets and liabilities or the recognition of gains and losses arising from various contracts; or
- managed and its performance measured based on fair value in accordance with Zavarovalnica Triglav's investment policy.

After initial recognition, financial assets measured at fair value through profit or loss are measured at fair value on the basis of prices quoted in an active market.

Gains and losses arising from a change in fair value are recognised in the income statement.

The category of financial assets designated at fair value through profit and loss also includes financial assets with embedded derivative financial instruments. These are measured at fair value through profit and loss.

Loans and receivables

Loans and receivables (excluding receivables from insurance operations) are non-derivative financial assets with fixed or determinable payments not listed in an active market.

At initial recognition, loans and receivables are measured at cost and later at amortised cost using the effective interest method. The impairments of loans and receivables are recognised if there is objective evidence that the receivable will not be recovered in accordance with the contractual terms.

⁵ Long-term business funds include the assets of insured persons arising from life insurance, supplementary voluntary pension insurance, voluntary pension insurance during the annuity pay-out period and unit-linked insurance.

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 Zavarovalnica Triglav.

In the discounted cash flow method, future cash flows and discount rates are applied as estimated by the management, reflecting interest rates on comparable instruments.

If the fair value of financial instruments cannot be reliably measured, the financial instruments are measured at cost (paid or received amount) increased by expenses incurred in the underlying transaction.

For purposes of disclosing the methods for evaluating the fair value of financial assets, a price level hierarchy has been applied:

- 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 mostly using 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;
- Zavarovalnica Triglav retains the contractual rights to cash flows from the financial asset and assumes the obligation to pay cash flows to one or several payees by agreement;
- the Company transfers the contractual rights to cash flows from the financial asset, and:
 - has transferred all of the risks and benefits arising from the financial asset, or
 - has not retained or transferred the risks and benefits arising from the financial asset, but has transferred control over that asset.

2.10. Reinsurers' share of technical provisions

Reinsurers' share of technical provisions is an asset arising from reinsurance contracts.

The value of these assets is measured based on the expected losses, i.e. claims provisions for reinsured claims in accordance with reinsurance contracts and taking into account unearned premiums.

Assets from reinsurance contracts are derecognised when the rights from the underlying insurance contracts expire or are transferred to a third party.

2.11. Receivables from insurance operations

Receivables from insurance operations are recognised when insured persons are charged the premium. After initial recognition, receivables are measured at fair value reduced by the impairment allowance, so as to show their expected recoverable amount.

Subrogation receivables are recognised when the first instalment is paid by the debtor, after a receivable has been tested in court or based on an agreement made with the subrogation debtor. In credit insurance, subrogated receivables are recognised upon occurrence.

2.12. Other assets

Other assets include inventories, short-term deferred expenses and accrued revenue.

At initial recognition inventories are measured at cost. The cost of inventory comprises all costs of purchase. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula.

Short-term deferred expenses are amounts that will impact profit or loss in the following accounting periods. They are accrued in order to ensure their even impact on profit or loss, or to accrue prepaid expenses not yet incurred.

Accrued revenue refers to revenue earned in the current accounting period, but which will be collected in a subsequent period.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash at bank and cash in hand.

2.14. Impairment

Intangible assets and property, plant and equipment

At the reporting date, the value of intangible assets is estimated to determine whether there are any objective signs of impairment. In the event there are objective signs of impairment, the recoverable amount is assessed. The recoverable amount of intangible assets with an indefinite useful life and of intangible assets not yet put into use is measured on an annual basis, irrespective of any objective signs of impairment.

Sign of impairment of property, plant and equipment are reviewed annually. In the event there are any signs of impairment, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the recoverable amount exceeds the carrying value, the assets are not impaired.

If the carrying amount of an asset or group of assets exceeds their recoverable amount, an impairment loss is recognised in the amount equalling the difference between the two.

For material assets, impairments are assessed on an individual basis. The impairment of the remaining financial assets is carried out collectively, on the basis of the nature of their exposure to risk.

The previously recognised impairment losses of property, plant and equipment and intangible assets are reversed only if their recoverable amount increases and if this increase can be objectively related to an event occurring after the previous impairment was recognised. An impairment loss of an asset is derecognised only up to the amount of the carrying amount that would have resulted after the depreciation charge if in previous periods no impairment loss had been recognised.

Investment property

The value of investment property is estimated on an annual basis in order to determine whether there are any objective signs of impairment. In the event of any sign of impairment of investment property, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the carrying amount of investment property exceeds its recoverable amount, an impairment loss is recognised in the amount equalling the difference between the two.

Financial assets and financial investments in subsidiaries and associated companies

Signs of the impairment of investments in subsidiaries are reviewed on an annual basis. Underperformance of a subsidiary may represent a sign of possible impairment.

In the separate financial statement, financial investments in associates are accounted for at fair value. Impairment loss is calculated in the same as for available-for-sale financial assets. Details are given below.

The impairment loss of an available-for-sale financial asset is calculated on the basis of its current fair value. If there is objective evidence of the impairment of an available-for-sale financial asset, the accumulated loss, previously recognised in other comprehensive income, is transferred to the income statement. For equity securities, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), a significant decrease in the fair value of a security (above 40%) or a long-term decrease in the fair value of a security (continuing for more than nine months). For debt securities, objective evidence

of impairment includes statutory changes (bankruptcy, liquidation, etc.), payment arrears or other significant negative events related to the creditworthiness of the issuer.

The reversal of the previously recognised impairment losses of equity securities, classified as available-for-sale financial assets, is recognised in other comprehensive income.

The impairment loss of a financial asset, measured at amortised cost, is calculated as the difference between that asset's carrying amount and the present value of expected future cash flows, determined on the basis of the historical effective interest rate.

A reversal of previously recognised impairment of financial assets measured at amortised cost and debt instruments classified as available for sale is recognised in the income statement. Impairment may be reversed if such reversal can be objectively related to an event occurring after the previous impairment was recognised.

Insurance receivables

The adequacy of the value disclosed is tested for each group of receivables. All insurance receivables are tested for impairment or impairment reversal by at least at the end of the business year. Impairments are recorded as an adjustment of the value of receivables and are formed individually or collectively for receivables with similar credit risk. Credit risk is assessed based on the classification of receivables by maturity and the experience of previous years regarding the recovery of receivables with the same maturity. Impairment loss is recognised as an expense from insurance operations.

Reinsurers' share of technical provisions

Zavarovalnica Triglav tests the reinsurers' share of technical provisions (assets from reinsurance contracts) for impairment on an annual basis. These assets are impaired only if there is objective evidence resulting from an event occurring after the initial recognition of the reinsurance asset, which shows that the amounts due from reinsurers in accordance with a contract may not be recovered, and that the event has a reliably measurable effect on the amounts that will be recovered by Zavarovalnica Triglav from the reinsurer. An impairment loss of assets from reinsurance contracts is recognised in the income statement.

2.15. Equity

Share capital equals the nominal value of paid-up ordinary shares, denominated in euros.

When Zavarovalnica Triglav acquires its own shares, their value is disclosed as a deduction from equity. The same amount is then allocated to treasury share reserves as required by the Companies Act (hereinafter: ZGD-1).

A share premium is formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. A share premium also includes amounts resulting from the introduction of IFRS (the reversal of a general equity revaluation adjustment).

Reserves from profit are legal reserves, statutory and other reserves and credit risk equalisation reserves.

Statutory reserves may represent up to 20% of Zavarovalnica Triglav's share capital. They are formed by the Management Board transferring 5% of net profit to statutory reserves in any business year, decreased by any amounts used for covering losses and allocations to legal reserves and reserves from profit. Statutory reserves may be used for covering loss

after tax for the business year or loss brought forward, for treasury share reserves, for increasing share capital from authorised capital, as well as for dividend payment policy purposes.

Legal reserves are formed and used in line with the Companies Act (ZGD-1). Together with share premium, they have to amount to no less than 10% of the Company's share capital. They represent tied-up capital set aside in order to protect creditors' interests.

According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, however only up to one half of the net profit remaining after statutory allocations.

Credit risk equalisation reserves are formed and calculated in line with the Insurance Act. The Insurance Act defines equalisation reserves as a liability and requires that they be recognised under insurance technical provisions and formed or used through the income statement. As this is not in compliance with IFRS, Zavarovalnica Triglav discloses equalisation reserves under reserves from profit in accordance with IFRS and forms them from profit for the year in the statement of changes in equity.

2.16. Subordinated liabilities

Subordinated liabilities refer to subordinated debt instruments, which are, in accordance with the underlying agreements, to be paid last in the event of the Company's bankruptcy or liquidation. Subordinated liabilities are measured at amortised cost.

2.17. Classification of insurance and financial contracts

All products in the portfolio of the Triglav Group are classified as insurance contracts, because all of the products bear significant insurance risk or the insurance premium arising from these contracts is of immaterial importance in the total portfolio. The significance is determined on the basis of additional payments upon the occurrence of a loss event. The significance of additional amounts is assessed by comparing the greatest difference between the value of the payment in the event of a loss event and the payment in other cases. Percentages from 105% to 110% are used for the assessment of significance. Other contracts, i.e. asset management contracts and rental contracts are of immaterial importance for disclosure purposes.

For the purpose of accounting for assets covering liabilities that arise from insurance contracts, in addition to assets backing liabilities, four long-term business funds have been formed: a long-term business fund for unit-linked products, a long-term business fund for supplementary voluntary pension insurance, a long-term business fund for supplementary voluntary pension insurance during the annuity pay-out period and a combined long-term business fund for life, annuity and voluntary pension insurance.

2.18. Insurance technical provisions

Unearned premium provisions

Unearned premium provisions are formed for the part of gross written premium that refers to the following business year(s). These are calculated separately for individual insurance contracts using the pro-rata-temporis method, except for insurance policies in which the expiry of insurance coverage is agreed to be more than one year after the insurance policy is taken out.

Unearned premiums are calculated both for life and non-life insurance contracts.

Claims provisions

Claims provisions are formed for claims incurred but not settled until the reporting date. Claims provisions are formed for reported claims as well as for unreported and inadequately reported claims.

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Zavarovalnica Triglav are calculated as a capitalised annuity value based on the German mortality tables of 1994 and an interest rate of 2.75%, as prescribed by the regulator.

Provisions for incurred but not reported claims (IBNR) are calculated by means of “triangle” methods (a combination of Chain Ladder and Bornhuetter- Ferguson methods). The basis for calculation is a sample of past claims experience with appropriate allowance for future trends. For this purpose a 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 a quarterly basis.

Mathematical provisions

Mathematical provisions for life, annuity, pension and unit-linked products are calculated separately for each individual policy. For life, annuity and pension contracts in the payout period, a modified net premium prospective method is applied, taking into account insurance contract acquisition costs. For pension contracts in the saving period, where the nature of products makes the aforementioned method inappropriate, the retrospective net premium method is applied. The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products additional provisions are formed for covering contractual risk payments.

All calculations allow for prudent actuarial assumption bases, the legislation in force and all liabilities to policyholders arising from contracts and the respective terms and conditions.

Mathematical provisions also contain components for discretionary benefits allocated to policyholders in previous business years, based on the terms and conditions of the underlying contracts.

Zavarovalnica Triglav also includes a portion of fair value reserve of available-for-sale financial assets, which will be distributed among policyholders after maturity, in mathematical provisions. The principle of shadow accounting is applied. At initial recognition all effects from the fair value measurement of available-for-sale financial assets are recorded in other comprehensive income. The sums are then transferred to mathematical provisions on the reporting date, as follows:

- the entire fair value reserve from available-for-sale financial assets (disclosed as investment in the fund covering the Supplementary Voluntary Pension Insurance Fund (SVPI)) is transferred from other comprehensive income to mathematical provisions;
- An 80% portion of the entire fair value reserve from available-for-sale financial assets (disclosed as investment in the life insurance long-term business fund) is transferred from other comprehensive income to mathematical provisions;
- a 70% portion of positive fair value reserve from AFS financial assets (disclosed as investments from the long-term business fund backing supplemental pension insurance during the annuity payout period) is transferred from other comprehensive income to mathematical provisions.

The applied assumptions and other parameters are presented in greater detail in Section 3.

Other insurance technical provisions

Provisions for bonuses are formed for the part of the premium that will be reimbursed to those beneficiaries who meet certain beneficiary criteria set out in insurance conditions (total loss ratio over the last three years, financial discipline in premium payment and total insurance premium). An annual analysis and pre-set criteria are used to calculate the amount of premium that will be reimbursed by Zavarovalnica Triglav to those beneficiaries who meet the above-mentioned criteria.

Provisions for cancellations represent that part of unearned premiums expected to be reimbursed in the event of early cancellation and for which deferred acquisition costs have been formed.

Provisions for unexpired risk are formed for policies for which, based on experience, it is assumed that the amount of unearned premiums will not suffice for covering all future claims.

2.19. Employee benefits

Employee benefits comprise provisions for jubilee and retirement benefits. The calculation of these provisions is made by using the actuarial evaluation method, i.e. the method of the estimated relevance of units or the method including profit proportionally to the work carried out. In line with IAS 19, the calculation is based on the following actuarial assumptions:

- demographic variables (employee mortality and labour turnover),
- financial assumptions, such as:
 - discount rate with reference to the yield curve published by the European Central Bank as at the reporting date and estimates of
 - future salary increases taking into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the labour market.

2.20. Other financial liabilities

At initial recognition financial liabilities are measured at the cost arising from relevant underlying documents. They are decreased by paid amounts and increased by accrued interest. In the financial statement financial liabilities are disclosed at amortised cost.

2.21. Operating liabilities and other liabilities

Operating liabilities and other liabilities are recognised in the statement of financial position based on the contractual obligation to pay. Operating and other liabilities are measured at cost.

2.22. Premium income

Net premium income is calculated on the basis of gross written premium, reduced by reinsurers' share and adjusted depending on the change in gross provisions for unearned premiums taking into account the reinsurers' share in provisions for unearned premiums. The invoiced premium serves as the basis for recognising the gross written premium.

2.23. Income from financial assets

Income from financial assets arises from interest income, dividends, changes in fair value, capital gains and other financial income. In the income statement interest income is recognised using the effective interest rate, which does not apply to financial assets recognised at fair value through profit and loss. Income from dividends is recognised in the income statement once the right to the payment is obtained. Income from changes in fair value arises from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss. Gains on disposal arise from the derecognition of financial assets other than those recognised at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a realised gain.

Income from financial assets includes net unrealised gains on unit-linked life insurance assets. The latter arise from changes in the fair value of unit-linked life insurance assets.

2.24. Other income from insurance operations

Other income from insurance operations represents fees and commission income (asset management fees, 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). This income is recognised in the income statement once a service has been provided and/or invoiced.

2.25. Other income

Other income includes investment property income, income from intangible assets and property, plant and equipment, as well as other operating income not directly related to insurance operations. Other income is recognised in the income statement when an invoice is issued.

2.26. Claims incurred

Net claims incurred represent gross claims settled (claims incurred and claim handling costs), reduced by the reinsurers' share and subrogated receivables, and adjusted by the change in gross claims provisions, taking into account the reinsurers' share of these provisions. Claim handling costs consist of external and internal costs of assessing the eligibility and amount of claims, including court fees and charges, expert fees and subrogation recovery expenses.

Gross claims are recognised in the income statement once they have been settled.

2.27. Other operating costs and costs of insurance contract acquisition

Gross operating costs are recognised as original expenses by nature. In the income statement these costs are classified by function. Claim handling costs are a constituent part of claims incurred, asset management costs are a constituent part of investment expenses, while insurance contract acquisition costs and other operating costs are disclosed separately in the statement. Total operating costs are disclosed according to nature and function.

2.28. Expenses from financial assets

Expenses from financial assets are interest expenses, fair value losses, net realised losses on the disposal of financial assets, permanent impairment losses and other financial expenses.

In the income statement interest expense is recognised using the effective interest method, which does not apply to the financial assets measured at fair value through profit and loss.

Expenses due to changes in fair value arise from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss.

Losses on disposal arise from the derecognition of financial assets other than those measured at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a realised loss.

Expenses from financial assets include net unrealised losses on unit-linked life insurance assets. These expenses reflect the change in the fair value of unit-linked insurance assets.

2.29. Other insurance expenses

Other insurance expenses include 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 disclosed in the income statement once a service is provided.

2.30. Other expenses

Other expenses comprise other expenses not directly arising from insurance operations. Other expenses are disclosed in the income statement once a service is provided.

2.31. Leases

A lease is a contractual relationship, calling for the lessee to pay the lessor for the right to use an asset for a specified period of time.

A lease is classified as a finance lease if almost all risks and rewards incidental to ownership of the leased asset are transferred to the lessee. A lease that is not a financial lease is an operating lease. In case of an operating lease, the book value of the leased asset is increased by initial direct expenses, incurred upon the lease brokerage, and is recognised in the lease period on the same basis as rental income. Rents are recognised as income in the period in which they are generated.

2.32. Taxes

Tax expense for the year comprises current income tax and deferred taxes.

Current income tax is charged at the presently applicable 18% tax rate.

The deferred tax is calculated for all temporary differences between the amounts of assets and liabilities used for taxation and their carrying amount. The impact of the recognition of deferred tax receivables or liabilities is disclosed as income or expense in the income statement or other comprehensive income. Deferred tax is not recognised in the case of permanent impairment of investments in subsidiaries.

2.33. Standards and interpretations

The accounting policies, used in the preparation of the separate financial statements are consistent with those of the separate 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 Company's financial position or performance.

Standards and interpretations issued but not yet effective and not early adopted

The Company has not early adopted any standard or interpretation issued but not yet effective. The Company 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 “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 Company will have to apply in future periods the following amended and revised standards and interpretations:

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Government loans (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2013. This amendment sets out how a first-time adopter would account for a government loan with a

below-market rate of interest when they transition to IFRSs. This amendment provides the same relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The Company is in the process of assessing the impact of the amendment on the financial position or performance of the Group.

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. Retrospective application is required.

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 Company 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 Company 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 2012, but the amendments have not been endorsed yet by the EU.

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Repeated application of IFRS 1

This amendment clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS again, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS (according to IAS 8).

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Borrowing costs

Upon transition to IFRS, an entity will be allowed to retain its previously capitalised borrowing costs, without adjustment. After transition, borrowing costs are recognised in accordance with IAS 23 Borrowing costs.

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 Company 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 Company 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 and non-tradable financial assets are described below.

3.1. Parameters and assumptions in calculating life insurance provisions

3.1.1. Life and annuity insurance

For the valuation of life and annuity insurance contract liabilities, a modified prospective net premium method is applied by taking into account insurance acquisition costs, all of the contractual obligations and the previously allocated surplus. The insurance technical parameters used by the method are either the same as those used for calculating insurance premiums or corrected so as to reflect the subsequent circumstances which increase the value of liabilities. This applies to all life and annuity insurance policies which include a fixed interest rate guarantee of 4% or 4.5% and where liabilities are valued using a lower interest rate prudently set at 3.8%. The same is true for annuity insurance policies where Zavarovalnica Triglav values liabilities by applying the German annuity mortality tables of 1994 instead of the German annuity mortality tables of 1987, which were used for premium calculations in the past. During the payout period of pension annuities, Zavarovalnica Triglav values liabilities at an interest rate ranging from 2.75% to 3.80%. 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 Zavarovalnica Triglav applies the German mortality tables of 1994, which are more conservative.

3.1.3. Supplementary voluntary pension insurance (SVPI)

During the accumulation period, mathematical provisions are evaluated using the retrospective method. The method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, guaranteed interest rates and the additional allocated surplus made to individual accounts arising from extra returns on funds. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

The technical parameters used are either the same as those used when underwriting a policy or adjusted due to circumstances that will change later and increase the value of liabilities, primarily when valuing liabilities arising from pension annuity pay-outs. For valuation purposes, instead of the legally allowed German mortality tables of 1987, Zavarovalnica Triglav applies the more conservative German mortality tables of 1994. During the accumulation period, the Company guarantees a minimum annual return on net premiums paid, equalling 50% of the average annual interest rate on government securities with a maturity of over one year (figures published by the Ministry of Finance of the Republic of Slovenia). During the annuity pay-out period, Zavarovalnica Triglav values its liabilities at an interest rate ranging from 3.25% to 3.80%.

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 benefits from basic risk or riders.

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. Grouping life insurance products into homogenous groups for the LAT test

Insurance contracts are segmented into homogenous groups, which are exposed to similar risks and kept within the same portfolio. 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).

Potential losses are tested per individual homogenous group. Any established loss is recognised as an increase in provisions and an expense on the income statement.

3.2.2. Parameters and assumptions applied to life insurance

Mortality, longevity and morbidity assumptions

Assumptions regarding mortality, longevity and morbidity rates are based on an internal analysis of the Company's life insurance portfolio, on the data of national statistical offices, the data of reinsurers and other sources.

Persistency

The model takes into account the lapse rates determined on the basis of analysis of past experience. Zavarovalnica Triglav continuously monitors the persistency of insurance policies by duration and type of insurance, and adapts its assumptions accordingly.

Expenses

The calculation takes into account policy handling/maintenance expenses, claim handling expenses and asset management expenses, as defined on the basis of an analysis of the Company's expenses in preceding years. Estimated future expenses are increased every year in line with the expected inflation rate.

Increasing insurance premiums

In the case of insurance policies for which the monthly premium directly or indirectly follows the increase in salaries, the increase is calculated in line with the expected inflation rate.

Expected yield and discount rate

The applied methodology sets out that the yield curve should reflect the yield of government securities, denominated in the same currency as the currency of insurance policy benefits. For the purpose of the LAT test, Zavarovalnica Triglav applied the yield curve of Slovene government debt securities denominated in euro as at 31 December 2012. The reference value for the 10-year term is 5.51%.

Profit participation

The determination of the profit participation rate is at the discretion of Zavarovalnica Triglav and is regulated by internal rules adopted by the Management Board. The estimated future allocation of surpluses is in line with the expected performance, the previous profit allocation rates and the policyholders' reasonable expectations.

In the model, profit is allocated in an excess of the technical interests for with-profit policies. The allocation is determined on the basis of the mathematical provisions as at the end of the financial year.

Annuity factor guarantee

The liability adequacy test allows for the possibility of a change in annuity factors by the insurer in the event of insurance policies for which the mortality forecasts indicate that life expectancy is likely to increase to such an extent that the contract conditions justify such a change. The calculation also takes into account the assumption that 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 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 annuitisation rate by 10%.

Test results for all the above stated scenarios have proven that the level of provisions defined on the basis of the current value of the expected future liabilities – also when new parameters are applied – is lower than the existing level of provisions. The Company would not have needed to form additional provisions, even if more conservative parameters than the ones described above had been used in testing the adequacy of provisioning levels.

3.3. Parameters and assumptions in calculating non-life insurance provisions

The unearned premium for most insurance policies is calculated pro-rata temporis, assuming a uniform distribution of claims frequency during the term of insurance contracts. Insurance policies with a variable sum insured during the term of the insurance contract are the exception to this rule. These policies include credit insurance, since the insurance cover in such cases gradually decreases, and construction and erection insurance, where the insurance cover rises. For such types of insurance, the calculation of unearned premiums is based on the assumption of a constant claim frequency throughout the duration of the insurance contract and variable insurance cover.

In general, the claims provisions in Zavarovalnica Triglav are calculated as the sum of total claims reported but not settled (RBNS) and incurred but not reported (IBNR) claims. The majority of provisions for incurred but not reported claims are calculated using the run-off triangles method. Previous experience shows that claims from mass loss events, such as hail, floods and storms, are reported with considerable delay. None of the standard actuarial methods for determining the amount of IBNR claims after mass loss events is suitable for calculating these claims. Such claims can represent a significant part of the entire amount of incurred but not reported claims. In order to ensure an up-to-date

calculation of the actual amount of claims after mass loss event, additional provisions for IBNR or insufficiently reported claims after mass loss events are formed, based on a joint assessment by actuaries and the department in charge of insurance claims.

Claims provisions also include provisions for annuities in the case of liability insurance. Provisions for these claims were calculated as a capitalised annuity value as at the cut-off date based on applicable mortality tables and an interest rate of 2.75%.

3.4. Liability adequacy test (LAT) for non-life insurance

Zavarovalnica Triglav forms unexpired risk provisions as additional provisions that cover provisions for unearned premiums for risks occurring after the end of the business year, as well as for claims and administrative costs related to the existing insurance contracts. These provisions are defined as the difference between the amount actually needed for covering unexpired risk and provisions for unearned premiums.

Additional tests are performed to check the adequacy of the unearned premiums and unexpired risk reserves. The amounts of future gross claims and gross claim handling costs are applied in these tests. The calculated level of discounted cash flows is then compared with the amount of established provisions for unearned premiums.

The results of tests show that the level of unearned premiums reserves, together with the level of unexpired risk reserves, is sufficient.

3.5. Parameters and assumptions applied in measuring the value of subsidiaries, associates and other non-market entities

3.5.1. Identifying impairment loss of subsidiaries

Zavarovalnica Triglav recognises its subsidiary holdings in separate accounting statements, measured at historical cost. The impairment recognition is based on IAS 36 which provides the recoverable amount of an asset or a cash-generating unit as the higher of the two items:

- its fair value less costs to sell; or
- its value in use.

The valuation was made in compliance with the International Valuation Standards (IVS 2011) and the International Valuation Application (IVA).

Recognising the impairment of insurance subsidiaries

When recognising an impairment, it is first ascertained whether there are any indications of impairment. In this exercise, indications from external sources of information (significant changes in the environment with an adverse effect on the entity, changes in market interest rates and return on investment of assets likely to affect the recoverable amount of assets, unexpected drops in market values of assets) and indications from internal sources of information (statutory changes, changes in the management and scope of operations, poorer performance of the company) are considered. In the event there are objective signs of impairment, the recoverable amount is assessed.

Sign tests and impairment tests are carried out by external certified and internal valuers applying internal valuation models.

The valuation procedure includes at a minimum:

- general environment analysis of a company (macroeconomic and institutional);
- specific environment analysis (insurance market);
- business model and business operations analysis;
- analysis of a company's competitive position in the insurance market;
- analysis of plan attainment in terms of planning adequacy and realisation potential;
- choice of suitable valuation methodology and methods in consideration of standards, purpose (accounting purposes) and scope of valuation (including insurance class);
- derivation and assessment of assumptions in accordance with the analysis;
- derivation of cost of capital based on market parameters (time value, all relevant risks);
- valuation;
- assumption sensitivity analysis of a valuation and relevance analysis of the resulting range of valuations.

The key assumptions and sources applied in valuation included:

- the latest best assessment of the management approved by other management bodies up to 2017 in terms of plan attainment, with a potential negative correction by a professional valuator, primarily in view of changed macroeconomic and institutional market data as at the valuation date and/or applying to a forecast period, and taking into account the results of any previous plan attainment analysis;
- information on the environment acquired from the European Central Bank, statistical offices, International Monetary Fund (IMF), supervisory bodies and other regulators;
- data on comparable companies and transactions acquired from data sources such as Bloomberg, as well as other public sources;
- documentation and information acquired from the management and other key persons for company valuation;
- professional assessments by internal departments of Zavarovalnica Triglav.

The valuation is based on the following key assumptions:

- long-term convergence of the economic and insurance environment towards more developed, comparable and/or neighbouring countries, considering international financial institutions' forecasts of potential development scenarios and interdependent comparisons with development realised in more developed comparable countries;
- the state of insurance markets and expected institutional development, taking into account the transition from Solvency I to Solvency II;
- realisation of approved plans for the period up to 2017 after corrections, if any, based on the analysis of changed circumstances, previous failures to meet plans and the appraisal of the management's capacity to attain the plan.

In 2012, investments in two insurance companies (Pozavarovalnica Triglav RE d.d., Ljubljana and Triglav Zdravstvena zavarovalnica d.d., Koper) were tested for impairment indications. No real impairment indications were detected for either investment; however, due to the past impairment of the investment in Triglav Zdravstvena zavarovalnica d.d., Koper, an impairment test was carried out; it showed no need for 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 "g" of 3%.

