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

SOLVENCY AND FINANCIAL CONDITION REPORT of the Triglav Group

for 2016

Ljubljana, June 2017

MEMBERS OF THE MANAGEMENT BOARD OF ZAVAROVALNICA TRIGLAV:

President: Andrej Slapar

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Benjamin Jošar

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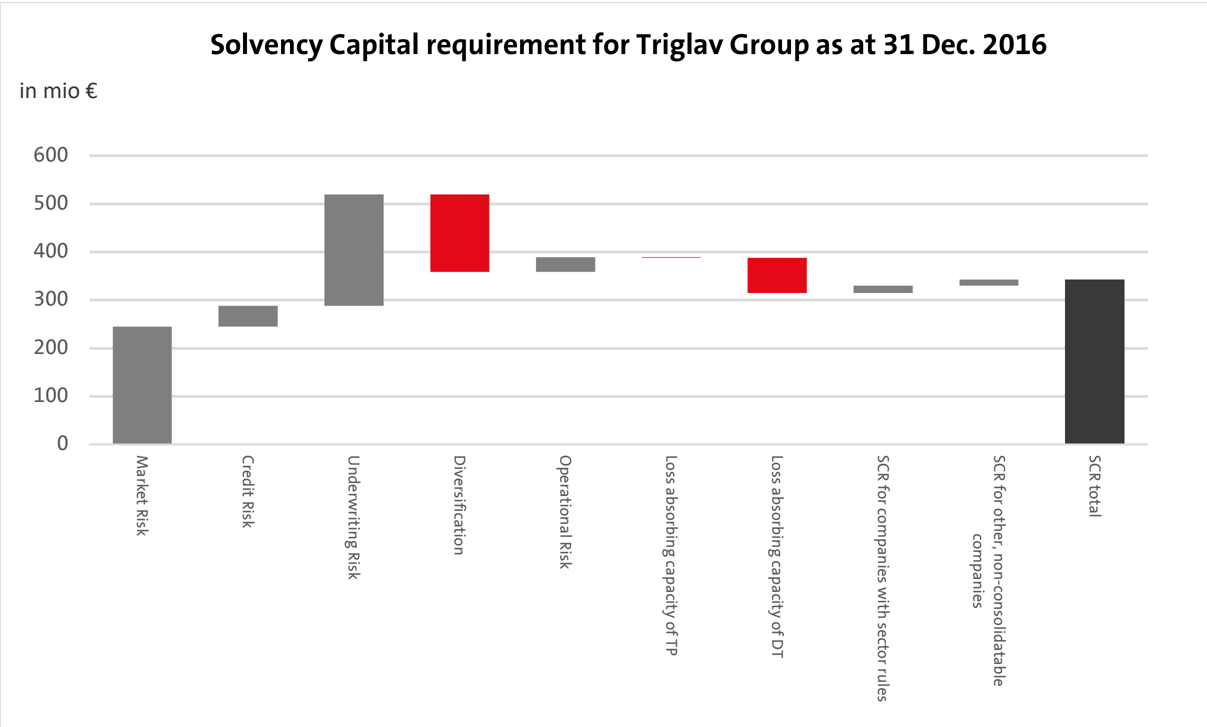
Summary

The Triglav Group is the leading insurance/financial group in Slovenia and the Adria region and one of the leading groups in South-East Europe. In addition to the parent company, Zavarovalnica Triglav (hereinafter: the Company), 31 subsidiaries and four associates operating in seven markets and six countries were included in the Group as at the 2016 year-end.

The Solvency and Financial Condition Report of the Triglav Group for 2016 is compiled in accordance with the Commission Delegated Regulation[1]. The Report, divided into five sections, contains information on the operations of the Triglav Group (hereinafter: the Group) in 2016, its system of governance, risk profile, the valuation methods used for solvency purposes and the data on the capital adequacy of the Group. As at 31 December 2016, the Group was adequately capitalised and had at its disposal sufficient capital to cover both the solvency capital requirement and the minimum capital requirement. The ratio of eligible own funds to cover the solvency capital requirement of the Group stood at 246% as at 31 December 2016.

Graph 1: Capital adequacy of the Triglav Group as at 31 December 2016



[1] Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance.

In the first section of the Report - Section A, a more detailed presentation of the Triglav Group and significant information on its operations in 2016 are provided. Also presented are the consolidation method and significant quantitative and qualitative data for solvency purposes by insurance segment, as defined in the Commission Delegated Regulation.

The sound and profitable performance of the Group and its financial strength in 2016 were also confirmed by the two rating agencies S&P Global Ratings and A.M. Best, which upgraded the Group's ratings from "A–" to "A". Both ratings have a stable medium-term outlook. In 2016, subsidiary ownership consolidation within the Group continued and consequently the sale of shareholdings in the companies whose activity is incompatible with the Group's strategic guidelines (the sale of Avrigo, Izletnik Celje, Slovenijales trgovina, a land plot on the BTC site in Ljubljana to IKEA and liquidation of Pista).

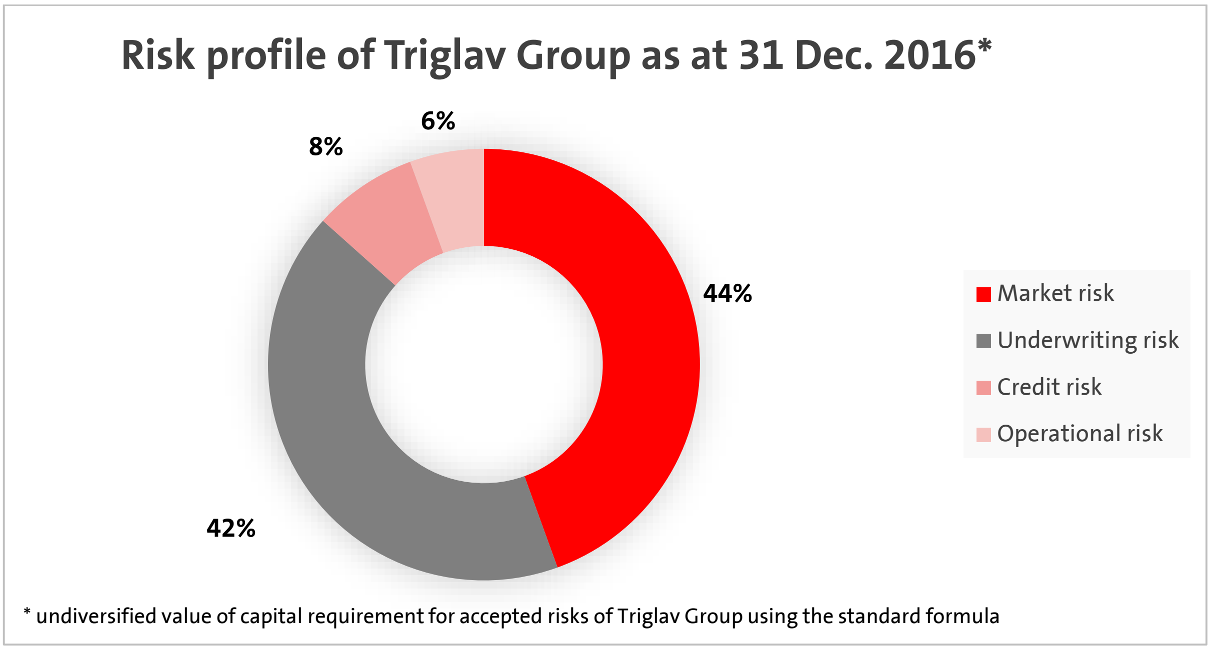
In the second section of the Report - Section B, the system of governance of the parent company and its subsidiaries is described. By defining the strategy of the Group, the parent company's Management Board ensures effective and regular performance monitoring of all Group members. The corporate governance of subsidiaries is implemented by actively exercising the management rights held by the Company as the parent company in compliance with the law applicable to individual subsidiaries and their internal rules. Within the Group, the subsidiaries do business with the holding company and among themselves on commercial grounds. Their operation is based on the principle of increasing the performance of each entity individually as well as the Group as a whole. Insurance holding Triglav INT d.d. (hereinafter: Triglav INT) plays an important role in the governance of subsidiaries based outside Slovenia by being in charge of the transfer of standards and good practices to the subsidiaries of Triglav INT.

The risk management system of the Group ensures timely identification of all material risks and a standardised set of procedures in order to understand the consequences of potential realised risks. The risk management system is based on the "Three Lines of Defence" model, its key element being the own risk and solvency assessment process (hereinafter: the ORSA process). In the implementation of the ORSA process, all risks to which the Group companies are exposed up to the calculation date and the potential risks that may affect its operations in the next four-year period are taken into account. In addition to the risk profile, the ORSA process is the basis for the Management Board of the Company to make decisions regarding the implementation of the capital management policy in the strategy period and is well integrated into strategic planning.

This section of the Report includes further details on the following four key functions at the Group level: the risk management function, the compliance function, the actuarial function and the internal audit function. Also presented are the remuneration system and the fit and proper system for all the persons who effectively direct the parent company of the Group or hold other key functions. These systems are transferred to the Group members in compliance with the law applicable to individual subsidiaries and their internal rules.

In **the third section of the Report - Section C,** the risk profile of the Group is described. In accordance with the standard formula, the capital requirement is calculated by measuring the underwriting, market, credit and operational risks. These four risk categories are described in the Report in greater detail, in addition to liquidity and other risks which are also monitored at the Group level. Risk monitoring is performed based on the understanding of both taken and potential risks, which are measured and assessed with internal methodologies and indicators, regulatory capital adequacy criteria, through the capital adequacy on the basis of the ORSA and through the capital adequacy under the S&P valuation model. The highest risks are market risks, which account for 44% of the whole risk profile of the Group, followed by underwriting risks (42%). The Group performs stress scenarios, the results of which confirm adequate capital and financial strength of the Group.

Graph 2: The risk profile of the Triglav Group

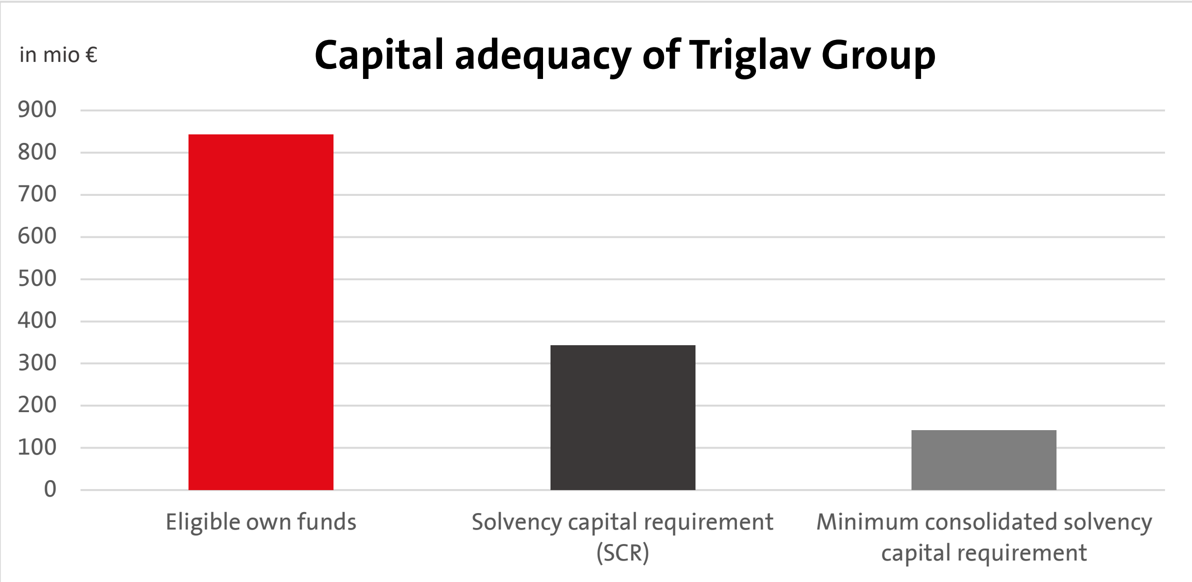


In the fourth section of the Report – Section D, the valuation method of the Group's assets and liabilities by individual class is described, including the notes thereto, as presented in the balance sheet for solvency purposes. The valuation of assets and liabilities is performed at fair value and by using the risk-free interest rate curve published by EIOPA[2], without having made any adjustments to the curve in their calculations.

In the last section of the Report - Section E, the capital management system of the Company and the Group is presented. Its objective is to efficiently use the available capital, which ensures the safety and profitability of business operations of the Group, a high degree of confidence of all stakeholders, compliance with the applicable regulatory requirements relating to capital adequacy, achievement of an appropriate capital adequacy level in the ORSA process and meeting the criteria of external rating agencies for achieving the A rating.

The capital requirement for the Group is calculated using the standard formula, as set out in the Commission Delegated Regulation.

Graph 3: Solvency capital requirement (SCR) of the Triglav Group as at 31 December 2016



As at 31 December 2016, the Triglav Group was adequately capitalised and had at its disposal sufficient capital to cover both the solvency capital requirement and the minimum consolidated capital requirement.

Eligible own funds to cover the solvency capital requirement of the Group consist of 98% of Tier 1 capital.

This report is published in 2017 for the first time and will be made available to the public on Zavarovalnica Triglav's website www.triglav.eu.

[2] European Insurance and Occupational Pensions Authority.

A. Operations and business results

A.1 Business and performance

A.1.1 About the Triglav Group

The Triglav Group (hereinafter: the Group) operates on seven markets in six countries and is the leading insurance/financial group in Slovenia and the Adria region and one of the leading groups in South-East Europe. Zavarovalnica Triglav d.d. with the registered office at Miklošičeva 19 in Ljubljana, Slovenia is the controlling company of the Group. In addition to Zavarovalnica Triglav, 31 subsidiaries and 4 associates were included in the Group as at the 2016 year-end.

The key pillars of the Group's operations are as follows:

Insurance	Asset management
Support activities for two key financial pillars	

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

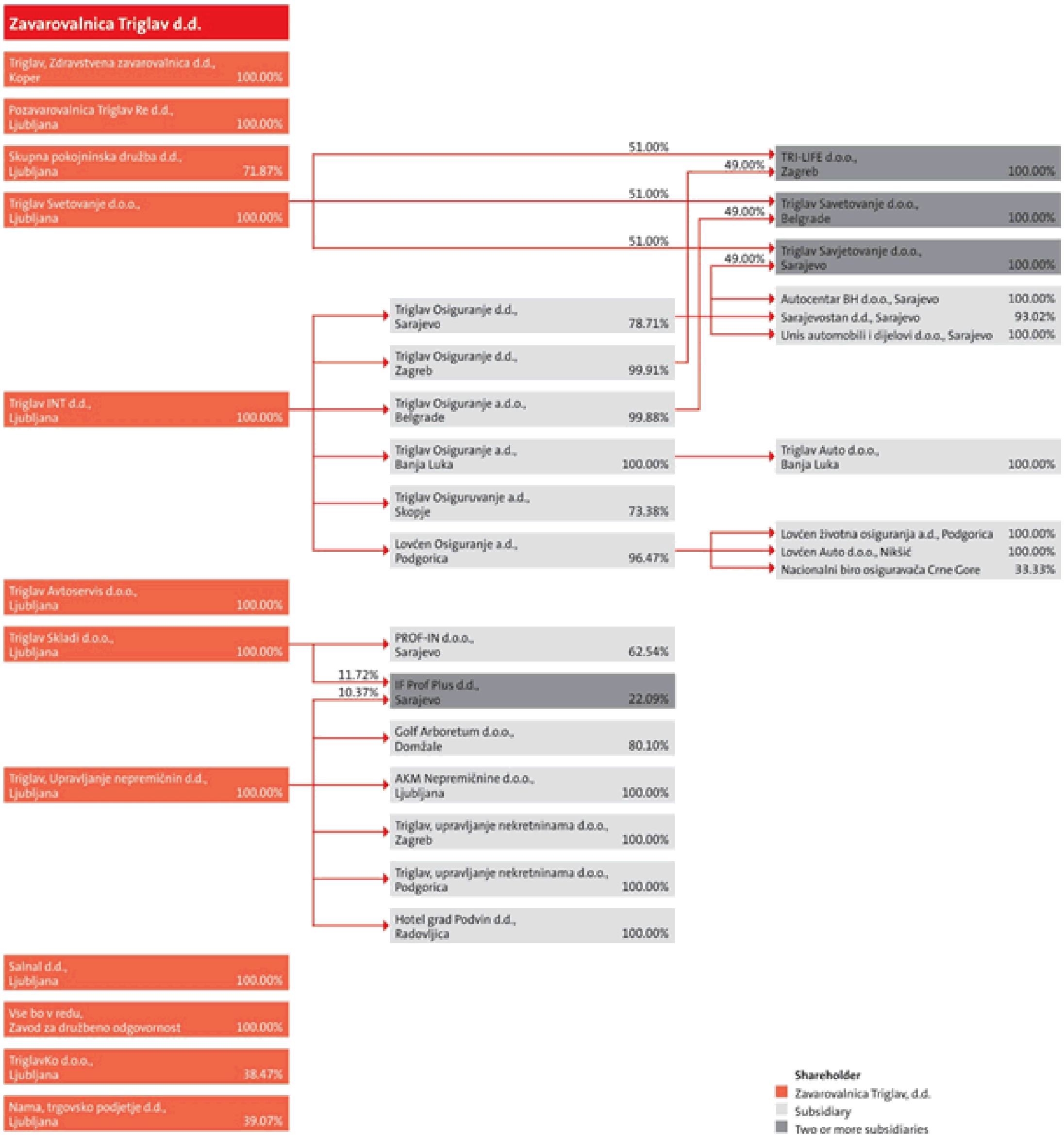
The insurance-oriented part of the Group includes:

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

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

The structure of the Group as at 31 December 2016 is shown in Figure 1.

Figure 1: The structure of the Group as at 31 December 2016



Detailed information on subsidiaries and associated companies such as the state of the company, type of activity, corporate form, supervisory body, consolidaiton method, equity interests, holdings of voting rights, ect. are stated in the S.32.01.04 template, which is enclosed hereto.

A.1.2 External audit

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

The signatories of the Independent Auditor's Report are Janez Uranič, the director of Ernst & Young d.o.o., and the certified auditor Primož Kovačič.

A.1.3 Supervisory body

The Group's supervisory body is the Insurance Supervision Agency, Trg Republike 3, Ljubljana (hereinafter: ISA).

A.1.4 Major business events and achievements in 2016

- Revised strategy: The Group adopted a revised Strategy for the 2017-2020 period. By pursuing its vision, values and strategic objectives, the Group has set out to become a modern, innovative and dynamic insurance/financial group, which will firmly remain the leader both in Slovenia and the region.
- Upgraded credit ratings: The credit rating agencies S&P and A.M. Best upgraded the Group's credit rating from "A–" to "A". Both ratings have a stable medium-term outlook.
- Good business results: The Group again operated at a profit and surpassed the budgeted business results and recorded premium growth in all insurance markets.
- Dividend payment: In 2016, dividend payments accounted for 64% of the net profit of the Group or 87% of accumulated profit of the Company as at 31 December 2015.
- Within the Group: Subsidiary ownership consolidation within the Group continued and consequently the sale of shareholdings in the companies whose activity is incompatible with the Group's strategic guidelines (the sale of Avrigo, Izletnik Celje, of a land plot on the BTC site in Ljubljana to IKEA and liquidation of Pista).
- Solvency II: In line with the new regulation, the Group ensures a suitable capital adequacy. Its good performance under the Solvency II regime indicates financial stability and strength of the Group.
- Challenging conditions on financial markets: The Group's return on investment was significantly influenced by the situation on financial markets with low and/or zero interest rates and the high volatility on stock markets.

A.1.5 Treatment of subsidiaries in consolidation for solvency purposes

As the ultimate parent company of the Group, the Company in accordance with Article 376 (1) of the Insurance Act (hereinafter: ZZavar-1) is responsible for calculating the capital adequacy at the Group level. The Group solvency calculation includes the Company and all its insurance subsidiaries as well as other subsidiaries and associates. The insurance and reinsurance companies of the Group, including the holding Triglav INT d.d. and all subsidiaries which perform ancillary business are subject to full consolidation. Other companies, including Triglav Skladi d.o.o. (hereinafter: Triglav Skladi) and Skupna pokojninska družba d.d. (hereinafter: Skupna pokojninska), are not fully consolidated. The capital adequacy of Triglav Skladi and Skupna pokojninska is calculated according to the sector/industry rules for solvency purposes. Both companies are fully consolidated for financial reporting purposes. Differences in consolidation methods for solvency and financial reporting purposes for smaller entities within the Group may appear, as shown in detail in Table 1 below.

The criterion for choosing a consolidation method for solvency purposes is the equity stake and activities of individual subsidiaries of the Group.