Impairment indications were identified also in the insurance holding – the investment in Triglav INT d.d., Ljubljana – and the company was tested for impairment. The equity of Triglav INT d.d., Ljubljana, is invested in certain subsidiary insurance companies outside Slovenia, which together form the Triglav Group. Therefore, net asset value method was used for value measurements in the framework of impairment tests. The same procedures for testing impairment indications and impairment testing methods were applied both to Triglav INT d.d., Ljubljana, and subsidiaries. In 2012 the investment in Triglav INT d.d., Ljubljana, was impaired by EUR 13,898,008.

Recognising the impairment of non-insurance subsidiaries

In 2012, the impairment indications of financial investments in all non-insurance subsidiaries were tested. The same procedures were used for testing these impairment indications as those for testing the impairment indications in insurance subsidiaries. Indications were detected in company Hotel Grad Podvin, where the test confirmed an impairment of EUR 89,731. Investment in Triglav penzijski fondovi, a.d., Beograd, has been impaired in 2012 due to its liquidation.

3.5.2. Valuation of associated companies

In Zavarovalnica Triglav, investments in associated companies are recognised at fair value; therefore, the investments in associated companies are valued according to IAS 39.

This standard defines market prices in an active market as the best evidence of fair value. If a market for a financial instrument is not active, the Company establishes fair value by using valuation techniques, including the discounted cash flow method, the comparable listed companies method and the comparable transactions method.

The valuation procedure is based on a model resembling the procedure described under the valuation of insurance subsidiaries. The assessment is based on the environment analysis, business operation analysis, and five-year detailed business plan. Sensitivity analyses for more detailed forecast periods involve the following ranges for the abovementioned categories: the long-term free cash flow growth rate "g" (1.0–3.0%) and the discount rate (11.0–14.0%). The value, i.e. the range, of any of the given categories, depends on the character of the business and/or the risks associated with the analysed company and/or industry in which it operates. The results of sensitivity analyses served as the basis for calculating the expected resolution of an uncertainty.

The fair value of associated companies as at 31 December 2012 amounted to EUR 12.8 million. In 2012, there was no need to impair the associated companies of Zavarovalnica Triglav, as there were no impairment indications.

3.5.3. Valuation of other non-market companies

In accordance with the rules on the valuation of equity investments, the fair value of non-marketable assets 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 accumulation method. The choice of method depends on the nature of the business of the company under appraisal. Value measurements of other non-marketable 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: net sales income, EBITDA margin, cash flow growth over a forecast period and discount rate.

Sensitivity analyses for more detailed forecast periods involve the following ranges for the abovementioned categories. Most often a five-year forecast period was used. Due to expected institutional changes (transition to Basel III), a ten-year forecast period was applied for valuing investments in banks. The following ranges were used per category: a financial intermediation margin of 2–2.8%, a nominal annual rate of return on the financial asset portfolio of 2–3%, operating expenses to total assets of 1–1.25%, expected impairments and provisions of/for balance and off-balance sheet items of 1–1.2%, and the transition to Basel III between 2015 and 2019. Additionally, the estimated value deviations of the disclosed equity book value as at the date of valuation were taken into account. The nominal discount rate ranged between 11–13.75%, and the applied long-term free cash flow growth rate “g” was 2%. The value, i.e. the range, of any of the given categories, depends on the character of the business and/or the risks associated with the analysed company and/or industry in which it operates. Sensitivity analyses results served as the basis for calculating the expected resolution of an uncertainty.

The value of other non-marketable investments (established by arriving at a valuation) totalled EUR 11.7 million.

Depending on the chosen assumptions, the process of value assessment may result in differently appraised value ranges. A value within the calculated appraised value range is selected as the best assessment of an asset’s fair value. In some cases, the appraised value range is rather wide. Due to the abovementioned uncertainty inherent to the process of appraising the value of non-tradable assets, which results in a relatively wide appraised value range, the Group aims to apply a consistent and prudent approach to best assessing an asset’s fair value and thus minimising any subjective elements in this process.

The fair value of non-marketable equity investments, valued using the above-mentioned models, as at the reporting date, represented 0.6% of the Company’s total assets.

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 through improved decision-making and targeted risk mitigation and control.

In order to efficiently manage risks, Zavarovalnica Triglav developed a risk management system that enables it to efficiently manage exposures and, as such, represents an important part of the Company's corporate governance. The risk management system incorporates:

- a clear organisational structure of risk management functions and bodies, and
- a well-defined system of risk management competences and powers.

The scope of risk management activities is defined in the global risk management strategy statement. 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 accordance with the target risk exposure. Further details on the system, process, activities and main objectives of risk management can be found in Section 10.1 of the Business report.

4.1. Risk governance and risk management system

Major development activities concerning the risk management system in 2012 included:

- defining a policy for limiting exposure to individual banks;
- participation in the development and implementation of the data warehouse with the aim of establishing even more efficient and up-to-date reporting and provision of information and supporting specialised departments and management in their decision-making;
- an upgrade 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 the Solvency II Directive, which entailed assigning responsibilities and ensuring system support, and;

other preparatory activities for the Solvency II Directive and phase 2 of the IFRS 4 financial reporting standards.

4.2. Capital management

The amount of available capital for meeting capital adequacy requirements is measured in compliance with the legislation in force. In parallel, capital adequacy is monitored by applying Standard & Poor's model in accordance with the Directive 2010/138/EC of the European Parliament and of the Council (Solvency II). Decisions concerning capital management are supported by the results of all capital models. While capital requirements imposed by regulators constitute a binding constraint, meeting rating agencies' capital requirements represents one of the Company's strategic business objectives.

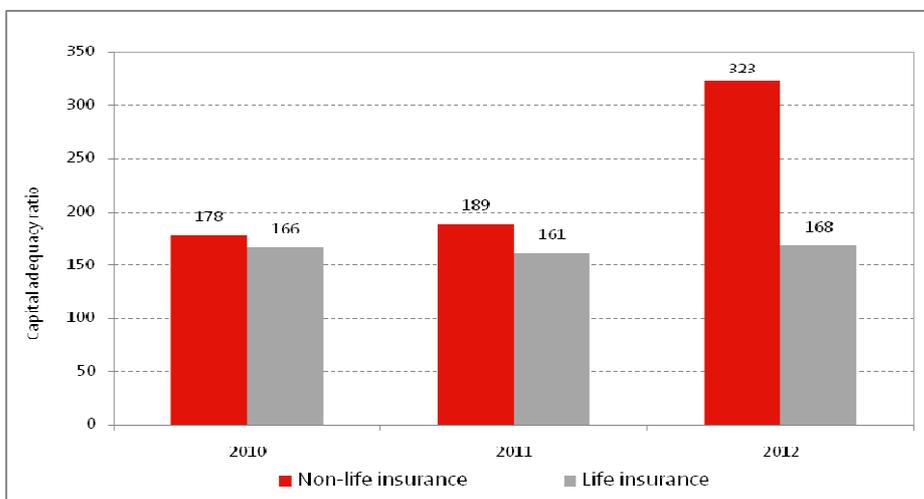
4.2.1. Legally required capital adequacy

The amount of required capital and, above all, the fluctuation in the level of Zavarovalnica Triglav's available capital, 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 said items. Zavarovalnica Triglav regularly monitors its capital adequacy in line with the applicable legislation. The main objective is to maintain a suitable capital level at all times and ensure the sufficiency of the current ratios of long-term business funds and assets backing liabilities, which is also a regulatory requirement in accordance with the applicable legislation.

In line with its strategic goals, the Company also maintains a surplus of the available solvency margin over the capital requirement in order to maintain its core business and ensure coverage of potential losses. The available capital surplus offers high protection against loss arising from unexpected adverse events, with regard to the previous and current developments in the environment and future expectations. In addition to measuring current capital adequacy levels, Zavarovalnica Triglav also monitors the maintenance of planned capital adequacy levels and capital adequacy as such, which enables it to monitor the effects of the environment on capital adequacy and provides for optimal capital allocations.

As at 31 December 2012, in Zavarovalnica Triglav the minimum required capital to available capital ratio in non-life insurance was 323% (vs. 189% as at 31 December 2011), whereas in life insurance the ratio was 168% (vs. 161% as at 31 December 2011). Throughout 2012, as in previous years, Zavarovalnica Triglav maintained the required capital adequacy.

Capital adequacy ratio of Zavarovalnica Triglav



4.2.2. Rating agency capital adequacy

Zavarovalnica Triglav's credit rating is assigned by the S&P credit rating agency. Under the Standard & Poor's capital adequacy model, measuring capital adequacy is the essential component of the credit rating process. As at 31 December 2011, Zavarovalnica Triglav was rated "A" (FSR, ICR), which reaffirms its high capital adequacy, especially in light of the economic and financial circumstances on the local and global markets.

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 10.3 of the Business report, the main types of financial risk to which the Group is exposed are as follows:

- equity and interest rate risk (sections 4.3.2. and 4.3.3.)
- credit risk (section 3.5.4.3.6); and
- liquidity risk (section 3.5.4.3.4).

Financial risks are managed through a system of clearly defined competences and powers that includes a scheme of exposure limits and a reporting process. Exposure limits are approved by the Assets and Liabilities Committee (ALCO) The financial risk management process includes conducting investment policies for individual long-term business funds and assets backing liabilities of the Company. Investment policies account for the nature and characteristics of Zavarovalnica Triglav's liabilities in order to optimise asset spread and thus maximise return. Details of the ALM process are given in the next section.

The breakdown of Zavarovalnica Triglav's financial assets portfolio by industry is shown in the table below.

Industry	31 December		31 December 2011	
	2012	Percentage	2011	Percentage
(Raw) materials	45,352,040	2.19%	26,643,711	1.35%
Communications	58,735,686	2.83%	42,646,334	2.16%
Cyclical activities	40,099,458	1.93%	31,347,195	1.59%
Non-cyclical activities	97,084,322	4.68%	75,914,125	3.85%
Highly diversified activity - conglomerates	9,183,072	0.44%	6,961,473	0.35%
Energy	50,400,824	2.43%	53,923,047	2.73%
Finance	512,122,302	24.71%	719,396,840	36.47%
Manufacturing	53,670,374	2.59%	56,387,511	2.86%
Goods and services of public interest	53,179,983	2.57%	41,134,871	2.09%
EMU countries	755,722,057	36.46%	521,831,596	26.45%
EU countries (except EMU)	45,208,521	2.18%	69,758,543	3.54%
Other countries	21,850,791	1.05%	32,438,515	1.64%
Small businesses and households	416,954	0.02%	1,286,063	0.07%
No data**	329,897,617	15.91%	292,965,145	14.85%
TOTAL	2,072,924,002	100.00%	1,972,634,968	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 36.47%, followed by sovereign bonds of EMU countries with 26.45%. The detailed structure of debt securities in the portfolio of Zavarovalnica Triglav is shown in Section 3.5.4.3.6 that refers to credit risk.

In 2012, hedging against different types of financial risks included the application of derivative financial instruments. The fair value of all derivative financial instruments as at 31 December 2012 amounted to EUR 1,820,661 (vs. EUR 1,413,999 as at 31 December 2011).

4.3.1. Market risks 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 can be found in the Business report in Sections 10.3.1 to 10.3.6.

In assets and liabilities management, Zavarovalnica Triglav is most exposed to interest rate and equity risks on the assets side. To a lesser extent, the Company is also exposed to the regulatory risk of potential changes in the minimum standard for setting the applicable technical interest rate for calculating mathematical provisions on the existing insurance portfolio.

Sections 4.3.2 and 4.3.3 show the results of the sensitivity analysis of Zavarovalnica Triglav's financial assets for both major risks and their impact on the comprehensive income and income statement of the Company.

4.3.2. Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the value of interest-sensitive assets, as well as the risk that interest-sensitive assets and interest-sensitive liabilities reach their maturity at different times at different values. Zavarovalnica Triglav is also exposed to reinvestment risk which arises for interest-sensitive assets yielding coupons in the period up to maturity, depending on the structure of the individual instruments. In the scope of asset-liability management (see Section 10.3.1), the Company keeps a certain limited level of mismatch between the maturity of assets and liabilities in order to generate part of the return.

The interest rate risk sensitivity analysis includes all financial assets exposed to interest rate risk, i.e. debt securities, classified into "measured at fair value through profit and loss" and "available-for-sale" categories and derivative financial instruments. The value of these assets as at 31 December 2012 amounted to EUR 1,205,220,455 and as at 31 December 2011 EUR to 953,070,553. The share of debt securities in the total portfolio is shown in the detailed overview of financial assets per groups of assets in Section 6.6.

The table below shows a sensitivity analysis of the Company's portfolio to interest rate risk, and its impact on the statement of comprehensive income and the income statement.

Type of security	in EUR			
	31 December 2012		31 December 2011	
	+100bp	-100bp	+100bp	-100bp
Government securities	-22,434,652	22,434,652	-16,540,937	16,540,937
Securities issued by financial institutions	-3,403,743	3,403,743	-3,469,795	3,469,795
Securities issued by companies	-17,092,168	17,092,168	-12,471,330	12,471,330
Composite securities	-2,195,477	2,195,477	-6,153,940	6,153,940
Other	9,978	-9,978	0	0
Total	-45,116,061	45,116,061	-38,636,002	38,636,002
Impact on equity	-42,409,150	42,409,150	-34,996,862	34,996,862
Impact on the income statement	-2,706,910	2,706,910	-3,639,140	3,639,140

The table above shows that it is the positive and negative changes in interest rates that have the strongest effect on the sovereign and corporate securities, which also represent bulk of the Zavarovalnica Triglav portfolio.

4.3.3. Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of securities within the Company's portfolio that are sensitive to such fluctuations. A description of the processes, methods and tools used for managing this type of risk can be found in Section 10.3.3 of the Business report. The share of equity securities in the total portfolio is shown in the detailed overview of financial assets per groups of assets in Section 6.6.

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	295,096,716	322,526,058
Equities in the ZDA	36,154	33,460
Equities in emerging markets	43,973,894	37,289,757
Global equities*	100,140,533	78,050,721
Total	439,247,297	437,899,997

*Globally diversified equity investments

The biggest part of the portfolio of Zavarovalnica Triglav consists of shares of issuers originating from the EU, with their total value as at 31 December 2012 amounting to EUR 295,096,716 EUR. These are followed by globally diversified investments in shares with a total value of EUR 100,140,533 and shares in emerging markets with a total value of EUR 43,973,894 in third place. Investments in shares in the USA do not represent a major exposure, as the total value of these investments only amounts to EUR 36,154.

The equity portfolio's sensitivity to equity price fluctuations and their impact on comprehensive income and/or the income statement of the Company is shown in the table below.

	in EUR			
	31 December 2012		31 December 2011	
	10%	-10%	10%	-10%
Equities in the EU	29,509,672	-29,509,672	32,252,606	-32,252,606
Equities in the ZDA	3,615	-3,615	3,346	-3,346
Equities in emerging markets	4,397,389	-4,397,389	3,728,976	-3,728,976
Global equities *	10,014,053	-10,014,053	7,805,072	-7,805,072
Total	43,924,730	-43,924,730	43,790,000	-43,790,000
Impact on equity	9,473,749	-7,531,475	14,346,484	-8,039,283
Impact on the income statement	34,450,981	-36,393,255	29,443,515	-35,750,717

*Globally diversified equity investments

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the market prices of the shares in the portfolio as at 31 December 2012 were more than 10% above their disclosed values, the equity and profit of Zavarovalnica Triglav would be EUR 9.5 million and EUR 34.4 million higher, respectively. In contrast, if the prices of the shares in the portfolio as at 31 December 2012 were 10% lower, the equity and profit of the Zavarovalnica Triglav would be EUR 7.5 million and EUR 36.4 million lower, respectively.

The breakdown of Zavarovalnica Triglav's equity portfolio by industry is shown in the table below.

Industry	31 December 2012	Percentage	31 December 2011	Percentage
(Raw) materials	6,997,423	1.59%	6,832,513	1.56%
Communications	1,044,362	0.24%	688,371	0.16%
Cyclical activities	2,612,118	0.59%	2,592,208	0.59%
Non-cyclical activities	33,837,908	7.70%	31,854,653	7.27%
Energy	6,282,833	1.43%	4,267,804	0.97%
Finance	56,598,738	12.89%	92,986,429	21.23%
Manufacturing	3,477,727	0.79%	7,214,259	1.65%
Goods and services of public interest	90,144	0.02%	90,186	0.02%
No data**	328,306,045	74.74%	291,373,573	66.54%
TOTAL	439,247,297	100.00%	437,899,997	100.00%

* Percentages are calculated on the basis of carrying amounts.

** Including investments in regional financial funds

Due to the established long-term or significant decrease in the fair value of equity securities, Zavarovalnica Triglav, in accordance with International Financial Reporting Standards, impaired certain equity securities in 2012 and 2011. The impact of impairments is described in detail in Section 7.4.

The structure of the equity portfolio by valuation method is shown in the table below.

in EUR				
31 December 2012	Quoted price	Valuation through internal models	Historical cost	TOTAL
Subsidiaries	0	0	185,617,295	185,617,295
Associates	0	12,727,488	39,474	12,766,962
Other financial assets	423,050,923	15,123,465	1,072,910	439,247,298
TOTAL	423,050,923	27,850,953	186,729,678	637,631,555

in EUR				
31 December 2011	Quoted price	Valuation through internal models	Historical cost	TOTAL
Subsidiaries	0	0	193,131,295	193,131,295
Associates	0	10,816,029	39,474	10,855,503
Other financial assets	397,955,012	38,480,275	1,464,710	437,899,997
TOTAL	397,955,012	49,296,304	194,635,479	641,886,795

4.3.4. Liquidity risk

Liquidity risk is the risk or threat of a liquidity mismatch, i.e. the mismatched maturity of assets and liabilities. Such a mismatch can cause liquidity problems or a shortage in liquidity needed to settle due liabilities. Liquidity risk is offset against the volume of highly liquid securities and regular monitoring of projected and actual cash flows from assets and liabilities. In order to obtain additional liquidity when needed, the Company makes use of a number of credit lines with domestic and foreign banks. Details on processes, methods and tools used for managing these types of risks can be found in Section 10.3.4 of the Business report.

The following tables show the maturity structure of Zavarovalnica Triglav's financial assets and liabilities and the level of liquidity risks.

Maturity structure of financial assets and liabilities

31 December 2012

in EUR

FINANCIAL ASSETS	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
Financial investments in Group companies	185,617,295	0	0	0	0	185,617,295
Financial investments in subsidiaries	12,766,962	0	0	0	0	12,766,962
Financial investments	441,657,674	266,327,109	669,412,299	422,612,299	272,914,620	2,072,924,001
Debt securities	0	161,141,114	618,719,750	409,394,892	244,531,605	1,433,787,360
Held until maturity	0	3,038,237	25,531,149	52,885,997	117,822,117	199,277,500
At fair value through profit and loss	0	12,743,862	97,321,330	31,510,215	11,529,222	153,104,629
Available for sale	0	131,920,385	477,506,963	324,998,680	115,180,266	1,049,606,294
Loans and receivables	0	13,438,630	18,360,308	0	0	31,798,938
Investments in shares	439,247,297	0	0	0	0	439,247,297
At fair value through profit and loss	344,509,805	0	0	0	0	344,509,805
Available for sale	94,737,492	0	0	0	0	94,737,492
Financial derivatives	0	0	1,519,877	259,744	41,040	1,820,661
Loans and receivables	2,410,377	105,185,995	49,172,672	12,957,663	28,341,975	198,068,682
Ceded share of technical provisions		40,405,618	24,069,075	8,420,386	2,496,478	75,391,557
Receivables from insurance operations	0	98,274,364	0	0	0	98,274,364
Cash	0	2,278,084	0	0	0	2,278,084
TOTAL FINANCIAL ASSETS	640,041,931	407,285,175	693,481,374	431,032,685	275,411,098	2,447,252,263
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	8,769,000	0	29,952,260	0	38,721,260
Insurance-technical provisions	404,899,884	456,513,503	381,451,811	291,150,152	456,135,401	1,990,150,751
Employee benefits	0	3,252,014	846,731	1,254,818	2,641,328	7,994,891
Other financial liabilities	0	962,561	0	0	0	962,561
TOTAL FINANCIAL LIABILITIES AND PROVISIONS	404,899,884	469,497,078	382,298,542	322,357,230	458,776,729	2,037,829,463
Given financial guarantees	0	3,086,692	0	0	0	3,086,692

31 December 2011

in EUR

FINANCIAL ASSETS	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
Financial investments in Group companies	193,131,295	0	0	0	0	193,131,295
Financial investments in subsidiaries	10,855,503	0	0	0	0	10,855,503
Financial investments	440,266,557	245,057,753	546,194,850	464,532,434	276,583,374	1,972,634,968
Debt securities	0	49,526,175	472,578,505	447,826,763	245,928,158	1,215,859,601
Held until maturity	0	0	26,977,737	42,801,497	141,820,224	211,599,458
At fair value through profit and loss	0	4,877,667	58,377,730	49,232,247	6,405,419	118,893,062
Available for sale	0	32,178,212	370,616,449	341,828,925	88,139,907	832,763,492
Loans and receivables	0	12,470,297	16,606,590	13,964,093	9,562,609	52,603,588
Investments in shares	437,899,997	0	0	0	0	437,899,997
At fair value through profit and loss	294,435,153	0	0	0	0	294,435,153
Available for sale	143,464,843	0	0	0	0	143,464,843
Financial derivatives	0	69,116	16,811	1,328,072	0	1,413,999
Loans and receivables	2,366,561	195,462,461	73,599,533	15,377,600	30,655,215	317,461,371
Ceded share of technical provisions	0	34,636,396	12,713,302	5,129,250	2,068,962	54,547,910
Receivables from insurance operations	0	105,902,050	0	0	0	105,902,050
Cash	0	4,216,854	0	0	0	4,216,854
TOTAL FINANCIAL ASSETS	644,253,355	389,813,053	558,908,152	469,661,684	278,652,336	2,341,288,580
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	0	10,998,000	29,934,090	0	40,932,091
Insurance-technical provisions	354,900,127	496,822,691	336,692,179	279,930,153	472,479,996	1,940,825,146
Employee benefits	0	3,824,508	1,656,961	1,104,806	1,713,735	8,300,010
Other financial liabilities	0	29,231,960	0	0	0	29,231,960
TOTAL FINANCIAL LIABILITIES AND PROVISIONS	354,900,127	529,879,160	349,347,140	310,969,049	474,193,731	2,019,289,208

4.3.5. Foreign exchange risk

Zavarovalnica Triglav's exposure to foreign exchange risk is minor, as most of its assets are denominated in euros. Exposure to other currencies represent only 0.27% 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). A description of credit risks as well as Zavarovalnica Triglav's processes, methods and tools for managing this type of risk can be found in Section 10.3.6 of the Business report.

Zavarovalnica Triglav's financial assets that may be exposed to credit risk, i.e. financial investments, assets from reinsurance contracts, operating receivables and cash or cash equivalents amounted to EUR 2,447,252,263 as at 31 December 2012 (EUR 2,341,288,582 as at 31 December 2011).

The Company analyses the maturity structure of receivables from insurance operations and on that basis continually monitors its credit risk exposure arising from insurance operations. The table below shows the maturity structure of receivables and the amount of impairment of receivables by maturity group. Receivables from reinsurers' and co-insurers' share in claims include receivables from the reinsurer Pozavarovalnica Triglav Re d.d. in the amount of EUR 6.9 million (vs. EUR 6,9 million in 2011), which is A-rated.

The table below shows the credit-rating structure of debt securities and other fixed return securities.

Credit rating	in EUR	
	31 December 2012	31 December 2011
AAA	329,217,328	125,949,336
AA	51,696,824	360,977,515
A	549,728,987	265,953,592
BBB	320,972,899	232,468,047
BB	45,366,744	73,372,778
B	24,579,026	16,099,059
Less than B	112,225,553	141,039,275
TOTAL	1,433,787,361	1,215,859,601

The table above shows that a third of the Zavarovalnica Triglav portfolio consists of debt securities with AA or AAA credit ratings. It is also evident that a large part consists of securities with no credit rating (EUR 112 million) that are subject to certain risk exposure limits in line with the company's business policies.

In 2012, the single largest exposure of the Zavarovalnica Triglav was to Abanka Vipa amounting to EUR 34,915,741. In 2011 as well, the Company's single largest exposure was

also to Abanka Vipa and amounted to EUR 87,756,086. The above-mentioned exposure includes all types of investments (equity and debt securities, deposits, certificates of deposits and derivative financial instruments).

On the reporting date total exposure of Zavarovalnica to government securities issued by Greece, Portugal, Spain, Ireland, Italy and Hungary amounted to EUR 52.9 million. On the same date, the total exposure to government securities issued by the Republic of Slovenia amounted to EUR 247.6 million.

Due to tight conditions in the global financial markets and increased credit risk, Zavarovalnica Triglav impaired certain investments in 2012. The impact of impairments is described in detail in Section 7.4.

2012

	in EUR									TOTAL NET AMOUNT
	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
Receivables from direct insurance operations	61,176,756	43,965	61,132,791	12,023,576	4,109,450	7,914,126	36,770,321	35,526,178	1,244,143	70,291,060
Receivables from insurers	60,377,768	43,965	60,333,803	11,855,837	4,053,388	7,802,449	35,463,758	34,217,597	1,246,161	69,382,413
Receivables from insurance brokers	140,335	0	140,335	40,393	11,784	28,609	51,719	86,269	-34,550	134,394
Other receivables from direct insurance operations	658,653	0	658,653	127,346	44,278	83,068	1,254,844	1,222,312	32,532	774,253
Receivables from co-insurance and reinsurance operations	8,243,477	0	8,243,477	0	0	0	0	0	0	8,243,477
Premium receivable from co-insurance	875,442	0	875,442	0	0	0	0	0	0	875,442
Premium receivable from reinsurance	0	0	0	0	0	0	0	0	0	0
Receivables from co-insurers' share in claims	42,252	0	42,252	0	0	0	0	0	0	42,252
Receivables from reinsurers' share in claims	7,325,783	0	7,325,783	0	0	0	0	0	0	7,325,783
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	15,505,530	0	15,505,530	4,604,920	1,726,626	2,878,294	86,900,868	85,544,866	1,356,002	19,739,826
Other short-term receivables from insurance operations	3,802,555	0	3,802,555	4,554,803	1,706,931	2,847,872	86,645,285	85,299,337	1,345,948	7,996,375
Short-term receivables from financing	992,136	-231	992,367	43,087	17,049	26,038	109,646	107,122	2,524	1,020,929
Other short-term receivables	10,570,943	231	10,570,712	7,030	2,646	4,384	145,937	138,407	7,530	10,582,626
Long-term receivables	139,896	0	139,896	0	0	0	0	0	0	139,896
TOTAL	84,925,763	43,965	84,881,798	16,628,496	5,836,076	10,792,420	123,671,189	121,071,044	2,600,145	98,274,363

2011

	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			in EUR	
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	TOTAL NET AMOUNT	
Receivables from direct insurance operations	71,473,136	36,024	71,437,112	12,190,817	3,958,736	8,232,081	33,859,525	32,558,238	1,301,287	80,970,481	
Receivables from insurers	70,391,732	6,220	70,385,512	11,739,852	3,792,966	7,946,885	32,644,598	31,351,432	1,293,166	79,625,563	
Receivables from insurance brokers	161,351	0	161,351	11,640	3,555	8,085	54,846	88,644	-33,798	135,638	
Other receivables from direct insurance operations	920,054	29,804	890,249	439,326	162,215	277,111	1,160,081	1,118,162	41,919	1,209,279	
Receivables from co-insurance and reinsurance operations	8,187,183	0	8,187,183	0	0	0	0	0	0	8,187,183	
Premium receivable from co-insurance	538,369	0	538,369	0	0	0	0	0	0	538,369	
Premium receivable from reinsurance	0	0	0	0	0	0	0	0	0	0	
Receivables from co-insurers' share in claims	22,212	0	22,212	0	0	0	0	0	0	22,212	
Receivables from reinsurers' share in claims	7,626,602	0	7,626,602	0	0	0	0	0	0	7,626,602	
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0	
Other receivables	12,467,323	0	12,467,323	4,779,327	1,890,993	2,888,333	84,773,572	83,384,841	1,388,731	16,744,388	
Other short-term receivables from insurance operations	3,701,713	0	3,701,713	4,731,027	1,867,682	2,863,345	83,803,437	82,426,183	1,377,254	7,942,312	
Short-term receivables from financing	5,594,204	0	5,594,204	33,603	14,212	19,391	115,136	109,637	5,499	5,619,094	
Other short-term receivables	3,040,664	0	3,040,664	14,696	9,099	5,597	854,999	849,021	5,977	3,052,239	
Long-term receivables	130,742	0	130,742	0	0	0	0	0	0	130,742	
TOTAL	92,127,643	36,024	92,091,618	16,970,144	5,849,729	11,120,414	118,633,096	115,943,078	2,690,018	105,902,051	

4.4. Strategic risk

Strategic risk is the probability or possibility that an event will adversely or beneficially affect Zavarovalnica Triglav's ability to achieve its strategic objectives and thus the Company's value. Strategic risks include the possibility or events linked to unsuccessful strategy implementation, bad management and strategic decision-making in the planning, implementation or supervision phase, as well as decisions influencing the ability to swiftly and efficiently adapt to the environment, as they can affect the achievement of strategic goals.

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 Management Committee;
- the Project Steering Committee;
- the Life Insurance Product Forum;
- the Non-life Insurance Product Forum;
- the Risk Management Committee;
- the Assets and Liabilities Committee (ALCO).

Key sources of strategic risk are risks linked to strategy, business processes, assets and liabilities and competition.

Strategic risks are addressed upon their creation, i.e. during the strategic planning process. The strategy implementation process is monitored with internal controls. Rules define competences and responsibilities of the above-mentioned bodies in managing strategic risk. A clear organisational structure of functions and committees enables efficient communication, co-operation, regular reporting and information sharing among the bodies and thus provides for an effective strategic risk control as well as the achievement of short, mid- and long-term goals.

4.5. Underwriting risk concentration

Underwriting risk comprises a group of risks related to the core insurance business, i.e. underwriting insurance contracts, product development, pricing and formation of provisions. This also entails exposure to the risk of changes in loss events and changes in client behaviour.

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 Business report, the primary responsibility for the active management of the underwriting risk lies with the divisions in charge of the core business. This type of risk is managed by clear policies, structured competences and powers, which include suitable delimitation of powers, underwriting limits and an authorisation system. In addition, underwriting risks are managed with established actuarial techniques linked to product pricing and the formation 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. A table showing the development of loss events can be found in Section 6.13 of the Annual Report.

To manage risks related to the development of insurance products, Zavarovalnica Triglav has established two product forums for life and non-life insurance, which are authorised to decide on all activities concerning product development, pricing and terms and conditions.

Reinsurance is one of the basic tools used to mitigate underwriting risks. For each financial year, a plan of reinsurance is adopted, based on the tables of maximum net retained lines, that contains:

- calculated retained lines by individual insurance class,
- 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 4.3.6), enabling Zavarovalnica Triglav to conduct even more stable business operations, which is reflected 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 by adequate re-insurance schemes, which are based on the tables of maximum net retained lines. Particular attention is paid to events with a low frequency and a high impact, for example natural disasters such as earthquakes, storms, hail and floods.

4.5.1.1. Insurance risk and concentration

Over the previous four years, on average we sustained two major natural disasters annually, which triggered reinsurance policies covering natural events. Our catastrophe reinsurance programme is designed as excess of loss reinsurance with four layers with a total limit of EUR 100,000,000 over the priority of EUR 7,500,000. Moreover, we have an aggregate reinsurance cover with an annual aggregate of EUR 15,000,000 and is thus protected also against a possible increased occurrence of natural disasters in a particular year. Past events showed that the reinsurance scheme is suitable and that Zavarovalnica Triglav was able to discharge its obligations arising from its insurance contracts despite adverse loss event developments, whilst liquidity risk and capital adequacy risk did not increase.

Experience from previous years suggests that the number of such natural events will continue to rise in the future, which is why Zavarovalnica Triglav will continue to adapt its reinsurance schemes accordingly, on an on-going basis. Natural events predominantly affect the fire, technical and car insurance classes (comprehensive car insurance), as well as crop insurance.

Natural disasters with severe levels of loss typically strike in certain geographical areas in Slovenia, whereas the non-life insurance portfolio is distributed evenly throughout Slovenia, thus mitigating the adverse effects on the result. In the previous two years, Zavarovalnica Triglav has become engaged in the process of intensively adapting its business to climate change. It is to be expected that this type of reinsurance schemes will become increasingly expensive in the future. In an attempt to minimise the impact of

climate change, the Company has started adapting its products accordingly and is exercising greater prudence in the process of underwriting insurance contracts.

For the Company, earthquakes are considered to be the events bearing the biggest potential loss. It has thus arranged appropriate reinsurance coverage to cater for this potential loss. In the case of an earthquake with a return period of 1,000 years, the retained loss of Zavarovalnica Triglav, increased by 20%, would account for two thirds of the maximum risk that the Company is still able to assume, according to the tables of maximum net retained lines.

In terms of the number of policies, Zavarovalnica Triglav is most active in car insurance (as shown in Section 7.2), with the bulk accounted for by motor liability insurance. As the latter is characterised by high risk dispersion, this segment does not entail any underwriting risk concentration for the Company. A potential danger of risk type concentration exists in comprehensive motor vehicle insurance. However, it is covered by a catastrophe reinsurance programme, which has proved to be adequate in recent years.

The concentration of life underwriting risk in Zavarovalnica Triglav is low, as the risk sum insured is below EUR 35,000 and accounts for 99.5% of the life, annuity and unit-linked portfolio. For additional accidental death insurance, the risk sum insured is lower than EUR 50,000 and represents 99.4% of the respective portfolio. Both sums insured represent the stipulated retention in line with the reinsurance agreement for most insurance policies.

4.5.1.2. Geographical and sectorial concentration

Zavarovalnica Triglav is active mostly in the territory of the Republic of Slovenia, with a minor amount of business in the neighbouring EU countries. On the basis of previous experience, the Company believes that all potential risk concentrations have suitable reinsurance cover.

In terms of business segments, Zavarovalnica Triglav is strongest in car insurance, as shown in the table Portfolio diversification by industry included in the disclosures of the Financial overview in Section 7.2.

4.5.2. Low-frequency and high severity risk

The threat of earthquakes represents the major potential risk in the Republic of Slovenia. Reinsurance protection against earthquakes and other natural disasters is regulated accordingly. Thus far, no earthquakes of catastrophic proportions have been recorded. The earthquake models available to the Company show that earthquakes with a return period of 1,000 years and an implied 20% margin of error in estimating the amount of potential claims do not represent a greater threat than the other natural disasters Zavarovalnica Triglav faces almost every year.

The table shows the earthquake model for Zavarovalnica Triglav's portfolio for 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

4.6. Operational risks

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

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

For identifying and measuring operational risks, Zavarovalnica Triglav drew up a framework which defines their type, underlying reasons, consequences, assessment methods and internal control identification. On that basis, in 2011 an extensive analysis of operational risks was carried out, covering all departments and regional units of 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 core business processes in Zavarovalnica Triglav. In 2011, the compliance of all departments of Zavarovalnica Triglav with this minimum internal control standard was planned. Moreover, the standard was planned to be implemented *mutatis mutandis* in the subsidiaries of the Triglav Group.

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

Another important segment of operational risks are compliance risks which are managed in the framework of the compliance function (see also Section 4.1).

5. SEGMENT REPORTING

5.1. Reporting by business segment

Zavarovalnica Triglav is a composite insurance company, providing non-life and life insurance services. As these are integral economic units, separate accounting records and books of account are kept. Distribution of income and expenses between non-life and life insurance is described below. Assets and their sources, including equity, are also disclosed separately.

Reconciliation of total assets

Assets and liabilities items in the statement of financial position by segment have not been offset. Mutual receivables and liabilities arising from non-life and life insurance operations and deferred tax assets and liabilities have been offset in the consolidated statement of financial position, as shown in the following table:

	in EUR	
	2012	2011
Balance sheet total (without offsetting)	2,622,931,721	2,531,055,688
Mutual receivables and liabilities	-4,762,238	-11,415,542
Deferred tax assets and liabilities	-15,109,271	-3,086,278
Offset balance	2,603,060,213	2,516,553,868

Mutual receivables and liabilities arise from cost sharing, as explained below.

Distribution of income and expenses between non-life and life insurance

Income

Income from insurance premiums is disclosed separately by insurance group and insurance class.

Investment income is posted separately by insurance group. Within individual insurance classes and types of insurance technical provisions, investment income is distributed according to the structure of technical provisions. Investment income from assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions is accounted for separately. The latter are also accounted for separately by insurance group.

Other net income from insurance operations is accounted for separately by insurance group and insurance class, partly directly and partly by using a matrix (the matrix is the same as for investment income). Other income from insurance operations and other income is accounted for by insurance group.

Expenses

Net claims incurred are disclosed separately by insurance group and insurance class. Direct claim handling costs are posted by insurance class. Part of the claim handling costs, primarily accounted for by their natural type within operating costs, is shown by insurance groups and insurance classes directly and by using a matrix that is the same as that used for distributing other operating costs.

Changes in insurance technical provisions (provisions for bonuses and discounts and other insurance technical provisions) are accounted for directly by insurance group and by insurance class.

Investment expenses are posted separately by insurance groups. Investment expenses within individual insurance classes and types of insurance technical provisions are distributed according to the same criteria as investment income. Within individual insurance groups, expenses from investments are disclosed separately for assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions. The latter are also accounted for separately by insurance group.

Other net insurance expenses are accounted for separately by insurance group and by insurance class, partly directly and partly by using a matrix. Other expenses from insurance operations and other expenses are posted separately by insurance group.

The consolidated statement of financial position and consolidated income statement by business segment are shown below for the reporting and the previous year.

in EUR

	31 December 2012			31 December 2011		
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
ASSETS	1,254,190,963	1,368,740,758	2,622,931,721	1,238,615,910	1,292,439,778	2,531,055,688
Intangible assets	50,792,438	2,505,835	53,298,272	47,787,036	2,076,033	49,863,069
Property, plant and equipment	55,655,501	10,644,822	66,300,323	60,826,425	11,106,060	71,932,485
Deffered tax receivables	27,404,012	2,343,737	29,747,749	28,749,274	4,760,888	33,510,162
Investment property	17,386,248	1,958,734	19,344,982	18,008,707	1,976,181	19,984,888
Investments in subsidiaries and associates	184,103,598	14,280,658	198,384,257	191,617,599	12,369,200	203,986,798
Financial assets	740,004,319	1,332,919,681	2,072,924,001	723,280,154	1,249,354,814	1,972,634,968
<i>Financial investments:</i>	<i>740,004,319</i>	<i>926,416,893</i>	<i>1,666,421,213</i>	<i>723,280,154</i>	<i>894,356,236</i>	<i>1,617,636,390</i>
- loans and deposits	111,749,604	111,027,929	222,777,533	185,713,454	177,591,374	363,304,828
- held to maturity	0	199,277,500	199,277,500	0	211,599,458	211,599,458
- available for sale	610,846,122	533,497,663	1,144,343,784	518,144,697	458,083,638	976,228,336
- investments recognised at fair value	17,408,594	82,613,801	100,022,396	19,422,002	47,081,766	66,503,768
<i>Unit-linked insurance assets</i>	<i>0</i>	<i>406,502,788</i>	<i>406,502,788</i>	<i>0</i>	<i>354,998,578</i>	<i>354,998,578</i>
Reinsurers' share of technical provisions	75,385,422	6,135	75,391,557	54,544,229	3,681	54,547,910
Receivables	100,209,075	2,827,527	103,036,602	110,105,259	7,212,333	117,317,592
- receivables from direct insurance operations	69,871,232	419,827	70,291,060	80,444,885	525,595	80,970,481
- receivables from reinsurance and co-insurance operations	8,231,380	12,097	8,243,477	8,179,159	8,024	8,187,183
- current tax receivables	7,403,575	0	7,403,575	0	0	0
- other receivables	14,702,887	2,395,602	17,098,490	21,481,215	6,678,714	28,159,929
Other assets	2,167,435	58,459	2,225,894	2,974,226	86,734	3,060,960
Cash and cash equivalentst	1,082,914	1,195,171	2,278,084	723,001	3,493,853	4,216,855
EQUITY AND LIABILITIES	1,254,190,963	1,368,740,758	2,622,931,721	1,238,615,910	1,292,439,778	2,531,055,688
Equity	422,753,538	84,903,563	507,657,101	367,580,534	70,111,917	437,692,451
- share capital	51,340,540	22,360,852	73,701,392	51,340,540	22,360,852	73,701,392
- share premium	40,344,978	13,067,907	53,412,884	40,344,978	13,067,907	53,412,884
- reserves from profit	204,723,028	31,563,891	236,286,919	179,723,028	31,563,891	211,286,919
- fair value reserve	32,551,932	13,497,974	46,049,906	6,958,384	-989,199	5,969,185
- net profit brought forward	72,813,826	0	72,813,826	49,539,512	0	49,539,512
- net profit/loss for the year	20,979,234	4,412,939	25,392,174	39,674,093	4,108,466	43,782,559

in EUR

	31 December 2012			31 December 2011		
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Subordinated liabilities	25,043,991	13,677,269	38,721,260	27,259,666	13,672,424	40,932,091
Insurance technical provisions	738,866,601	846,384,267	1,585,250,868	759,968,461	825,956,559	1,585,925,020
- unearned premiums	200,050,028	403,360	200,453,389	219,268,476	415,373	219,683,849
- mathematical provisions	0	826,665,165	826,665,165	0	806,053,274	806,053,274
- other insurance technical provisions	519,588,411	19,315,742	538,904,153	518,424,878	19,487,912	537,912,790
- druge zavarovalno-tehnične rezervacije	19,228,161	0	19,228,161	22,275,106	0	22,275,106
Insurance technical provisions for unit-linked insurance contracts	0	404,899,884	404,899,884	0	354,900,127	354,900,127
Employee benefits	6,569,954	1,424,937	7,994,891	6,820,823	1,479,187	8,300,010
Employee benefits	882,628	51,707	934,334	835,806	0	835,806
Deferred tax liabilities	10,339,414	4,769,857	15,109,271	1,739,596	1,346,682	3,086,278
Other financial liabilities	945,075	17,486	962,561	24,102,964	5,128,996	29,231,960
Operating liabilities	19,145,689	6,989,626	26,135,315	20,778,431	7,982,913	28,761,344
- liabilities from direct insurance operations	5,539,078	6,980,912	12,519,990	5,514,429	7,974,886	13,489,315
- liabilities from reinsurance and co-insurance operations	13,606,611	8,714	13,615,325	14,745,817	8,027	14,753,844
- current tax liabilities	0	0	0	518,186	0	518,186
Other liabilities	29,644,074	5,622,161	35,266,235	29,529,628	11,860,973	41,390,601

	2012			2011			in EUR
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL	
NET PREMIUM INCOME	405,310,176	191,508,491	596,818,667	427,525,612	200,583,520	628,109,132	
- gross written premium	455,767,226	191,824,651	647,591,877	495,748,097	200,948,270	696,696,368	
- ceded written premium	-68,840,946	-328,173	-69,169,119	-73,852,587	-298,774	-74,151,361	
- change in unearned premiums	18,383,895	12,013	18,395,908	5,630,101	-65,976	5,564,125	
TOTAL INCOME FROM FINANCIAL ASSETS	50,228,293	93,752,583	143,980,876	43,307,112	73,104,996	116,412,108	
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	1,789,658	750,926	2,540,584	1,663,402	205,311	1,868,713	
- interest income	1,773,227	22	1,773,249	1,490,660	12,945	1,503,605	
- dividends	0	750,904	750,904	172,260	192,366	364,626	
- fair value gains	0	0	0	0	0	0	
- realised gains on disposals	0	0	0	0	0	0	
- other financial income	16,431	0	16,431	482	0	482	
INCOME FROM OTHER FINANCIAL ASSETS	48,438,635	64,720,842	113,159,477	41,643,710	48,050,764	89,694,474	
- interest income	29,296,395	37,679,661	66,976,057	31,666,707	38,855,099	70,521,806	
- dividends	1,006,637	742,995	1,749,633	1,751,291	1,133,628	2,884,919	
- fair value gains	4,096,151	12,807,533	16,903,685	2,865,876	3,013,260	5,879,135	
- realised gains on disposals	12,717,577	13,486,160	26,203,738	4,627,307	5,048,699	9,676,006	
- other financial income	1,321,873	449,128	1,326,365	732,529	78	732,607	
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	28,280,816	28,280,816	0	24,848,921	24,848,921	
OTHER INCOME FROM INSURANCE OPERATIONS	15,179,899	14,277,752	29,457,651	15,804,213	15,378,429	31,182,642	
- fees and commission income	11,471,037	12,737,160	24,208,197	12,292,751	14,909,663	27,202,415	
- other income from insurance operations	3,708,862	1,540,592	5,249,454	3,511,462	468,766	3,980,228	
OTHER INCOME	3,623,592	2,911,813	6,535,404	3,234,229	2,762,375	5,996,603	
NET CLAIMS INCURRED	219,069,280	157,510,313	376,579,593	247,399,885	135,551,046	382,950,931	
- gross claims settled	258,954,352	157,746,445	416,700,797	279,149,297	136,054,515	415,203,813	
- reinsurers' share	-19,992,564	-61,508	-20,054,072	-26,757,712	-116,749	-26,874,461	
- changes in claims provisions	-19,892,507	-174,624	-20,067,131	-4,991,701	-386,720	-5,378,421	

	2012			2011		
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-3,608,211	-3,128,564	-6,736,775	-8,983,318	522,482	-8,460,835
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0	49,999,757	49,999,757	0	-13,398,829	-13,398,829
EXPENSES FOR BONUSES AND DISCOUNTS	7,605,842	0	7,605,842	5,315,757	0	5,315,757
OPERATING EXPENSES	105,016,937	31,820,269	136,837,206	107,267,517	32,689,616	139,957,133
- costs of insurance contract acquisition	77,347,782	19,392,547	96,740,329	77,598,396	19,983,026	97,581,422
- other operating costs	27,669,155	12,427,722	40,096,877	29,669,121	12,706,591	42,375,711
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	61,149,557	42,758,269	103,907,826	65,757,900	114,470,076	180,227,976
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	14,017,392	29,411	14,046,803	8,337,821	1,670,585	10,008,405
- interest expense	0	0	0	178,870	0	178,870
- fair value losses	0	0	0	1,775,494	0	1,775,494
- realised loss on disposals	0	0	0	0	0	0
- loss on impairment of financial assets	13,987,739	29,411	14,017,150	6,382,928	1,670,585	8,053,513
- other expenses from financial assets and liabilities	29,653	0	29,653	528	0	528
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	47,132,165	42,354,742	89,486,907	57,420,079	38,209,760	95,629,839
- interest expense	1,806,957	818,639	2,625,596	2,764,508	1,515,497	4,280,005
- fair value losses	3,058,607	14,582,228	17,640,835	4,063,494	5,506,414	9,569,908
- realised loss on disposals	4,538,982	17,710,269	22,249,251	3,218,578	13,501,153	16,719,731
- loss on impairment of financial assets	34,714,620	7,733,784	42,448,404	43,128,918	15,876,841	59,005,759
- other expenses from financial assets and liabilities	3,013,000	1,509,822	4,522,821	4,244,581	1,809,855	6,054,436
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	374,116	374,116	0	74,589,732	74,589,732
OTHER INSURANCE EXPENSES	17,185,714	14,799,692	31,985,406	19,777,236	15,693,429	35,470,665
OTHER EXPENSES	9,115,763	1,860,812	10,976,575	4,309,634	932,128	5,241,762
PROFIT/LOSS BEFORE TAX	58,807,077	6,830,091	65,637,168	49,026,554	5,369,371	54,395,925
Income tax expense	-12,827,843	-2,417,151	-15,244,994	-9,352,461	-1,260,905	-10,613,367
NET PROFIT/LOSS FOR THE ACCOUNTING PERIOD	45,979,234	4,412,939	50,392,174	39,674,093	4,108,466	43,782,559

in EUR

Statement of comprehensive income by business segments

	2012			2011		
	Non-life	Life	TOTAL	Non-life	Life	TOTAL
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX	45,979,234	4,412,939	50,392,174	39,674,093	4,108,466	43,782,559
II. OTHER COMPREHENSIVE INCOME AFTER TAX	25,593,549	14,487,173	40,080,721	-58,196,683	-20,651,266	-78,847,949
1. Net gains/losses from the remeasurement of available-for-sale financial assets	29,599,725	41,655,957	71,255,682	-72,745,854	-33,494,798	-106,240,651
- Gains/losses recognised in fair value reserve	4,532,150	39,512,384	44,044,534	-115,336,799	-51,184,257	-166,521,056
- Transfer from fair value reserve to profit/loss	25,067,575	2,143,573	27,211,148	42,590,945	17,689,459	60,280,405
2. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	-23,745,609	-23,745,609	0	9,274,697	9,274,697
3. Tax on other comprehensive income	-4,006,176	-3,423,175	-7,429,351	14,549,171	3,568,835	18,118,005
III. COMPREHENSIVE INCOME/LOSS FOR THE YEAR AFTER TAX	71,572,783	18,900,112	90,472,895	-18,522,590	-16,542,800	-35,065,390

Additional disclosures by business segments

2012	in EUR		
	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	6,162,536	1,428,958	7,591,494
Investments in property, plant and equipment	3,685,682	1,124,215	4,809,896
Investments in investment property	213,139	16,737	229,876
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-7,509,316	-1,846,864	-9,356,180
Expenses from the impairment of premium and subrogation receivables	-25,394,788	-24,113	-25,418,901
Income from reversal of impairment of receivables	15,471,465	0	15,471,465
Expenses from impairment of property, plant and equipment	-4,104,653	-750,997	-4,855,649
Expenses from impairment of other receivables	-90,761	-8,750	-99,511
Income from reversal of impairment of other receivables	181,238	4,640	185,878

2011	in EUR		
	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	3,380,431	1,375,312	4,755,743
Investments in property, plant and equipment	2,613,395	61,655	2,675,050
Investments in investment property	2,208,770	0	2,208,770
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	5,684,939	1,434,168	7,119,107
Expenses from the impairment of premium and subrogation receivables	-25,257,580	0	-25,257,580
Income from reversal of impairment of receivables	13,818,657	3,266	13,821,923
Expenses from impairment of other receivables	-424,878	-1,225	-426,103
Income from reversal of impairment of other receivables	598,325	1,997	600,322

5.2. Reporting by geographical area

Zavarovalnica Triglav operates mainly in the territory of the Republic of Slovenia. As more than 99% of premium income is generated by the sale of insurance to the domestic insureds, the Company does not report by geographical area.

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1. Intangible assets

	in EUR			
	Deferred acquisition costs	Licenses and software	Intangible assets in course of acquisition	Total
COST				
As at 1 January 2011	31,281,116	15,689,903	12,269,935	59,240,954
- transfer in use	0	1,291,937	-1,291,937	0
- increase	1,144,577	0	3,921,945	5,066,522
- decrease	-1,775,403	-1,810,164	0	-3,585,567
As at 31 December 2011	30,650,290	15,171,676	14,899,943	60,721,909
- transfer in use	0	10,594,679	-10,594,679	0
- increase	617,392	0	7,591,494	8,208,886
- decrease	-1,237,098	-287,423	0	-1,524,521
- reclassification	0	1,790,530	0	1,790,530
As at 31 December 2012	30,030,584	27,269,462	11,896,758	69,196,804
ACCUMULATED AMORTISATION				
As at 1 January 2011	0	-11,890,487	0	-11,890,487
- amortisation	0	-1,627,563	0	-1,627,563
- disposal	0	2,659,208	0	2,659,208
As at 31 December 2011	0	-10,858,842	0	-10,858,842
- amortisation	0	-3,534,104	0	-3,534,104
- disposal	0	284,944	0	284,944
- reclassification	0	-1,790,530	0	-1,790,530
As at 31 December 2012	0	-15,898,532	0	-15,898,532
CARRYING AMOUNT				
As at 31 December 2011	30,650,290	4,312,834	14,899,943	49,863,067
As at 31 December 2012	30,030,584	11,370,930	11,896,758	53,298,272

Zavarovalnica Triglav 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 depreciation for the current year is split between several items of the income statement. For details, see expenses by nature and function in Section 7.12. Change in deferred acquisition costs is recognised as a change in unearned premium provision in the income stated, as stated in Section 2.3.

As at 31 December 2012, intangible assets with an indefinite useful life amounted to EUR 9,368, the same as in 2011. The amount refers to a licence issued for an indefinite period.

Zavarovalnica Triglav has no individual intangible assets that are material to the financial statements.

6.2. Property, plant and equipment

in EUR					
	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2011	3,888,934	74,571,482	47,543,674	922,693	126,926,783
- transfer in use	0	266,365	2,370,819	-2,637,184	0
- acquisition	3,120	0	0	2,671,930	2,675,050
- disposal	0	-240,712	-2,927,857	0	-3,168,569
As at 31 December 2011	3,892,054	74,597,135	46,986,636	957,439	126,433,264
- transfer in use	251,867	1,534,265	3,838,918	-5,625,050	0
- acquisition	0	0	0	4,809,896	4,809,896
- disposal	0	-65,553	-5,464,840	0	-5,530,393
- impairment	-13,014	-5,812,919	0	0	-5,825,933
As at 31 December 2012	4,130,907	70,252,928	45,360,714	142,285	119,886,834
ACCUMULATED DEPRECIATION					
As at 1 January 2011	0	-17,080,713	-35,332,212	0	-52,412,925
- depreciation for the current year	0	-1,150,418	-3,811,281	0	-4,961,699
- disposals	0	39,020	2,834,826	0	2,873,846
As at 31 December 2011	0	18,192,111	-36,308,667	0	-54,500,778
- depreciation for the current year	0	1,149,960	-4,135,010	0	-5,284,969
- disposal	0	22,331	5,207,563	0	5,229,894
- impairment	0	969,346	0	0	969,346
As at 31 December 2012	0	-18,350,394	-35,236,114	0	-53,586,508
CARRYING AMOUNT					
As at 31 December 2011	3,892,054	56,405,024	10,677,969	957,439	71,932,486
As at 31 December 2012	4,130,907	51,902,534	10,124,600	142,285	66,300,325

Zavarovalnica Triglav did not pledge any property, plant and equipment as collateral.

The depreciation for the current year is split between several items of the income statement. For details, see expenses by nature and function in Section 7.12.

As at 31 December 2012, trade payables for property, plant and equipment amounted to EUR 1,834,655 (vs. EUR 453,546 as at 31 December 2011).

In 2012, the land and buildings directly used in insurance activities was appraised.

The fair value of respective fixed assets reduced by sales costs was assessed for financial reporting purposes pursuant to IFRS and the International Valuation Standards (IVS 2011). The value assessment was made by the certified real estate appraisers Petra Nagode Zupančič and Dušan Zupančič.