Table 1: List of subsidiaries and consolidation methods used for solvency purposes and for financial reporting purposes*

31 Dec. 2016

Member of the Group	Consolidation method for solvency purposes	Consolidation method for financial reporting purposes
Lovčen životna osiguranja, Podgorica	full consolidation	full consolidation
Triglav upravljanje nepremičnin, d.d., Ljubljana	full consolidation	full consolidation
Triglav, Zdravstvena zavarovalnica, d.d., Koper	full consolidation	full consolidation
Lovčen Osiguranje, a.d., Podgorica	full consolidation	full consolidation
Triglav Osiguranje, a.d., Banjaluka	full consolidation	full consolidation
Triglav Osiguruvanje, a.d., Skopje	full consolidation	full consolidation
Pozavarovalnica Triglav RE, d.d., Ljubljana	full consolidation	full consolidation
Zavarovalnica Triglav, d.d.	full consolidation	full consolidation
Triglav Osiguranje, d.d., Zagreb	full consolidation	full consolidation
Triglav BH Osiguranje, d.d., Sarajevo	full consolidation	full consolidation
Triglav Osiguranje, a.d.o, Belgrade	full consolidation	full consolidation
Triglav INT, d.d., Ljubljana	full consolidation	full consolidation
Triglav Skladi, d.o.o.	financial investment FV	full consolidation
Skupna pokojninska družba, d.d., Ljubljana	financial investment FV	full consolidation
Triglav Svetovanje, d.o.o., Ljubljana	full consolidation	full consolidation
Triglav Avtoservis, d.o.o., Ljubljana	full consolidation	full consolidation

Triglavko, d.o.o, Ljubljana	financial investment FV	financial investment CM
TRI-Life, d.o.o. Zagreb	full consolidation	full consolidation
Triglav Savjetovanje d.o.o., Sarajevo	full consolidation	full consolidation
Triglav Savetovanje, d.o.o., Belgrade	full consolidation	full consolidation
Unis automobili i dijelovi, d.o.o., Sarajevo	full consolidation	full consolidation
Lovćen Auto, d.o.o., Nikšić	full consolidation	full consolidation
Triglav Auto, d.o.o., Banja Luka	full consolidation	full consolidation
PROF-IN, d.o.o., Sarajevo	financial investment FV	financial investment CM
ZIF Prof Plus, d.d., Sarajevo	financial investment FV	financial investment CM
Salnal, d.d., Ljubljana	financial investment FV	full consolidation
Hotel grad Podvin, d.d., Radovljica	financial investment FV	financial investment FV
Vse bo v redu, Zavod za družbeno odgovornost	financial investment FV	financial investment FV
Nama, trgovsko podjetje, d.d. Ljubljana	financial investment FV	financial investment CM
Golf Arboretum, d.o.o., Domžale	financial investment FV	full consolidation
Autocentar BH, d.o.o., Sarajevo	full consolidation	full consolidation
Sarajevostan, d.d., Sarajevo	financial investment FV	full consolidation
AKM nepremičnine, d.o.o., Ljubljana	full consolidation	full consolidation
Triglav upravljanje nekretninama Zagreb, d.o.o.	full consolidation	full consolidation
Triglav upravljanje nekretninama Podgorica, d.o.o.	full consolidation	full consolidation

* Financial investment - CM: investments in companies under consolidation are valued under the equity method

* Financial investment - FV: investments in companies under consolidation are valued at fair value

The activity and equity stake by individual Group member is presented in the Annex (QRT S.32.01.04) to this Report.

A.2 Underwriting performance

The insurance undertakings of the Group, sell life and non-life insurance, health insurance products, including supplemental health insurance and supplemental voluntary pension insurance. In addition, the Group provides asset management services and reinsurance operations. Insurance is provided to both individuals and corporates. The Triglav Group operates on the insurance markets in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia. In most of these countries, life and non-life insurance products are sold, while in Macedonia only non-life insurance products are offered.

The **insurance segmentation** for financial reporting purposes is set out in the Insurance Act (ZZavar-1). For solvency purposes, the insurance segmentation is defined in the Commission Delegated Regulation as follows:

- non-life,
- health and
- life.

Major differences in both types of segmentation include:

- Accident insurance linked to the basic life insurance products is recorded under life insurance for financial reporting purposes and under non-life insurance for solvency purposes.
- For financial reporting purposes, annuities stemming from non-life insurance contracts are recorded under non-life insurance, whereas for solvency purposes they are recorded under life insurance.
- Health insurance falls under non-life insurance for financial reporting purposes, while for solvency purposes it is treated separately.
- The other differences in the segmentation result from various insurance classes determined in the ZZavar-1 and the Commission Delegated Regulation, and therefore these products are classified differently.

Below are presented the qualitative and quantitative data by segmentation for financial reporting purposes and for solvency purposes.

Quantitative and qualitative data for financial reporting purposes

The reporting year was marked by the Group's solid performance as it ended 2016 with a net profit of EUR 82.3 million, which was 7% less than the year before. Net profit attributable to the shareholders of the parent company amounted to EUR 81.9 million (index 92), whereas net profit attributable to minority shareholders totalled EUR 396 thousand (EUR 36 thousand in 2015). The Group's profit before tax decreased by 7% to EUR 95.1 million in nominal terms. Compared to the preceding year, return on equity decreased by 1.4 percentage points to 11.4%.

The Group’s consolidated gross insurance, co-insurance and reinsurance written premiums increased by 2% over 2015, totalling EUR 936 million. Thus, the positive trend of the previous year continued. Premium growth was recorded in non-life and health insurance segments, whereas the life insurance premium remained at a level approximately equal to the previous year. In terms of market, premium growth was seen in all insurance markets, where the Group operates. Compared to 2015, total written premium of the Group was higher than planned despite challenging market conditions and fierce competition.

The Group's consolidated gross claims incurred increased by 2% to EUR 606 million nominally compared to 2015. In non-life insurance, total gross claims incurred amounted to EUR 423.8 million or 2% more than in 2015. Unlike the year before, the reporting year was less favourable in terms of mass loss events. Moreover, the reporting year saw several mass loss events in the amount of EUR 19 million, which impacted the Group's performance. At the end of April, frost and several minor local floods across Slovenia caused a damage of EUR 5.8 million, mostly on crops. Summer storms with hail (4 mass loss events) resulted in claims of EUR 9.9 million, foremost in Eastern Slovenia. At the end of April, frost in Croatia caused damage on crops of EUR 1.9 million. In May in Macedonia, hail caused damage on crops in the amount of EUR 617 thousand, whilst due to the August floods claims totalled EUR 127 thousand. At the end of June, storms with hail caused claims of EUR 365 thousand in Croatia, EUR 207 thousand in Serbia and EUR 118 thousand in Montenegro (crops, motor vehicles and property). Gross claims incurred in life insurance experienced an increase, which totalled EUR 182.2 million (index 102). The reinsurers' and co-insurers' shares of gross claims decreased by 8% to EUR 21.7 million. The change in net claims provisions was EUR -14.2 million, compared to EUR -8.4 million in 2015. Equalisation scheme expenses for supplemental health insurance decreased by 7% and totalled EUR 7.0 million.

Gross operating expenses of insurance business, which include acquisition costs, claim handling costs, asset management costs and other operating expenses, increased by 2% to EUR 237.0 million. Acquisition costs were up 4% to EUR 141.0 million. Compared to the previous year, claim handling costs decreased by 2% and reached EUR 25.8 million. Asset management costs amounted to EUR 2.6 million, a 27% decrease compared to 2015. Other operating expenses recorded a growth of 3%, reaching EUR 67.7 million. Operating expenses of non-insurance business, which are a part of other expenses for financial reporting purposes, amounted to EUR 40.0 million in 2016 (index 61). Operating expenses, including all above-mentioned items, totalled EUR 277.1 million, which is 7% less compared to the preceding year.

Table 2 shows the amounts of gross written premiums, gross claims incurred and gross operating expenses.

Table 2: Premium, claims, expenses and profit/loss of the Group in 2016 and 2015

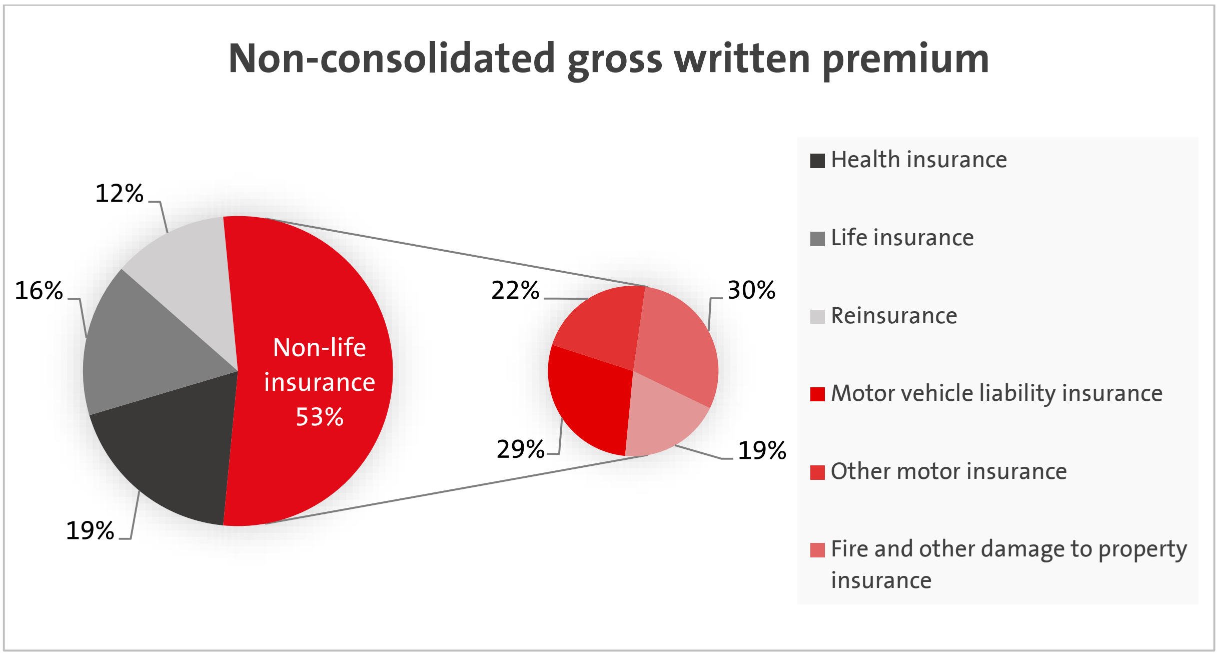
in EUR thousand

	2016	2015
Gross written premiums	**936,003**	**919,117**
- non-life insurance including health insurance	723,44	706,57
- life insurance	212,56	212,55
Gross claims paid	**606,020**	**594,841**
- non-life insurance including health insurance	423,78	416,39
- life insurance	182,24	178,45
Gross operating expenses	**277,059**	**297,614**
- non-life insurance including health insurance	201,46	196,24
- life insurance	35,588	35,346
- non-insurance operations	40,015	66,027
Net profit/loss	**82,332**	**88,861**
- non-life insurance including health insurance	66,744	68,929
- life insurance	15,588	19,932

Quantitative and qualitative data for solvency purposes

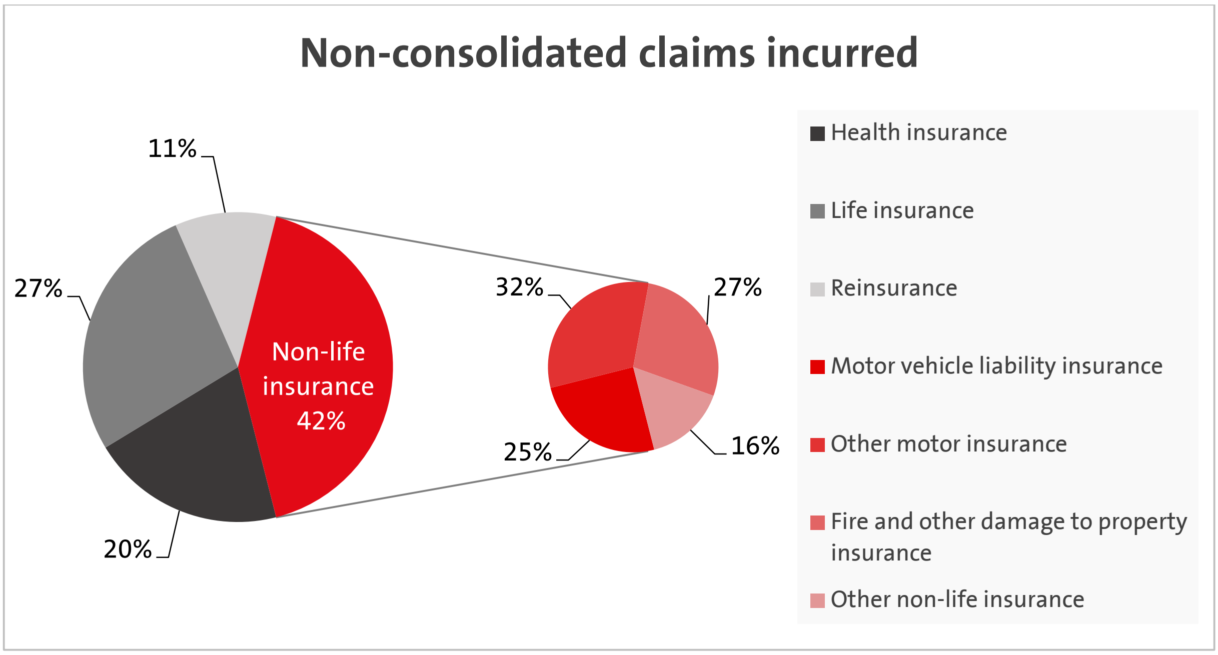
In 2016, insurance undertakings under the consolidation including Pozavarovalnica Triglav Re d.d. (hereinafter: Triglav Re) booked in total EUR 986.3 million in non-consolidated gross insurance, co-insurance and reinsurance premiums. The premium booked in non-life including health insurance amounted to EUR 827.9 million, in life insurance EUR 158.4 million. In the reporting period, non-consolidated gross insurance, co-insurance and reinsurance premiums of the Group were as follows:

Graph 4: Non-consolidated written premium of the Group for solvency purposes as at 31 December 2016



Non-consolidated gross claims incurred (settled claims adjusted by the change in gross claims provisions excluding claim handling costs) in 2016 totalled EUR 601.9 million. The non-consolidated gross claims incurred in non-life and health insurance amounted to EUR 438.7 million, whereas in life insurance they totalled EUR 163.2 million.

Graph 5: Non-consolidated claims incurred of the Group for solvency purposes as at 31 December 2016



In 2016, non-consolidated expenses incurred, which along with operating expenses include external claim handling costs, net reinsurance commission income, change in deferred acquisition costs, changes in claims provisions for claim handling costs and other insurance expenses, amounted to EUR 277.4 million. The operating expenses for non-life and health insurance totalled EUR 244.9 million, whilst EUR 32.4 million was posted for life insurance. The structure of the non-consolidated net expenses incurred by the Group in 2016 was as follows:

Graph 6: Non-consolidated expenses incurred by the Group for solvency purposes as at 31 December 2016

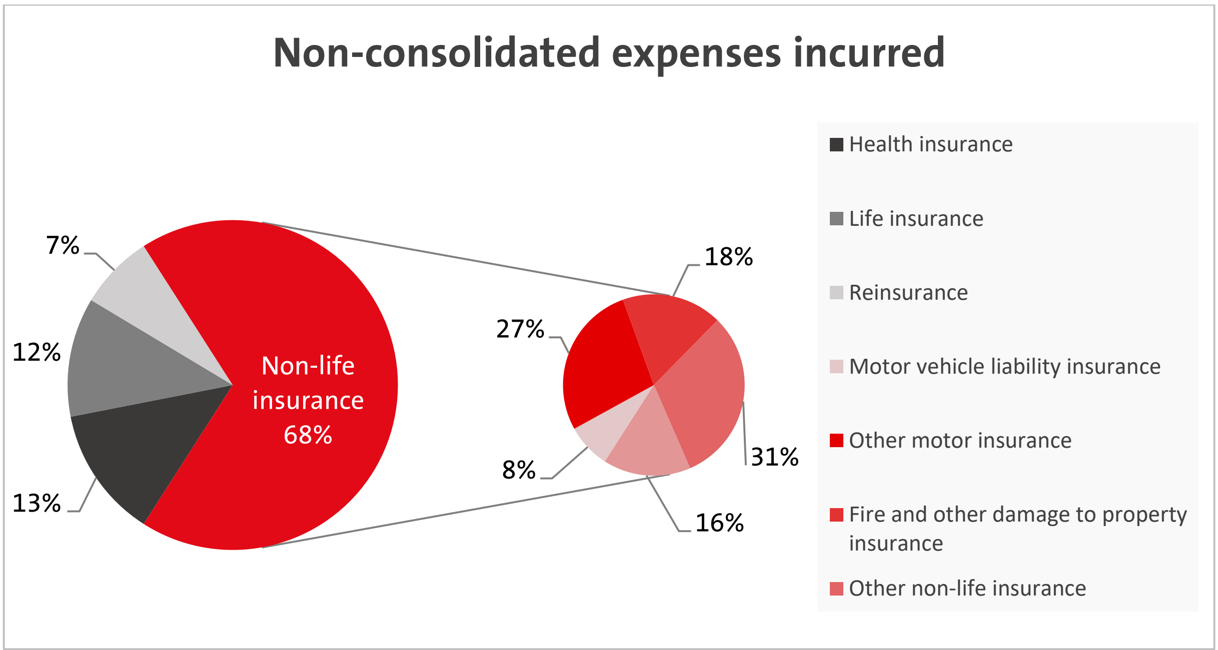


Table 3 shows the amounts of gross written insurance and co-insurance premiums, gross claims incurred and net expenses incurred by major insurance class for solvency purposes. The amounts for other insurance classes are presented in the Annex hereto (S.05.01.01 template)

Table 3: Premium, claims and expenses of the Group in 2016 by major insurance segments

in EUR thousand

	2016
Gross written premium	**986,333**
- Non-life insurance and health insurance	**827,897**
-- Motor vehicle liability insurance (LoB 4)	155,503
-- Other motor insurance (LoB 5)	122,236
-- Fire insurance and other damage to property insurance (LoB 7)	222,087
-- Other non-life insurance segments	328,071

- Life insurance	**158,436**
-- Insurance with profit participation (LoB 30)	67,851
-- Index-linked and unit-linked insurance (LoB 31)	82,224
-- Other life insurance (LoB 32)	8,327
-- Annuities stemming from non-life insurance contracts (LoB 34)	0
-- Other life insurance segments	34
Gross claims incurred	**601,902**
- Non-life insurance and health insurance	**438,682**
-- Motor vehicle liability insurance (LoB 4)	66,824
-- Other motor insurance (LoB 5)	84,977
-- Fire insurance and other damage to property insurance (LoB 7)	99,955
-- Other non-life insurance segments	186,926
- Life insurance	**163,220**
-- Insurance with profit participation (LoB 30)	78,593
-- Index-linked and unit-linked insurance (LoB 31)	79,599
-- Other life insurance (LoB 32)	1,366
-- Annuities stemming from non-life insurance contracts (LoB 34)	3,652
-- Other life insurance segments	10
Expenses incurred	**292,344**
- Non-life insurance and health insurance	**244,934**
-- Motor vehicle liability insurance (LoB 4)	53,337
-- Other motor insurance (LoB 5)	35,352
-- Fire insurance and other damage to property insurance (LoB 7)	67,486
-- Other non-life insurance segments	73,787
-- Other expenses incurred	14,974
- Life insurance	**32,435**
-- Insurance with profit participation (LoB 30)	12,958
-- Index-linked and unit-linked insurance (LoB 31)	14,797
-- Other life insurance (LoB 32)	3,525
-- Annuities stemming from non-life insurance contracts (LoB 34)	69
-- Other life insurance segments	1,086

Consolidated gross written premium for financial reporting purposes and non-consolidated gross written premium for solvency purposes amounted to EUR 936 million and EUR 986 million respectively. The difference between the two amounts arises from the difference in consolidation, where the premium for financial reporting purposes is consolidated and for solvency purposes it is not. Moreover, the set of consolidated companies is different. This is mostly due to the treatment of Skupna pokojninska.

Breakdown of operations by geographical area

The Group operates in seven markets of six countries in the Adria region. In other markets, the Group also provides active reinsurance and fronting services, ceding most of the business to foreign insurance companies. On the basis of previous experience, the Group believes that all potential risk concentrations have suitable reinsurance cover. The table 4 summarises the consolidated gross written premium in the countries in which the insurance undertakings of the Group operate. The table shows that the Group's main exposure is in Slovenia, as almost 83% of premium income is generated on the Slovene market.

Table 4: Consolidated gross written premium for financial reporting purposes by country of operations of the Group for 2016 and 2015

in EUR thousand

Gross written premium			Share (%)	
	2016	2015	**2016**	2015
Slovenia	774,450	760,924	82.7%	82.8%
Croatia	48,937	45,168	5.2%	4.9%
Montenegro	31,170	30,433	3.3%	3.3%
The Czech Republic	0	9,636	0.0%	1.0%
Bosnia and Herzegovina	25,483	23,672	2.7%	2.6%
Serbia	34,408	28,238	3.7%	3.1%
Former Yugoslav Republic of Macedonia	21,555	21,044	2.3%	2.3%
Total	**936,004**	**919,116**	**100.0%**	**100.0%**

Based on the reported template (S.05.02.01), 81% of non-consolidated gross written premium for solvency purposes stems from insurance policies concluded in Slovenia. For more details on other countries see the Annex to this Report (S.05.02.01. template)

A.3 Investment performance

Return on investment (excluding unit-linked life insurance contract investments) represents the difference between the income and expenses from financial assets. In the reporting year, the return on investment amounted to EUR 81.5 million, which represents a decrease of 26% compared to 2015. Due to the low interest rate environment, interest income was lower by EUR

1.5 million compared to 2015, income from dividends remained at the 2015 level, whilst the change in fair value grew by EUR 11 million over 2015. In 2016, the realised gains on disposals dropped by EUR 44.7 million compared to 2015, since there were substantially fewer disposals in 2016 than in the previous year. Permanent impairments were slightly lower than in the preceding year. Compared to the year before, other financial income was up by EUR 4.7 million.

Table 5: Net income from investing activities of the Group in 2016 and 2015

in EUR thousand

Income and expenses from investing activities	31 Dec. 2016	31 Dec. 2015
Interest	**67,521**	**69,065**
- income	68,836	71,243
- expenses	-1,315	-2,177
Dividends	**3,357**	**3,219**
- income	3,357	3,219
- expenses	0	0
Changes in fair value	**925**	**-10,246**
- income	7,814	39,291
- expenses	-6,888	-49,537
Income and expenses on sale	**14,530**	**59,238**
- income	36,908	81,907
- expenses	-22,377	-22,669
Permanent impairments	**-3,197**	**-3,827**
- income	0	0
- expenses	-3,197	-3,827
Other financial income	**-1,541**	**-7,080**
- income	5,461	11,348
- expenses	-7,003	-18,428
Total	**81,595**	**110,368**

There are primary differences in the balance sheet items for financial reporting purposes and for solvency purposes due to different consolidation methods of the Group companies. The two subsidiary financial companies, Triglav Skladi and Skupna pokojninska, as well as non-strategic subsidiaries are recognised in the balance sheet at adjusted equity method for solvency purposes, whereas for financial reporting purposes they are fully consolidated. Another reason for different values of assets for financial reporting purposes and for solvency purposes is different asset valuation methods. For financial reporting purposes, valuation methods that do not reflect fair value may be used. Valuation methods are described in greater detail in Section D.

Table 6: Balance-sheet values of investments of the Group for financial reporting purposes and solvency purposes

in EUR thousand

	Values for financial reporting purposes		Values for solvency purposes
Investment income	**31 Dec. 2016**	**31 Dec. 2015**	**31 Dec. 2016**
Financial investments (excluding unit-linked insurance assets)	2,403,508	2,392,706	2,198,731
Investment property	92,769	79,475	105,373
Financial investments in subsidiaries	6,927	4,306	61,943
Shares	77,341	81,614	57,334
- listed on regulated market	50,542	56,401	48,451
- other shares	26,799	25,213	8,883
Bonds	1,974,554	2,051,964	1,822,736
- government bonds	969,432	1,100,504	921,919
- corporate bonds	987,504	929,598	883,199
- structured securities	17,618	21,862	17,618
Financial investments in investment funds	177,500	125,870	96,053
Derivatives	1,423	2,709	1,423
Deposits, excluding cash equivalents	68,582	46,767	49,458
Other financial investments	4,410	0	4,410

A.4 Performance of other activities

A.4.1 Other insurance income and expenses

In 2016**, other insurance income** amounted to EUR 5.4 million, down by EUR 2 million compared to the year before. This includes:

- fee and commission income amounting to EUR 253 thousand, of which reinsurance commission income of EUR 188 thousand accounts for the bulk, which is EUR 2 million less than in the previous year;
- other income from insurance operations amounting to EUR 5.1 million, which is the same as in the preceding year. This includes other income from insurance operations in the amount of EUR 2.2 million (largely related to the reimbursement of costs arising from subrogations and the settlement of claims) and income from the sale of green cards for motor vehicles in the amount of EUR 2.2 million (in 2015: EUR 2 million).

Other insurance expenses totalled EUR 17 million, down by EUR 1.2 million compared to the year before. Fire fee in the amount of EUR 4.2 million and other expenses from insurance operations of EUR 3.7 million (foremost related to long-term provisions) account for the bulk, down by EUR 0.5 million compared to the preceding year. Expenses from impairment of insurance receivables and write-offs amounted to EUR 2.8 million (in 2015: EUR 2.6 million) and expenses of preventive activity to EUR 2.9 million (in 2015: EUR 3.1 million).

A.4.2 Other income and expenses

In 2016, **other income** totalled EUR 53.5 million, down by EUR 23.8 million compared to the previous year. The major part of this income is made up of:

- operating income from non-insurance undertakings in the Group in the amount of EUR 39.4 million (in 2015: EUR 67.6 million);
- income from investment property and other rental income in the amount of EUR 5.3 million (in 2015: EUR 6 million);
- proceeds from sale of investment property in the amount of EUR 5.3 million (in 2015: EUR 171 thousand);
- income from other services in the amount of EUR 3.1 million (in 2015: EUR 2.9 million), of which EUR 1.4 million refers to reversal of provisions for Triglav Pojišt'ovna.

Other expenses totalled EUR 54.7 million, down by EUR 28.2 million compared to the preceding year. The major part of **this** income is made up of:

- expenses from non-insurance undertakings in the Group in the amount of EUR 39.6 million (in 2015: EUR 65.5 million);
- other expenses in the amount of EUR 10.3 million (including expenses for performance-related employee bonuses totalling EUR 7.8 million in 2016), up by EUR 2.6 million compared to the previous year;
- other expenses from investment property in the amount of EUR 2.6 million (current maintenance costs of investment properties), down by EUR 0.3 million compared to the year before; and
- depreciation of investment property in the amount of EUR 1.5 million (in 2015: EUR 1.4 million).

A.4.3 Rental agreements

In the reporting period, the Group was a party to several rental agreements both as lessor and as lessee. Among the contractual relationships where the Group's member acts as the lessor, only investment property is considered material. Of all the investment properties totalling EUR 95.1 million, an annual rental income amounted to EUR 4.5 million, of which as much as 90% was generated by the parent company.

The members of the Group act as a lessee when renting business premises and parking spaces, hiring software and data circuits, leasing multi-function devices and renting cars. The total annual rental costs amounted to EUR 5.7 million at the Group level. All rental agreements are operating lease agreements, therefore all cost effects are shown as rental costs and have no impact on the value of the underlying asset.

A 4.4 Material intra-group transactions within the Triglav Group

The most material intra-group transactions arise from reinsurance operations between Triglav Re on one hand and the Company and its subsidiaries on the other.

In reinsurance operations in 2016 the most material transactions were:

- total reinsurance transactions[3] between Triglav Re and the Company – EUR 90.3 million;
- transactions between Triglav Re and Triglav Osiguranje d.d., Zagreb – EUR 8.5 million;
- transactions between Triglav Re and individual subsidiaries, where total reinsurance transactions stayed below EUR 3 million.

Reinsurance business within the Group is also provided by the Company. Its reinsurance transactions with individual subsidiaries were below EUR 5 million.

Other material intra-group transactions include insurance contracts acquisition and financial asset management. These transactions in total did not exceed EUR 5 million.

A.5 Any other information

All material information relating to the performance of the Triglav Group in its core business is disclosed in sections A.1. through A.4.

[3] Total reinsurance transactions include reinsurance premium, reinsurance share for claims settled and reinsurance fees and commissions.

B. System of governance

B.1 General information on the system of governance

The Management Board of Zavarovalnica Triglav (hereinafter: the Management Board) manages the Company independently and at its own responsibility, as well as acts in line with the objective of maximising the value of the Company and increasing the assets of shareholders in the long term, taking into account the principles of sustainable development and the benefits of other stakeholders. The management of operations may not be transferred from the Management Board to any other body of the Company.

The Management Board is responsible for long-term viability of the Company and with the established Group strategy ensures effective and regular performance monitoring of all companies in the Group. By approving the risk appetite[4], the Management Board sets the guidelines regarding the taking of risks and by establishing the values and culture in the Group provides for continuous upgrading of efficient and integrated operation of the risk management system.

The powers and duties of the Management Board comply with the applicable laws, the Articles of Association, the Rules of Procedure of the Supervisory Board and the Management Board Rules. Some important powers and duties are as follows:

- management and organisation of operations;
- presentation and representation of the Company toward third parties;
- responsibility for the legality of operations;
- together with the Supervisory Board to adopt the development strategy of the Company and the annual plan of operations;
- adoption of normative documents of the Company;
- reporting to the Supervisory Board on the performance of both the Company and the Group, drawing up of a draft annual report with the management report and submitting it to the Supervisory Board, including the auditor's report and the proposal for the distribution of accumulated profits;
- establishment of the macro- and micro-organisation of the Company;

[4]The risk appetite is one of the main building blocks of the system and represents a risk level measured by the level of potential loss which an insurance undertaking is willing to accept in the course of business, with a view to attain the set business and strategic objectives.

- convocation of the General Meeting of Shareholders;
- implementation of the resolutions passed by the General Meeting of Shareholders.

The Supervisory Board of Zavarovalnica Triglav (hereinafter: the Supervisory Board) supervises the management of the Company. In addition to the powers granted to the Supervisory Board by the Companies Act and the Insurance Act, the Supervisory Board gives its approval to the decisions of the Management Board where the stake of the Company or the value exceeds the limit set in the Rules of Procedure of the Supervisory Board, i.e. in the establishment of companies with share capital in Slovenia and abroad, the acquisition or sale of Company's stakes in foreign or domestic companies, the issue of debt securities of the Company and long-term borrowing from domestic and foreign banks, the acquisition and sale of the Company's real property as well as investment in real property. The Supervisory Board gives its approval to the appointment and dismissal of the head of the Internal Audit Department and the remuneration policy relating to the latter, or remuneration if the Company has no remuneration policy.

In supervising the Company's business conduct, the Supervisory Board in particular:

- supervises the adequacy of procedures and effectiveness of internal auditing;
- discuss the findings of the Insurance Supervision Agency, tax inspection and other supervisory authorities in the supervision procedures of the Company;
- verifies annual and other financial reports of the Company and prepares a reasoned opinion thereto;
- provides an opinion on the annual internal audit report to the General Meeting of Shareholders and submits its findings to the General Meeting of Shareholders in the form of a written report;
- reviews the proposal for the distribution of accumulated profits, which was drafted by the Management Board, and submits its findings to the General Meeting of Shareholders in the form of a written report;
- checks the drafted annual report submitted by the Management Board, takes a position on the audit report and draws up a written report for the General Meeting of Shareholders by including potential comments or approving it.

In adopting the most important decisions that could have a significant impact on the business, financial or legal situation of the Company, both the Management Board and the Supervisory Board seek to reach an agreement. The President of the Management Board maintains regular contact with the Chairman of the Supervisory Board in order to discuss the Company's strategy, operations and risk management. The President of the Management Board informs the Chairman of the Supervisory Board of all events that are material for the assessment of the situation and consequences, as well as for the governance of the Company. The Chairman of the Supervisory Board informs the Supervisory Board of all significant events and convenes sessions as necessary. The Management Board acts in close cooperation with the Supervisory Board, in compliance with the applicable laws and best practices and to the benefit of the Company.

The Supervisory Board may appoint one or several committees, which prepare draft resolutions of the Supervisory Board, assure their implementation and perform other professional tasks. A committee or commission may not decide on issues that fall under the competence of the Supervisory Board. The powers, competences and tasks of committees are set out in the applicable legislation, the Rules of Procedure of the Supervisory Board or resolutions of the Supervisory Board. In line with its competences, a committee or commission has the right to obtain all the necessary information as well as the right to obtain an expert opinion regarding issues that relate to its competences.

In 2016, the Company had the following committees: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

From the viewpoint of the Group, the Strategy Committee should be pointed out, whose areas of operation are the following in particular: drafting and discussing proposals for the Supervisory Board with respect to the Group's strategy and monitoring the implementation thereof; drafting and discussing proposals and opinions for the Supervisory Board with respect to the Group's strategic development and/or planning.

The key bases of the Group's system of governance are defined in the applicable internal documents of the Company. The fundamental documents concerning the governance of the Group are the Corporate Governance System and Policy of Zavarovalnica Triglav (hereinafter: the Governance Policy) and the Triglav Group Strategy for the 2017–2020 Period (hereinafter: the Group Strategy), which were both approved by the Supervisory Board. The Group Strategy defines the mission, values and vision of the Group and sets the core strategic objectives and guidelines of the Group in the strategy period. The Governance Policy sets out the basis for establishing a sound and reliable system of governance of the Group companies, taking account of the Group Strategy.

In 2016, the Governance Policy was amended; in terms of content, the main amendments related to the part governing the guidelines of governance, taking into account the set objectives and values of the Company. The text was harmonised with the proposal for a new Strategy of the Group. Minor amendments related to the reporting of the risk management function.

The system governance of the Group's subsidiaries, in line with the Governance Policy, is defined in the internal document on subsidiary governance and takes account of the applicable legislation and the Articles of Association of the relevant subsidiary. The system of governance in the Group is established through the operations of general meetings, supervisory and management bodies of individual subsidiaries, and promotes standardising and unifying the key rules and procedures in individual professional areas of the Group's subsidiaries. Governance at the Group level as a whole is based on uniform minimum standards for efficient governance, reporting and supervision.

The subsidiaries in the Group operate as independent legal entities, in accordance with the applicable local legislation, resolutions passed by the general meetings and management and supervisory bodies of the subsidiaries, agreements on business cooperation and other adopted rules and instructions implemented by individual subsidiaries.

The corporate governance of subsidiaries is implemented by actively exercising the management rights held by the Company as the parent company in compliance with the law applicable to individual subsidiaries and their internal rules.

The Subsidiary Management Department, operating within the Company, is responsible for the comprehensive supervision of the governance of the Group's subsidiaries, for identifying synergies at the level Triglav Group level and for the supervision of the implementation of their planned activities.

Corporate governance of the Group’s subsidiaries is carried out with mechanisms that ensure monitoring and effective supervision and cooperation in all professional areas, the harmonisation of business standards and the exchange of information between the Group’s subsidiaries:

- in areas of business and professional coordination in the Group by transferring minimum standards in terms of business line operations;
- by means of convening strategic conferences where current performance and the strategic guidelines for the future performance of the Group are discussed; and
- through various training courses, the purpose of which is to standardise business processes and to transfer know-how, corporate culture and good practices.

Within the Group, the subsidiaries do business with the holding company and among themselves on commercial grounds. Their operation is based on the principle of increasing the performance of each entity individually as well as the Group as a whole.

The activities related to subsidiaries encompass governance, strategic development and operations. Governance activities are related to the management and supervision of subsidiaries. Strategic development activities relate to overall development, the implementation of new products, IT solutions and other development activities. Operations refer to the implementation of administrative, financial and other services.

On the basis of the applicable legislation, the Articles of Association and other internal documents of the Group, the members of the management body of the subsidiary are required to report comprehensively and accurately to the supervisory body of the subsidiary on the progress of operations, the financial condition of the subsidiary and its solvency, particularly on the following transactions or legal acts:

- statement of financial position, income statement and statement of cash flows of the company are reported at least quarterly;
- balanced performance indicators are reported quarterly;
- other matters are reported at the request of the supervisory body.

The business lines of subsidiaries are required to report on their activities to the functional areas of the parent company, in accordance with the accepted minimum standards of operation.

The Subsidiary Management Department carries out regular control of monitoring the subsidiaries' operations and the supervision of subsidiary control through the prescribed reports.

If the operations of a subsidiary in any way deviate from the expectations, the Subsidiary Management Department can, together with other functional areas of the parent company, initiate through the supervisory bodies an operational audit procedure in order to establish the reasons for any deviation and the actual state, respectively.

An important role in the Group's management of insurance companies abroad has the insurance holding company Triglav INT, which is together with the Subsidiary Management Department responsible for the transfer of minimum standards and best practices to the subsidiaries of Triglav INT. The corporate governance system in the Triglav INT Group is in line with internal documents of the Group and defines their system of governance. Taking into consideration the activity, size, complexity and business profile, the internal documents of the Company are implemented into individual subsidiaries of the Group in compliance with the local requirements.

B.1.1 Remuneration policy of the Triglav Group

The Subsidiary Management Department presented to the subsidiaries an internal document on the remuneration policy that applies to the Company and the subsidiaries, of which six subsidiaries outside Slovenia and two in Slovenia approved and implemented it.

The criteria and procedures for determining remuneration are documented, clearly defined and internally transparent.

Employee remuneration is determined with:

- an individual agreement for the management bodies, executive and management employees and other employees under individual agreements;
- an employment agreement for employees subject to the collective agreement, taking into account the applicable laws, collective agreements and internal documents of the Company.

Remuneration of all employees includes a fixed and a variable component: The fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable component and to allow for a flexible way of allocating the variable component, including the option of non-payment in the event of poor performance of an employee, an organizational unit or the Company. In the assessment of the performance of an individual employee, financial and non-financial criteria are taken into account.

The Management Board members are entitled to variable remuneration, i.e. the annual performance bonus, of maximum 30% of the paid out annual basic salaries, provided that the Group not only generated profit in the previous year but also surpassed the set objectives. The amount of variable remuneration depends on the value of the performance factor. The methodology for the calculation of the performance factor is set by the Supervisory Board. The performance factor is the weighted average of the selected ancillary ratios and factors: the insurance premium ratio, the operating expense ratio, the combined ratio factor, the return on asset ratio, the profit ratio, the share price ratio and the employee satisfaction ratio. The annual performance bonus is paid in three parts, 50% after the approval of the performance factor by the Supervisory Board, 40% after two years and 10% after three years. Remuneration in shares, share options or other share options schemes is not foreseen.

The same remuneration rules apply to the management boards of the Group companies; however, remuneration for the members of the management boards within the holding company Triglav INT is limited to 50% of the annual salary.

All employees in the Company, including the Management Board, have the option to be included in the supplemental voluntary pension insurance (PDPZ) and voluntary pension insurance (PPZ). The former is part of the second pension pillar, of which a portion of the premium is paid by the employer, thereby reducing their basis for the corporate income tax. The latter is part of the third pension pillar, the payment of which by the employer increases the employee's basis for the payment of social security contributions and the income tax.

The employees in other Group companies have the same option of being included in the supplemental voluntary pension insurance.

B.1.2 Related party transactions

Related parties in the Group include:

- the shareholders of Zavarovalnica Triglav and of all subsidiaries;
- the members of the Management Board of the Company and of all subsidiaries;
- the members of the Supervisory Board of the Company and of all subsidiaries.

The only materially significant transaction in 2016 was the payment of dividends of the Company for 2015. The dividends were paid out in the total amount of EUR 56.8 million. Zavod za pokojninsko in invalidsko zavarovanje Slovenije (the Pension and Disability Insurance Institute of Slovenia) received EUR 19.5 million and Slovenski državni holding (the Slovenian Sovereign Holding) received EUR 16 million.

In the reporting year, there were no other materially significant transactions in relation to dividend payment made to other related parties within the Group.

B.2 Fit and proper requirements

The procedure and conditions for ensuring compliance with the fit and proper requirements for persons who effectively run the Company or have other key functions in the Company are regulated by two internal documents: the document on the fit and proper assessment for the Management Board and the Supervisory Board members and the document on the fit and proper assessment for key and business function holders. The Company introduced both documents at the Group level, which are described in more detail below. The implementation of both documents by the subsidiaries of the Group is under way. The document on the fit and proper assessment for the Management Board and the Supervisory Board members was approved by 6 insurance subsidiaries operating outside Slovenia and 6 Slovene subsidiaries. The document on the fit and proper assessment for key and business function holders was implemented by 6 insurance subsidiaries operating outside Slovenia and 4 Slovene subsidiaries.

In the Company, the procedures and conditions for ensuring compliance with the fit and proper requirements for persons who effectively run the Company or have other key functions in the Company is regulated in the first document, i.e. the document on the fit and proper assessment for the Management Board and the Supervisory Board members. The assessment is performed by the Appointments and Compensation Committee (hereinafter: ACC) of the Supervisory Board. For fit and proper assessment, the ACC may at its discretion authorise an outsourcer competent to carry out fit and proper assessments. The assessment is performed before appointment, periodically (once a year), upon the occurrence of specific circumstances that raise reasonable doubts on meeting the fit and proper requirements of the Management Board and the Supervisory Board members, and subsequently after appointment.

The document stipulates that the Management Board and the Supervisory Board as collective bodies are deemed competent if all members together have collective knowledge and experience in insurance and financial markets, business strategies and business models, governance systems, financial and actuarial analyses, risk management, and regulatory frameworks and other legal requirements, in which the Company operates.

The second document, i.e. the document on the fit and proper assessment for key and business function holders, defines the basic rules, criteria and procedures for initial, periodic and extraordinary fit and proper assessment of both the candidates and the already employed key and business function holders. Key function holders are persons responsible for performing key functions. Business function holders are executive directors, directors of headquarters departments and directors of independent departments directly accountable to the Management Board.

The fit and proper assessment procedure for key and business function holders depends on whether the assessment is performed before the appointment, periodically (once a year) or upon the occurrence of circumstances that raise doubts on meeting the fit and proper requirements.

The fit and proper assessment is performed by a committee established for this purpose.

In accordance with the latter, for the key and business function holders not only the fulfilment of the required fit and proper criteria set in the ZZavar-1 are taken into account but also the appropriate degree and discipline of qualification, experience, foreign language proficiency, communication skills, knowledge of relevant software tools, leadership and organisational skills, as well as practical and professional experience acquired in previous jobs, which are assessed with particular regard to the field of work, decision-making powers, the number of subordinates and other. The Management Board appoints key business holders by granting them a mandate. The same applies to the key function holders, to whom the Management Board grants a mandate and authorisation for performing key functions, which has to be approved by the Supervisory Board. The Appointments and Compensation Committee of the Supervisory Board also takes note of the proposal to give their consent for authorisation.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Description of the risk management system

A comprehensive risk management system of the Group ensures the implementation of strategic objectives and is an essential part of the system of governance within the Group. The system is clear, transparent, well documented and designed in a way that allows for continuous upgrading and adapting to business processes. It provides timely identification of all material risks and a standardised set of procedures for understanding the consequences of realised potential risks. Furthermore, it presents possible ways of managing individual risks or exposures. Its objective is to ensure the achievement of the Group's strategic objectives, mission and vision, as well as:

- to provide assistance to the Management Board and the Supervisory Board in the supervision and coordination of the risks which the Group faces in the course of its operations;
- to understand and identify material risks;
- to ensure that the risks are within the limits set by the Management Board;
- to make certain that the decisions about risks[5] are consistent with the strategic objectives;
- to ensure that decisions about the risks are understandable;
- to optimise the return–risk ratio;
- to allocate capital in accordance with the risks;

[5]The decisions relating to risk assumption, identification, measurement and management.