Fair values of land and buildings are shown in the table below.

in EUR		
	31 December 2012	31 December 2011
Carrying amount	56,033,440	60,297,077
Estimated fair value	57,611,845	105,055,112

6.3. Investment property

	in EUR		
	Land	Buildings	Total
COST			
As at 1 January 2011	3,448,545	21,796,434	25,244,979
- acquisition	770,803	1,437,970	2,208,773
- disposal	-478,993	-310,532	-789,525
As at 31 December 2011	3,740,355	22,923,872	26,664,227
- acquisition	0	229,876	229,876
- disposal	-390,311	-79,020	-469,331
As at 31 January 2012	3,350,044	23,074,728	26,424,772
ACCUMULATED DEPRECIATION			
As at 31 January 2011	0	-6,253,614	-6,253,614
- depreciation	0	-529,845	-529,845
- disposal	0	104,120	104,120
As at 31 December 2011	0	-6,679,339	-6,679,339
- depreciation	0	-436,955	-436,955
- disposal	0	36,504	36,504
As at 31 December 2012	0	-7,079,790	-7,079,790
CARRYING AMOUNT			
As at 31 December 2011	3,740,355	16,244,533	19,984,888
As at 31 December 2012	3,350,044	15,994,938	19,344,982

Zavarovalnica Triglav leases its investment properties, i.e. individual business premises. All leasing agreements, stipulated for an initial period from one to ten years, may be rescinded at any moment. Rents do not include conditional rents. For additional notes on the rental income see Section 7.8.

Investment property was not impaired in 2012. Fair value is determined on the basis of publicly available data on property values, which were published by the Geodetic Institute of Slovenia.

	in EUR	
	31 December 2012	31 December 2011
Carrying amount	19,344,982	19,984,888
Estimated fair value	23,723,423	22,930,336

6.4. Investments in subsidiaries

	NAME OF LEGAL ENTITY	COMPANY ADDRESS	TAX RATE (in %)	LINE OF BUSINESS	EQUITY STEKE (in %)		SHARE OF VOTING RIGHTS (in %)		BOOK VALUE (in EUR)	
					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	7,793,252	4,983,302
2	Triglav, Zdravstvena zavarovalnica, d.d., Koper	Pristaniška 10, Koper, Slovenia	18	Insurance	100.00	99.51	100.00	99.51	3,735,886	3,717,712
3	Triglav Osiguranje, d.d., Zagreb*	Antuna Heinza 4, Zagreb, Croatia	18	Insurance	0	99.76	0	99.76	0	22,984,955
4	Triglav penzijski fond, a.d., Beograd	Milutina Milankovića 7a, Beograd, Serbia	10	Insurance	70.44	70.44	70.44	70.44	0	0
5	Triglav Skladi, družba za upravljanje, d.o.o., Ljubljana**	Slovenska 54, Ljubljana, Slovenia	18	Asset management	67.50	67.50	100.00	96.43	2,076,723	2,076,723
6	AS Triglav, d.o.o., Ljubljana	Verovškova 60b, Ljubljana, Slovenia	18	Repair of motor vehicles	100.00	100.00	100.00	100.00	100,214	100,214
7	TRI-PRO, d.o.o., Domžale	Ljubljanska 86, Domžale, Slovenia	18	Insurance brokers	100.00	100.00	100.00	100.00	279,736	279,736
8	Triglav INT, holdinška družba, d.d., Ljubljana	Miklošičeva 19, Ljubljana, Slovenia	18	Holding company	100.00	100.00	100.00	100.00	74.700.000	88,598,008
9	Triglav Nepremičnine, d.o.o., Ljubljana	Dunajska 22, Ljubljana, Slovenia	18	Real property management	100.00	100.00	100.00	100.00	14,949,407	136,037
10	Triglav Naložbe, finančna družba, d.d., Ljubljana	Slovenska 54, Ljubljana, Slovenia	18	Asset management	100.00	100.00	100.00	100.00	51,695,373	51,695,373
11	Slovenijales, d.d., Ljubljana	Dunajska 22, Ljubljana, Slovenia	18	Retail trade	97.98	61.74	97.98	61.74	19,555,123	7,737,883
12	Hotel Grad Podvin, d.d., Radovljica	Miklošičeva 19, Ljubljana, Slovenia	18	Tourism	100.00	100.00	100.00	100.00	0	89,731
13	Gradis IPGI, d.d., Ljubljana	Industrijska cesta 2, Ljubljana, Slovenia	18	Construction	56.95	56.95	56.95	56.95	10,731,581	10,731,581
TOTAL									185.617.295	193,131,295

*In 2012, the equity stake in Triglav Osiguranje, Zagreb, was transferred from Zavarovalnica Triglav to Triglav INT as a non-cash contribution for the capital increase of the latter.

** In 2012, Triglav Skladi d.o.o. acquired a 2.5% equity stake as own shareholding. Therefore, its share of voting rights increased from 96.43% to 100%.

Financial information ⁶

Nr.	NAME OF LEGAL ENTITY	ASSETS		LIABILITIES		EQUITY		INCOME		PROFIT/LOSS	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
		in EUR									
1	Pozavarovalnica Triglav RE, d.d., Ljubljana Triglav, Zdravstvena zavarovalnica, d.d.,	235,873,281	192,108,086	189,283,941	155,991,378	46,589,340	36,116,708	109,276,050	115,014,877	5,810,192	2,990,132
2	Koper	29,000,678	22,952,603	18,598,996	16,143,616	10,401,682	6,808,987	92,208,852	80,779,888	2,965,212	2,100,285
3	Triglav Osiguranje, d.d., Zagreb	140,131,943	138,111,363	122,114,715	121,013,640	18,017,228	17,097,723	55,000,261	62,288,151	-1,112,933	92,368
4	Triglav penzijski fond, a.d., Beograd Triglav Skladi, družba za upravljanje, d.o.o., Ljubljana	890,382	1,005,407	15,786	7,921	874,596	997,486	167,331	146,360	-37,160	-144,844
5	AS Triglav, d.o.o., Ljubljana	35,560,998	33,105,305	7,275,112	7,943,913	27,125,262	25,161,392	10,443,723	10,183,307	2,190,407	1,505,454
6	AS Triglav, d.o.o., Ljubljana	383,462	283,644	339,068	248,673	44,394	34,971	2,206,041	2,260,185	9,423	3,070
7	TRI-PRO, d.o.o., Domžale Triglav INT, holdinška družba, d.d., Ljubljana	630,183	638,806	237,370	250,612	392,813	388,194	2,362,144	2,459,837	4,619	4,758
8	Triglav Naložbe, finančna družba, d.d., Ljubljana	68,535,940	85,747,502	3,825,414	160,764	64,710,526	85,586,738	132,126	32,069	-20,876,212	-3,008,384
9	Triglav Nepremičnine, d.d., Ljubljana Triglav Naložbe, finančna družba, d.d., Ljubljana	40,905,717	9,905,392	26,512,098	9,154,947	14,378,816	750,445	2,812,259	964,994	-5,125,577	27,350
10	Slovenijales, d.d., Ljubljana	49,237,778	43,865,611	4,885,209	1,016,097	44,352,569	42,849,514	6,637,902	6,267,241	933,751	2,362,526
11	Gradis IPGI, d.d., Ljubljana ⁷	56,251,461	64,395,068	18,225,800	28,085,861	38,025,661	36,309,207	32,424,190	35,236,851	955,828	-421,751
13	Hotel Grad Podvin, d.d., Radovljica	4,665,817	7,236,513	10,049,116	10,087,986	-5,383,299	-2,851,473	325,775	391,424	-683,218	-364,851
14	Triglav Osiguranje, d.d., Sarajevo	5,634,032	5,724,454	4,544,137	4,192,961	1,089,895	1,531,493	5,456	696,402	-441,815	325,011
15	Triglav Pojišt'ovna, a.s., Brno	41,937,121	37,400,340	22,153,508	20,826,118	19,783,613	16,574,222	19,286,198	18,279,029	588,840	763,892
16	Lovčen Osiguranje, a.d., Podgorica	55,187,149	45,162,136	48,150,608	36,715,125	7,036,541	8,447,011	30,584,367	29,903,743	-2,473,083	488,817
17	Triglav Osiguranje, a.d., Beograd	52,518,584	55,771,511	45,161,037	47,612,815	7,357,547	8,158,696	30,364,082	33,326,873	-1,287,587	945,059
18	Triglav Osiguranje, a.d.o., Banja Luka	34,477,936	36,005,417	29,813,279	30,399,357	4,664,657	5,606,060	20,030,333	23,812,244	-3,953,606	-2,524,839
19	Triglav Osiguruvanje, a.d., Skopje	8,984,920	8,409,447	6,068,336	6,517,842	2,916,584	1,891,605	4,355,507	5,667,041	10,184	-1,007,590
20	Golf Arboretum, d.o.o., Volčji Potok	33,578,350	34,005,207	24,878,072	26,049,687	8,700,278	7,955,520	22,293,606	24,897,685	443,487	348,761
21	Slovenijales trgovina d.o.o., Ljubljana	1,227,556	1,252,913	491,147	428,958	736,409	823,955	594,165	638,628	-87,546	-13,478
22	Tripri BH d.o.o., Sarajevo	15,201,498	17,178,836	6,545,627	8,352,127	8,655,871	8,826,709	26,594,417	32,246,837	-170,838	275,263
23	Unis Automobili i dijelovi d.o.o., Sarajevo	40,243	34,502	162,758	172,813	-122,515	-138,311	255,194	192,544	15,796	189
24	Autocentar BH d.o.o., Sarajevo	1,339,662	1,430,490	393,345	294,883	946,317	1,135,607	845,153	904,966	-72,679	-71,939
25	Sarajevostan d.d., Sarajevo	2,059,830	2,189,797	662,423	855,022	1,397,407	1,334,775	1,299,656	1,199,001	62,632	53,261
26	Lovčen Auto a.d., Podgorica	4,082,117	4,182,249	689,555	912,531	3,392,562	3,269,718	0	1,999,564	122,844	68,065
27	Lovčen životna osiguranja a.d. Podgorica	2,669,569	2,843,765	2,393,772	2,612,724	275,797	231,041	1,927,756	1,572,360	-1,155,244	-795,497
28	Triglav Auto d.o.o. Banja Luka	6,087,621	5,128,694	4,263,142	3,706,280	1,824,479	1,422,414	1,785,961	1,657,422	142,634	384,796
29		1,023	1,023	0	0	1,023	1,023	0	0	0	0

⁶Financial data as summarised from the financial statements prepared in line with IFRS for consolidation purposes.

⁷In the original financial statements, the equity of Gradis IPGI d.d. is disclosed at EUR 49,802,489.

in EUR

Nr.	NAME OF LEGAL ENTITY	ASSETS		LIABILITIES		EQUITY		INCOME		PROFIT/LOSS	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
30	SALNAL d.d., Ljubljana	24,796,243	5,661,922	3,853,341	4,829	20,942,902	5,657,093	1,195,059	1,080,466	1,179,464	1,064,603
31	SINAL d.o.o., Ljubljana	-	558,193	-	71	-	558,122	-	95,575	-	93,319
32	Pista d.o.o., Beograd	4,596,383	4,838,588	28,726	0	4,567,657	4,838,588	0	0	146,051	0
33	PROF-IN, d.o.o., Sarajevo	2,481,855	2,003,137	18,011	18,924	2,463,844	1,984,213	827,244	904,713	477,917	566,342
34	Polara Invest, d.d., Banja Luka	1,484,325	1,423,847	9,756	17,434	1,474,569	1,406,414	503,924	560,382	224,569	285,361
35	Zdravstveni center morje, d.o.o., Koper	29,256	36,368	5,709	5,762	23,547	30,606	9,196	125	-7,059	-24,374
36	Avrigo, d.o.o., Nova Gorica	14,600,826	-	9,275,134	-	5,325,692	-	0	-	996,315	-
37	Integral – Zagorje, d.o.o., Zagorje ob Savi	2,096,948	-	1,354,461	-	742,487	-	0	-	80,150	-
38	Integral Notranjska, d.o.o., Cerknica	2,452,433	-	202,413	-	2,250,020	-	0	-	170,356	-
39	Integral Stojna Kočevje, d.o.o., Kočevje	2,057,856	-	1,515,383	-	542,473	-	0	-	-13,887	-
40	Alptours d.o.o., Bovec	30,923	-	46,633	-	-15,710	-	0	-	-2,550	-

In 2012 the following changes occurred in the ownership of subsidiaries:

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.

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.

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.

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% owner. 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.

On 30 June 2012, Triglav nepremičnine, d.d., was merged to IP, d.d., whereupon the latter was renamed Triglav nepremičnine, d.o.o.

Liquidation procedure for 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 ownership refer to indirectly owned subsidiaries:

- Triglav INT d.d. increased the capital of Triglav Osiguranje a.d.o., Belgrade, and Triglav Osiguranje a.d., Banja Luka;
- by purchasing a 31.45% equity stake, Triglav Naložbe d.d. took over AVRIGO d.d., which in 2012 became an indirect subsidiary together with Avrigo's four subsidiaries;
- Sianal d.o.o., a subsidiary of Triglav naložbe d.d., was wound up under the simplified procedure without liquidation.

6.5. Investments in associates

in EUR

NAME OF LEGAL ENTITY	COMPANY ADDRESS	TAX RATE (in %)	LINE OF BUSINESS	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		BOOK VALUE		
				2012	2011	2012	2011	2012	2011	
				3	Nama, d.d.	Tomšičeva ulica 1, Ljubljana, Slovenia	18	Retail	38.05	38.05
4	Skupna pokojninska družba d.d.	Trg Republike 3, Ljubljana, Slovenia	18	Pension funds	30.14	30.14	30.14	30.14	2,564,776	0
5	Tehnološki center varne vožnje Vransko	Vransko 66A, Vransko, Slovenia	18	Research and development	25.01	25.01	25.01	25.01	975	975
6	Triglavko, d.o.o.	Ulica XXX. divizije 23, Nova Gorica, Slovenia	18	Insurance brokerage	38.47	38.47	38.47	38.47	38,499	38,499
TOTAL									12,766,962	10,855,503

in EUR

NAME OF LEGAL ENTITY	ASSETS		LIABILITIES		EQUITY		INCOME		PROFIT/LOSS	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1	12,345,071	13,074,423	1,849,078	3,152,552	10,495,993	9,921,871	14,104,058	14,731,589	134,774	378,461
2	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
3	6,844	6,887	0	0	6,844	6,887	182	152	-43	-71
4	244,210	221,889	159,619	122,968	84,591	98,921	532,122	789,858	-14,330	-29,786

Zavarovalnica Triglav holds a 25.01% equity stake in Abanka Vipava d.d. However, despite this shareholding, the influence of Zavarovalnica Triglav is not significant, because its voting rights in the bank have been suspended since 2011. Therefore, in its financial statements Zavarovalnica Triglav recognised Abanka Vipava's shares as financial assets available for sale and not as an investment in associated companies. In the first round of the capital increase of Abanka Vipava d.d., which took place in January 2013, Zavarovalnica Triglav paid in EUR 23.04 million. As the capital increase of Abanka Vipava was unsuccessful, the amount was returned at the end of February 2013.

Changes in investments in associated companies

In 2012, no changes with regard to associated companies occurred. The status of Abanka Vipava d.d. in 2012 remained the same as in 2011. Although Zavarovalnica Triglav has a 25.61% equity stake in Abanka, this bank is not treated as an associated company. 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 Vipava d.d. is recognised under investments available for sale.

6.6. Financial assets

	in EUR	
	2012	2011
Loans and receivables	222,777,533	363,304,828
Held to maturity	199,277,500	211,599,458
Available for sale	1,144,343,784	976,228,336
At fair value through profit and loss:	100,022,396	66,503,768
- designated	99,732,961	66,246,219
- held for trading	289,435	257,549
Unit-linked insurance assets:	406,502,788	354,998,578
- at fair value through profit and loss	401,988,448	348,238,446
- loans and receivables	4,514,340	6,760,131
TOTAL	2,072,924,001	1,972,634,968

The table above shows the carrying amount of financial assets (without operating receivables and cash or cash equivalents).

Overview of financial assets by type

	in EUR					
2012	HTM	FVTPL - Classified upon acquisition	FVTPL – Held for trading	AFS	L&R	TOTAL
Debt and other fixed-return securities	199,277,500	153,104,629	0	1,049,606,292	31,798,938	1,433,787,360
Investments in shares, other floating-rate securities and fund coupons	0	344,509,806	0	94,737,492	0	439,247,298
Financial derivatives	0	0	1,820,661	0	0	1,820,661
Loans and receivables:	0	2,575,747	0	0	195,492,935	198,068,682
- deposits with banks and certificates of deposits	0	0	0	0	106,596,160	106,596,160
- loans given	0	0	0	0	87,305,203	87,305,203
- other financial investments	0	2,575,747	0	0	1,591,572	4,167,319
TOTAL	199,277,500	500,190,182	1,820,661	1,144,343,784	227,291,873	2,072,924,001

	in EUR					
2011	HTM	FVTPL - Classified upon acquisition	FVTPL – Held for trading	AFS	L&R	TOTAL
Debt and other fixed-return securities	211,599,458	118,893,062	0	832,763,492	52,603,588	1,215,859,601
Investments in shares, other floating-rate securities and fund coupons	0	294,435,153	0	143,464,843	0	437,899,997
Financial derivatives	0	0	1,413,999	0	0	1,413,999
Loans and receivables:	0	0	0	0	317,461,371	317,461,371
- deposits with banks and certificates of deposits	0	0	0	0	228,130,763	228,130,763
- loans given	0	0	0	0	87,739,036	87,739,036
- other financial investments	0	0	0	0	1,591,572	1,591,572
TOTAL	211,599,458	413,328,215	1,413,999	976,228,336	370,064,959	1,972,634,968

Fair value of financial assets held to maturity

	in EUR	
	2012	2011
Held-to-maturity financial assets		
- amortised value	199,277,500	211,599,458
- fair value	204,731,073	185,568,814

Movements of financial assets

	in EUR					
FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	TOTAL
As at 1 January 2011	234,345,596	74,177,553	1,011,195,334	292,964,829	370,309,996	1,982,993,308
Aquisitions	0	10,132,975	727,719,567	2,041,180,039	47,329,501	2,826,362,082
Maturity	-30,288,275	-3,675,234	-74,120,134	-1,975,438,023	-284,666	-2,083,806,332
Disposal	0	-13,688,890	-571,496,903	-9,431,215	-13,036,510	-607,653,518
Amounts transferred from equity at disposal	0	0	-4,334,497	0	0	-4,334,497
Valuation trough profit and loss	0	-3,357,720	0	0	-49,790,011	-53,147,731
Valuation trough equity	0	0	-91,693,003	0	0	-91,693,003
Value adjustment changes	-3,081,228	0	-55,924,529	0	0	-59,005,757
Write-off	0	0	0	-54	0	-54
Premiums and discounts	3,774,489	0	552,720	420,539	187,088	4,934,836
Interest income	6,848,876	2,915,084	34,599,470	13,622,759	283,179	58,269,368
Foreign exchange differences	0	0	-269,688	-14,046	0	-283,734
As at 31 December 2011	211,599,458	66,503,768	976,228,337	363,304,828	354,998,577	1,972,634,968
Purchases	4,961,442	102,132,337	784,926,863	417,330,883	34,433,267	1,343,784,792
Maturities	-7,966,927	-9,926,816	-67,950,836	-539,619,000	-335,372	-625,798,951
Disposal	-23,121,329	-60,763,141	-627,207,792	-30,469,347	-11,218,407	-752,780,016
Amount removed from equity	0	-143,750	15,187,289	0	0	15,043,539
Valuation trough profit and loss	0	-700,544	-42,448,404	0	27,907,042	-15,241,906
Valuation trough equity	0	0	69,344,222	0	0	69,344,222
Value adjustment changes	0	0	89,729	0	0	89,729
Write-off	0	0	0	0	0	0
Premiums and discounts	3,894,317	0	145,590	-259,077	193,918	3,974,748
Interest income	9,910,539	2,920,541	36,016,209	12,489,244	523,762	61,860,295
Exchange rate difference	0	0	12,577	0	0	12,577
As at 31 December 2012	199,277,500	100,022,395	1,144,343,784	222,777,531	406,502,787	2,072,924,000

For presentational ease, abbreviations of individual categories of financial assets are used in the disclosures:

- HTM – financial assets held to maturity
- FVTPL – financial assets at fair value through profit and loss
- AFS – financial assets available for sale
- L&R – loans and deposits
- ULI – financial assets of long-term business fund backing unit-linked insurance

Financial assets at fair value according to valuation levels

	in EUR	
	2012	2011
Financial assets available for sale	1,144,343,784	976,228,336
- Level 1	1,021,018,411	910,118,259
- Level 2	107,129,000	26,165,091
- Level 3	16,196,374	39,944,985
Financial assets at fair value through profit and loss	502,010,844	414,742,214
- Level 1	370,824,695	269,295,922
- Level 2	131,186,149	145,446,292
- Level 3	-	-

In valuing financial assets at fair value Zavarovalnica Triglav 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 holdings measured at historical cost, since their fair value cannot be reliably measured.

Level 3 financial assets

Financial assets, classified into Level 3, include only equity securities recognised as available-for-sale financial assets.

Level 3 financial assets include assets recognised at cost of EUR 1.1 million (2011: EUR 1.5 million).

Changes of Level 3 financial assets

	2012
Opening balance	39,944,985
Acquisitions	686,564
Disposals	-3,657,062
Revaluation through profit or loss	-15,149,244
Revaluation in other comprehensive	-5,628,869
Closing balance for the period	16,196,374

Revaluation through profit or loss pertains to the impairment of financial assets. Revaluation in other comprehensive income represents unrealised loss.

The disposal of Level 3 financial assets included:

- gains of EUR 474,128 recognised in profit or loss under income from financial assets; and
- losses of EUR 213,194 recognised in profit or loss under expenses from financial assets.

The sensitivity analysis shows the level of increase or decrease in the fair value of Level 3 equity financial assets in case of differently applied assumptions that are not based on available market data. Assumption changes are given in Section 3.5.3. The calculated range is shown in the table below:

Total value in EUR		Estimated value deviation-/+
Non-marketable assets (Level 3)	16,196,374	-2,687,000/+1,523,000

Reclassification of financial assets between levels

In 2012, the following reclassification was performed:

- from Level 1 to Level 2: debt securities of EUR 79,632,398, all classified as available-for-sale financial assets. The reclassification was performed as it became evident in 2012 that these securities, due to their low trading activity on the Ljubljana Stock Exchange, no longer reflect their fair value. The discount rate used to establish the fair value of these assets was determined on the basis of active instruments of the same issuer.
- No other reclassifications between levels were effected.

Reclassification of financial assets in accordance with amendments to IFRS

In accordance with amendments to IFRS (IAS 39.50) and IAS 39.54, the Company opted for the reclassification of financial assets already in 2008. As at 1 July 2008 available-for-sale financial assets have been reclassified into categories »loans and receivables« and »held to maturity«. Reclassification into »loans and receivables« has been performed for the investments, for which their market values does not present their fair values due to illiquidity and forced transactions. In 2010 additional reclassifications have been performed. The effects of reclassifications are shown below.

Reclassifications from the financial assets »available for sale« to »loans and receivables«

Date of reclassification:	1 July 2008
Amount of reclassified financial assets:	EUR 91,353,255
Effective interest rate as at the reclassification date:	5.21 %

The effect of reclassification for the current and previous year is shown in the table below.

	in EUR	
	2012	2011
Carrying amount of reclassified assets as at 31 December	17,637,189	38,418,756
Fair value of reclassified assets as at 31 December	16,591,264	38,418,756
Impact on comprehensive income if not reclassified	-1,045,926	0
Impact on net profit if not reclassified	0	0
Loss/profit at disposal of reclassified assets	-3,599,607	350,245
Estimated cash flows	19,818,131	55,452,376

In 2012 no additional reclassifications have been performed.

Reclassifications from financial assets »available for sale« to »held to maturity« financial assets

Date of the first reclassification:	1 July 2008
Amount of reclassified financial assets:	EUR 73,746,981
Effective interest rate as at the reclassification date:	5.80 %

Date of the second reclassification:	13 January 2010
Amount of reclassified financial assets:	EUR 5,005,705
Effective interest rate as at the reclassification date:	8,85 %

The effect of reclassification for the current and previous year is shown in the table below.

	in EUR	
	2012	2011
Carrying amount of reclassified assets as at 31 December	47,175,168	49,775,626
Fair value of reclassified assets as at 31 December	50,887,543	48,761,228
Impact on comprehensive income if not reclassified	3,712,374	-1,014,398
Impact on net profit if not reclassified	0	0
Profit from disposal of reclassified financial assets	0	0
Estimated cash flows	62,099,221	67,534,388

In 2012 no additional reclassifications have been performed.

As collateral for loans given Zavarovalnica Triglav, received securities with a total fair value as at 31 December 2012 amounting to EUR 354,200 (as at 31 December 2011: EUR 481,679).

In its portfolio, Zavarovalnica Triglav does not have any securities pledged as collateral for its liabilities.

6.7. Reinsurers' share of technical provisions

	2012	in EUR 2011
NON-LIFE INSURANCE		
Reinsurers' share of unearned premiums	16,543,985	16,758,832
Reinsurers' share of claims provisions recorded	44,030,292	21,560,265
Reinsurers' share of claims provisions per IBNR and triangle	15,351,143	16,861,700
Reinsurer's share of claims provisions for expected subrogation	-539,998	-636,568
Total non-life insurance	75,385,422	54,544,229
LIFE INSURANCE		
Reinsurers' share of claims provisions recorded	6,135	3,681
Total life insurance	6,135	3,681
TOTAL ASSETS FROM REINSURANCE CONTRACTS	75,391,557	54,547,910

6.8. Receivables

	2012	in EUR 2011
1. RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	70,291,060	80,970,481
- Receivables from insurers	69,382,412	79,625,563
gross value	107,697,363	114,776,181
value adjustment	-38,314,951	-35,150,618
- Receivables from insurance brokers	134,394	135,638
gross value	232,448	227,836
value adjustment	-98,053	-92,199
- Other receivables from direct insurance operations	774,253	1,209,279
gross value	2,040,843	2,519,461
value adjustment	-1,266,590	-1,310,181
2. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	8,243,477	8,187,183
- Premium receivable from co-insurance	875,442	538,369
- Receivables from co-insurers' share in claims	42,252	22,212
- Receivables from reinsurers' share in claims	7,325,783	7,626,602
3. CURRENT TAX RECEIVABLES	7,403,575	0
4. OTHER RECEIVABLES	12,336,252	16,744,387
- Other short-term receivables from insurance operations	7,996,375	7,942,312
gross value	95,002,643	92,236,177
value adjustment	-87,006,268	-84,293,865
- Short-term receivables from financing	1,020,929	5,619,446
gross value	1,144,598	5,742,943
impairment	-123,668	-123,498
- Other short-term receivables	3,179,052	3,051,888
gross value	3,320,336	3,910,359
impairment	-141,284	-858,471
- Long-term receivables	139,896	130,742
TOTAL RECEIVABLES	98,274,364	105,902,050

Changes in impairment allowance for receivables

	in EUR	
	2012	2011
VALUE ADJUSTMENT OF RECEIVABLES FROM POLICYHOLDERS		
Impairment allowance for receivables as at 1 January	35,150,618	30,893,487
- Increase of impairment allowance for receivables	12,585,739	11,839,151
- Decrease in impairment allowance for receivables	-7,015,039	-6,192,009
- Receivables write-off	-2,406,368	-1,390,012
Impairment allowance for receivables as at 1 December	38,314,950	35,150,618
IMPAIRMENT ALLOWANCE FOR OTHER SHORT-TERM RECEIVABLES		
Impairment allowance for receivables as at 1 January	84,293,865	79,491,701
- Increase of impairment allowance for receivables	12,617,271	13,314,675
- Decrease in impairment allowance for receivables	-8,516,944	-7,764,653
- Receivables write-off	-1,387,924	-747,859
Impairment allowance for receivables as at 1 December	87,006,268	84,293,865
OTHER		
Impairment allowance for receivables as at 1 January	2,384,280	2,476,589
- Increase of impairment allowance for receivables	441,687	529,856
- Decrease in impairment allowance for receivables	-251,576	-465,583
- Receivables write-off	-944,593	-156,512
Impairment allowance for receivables as at 1 December	1,629,867	2,384,349

6.9. Other assets

	in EUR	
	2012	2011
Inventories	294,900	336,584
Group software payments	522,783	844,371
Prepayments and accrued income	1,408,211	1,880,005
- deferred operating costs of materials	22,728	5,982
- deferred operating costs of services	1,110,019	1,192,827
- other deferred costs	132,593	402,656
- other	142,871	278,540
TOTAL	2,225,894	3,060,960

6.10. Cash and cash equivalents

	in EUR	
	2012	2011
Cash in bank accounts	2,155,340	4,135,664
Cash in other currencies	99,288	62,600
Cash on hand and cheques	23,457	18,591
TOTAL	2,278,085	4,216,855

Cash and cash equivalents of EUR 2,278,085 are available to fund Zavarovalnica Triglav's day-to-day operations.