- to ensure that the remuneration system does not encourage excessive[6] risk-taking and conflicts of interest.

The risk management system is established at two levels. At the first level, risk management is performed in all Group companies. At the level of individual companies, it consists of:

- identification of all the risks;
- an assessment of the perceived risks and the definition of their materiality;
- a clear definition of the objectives of the risks assumed and the establishment of a system of measures in the event of major deviations;
- monitoring and management of assumed and new risks arising from operations by ensuring compliance with the strategy;
- reporting on the risks and information for all key stakeholders;
- defining the procedures for action and taking action in the event of identified deviations and adverse operating conditions.

At the second level, risk management takes place at the Group level and is implemented in the Company. In the context of the committees operating within the risk management system (hereinafter: the Committees) and the Risk Management Department of the Company (hereinafter: the Risk Management Department), a comprehensive overview of the assumed risks in the Group is provided for, including the management and appropriate diversification of risks in the Group by monitoring concentrations at the Group level. The Risk Management Department helps the subsidiaries in establishing a risk management system by developing policies and minimum standards of the risk management system, which allows for the harmonisation of the risk management system at the Group level, taking into account the particularities of individual subsidiaries.

The subsidiaries are responsible for the establishment and upgrading of the risk management system, including the establishment of processes for capital management, the ORSA and regular reporting on their risk profile to the parent company. It is also envisaged to provide information in the event of a significant change in the exposure to any type of material risk, which could affect the capital or liquidity position of the company and dealing with emergency situations.

Through the Risk Management Department and the respective committees, the Company analyses, measures and controls material risks within the Group. If the risk exposure deviates

[6] Excessive risk is a degree of risk increased above the level assessed as optimal from the Group's viewpoint.

from the values set in the Risk Appetite Statement, it proposes to the management the adoption of appropriate measures.

Materiality criteria for the purpose of determining the capital adequacy of the Group are defined in the internal document defining the criteria of materiality and proportionality and the application of expert judgement.

The Company regularly monitors and measures the risks assumed at the Group level by applying three methods: the regulatory approach (the standard formula), the S&P risk valuation method and internal methodologies. Preventive activities in risk management are established in the Group, comprising decomposition and diversification of individual risk types and a limit system for risk exposure. Preventive action in the Group is positioned at two levels. The first level is established at the level of individual subsidiaries and provides for decomposition and diversification at the granular level of each Group company. The second level is established at the level of Zavarovalnica Triglav, where the operation and management of the Group's material risks are comprehensively monitored and managed.

The results of regular risk measurement and monitoring are documented in the regular risk report, which covers key risk indicators including trends, limits and recommendations of the Risk Management Department. Timely information on identified risks and/or the risk mitigation actions taken is another important element of the risk management system.

The risk management process is properly integrated into strategic planning at the Group level.

The events that have a material impact on strategic and business objectives of the Group are properly analysed, classified and evaluated, as these events represent a material risk, which by effect, size and the likelihood of occurrence are the most important for the Group's operations and form the basis for decision-making at the highest level. Should new risks to which the Group is exposed be identified, the Risk Catalogue[7] is updated.

Control activities in the risk management system of the Group are implemented in such a way that these activities are first carried out in subsidiaries, and then the Committees are acquainted with them through the reporting to the Risk Management Department. Part of the risk

[7]The Risk Catalogue is a list of risks, which includes an inventory of the analysed material risk types and definitions and their key characteristics. It includes material types of identified risks to which the Company or the Group are exposed due to the characteristics of their business, or to which they will expose themselves in the coming period.

management system is also documenting the activities and conclusions and notifying the employees. During the implementation of the risk management system at both levels, deficiencies observed and proposals for improvement are documented, for which the upgrading measures and recommendations are prepared.

Based on the planned guidelines and objectives of the Group, individual subordinate guidelines significant for an individual Group member are defined for the strategy period. Based on the consolidated plans of subsidiaries, the events that could have a material impact on the performance of the Group as a whole are identified and analysed primarily in terms of the planned key indicators and guidelines defined in the Risk Appetite Statement.

B.3.2 Key risk management documents

The main documents of the Group's risk management system are the Risk Underwriting and Management Strategy (hereinafter: the Strategy) and the Risk Appetite Statement (hereinafter: the Risk Appetite). Both documents define the main strategic elements of the system and represent the basis for subordinate risk management documents, policies, methodologies and instructions. The documents were transferred to subsidiaries in line with the proportionality principle. All internal documents relating to risk management are implemented in subsidiaries under the principle of proportionality, in accordance with the provisions of the minimum standards.

The Risk Underwriting and Management Strategy defines the overall risk management system in the Group and the guidelines for underwriting particular risk types, quantified in the Risk Appetite. This strategic document quantitatively defines the level to which the Group is able and willing to expose itself in individual risk segments, taking into account its strategic objectives and capital strength. The Risk Appetite defines the key indicators for each material risk and its target and limit values.

B.3.3 Responsibilities in the risk management system

The risk management system of the Group is based on the "Three Lines of Defence" model and works similarly as in the Company.

The first line of defence consists of the business functions, which actively manage concrete business risks through their business decisions and are primarily responsible for risk identification and underwriting.

The second line of defence is composed of business functions and decision-making bodies forming the risk management system, which includes exposure identification, measurement and monitoring as well as the exposure limit system.

The third line of defence includes the internal audit function, which independently and impartially assesses the adequacy and effectiveness of risk management and internal controls, and then reports to the Management Board, the Audit Committee and the Supervisory Board thereof.

The Management Board and the Supervisory Board are not directly part of the three lines of defence, even though they play a crucial role in the risk management system. They are the primary stakeholders serviced by the three lines of defence, who are also in charge of the operation of the three lines of defence within the system of risk management and control processes.

The key tasks of the Risk Management Department are to support the Management Board and the Supervisory Board in the establishment and management of risk management system and its effective implementation. Furthermore, the Risk Management Department is in charge of monitoring the overall risk profile of the Company and the Group as a whole, reporting in detail on risk exposure and advising to both the Management Board and the Supervisory Board on risk management matters, including strategic matters, such as the strategy of the Company, mergers and acquisitions, and major projects and investments. All of the above includes identification and assessment of emerging risks, active care for the operation of the Committees that are part of the risk management system, coordination and calculation of capital requirements, process coordination and preparation of reports.

The risk management function is implemented in each insurance subsidiary of the Group. Each company in the Group appoints a person responsible for implementing the risk management function; that person is responsible for identifying, measuring, monitoring and reporting the risks in the subsidiary in accordance with the minimum risk management standards in the Group. At the Group level, the risk management function for the Group is organised in the Company, which lays down minimum standards for risk identification, measurement, monitoring and reporting at the Group and individual company levels proportionally to their business profile.

The risk management function of the Group is carried out in the Company's Risk Management Department in cooperation with the Subsidiary Management Department in Triglav INT.

The Department is responsible for organising the work and implementing the activities necessary to perform the tasks of the risk management function at the Group level, defined in greater detail below.

The Company’s risk management function holder is also responsible for the operation of the risk management system at the Group level and their position in the organisational structure allows them to monitor and impartially report on the implementation of the risk management system in the Group.

The key tasks of the risk management function for the Group are as follows:

1. supporting the administrative, management or supervisory body and other functions in the effective implementation of the risk management system at the Group level;
2. establishment and monitoring of the risk management system at the Group level;
3. monitoring of the risk profile in the Group;
4. quality reporting on risk exposures and advising the administrative, management or supervisory body on matters concerning risk management, both in current operations and in conjunction with strategic decisions, such as the Group's strategy, mergers and acquisitions and major projects and investments;
5. identification and assessment of emerging risks in the Group;
6. active care for the operation of the Committees which are part of the risk management system in the Group;
7. coordination and calculation of capital requirements at the Group level;
8. coordination and preparation of risk management reports.

The Risk Management Department and the risk management function holder perform their tasks in the context of the second line of defence.

The Committees monitor risks within the Group and act in accordance with the powers delegated from the Management Board in cases of a perceived increase in risks. The Department actively participates in the activities and functioning of the Committees and is thus responsible for the comprehensive supervision of the risk management system at the Group level.

In the context of the risk management system, the following Committees operate within the second line of defence at the Group level, cooperating with each other and exchanging relevant information:

The Risk Management Committee (RMC) is the committee of the Management Board, whose key objectives are to assist the Management Board in assessing exposure to business risks, identifying material risks and weaknesses in the internal control environment of the Group, controlling risk exposure and verifying whether risk exposure is compliant with the Risk Appetite, as set out in the Strategy and the Business Plan of the Group. Apart from that, the Committee assists in risk identification and management as well as in fostering the risk culture in individual areas within the Group. The Committee also verifies the efficiency of the risk management functions and ensures that the Group not only has an appropriate infrastructure but also adequate resources and systems that allow for a satisfactory level of business risk management.

The Assets and Liabilities Committee (ALCO) is the committee whose key goal is the creation of the asset and liability management strategy of the Company, aimed at achieving the strategic objectives in line with the applicable legal and implementing regulations, by taking into account the Risk Appetite, risk exposure limits and any other restrictions that affect the asset and liability management process of the Group. The Committee also monitors life underwriting risks and credit risks in the investment portfolio.

The Underwriting Committee (UWC) is an integral part of the Group's risk management system, which monitors and identifies non-life underwriting risks and develops the non-life underwriting risk management system. The basic purpose of the Committee is to monitor and optimise the level and concentration of assumed risks and to propose limits or an optimal transfer of assumed risks to reinsurance, taking into account both the Risk Appetite of the Group and the risks arising from counterparty exposure in the event of transfer of non-life underwriting risks.

The Operational Risk Committee (ORC) supervises the establishment of an appropriate, integrated operational risk management system and its operation, approves internal documents relating to operational risk management, monitors the business continuity system of the Group, the recovery system, the information protection management system, the data quality management system, the prevention, detection and investigation system of external and internal fraud and unauthorised activities, as well as approves the outsourcing system and the operational (human resource) risk management system. The Committee also monitors the recommendations of the Internal Audit Department and their realisation, which affects the structure of the operational risk management system.

The Non-life and Life Insurance Product Forums propose to the Management Board the adoption of decisions which relate to insurance product development, monitor the status and trends in the development and upgrade of insurance products, prepare insurance product development plans, and monitor product and insurance class profitability as well as trends in loss events and legal changes relating to insurance products.

The Project Steering Committee (PSC) is intended for comprehensive project management as well as providing the basis for transparent and traceable project implementation and project risk identification and management. This includes providing a consistent and efficient project workflow and establishing appropriate and mutually coordinated projects led by the Company in relation to the Group and for Group companies at the Group level.

B.3.4 Risk reporting system

At the Group level, individual subsidiaries are responsible for risk monitoring and regular reporting on them to the Risk Management Department.

Based on regular analyses and reports received, the Risk Management Department is responsible for regular monitoring and reporting on the risk profile of the Group. The overarching risk report presents key risk indicators and assessment of all material risks. Pursuant to their powers, the Committees, the Management Board and the Supervisory Board are acquainted with the report.

B.3.5 Own risk and solvency assessment process

The ORSA process at the Group level is implemented in the same way as at the Company level, whereby the principle of proportionality is applied in the implementation of the ORSA process at the Group level. This means that the overall ORSA result includes the results of the most important subsidiaries, while other companies are taken into account in relation to the risk profile, the principle of proportionality and the materiality criterion at the Group level.

At the Group level, the ORSA process requires to take into account the own funds of the Group as well as the potential requirements for additional capital, the assessment of availability, transferability and interchangeability of own funds, information on the planned transfers of own funds within the Group, which would have a significant impact on any entity within the Group and their consequences, the harmonisation of individual strategies with the strategies established at the Group level, and the specific risks to which the Group is exposed.

The ORSA process consists of a description of identified risks, assessment of appropriateness of the standard formula for the risk profile, identification and assessment of stress scenarios, the calculation of the planned capital adequacy in relation to the business plan, preparation of the final ORSA report, and the reporting of the results to all stakeholders. The ORSA process is properly integrated into the Group's operations. Taking into account the risk profile, the ORSA process is the basis for the Management Board's decision-making and capital management in the strategy period.

The regular implementation of the ORSA process begins in the second half of the year and ends after the strategic plans of individual subsidiaries and the Group are approved by the Supervisory Board. The ORSA process is regularly implemented, at least once a year. In extraordinary situations, it is implemented upon any change in the business strategy or upon any major change either in the current risk profile of the Company or in identification of potential future events or scenarios that could have a material impact on the achievement of strategic objectives or capital adequacy.

The RMC discusses and assesses the results of the ORSA process and the Management Board formally approves the ORSA report. After the report is approved by the Management Board, it is submitted to the competent supervisory institution.

The Group keeps a record of each implemented ORSA, which comprises all relevant documentation, assumptions, methods, calculations and other information that was used to perform the own risk and solvency assessment for the period of the business plan.

B.4 Internal control system

The system of internal control is provided through prudent management and establishment of business processes, taking into account all obligations and the resulting risks, by providing a risk management system, internal and external reporting, by ensuring compliance with laws and regulatory requirements, as well as through the adopted both external and internal rules and the code of ethics applied in the Group. It comprises a clear organisational structure with the establishment of internal control functions and internal controls in all business processes through meaningful implementation of the internal control environment of the parent company in the Group subsidiaries, including a clear division of powers and responsibilities, timely updated policies and procedures, and monitoring, improving and documenting business processes.

B.4.1 Compliance function

The compliance function is organised within the framework of the Company's headquarters department and is directly subordinated to the Management Board. It is not only autonomous and independent from the other business functions but also one of the key functions in the system of governance of both the Company and the Group. Furthermore, it is part of the second line of defence in the three-level internal control system. In line with the policy regulating this function, the compliance function monitors the compliance of the Company's operations with regulations and other commitments, and in this context assesses the compliance risks, educates, assesses the potential impact of changes in the legal environment on business operations, advises on harmonisation, evaluates the adequacy and effectiveness of the procedures and measures taken to ensure compliance of the Company’s operations with the applicable laws and requirements, and informs the Management Board and the Supervisory Board or its audit committee on compliance with regulations and given commitments. In accordance with the adopted policy, the compliance function is also responsible for ensuring compliance of operations in the Group subsidiaries and for the implementation of ethical standards and the development of an ethical culture in the Group.

At the Group level, the compliance function is established in such a way that the compliance function of the parent company prepares guidelines and minimum compliance standards for all subsidiaries within the Group, monitors their implementation, advises and provides for uniform business practices, establishes a system of regular and uniform reporting and provides for the development of a compliance system in the Group subsidiaries. Furthermore, it monitors the compliance of the Group’s subsidiaries and the resulting risks through regular and ad hoc reporting from subsidiaries to the compliance function, by providing advisory services in the implementation procedures and through common training courses. It informs the Management Board and the relevant Risk Management Committee thereof in semi-annual and annual reports. The Supervisory Board and the Audit Committee of the Company also take note of the annual report. The compliance function holder is placed in the organisational structure of the Company in a way, which allows for their monitoring of and impartial reporting on the implementation of compliance risk management in the Group.

B.5 Internal audit function

The internal audit function executes a risk assessment-based control over the operations of individual subsidiaries and the Group by impartially, systematically and methodically assessing the adequacy and effectiveness of the governance of the subsidiaries and the Group, risk management and internal controls as well as by making recommendations for their improvement. Apart from that, the internal audit function provides advice, cooperates with external auditors and other supervisory bodies, and monitors the implementation of internal and external auditors' recommendations.

The internal audit function is established in the Company and in insurance and other financial companies of the Group. In each company, the internal audit function is autonomous and independent from the other business functions and organisational units of the company and is directly accountable to the management and supervisory bodies of the company. It has full and unrestricted access to all areas, records, assets and employees, which are necessary for an effective implementation of internal auditing, while the function holder has direct and unrestricted access to the members of the management and supervisory bodies of the company. The internal audit function of an individual company is obligated to ensure compliance with the statutory requirements and the professional and ethical rules of internal auditing applicable to each company.

The Internal Audit Department of the Company is in charge of the implementation of the internal audit function at the Group level. It performs constant and overall control over the operations of the Company, whilst paying due attention to the areas and risks material at the Group level. Apart from that, it is responsible for maintaining an adequate level of internal audit quality within the Group and to this end prepares minimum standards and detailed methodological guidelines for the operation of the internal audit function in the Group, which are designed in accordance with the International Standards for the Professional Practice of Internal Auditing, the ethical rules and good practices in internal auditing. It advises subsidiaries on the implementation of these standards and guidelines, monitors their implementation and, if necessary, performs internal audits in subsidiaries. The internal audit function of an individual subsidiary is required to submit to the Internal Audit Department of the Company the adopted work plans and periodic internal audit reports as well as inform it of all matters that could have a significant impact on the compliance, effectiveness and efficiency of the function. The Director of the Internal Audit Department of the Company, who is also the internal audit function holder in the Company, regularly communicates with the internal audit function holders in subsidiaries, is informed about the planning procedures, the content and implementation of the internal audit function's work plans in subsidiaries, important findings based on the conducted internal audits and other important areas of operation of this function in subsidiaries and, if necessary, provides additional guidance and assistance.

The Internal Audit Department of the Company reports to the Management Board and the Audit Committee on a quarterly basis and to the Supervisory Board semi-annually on the work of the internal audit function, the findings of internal audits, implementation of recommendations and an assessment of the adequacy and effectiveness of internal control and risk management systems in audited areas.

In their work, internal auditors must be impartial and must avoid any conflict of interest. Furthermore, they are not allowed to perform any development and operational tasks that could cause a conflict of interest and weaken their objectivity, nor do they decide on activities in the areas subject to internal auditing. Internal auditors are required to inform the internal audit function holder, who then informs the management and supervisory bodies, of any circumstances that could cause a conflict of interest, thereby affecting their impartiality when performing the internal audit tasks. The function holder is obliged to inform the management and supervisory bodies of any limitation of the funds required for the execution of the risk-based internal audit plan.

The organisational placement, the role, powers and responsibilities and other rules of the internal audit function, including its reporting obligations, are defined in the internal audit policies of the Company and subsidiaries, which are adopted by the management and supervisory bodies of these companies. The internal audit policies of subsidiaries are harmonised with the internal audit policy of the Company.

B.6 Actuarial function

The actuarial function for a particular insurance company of the Group is implemented in each company within the organisational units responsible for actuarial matters. Each insurance undertaking within the Group has designated an actuarial function holder or appointed a certified actuary.

The actuarial function for the Group is performed in the Company, separately for non-life and life insurance. This function is implemented in cooperation with the Subsidiary Management Department of Triglav INT.

The actuarial function holders at the Company level are responsible for the organisation of work and the implementation of tasks of the actuarial function at the Group level.

The actuarial function holder for the Group is positioned in the organisational structure in a way, which allows their monitoring and unbiased reporting on the implementation of actuarial tasks that are defined by law as key tasks.

The key tasks of the actuarial function within the Group are as follows:
- monitoring the adequate level of technical provisions at the Group level;
- monitoring the appropriateness of the general underwriting risk policy and delivering an opinion whether the amount of the premium of individual products is sufficient to cover all the obligations arising from these insurance contracts;
- verification of the appropriateness of the reinsurance cover for the Group;
- participation in the implementation and application of the risk management system, particularly in the development, application and monitoring of the adequacy of models to calculate capital requirements, and implementation of the ORSA at the Group level;
- setting minimum standards for the preparation of rules, policies and processes relating to actuarial activities and transferring them to subsidiaries;
- care for the transfer of the relevant know-how and good practices and, if needed, provision of technical assistance in the implementation of the agreed minimum standards;
- assistance in the development and upgrading of products.

The actuarial function holder of the Group prescribes information that is required to perform the duties of the actuarial function at the Group level and provides instructions on how to prepare such information. Designated certified actuaries or actuarial function holders of insurance subsidiaries are obliged to provide the required data in accordance with the specified deadlines set by the actuarial function holder.

The actuarial function holder of the Group then annually reports to the Management Board and the Supervisory Board on major findings in relation to:

- reliability and relevance of the methods, models and assumptions used in the calculation of technical provisions and the adequacy of the calculation of consolidated technical provisions;
- the risk underwriting policy at the Group level,
- appropriateness of reinsurance at the Group level.

B.7 Outsourcing

Management of outsourced functions is generally regulated by the adopted outsourcing policy covering both the external and internal (within the Group) outsourcing. The Outsourcing Policy of the Company is the main document, which is meaningfully implemented in the Group subsidiaries. In this way, the providers of outsourced services are subject to the same level of supervision and are obliged to observe the standards binding the outsourcing company. In accordance with the contractual terms, the service providers are obliged to establish and ensure mutatis mutandis the same internal controls and mechanisms to manage any deficiencies as the Group company. The Group has the right to supervise the operation of the service provider's internal control system and to provide guidelines regarding the performance of the outsourced service.

Special attention with respect to outsourcing is paid to the risks arising from an outsourced service or the service provider (outsourcer). These risks are considered both in making a decision to outsource a service and in the selection of a service provider, thereby ensuring that despite outsourcing the same level of service is provided to the policyholders as well as the same level of stability of operations as if the services were provided with own resources.

Outsourced services are regularly monitored by the respective persons in charge, particularly in terms of:

- compliance of the service provided with the contractual terms;
- effectiveness of the service provided;
- effectiveness of the service provider's internal controls;
- service delivery;
- service performance.

Supervision is also executed by assessing the ability of the service provider and the risks arising from an outsourced service with the aim of defining the risks and possible changes in the assessment of the risks arising from an outsourced service. In the event that an increased outsourcing risk has been assessed, the person in charge of the outsourced service is obligated to notify the relevant risk management body thereof and propose measures to manage this risk.

With a view to establishing a record of outsourced services, the subsidiaries made an inventory of all outsourcing transactions or arrangements by which the company delegates the exercise of a particular business process or service, which is considered a key operating function in the company, to a third party (external provider or another Group company). The list of operations outsourced between the Group members is kept by the compliance function of the Company.

Within the Group, the outsourcing of transactions among the members is performed on the basis of mutual service-level agreements in line with the applicable outsourcing policy. Both the needs of each company outsourcing a service and the needs of each company providing the service are taken into account so as not to jeopardize the operations of any company or the Group. No outsourced service within the Group is assessed as material.

B.8 Any other information

Adequacy assessment of the system of governance

The Company, as the parent company, established an adequate system of governance of the Group, which is proportionate to both the nature and scope of its operations and the complexity of the risks arising in the course of its operations. That is confirmed by the results of regular internal audits of this system, which are annually performed by the competent departments in the parent company.

C. Risk profile

The Group monitors and manages the risks arising from its operations in accordance with the process described in the previous section (Section B.3).

The Group monitors the risk profile based on the understanding of underwritten and potential risks, which are measured and assessed with internal methodologies and indicators, in accordance with the regulatory capital adequacy criteria, through capital adequacy based on the ORSA process and through capital adequacy according to the S&P valuation model.

The regulatory capital requirement of the Group is calculated in accordance with the standard formula defined in the Commission Delegated Regulation.

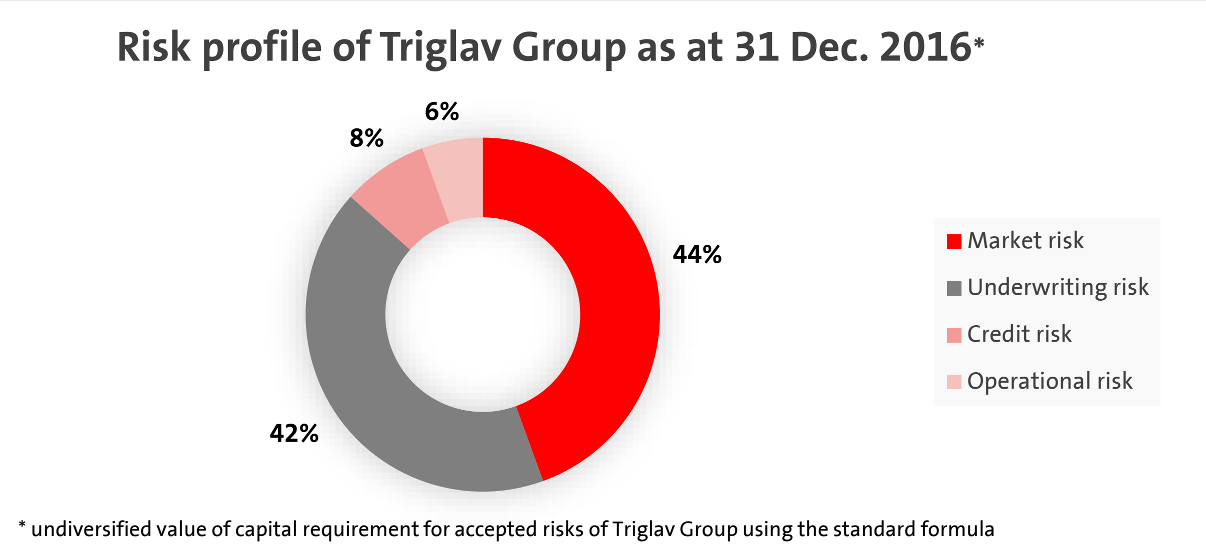
The Group also calculates stress scenario effects according to the public methodology of the S&P rating agency, typically annually. Their results demonstrate adequate capital and financial strength of the Group and are reflected in the credit rating by S&P Global Ratings, which upgraded the long-term credit rating and the financial strength credit rating of the Group from "A–" to "A" on 1 July 2016. Both credit ratings have a stable medium-term outlook.

The capital requirement at the Group level is calculated using the standard formula for the following four types of risk:

- underwriting risks;
- market risks;
- credit risks;
- operational risks.

As at the 2016 year-end, the capital requirement, which does not take into account mutual risk effects (non-diversification), amounted to EUR 550.5 million.

Graph 7: The risk profile, taking into account the non-diversified capital requirement for the Group risks as at 31 December 2016



In addition to the risks for which the capital adequacy is calculated under the standard formula, the Group monitors liquidity and other risks.

Below, material risk exposures are described for each risk category, including a description of the measures used to manage such risks in the Group, a description of material concentrations, as well as a description of risk mitigation methods and Group sensitivity to material risks.

C.1 Underwriting risk

C.1.1 Description of underwriting risks

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions taken into account in the calculation of technical provisions. The Group assumes underwriting risks when performing insurance transactions, which represent its core business.

The main objective of underwriting risk management is to achieve and maintain such quality of the portfolio that provides for stable and safe operations while generating a maximum return. Every type of insurance has its own specific underwriting risks, which the Group duly assumes and manages through individual insurance undertakings of the Group. To achieve the main objectives at the Group level, defined in the Strategy and the Risk Appetite, the Company established procedures to ensure an appropriate level of underwriting risk exposure by:

- defining internal relations regarding powers and responsibilities;
- defining appropriate procedures for insurance product development and confirmation;
- defining appropriate procedures of underwriting risk identification, measurement, management and monitoring;
- establishing an appropriate internal control system that includes administrative and accounting procedures;
- defining a suitable internal assessment process of capital requirements for underwriting risk;
- monitoring the volume of gross written premium;
- defining the maximum level of own share or retention and optimal reinsurance coverage, thereby providing for an appropriate level of portfolio reinsurance;
- providing an optimal level of provisions and capital in relation to the portfolio risk;

which is appropriately transferred to individual companies through minimum standards in relation to the company's size and complexity.

Using the standard formula for underwriting risks, the Company measures the following risks according to its portfolio at the Group level:

- non-life underwriting risk;
- health underwriting risk;
- life underwriting risk.

When underwriting risks, the Group is moderately conservative, meaning it underwrites a wider range of risks, thereby ensuring their diversification. By understanding the risks, the Group is able to actively manage them. In underwriting risk management, the Group also uses risk transfer to reinsurance companies.

As at 31 December 2016, underwriting risk accounted for 42% of the non-diversified capital requirement for the risks arising from the Group's portfolio, which amounted to EUR 232 million.

C.1.1.1 Non-life and health insurance

The non-life and health underwriting risks of the Group are comprised of the risks of individual insurance undertakings of the Group. The underwriting risks of the Group represent the bulk of the risks within the Group. The non-life insurance portfolios of the Group insurance undertakings headquartered outside Slovenia mainly consist of motor vehicle insurance (LoB4 in LoB5) and fire and other damage to property insurance (LoB7). In terms of underwriting risks, these types of insurance are similar in nature to the insurance portfolio of the Company. The insurance portfolios of these companies are partly exposed to natural disaster underwriting risk concentrations.

Besides the companies mentioned above, the Group includes the health insurance company Triglav, zdravstvena zavarovalnica d.d. and the reinsurance company Triglav Re. The largest part of the underwriting risks of the health insurance company consists of additional health insurance contracts, which are by their nature very specific, almost completely unrelated to the other underwriting risks of the Group, and are an important factor for underwriting risk diversification of the Group.

The underwriting risks of the reinsurance company Triglav Re also differ from the underwriting risks of the Group as it deals with reinsurance transactions. Triglav Re is responsible for the diversification of surplus underwriting risk concentrations at the Group level. In exchange for the surpluses, it assumes underwriting risks of foreign insurance and reinsurance companies that are geographically unrelated to the Group. To a lesser extent, Triglav Re is involved in the retained insured perils assumed by the Group insurance undertakings. It constitutes, above all, the geographical diversification of underwriting risks for the Group.

Through non-life insurance health insurance the Group is exposed to the following risks:

Premium risk is the risk that the written premium will be insufficient to meet all obligations arising from insurance policies. This risk largely depends on the volume and range of insurance by insurance segment. When increasing the volume of insurance, the relative deviation of the claims ratio declines from the expected claims ratio due to the law of large numbers. When expanding the range of products, the portfolio becomes less sensitive to external influences, e.g. price pressures for individual products.

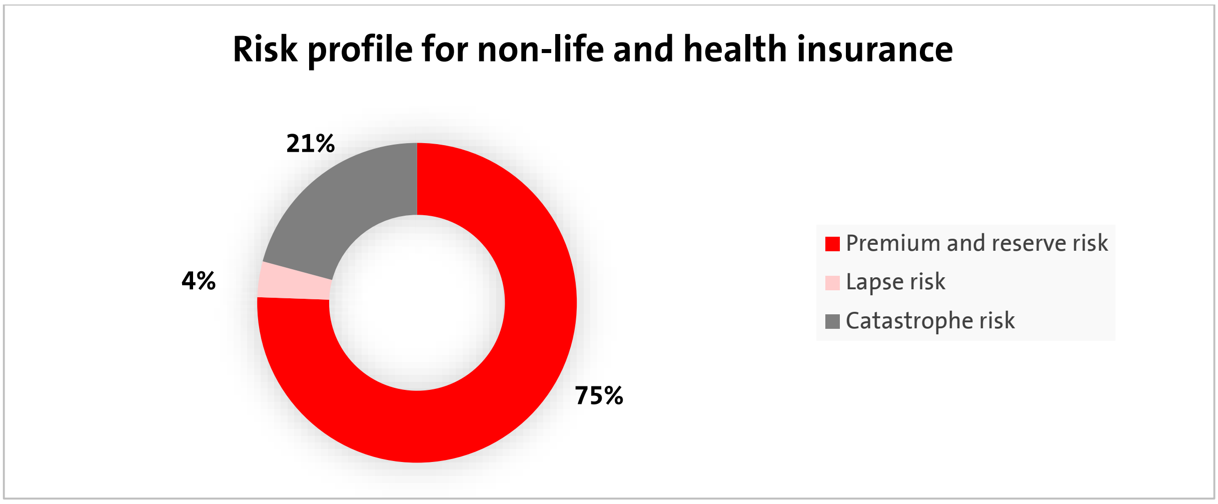
Provision risk is the risk that the actual payments of claims will deviate from the expected. Technical provisions for solvency purposes represent the best estimate of expected losses from existing non-life insurance contracts. In the event that the future realization of paid claims is higher than the volume of formed provisions, the Company will generate a loss from the existing obligations in the amount of the surplus. However, if the future realization is lower than expected, the Company will generate profit. The current assessment of technical provisions for solvency purposes is based on the best estimate – a weighted average of future cash flows.

Provision risk therefore represents potential loss from provisions for claims already incurred (statistically) in an extreme 200-year event.

Catastrophe risk in non-life and health insurance occurs due to the concentration of an insurance transaction in a geographic area, sector industry or insurance peril. It may also occur as a result of a correlation between individual insurance classes. This risk represents the risk of a single loss event with a loss potential that is significantly higher than the average incurred claim in the Company. Large claim amounts can occur in the event of large individual claims, e.g. a fire in a large building, or in the event of simultaneous occurrence of a high number of small claims, e.g. in the event of an earthquake. The insurance portfolio for fire and natural disaster insurance includes both the largest number of individual major risks and coverage of natural disaster risks.

Lapse risk is the risk of a higher lapse rate of non-life and health insurance contracts than the expected lapse rate. Because the vast majority of non-life insurance is concluded for one year, this risk arising from non-life and health insurance is not that material for the Group. Exposure to lapse risk is measured on the basis of technical provisions which increase due to the loss of the planned percentage of premium.

Graph 8: The non-life and health insurance risk profile of the Group as at 31 December 2016



C.1.1.2 Life insurance

The reason for the abovementioned risk of loss or adverse changes in the amount of technical provisions is the difference between the assumed and occurred events, which are an integral part of actuarial calculations used to determine premiums or provisions for the duration of the policies. The basic underwriting risks in life insurance that influence the mentioned events are the following: mortality, longevity, disability, morbidity and lapse. Besides these risks, the companies of the Group pay special attention to the risks arising from expenses and catastrophes.

The Group is exposed to the abovementioned risks through its insurance undertakings. The underwriting risk profiles vary among insurance undertakings, depending on the products in the life insurance portfolio. The bulk of the life insurance portfolio is made up of the portfolios of the Company and Triglav osiguranje d.d., Zagreb.

Risk exposure is determined in accordance with the established risk appetite, the professional capacity to set the price for the underwritten risk, and thus the profitability criteria. Reinsurance companies provide help in pricing new risk types where the Group lacks experience, and the consequent partial risk-taking. The underwriting policies and procedures are coordinated between insurance undertakings and are regularly reviewed. Risk management takes place at the level of individual insurance company, while risk management control is performed at the Group level.

Since the valuation of life insurance portfolios of all Group companies is centralised in the Company, the same bases and methods are used for all of its companies. The range of assumptions is determined for each company separately, based on past experience and anticipated future events on the basis of expert judgement.

Life insurance that includes a savings component is closely intertwined with market risks, therefore a part of non-underwriting risks is dealt with in the section on market risks. The general interconnection of all the risks should be pointed out: the realisation of one alters the exposure and likelihood of another. To aggregate risks, the Group uses the prescribed standard formula where risks of the same type are aggregated at the Group level, and later the capital requirement is calculated. The risks arising within ring-fenced funds are not included in the aggregation of risks of the same type because their capital requirements are calculated separately and added to the capital requirement calculation of the Group as a whole.

Through life insurance, the Group assumes the following basic risks:

The Group is exposed to **mortality risks** in policies covering the risk of death where the coverage is larger than the respective provisions at the time of death. Life insurance policies for the case of death of the policyholder and life insurance policies of loan borrowers have the highest exposure because the sums insured in the event of death are high and technical provisions arising from these coverages are relatively low. For similar reasons, life insurance policies covering accidental death as well as traditional and investment insurance policies with a savings component (with instalment payments of the premium) have a high exposure at the beginning of their duration. Other policies have a low exposure to mortality risk. The Group calculates provisions for such insurance using mortality rates that represent the probability of death of each beneficiary by gender, age and risk class (depending on the insured person's health status and lifestyle).

Disability and morbidity risk is the risk of a significant increase in the probability of occurrence of disability, illness or morbidity in beneficiaries under insurance contracts. The Group companies are exposed to this risk in policies that cover critical and serious illnesses and disability.

Longevity risk is the risk of a substantial life expectancy extension of beneficiaries from insurance contracts, as assumed when setting tariffs and making regular calculations of provisions. The companies of the Group are exposed to this risk in policies where the insurance payment is paid out as an annuity or similar regular payments as long as the beneficiary is alive. Annuity and pension insurance policies are therefore exposed to this risk the most.

The Group calculates the obligations stemming from these insurance contracts using mortality rates, which represent the probability of death of each beneficiary by gender and age. If the overall life expectancy of the insured population extends significantly, the probability of death is decreased, which increases the Group's obligations arising from the exposed policies.

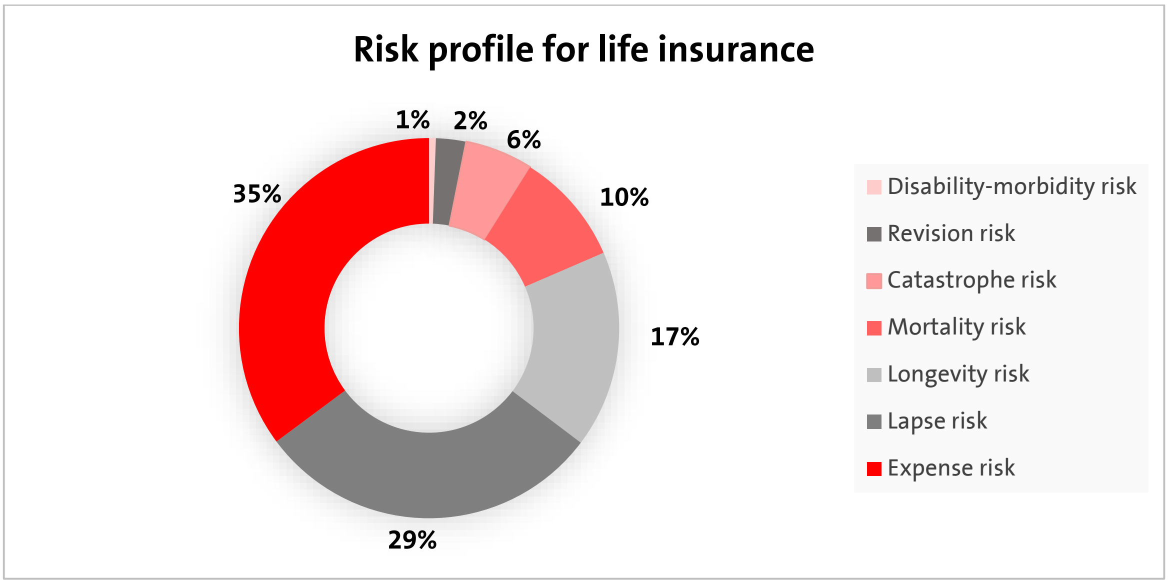
Expense risk is the risk of changes in the value, trend or volatility of expenses incurred in the process of meeting the Group's obligations towards beneficiaries under insurance contracts. The Group is exposed to expense risk in all life insurance policies.

Lapse risk is the risk of changes in the value or volatility of probabilities taken into account for policy lapse, termination, renewal and surrender. All policies allowing policyholders to change the policy (policy surrender, change of the coverage or premium amount, decide with what proportion of saved assets they will purchase the annuity, etc.) are exposed to this risk.

Catastrophe risk arising from life insurance is the risk caused by typical uncertainty about the set premium and inadequate assumptions taken into account in the calculation of technical provisions related to extreme and exceptional events.

Revision risk is a special example of provision risk arising from obligations stemming from non-life insurance, which is similar in nature to life insurance. Most compensation in non-life and health insurance is paid out in lump sums or several instalments, which is why they are similar in nature to non-life insurance. However, in some cases, courts may require that the compensation be paid out in annuities. Such obligations are similar in nature to obligations arising from life insurance in terms of payment and are valued according to the life insurance principles. These obligations are subject to the revision risk because following a complaint by the beneficiary of annuity payments, the court may increase the annual payment due to increased costs of beneficiary's medical treatment or an increased average wage on the market. This increases the nominal value of the Company's obligations. The default average rate of such increases is taken into account in the valuation of technical provisions for annuity compensation coverage. Revision risk is the risk of deviation of realised value corrections from the expectations defined with indexation.

Graph 9: The life insurance risk profile of the Group as at 31 December 2016



C.1.2 Underwriting risk management

The Company established methods and processes defining responsibilities, powers and objectives in underwriting risk management, which are transferred to insurance undertakings of the Group through established minimum standards and good practices, taking into account the size and complexity of underwriting risks.

C.1.2.1 Non-life and health insurance

Individual insurance companies of the Group can accept underwriting risks according to their own restrictions. However, every company has an established structure defining how to treat the underwritten risks.

The premium and provision risk modules are the most important for the Group. In geographical terms and according to the source of the written premium, the Group is primarily exposed to the Slovene market. To calculate capital requirements, Triglav, zdravstvena zavarovalnica uses, for its own purposes, a specific premium risk parameter. Meanwhile, the calculation of capital requirements at the Group level does not take into account those parameters, as the general market risk factors are used.

Second most important module is the underwriting risk concentration or the catastrophe risk, where the concentrations are taken into account by policy and by event. The most important risk concentrations by policy are aviation and fire insurance policies. The most important concentration by natural disaster event is an earthquake scenario in Ljubljana. This module constitutes lapse risk of already concluded insurance contracts.

Changes in the underwriting risk profile could be caused by a change of the macroeconomic environment due to quantitative easing at the European Union level, which could change the expected inflation rate, thus influencing an increase in provisions and consequently premium and provision risks. The premium risk profile could undergo the greatest change with the penetration of new technologies and the uberisation of the insurance industry, which could significantly increase market competition and trigger price wars. Political risks also have some influence on underwriting risks. The most acute cases are the Macedonian market with its political crisis and the uncertain situation of supplemental health insurance in Slovenia. The natural disaster exposure profile depends on climate change in motor vehicle insurance, non-life insurance and crop insurance.

Moreover, performance and the risk profile are affected by prominent business cycles, which are most evident in motor vehicle liability insurance, the core insurance class facing intense competition. In case the premium and provision risks were realised, the capital requirement for these risks would decrease due to the decline of expected premium.

The Group has recently recorded an increase in premiums, which also affects the increase in premium and provision risk. Non-life and health underwriting risks would increase by 6–8% in the case of a 10% premium increase, where an accurate estimate depends on the increase in provisions.

Premium and provision risk management is primarily performed in each insurance and reinsurance company of the Group separately. The insurance undertakings of the Group located outside the European Union manage premium and provision risk in accordance with their local regimes and the Company's minimum standards. This means that they prepare actuarial bases used to develop products and actuarial reports along with an opinion on the appropriateness of the provisions and reinsurance. In insurance undertakings located in the European Union, the actuarial function holder prepares opinions on the appropriateness of the premiums, provisions and reinsurance. Moreover, some companies have internal interdepartmental committees that confirm any changes to insurance products.