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	Percentage of ownership 31 December 2012	Number of shares 31 December 2012	Percentage of ownership 31 December 2011	Number of shares 31 December 2011
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, Švedska	1.09%	248,006	0	0
Other shareholders (each 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 2011, 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 LSE 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.

	in EUR	
	31 December 2012	31 December 2011
Quoted price of the share	16.50	10.00
Carrying amount per share	22.33	19.25

Distribution of accumulated profits

	in EUR	
	2012	2011
Net profit/loss for the year	50,392,174	43,782,559
Net profit brought forward	77,407,467	99,539,512
Share capital increase	0	-50,000,000
Decrease in retained income of deferred tax	-4,593,641	0
Increase of other reserves from profit based on the decision by the Management and Supervisory Boards	-25,000,000	0
ACCUMULATED PROFITS	98,206,000	93,322,071
Distribution of accumulated profits		
- to shareholders		-15,914,604
- allocation to other reserves from profit		
- transfer to the following year		-77,407,467

In 2012, dividend per share totalled EUR 0.70.

Retained income for deferred tax has decreased for EUR 4,593,641 in 2012.

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 2012, the Management Board exercised this option and transferred EUR 25 million from net profit for the year to other reserves. In addition to prudent risk management, strategic capital needs are considered when forming these profit reserves.

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.

According to Insurance Act requirements, credit risk reserves were adequate as at 31 December 2012, therefore the Company did not form additional reserves in 2012. Had the financial statements been prepared in line with the Insurance Act, insurance-technical

provisions would be higher for EUR 30.6 million and there would be no impact on the income statement for the year 2012. Because the financial statements are prepared in accordance with IFRS, these reserves are disclosed as equity item (reserves from profit).

Fair value reserve

The fair value reserve represents changes in the fair value of available-for-sale financial assets recognised under other comprehensive income. The fair value reserve is reduced by the deferred tax liabilities.

Changes in fair value reserve are shown in the table below.

	in EUR		
	TOTAL	NON-LIFE	LIFE
As at 1 January 2011	84,817,134	65,155,067	19,662,067
Use of revaluation surplus for impairment - decrease in fair value of available-for-sale financial assets.	-166,521,056	-115,336,799	-51,184,257
Transfer of revaluation surplus to financial income / expenses (due to impairment)	55,945,908	43,128,917	12,816,991
Transfer of revaluation surplus to financial income / expenses (due to disposal)	4,334,497	-537,972	4,872,469
Transfer of revaluation surplus to mathematical provisions (+/-)	9,274,697	0	9,274,697
Transfer to deferred tax liabilities	18,118,005	14,549,171	3,568,835
As at 31 December 2011	5,969,185	6,958,384	-989,199
Increase in capital revaluation surplus, increase in fair value of available-for-sale financial assets	44,044,534	4,532,150	39,512,384
Transfer of revaluation surplus to financial income / expenses (due to impairment)	42,448,404	34,714,620	7,733,784
Transfer of revaluation surplus to financial income / expenses (due to disposal)	-15,237,256	-9,647,045	-5,590,211
Transfer of revaluation surplus to mathematical provisions (+/-)	-23,745,609	0	-23,745,609
Transfer to deferred tax liabilities (+/-)	-7,429,351	-4,006,176	-3,423,175
As at 31 December 2012	46,049,906	32,551,932	13,497,974

6.12. Subordinated liabilities

	in EUR			
	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	29,952,260	29,934,091	30,793,767	30,300,000
TOTAL SUBORDINATED LIABILITIES	38,721,260	40,932,091	39,831,980	41,517,960

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 2012 was 102.0% (vs. 102.0% as at 31 December 2011) and the price for ZT02 was 98.0% (vs. 101.0% as at 31 December 2011).

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 2012 the Company has an outstanding commitment for 8,769 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.

6.13. Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts

	in EUR	
	2012	2011
NON-LIFE INSURANCE		
GROSS UNEARNED PREMIUMS		
Gross unearned premiums	199,918,097	219,170,623
Gross provisions for unearned premiums from co-insurance	131,931	97,853
TOTAL GROSS UNEARNED PREMIUMS	200,050,028	219,268,476
GROSS CLAIMS PROVISIONS		
Gross provisions for incurred and reported claims	166,458,807	133,621,750
Gross claims provisions for co-insurance	1,374,658	1,453,679
Gross claims provisions for IBNR and IBNER	317,774,316	355,240,425
Expected subrogation	-8,886,913	-10,303,807
Provisions for claim handling costs	42,867,543	38,412,832
GROSS CLAIMS PROVISIONS	519,588,411	518,424,878
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	16,958,869	16,397,603
OTHER GROSS INSURANCE TECHNICAL PROVISIONS		
Provisions for cancellation	942,632	1,221,642
Provisions for unexpired risk	1,326,660	4,655,861
TOTAL OTHER GROSS INSURANCE TECHNICAL PROVISIONS	2,269,292	5,877,503
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	738,866,601	759,968,461
LIFE INSURANCE	2012	2011
GROSS UNEARNED PREMIUMS	403,360	415,373
GROSS MATHEMATICAL PROVISIONS*		
Gross mathematical provisions covering life insurance	651,879,766	638,505,320
Gross mathematical provisions covering SVPI - 01,02,03,04	157,883,409	158,096,122
Gross mathematical provisions covering SVPI - 04,05	191,056	0
Gross mathematical provision covering SVPI during the annuity pay-out period	9,209,756	2,217,670
Gross mathematical provisions covering ULI	404,899,884	354,900,127
Non-distributed surplus	7,501,178	7,234,162
TOTAL GROSS MATHEMATICAL PROVISIONS	1,231,565,049	1,160,953,401
GROSS CLAIMS PROVISIONS	3,355,200	3,263,483
Gross provisions for incurred and reported claims	15,703,252	15,955,365
Gross claims provisions for IBNR and IBNER	257,289	269,064
Provisions for claim handling costs	19,315,742	19,487,912
TOTAL GROSS CLAIMS PROVISIONS	19,315,742	19,487,912
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	1,251,284,151	1,180,856,686
TOTAL INSURANCE TECHNICAL PROVISIONS	1,990,150,752	1,940,825,147

* Insurance technical provisions include gross mathematical provisions for the long-term business fund backing unit-linked insurance (ULI), which are disclosed in the financial statements under the separate item "Insurance technical provisions for unit-linked insurance".

Analysis of changes in gross insurance technical provisions

in EUR

NON-LIFE INSURANCE	1 January 2012	Formation	Use	Release	31 December 2012
Gross unearned premium	219,268,476	163,225,974	-182,444,421	0	200,050,028
Gross claims provisions	518,424,878	199,589,402	-88,784,450	-109,641,419	519,588,411
Gross provisions for bonuses and discounts	16,397,603	10,655,401	-6,941,517	-3,152,618	16,958,869
Other gross insurance technical provisions	5,877,503	2,269,292	-5,877,503	0	2,269,292
TOTAL	759,968,460	375,740,068	-284,047,891	-112,794,037	738,866,600

LIFE INSURANCE	1 January 2012	Formation	Use	Release	31 December 2012
Gross unearned premium	415,373	403,360	-415,373	0	403,360
Gross mathematical provisions	806,053,274	129,355,775	-105,650,117	-3,093,768	826,665,165
Gross claims provisions	19,487,912	13,097,442	-7,947,707	-5,321,904	19,315,742
Gross mathematical provisions for unit-linked insurance	354,900,127	88,473,569	-37,578,482	-895,330	404,899,884
TOTAL	1,180,856,686	231,330,147	-151,591,679	-9,311,002	1,251,284,151

TOTAL	1 January 2012	Formation	Use	Release	31 December 2012
Gross unearned premium	219,683,849	163,629,334	-182,859,794	0	200,453,389
Gross mathematical provisions	806,053,274	129,355,775	-105,650,117	-3,093,768	826,665,165
Gross claims provisions	537,912,790	212,686,844	-96,732,157	-114,963,323	538,904,154
Gross provisions for bonuses and discounts	16,397,603	10,655,401	-6,941,517	-3,152,618	16,958,869
Other gross insurance technical provisions	5,877,503	2,269,292	-5,877,503	0	2,269,292
Gross insurance technical provisions for unit-linked insurance	354,900,127	88,473,569	-37,578,482	-895,330	404,899,884
TOTAL	1,940,825,146	607,070,215	-435,639,570	-122,105,039	1,990,150,753

Analysis of the decrease in gross mathematical provisions

in EUR

	2012	2011
Surrenders	47,848,637	40,764,452
Endowments	52,360,873	48,951,380
Deaths	2,387,079	2,208,888
Other*	6,147,295	5,468,066
TOTAL	108,743,884	97,392,786

* Other releases comprise releases of additional provisions in the long-term business fund backing SVPI and annuities.

Analysis of changes in gross provisions for unearned premiums

	v EUR				
NON-LIFE	1 January 2012	Increase (formation)	Use	Release	31 December 2012
Gross provisions for unearned premiums	219,268,476	163,225,974	-182,444,421	0	200,050,028
Unearned premium provisions transferred to reinsurance	-16,758,832	-6,355,038	2,826,946	3,742,937	-16,543,985
NET UNEARNED PREMIUMS	202,509,644	156,870,936	-179,617,475	3,742,937	183,506,043

	v EUR				
LIFE	1 January 2012	Increase (formation)	Use	Release	31 December 2012
Gross provisions for unearned premiums	415,373	403,360	-415,373	0	403,360
Unearned premium provisions transferred to reinsurance	0	0	0	0	0
NET UNEARNED PREMIUMS	415,373	403,360	-415,373	0	403,360

Analysis of changes in gross claim provisions transferred to reinsurance

	v EUR				
NON-LIFE	1 January 2012	Increase (formation)	Use	Release	31 December 2012
Gross claim provisions	518,424,878	199,589,402	-88,784,450	-109,641,419	519,588,411
Claims provisions transferred to reinsurance	-37,785,397	-22,602,751	10,054,506	-8,507,795	-58,841,437
NET CLAIMS PROVISIONS	480,639,481	176,986,651	-78,729,944	-118,149,214	460,746,974

	v EUR				
LIFE	1 January 2012	Increase (formation)	Use	Release	31 December 2012
Gross claim provisions	19,487,912	13,097,442	-7,947,707	-5,321,904	19,315,742
Claims provisions transferred to reinsurance	-3,681	-2,454	0	0	-6,135
NET CLAIMS PROVISIONS	19,484,231	13,094,988	-7,947,707	-5,321,904	19,309,607

Analysis of changes in loss events for non-life insurance

	Year of occurrence										inEUR
	Before 2004	2004	2005	2006	2007	2008	2009	2010	2011	2012	TOTAL
Cumulative loss assessment											
- at the end of year of occurrence		300,321,582	293,648,724	333,104,982	375,371,479	474,044,321	428,334,819	397,894,156	344,766,188	357,523,991	3,305,010,243
- 1 year after year of occurrence		299,102,982	286,483,511	318,047,133	350,847,419	439,920,329	379,229,569	349,567,530	303,201,976		2,726,400,450
- 2 years after year of occurrence		302,629,528	283,428,670	306,581,723	340,005,493	419,626,410	365,975,020	333,049,538			2,351,296,382
- 3 years after year of occurrence		294,763,357	277,541,969	297,050,736	329,957,813	411,548,525	356,293,810				1,967,156,210
- 4 years after year of occurrence		291,469,189	275,113,667	294,148,611	325,364,482	405,638,003					1,591,733,952
- 5 years after year of occurrence		290,880,340	270,329,882	289,227,699	321,506,313						1,171,944,233
- 6 years after year of occurrence		288,717,188	271,391,244	286,419,831							846,528,264
- 7 years after year of occurrence		289,554,718	265,009,915								554,564,633
- 8 years after year of occurrence		284,867,399									284,867,399
- 9+ years after year of occurrence	57,252,391										
Cumulative loss assessment		284,867,399	265,009,915	286,419,831	321,506,313	405,638,003	356,293,810	333,049,538	303,201,976	357,523,991	2,913,510,777
Cumulative payments until balance sheet date		273,404,162	252,534,140	268,795,112	299,271,150	378,007,662	320,223,712	286,585,976	231,652,449	172,306,715	2,482,781,077
Claims provisions balance	53,503,423	11,463,237	12,475,775	17,624,719	22,235,163	27,630,342	36,070,098	46,463,563	71,549,527	185,217,276	484,233,123

6.14. Employee benefits

	in EUR	
	2012	2011
As at 1 January	8,300,010	7,825,952
Increase	199,912	474,058
Decrease	-505,031	0
As at 31 December	7,994,891	8,300,010

Employee benefits relate to provisions for redundancy payments and jubilee rewards in the amount of EUR 5.0 million and provisions for unused leave in the amount of EUR 3 million. The change in these provisions is presented under other operating costs.

6.15. Other provisions

	in EUR	
	2012	2011
As at 1 January	835,806	1,030,672
Increase	199,519	0
Decrease	-100,991	-194,866
As at 31 December	934,335	835,806

Other provisions relate to provisions for disabled employees, provisions for assets acquired free of charge and other long-term deferred income and accrued expenses.

6.16. Deferred tax assets and liabilities

	in EUR	
	2012	2011
Deferred tax assets		
As at 1 January	33,510,162	23,522,734
Increase	10,889,835	14,074,402
Decrease	-14,652,248	-4,086,974
As at 31 December	29,747,749	33,510,162
Deferred tax liabilities		
As at 1 January	3,086,278	21,204,283
Decrease	12,022,993	-18,118,005
As at 31 December	15,109,271	3,086,278
Net deferred tax assets	14,638,478	30,423,884

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 assets are not recognised for impairments of investments in subsidiaries and associates. Due to tax rate change (from 20% to 15%) deferred tax assets decreased for EUR 5,895,315 and deferred tax liabilities decreased for EUR 467,931.

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 7.15.

6.17. Other financial liabilities

	in EUR	
	2012	2011
Financial liabilities for acquired securities	646,169	5,976,176
Liabilities for dividends	270,706	213,864
Liabilities for for guarantee deposits received	1,503	3,253
Liabilities for profit-sharing bonuses for employees	9,404	9,404
Liabilities from derivative financial instruments	17,486	24,917
Other financial liabilities	17,294	17,396
Other short-term liabilities to Group companies	0	22,986,951
TOTAL	962,561	29,231,960

As at 31 December 2012 the Company has three outstanding credit lines with three different banks, totalling EUR 45 million. The interest rates on these credit lines are: 5.0% p.a., 3M EURIBOR plus 2.3 and 3.4 percentage points. As at 31 December 2012 the Company has no outstanding liabilities due to these credit lines.

The Company has also bank account limits with two different banks in total amount of EUR 9 million. Interest rates for these bank limits are 5.30% and 6.44%. As at 31 Decmeber 2012 the Company has no outstanding liabilities due to these bank limits.

6.18. Operating liabilities

	in EUR	
	2012	2011
DIRECT INSURANCE LIABILITIES		
Liabilities to policyholders	8,537,165	10,121,177
Liabilities to insurance brokers	798,104	967,546
Other liabilities from direct insurance operations	2,345,522	1,917,559
Liabilities from direct insurance operations to Group companies	839,199	483,033
TOTAL liabilities from direct insurance operations	12,519,990	13,489,315
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS		
Liabilities for re/co-insurance premiums	956,090	790,316
Liabilities for co-insurers' share of claims	450,346	229,884
Other re/coinsurance liabilities	0	200,000
Other re/co-insurance liabilities to Group companies	12,208,889	13,533,644
TOTAL liabilities from co-insurance and re-insurance	13,615,325	14,753,844
Current tax liabilities	0	518,186
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	26,135,315	28,761,344

6.19. Other liabilities

	in EUR	
	2012	2011
Short-term liabilities to employees	10,823,064	11,907,336
Other short-term liabilities	10,080,799	1,865,719
Trade payables	3,455,403	6,605,305
Liabilities towards the Slovenian Insurance Association	1,697,116	3,779,310
Liabilities for tax on insurance services	1,487,600	2,047,644
Accrued interest on issued bonds	277,647	1,507,001
Other short-term liabilities from insurance operations	870,662	1,861,306
Liabilities for fire tax	1,710,232	316,490
Other accruals	101,474	84,947
TOTAL OTHER LIABILITIES	30,503,998	29,975,059

Short-term liabilities to employees relate to December salaries, which were paid in January 2013 and liabilities to employees for bonuses based on business results for 2012. Expense for this bonus in the amount of EUR 4.2 million is recognised as other expense in the income statements (see Section 7.14).

7. NOTES TO THE INCOME STATEMENT

7.1. Premium income

	in EUR	
	2012	2011
NON-LIFE INSURANCE		
Gross written premium	453,802,130	494,014,097
Assumed co-insurance written premium	1,965,097	1,734,001
Ceded co-insurance written premium	-103,848	-162,095
Reinsurance written premium	-68,737,097	-73,690,492
Changes in gross provisions for unearned premiums	18,598,742	2,111,073
Changes in reinsurers' share of unearned premiums	-214,847	3,519,029
NET PREMIUM INCOME FROM NON-LIFE INSURANCE	405,310,176	427,525,612
LIFE INSURANCE		
Gross written premium	191,824,651	200,948,270
Reinsurance written premium	-328,173	-298,774
Changes in gross provisions for unearned premiums	12,013	-65,976
NET PREMIUM INCOME FROM LIFE INSURANCE	191,508,491	200,583,520
TOTAL NET PREMIUM INCOME	596,818,667	628,109,132

7.2. Overview of premium income by insurance class

	in EUR			
2012				Change in unearned premium for re/co-insurers' share
	Gross written premium	Re/co-insurers' share in gross written premium	Change in gross unearned premiums	
NON-LIFE INSURANCE				
- Accident insurance	36,198,453	-1,186,272	1,807,267	-46,464
- Comprehensive car insurance	112,400,675	-11,302,312	6,577,201	-1,892
- Property insurance	127,689,476	-36,977,808	1,641,673	-212,683
- Liability insurance	142,737,115	-12,597,205	6,173,398	94,178
- Credit insurance	19,837,754	-2,630,879	2,034,711	-87,913
- Other non-life insurance	16,903,754	-4,146,470	364,492	39,926
Total non-life insurance	455,767,226	-68,840,945	18,598,742	-214,847
LIFE INSURANCE				
- Life insurance	85,209,421	-328,173	12,013	0
- Unit-linked life insurance	85,162,447	0	0	0
- Capital redemption insurance	21,452,783	0	0	0
Total life insurance	191,824,651	-328,173	12,013	0
TOTAL	647,591,877	-69,169,118	18,610,755	-214,847

2011	in EUR			
	Gross written premium	Re/co-insurers' share in gross written premium	Change in gross unearned premiums	Change in unearned premium for re/co-insurers' share
NON-LIFE INSURANCE				
- Accident insurance	40,129,351	-1,324,233	572,988	-16,116
- Comprehensive car insurance	125,331,944	-11,955,179	2,003,615	60,243
- Property insurance	136,965,792	-41,815,746	-7,167,908	3,762,114
- Liability insurance	155,327,053	-12,300,467	4,647,612	-227,609
- Credit insurance	20,303,284	-2,449,632	2,391,740	-94,900
- Other non-life insurance	17,690,673	-4,007,333	-336,973	35,296
Total non-life insurance	495,748,097	-73,852,590	2,111,073	3,519,029
LIFE INSURANCE				
- Life insurance	87,585,033	-298,774	-65,976	0
- Unit-linked life insurance	93,679,475	0	0	0
- Capital redemption insurance	19,683,762	0	0	0
Total life insurance	200,948,270	-298,774	-65,976	0
TOTAL	696,696,367	-74,151,364	2,045,096	3,519,029

7.3. Income from financial assets

	in EUR	
	2012	2011
Interest income from financial assets		
- available for sale	36,021,322	35,152,190
- at fair value through profit and loss	3,027,390	2,960,490
- derivate financial instruments	110,667	1,871,801
- held to maturity	9,910,539	10,623,365
- loans and deposits	12,782,212	14,375,317
- cash or cash equivalents	10,835	1,696
- interest on late payments of insurance receivables	1,033,185	1,454,626
- interest income from subrogated receivables	5,832,161	5,538,200
- other interest income from insurance operations	20,995	47,727
TOTAL INTEREST INCOME	68,749,306	72,025,411
Dividends from		
- available-for-sale financial assets	1,439,118	2,636,548
- financial assets at fair value through profit and loss	310,515	248,371
- subsidiaries and associates	750,904	364,626
TOTAL DIVIDENDS	2,500,537	3,249,545
Fair value gains	45,184,500	30,728,056
Realised gains on disposals	26,203,738	9,676,006
Other financial income	1,342,795	733,089
TOTAL INVESTMENT INCOME	143,980,876	116,412,108

Fair value gains are described in detail in Section 7.5 and realised gains on disposals in Section 7.6.

7.4. Expenses from financial assets and liabilities

	in EUR	
	2012	2011
Interest expense from derivative financial instruments held for trading	229,500	2,045,377
Other interest expense	100,870	84,706
Interest expense from bonds issued	2,295,226	2,328,793
TOTAL INTEREST EXPENSE	2,625,596	4,458,876
Fair value losses	18,014,951	85,935,134
Realised loss on disposals	22,249,251	16,719,731
Loss on impairment of financial assets	56,465,554	67,059,272
Other finance costs	4,552,475	6,054,964
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	103,907,826	180,227,976

Fair value losses are described in detail in Section 7.5 and realised losses on disposal of financial assets in Section 7.6.

As much as 93.8% of the loss arising from the impairment of financial assets is accounted for by the impairment of shares issued by Abanka Vipa d.d., NLB d.d. and Triglav INT d.d.

Loss on impairment by categories of financial assets is shown in the table below.

	in EUR	
LOSS ON PERMANENT IMPAIRMENT OF FINANCIAL ASSETS	2012	2011
Available-for-sale financial assets	42,448,404	55,924,530
- Equity securities	42,448,404	39,515,622
- Debt securities	0	16,408,908
Financial assets held to maturity	0	3,081,228
- Debt securities	0	3,081,228
Investments in subsidiaries and associated companies	14,017,150	8,053,514
TOTAL LOSS ON PERMANENT IMPAIRMENT OF FINANCIAL ASSETS	56,465,554	67,059,272

7.5. Fair value gains and losses⁸

	in EUR	
	2012	2011
Derivative financial instruments (financial assets)	411,542	-2,539,317
- gains	612,062	1,471,910
- losses	-200,520	-4,011,227
Derivative financial instruments (financial liabilities)	-16,569	606,038
- gains	0	606,038
- losses	-16,569	0
Financial assets recognised at fair value through profit/loss	28,774,577	-53,273,798
- gains	44,572,438	28,650,108
- losses	-17,797,861	-81,923,906
Net gains from changes in fair value	27,169,550	-55,207,077

7.6. Realised gains and losses

	in EUR	
	2012	2011
Financial assets recognised at fair value through profit/loss	-3,386,379	-4,050,611
- realised gains on disposals	3,029,166	133,931
- realised losses on disposals	-6,415,545	-4,184,542
Available-for-sale financial assets	15,187,410	-4,197,460
- realised gains on disposals	22,496,943	8,275,355
- realised losses on disposals	-7,309,533	-12,472,815
Loans and deposits	-3,625,050	350,245
- realised gains on disposals	605,243	350,245
- realised losses on disposals	-4,230,294	0
Derivative financial instruments (financial assets)	-69,116	772,740
- realised gains on disposals	0	788,021
- realised losses on disposals	-69,116	-15,281
Derivative financial instruments (financial liabilities)	0	102,342
- realised gains on disposals	0	102,342
- realised losses on disposals	0	0
Held-to-maturity financial assets	-4,034,936	0
- realised gains on disposals	0	0
- realised losses on disposals	-4,034,936	0
Other financial assets (investment property)	-117,441	-20,982
- realised gains on disposals	72,386	26,111
- realised losses on disposals	-189,827	-47,093
Total realised gains and losses	3,954,487	-7,043,725

⁸ Including fair value gains/losses on unit-linked life insurance assets.

Loss of held-to-maturity financial assets in 2012 relates to the early recall of Greek bonds that have been converted to new bonds.