Every insurance company of the Group has established its own retention tables, which limit the exposure to individual risk concentrations in a policy at the level of each insurance undertaking by individual insurance class. Surpluses must be adequately reinsured. The maximum underwriting risk concentrations at the Group level are equal to the sums of all individual restrictions.

Insurance perils with a low frequency and a high severity risk are managed by the reinsurance cover. The reinsurance programme of the Company and Triglav Re includes various types of reinsurance coverage by insurance segment, depending on the nature of the insured risk, and is adjusted to limit underwriting risk concentrations at the Group level.

Within the management structure, regular reviews of underwriting risks at the Group level are performed mainly by the Underwriting Committee. The annual adequacy review of the underwriting risk management is also performed within performance reviews in order to obtain credit ratings by S&P and A.M. Best.

C.1.2.2 Life insurance

At least once a year, exposure to individual life underwriting risks is measured at the level of each insurance undertaking of the Group separately. If necessary, the exposures can be aggregated at the Group level. This is performed using various analyses and methodologies:

- To calculate capital requirements, risk exposure is measured as the mass of the best estimate of liabilities increased by the prescribed realisation of a risk, assuming the risk is harmful for a company within the Group. The described harmful increase in liabilities also represents the capital requirement for an individual basic risk, prescribed by the standard formula.
- When reviewing the adequacy of the recognised liabilities for financial statements (LAT), the Group measures their exposure to changes of relevant assumptions. The appropriateness of the amount of the recognised technical provisions is also assessed for financial reporting purposes.
- Profitability tests during the development of products and ongoing measurements of the remaining profitability show the exposure of individual products to certain risks.

- The scenario analysis in the context of the ORSA process measures the exposure of the result, the technical provisions and the capital adequacy to different ranges of risks, coordinated within individual scenarios. The Group examines the exposure to the environment of persistently low interest rates particularly carefully, as well as to possible securities market meltdowns, a pandemic catastrophe and adverse court decisions.
- The benchmarking of actual cash flows and positions against the anticipated ones determines the adequacy of the established range of assumptions and the sensitivity of the projections to them. Such an analysis is also used to manage risks related to calculation data, models and processes.
- During the planning process, it is assessed how dependent a future risk exposure is on the risk profile structure, which derives from the remaining current and new future risks that a company of the Group will assume. The future capital coverage is also calculated using the standard formula.
- The assessment of the value of the company along with its life insurance portfolio (embedded value) provides insight into the exposure of the value to various risks.

The Group companies manage and mitigate **mortality, morbidity and disability risks** by prudently admitting policyholders to insurance. The admission process is determined at the Group level, while in the case of transferring risks to reinsurance companies, this process is coordinated with them as well. The reinsurance coverage of those risks is coordinated at the Group level. Individual companies monitor the permanent effectiveness of the coverage through its results. In addition, its reasonableness is analysed at the Group level. These risks are managed and mitigated through diligent claim administration.

Longevity risk is not transferred to reinsurance companies or other insurance companies of the Group. It is managed by creating annuity tariffs that take into account decreasing mortality trends and are based on the use of generational mortality tables. When calculating the technical provisions for financial reports and capital adequacy, the anticipated mortality rates are constantly being updated according to experiential trends.

Individual companies of the Group are responsible for **expense risk** management and mitigation. The risk is monitored at the level of the companies (and aggregated at the Group level if necessary) by making cost analyses and using cost models when making projections of cash flows for different realistic valuations in the context of the abovementioned analyses and methodologies.

Individual companies of the Group are responsible for **lapse risk** management and mitigation. They primarily manage such risk simply by using the appropriate concept of an insurance product that reduces the financial consequences of early termination. In order to mitigate this risk, it is important to offer policyholders the insurance products that best suit their needs. This can also be achieved by educating the sales staff and the policyholders. The risk is monitored at the level of the companies through experiential persistence analyses of the portfolio by various factors, e.g. product type, sales channel, policy duration, etc. By taking appropriate measures to maintain their portfolio, the Group companies try to manage this risk.

Catastrophe risk is mitigated through reinsurance contracts for individual surpluses of mortality risk. The Group companies do not use catastrophe reinsurance coverage for mortality catastrophes because according to the results of the ORSA process this would not be optimal.

Life underwriting risk concentration derives from diversification that is, on the level of individual risk factors, too small to influence the life insurance portfolio. By diversifying risks, the Group achieves greater stability of future events. This is a natural consequence of levelling a large set of risks that are as independent as possible. This is why the basis of good diversification is a sales volume that is big enough by each segment (product type, geographical areas, age groups, etc.) that the Group insures.

In line with the underwriting policy of the Group and its subsidiaries, the latter avoid underwriting large risk concentrations.

A more important part of the existing and planned life insurance portfolio is acquired through retail trade. The portfolio of the collective part of the supplemental voluntary pension insurance is an exception since the policyholders are companies and the beneficiaries are their employees. The lapse risk of the retail part is well diversified, while the lapse risk concentration of the collective part is greater yet manageable, as shown with the analyses and experience.

The distribution of the sales network throughout the Adria region enables the Group to ensure geographical diversification while contributing to an increase in the sales volume of the entire Group. The Group has thus registered a favourable risk levelling between the companies.

A wide range of life insurance products enables the Group to cover most of the clients' needs while diversifying different risk types covered by those products. Such a wide range of products covers the needs of clients belonging to all age groups, diversifying age as a factor in life underwriting risk. The Group also manages risk concentration through reinsurance coverage. It eliminates the exposure to individual large risks by reinsuring risk surplus.

C.2 Market risk

C.2.1 Description of material market risks

Market risk is the risk of loss or adverse changes in the financial situation of the insurance undertaking, resulting from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments.

The Group addressed the following types of market risk:

- The risk of changes in interest rates or interest rate risk is the risk of loss due to changes in interest rates that affect the value of interest rate sensitive items of assets and liabilities. The key elements include the repricing gap, the yield curve shift, the basis risk and the embedded options of interest rate sensitive items.
- The risk of changes in the price of equity securities or equity risk refers to the sensitivity of the value of assets and liabilities to adverse changes in the prices or market price volatility of equity securities.
- Property risk refers to the sensitivity of the value of assets and liabilities to adverse changes in the market prices of real property.
- The risk of changes in credit spreads or spread risk refers to the sensitivity of the value of assets and liabilities to adverse changes in credit spreads. The key elements of spread risk are the level and volatility of credit spreads over the term structure of the risk-free rate and the value of debt financial instruments.
- Currency risk is the risk of loss arising due to adverse changes in exchange rates. It is affected by the amount of the open currency position (i.e. the currency mismatch of assets and liabilities), the volatility of the relevant exchange rate and the liquidity of markets for the relevant currency.

The exposure of the Group to market risk derives from its exposure to the financial assets of the Group companies, where the greatest exposure derives from the Company. The Group has the largest exposure to debt securities in the amount of EUR 1,823 million, followed by investment properties in the amount of EUR 105 million, real property and equipment for own business amounting to EUR 103 million and investments in stocks amounting to EUR 119 million, of which EUR 62 million accounts for investments in related undertakings. Exposure to collective investment schemes is high, amounting to EUR 96 million. Deposits amount to EUR 49 million and cash and cash equivalents equal EUR 46 million. Of loans in the amount of EUR 35 million, EUR 28 million accounts for loans to SID Bank (Slovene Export and Development Bank). Unit-linked insurance assets total EUR 650 million.

Table 7: Financial assets of the Group as at 31 December 2016

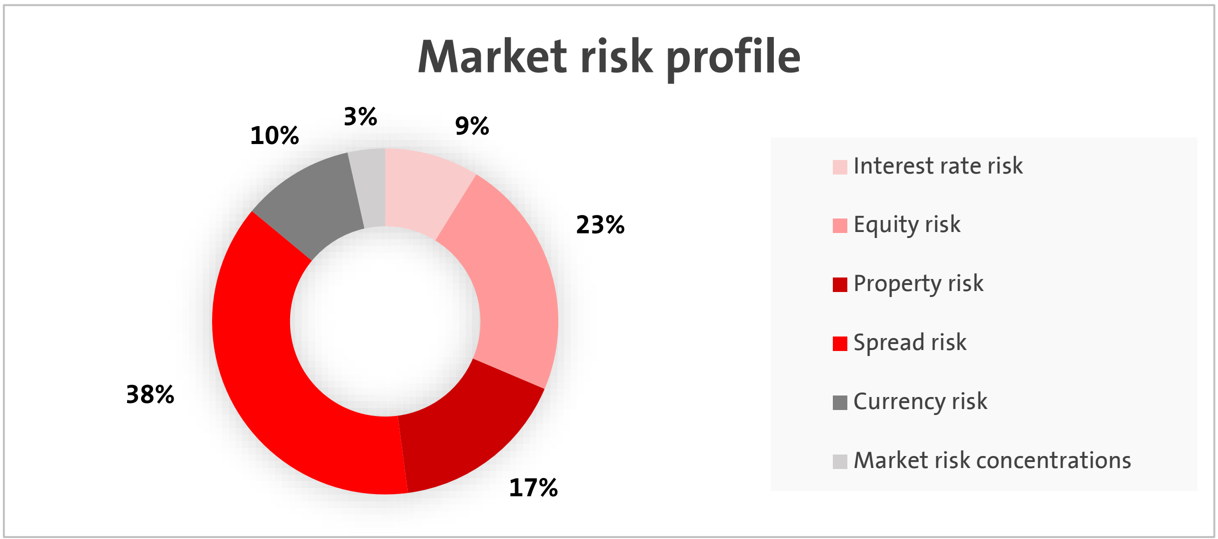
31 Dec. 2016	in EUR thousand	
Assets	**Value**	**Percentage in total assets of the Group**
Own real property	102,706	3.24%
Investment property	105,373	3.33%
Financial investments in subsidiaries	61,943	1.96%
Shares	57,334	1.81%
Bonds	1,822,736	57.56%
Financial investments in investment funds	96,053	3.03%
Derivatives	1,423	0.04%
Deposits, excluding cash equivalents	49,458	1.56%
Other financial investments	4,410	0.14%

Among sovereign exposures, the Group's largest exposure in 2016 was the exposure to the Republic of Slovenia reaching 37.3%. Other exposures exceeding 5% were those to the Federal Republic of Germany (7.9%), the Kingdom of Spain (5.8%) and the Kingdom of Netherlands (5.1%).

Among individual issuers, the Group's largest exposure was to the Republic of Slovenia (8.2%), followed by the Kingdom of Spain (3.2%) and Commerzbank (2.3%).

As at 31 December 2016, market risk accounted for 44% of the non-diversified risk capital requirement arising from the Group's portfolio, amounting to EUR 244.8 million.

Graph 10: The market risk profile of the Group as at 31 December 2016



C.2.2 Market risk management

To ensure effective market risk management, the Company as the parent company of the Group established methods and processes with clearly defined powers and responsibilities, which allow for an up-to-date identification, assessment, management and monitoring of market risks. In addition, this system enables quality market risk analysis and reporting as well as to propose and implement measures to prevent any sudden decline in the surplus of assets over liabilities resulting from changes in financial markets, including the real property market. These established good practices and minimum standards are adequately transferred to the insurance undertakings in the Group through minimum standards by taking into account the size and complexity of each company.

The market risk management system clearly defines the key objectives which relate to market risk management. The key objectives refer to the management of market risks in the Group and are aimed at:

- an efficient and effective identification, measurement, assessment, control and management of market risks;
- minimising the potential losses arising from adverse changes of market-related variables;
- asset and liability management with a view to avoiding maturity mismatches;
- asset and liability management with a view to avoiding currency mismatches;
- asset and liability management with a view to avoiding maturity mismatches of interest rate sensitive assets and liabilities;
- an appropriate diversification and profitability of financial investments;

- an appropriate diversification and profitability of financial investments;
- adequate investments backing insurance obligations;
- regular monitoring of exposure to market risk and verification of the correctness and appropriateness of the assumptions used in establishing the market risk management policy;
- performance of appropriate credit risk assessment within the ORSA process and
- preparation of analyses, appropriate information and compiling of reports on credit risk exposure.

For the purpose of monitoring market risks, the Company and the Group members put in place a system of tolerance limits that establishes restrictions in terms of the maximum level of acceptable risk and defines the desired investment portfolio structure and the maximum admissible counterparty exposure, thereby limiting the potential losses arising from market risks to a level that is deemed acceptable in view of the complexity of the business model, the strategic objectives and the capital strength of the Group. The basic principles for setting tolerance limits are derived from the identified risks arising from trading and investment portfolio management.

In order to mitigate market risk, the investment portfolio of the Group is appropriately diversified and, if necessary, various derivatives are used. Derivatives are only used in cases when they allow for additional flexibility in asset management and provide an effect that would be relatively harder to achieve without them.

The assessment of the necessity to use this type of instruments takes into consideration several aspects, focusing on the safety, economic efficiency and the use of capital. When using derivatives, the main emphasis is on the comprehensive hedging of individual portfolios. In this respect, derivatives for hedging interest rate risk are currently most topical.

Exposure to concentration risk under the criteria of the methodology for solvency purposes as at 31 December 2016 was in line with the guidelines set in the Risk Appetite.

The structure of the Group's financial assets remains relatively conservative, focusing on fixed-return investments. Investments in debt financial instruments are appropriately diversified both across sectors and issuers with a view to ensuring an adequate safety of the investment portfolio. In terms of issuer sectors, sovereign bonds have a predominant share of over 50%.

Market risk exposure indicators are monitored by the Middle Office Department. Additional monitoring of key market risk indicators is carried out by the Risk Management Department in the form of regular reports. In the event that a market risk appetite or limit is exceeded, the Risk Management Department submits a proposal for action to the Management Board, who adopts a decision in relation to further action.

C.3 Credit risk

C.3.1 Description of material credit risks

Credit risk is defined as the risk of loss or adverse changes in the financial situation of the company, resulting from fluctuations in the credit situation of an issuer of securities, a counterparty and possible debtors to which the company is exposed.

Credit risk encompasses three risk types:

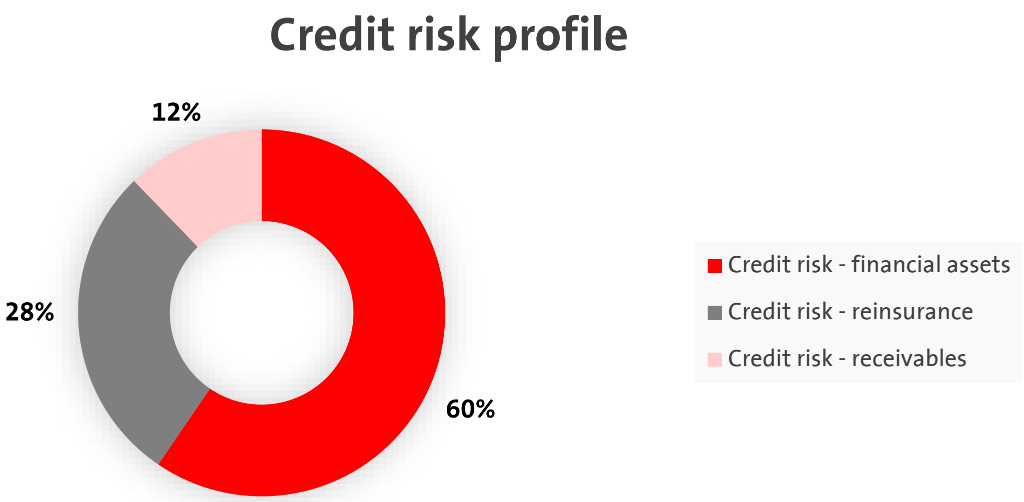
- Credit risk with regard to investments, which refers to the potential loss due to a default or deterioration of the credit situation of an issuer of securities or counterparty involved in a derivatives transaction.
- Credit risk with regard to reinsurance, which refers to the potential loss resulting from a default or deterioration of the credit situation of reinsurers.
- Credit risk with regard to receivables from policyholders and insurance intermediaries, which refers to the potential loss resulting from a default of insurance intermediaries and other debtors in respect of premium.

The concept of credit risk also includes concentration risk. The Company measures and monitors concentration risk in all segments of its operations as part of the risk management of individual risk types, taking due account of the exposure to individual segments, counterparties, sectors, countries or sales channels. Credit concentration risk is the risk of loss arising from excessive exposure to a single individual, group of related parties and parties connected by common risk factors such as the same economic sector or geographical area.

The Group has a conservative approach to underwriting credit risk, basing its decisions on the assessment of underwritten risks, ensuring the safety and quality of its investment portfolio, and its exposure to reinsurers, clients defaulting on premium and subrogations.

As at 31 December 2016, credit risk accounted for 9% of the non-diversified risk capital requirement arising from the Group's portfolio, amounting to EUR 43 million.

Graph 11: The credit risk profile of the Group as at 31 December 2016



The Group is exposed to counterparty risk in the context of investments, especially through monies on bank accounts, i.e. cash and cash equivalents.

C.3.2 Credit risk management

The Management Board is in charge of efficient credit risk management and is also responsible for ensuring an adequate organisational structure, allocation of responsibilities as well as the appropriate structure and professional competence of staff. The Management Board has delegated a part of its competence relating to credit risk management to the Assets and Liabilities Committee, the Underwriting Committee and the Risk Management Committee as the highest decision-making bodies with respect to credit risk.

Credit risk management is implemented through monitoring and restrictions applied to exposures to individual counterparties as well as by evaluating the suitability of counterparties, also taking into account the principle of materiality.

The monitoring of exposure to individual counterparties, the compliance with internal tolerance limits and the diversification of counterparties in terms of credit rating with regard to investments is carried out on a regular basis by the Middle Office Department. With regard to reinsurance, these tasks are performed by the Risk Management Department, which also performs a regular review of the entire range of credit risks in the Group and submits its findings to the Management Board in the form of regular reports.

The credit risk management system is defined in the internal document on credit risk management with key objectives, which include:

- efficient and effective credit risk identification, measurement, assessment, control and management;
- the establishment of appropriate procedures for minimising the probability of loss occurrence and limiting the loss arising from credit risk;
- management of the portfolio credit risk by investing assets in investments with an adequate credit rating, an expert analysis of counterparty credit risk and a sufficient degree of portfolio diversification;
- regular monitoring of the credit rating of external institutions and limiting the exposure to non-rated counterparties;
- definition of restrictions and limits in terms of permissible types of investments or financial instruments as well as the maximum permissible exposure to individual counterparties or groups of related parties;
- prudent consideration of the eligibility of business partners for reinsurance and fronting transactions and regular monitoring of their eligibility based on their credit rating and the adequate degree of diversification;
- regular monitoring of the Company's exposure to credit risk and verification of the correctness and appropriateness of the assumptions used in establishing the credit risk management policy;
- performance of an appropriate credit risk assessment within the ORSA process;
- preparation of analyses, appropriate information and compiling of reports on credit risk exposure.

Exposure to concentration risk under the criteria of the methodology for solvency purposes as at 31 December 2016 was in line with the guidelines set in the Risk Appetite.

The Company manages the credit risk arising from its investment portfolio by investing assets in investments with an adequate credit rating, conducting an expert analysis of counterparty credit risk and ensuring a sufficient degree of portfolio diversification. For the purpose of measuring portfolio credit risk at the Group level, the Company monitors the credit ratings of external institutions on a regular basis, placing a particular emphasis on monitoring and limiting the exposure to non-rated counterparties. Furthermore, in order to monitor and limit the credit risks arising from the investment portfolio, the Company defined restrictions and tolerance limits for permissible types of investments or financial instruments as well as the maximum permissible exposure to individual counterparties or groups of related parties. Material counterparty risks derive from the use of reinsurance and make the Group exposed to the reinsurance companies with which the Group maintains reinsurance.

- The credit risk exposure to individual reinsurers is determined by taking into account the amount of existing receivables, the amount of the ceded technical provisions and the effect of the lower capital requirement with regard to reinsurance.
- When accepting credit risk arising from reinsurance, the Company in cooperation with Triglav Re employs a proactive approach to credit risk management by conducting a thorough assessment of the eligibility of business partners for reinsurance and monitoring their eligibility on a regular basis (credit rating, diversification). The Company defines and monitors the required credit rating of reinsurers using the criteria of the rating agency S&P with a view to ensuring that its exposure to reinsurance credit risk never exceeds the criteria required of an A-rated insurers.

Credit risks are better diversified at the Group level than they are at the level of individual entities.

The average credit rating of the Group's reinsurers is between A and AA if the average is weighted according to the loss incurred by the Group in the event of failure of individual reinsurers. If the credit rating of the most important reinsurer of the Group was downgraded from AA to A, the capital requirements arising from counterparty risk would increase by 20%.

Material counterparty risks derive from the use of reinsurance and make the Group exposed to the reinsurance companies with which the Group maintains reinsurance.

The exposure to individual groups of related parties at the Group level is measured according to the standard formula model. Counterparty risk is mitigated with appropriate reinsurance diversification between reinsurers and with restrictions for reinsurance underwriting with reinsurers that have poor credit ratings.

C.4 Liquidity risk

C.4.1 Description of liquidity risk

Liquidity risk is the risk of loss resulting from the Company's inability to meet its payment obligations when due and/or payment obligations arising from major losses or from the fact that the Company is forced to acquire the necessary funding at costs significantly above the usual. Liquidity risk also refers to the risk of impaired access to financing required for the settlement of liabilities arising from insurance and other contracts. Liquidity risk usually materializes in the form of the inability to liquefy investments without selling at a significant discount to the current market prices.

Liquidity risk indicators show a high liquidity of the Company.

The Company is traditionally an institution with strong liquidity as the inflows from the core activity are constant and additional security mechanisms (credit lines, repurchase agreements, etc.) were established for ensuring sufficient liquidity.

C.4.2 Liquidity risk management

The liquidity risk management system and its goals are defined in greater detail in the internal document on liquidity risk management, which is also transferred to the Group members. The key objective of the liquidity risk management system is to ensure:

- efficient and effective liquidity risk identification, measurement, assessment, control and management;
- the availability of a sufficient amount of liquid assets at any given time for the timely settlement of liabilities, which means ensuring the Company's liquidity at all times;
- daily settlement of all of the Company's liabilities (on-balance-sheet and off-balance-sheet) in different currencies;
- meeting of internal liquidity ratios;
- economical management of any daily surplus liquid assets;
- monitoring of the liquidity gap (liquidity gap analysis);
- planning of budgeted and potential cash outflows and sufficient cash inflows, taking due account of the requirements of operations in both normal and extraordinary circumstances (not only in a liquidity crisis, but also in the case of other extraordinary events);
- preparation, proposal, coordination and implementation of measures to prevent or eliminate the causes for the occurrence of illiquidity;
- regular monitoring of liquidity and verification of the accuracy and appropriateness of the assumptions used in establishing the liquidity risk management policy;
- implementation of an appropriate liquidity risk assessment in the context of the ORSA process and

- preparation of analyses, appropriate information and compiling of reports on liquidity risk exposure.

The Company and the Group members manage its investments and assets in a manner allowing them to meet, at any given moment, all of their matured liabilities. To meet these liabilities, the appropriate structure of assets is maintained in terms of their nature, duration and liquidity. An adequate liquidity position is ensured through the planning of actual and potential net cash outflows, by maintaining an appropriate level and structure of liquid investments and by monitoring the structure of liabilities and financial assets. Exposure to liquidity risk is limited by setting the relevant limit systems. The subsidiaries manage their liquidity in line with the local legislation and minimum standards of risk management within the Group.

The Group's readiness to take on liquidity risk is defined in the Strategy and the Risk Appetite. The Group determines its liquidity risk appetite by means of internal risk indicators defined in the Risk Appetite.

The monitoring of liquidity risk exposure indicators in line with the Risk Appetite is carried out by the Risk Management Department in the form of regular reports. If it is established that the liquidity risk appetite has been exceeded, the Risk Management Department proposes measures for limiting the exposure to an acceptable level to the Management Board.

The Management Board is in charge of efficient liquidity risk management at the level of the entire Group and is also responsible for ensuring an adequate organisational structure, allocation of responsibilities as well as the appropriate structure and professional competence of staff. The Management Board has delegated a part of its competence relating to liquidity risk management to the Assets and Liabilities Committee and the Risk Management Committee as the highest decision-making bodies in this area.

Part of the Group's own funds consists of expected profits in future premiums of the existing insurance contracts. For non-life and health insurance at the Group level, they are estimated at EUR 14.6 million and are equal to the sum of expected profits in future premiums of the existing non-life and health insurance contracts of individual Group members. The profit of an individual member is calculated by first calculating the best estimate of cash flows, assuming that the expected premiums are not paid. The remaining assumptions in the calculation remain unchanged. The amount of expected profit in future premiums is equal to the excess of the best estimate for net cash flows under the previous assumption over the net best estimate. The calculation takes account of the fact that the consequence of not paying the premium in non-life and health insurance is that the Company is not obliged to pay out the sum insured.

The amount of expected profit in future premiums from the Group's life insurance is calculated using the assumption that the premiums related to the existing insurance contracts expected to be received in the future have not been received. It is assumed that all insurance policies remain valid, but the inflow of future premium ceases, therefore the future benefits from insurance policies are adjusted accordingly. The policies in which such future benefits cannot be determined are not taken into account in the calculation. The resulting amount is determined as the excess of the calculated liabilities over the best estimate of liabilities.

The amount of expected profit in future premiums as at 31 December 2016 is shown in the table below.

Table 8: Amount of expected profit in future premiums as at 31 December 2016

31 Dec. 2016	in EUR thousand
Value of expected profit in future premiums	**Value**
Life insurance	29,240
Non-life and health insurance	14,616

C.5 Operational risk

C.5.1 Description of material operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, project planning and management, people and systems or from external events.

In its operational risk classification, the Company uses the seven basic operational risk categories:

- internal fraud or unauthorised activity of employees;
- external fraud or unauthorised activity of third parties;
- system failure and related business interruptions;
- damage to physical assets;
- inadequate human resource and work environment safety management;
- non-compliance with the applicable regulations, inadequate business or market practices, clients and products;

- inadequate implementation and management of processes and the control environment, suppliers and business partners.

As at 31 December 2016, operational risk accounted for 6% of non-diversified capital requirements for risks in the Group's portfolio, amounting to EUR 30.6 million.

C.5.2 Operational risk management

The operational risk management system and its objectives are defined in greater detail in the internal document on operational risk management. The Group companies use a coordinated, internally established methodology, which derives from modern good practices of operational risk management and takes account of the features of individual companies as well as their size, organisation, volume of operations, and the level and quality of accessible resources and data.

The basic objectives of the coordinated methodology provide for:

- efficient and effective operational risk identification, measurement, assessment, control and management;
- a transparent, comprehensive and effective monitoring of operational loss events and realized losses by individual functional area with the purpose of preventing and mitigating especially large or frequent loss events;
- preparation, proposal, coordination and implementation of measures to reduce operational risk, eliminate the consequences and prevent future loss events;
- an appropriate calculation of capital requirements for operational risk in accordance with the applicable legislation and capital models of rating agencies;
- implementation of appropriate operational risk assessment in the process;
- preparation of analyses and appropriate informing and reporting lines on exposure to operational risks and the related loss events and other content.

The Company established an efficient operational risk management in the Group through the following three basic process sets:

1. Prior identification, assessment and determination of the management method for potential operational risks, which are performed through workshops.
2. Identification and reporting on realized operational risks or loss events in a structured database.
3. Appetite monitoring and monitoring of key operational risk indicators.

The Company defines its risk appetite by operational risk with risk appetite indicators. The Group members have zero tolerance to operational risk arising from internal crime, the leaking of information to unauthorised persons and employees' negligent conduct.

In the management of realised operational risks or operational risk loss events, the Company pursues the rule of achieving positive business effects with regard to the ratio between potential loss due to risk occurrence and the amount of necessary costs invested to avoid the occurrence of a loss event. This is prudent behaviour aimed at improving business results and avoiding any catastrophic consequences.

In order to achieve effective and efficient implementation and management of operational risks, the Company has established and maintains an appropriate working environment and employee organisational culture, because it is aware of the fact that this is one of the key components to effectively mitigate and manage operational risks, which are present in all business processes.

The global insurance industry is faced with a number of various types of fraud and their adverse effects, particularly insurance. The implementation of a comprehensive fraud management policy is the responsibility of the Fraud Prevention, Detection and Investigation Department, the Compliance Office, the Internal Audit Department and the Risk Management Department of the Company.

Even though the Group is mostly exposed to insurance fraud, its fraud prevention, detection and investigation policy encompasses all business areas. It includes underwriting and claim settlement as well as areas such as relations with service providers and insurance intermediaries, financial investments and human resources.

In order to mitigate the insurance fraud risk, the Company additionally improved and upgraded the key fraud indicator system in 2016, especially to detect the most frequent insurance frauds more efficiently, particularly loss event fraud.

In terms of operational risk concentration and materiality, the impact of information technology on operations is increasing in the era of computerization and digitisation. The Group and its operations are already highly dependent on the proper functioning of information technology (e.g. key applications). Consequently, special attention is paid to information risk management and information security and – in the operational risk category – failure of information systems and the related business disruption. This is because even relatively short availability downtimes or downtimes in proper operation of certain system or application components, as well as inadequate protection against breach may lead to a significant loss in business income and even reputation.

Last year, the Company performed a risk analysis for the use and development of IT applications in the Group's insurance companies. For identified key risks, some measures were already implemented for their mitigation, which will continue in the future. These main activities include an appropriate process adjustment, especially implementation of the entire application development and change management process, including more complete and appropriate testing and optimisation of IT and application infrastructure.

Another important operational risk concentration set is the risk of dependence on key personnel. This is managed by ensuring succession. The Company developed a key personnel management system, which increases satisfaction and allows for continuous growth and development, also at the Group level. Career development and continuity in company management are planned, retention of expertise and personnel development is provided for and motivation of key employees is increased.

The Company also tests for sensitivity to realized operational risk. In 2016, a stress test was performed for this purpose. A scenario for transferring IT operations of the parent company from the primary server location to the backup location was implemented.

C.6 Other risks

C.6.1 Non-financial risks

In terms of performance of the Group, non-financial risks include material strategic risk, capital risk, reputational risk and Group risks. Non-financial risks are very closely linked to other risks, especially operational risks, and normally arise from several realised factors, both inside and outside of the Group.

The main objectives of the non-financial risk management system are parallel with the objectives of the Strategy and enable the Company:

- to achieve strategic objectives, stable operations and growth in the long term;
- to maintain a good reputation and a high level of confidence of all stakeholders;
- operation in accordance with the applicable legislation and other commitments and established good business practices;

- to meet the criteria of external rating agencies so as to maintain at least the A credit rating;
- efficient and effective non-financial risk identification, measurement, assessment and management;
- timely detection of deviations from the strategic objectives, an analysis of causes and a range of measures to achieve them, and coordination and implementation of measures in the business process;
- preparation of analyses, appropriate informing and compiling of reports on non-financial risk exposure and
- to implement appropriate non-financial risk assessment in the context of the ORSA process.

Strategic risk is the risk of loss due to inappropriate strategic decisions, improper implementation of adopted strategic decisions and insufficient responsiveness to changes in the business environment (including legal and regulatory risks).

Capital risk represents the possibility of loss due to inappropriate capital structure given the volume and manner of operations or the problems that the Company would face in acquiring fresh capital, particularly if it needed to increase its capital rapidly or in adverse conditions.

Reputational risk is the risk of loss arising from a negative image held regarding the future or existing operations of the Group by its clients, business partners, employees, shareholders and investors and/or competent or supervisory bodies and the public.

Group risks arise from the business model of the Company, which operates as the controlling company or a group of related parties. The Group risks include risks that may jeopardize the achievement of strategic objectives due to an inefficient system of governance of the Group and insufficient knowledge of the business environment where the Group companies operate. The Company's risk profile is also affected by transactions between related companies and an increased complexity of concentration risk management.

The willingness to assume non-financial risk or tolerance towards this risk segment is defined as low. The internal culture and system of governance as well as all its business practices are directed towards avoiding such risks and minimising their negative impacts on the operations of the Group.

The Company's Management Board is responsible for effective non-financial risk management within the Group and for providing an appropriate organisational, accountability and personnel structure as well as professional competence of employees. The Risk Management Committee and the Compliance and Ethics Committee are the decision-making bodies at the highest level of this risk segment.

C.6.2 Risk scenarios

Risk scenarios at the Group level were formed with the aim to identify scenarios or potential events, which were estimated to be relevant for 2016 and 2017, defining how they could affect the Group as a whole. The effects were assessed by the Company's Solvency Working Group (Pillar 1) in cooperation with the Group members, which identified the assumptions for individual risk scenarios.

Scenario one: political instability of the European Union

The scenario is based on the assumption of a serious European financial crisis, which would occur due to a possible threat of collapse of the European Economic Area, and a division of the European Monetary Union into two parts with a different development pace. This would increase uncertainty on financial markets of peripheral countries, which would lead to a general price reduction of risky financial instruments.

The Group passed the first scenario in accordance with the objectives set in the Risk Appetite.

Scenario two: a pandemic in Europe

The scenario is based on the assumption of an outbreak of a flu-like disease that would spread across the entire Europe within a year. During this time, the disease would reach its peak and decline. This scenario also considers the consequences that would be reflected in the global financial markets.

The test according to the second scenario demonstrated that the Group would pass the scenario in accordance with the objectives set in the Risk Appetite.

Scenario three: disruption of global financial markets

The assumption comprises a global event or a series of events that would be globally felt within a year in all economies. All countries would feel the consequences of this event. In the financial industry, payment for fear would translate into increased spreads for peripheral countries and slightly decreased credit spreads for countries with best credit grades. Stock markets would respond with a global price drop.

The Group passed the third scenario in accordance with the objectives set in the Risk Appetite.

Along with the abovementioned scenarios, the Group implemented further 9 scenarios. All were non-material for the Group.

C.7 Any other information

Prudent person principle

The Group members manage assets with due care and diligence in the best interest of all policyholders and beneficiaries. Management of assets and technical provisions is performed by pursuing the objectives aligned with policyholder objectives: to maximise safety, liquidity, diversification, profitability and provision coverage with investments.

For every investment portfolio there is an investment policy in place. In accordance with the mission and risk tolerance of individual portfolios, the policies define investment targets that provide long-term profitability in accordance with the expected risk appetite. The limit system, which is part of the investment policies, is primarily designed to take into account both the requirements and the capacities of individual insurance portfolios and secondarily those of the Company and then the Group. Investment policies are confirmed by the Assets and Liabilities Committee, which regularly monitors their implementation. The process of obtaining the consent to use a new investment grade is the same for all the companies at the Group level.

The assets of investment portfolios are largely centrally managed. The manager or adviser responsible for asset management is the competent department of the parent company. Current liquidity is ensured by individual companies of the Group in coordination with the manager. The valuation of investments in the Group's portfolios is centralised and performed by the competent departments of the parent company, according to the same standards at the level of the entire Group.

The safety and profitability of investment portfolios as well as their compliance with the established limits are monitored daily, weekly and monthly. The monitoring is performed by the competent departments of the parent company.

Highly centralised asset management is ensured by a common system support to the investment process, which is centrally managed by the competent departments of the parent company.

The structure of the Group's financial assets remains relatively conservative, focusing on fixed-return investments. Such are also the individual portfolios of subsidiaries. Bond investments account for almost 60% of all investments of the Group, with almost half of them being sovereign bonds, which is set out in more detail in Section A.3.

D. Valuation for solvency purposes

The Group valuates its assets and liabilities for solvency purposes at fair value. Valuation is performed in accordance with the process described in Section B.3 hereof.

In the valuation of assets and liabilities, the Group uses the risk-free interest rate curve published by EIOPA and does not use any adjustments of the curve.

Table 9 shows the balance sheet of the Group for solvency purposes as at 31 December 2016.

Table 9: Balance sheet of the Group as at 31 December 2016

31 Dec. 2016	in EUR thousand	
Balance sheet	Values for solvency purposes	Values for financial reporting purposes
Assets	**3,166,824**	**3,574,885**
Intangible assets including deferred costs of acquiring insurance contracts	0	73,824
Financial investments	2,279,461	2,614,850
Financial investments in subsidiaries	61,943	6,927
Deferred tax receivables	31,256	15,793
Amounts recoverable from reinsurance contracts	51,097	77,085
Unit-linked insurance assets	649,810	649,029
Receivables from direct insurance operations	18,884	84,059
Receivables from reinsurance and other receivables	24,852	68,862
Cash and cash equivalents	45,783	53,669
Other assets	3,737	4,611
Liabilities	**2,265,638**	**2,830,536**
Technical provisions	1,414,217	2,172,419
Other provisions	15,123	17,521
Deferred tax liabilities	76,577	25,401
Financial liabilities	4,987	5,289
Receivables from direct insurance operations	23,352	16,020
Receivables from reinsurance and coinsurance operations	3,450	23,129
Operating liabilities	36,806	2,879
Subordinated liabilities	20,069	16,869
Other liabilities	9,903	62,639

Below, the valuation methods for solvency purposes by material asset and liability class are described in greater detail.

D.1 Assets

Several valuation methods may be used for the valuation of assets for financial reporting purposes, while for solvency purposes assets may be valued only according to the method that is consistent with the applicable EIOPA guidelines. The assets disclosed at amortized cost in the financial statements are revalued at fair value for solvency purposes. The fair value is determined according to the active market quotations or the valuation models that reflect raw data from financial markets as much as possible.

The valuation of assets of the Group for solvency purposes is performed in accordance with the Company's internal document on the valuation of financial assets, setting out the processes, bases and valuation methods for each asset type (e.g. bonds, shares, deposits, loans, real property, non-financial assets), for both the financial reporting purposes and solvency purposes.

Valuation methods of material asset classes are presented below.

D.1.1 Material intangible assets

Intangible assets of the Group consist of software and property rights, which however are valued at zero for solvency purposes due to the problem of demonstrating their true value.

For financial reporting purposes, intangible assets are valued separately for:

- software and property rights: These are valued by using the cost model. As at the balance sheet date, assets are disclosed at their cost less accumulated amortisation and any accumulated impairment loss. The amortisation period is determined in relation to the useful life. The subsequent recognition of an intangible asset is possible in so far as it corresponds to the definition of an intangible asset and recognition criteria. Intangible assets with an indefinite useful life are not amortised. An impairment test is performed for these assets every year.
- deferred acquisition costs: These costs are recognised in the amount of the proportion of acquisition costs in gross insurance premium, with which unearned premium is multiplied. The calculation is made by insurance class in the non-life insurance group. Deferred acquisition costs for life insurance contracts are considered in the calculation of mathematical provisions using the Zillmer method.

- goodwill: It is recognised in the case of acquisition of a subsidiary. In the consolidated financial statements, goodwill is disclosed as the surplus of the sum of consideration given, measured at fair value, over net amount of the acquired assets and liabilities of a subsidiary. Goodwill is tested for impairment on an annual basis.

D.1.2 Material financial assets

The Group values financial assets using quoted market prices in active markets for the same assets. Where this is not possible, financial assets are valued using quoted market prices in active markets for similar assets. Financial assets valued using these two methods are shown in column 3 of the table below.

Alternative valuation methods include all methods that in the valuation model in a substantial part use the parameters which are not wholly obtained from active markets and include a subjective component.

Table 10: The amounts of financial assets for solvency purposes and financial reporting purposes as at 31 December 2016

31 Dec. 2016	in EUR thousand			
Material financial assets	Values for financial reporting purposes	Values for solvency purposes	Valuation using quoted market prices	Alternative valuation methods
	(1)	(2)=(3)+(4)	(3)	(4)
Real properties	203,776	208,079	0	208,079
Shares	77,341	57,334	46,008	11,327
Bonds	1,974,554	1,822,736	1,822,736	0
Financial investments in investment funds	177,500	96,053	95,642	411
Derivatives	1,423	1,423	1,423	0
Deposits, excluding cash equivalents	68,582	49,458	49,458	0
Other financial investments	4,410	4,410	0	4,410
Loans and mortgages	28,268	34,795	32,443	2,353
Total	**2,535,855**	**2,274,289**	**2,047,710**	**226,580**

In the event that an asset under the monetary items is quoted in an active market, its fair value equals the closing buying price on this market. Should the market not be active, the fair value is determined by using quoted market prices in active markets for similar assets or by using alternative valuation methods.

The main parameter of the valuation model is the discount curve, which is composed of the risk-free interest rate for a particular currency and credit spread of the issuer or a group of issuers. When determining an individual discount curve, the Company relies on unadjusted data from financial markets to the greatest possible extent. In the case of complex financial instruments, such as compound securities or bonds with call options, specialised models are used for valuation, which may require additional parameters (volatility, correlation, etc.). Other valuation methods allowed by the International Accounting Standards to determine the value of monetary items for solvency purposes are not used.

Provided that there is an active market, investments in equity instruments and fund units are valued at the closing buying price of this market (the local stock exchange). The price of the funds not quoted in an active market is determined by the closing price of the fund issuer. In the event that there is no active market, the value of the asset is determined by the last known price provided that the assessment that the economic circumstances since the last transaction have not changed substantially remains valid, by the price in a liquid grey market or by a valuation model. Estimating the value by using a valuation model is performed internally or through certified value appraisers. Depending on the features of the asset being valued, the appropriate valuation methods will include the discounted cash flow method, the comparable value indicator method and the net asset value method. Exceptionally, in cases of immateriality of an individual asset and the total value of assets valued in such a manner, the cost value is relevant for determining the value of the asset.

The value of derivatives is determined by the closing buying price in an active market (the stock exchange, price of the market operator). In the event that there is no active market, the value is determined by a specialised model (Black-Scholes, network models). Model parameters (the discount rate, volatility, correlation, etc.) are defined as unadjusted data from financial markets to the greatest possible extent.

The value of real property, which includes both investment property and property for own use, is determined by valuation techniques. Real property valuation is performed by a certified appraiser at least every other year. In accordance with the internal document for real property valuation, the value of real property is monitored through the indicators of the movement of value. If the indicators point to significant changes, the value of real property is determined by a certified appraiser more frequently. In the financial statements, real property for own use and investment property are disclosed at amortized cost. For solvency purposes, real property is valued at estimated market value.

D.1.3 Deferred tax assets

For solvency purposes, deferred tax assets are valued as the product of the difference between the assets in the statutory and market value balance sheets, without taking into account financial investments in subsidiaries and the currently applicable tax rate of 19%.

For financial reporting purposes, deferred tax assets are calculated for all deductible temporary differences between the value of assets and liabilities for tax purposes and their carrying amount, for unused tax losses and unused tax relief when it is probable that in future periods taxable profit will be at disposal, which the Company will be able to encumber with deductible temporary differences. The calculation of deferred tax assets is made at the tax rate, which is expected to be applied when tax assets will be reimbursed.