7.7. Other insurance income

	in EUR	
	2012	2011
Fees and commission income		
Investment management services	12,705,373	14,863,974
Reinsurance commission income	11,502,824	12,338,440
Other fees and commission income	0	0
TOTAL FEES AND COMMISSION INCOME	24,208,197	27,202,415
Other income from insurance operations		
Income from sale of green cards for motor vehicles	1,343,113	1,507,588
Income from claims settled for other insurance companies	481,440	539,369
Income from assistance services	65,838	59,746
Other income from insurance operations	3,359,063	1,873,525
TOTAL OTHER INCOME FROM INSURANCE OPERATIONS	5,249,454	3,980,228
OTHER INSURANCE INCOME	29,457,651	31,182,644

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

7.8. Other income

	in EUR	
	2012	2011
Income from other services	4,149,957	3,573,599
Income from investment property	1,906,848	2,064,660
Rental income	296,459	281,684
Profit from disposal of fixed assets	99,666	19,881
Claims refund	82,474	56,780
TOTAL	6,535,404	5,996,603

7.9. Claims

	in EUR	
	2012	2011
NON-LIFE INSURANCE		
Gross claims settled	259,066,493	279,719,061
Claim handling costs	18,521,438	17,966,252
Subrogation income	-18,633,579	-18,536,016
Co-insurers' share of gross claims settled	1,172,927	723,843
Reinsurers' share of gross claims settled	-21,165,490	-27,481,554
Change in gross claims provisions	1,163,533	-8,736,895
Change in gross claims provisions for re/co-insurer's share	-21,056,040	3,745,194
NET CLAIMS INCURRED – NON-LIFE INSURANCE	219,069,280	247,399,885
LIFE INSURANCE		
Gross claims settled	189,756,513	134,208,605
Claim handling costs	2,068,138	1,845,910
Reinsurers' share of gross claims settled	-61,508	-116,749
Change in gross claims provisions	-172,170	-386,158
Change in gross claims provisions for re/co-insurer's share	-2,454	-563
NET CLAIMS INCURRED – LIFE INSURANCE	157,510,313	135,551,046
TOTAL NET CLAIMS INCURRED	376,579,593	382,950,931

Overview of net claims incurred by insurance class

in EUR

2012	in EUR			
	Gross claims settled	Reinsurers' share of gross claims settled	Change in gross claims provisions	Change in gross claims provisions for re/co-insurers' share
Non-life insurance				
- accident insurance	14,398,420	-427,775	-3,658,125	85,969
- comprehensive car insurance	81,584,662	-3,928,349	-1,008,318	967,487
- property insurance	63,105,715	-8,512,216	12,587,505	-1,445,562
- liability insurance	78,220,497	-6,163,820	-7,901,966	-19,258,780
- credit insurance	13,838,267	-1,098,274	735,816	-718,405
- other non-life insurance	7,918,930	-1,035,055	408,621	-686,749
Total non-life insurance	259,066,492	-21,165,490	1,163,533	-21,056,040
Life insurance				
- life insurance	89,463,633	-61,508	-172,170	-2,454
- unit-linked life insurance	37,585,473	0	0	0
- supplementary voluntary pension insurance (SVPI)	28,629,201	0	0	0
Total life insurance	155,678,307	-61,508	-172,170	-2,454
TOTAL	414,744,799	-21,226,998	991,366	-21,058,494

in EUR

2011	in EUR			
	Gross claims settled	Reinsurers' share of gross claims settled	Change in gross claims provisions	Change in gross claims provisions for re/co-insurers' share
Non-life insurance				
- accident insurance	16,595,475	-504,748	-4,668,065	128,338
- comprehensive car insurance	86,130,658	-5,181,798	941,893	638,932
- property insurance	61,806,984	-12,140,497	-1,091,926	1,347,695
- liability insurance	92,404,258	-6,178,904	-2,677,684	1,206,092
- credit insurance	13,426,768	-1,157,565	-239,687	704,576
- other non-life insurance	9,354,921	-2,318,044	-1,001,426	-280,438
Total non-life insurance	279,719,064	-27,481,556	-8,736,895	3,745,194
Life insurance				
- life insurance	83,573,640	-116,749	-386,158	-563
- unit-linked life insurance	26,376,837	0	0	0
- supplementary voluntary pension insurance (SVPI)	24,258,129	0	0	0
Total life insurance	134,208,606	-116,749	-386,158	-563
TOTAL	413,927,670	-27,598,305	-9,123,052	3,744,631

Reinsurance result for 2012

in EUR

Insurance class	Reinsurance premiums (-)	Change in gross unearned premium for reinsurance (+/-)	Reinsurers' share of claims (-)	Change in claims provisions for reinsurers' shares (-/+)	Net result from reinsurance operations (2+3-4-5)	Reinsurance commission (-)	Gross reinsurance result (6-7)
1	2	3	4	5	6	7	8
Accident insurance	-1,186,272	-46,464	-427,775	85,969	-890,930	-263,288	-627,642
Land motor vehicle insurance	-9,547,466	-259,232	-3,915,076	438,918	-6,330,540	-984,033	-5,346,507
Railway insurance	-515,664	-6,486	0	560,000	-1,082,150	0	-1,082,150
Aircraft insurance	-1,206,843	264,502	-2,240	-6,374	-933,727	-14,359	-919,368
Marine insurance	-32,339	-676	-11,033	-25,056	3,074	-4,519	7,593
Cargo insurance	-1,676,935	309	-29,325	31,416	-1,678,717	-134,766	-1,543,951
Fire and natural forces insurance	-22,419,268	862,455	-4,256,789	-576,664	-16,723,360	-5,197,617	-11,525,743
Other damage to property insurance	-14,522,580	-1,075,138	-4,246,561	-873,525	-10,477,632	-2,425,449	-8,052,183
Motor TPL insurance	-6,613,844	-264,627	-4,246,726	-3,232,684	600,939	-822,648	1,423,587
Aircraft liability insurance	-986,712	122,705	-654,655	-4,660,917	4,451,565	-38,484	4,490,049
Marine liability insurance	-29,751	-179	-2,367	-38,733	11,170	-4,212	15,382
General liability insurance	-4,899,010	251,966	-1,146,092	-11,459,236	7,958,284	-613,333	8,571,617
Credit insurance	-2,630,879	-87,913	-1,098,274	-718,405	-902,113	-486,809	-415,304
Suretyship insurance	-510,511	53,474	-222,726	126,294	-360,605	-101,969	-258,636
Miscellaneous financial loss insurance	-1,421,081	-9,980	-483,907	-848,194	-98,960	-297,775	198,815
Legal expenses insurance	-47,653	-1,475	19	-119	-49,028	-11,818	-37,210
Assistance insurance	-490,290	-2,402	-299,115	3,854	-197,431	-69,959	-127,472
Total non-life insurance	-68,737,097	-199,161	-21,042,642	-21,193,456	-26,700,161	-11,471,037	-15,229,123
Total life insurance	-328,173	0	-61,508	-2,454	-264,211	-31,787	-232,424
TOTAL	-69,065,270	-199,161	-21,104,150	-21,195,910	-26,964,372	-11,502,824	-15,461,547

Reinsurance result for 2011

in EUR

Insurance class	Reinsurance premiums (-)	Change in gross unearned premium for reinsurance (+/-)	Reinsurers' share of claims (-)	Change in claims provisions for reinsurers' shares (-/+)	Net result from reinsurance operations (2+3-4-5)	Reinsurance commission (-)	Gross reinsurance result (6-7)
1	2	3	4	5	6	7	8
Accident insurance	-1,324,233	-16,116	-504,748	128,338	-963,940	-295,593	-668,346
Land motor vehicle insurance	-10,527,195	-115,985	-5,132,235	1,158,470	-6,669,415	-1,108,889	-5,560,526
Railway insurance	-551,731	-1,654	0	-560,000	6,616	0	6,616
Aircraft insurance	-838,026	179,328	-34,021	39,033	-663,710	-7,420	-656,290
Marine insurance	-38,227	-1,446	-15,542	1,429	-25,558	-5,295	-20,263
Cargo insurance	-1,457,546	3,877	-136,303	-41,103	-1,276,264	-128,566	-1,147,698
Fire and natural forces insurance	-19,694,356	126,844	-5,732,089	1,663,387	-15,498,810	-4,829,025	-10,669,785
Other damage to property insurance	-22,089,277	3,635,270	-6,367,175	-262,412	-11,824,420	-3,435,869	-8,388,551
Motor TPL insurance	-7,411,545	-230,681	-4,619,502	-241,484	-2,781,239	-921,724	-1,859,515
Aircraft liability insurance	-1,005,050	41,335	-260,723	-116,579	-586,412	-48,821	-537,591
Marine liability insurance	-31,658	-249	-3,891	6,675	-34,691	-4,532	-30,159
General liability insurance	-3,722,231	-52,229	-1,284,717	1,693,247	-4,182,990	-499,702	-3,683,288
Credit insurance	-2,449,632	-94,900	-1,157,565	704,576	-2,091,542	-450,987	-1,640,555
Suretyship insurance	-388,835	17,486	-448,054	-143,884	220,588	-78,216	298,804
Miscellaneous financial loss insurance	-1,613,085	10,425	-1,451,942	-71,118	-79,599	-389,654	310,055
Legal expenses insurance	-51,189	-781	80	-64	-51,986	-12,692	-39,295
Assistance insurance	-496,678	4,290	-281,825	-24,270	-186,293	-75,764	-110,529
Total non-life insurance	-73,690,492	3,504,814	-27,430,251	3,934,241	-46,689,667	-12,292,751	-34,396,916
Total life insurance	-298,774	0	-116,749	-563	-181,463	-45,689	-135,774
TOTAL	-73,989,266	3,504,814	-27,547,000	3,933,678	-46,871,130	-12,338,440	-34,532,690

7.10. Change in other insurance-technical provisions

	in EUR	
	2012	2011
Changes in gross provisions for cancellations	-279,010	-55,100
Changes in gross provisions for unexpired risks	-3,329,201	-8,928,218
Changes in gross provisions for life insurance	-9,106,089	-3,709,066
Changes in gross provisions for bonuses from with-profits life insurance	5,977,525	4,231,549
Change in other insurance technical provisions	-6,736,775	-8,460,835
Change in gross provisions for unit-linked insurance contracts	49,999,757	-13,398,829
TOTAL CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	43,262,983	-21,859,664

7.11. Expenses for bonuses and discounts

	in EUR	
	2012	2011
Settled bonuses and discounts	7,044,576	6,613,596
Changes in gross provisions for bonuses and discounts	561,266	-1,297,839
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	7,605,842	5,315,757

7.12. Aquisition costs and other operating expenses

Gross operating expenses by function compared to 2010

	in EUR	
	2012	2011
Acquisition costs	96,740,329	97,581,422
Claim handling costs	20,589,577	19,812,162
Costs of asset management	3,516,538	4,071,387
Other operating costs	40,096,877	42,375,711
TOTAL	160,943,321	163,840,683

Acquisition costs and other operating costs are disclosed separately in the income statement. Claim handling costs are disclosed as a part of gross claims incurred, whereas asset management costs are disclosed as financial expenses.

Gross operating expenses by cost units

	in EUR	
	2012	2011
Accident insurance	10,591,655	11,075,645
Comprehensive car insurance	27,300,793	27,945,455
Property insurance	43,713,612	43,410,553
Liability insurance	34,421,972	36,019,162
Credit insurance	4,377,848	4,466,691
Other non-life insurance	5,497,726	4,918,150
TOTAL NONLIFE INSURANCE	125,903,607	127,835,656
Life insurance	15,542,483	14,398,076
Unit-linked life insurance	17,251,397	19,357,353
Capital redemption insurance	2,245,834	2,249,598
TOTAL LIFE INSURANCE	35,039,714	36,005,027
TOTAL OPERATING EXPENSES	160,943,321	163,840,683

Gross operating expenses by nature and function

2012

Operating expenses by nature 1	in EUR				
	TOTAL (3 + 4 + 5 + 6) 2	Acquisition costs 3	Claim handling costs 4	Asset management costs 5	Other operating costs 6
1. Acquisition costs (fees and charges)	18,305,679	18,305,679	0	0	0
2. Depreciation of operating assets	8,819,073	5,032,642	1,272,709	223,566	2,290,157
3. Labour costs	89,989,713	49,519,642	15,450,248	2,478,329	22,541,494
- wages and salaries	66,623,332	36,135,740	10,877,416	1,851,710	17,758,466
- social security and pension insurance costs	11,377,667	6,148,534	1,867,272	302,486	3,059,375
- other labour costs	11,988,713	7,235,367	2,705,560	324,133	1,723,652
4. Costs of services provided by natural persons other than sole proprietors, including related taxes	1,871,262	561,143	756,195	11,456	542,468
5. Other operating costs	41,957,593	23,321,223	3,110,425	803,187	14,722,759
- costs of entertainment, advertising, trade shows	10,551,146	10,144,080	46,908	25,753	334,405
- costs of material and energy	4,895,177	2,265,349	942,666	113,879	1,573,283
- maintenance costs	6,817,466	1,262,950	645,061	148,002	4,761,453
- reimbursement of labour-related costs	3,872,283	3,238,367	89,580	81,351	462,985
- costs of intellectual and personal services	1,843,919	444,682	54,902	133,876	1,210,458
- non-income-related costs, excluding insurance	1,799,319	683,003	87,952	20,045	1,008,318
- costs of services - transport and communications	2,905,142	1,723,140	422,349	69,876	689,777
- costs for insurance premiums	1,341,042	460,118	203,069	52,195	625,660
- payment transaction costs and banking services	3,099,269	1,328,793	4,872	80,656	1,684,948
- rents	2,687,949	971,601	202,800	7,028	1,506,520
- costs of professional training services	823,218	303,694	129,427	33,715	356,383
- other costs of services	1,321,665	495,447	280,838	36,811	508,569
TOTAL Gross operating expenses	160,943,321	96,740,329	20,589,577	3,516,538	40,096,877

In addition to the above-stated amount of EUR 66,623,332 (vs. EUR 66,833,311 in 2011), total wages and salaries include employee bonuses based on performance results in 2012 in the total amount of EUR 3,617,571 (vs. EUR 3,121,508 in 2011). Total costs for wages and salaries in 2012 thus amount to EUR 70,240,903 (vs. EUR 69,954,819 in 2011).

Total costs of Zavarovalnica Triglav for the above-mentioned item, including taxes and other contributions chargeable to the employer, amount to EUR 4,2 million (vs. EUR 3.6 million in 2011) and are disclosed as other expenses (see Section 7.14).

2011

Operating expenses by nature 1	TOTAL (3 + 4 + 5 + 6) 2	Acquisition costs 3	Claim handling costs 4	Asset management costs 5	in EUR
					Other operating costs 6
1. Acquisition costs (fees and charges)	19,013,601	19,013,601	0	0	0
2. Depreciation of operating assets	6,589,262	3,010,379	948,717	270,733	2,359,433
3. Labour costs	91,658,809	50,679,769	15,024,813	2,586,089	23,368,138
- wages and salaries	66,833,311	37,217,201	10,745,652	1,955,764	16,914,694
- social security and pension insurance costs	11,294,059	6,260,013	1,797,465	331,643	2,904,939
- other labour costs	13,531,439	7,202,555	2,481,696	298,682	3,548,505
4. Costs of services provided by natural persons other than sole proprietors, including related taxes	1,765,421	568,196	723,028	4,016	470,182
5. Other operating costs	44,813,590	24,309,477	3,115,605	1,210,549	16,177,959
- costs of material and energy	11,799,643	11,449,796	50,032	23,694	276,121
- maintenance costs	4,518,150	2,128,899	874,492	113,394	1,401,365
- reimbursement of labour-related costs	6,100,830	1,294,335	612,213	254,122	3,940,160
- reimbursement of labour-related costs	3,980,464	3,354,535	103,658	108,106	414,165
- costs of intellectual and personal services	2,080,381	519,654	62,105	411,311	1,087,310
- non-income-related costs, excluding insurance	1,874,058	727,750	82,654	127,506	936,148
- costs of services - transport and communications	2,936,076	1,707,100	397,315	68,474	763,188
- costs for insurance premiums	1,368,959	416,420	377,016	19,554	555,969
- payment transaction costs and banking services	3,130,177	1,176,023	7,729	8,836	1,937,589
- rents	2,573,623	781,586	202,427	11,485	1,578,125
- costs of professional training services	765,919	320,836	108,727	24,642	311,714
- other costs of services	1,211,250	432,542	237,237	39,426	502,045
- long-term employee benefits	2,474,059	0	0	0	2,474,059
TOTAL Gross operating expenses	163,840,683	97,581,422	19,812,162	4,071,387	42,375,711

7.13. Other expenses from insurance operations

	in EUR	
	2012	2011
Subscription, redemption and management commission fee	14,082,787	15,094,443
Impairment of insurance receivables	9,939,023	11,420,266
Fire protection fee	4,004,374	4,186,520
Expenses of preventive activity	1,788,773	1,825,065
Receivables write-offs	118,763	286,874
Contributions for claims from uninsured or unidentified vehicles	509,337	681,884
Supervisory authority fees	770,182	936,327
Other expenses from insurance operations	772,167	1,039,287
OTHER EXPENSES FROM INSURANCE OPERATIONS	31,985,406	35,470,665

7.14. Other expenses

	in EUR	
	2012	2011
Depreciation of investment property	537,107	529,845
Other investment property expenses	1,328,915	1,030,399
Impairment of other receivables	-77,954	-158,828
Expenses from disposal of property, plant and equipment	63,601	32,650
Expenses from impairment of property, plant and equipment	4,855,649	0
Other expenses	4,269,256	3,807,697
OTHER EXPENSES	10,976,575	5,241,762

Other expenses relate to bonuses for employees based on business results for 2012 in total amount of EUR 4.2 million.

7.15. Income tax expense

Tax expense in the income statement

	in EUR	
	2012	2011
Current tax expense	-14,916,435	-20,600,795
Current tax expense for last year - correction	3,433,854	0
Deferred tax (expense)/income:	-3,762,413	9,987,428
- origination and reversal of temporary differences	6,322,702	9,987,428
- change due to conversation to new tax rates	-10,085,115	0
TOTAL Tax expense in the income statement	-15,244,994	-10,613,367

Tax expense in other comprehensive income

	in EUR					
	2012			2011		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available-for-sale financial assets	73,646,911	-9,820,581	63,826,331	-106,240,651	19,972,945	-86,267,706
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	-26,136,839	2,391,229	-23,745,609	9,274,697	-1,854,939	7,419,757
TOTAL Other comprehensive income	47,510,073	-7,429,351	40,080,721	-96,965,954	18,118,005	-78,847,949

Reconciliation between tax expense and accounting profit

	in EUR	
	2012	2011
ACCOUNTING PROFIT	65,637,168	54,395,925
Income tax rate - tax rate average of several countries	18%	20%
Accounting profit multiplied by tax rate	-11,814,690	-10,879,185
Reconciliation between tax expense and accounting profit for the year		
Tax effect of income deductible for tax purposes	2,905,160	2,956,916
Tax effect of expenses not deductible for tax purposes	-10,666,219	-3,290,996
Tax effect of income added for tax purposes	896,901	599,899
Correction of tax return for 2011	3,433,854	0
TOTAL TAX EXPENSE	-15,244,994	-10,613,367
Final liabilities for corporate income tax	-14,916,435	-20,600,795
Effective tax rate	23.23%	19.51%

In accordance with the Corporate Income Tax Act (hereinafter CITA-2), the Company applied a 18% tax rate to the taxable profit for 2012 (vs. 20% tax rate in 2011).

Liabilities for corporate income tax are high for both years, mostly due to impairment of financial assets totalling EUR 56 million (vs. EUR 67 million in 2011) that are not tax deductible expense. Deferred tax assets decreased by EUR 3.8 million. This decrease consists of EUR 1.4 million of deferred tax assets from the impairment of financial assets not recognised for tax purposes and EUR 1.9 million of the impairment of receivables. When calculating deferred tax assets, a 15% tax rate was applied (in 2011: 20%). In the reporting year, deferred tax expenses were additionally reduced by income from adjusted tax return for 2011 amounting to EUR 3.4 million, i.e. the tax base was reduced by 50% of the impairment of financial investments in subsidiaries.

8. OTHER INFORMATION

8.1. Related party transaction

Related party transactions are disclosed separately for transactions with:

- subsidiary,
- associates,
- government related entities, and
- other related entities.

Subsidiaries are those entities which are controlled by the Company. Associates are those entities in which the Group has a significant influence. These companies are presented in detail in Sections 6.4 and 6.5.

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. Business transactions with the main shareholders (Institute of Pension and Disability Insurance of Slovenia – ZPIZ and Slovene Restitution Fund – SOD) in 2012 related to insurance premiums amounting to EUR 8,752 and gross claim settled in the amount of EUR 240,751.

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.

in EUR

ASSETS	Subsidiary	Associates	Other related entities
Debt securities and loans	44,905,929	0	20,094,199
Deposits and certificates of deposits	0	0	27,315,998
Receivables from insurance premium	2,252,712	4,087	0
Co-insurance receivables	6,374	0	0
Receivables for reinsurer's share in claims	6,945,327	0	0
Other short-term receivables from insurance operations	10,002	0	0
Short-term receivables from financing	13,431	750,904	0
Other short-term receivables	1,103,579	65,429	49

All loans, given to subsidiaries and associates, are secured by mortgages or pledged securities.

in EUR

LIABILITIES	Subsidiary	Associates	Other related entities
Liabilities to insureds	621,563	25,312	0
Liabilities to agents and brokers	178,619	9,891	6,351
Liabilities for reinsurance premiums	12,208,602	0	0
Liabilities for shares in claims from coinsurance	288	0	77,474
Other short-term liabilities	222,219	0	60,352

in EUR

INCOME AND EXPENSES	Subsidiary	Associates	Other related entities
Gross written premium	3,381,767	140,443	5,927,429
Assumed coinsurance written premium	9,563	0	0
Outward reinsurance premium (-)	-62,877,903	0	0
Net premium income	-59,486,573	140,443	5,927,429
Reinsuranc commission income	10,628,992	0	0
Other income from insurance operations	3,145,191	0	0
Interest income	1,773,249	0	3,111,769
Other insurance income	1,024,161	0	0
Income from land and buildings	175,631	0	0
Other income	510,348	382	0
Dividends	0	750,904	818,068
Other income from financial assets	16,431	0	0
TOTAL INCOME	-42,212,570	891,729	9,857,266
Gross claims settled	1,273,782	63,757	1,835,267
Co-insurers' share in gross claims	2,888	0	0
Reinsurers' share in gross claims	-20,513,875	0	0
Net claims	-19,237,255	63,757	1,835,267
Other costs and expenses	8,550	0	0
Other expenses from investments	29,653	0	0
TOTAL EXPENSES	-19,199,052	63,757	1,835,267

8.1.1. Members of the Management Board and Supervisory Board

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			Net pay received	in EUR
				Insurance premiums**	Other benefits***	Reimbursements		
Matjaž Rakovec	150,636	763	0	24,177	12,344	6,808	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	
SKUPAJ	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.

As at 31 December 2012, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

MANAGEMENT BOARD	in EUR	
	Receivables as at 31 December 2012	Liabilities as at 31 December 2012
Matjaž Rakovec	96	8,254
Andrej Slapar	112	11,581
Marica Makoter	16	4,417
Stanislav Vrtunski	17	4,783
Benjamin Jošar	0	5,108
SKUPAJ	241	34,143

In 2012, the Supervisory Board members and members of Committees were paid the following amounts as compensation for their work:

SUPERVISORY BOARD	in EUR				
	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	200	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
Skupaj	171,997	55,691	13,355	241,043	186,809

Membership in Supervisory Board Committees in 2012:

- Appointments and Compensation Committee: Anton Ribnikar (until 12 June 2012), Igor Mihajlovič (as at 21 June 2012), Adolf Zupan (as at 21 June 2012), Miran Krštinc and Srečo Jadek.
- Audit Committee: Uroš Slavinec (until 12 June 2012), Jovan Lukovac (as at 21 June 2012), Vladimir Uršič, Aljoša Valentinčič, Branko Gorjan and Barbara Nose.
- Strategy Committee: Anton Ribnikar (until 12 June 2012), Gregor Kastelic (as at 21 June 2012), Igor Mihajlovič and Peter Celar.
- Nominations Committee (until its dissolution on 12 June 2012): Uroš Slavinec, Miran Krštinc, Eva Boštjančič, Vanessa Grmek and Tomaž Kuntarič. Re-established on 20 December 2012: Igor Mihajlovič, Branko Gorjan, Matjaž Jauk and Peter Ješovnik.

As at 31 December 2012, Zavarovalnica Triglav did not have any outstanding receivables or payables to the members of the Supervisory Board, Appointments and Compensation Committee, Audit Committee, Strategy Committee and Nominations Committee.

Draft criteria for the assessment of the performance of Management Board members are proposed by the Appointments and Compensation Committee and approved by the Supervisory Board. The purpose of these criteria is to maximise the objective monitoring of existing goal achievement and to evaluate the performance of Management Board members on a regular basis. The performance criteria are designed to follow the long-term business objectives of Zavarovalnica Triglav, making part of the annual business plans and other strategic documents of the Company. The definition of an individual objective includes the following: its description, expected target value, assigned weight and method for measuring or assessing its achievement. According to this method, a Management Board member is entitled to a bonus in the case of over-performance and a pay deduction in the case of underperformance.

A one-off annual bonus for good performance is paid in two parts: the first half within 30 days of the Supervisory Board approving the annual report and adopting a resolution on the bonus amount, or, in the event the annual report is approved at the General Meeting of

Shareholders, within 30 days of the General Meeting of Shareholders approving the annual report and the Supervisory Board adopting a resolution on the bonus amount. The remaining half of the bonus is paid after two years; however, both payments must be proportionate to the period of the office being held in any calendar year.

Management Board members are entitled to severance pay equalling six times the average monthly salary they received as board members, if they are dismissed for economic reasons, and their employment is terminated as a consequence. Severance is paid within one month of dismissal.

8.1.2. Employees under individual contracts

In 2012, Zavarovalnica Triglav had 168 employees under individual contracts who received a total of EUR 12,383,738 for performing their functions.

As at 31 December 2012, Zavarovalnica Triglav held EUR 166,749 of liabilities for loans extended to employees under individual contracts. Repayments of these loans amounted to EUR 42,173 in 2012.

The loans were granted on the following conditions:

- Purpose: housing loans;
- Maturity: 20 years;
- Interest rate: 5%–6%;
- Insurance: loan security agreement.

8.2. Amounts spent on auditors

The 2012 financial statements were audited by Ernst & Young d.o.o. with audit costs amounting to EUR 71,821 (contract amount including VAT totals EUR 110,700). The remaining amount was paid to the auditing company KPMG Slovenija d.o.o.: EUR 100,080 for the audit of the annual report for 2011.

An amount of EUR 212,174 was charged for the services provided by KPMG Poslovno svetovanje d.o.o. Other advisory services, amounting to EUR 22,531, were provided by two foreign KPMG companies.

The reported audit fees are shown in the table below.

	in EUR	
	2012	2011
Auditing of Annual Report	171,901	166,800
Other assurance services	212,174	105,888
Tax advising services	22,531	10,885
TOTAL	406,606	283,573

8.3. Earnings per share

The calculation of earnings per share is based on the net profit for the current year attributable to shareholders of the Company. Number of shares is calculated as weighted average number of ordinary shares.

	in EUR	
	2012	2011
Net profit attributable to shareholders of the Company	50,392,174	43,782,559
Number of shares	22,735,147	22,735,147
Earnings per share	2.22	1.93

Diluted earning per share is not calculated as the Company has not issued any dilutive financial instruments.

8.4. Additional notes the cash flow statement

Operating cash flows 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).

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.

	in EUR	
	2012	2011
PROFIT/ LOSS BEFORE TAX	65,637,168	54,395,925
Depreciation	9,356,180	7,119,107
Impairment of receivables	9,861,069	11,314,707
Change in receivables	8,182,335	-7,627,647
Change in inventory	41,684	166,195
Change in liabilities	-40,954,424	-112,556,213
Payment of income tax	-15,441,783	-21,204,283
Operating cash flow	36,682,228	-69,392,209

8.5. Contingent assets and contingent liabilities

8.5.1. Off-balance sheet items

	in EUR	
	2012	2011
Receivables from swap contracts	3,000,000	8,000,000
Outstanding subrogated receivables	31,411,896	32,678,280
Bonds, guarantees and other sureties issued	3,086,692	0
Contingent receivables from legal actions	15,233,820	16,855,755
Receivables from option agreements	26,917,700	19,023,472
Receivables from Zavarovalnica Kopaonik based on a separation balance sheet	1,855,664	1,855,664
Receivables from forward contracts	0	0
Receivables from Association of Yugoslav Insurance Organizations	40,647	40,647
TOTAL OFF-BALANCE SHEET ITEMS	81,546,419	78,453,817

As at the balance sheet date, a contingent liability was disclosed for a guarantee issued to the subsidiary Triglav Osiguranje a.d.o., Belgrade, as collateral for a bridging loan totalling EUR 3,086,692 taken from Banca Intesa a.d., Belgrade. The guarantee expired on 20 January 2013.

Receivables from option agreements amounted to EUR 26.9 million, of which EUR 11.7 million were from Greek bonds.

8.5.2. Major pending legal disputes

- Zavarovalnica Triglav (plaintiff) versus Istrabenz holdinška družba d.d. (respondent)

On 28 December 2007, Zavarovalnica Triglav d.d. irrevocably and unconditionally accepted a binding offer made by Istrabenz holdinška družba d.d. to buy Petrol d.d. shares for a total price of EUR 19,950,000. As Istrabenz failed to meet its obligations arising from the abovementioned offer, Zavarovalnica Triglav brought legal action against Istrabenz.

Istrabenz filed a counterclaim against Zavarovalnica Triglav challenging the agreement on the sale of Petrol shares. Zavarovalnica Triglav responded by rejecting all the allegations of Istrabenz as unfounded.

On 9 February 2010, the District Court in Koper issued a decision rejecting the claim and the counterclaim by Istrabenz, holdinška družba d.d and ordered each party to bear its own costs. Zavarovalnica Triglav appealed against the ruling of the Court regarding its claim and the bearing of costs.

On 1 April 2011, the Higher Court in Koper issued a decision rejecting Zavarovalnica Triglav's appeal and confirming the judgement of the court of first instance. On 22 April 2011, Zavarovalnica Triglav requested a judicial review of the issued decision before the Supreme Court.

- Zavarovalnica Triglav (plaintiff) versus Milan Marolt and Nadežda Klemenčič (respondents)

The Company filed a suit against Milan Marolt and Nadežda Klemenčič on 12 August 2004, claiming unlawful issuance of decisions and misuse of powers. The respondents alleged an erroneous interpretation of the Companies Act and claimed no elements of tort existed to prove their liability for damages. The Court accepted their argument, and on 8 November 2006 rendered a decision rejecting the claim. On 29 December 2006, Zavarovalnica Triglav appealed against the ruling of the court of first instance and on 9

January 2009 the Higher Court in Ljubljana ruled in favour of the appellant, reversed the decision and ordered a retrial at the court of first instance. On 11 January 2012, the court of first instance again rejected two statements of claim. On 23 February 2012, Zavarovalnica Triglav lodged an appeal against the decision of the court of first instance.

- 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. As Zavarovalnica Triglav expects to win these disputes, the total amount of claims might be significantly lower than pleaded. 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.

8.6. Reviews by supervisory bodies

8.6.1. 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 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. Following the review, the ISA produced a report on its findings which was received by Zavarovalnica Triglav on 19 December 2008. Zavarovalnica Triglav sent its comments on the report on 9 January 2009. On 29 April 2009, the Insurance Supervision Agency (ISA) informed Zavarovalnica Triglav of its intended order on the remedy of infringement. On 25 May 2009, Zavarovalnica Triglav sent to the ISA a statement regarding the intended ISA measure, explaining that the alleged irregularities did not exist or had already been remedied and suggested the ISA not to issue such an order. Moreover, on 31 July 2009 Zavarovalnica Triglav submitted to the ISA a report on having brought its business operations into compliance with the statement on the intended measure. On 6 March 2012, the ISA sent to Zavarovalnica Triglav a request for a performance audit in which the ISA once again checked facts and evidence in this case. On 31 December 2012, Zavarovalnica Triglav received the minutes of the ISA regarding the abovementioned matter, to which Zavarovalnica Triglav had no objections.

- Operations review of the subsidiary Vardar Osiguruvanje, 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 osiguruvanje a.d., Skopje subsidiary and the conduct of an insurance agent. On 31 December 2012, Zavarovalnica Triglav received the minutes 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 internal and external agent network in 2012

Upon request, on 27 December 2012, ISA started the operations review regarding the sale of life and non-life insurance through the internal and external insurance agent network in 2012, concentrating on Zavarovalnica Triglav's assurance of compliance with the Chapter 13 of the Insurance Act – Insurance agents and brokers. As at the date of issuing these financial statements Zavarovalnica Triglav had not received the ISA's findings.

8.6.2. Securities Market Agency

- Action brought against the Securities Market Agency – Abanka Vipava d.d.

On 13 January 2011, the Securities Market Agency (hereinafter: ATVP) issued a decision prohibiting Zavarovalnica Triglav d.d., Slovenska odškodninska družba d.d., Mobitel d.d. and Hit d.d. from exercising their voting rights in the offeree company Abanka Vipava d.d. (hereinafter: Abanka) and prohibiting Abanka from exercising its voting rights, until these companies and Luka Koper d.d. either launch a takeover bid for the shares of Abanka or dispose of Abanka shares, so that any individual company, several companies or all of the companies as a whole no longer exceed the takeover threshold. In its decision the ATVP finds that, after the entry into force of the Takeover Act on 11 June 2006, the persons acting in concert (Zavarovalnica Triglav d.d., Slovenska odškodninska družba d.d., Hit d.d., Mobitel d.d. and Luka Koper d.d.) in Abanka Vipava d.d. had increased their share of voting rights on 22 March 2010 when Luka Koper d.d. acquired 28 shares of Abanka, which obliged them to launch a takeover bid according to Article 75(2) of the Takeover Act. The companies accused of acting in concert oppose the decision of the ATVP. 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 holding in Abanka Vipava d.d. described above, the ATVP initiated procedures to suspend voting rights in several other cases of offeree companies in which Zavarovalnica Triglav is a minor shareholder, such as Krka d.d., Petrol d.d., Sava Re d.d., Aerodrom Ljubljana d.d. and Telekom d.d.

On 22 March 2011, ATVP issued a decision relating to the investment in Petrol d.d. prohibiting Zavarovalnica Triglav and other entities it considered acting in concert from exercising their voting rights attached to the shares of Petrol d.d. Zavarovalnica Triglav opposed the ATVP decision and has brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the validity of the ATVP decision. The Supreme Court upheld Zavarovalnica Triglav's action in its entirety and delivered a judgement revoking the ATVP decision.

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, Act Amending the Takeover Act (ZPre-1D) was adopted, which increased the takeover threshold to one third, 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 which denied the 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 denying the execution of voting rights in December 2012, which was not contested by Zavarovalnica Triglav.

In the Telekom d.d. case, the Securities Market Agency has not issued final decision yet.

8.6.3. Tax matters

As at the balance sheet date, Zavarovalnica Triglav was not subject to any pending tax procedures nor did it have any outstanding tax matters.

8.6.4. Subsequent events

No events occurring after the reporting date were material to the consolidated financial statements for the year 2012.

Events after the reporting date that are important for 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/sl/odnosi_z_vlagatelji/porocila_in_objave/skupscina
- 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., 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:

	Page
1. BALANCE SHEET AS AT 31 DECEMBER 2012	2
2. INCOME STATEMENT FOR THE YEAR ENDING AT 31 DECEMBER 2012	14
3. ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT AS AT 31 DECEMBER 2012	18
4. INCOME STATEMENTS OF TECHNICAL ACCOUNT	28
5. INVESTMENT RETURN	34

1. BALANCE SHEET AS AT 31 DECEMBER 2012**1.1. Balance sheet for Non-life and Life insurance as at 31 December 2012**

in EUR

	31 December 2012	31 December 2011	Index
ASSETS (od A do G)	2,603,060,213	2,516,553,868	103
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	53,298,272	49,863,069	107
1. Intangible assets	23,159,981	19,198,064	121
2. Goodwill	0	0	
3. Deferred acquisition costs	30,030,584	30,650,290	98
4. Other long-term deferred items	107,707	14,715	732
B. LAND, BUILDINGS AND FINANCIAL ASSETS	2,015,693,414	1,957,383,457	103
I. LAND AND BUILDINGS	75,496,387	81,212,358	93
a.) Directly used in insurance activities	56,151,405	61,227,470	92
1. Land directly used in insurance activities	4,130,906	3,892,053	106
2. Buildings directly used in insurance activities	51,902,533	56,405,024	92
3. Other land and buildings directly used in insurance activities	117,966	930,393	13
b.) Investment property	19,344,982	19,984,888	97
1. Land	3,350,044	3,740,355	90
2. Buildings	15,994,938	16,244,533	98
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	243,290,186	235,367,118	103
1. Shares in subsidiaries	185,617,295	193,131,295	96
2. Debt securities and loans to subsidiaries	44,905,929	31,380,319	143
3. Shares in associated companies	12,766,962	10,855,503	118
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	1,621,515,284	1,586,256,071	102
1. Long-term financial investments	1,534,463,718	1,510,908,909	102
1.1. Shares and other floating rate securities and fund coupons	93,969,644	139,741,844	67
1.2. Debt and other fixed return securities	1,337,353,791	1,163,470,307	115
1.3. Investment fund shares	0	0	
1.4. Mortgage loans	522,317	1,226,339	43
1.5. Other loans	41,694,457	54,835,392	76
1.6. Deposits with banks	55,988,341	146,320,456	38
1.7. Other financial investments	4,935,167	5,314,571	93
2. Short-term financial investments	87,051,566	75,347,162	116
2.1. Shares available for sale	0	0	
2.2. Securities available for sale and with maturity up to one year	40,775,588	0	
2.3. Short-term loans	182,499	296,987	61
2.4. Short-term bank deposits	46,093,479	75,050,175	61
2.5. Other short-term financial investments	0	0	
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	75,391,557	54,547,910	138
1. From unearned premium	16,543,985	16,758,832	99
- in reinsurance	16,529,805	16,728,966	99
- in co-insurance	14,180	29,866	47
2. From mathematical provision	0	0	

in EUR

	31 December 2012	31 December 2011	Index
3. From outstanding claims	58,847,572	37,789,079	156
- in reinsurance	58,784,845	37,588,935	156
- in co-insurance	62,728	200,144	31
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	406,502,788	354,998,578	115
D. RECEIVABLES	112,912,842	136,325,934	83
I. RECEIVABLES FROM DIRECT INSURANCE	70,291,060	80,970,481	87
1. Receivables from insurers	67,125,613	78,575,535	85
2. Receivables from insurance brokers	134,394	135,638	99
3. Other receivables from direct insurance operations	774,253	1,209,279	64
4. Receivables from direct insurance operations - associates and subsidiaries	2,256,799	1,050,028	215
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	8,243,477	8,187,183	101
1. Premium receivable from co-insurance	869,068	537,924	162
2. Premium receivable from reinsurance	0	0	
3. Receivables from co-insurers' share in claims	42,252	22,212	190
4. Receivables from reinsurers' share in claims	380,456	727,004	52
5. Other receivables from co-insurance and reinsurance	0	0	
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	6,951,701	6,900,043	101
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	34,378,305	47,168,271	73
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	7,986,373	7,934,915	101
3. Short term receivables from financing	256,595	5,572,463	5
4. Other short-term receivables	2,010,044	2,424,911	83
5. Long-term receivables	139,896	130,742	107
6. Current tax receivables	7,403,575	0	
7. Deferred tax assets	14,638,478	30,423,884	48
8. Other short-term receivables - associates and subsidiaries	1,943,344	681,356	285
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	13,244,685	16,102,825	82
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	10,148,918	10,705,015	95
1. Equipment and small tools	9,668,845	10,221,287	95
2. Other tangible fixed assets	480,073	483,728	99
II. CASH AT BANK AND IN HAND	2,278,084	4,216,855	54
III. INVENTORIES AND OTHER ASSETS	817,683	1,180,955	69
1. Inventories	294,900	336,584	88
2. Other assets	522,783	844,371	62
F. SHORT-TERM DEFERRED ASSETS	1,408,211	1,880,005	75
1. Accrued interest and rent	0	0	
2. Deferred short-term expenses of insurance contract acquisition	0	0	
3. Other short-term deferred items	1,408,211	1,880,005	75
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H. OFF BALANCE SHEET ASSETS	81,546,419	78,453,817	104

in EUR

	31 December 2012	31 December 2011	Index
EQUITY AND LIABILITIES (A to I)	2,603,060,213	2,516,553,868	103
A. EQUITY	507,657,101	437,692,451	116
I. SUBSCRIBED (CALLED UP) CAPITAL	73,701,392	73,701,392	100
1. Share capital	73,701,392	73,701,392	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	53,412,884	53,412,884	100
III. RESERVES FROM PROFIT	236,286,919	211,286,919	112
1. Security reserves	0	0	
2. Legal and statutory reserves	4,662,643	4,662,643	100
3. Reserves for own shares	0	0	
4. Own shares (as deduction)	0	0	
5. Equalisation provision for credit insurance	30,624,276	30,624,276	100
6. Catastrophe reserves	0	0	
7. Other reserves from profit	201,000,000	176,000,000	114
IV. FAIR VALUE RESERVE	46,049,906	5,969,185	771
1. Fair value reserve for tangible fixed assets	2,485	2,485	100
2. Fair value reserve for long-term investments	46,047,456	5,966,699	772
3. Fair value reserve for short-term investments	-35	0	
4. Other fair value reserve	0	0	
V. NET PROFIT / LOSS CARRIED FORWARD	72,813,826	49,539,512	147
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	25,392,174	43,782,559	58
B. SUBORDINATED LIABILITIES	38,721,260	40,932,091	95
C. GROSS TECHNICAL PROVISIONS AND DEFERRED			
INCOME FROM PREMIUMS	1,585,250,868	1,585,925,020	100
1. Gross provisions for unearned premiums	200,453,389	219,683,849	91
2. Gross mathematical provisions	826,665,165	806,053,274	103
3. Gross claim provisions	538,904,153	537,912,790	100
4. Gross provisions for bonuses and discounts	16,958,869	16,397,603	103
5. Other gross technical provisions	2,269,292	5,877,503	39
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE			
POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	404,899,884	354,900,127	114
E. PROVISIONS FOR OTHER RISKS AND CHARGES	8,929,226	9,135,817	98
1. Provisions for pensions	7,994,891	8,300,010	96
2. Other provisions	934,334	835,806	112
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN			
REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	56,012,799	86,376,415	65
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	12,519,990	13,489,315	93
1. Liabilities to policy holders	8,537,165	10,121,177	84
2. Liabilities to agents and brokers	798,104	967,546	82
3. Other liabilities from direct insurance operations	2,345,522	1,917,559	122
4. Liabilities from direct insurance operations- associates and subsidiaries	839,199	483,033	174
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	13,615,325	14,753,844	92
1. Liabilities for co-insurance premiums	12,282	28,880	43
2. Liabilities for reinsurance premiums	943,808	761,436	124
3. Liabilities for co-insurers' share in claims	450,346	229,884	196
4. Liabilities for reinsurers' share in claims	0	0	
5. Other liabilities from co-insurance and re-insurance	0	200,000	
6. Liabilities from co-insurance and re- insurance-associates and subsidiaries	12,208,889	13,533,644	90

in EUR			
	31 December 2012	31 December 2011	Index
III. LOANS SECURED BY FIXED RATE SECURITIES	0	0	
IV. LIABILITIES TO BANKS	0	0	
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	29,877,484	58,133,256	51
a.) Other long term liabilities	1,503	3,253	46
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	1,503	3,253	46
3. Deferred tax liabilities	0	0	
b.) Other short-term liabilities	29,875,981	58,130,003	51
1. Short-term liabilities to employees	10,823,064	11,907,336	91
2. Other short-term liabilities from insurance operations	6,300,828	8,004,751	79
3. Short-term liabilities from financing	961,058	29,228,707	3
4. Current income tax liabilities	0	518,186	
5. Other short-term liabilities	11,791,031	8,471,024	139
H. ACCRUED EXPENSES AND DEFERRED INCOME	1,589,075	1,591,948	100
1. Accrued expenses	1,499,661	1,507,031	100
2. Other accruals and deferred income	89,413	84,917	105
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	81,546,419	78,453,817	104

1.2. Balance sheet for Non-life insurance as at 31 December 2012

in EUR

	31 December 2012	31 December 2011	Index
ASSETS (od A do G)	1,254,190,963	1,238,615,910	101
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	50,792,438	47,787,036	106
1. Intangible assets	20,654,146	17,122,031	121
2. Goodwill	0	0	
3. Deferred acquisition costs	30,030,584	30,650,290	98
4. Other long-term deferred items	107,707	14,715	732
B. LAND, BUILDINGS AND FINANCIAL ASSETS	1,064,033,256	1,038,954,441	102
I. LAND AND BUILDINGS	64,539,916	69,512,460	93
a.) Directly used in insurance activities	47,153,668	51,503,753	92
1. Land directly used in insurance activities	3,492,849	3,251,833	107
2. Buildings directly used in insurance activities	43,542,854	47,324,660	92
3. Other land and buildings directly used in insurance activities	117,966	927,260	13
b.) Investment property	17,386,248	18,008,707	97
1. Land	3,021,975	3,412,286	89
2. Buildings	14,364,273	14,596,421	98
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	229,009,528	222,958,508	103
1. Shares in subsidiaries	184,102,623	191,616,624	96
2. Debt securities and loans to subsidiaries	44,905,929	31,340,910	143
3. Shares in associated companies	975	975	100
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	695,098,390	691,939,245	100
1. Long-term financial investments	650,961,882	662,557,790	98
1.1. Shares and other floating rate securities and fund coupons	64,690,375	100,940,046	64
1.2. Debt and other fixed return securities	552,648,673	449,827,811	123
1.3. Investment fund shares	0	0	
1.4. Mortgage loans	522,317	1,226,339	43
1.5. Other loans	10,515,702	23,598,080	45
1.6. Deposits with banks	20,920,016	82,370,715	25
1.7. Other financial investments	1,664,798	4,594,798	36
2. Short-term financial investments	44,136,508	29,381,455	150
2.1. Shares available for sale	0	0	
2.2. Securities available for sale and with maturity up to one year	23,991,023	0	
2.3. Short-term loans	182,499	296,987	61
2.4. Short-term bank deposits	19,962,986	29,084,468	69
2.5. Other short-term financial investments	0	0	
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	75,385,422	54,544,229	138
1. From unearned premium	16,543,985	16,758,832	99
- in reinsurance	16,529,805	16,728,966	99
- in co-insurance	14,180	29,866	47
2. From mathematical provision	0	0	

in EUR

	31 December 2012	31 December 2011	Index
3. From outstanding claims	58,841,437	37,785,397	156
- in reinsurance	58,778,709	37,585,253	156
- in co-insurance	62,728	200,144	31
4. From bonuses and discounts	0	0	
5. From other technical provisions	0	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT			
INVESTMENTS	0	0	
D. RECEIVABLES	127,613,087	138,854,533	92
I. RECEIVABLES FROM DIRECT INSURANCE	69,871,232	80,444,885	87
1. Receivables from insurers	66,724,706	78,221,149	85
2. Receivables from insurance brokers	134,394	135,638	99
3. Other receivables from direct insurance operations	755,333	1,038,071	73
4. Receivables from direct insurance operations - associates and subsidiaries	2,256,799	1,050,028	215
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	8,231,380	8,179,159	101
1. Premium receivable from co-insurance	869,068	537,924	162
2. Premium receivable from reinsurance	0	0	
3. Receivables from co-insurers' share in claims	42,252	22,212	190
4. Receivables from reinsurers' share in claims	380,456	727,004	52
5. Other receivables from co-insurance and reinsurance	0	0	
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	6,939,604	6,892,019	101
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	49,510,475	50,230,489	99
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	10,091,436	13,390,506	75
3. Short term receivables from financing	178,167	1,153,107	15
4. Other short-term receivables	3,389,569	6,419,886	53
5. Long-term receivables	139,896	130,741	107
6. Current tax receivables	7,403,575	0	
7. Deferred tax assets	27,404,012	28,749,274	95
8. Other short-term receivables - associates and subsidiaries	903,819	386,975	234
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	10,402,430	11,226,629	93
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	8,501,833	9,322,673	91
1. Equipment and small tools	8,053,448	8,862,939	91
2. Other tangible fixed assets	448,385	459,734	98
II. CASH AT BANK AND IN HAND	1,082,914	723,001	150
III. INVENTORIES AND OTHER ASSETS	817,683	1,180,955	69
1. Inventories	294,900	336,584	88
2. Other assets	522,783	844,371	62
F. SHORT-TERM DEFERRED ASSETS	1,349,752	1,793,271	75
1. Accrued interest and rent	0	0	
2. Deferred short-term expenses of insurance contract acquisition	0	0	
3. Other short-term deferred items	1,349,752	1,793,271	75
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H. OFF BALANCE SHEET ASSETS	63,096,081	68,894,180	92

in EUR

	31 December 2012	31 December 2011	Index
EQUITY AND LIABILITIES (A to I)	1,254,190,963	1,238,615,910	101
A. EQUITY	422,753,538	367,580,534	115
I. SUBSCRIBED (CALLED UP) CAPITAL	51,340,540	51,340,540	100
1. Share capital	51,340,540	51,340,540	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	40,344,978	40,344,978	100
III. RESERVES FROM PROFIT	204,723,028	179,723,028	114
1. Security reserves	0	0	
2. Legal and statutory reserves	3,217,224	3,217,224	100
3. Reserves for own shares	0	0	
4. Own shares (as deduction)	0	0	
5. Equalisation provision for credit insurance	30,624,276	30,624,276	100
6. Catastrophe reserves	0	0	
7. Other reserves from profit	170,881,528	145,881,528	117
IV. FAIR VALUE RESERVE	32,551,932	6,958,384	468
1. Fair value reserve for tangible fixed assets	2,485	2,485	100
2. Fair value reserve for long-term investments	32,549,447	6,955,898	468
3. Fair value reserve for short-term investments	0	0	
4. Other fair value reserve	0	0	
V. NET PROFIT / LOSS CARRIED FORWARD	72,813,826	49,539,512	147
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	20,979,234	39,674,093	53
B. SUBORDINATED LIABILITIES	25,043,991	27,259,666	92
C. GROSS TECHNICAL PROVISIONS AND DEFERRED			
INCOME FROM PREMIUMS	738,866,601	759,968,461	97
1. Gross provisions for unearned premiums	200,050,028	219,268,476	91
2. Gross mathematical provisions	0	0	
3. Gross claim provisions	519,588,411	518,424,878	100
4. Gross provisions for bonuses and discounts	16,958,869	16,397,603	103
5. Other gross technical provisions	2,269,292	5,877,503	39
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	7,452,582	7,656,629	97
1. Provisions for pensions	6,569,954	6,820,823	96
2. Other provisions	882,628	835,806	106
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN			
REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	58,917,734	74,989,880	79
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	5,539,078	5,514,429	100
1. Liabilities to policy holders	2,777,227	3,148,645	88
2. Liabilities to agents and brokers	723,456	889,196	81
3. Other liabilities from direct insurance operations	1,387,632	1,180,796	118
4. Liabilities from direct insurance operations- associates and subsidiaries	650,763	295,792	220
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	13,606,611	14,745,817	92
1. Liabilities for co-insurance premiums	12,282	28,880	43
2. Liabilities for reinsurance premiums	943,808	761,436	124
3. Liabilities for co-insurers' share in claims	450,346	229,884	196
4. Liabilities for reinsurers' share in claims	0	0	
5. Other liabilities from co-insurance and re-insurance	0	200,000	
6. Liabilities from co-insurance and re- insurance-associates and subsidiaries	12,200,175	13,525,617	90

in EUR

	31 December 2012	31 December 2011	Index
III. LOANS SECURED BY FIXED RATE SECURITIES	0	0	
IV. LIABILITIES TO BANKS	0	0	
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	39,772,045	54,729,635	73
a.) Other long term liabilities	10,340,917	1,741,099	594
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	1,503	1,503	100
3. Deferred tax liabilities	10,339,414	1,739,596	594
b.) Other short-term liabilities	29,431,129	52,988,536	56
1. Short-term liabilities to employees	10,823,064	11,907,336	91
2. Other short-term liabilities from insurance operations	6,379,446	8,271,936	77
3. Short-term liabilities from financing	943,572	24,101,461	4
4. Current income tax liabilities	0	518,186	
5. Other short-term liabilities	11,285,047	8,189,617	138
H. ACCRUED EXPENSES AND DEFERRED INCOME	1,156,517	1,160,739	100
1. Accrued expenses	1,067,104	1,075,822	99
2. Other accruals and deferred income	89,413	84,917	105
I. NON-CURRENT LIABILITIES HELD FOR SALE AND			
DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	63,096,081	68,894,180	92

1.3. Balance sheet for Life insurance as at 31 December 2012

in EUR

	31 December 2012	31 December 2011	Index
ASSETS (od A do G)	1,368,740,758	1,292,439,778	106
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	2,505,835	2,076,033	121
1. Intangible assets	2,505,835	2,076,033	121
2. Goodwill	0	0	
3. Deferred acquisition costs	0	0	
4. Other long-term deferred items	0	0	
B. LAND, BUILDINGS AND FINANCIAL ASSETS	951,660,157	918,429,015	104
I. LAND AND BUILDINGS	10,956,470	11,699,898	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	1,958,734	1,976,181	99
1. Land	328,069	328,069	100
2. Buildings	1,630,665	1,648,112	99
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	14,280,658	12,408,609	115
1. Shares in subsidiaries	1,514,671	1,514,671	100
2. Debt securities and loans to subsidiaries	0	39,410	
3. Shares in associated companies	12,765,987	10,854,528	118
4. Debt securities and loans to associated companies	0	0	
5. Other financial investments in subsidiaries and associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	926,416,893	894,316,826	104
1. Long-term financial investments	883,501,836	848,351,119	104
1.1. Shares and other floating rate securities and fund coupons	29,279,268	38,801,798	75
1.2. Debt and other fixed return securities	784,705,117	713,642,496	110
1.3. Investment fund shares	0	0	
1.4. Mortgage loans	0	0	
1.5. Other loans	31,178,756	31,237,312	100
1.6. Deposits with banks	35,068,325	63,949,741	55
1.7. Other financial investments	3,270,369	719,773	454
2. Short-term financial investments	42,915,058	45,965,707	93
2.1. Shares available for sale	0	0	
2.2. Securities available for sale and with maturity up to one year	16,784,565	0	
2.3. Short-term loans	0	0	
2.4. Short-term bank deposits	26,130,493	45,965,707	57
2.5. Other short-term financial investments	0	0	
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	6,135	3,681	167
1. From unearned premium	0	0	
- in reinsurance	0	0	
- in co-insurance	0	0	
2. From mathematical provision	0	0	

in EUR

	31 December 2012	31 December 2011	Index
3. From outstanding claims	6,135	3,681	167
- in reinsurance	6,135	3,681	167
- 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	406,502,788	354,998,578	115
D. RECEIVABLES	5,171,263	11,973,221	43
I. RECEIVABLES FROM DIRECT INSURANCE	419,827	525,595	80
1. Receivables from insurers	400,908	354,387	113
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	18,920	171,208	11
4. Receivables from direct insurance operations - associates and subsidiaries	0	0	
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	12,097	8,024	151
1. Premium receivable from co-insurance	0	0	
2. Premium receivable from reinsurance	0	0	
3. Receivables from co-insurers' share in claims	0	0	
4. Receivables from reinsurers' share in claims	0	0	
5. Other receivables from co-insurance and reinsurance	0	0	
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	12,097	8,024	151
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	4,739,339	11,439,602	41
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	98,874	331,581	30
3. Short term receivables from financing	78,428	4,419,356	2
4. Other short-term receivables	1,178,775	1,633,395	72
5. Long-term receivables	0	0	
6. Current tax receivables	0	0	
7. Deferred tax assets	2,343,737	4,760,888	49
8. Other short-term receivables - associates and subsidiaries	1,039,525	294,382	353
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	2,842,256	4,876,196	58
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	1,647,085	1,382,343	119
1. Equipment and small tools	1,615,396	1,358,349	119
2. Other tangible fixed assets	31,689	23,994	132
II. CASH AT BANK AND IN HAND	1,195,171	3,493,853	34
III. INVENTORIES AND OTHER ASSETS	0	0	
1. Inventories	0	0	
2. Other assets	0	0	
F. SHORT-TERM DEFERRED ASSETS	58,459	86,734	67
1. Accrued interest and rent	0	0	
2. Deferred short-term expenses of insurance contract acquisition	0	0	
3. Other short-term deferred items	58,459	86,734	67
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 (A to I)	1,368,740,758	1,292,439,778	106
A. EQUITY	84,903,563	70,111,917	121
I. SUBSCRIBED (CALLED UP) CAPITAL	22,360,852	22,360,852	100
1. Share capital	22,360,852	22,360,852	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	13,067,907	13,067,907	100
III. RESERVES FROM PROFIT	31,563,891	31,563,891	100
1. Security reserves	0	0	
2. Legal and statutory reserves	1,445,419	1,445,419	100
3. Reserves for own shares	0	0	
4. Own shares (as deduction)	0	0	
5. Equalisation provision for credit insurance	0	0	
6. Catastrophe reserves	0	0	
7. Other reserves from profit	30,118,472	30,118,472	100
IV. FAIR VALUE RESERVE	13,497,974	-989,199	
1. Fair value reserve for tangible fixed assets	0	0	
2. Fair value reserve for long-term investments	13,498,009	-989,199	
3. Fair value reserve for short-term investments	-35	0	
4. Other fair value reserve	0	0	
V. NET PROFIT / LOSS CARRIED FORWARD	0	0	
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	4,412,939	4,108,466	107
B. SUBORDINATED LIABILITIES	13,677,269	13,672,424	100
C. GROSS TECHNICAL PROVISIONS AND DEFERRED			
INCOME FROM PREMIUMS	846,384,267	825,956,559	102
1. Gross provisions for unearned premiums	403,360	415,373	97
2. Gross mathematical provisions	826,665,165	806,053,274	103
3. Gross claim provisions	19,315,742	19,487,912	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	404,899,884	354,900,127	114
E. PROVISIONS FOR OTHER RISKS AND CHARGES	1,476,644	1,479,187	100
1. Provisions for pensions	1,424,937	1,479,187	96
2. Other provisions	51,707	0	
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN			
REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	16,966,573	25,888,355	66
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	6,980,912	7,974,886	88
1. Liabilities to policy holders	5,759,938	6,972,532	83
2. Liabilities to agents and brokers	74,648	78,351	95
3. Other liabilities from direct insurance operations	957,890	736,763	130
4. Liabilities from direct insurance operations- associates and subsidiaries	188,435	187,241	101
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	8,714	8,027	109
1. Liabilities for co-insurance premiums	0	0	
2. Liabilities for reinsurance premiums	0	0	
3. Liabilities for co-insurers' share in claims	0	0	
4. Liabilities for reinsurers' share in claims	0	0	
5. Other liabilities from co-insurance and re-insurance	0	0	
6. Liabilities from co-insurance and re- insurance-associates and subsidiaries	8,714	8,027	109

in EUR

	31 December 2012	31 December 2011	Index
III. LOANS SECURED BY FIXED RATE SECURITIES	0	0	
IV. LIABILITIES TO BANKS	0	0	
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	9,976,947	17,905,442	56
a.) Other long term liabilities	4,769,857	1,348,432	354
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	0	1,750	
3. Deferred tax liabilities	4,769,857	1,346,682	354
b.) Other short-term liabilities	5,207,090	16,557,010	31
1. Short-term liabilities to employees	0	0	
2. Other short-term liabilities from insurance operations	2,125,320	5,519,987	39
3. Short-term liabilities from financing	17,486	5,127,246	
4. Current income tax liabilities	0	0	
5. Other short-term liabilities	3,064,283	5,909,777	52
H. ACCRUED EXPENSES AND DEFERRED INCOME	432,557	431,209	100
1. Accrued expenses	432,557	431,209	100
2. Other accruals and deferred income	0	0	
I. NON-CURRENT LIABILITIES HELD FOR SALE AND			
DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	18,450,338	9,559,638	193

2. INCOME STATEMENT FOR THE YEAR ENDING AT 31 DECEMBER 2012

		in EUR		
		2012	2011	Index
A.	Tehcnical account for non-life insurance except health insurance business			
I.	Net premium earned	405,310,176	427,525,612	95
1.	Gross written premium	453,802,130	494,014,097	92
2.	Assumed co-insurance written premium (+)	1,965,097	1,734,001	113
3.	Ceded co-insurance written premium (-)	-103,848	-162,095	64
4.	Outward reinsurance premium (-)	-68,737,097	-73,690,492	93
5.	Change in gross provision for unearned premiums (+/-)	18,598,742	2,111,073	881
6.	Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	-214,847	3,519,029	
II.	Allocated investment return transferred from the non-technical account (item D VIII)	16,505,628	-426,809	
III.	Other net income from insurance operations	3,708,862	3,511,462	106
IV.	Net claims incurred	219,069,280	247,399,885	89
1.	Gross claims settled	277,587,931	297,685,314	93
2.	Income from gross subrogated receivables (-)	-18,633,579	-18,536,016	101
3.	Co-insurers' share (+/-)	1,172,927	723,843	162
4.	Reinsurers' share (-)	-21,165,490	-27,481,554	77
5.	Changes in gross prvisions for claims outstanding (+/-)	1,163,533	-8,736,895	
6.	Changes in provisions for claims outstanding, reinsurers' and coinsurers' share (+/-)	-21,056,040	3,745,194	
V.	Change in other net technical provisions (+/-)	-3,608,211	-8,983,318	40
VI.	Net expenses for bonuses and discounts	7,605,842	5,315,757	143
VII.	Net operating expenses	93,545,900	94,974,766	98
1.	Acquisition costs	77,347,782	77,598,396	100
2.	Change in deferred acquisition costs (+/-)	0	0	
3.	Other operating expenses	27,669,155	29,669,121	93
3.1.	Depreciation of assets used in insurance business	1,595,468	1,780,201	90
3.2.	Labour costs	16,527,281	17,052,544	97
	- wages and salaries	12,981,588	12,317,360	105
	- social security and pension insurance costs	2,238,414	2,115,602	106
	- other labour costs	1,307,279	2,619,582	50
3.3.	Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	427,683	379,824	113
3.4.	Other operating expenses	9,118,722	10,456,552	87
4.	Income from reinsurance commissions and shares in the technical profit from reinsurance contracts (-)	-11,471,037	-12,292,751	93
VIII.	Other net insurance expenses	17,185,714	19,777,236	87
1.	Expenses of preventive activity	5,325,487	5,679,614	94
2.	Contributions for covering losses on uninsured and unknown vehicles	509,337	681,884	75
3.	Other net insurance expenses	11,350,891	13,415,739	85
IX.	Result of the tehcnical account for non-life insurance business, except health insurance business (I+II+III-IV+-V-VI-VII-VIII)	91,726,141	72,125,938	127
B.	Tehcnical account for life insurance business			
I.	Net premium earned	191,508,491	200,583,520	95
1.	Gross written premium	191,824,651	200,948,270	95
2.	Assumed co-insurance written premium (+)	0	0	
3.	Ceded co-insurance written premium (-)	0	0	
4.	Outward reinsurance premium (-)	-328,173	-298,774	110
5.	Change in gross provision for unearned premiums (+/-)	12,013	-65,976	
6.	Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	0	0	
II.	Income from investments	65,537,194	48,326,259	136
1.	Income from dividends	1,493,899	1,325,994	113
1.1.	Group companies	0	0	
1.2.	Associates	750,904	192,366	390
1.3.	Others	742,995	1,133,628	66

		in EUR		
		2012	2011	Index
2.	Income from other investments	50,557,134	41,951,566	121
2.1.	Income from land and buildings	65,426	70,184	93
	- in group companies	0	2,226	
	- in associates	0	0	
	- in others	65,426	67,959	96
2.2.	Interest income	37,679,683	38,868,044	97
	- in group companies	22	12,945	
	- in associates	0	0	
	- in others	37,679,661	38,855,099	97
2.3.	Other investment income	12,812,025	3,013,338	425
2.3.1.	Financial income from revaluation	12,812,025	3,013,285	425
	- in group companies	0	0	
	- in associates	0	0	
	- in others	12,812,025	3,013,285	425
2.3.2.	Other financial income	0	53	
	- in group companies	0	0	
	- in associates	0	0	
	- in others	0	53	
3.	Income from asset value adjustments	0	0	
4.	Profit on disposal of investments	13,486,160	5,048,699	267
III.	Net unrealised gains on unit-linked life insurance assets	28,280,816	24,848,921	114
IV.	Other net income from insurance operations	14,245,966	15,332,740	93
V.	Net claims incurred	157,510,313	135,551,046	116
1.	Gross claims settled	157,746,445	136,054,515	116
2.	Income from gross subrogated receivables (-)	0	0	
3.	Reinsurers' share (-)	-61,508	-116,749	53
4.	Changes in gross provisions for claims outstanding (+/-)	-172,170	-386,158	45
5.	Changes in provisions for claims outstanding, reinsurers' share (+/-)	-2,454	-563	436
VI.	Change in other net technical provisions (+/-)	46,871,194	-12,876,347	
1.	Change of mathematical provisions (+/-)	46,871,194	-12,876,347	
1.1.	Change in gross mathematical provision (+/-)	46,871,194	-12,876,347	
1.2.	Change of reinsurers' share (+/-)	0	0	
2.	Change of other net technical provisions (+/-)	0	0	
2.1.	Change of other gross technical provision(+/-)	0	0	
2.2.	Change of reinsurers' share (+/-)	0	0	
VII.	Net expenses for bonuses and discounts	0	0	
VIII.	Net operating expenses	31,788,483	32,643,927	97
1.	Acquisition costs	19,392,547	19,983,026	97
2.	Change of deferred acquisition costs (+/-)	0	0	
3.	Other operating expenses	12,427,722	12,706,591	98
3.1.	Depreciation of assets used in insurance business	694,688	579,232	120
3.2.	Labour costs	6,014,213	6,315,593	95
	- wages and salaries	4,776,878	4,597,334	104
	- social security and pension insurance costs	820,961	789,337	104
	- other labour costs	416,373	928,923	45
3.3.	Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	114,784	90,358	127
3.4.	Other operating expenses	5,604,037	5,721,407	98
4.	Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-31,787	-45,689	70
IX.	Expenses from investments	42,544,192	40,014,714	106
1.	Depreciation and amortization of assets not used in operations	41,629	39,828	105
2.	Expenses arising from asset management, interest expenses and other financial expenses	2,430,978	3,399,254	72
3.	Revaluation financial expenses	22,361,315	23,074,479	97
4.	Loss on disposal of investments	17,710,269	13,501,153	131
X.	Net unrealised losses on investments for insurance of which the policyholders bear the investment risk	374,116	74,589,732	1

		in EUR		
		2012	2011	Index
XI.	Other net insurance expenses	14,799,692	15,693,429	94
1.	Expenses of preventive activity	467,660	331,972	141
2.	Other net insurance expenses	14,332,032	15,361,458	93
XII.	Allocated investment return transferred to the non-technical account (-) (item d.v.)	-8,387,303	-1,452,598	577
XIII.	Result of the technical account for life insurance business (I+II+III+IV-V+/-VI-VII-VIII-IX-X-XI-XII)	14,071,780	4,927,537	286
C.	Result of the technical account for health insurance business			
D.	Non-technical account			
I.	Result of the technical account for non-life insurance business, except health insurance business (A IX)	91,726,141	72,125,938	127
II.	Result of technical the account for life insurance business (B XIII)	14,071,780	4,927,537	286
III.	Result of technical account for health insurance business (C XIII)			
IV.	Income from investment	52,069,715	45,301,588	115
1.	Income from participations	1,006,637	1,923,551	52
1.1.	Group companies	0	172,260	
1.2.	Associates	0	0	
1.3.	Others	1,006,637	1,751,291	57
2.	Income from other investments	37,202,437	38,735,054	96
2.1.	Income from land and buildings	1,841,422	1,994,476	92
	- group companies	175,631	183,719	96
	- associates	0	0	
	- others	1,665,791	1,810,757	92
2.2.	Interest income	31,069,623	33,157,367	94
	- group companies	1,773,227	1,490,660	119
	- associates	0	0	
	- others	29,296,395	31,666,707	93
2.3.	Other income from investments	4,291,393	3,583,210	120
2.3.1.	Financial income from revaluation	4,268,788	3,583,042	119
	- group companies	16,431	482	
	- associates	0	0	
	- others	4,252,357	3,582,560	119
2.3.2.	Other financial income	22,605	169	
	- group companies	0	0	
	- associates	0	0	
	- others	22,605	169	
3.	Income from asset value adjustments	1,143,063	15,676	
4.	Profit on disposal of investments	12,717,577	4,627,307	275
V.	Allocated investment return transferred from life insurance technical account (B XII)	-8,387,303	-1,452,598	577
VI.	Allocated investment return transferred from the health insurance technical account (C X)			
VII.	Expenses from investments	62,855,541	67,183,773	94
1.	Depreciation and amortization of assets not used in operations	495,478	490,016	101
2.	Expenses arising from asset management, interest expenses and other financial expenses	5,911,457	7,154,651	83
3.	Revaluation financial expenses	51,909,625	56,320,528	92
4.	Loss on disposal of investments	4,538,982	3,218,578	141
VIII.	Allocated investment return transferred to the technical account for non-life insurance business, except health insurance business (A II)	16,505,628	-426,809	
IX.	Other income from insurance business	3,683,362	3,475,543	106
1.	Other income from property insurance except for health insurance	839,037	784,650	107
2.	Other income from life insurance	2,844,325	2,690,893	106
3.	Other income from health insurance	0	0	

		in EUR		
		2012	2011	Index
X.	Other expenses	9,128,379	3,667,299	249
1.	Other expenses from property insurance except for health insurance	7,439,723	2,869,623	259
2.	Other expenses from life assurance	1,688,656	797,677	212
3.	Other expenses from health insurance	0	0	
XI.	Other income	945,194	456,400	207
1.	Other income from property insurance except for health insurance	943,132	455,103	207
2.	Other expenses from life assurance	2,061	1,297	159
3.	Other expenses from health insurance	0	0	
XII.	Other expenses	-17,827	14,219	
1.	Other income from property insurance except for health insurance	-29,944	14,138	
2.	Other expenses from life assurance	12,117	82	
3.	Other income from health insurance	0	0	
XIII.	Profit/loss before tax			
	(I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	65,637,168	54,395,925	121
1.	Net profit / -loss from property insurance, except health insurance	58,807,077	49,026,554	120
2.	Net profit / -loss from life assurance	6,830,091	5,369,371	127
3.	Net profit / -loss from health insurance			
XIV.	Corporate income tax	11,482,581	20,600,795	56
XV.	Deferred taxes	3,762,413	-9,987,428	
XVI.	Net profit / -loss for the accounting period (XIII-XIV-XV)	50,392,174	43,782,559	115
-	Net profit / -loss from property insurance, except health insurance	45,979,234	39,674,093	116
-	Net profit / -loss from life assurance	4,412,939	4,108,466	107
-	Net profit / -loss from health insurance			
E.	Comprehensive income			
I.	Net profit/loss for the accounting period after tax	50,392,174	43,782,559	115
II.	Other comprehensive income after tax (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	40,080,721	-78,847,949	
1.	Net profit / loss recognised in a fair value reserve relating to tangible assets	0	0	
2.	Net profit / loss recognised in a fair value reserve relating to intangible assets	0	0	
3.	Actuarial gains / loss for pension programs	0	0	
4.	Valuation gains / losses on available-for-sale financial assts	47,510,073	-96,965,954	
5.	Net profit / loss from non-current assets held for sale	0	0	
6.	Net profit / loss relating to cash flows hedges	0	0	
7.	Share of other comprehensive income /loss of entities accounted for using the equity method	0	0	
8.	Other net profit / loss from other comprehensive income	0	0	
9.	Tax on other comprehensive income	-7,429,351	18,118,005	
III.	Comprehensive Income for the period after tax (I + II)	90,472,895	-35,065,390	

3. ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT AS AT 31 DECEMBER 2012**3.1. 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)	702,107,174	681,089,119	103
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	697,396,084	668,904,227	104
I. INVESTMENT PROPERTY	846,109	856,094	99
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	0	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	696,543,840	668,044,451	104
1. Shares and other floating rate securities	17,013,113	18,213,824	93
2. Debt securities with fixed return	612,395,492	543,512,752	113
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	27,941,442	27,941,442	100
6. Bank deposits	39,193,793	78,376,434	50
7. Other financial investments	0	0	
IV. ASSETS FROM REINSURANCE CONTRACTS AND CO-INSURANCE CONTRACTS	6,135	3,681	167
1. from unearned premium	0	0	
2. from mathematical provision	0	0	
3. from outstanding claims	6,135	3,681	167
- co-insurance	6,135	3,681	167
- reinsurance	0	0	
4. from bonuses and discounts	0	0	
5. from technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	4,335,479	11,880,310	36
I. RECEIVABLES FROM DIRECT INSURANCE	410,127	485,250	85
1. Receivables from insurers	400,908	354,387	113
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	9,219	130,863	7
II. RECEIVABLES FROM RE-INSURANCE	12,097	8,024	151
III. OTHER RECEIVABLES	3,913,255	11,387,036	34
C. OTHER ASSETS	317,152	217,848	146
I. Cash and cash equivalents	317,152	217,848	146
II. Other assets	0	0	
D. SHORT-TERM DEFERRED ASSETS	58,459	86,734	67
1. Accrued interest and rent		0	
2. Deferred expenses for insurance contract acquisition		0	
3. Other deferred items	58,459	86,734	67
E. OFF BALANCE SHEET ITEMS	10,130,700	3,130,000	324

in EUR

	31 December 2012	31 December 2011	Index
LIABILITIES (A to F)	702,107,174	681,089,119	103
A. FAIR VALUE RESERVE	3,410,147	-7,582,895	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	679,100,046	665,642,767	102
1. gross provision for unearned premium	403,360	415,373	97
2. gross mathematical provisions	659,380,944	645,739,482	102
3. gross provisions for outstanding claims	19,315,742	19,487,912	99
4. gross provisions for bonuses and discounts	0	0	
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	19,596,981	23,029,247	85
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	4,248,709	4,678,090	91
1. Liabilities towards policyholders	3,594,023	3,841,977	94
2. Liabilities towards intermediaries	263,083	265,592	99
3. Other liabilities from direct insurance operations	391,602	570,521	69
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	8,714	8,027	109
III. OTHER LIABILITIES	15,339,558	18,343,130	84
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	10,130,700	3,130,000	324

3.2. 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 (A to F)	160,311,604	161,576,050	99
A. FAIR VALUE RESERVE	0	0	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	157,883,409	158,096,122	100
1. gross provision for unearned premium	0	0	
2. gross mathematical provisions	157,883,409	158,096,122	100
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. 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 RE_INSURANCE	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 aquisition	0
3. Other deferred items	0
E. OFF BALANCE SHEET ITEMS	0

	in EUR
	31 December 2012
LIABILITIES (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. 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 RE_INSURANCE	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 aquisition	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 (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. Assets and liabilities of technical account - unit-linked insurance

in EUR

	31 December 2012	31 December 2011	Index
ASSETS (from A to D)	406,933,685	355,422,712	114
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	406,502,788	354,998,578	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	406,502,788	354,998,578	115
1. Shares and other floating rate securities	344,509,806	294,435,153	117
2. Debt securities with fixed return	57,478,642	53,803,293	107
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	0	0	
6. Bank deposits	4,514,340	6,760,131	67
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	17,728	42,326	42
I. RECEIVABLES FROM DIRECT INSURANCE	7,371	29,070	25
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	7,371	29,070	25
II. RECEIVABLES FROM REINSURANCE	0	0	
III. OTHER RECEIVABLES	10,357	13,256	78
C. OTHER ASSETS	413,169	381,809	108
I. Cash and cash equivalents	413,169	381,809	108
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 (A to F)	406,933,685	355,422,712	114
A. FAIR VALUE RESERVE	0	0	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	0	0	
1. gross provision for unearned premium	0	0	
2. gross mathematical provisions	0	0	
3. gross provisions for outstanding claims	0	0	
4. gross provisions for bonuses and discounts	0	0	
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE			
POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	404,899,884	354,900,127	114
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE			
CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	2,033,800	522,585	389
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	4,163	7,408	56
1. Liabilities towards policyholders	0	0	
2. Liabilities towards intermediaries	0	0	
3. Other liabilities from direct insurance operations	4,163	7,408	56
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	2,029,637	515,177	394
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	6,429,638	6,429,638	100

4. INCOME STATEMENTS OF TECHNICAL ACCOUNT**4.1. Income statement for life insurance, rent and supplementary pension insurance**

		in EUR		
		2012	2011	Index
I.	Premium earned	101,239,161	103,319,313	98
1.	Gross premium earned	101,227,148	103,385,289	98
2.	Change of unearned premium	12,013	-65,976	
II.	Income from investments	44,981,863	36,494,398	123
1.	Income from dividends	266,283	241,474	110
1.1.	Dividends from subsidiaries	0	0	
1.2.	Dividends from associated companies	0	0	
1.3.	Dividends from others	266,283	241,474	110
2.	Income from other investments	37,067,249	32,114,069	115
2.1.	Income from land and buildings	29,405	31,258	94
2.2.	Interest income	28,833,084	29,833,102	97
2.3.	Other income from investments	8,204,761	2,249,709	365
2.3.1.	Financial income from revaluation	8,204,761	2,249,656	365
2.3.2.	Other financial income	0	53	
3.	Income from investment value adjustments	0	0	
4.	Gains from disposal of investments	7,648,330	4,138,855	185
III.	Other income from insurance	612,651	604,285	101
IV.	Expenses from claims	90,276,829	84,035,636	107
1.	Claims expenses	90,451,453	84,422,356	107
2.	Change in provisions from claims	-174,624	-386,720	45
V.	Change in other technical provisions (+/-)	235,438	5,456,259	4
1.	Change in mathematical provision (+/-)	235,438	5,456,259	4
1.1.	Change in mathematical provisions without share in profit(+/-)	-5,742,087	1,224,710	
1.2.	Change in mathematical provision from share in profit (+/-)	5,977,525	4,231,549	141
2.	Change in other technical provisions(+/-)	0	0	
VI.	Expenses for bonuses and discounts	0	0	
VII.	Expenses included in policies	16,186,350	15,072,640	107
1.	Entry fees	2,792,636	1,998,188	140
2.	Incasso, administrative expenses	13,393,714	13,074,452	102
3.	Costs of claims settlement	0	0	
VII.a	Net operating expenses	13,830,359	12,675,283	109
1.	Cost of contract aquisition	8,147,232	6,987,999	117
2.	Change in deferred costs of contract aquisition (+/-)	0	0	
3.	Other operating expenses	5,714,914	5,732,973	100
3.1.	Amortisation and depreciation of assets, needed for operations	309,393	247,821	125
3.2.	Labour costs	2,590,624	2,707,396	96
	- salaries	2,076,655	1,970,590	105
	- costs of social and pension insurance	357,139	339,151	105
	- other labour costs	156,830	397,655	39
3.3.	Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	51,191	40,004	128
3.4.	Other operating expenses	2,763,706	2,737,752	101
4.	Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-31,787	-45,689	70

		in EUR		
		2012	2011	Index
VIII.	Investment expenses	21,902,267	26,229,561	84
1.	Depreciation of assets, not necessary for operations	9,985	9,866	101
2.	Expenses for asset management, interest expenses and othe financial expenses	1,038,243	1,527,689	68
3.	Financial expenses from revaluation	7,951,082	16,077,983	49
4.	Losses from disposal of financial investments	12,902,957	8,614,023	150
IX.	Other net insurance expenses	1,166,377	964,457	121
X.	Profit / Loss from life assurance (I+II+III-IV+/-V-VI-VII-VIII-IX)	17,066,413	8,659,443	197
X.a	Profit / Loss from life assurance (I+II+III-IV+/-V-VI-VIIa-VIII-IX)	19,422,404	11,056,800	176

4.2. Income statement for supplementary voluntary pension insurance - PN -ZT -01, 02, 03, 04

		in EUR		
		2012	2011	Index
I.	Gross written premium	15,810,325	18,567,983	85
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.	Other	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)	0	0	

**4.3. Income statement for supplementary voluntary
pension insurance - PN -ZT -05, 06**

	in EUR
	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. Other	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. 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
	- Salaries	8,620	1,937	445
	- Costs of social and pension insurance	1,478	333	444
	- Other labour costs	920	376	245
3.3.	Costs of services provided by outsourced netural 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 othe 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. Income statement for unit-linked insurance

		in EUR		
		2012	2011	Index
I.	Gross written premium	68,816,547	77,580,445	89
II.	Income from investments	30,321,319	25,767,810	118
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.	Other	310,515	248,371	125
2.	Income from other investments	28,804,836	25,381,566	113
2.1.	Income from investment property	0	0	
2.2.	Interest income	524,020	532,644	98
2.3.	Other income from investments	28,280,816	24,848,922	114
2.3.1.	Revaluation income	28,280,816	24,848,922	114
2.3.2.	Other financial income	0	0	
3.	Income from revaluation of investments	0	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	26,370,827	143
1.	Ordinary termination	0	0	
2.	Extraordinary termination	37,578,482	26,370,827	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(+/-)	49,999,757	-13,398,829	
1.	Change of mathematical provision (+/-)	49,999,757	-13,398,829	
2.	Change of other technical provisions (+/-)	0	0	
VI.	Costs and commissions	9,182,365	11,291,160	81
1.	Entry fees	2,611,275	3,010,175	87
2.	Termination costs	0	0	
3.	Management commission	6,571,090	8,280,985	79
VII.	Investment expenses	840,581	78,616,331	1
1.	Depreciation of assets, not used in operations	0	0	
2.	Expenses arising from asset management, interest expenses and other financial expenses	0	0	
3.	Impairment expenses	374,116	74,590,098	1
4.	Loss on disposal of investments	466,465	4,026,233	12
VIII.	Other income / expenses	-1,536,681	-468,766	328
IX.	Profit / Loss of technical account (I+II-III+/-IV-V-VI-VII+-VIII)	0	0	

5. INVESTMENT RETURN**5.1. Investment return - 2012****5.1.1. Allocated investment return transferred from the non-technical account – non-life insurance 2012**

	in EUR		
	Income - non - life technical provisions	Income – non life own funds	Total income
Income from dividends	1,004,449	2,188	1,006,637
Income from land and buildings	1,364,559	476,863	1,841,422
Interest income	29,756,165	1,313,458	31,069,623
Financial income from revaluation	4,117,521	151,267	4,268,788
Other financial income	0	22,605	22,605
Income from investment value adjustments	0	1,143,063	1,143,063
Gains from disposal of investments	11,844,187	873,390	12,717,577
Total income	48,086,880	3,982,834	52,069,715
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	310,212	185,266	495,478
Expenses from asset management, interest expenses and other financial expenses	3,241,426	2,670,031	5,911,457
Financial expenses from revaluations	24,321,421	27,588,204	51,909,625
Loss on disposal of investments	3,708,194	830,788	4,538,982
Total	31,581,252	31,274,289	62,855,541
Investment income (income - expenses)	16,505,628	-27,291,454	-10,785,826

5.1.2. Allocated investment return transferred from the non-technical account – life insurance 2012

	in EUR		
	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	580,878	913,022	1,493,899
Income from land and buildings	29,405	36,021	65,426
Interest income	35,771,230	1,908,453	37,679,683
Financial income from revaluation	9,866,490	2,945,535	12,812,025
Other financial income	0	0	0
Income from investment value adjustments	0	0	0
Gains from disposal of investments	11,967,884	1,518,276	13,486,160
Net unrealised gains on unit-linked life insurance assets	28,280,816		28,280,816
Total	86,496,702	7,321,307	93,818,009
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	9,985	31,644	41,629
Expenses from asset management, interest expenses and other financial expenses	1,038,243	1,392,735	2,430,978
Financial expenses from revaluations	9,896,005	12,465,311	22,361,315
Loss on disposal of investments	15,891,349	1,818,920	17,710,269
Net unrealised losses on unit-linked life insurance assets	374,116	0	374,116
Total	27,209,697	15,708,610	42,918,307
Investment income (income - expenses)	59,287,005	-8,387,303	50,899,702

5.2. Investment return - 2011**5.2.1. Allocated investment return transferred from the non-technical account – non-life insurance 2011**

	in EUR		
	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	986,361	937,190	1,923,551
Income from land and buildings	1,503,526	490,950	1,994,476
Interest income	31,754,743	1,402,624	33,157,367
Financial income from revaluation	2,324,500	1,258,541	3,583,042
Other financial income	169	0	169
Income from investment value adjustments	0	15,676	15,676
Gains from disposal of investments	4,387,098	240,209	4,627,307
Total	40,956,397	4,345,191	45,301,588
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	312,442	177,575	490,016
Expenses from asset management, interest expenses and other financial expenses	4,242,690	2,911,961	7,154,651
Financial expenses from revaluations	33,732,048	22,588,479	56,320,528
Loss on disposal of investments	3,096,026	122,553	3,218,578
Total	41,383,206	25,800,567	67,183,773
Investment income (income - expenses)	-426,809	-21,455,376	-21,882,185

5.2.2. Allocated investment return transferred from the non-technical account – life insurance 2011

	in EUR		
	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	493,717	832,277	1,325,994
Income from land and buildings	31,258	38,927	70,184
Interest income	37,608,307	1,259,737	38,868,044
Financial income from revaluation	2,349,756	663,529	3,013,285
Other financial income	53	0	53
Income from investment value adjustments	0	0	0
Gains from disposal of investments	5,015,485	33,214	5,048,699
Net unrealised gains on unit-linked life insurance assets	24,848,921	0	24,848,921
Total	70,347,498	2,827,683	73,175,180
	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	9,866	29,963	39,828
Expenses from asset management, interest expenses and other financial expenses	1,705,703	1,693,551	3,399,254
Financial expenses from revaluations	20,520,766	2,553,713	23,074,479
Loss on disposal of investments	13,498,099	3,053	13,501,153
Net unrealised losses on unit-linked life insurance assets	74,589,732	0	74,589,732
Total	110,324,165	4,280,281	114,604,446
Investment income (income - expenses)	-39,976,667	-1,452,598	-41,429,265