D.1.4 Related undertakings

In the accounts for solvency purposes, non-strategic subsidiaries, strategic financial subsidiaries and associates are disclosed among related undertakings. In the accounts for solvency purposes, holdings in related undertakings are valued in accordance with the following hierarchy of valuation methods:

a. the default valuation method: Under the default valuation method, quoted market prices in active markets for the same assets (hereinafter: QMP) are used for valuation;

b. the adjusted equity method: Under the adjusted equity method, holdings in related undertakings are valued based on the share of the excess of assets over liabilities of the related undertaking held by the participating undertaking. When calculating the excess of assets over liabilities for related undertakings, the participating undertaking values the undertaking's individual assets and liabilities using the adjusted equity method in accordance with the applicable legislation (hereinafter: SII AEM). When calculating the excess of assets over liabilities for related undertakings other than insurance or reinsurance undertakings, the participating undertaking may consider the equity method as set out in the International Accounting Standards (hereinafter: SI AEM), where the value of goodwill and other intangible assets is deducted from the value of the related undertaking.

c. adjusted prices for similar assets in active markets or alternative valuation methods: If neither valuation in accordance with paragraph a) nor paragraph b) is possible and the undertaking is not a subsidiary undertaking, holdings in related undertakings are valued using an alternative valuation method (hereinafter: AVM), which the members of the Group apply in the preparation of annual or consolidated financial statements.

Table 11: Values of the balance sheet of related undertakings by valuation method as at 31 December 2016

31 Dec.2016	in EUR thousand
Valuation method	**Values for solvency purposes**
QMP	1,157
Binding offer	14,500
AEMS1	36,683
AVM	9,603
Total	**61,943**

D.1.5 Receivables from policyholders

For financial reporting purposes, receivables from policyholders in a subsidiary are divided into not yet due and past due as at the valuation date. For solvency purposes, not yet due receivables from policyholders are included into the calculation of premium provisions and are excluded from the item "Receivables from policyholders" accordingly. In calculating the item at the Group level, past due receivables of the Group companies included in consolidation are consolidated.

Thus, the item "Receivables from policyholders" only includes consolidated past due receivables from policyholders, which amounted to EUR 18.9 million as at 31 December 2016.

D.1.6 Amounts recoverable from reinsurance contracts

The amount of provisions transferred to reinsurers is determined on the basis of amounts recoverable from reinsurance contracts, which are calculated in accordance with the boundaries of insurance and reinsurance contracts to which these amounts relate.

The amounts recoverable from reinsurance contracts for obligations from non-life insurance are calculated separately for technical provisions for both premium provisions and claims provisions. When calculating premium provisions, not yet due receivables from reinsurance contracts are taken into account. With regard to life insurance, the Company forms the amounts recoverable from reinsurance contracts for annuities stemming from non-life insurance.

As at 31 December 2016, the reinsurers' share in the provisions for non-life insurance totalled EUR 46.6 million and for life insurance EUR 4.5 million.

D.1.7 Other assets

This asset class includes reinsurance receivables and other receivables, cash and cash equivalents and other assets that are valued for solvency purposes in the same way as for financial reporting purposes. The differences between the values for financial reporting purposes and for solvency purposes arise due to the different treatment of companies in consolidation.

D.2 Technical provisions

At the level of an individual insurance subsidiary, the value of technical provisions for solvency purposes is equal to the sum of a best estimate and a risk margin, both of which are calculated separately. The best estimate corresponds to the present value of expected future cash flows from the insurance contracts. The present value of future cash flows is calculated using the relevant risk-free interest rate curve. The Group companies calculate technical provisions separately for non-life and life insurance and allocate them according to the selected calculation method.

At the Group level, the best estimate for insurance obligations is calculated as the sum of the best estimates for insurance obligations of individual insurance subsidiaries within the Group, taking into account consolidation eliminations.

The risk margin is the present value of opportunity costs of all future solvency capital requirements until the expiry of the portfolio of obligations that are valued. The cost-of-capital rate is determined in the Commission Delegated Regulation, while the risk-free interest rate term structure is published on EIOPA’s website on a monthly basis. The Company calculates the risk-free interest rate term structure for the Serbian dinar in line with the prescribed calculation procedures as EIOPA does not publish it.

The risk margin is calculated separately for non-life and accident insurance and for life insurance and is divided by insurance segment on the basis of a suitable proportional allocation. For this purpose, market risks, except those which cannot be avoided, are not included in the value of the future solvency capital requirement.

At the Group level, the risk margin is calculated as the sum of the risk margins of individual insurance subsidiaries within the Group, without taking into account consolidation eliminations.

The sensitivity of the provisions in the Group originates from the sensitivity of the provisions in the insurance subsidiaries within the Group, most of all from the Company.

A matching adjustment, a volatility adjustment, a transitional adjustment to the relevant risk-free interest rate structure and a transitional deduction are not applied at the Group level.

Contract boundaries and homogeneous risk groups

The Group's insurance subsidiaries recognise an insurance obligation upon the entry into force of a contract. A recognised insurance obligation is derecognised when it is extinguished, discharged, cancelled or expires. Contract boundaries are applied mutatis mutandis in valuation.

Part of the non-life and health insurance portfolio is composed of non-life insurance obligations; however, for solvency purposes they are allocated to life insurance obligations because life insurance actuarial techniques are used for their valuation. This part of technical provisions is accounted for by non-life insurance claims, which are paid out as annuities. Other obligations from the non-life insurance portfolio are divided into at least lines of business.

The life insurance portfolio consists of life insurance obligations; however, for solvency purposes they are allocated to health insurance. This group includes additional accident insurance added to basic life insurance. Because technical provisions are calculated using the techniques typical for non-life insurance, they are classified into non-life health insurance. Life insurance obligations are divided into at least the following business lines: insurance with profit participation, index-linked or unit-linked insurance, income protection insurance and other life insurance. The whole portfolio of life insurance policies is divided into homogeneous risk groups in accordance with the nature of the risks covered by the policies, actuarial judgement and historical developments subject to an empirical analysis.

When calculating the capital adequacy, the Group does not apply any adjustments, which are otherwise allowed under the Commission Delegated Regulation.

D.2.1 Technical provisions for non-life and health insurance

The best estimate of non-life insurance provisions amounts to EUR 464.2 million.

The best estimates for the technical provisions for solvency purposes are calculated independently for all insurance subsidiaries within the Group. For consolidation purposes, intra-group transactions are not taken into account. The amounts recoverable from reinsurance contracts between the internal reinsurance undertaking and the Group members and the estimated obligations arising from the risks assumed by the subsidiaries in the name of the parent company are considered significant. At the level of an individual insurance subsidiary, the obligations or amounts recoverable from reinsurance contracts are valued as a proportion of the recoverable amount of the premium and the claims provision ceded to reinsurance, by using the data for financial reporting purposes as the basis for the calculation of the proportions. The estimates of the insurance subsidiaries within the Group are then used as the estimate of the transaction of Triglav Re in the Group.

The Group established a data quality monitoring and quality assurance system for the data which are the basis for the calculation of the premium provision. The data used meet the appropriateness, completeness and accuracy criteria.

The non-life and health insurance portfolio is segmented by line of business as set out in the Commission Delegated Regulation. The insurance business in the Company is segmented in even greater detail. The segmentation is linked to the calculation process of technical provisions for financial reporting purposes, also taking into account the homogeneity of the risk profiles and the availability of the data required to calculate the provisions and analyse the samples of cash flows and volatility of insurance groups.

The best estimate for provisions is calculated separately for the claims incurred up to the date of calculation (best estimate for claims provisions) and for the claims incurred after the date of calculation (best estimate for premium provisions).

Table 12 shows the results of technical provisions by insurance type for solvency purposes. The results are divided into premium and claims provisions and risk margin.

Table 12: Technical provisions for non-life insurance for solvency purposes as at 31 December 2016

31 Dec. 2016	in EUR thousand			
Technical provisions for unit-linked non-life insurance and health insurance	**Claims provisions**	**Premium provisions**	**Risk margin**	**Technical provisions**
-- Motor vehicle liability insurance	137,960	36,696	7,669	182,326
-- Other motor insurance	19,078	33,026	3,188	55,292
-- Fire insurance and other damage to property insurance	62,218	22,132	5,623	89,972
-- Other non-life insurance segments and health insurance	163,671	14,783	14,015	192,470
Total (excluding intra-group transactions)	**382,928**	**106,637**	**30,495**	**520,060**
Intra-group transactions				55,856
Total				**464,204**

D.2.1.1 Best estimate for the premium provision

The best estimate for the premium provision, excluding intra-group transactions, amounted to EUR 106.6 million as at 31 December 2016.

The calculation of the best estimate for gross premium provision is based on a method stipulated by the Commission Delegated Regulation so as to as best as possible account for the future cash flows which correspond to the definition of the premium provision. The calculation methodology is based on the relevant historical data on the settlement of obligations arising from the non-life insurance claims, which were collected in the segments for which provisioning was made. The basis for the calculation is appropriately segmented insurance contracts that were concluded before the date of calculation; the obligations of the company to the policyholders after that date arise from these contracts.

The basic assumption of the calculation is matching the sample of development of future cash flows from the premium provision with the sample that is calculated and used in the creation of the claims provision. Unearned premium estimated as at the date of the calculation is used as the exposure measure. Material assumptions are also the future inflation rate and the discounting curve. The assumption of the future inflation rate is based on the estimates published by the IMF for the countries, in which an individual Group member operates. For all the assumptions used, a sensitivity analysis is performed at two different levels with the purpose of increasing the provisions.

D.2.1.2 Best estimate for the claims provision

The best estimate for the claims provision, excluding intra-group transactions, amounted to EUR 382.9 million as at 31 December 2016.

The best estimate for the claims provision is calculated at the end of the period for all the claims incurred up to the last day of that period but not yet settled to that date for:

- incurred and reported claims; and
- incurred but not reported claims, incurred but not enough reported claims and reopened claims.

The provisions for incurred but not reported claims are calculated at the level of lines of business. A combination of the chain ladder and Bornhuetter-Ferguson (hereinafter: BF) methods is used by the subsidiaries of the Group for the calculation.

In Triglav Re, the gross-to-net method is also used, according to which a (re)insurance undertaking first calculates the amount of gross and net technical provisions and then uses the difference between those two to obtain the amount of reinsurance recoverables. This method is most appropriate for the calculation of a best estimate, as the value of ceded technical provisions may be too volatile due to the nature of the reinsurance business and thus unsuitable for the triangle method of assessing a best estimate.

The calculation duly takes into account the past inflation rate, while future cash flows arising from incurred claims take into account the estimated future inflation rate.

The basic assumption is the matching of the sample of the past claims process with the expected future claims development. The calculation includes the assumption of the matching of the past claims inflation with general inflation. The estimated future inflation is based on the expected future inflation published by the IMF. It is assumed that the proportion of claim settlement costs remains unchanged in relation to the last year.

D.2.1.3 Risk margin for non-life insurance and health insurance

The risk margin of the Group as at 31 December 2016 for non-life and health insurance obligations amounted to EUR 30.5 million. At the Group level, it is calculated as the sum of the risk margins of the same operating segments of individual insurance subsidiaries within the Group. The Group members calculate the risk margin in accordance with Article 37 of the Delegated Regulation. To forecast the future solvency capital requirement, they primarily apply the approach that corresponds to method 1 in the hierarchy set out in Guideline 62 of the EIOPA Guidelines on the valuation of technical provisions.

D.2.1.4 Key differences between the bases, methods and main assumptions used for valuation for solvency purposes and the bases, methods and key assumptions used for valuation in financial statements

As at 31 December 2016, non-life insurance obligations totalled EUR 898.9 million for financial reporting purposes and EUR 464.2 million for solvency purposes. The main difference between both valuation methods lies in the fact that for financial reporting purposes the precautionary estimate is used, whilst for solvency purposes the best estimate is used. Both provision calculations use slightly different portfolio segmentation.

Table 13: The difference between the technical provisions for non-life and health insurance for solvency purposes and for financial reporting purposes

31 Dec. 2016	in EUR thousand	
	Values for solvency purposes	Values for financial reporting purposes
Technical provisions for non-life and health insurance	464,204	898,881

In addition to the valuation method for liabilities, the inclusion of not yet due receivables from direct insurance operations also significantly contributes to the difference in the amount of premium provisions. Unlike in relation to unearned premium, claims ratios for individual segments are taken into account in the premium provision. In the financial statements, the Company recognises the result of an insurance contract during its term. Because the claims ratio is taken into account, in solvency calculations the result of an insurance contract is recognised immediately upon the conclusion of the contract. The cash flows of future obligations are discounted using the risk-free interest rate curve. In the premium provision, cash flows from contract cancellations and bonus repayments are also taken into account, for which separate provisions are made in the financial statements.

The prescribed segmentation is also used for solvency purposes in the calculation of the claims provision in the part relating to incurred but not reported or not enough reported claims. The methodology is identical in both calculations; however, a calculation on the basis of incurred claims is additionally made for solvency purposes. In the calculation for solvency purposes, development factors are not smoothed, and the used claims ratios do not contain any precautionary margin. In the calculation of not reported or too low reported claims for the purpose of financial reporting, large claims are excluded from the list of incurred and reported claims. Such an approach leads to the higher value of provisions. Expenses and subrogations are calculated identically in both valuation methods. For solvency purposes, claims provisions are also discounted; however, due to negative interest rates, it may occur that the discounting results in higher provisions.

The reinsurers' share of technical provisions is valued on a similar basis as technical provisions. In line with solvency principles, this basis is the best estimate, while for financial reporting purposes the precautionary estimate is used. In the calculation for financial reporting purposes, the precautionary principle is taken into account in the reinsurance part of the claims provisions and only quota reinsurance is calculated for the provisions for incurred but not reported claims, while for solvency purposes a best estimate for cash flows of the reinsurance part of claims provisions is made, which is higher.

D.2.2 Technical provisions for life insurance

The table below shows the technical provisions for life insurance for solvency purposes.

Table 14: The Group's technical provisions for life insurance for solvency purposes as at 31 December 2016

31 Dec. 2016	in EUR thousand		
Technical provisions for life insurance	**Best estimate for provisions**	**Risk margin**	**Technical provisions**
Insurance with profit participation	872,931	15,305	888,237
Index-linked and unit-linked insurance	643,981	16,962	660,943
Other life insurance	-8,141	3,826	-4,315
Annuities stemming from non-life insurance contracts	65,546	546	66,092
Total	**1,574,317**	**36,638**	**1,610,956**

D.2.2.1 Best estimate for life insurance obligations

For the purpose of projecting cash flows at the level of an insurance undertaking, the Group uses an appropriate set of assumptions relevant for the homogenous risk group to which the insurance policy belongs. For unexpired risks, the best estimate for obligations is calculated using cash flow projections, taking due account of the relevant assumptions for every individual policy. For expired risks, the Group recognizes the best estimate for obligations in the following manner: In the case of maturities, the best estimate is calculated by policy; in the case of other risks, it is calculated at the level of homogenous risk groups using the BF methodology of actuarial triangles, which is a loss reserving technique used for non-life insurance. The theoretical concept defines the best estimate of obligations as the market value of obligations, but in practice it can hardly ever be measured in the market. Therefore, the best estimate for obligations is calculated as the present value of all income and expenses arising from an insurance policy, weighted by the probability of occurrence. Income includes gross premium, charged expenses and other income (e.g. refunds), while expenses include actual costs, fees and commissions, claims and any other expenses. Return on assets is not included in income.

Expenses related to future actual costs are calculated using a cost model that contains the following cost types related to the management of insurance contracts: insurance management costs, investment management costs, claim management costs, acquisition costs (which are not included under brokers' fees – brokers' fees represent a specific cash flow type). The cost parameters are calculated for each Group company separately.

With regard to cash flows, due account is taken of the expected future developments in the external environment (mortality, interest rates, inflation, etc.) and of the following types of uncertainties:

- uncertainty with regard to the timing and probability of insurance events;
- uncertainty with regard to the amounts of claims;
- uncertainty with regard to the amount of actual costs;
- uncertainty with regard to the expected future development of the external environment, as much as it can be predicted;
- uncertainty with regard to policyholder behaviour.

The Group performs separate calculations of the best estimate of obligations for the guaranteed and the discretionary part of obligations.

The calculation of cash flows takes into account certain future management measures with regard to the distribution of profits to policyholders, depending on the economic situation of the country where the company is situated and in accordance with internal acts and regulations of the Group company.

The part of the best estimate for obligations that represents the time value of embedded options and financial guarantees is calculated using a set of economic scenarios which replicate market conditions and are risk-neutral.

The assumptions regarding policyholder behaviour are considered in a deterministic manner, in the sense that behaviour is not conditional on the economic scenario.

The best estimate for the provisions for non-life insurance annuities is the sum of the best estimates for the existing and expected annuities. In addition, provisions for expected annuities are calculated in the same way; as a rule, these provisions are made for the claims in which the injured party are children and therefore it is reasonably assumed that an additional claim will be filed in the future. The claim settlement costs are also taken into account in the calculation.

D.2.2.2 Risk margin for life insurance

The definition of the risk margin contains solvency capital requirements for all future periods until the expiry of the existing portfolio of obligations. Therefore, the Group applies a simplification based on the calculation of the future values of partial solvency capital requirements for individual risk sub-types (e.g. mortality, longevity, costs, etc.) on the basis of substitute values which can be calculated in practice.

An appropriate substitute is therefore determined for every risk included in the standard formula, which is deemed based on actuarial assessment and empirical evidence to develop with roughly the same dynamic as the capital requirement for the relevant risk. In this manner, the risk margin is calculated for the entire life insurance portfolio within an individual ring-fenced fund or within the remaining part of the portfolio. This risk margin is then broken down by individual line of business in proportion to their virtual isolated risk margins.

D.2.2.3 Key differences between the bases, methods and main assumptions used for valuation for solvency purposes and the bases, methods and key assumptions used for valuation in financial reporting

Table 15: Differences between technical provisions for life insurance for solvency purposes and for financial reporting purposes as at 31 December 2016

31 Dec. 2016	in EUR thousand	
	Values for solvency purposes	Values for financial reporting purposes
Technical provisions for life insurance	1,610,956	1,731,222

The differences between the valuations of technical provisions for solvency purposes and for financial reporting purposes are the result of discrepancies in the bases, methods and main assumptions.

The methodology and the bases used for financial reporting purposes determine the value of technical provisions within certain segments of the portfolio as the higher of: the realistic value of obligations or a conservative calculation of obligations, taking into account a limited set of cash flows arising from an insurance contract. The conservative calculation of obligations is based either on a prospective method using the net Zillmer premium (traditional life insurance) or on a retrospective method (unit-linked life insurance and pension insurance).

The methodology and bases for the valuation of technical provisions for solvency purposes stipulate the present value of a realistic assessment of all relevant cash flows, which is also referred to as the “best estimate of liabilities”, including the risk margin.

In addition to the differences in the bases and methodologies, the two valuation approaches also differ in terms of the range of assumptions used. As a rule, the technical parameters defining the premium are used in the prospective valuation of obligations (traditional life insurance) for financial reporting purposes, but with certain exceptions. The constant technical interest rate embedded in the individual tariff or the valuation interest rate is applied for discounting. For the valuation of obligations arising from annuity and pension insurance in the annuity pay-out period, the Slovene annuity tables SIA65 are used.

The assumptions with regard to cost parameters are identical to those embedded in the tariff of a product; in certain cases of the Company's portfolio, an empirical valuation parameter needs to be applied. Policyholder behaviour (surrender, capitalisation, cancellation, and annuitization) is not taken into account in the valuation of obligations for financial reporting purposes. Obligations are calculated using actuarial mathematical formulas consisting of traditional actuarial factors.

In the retrospective valuation of obligations for financial reporting purposes (index-linked or unit-linked insurance), account is taken of the technical parameters in the tariff and real-time events related to the policy (premium payments, claim payments, yield allocation, revaluation).

In the valuation for solvency purposes, all assumptions are best estimates, meaning that the values are neither overestimated nor underestimated, allowing for a realistic valuation. Important to note is the fact that EIOPA and the regulator prescribe the basic risk-free interest rate term structure for all relevant currencies and countries, meaning that this rate is uniform for all insurance companies.

For insurance contracts including participation in profit, the difference (surplus) between the valuation for solvency and financial reporting purposes is mainly the result of using the abovementioned term structure, which is generally lower that the interest rates applied for discounting in financial statements. In index-linked or unit-linked insurance, the difference (deficit) occurs as a result of using the best estimate of parameters (which generally results in lower obligations compared to the parameters used in the calculation for financial statements) and permitting negative obligations for profitable insurance for solvency purposes. A similar explanation is also applicable to other types of life insurance.

The material difference between the two valuations results from annuities stemming from non-life insurance contracts, which are recorded under life insurance for solvency purposes in the amount of EUR 53.9 million. For financial reporting purposes, they are recorded under non-life insurance.

D.3 Other liabilities

D.3.1 Provisions for long-term employee benefits

The calculation of provisions for long-term employee benefits such as jubilee and retirement benefits is performed using actuarial principles in accordance with the relevant International Accounting Standard.

The calculation of provisions refers to two categories of employee entitlements:

- Post-employment benefits which represent an employee entitlement upon retirement in the form of a lump sum payment. The amount of the entitlement is determined in advance and risks with regard to the final amount of the payment are borne by the company, so this scheme is classified under "DBF – Defined Benefit Plan";
- Jubilee payments which represent other long-term employee benefits during the time of employment.

The total cost of the pre-determined employee benefits is conditional on a number of variables, such as wage growth, inflation, the termination of employment contracts and the mortality of employees. The total cost of the entitlement remains uncertain throughout the period, therefore the valuation of the current value of employment benefits and related costs during the time of employment takes into account:

- actuarial valuation methods;
- allocation of profit during the time of employment;
- the constructed actuarial assumptions.

Provisions for jubilee and retirement benefits are calculated for each individual employee based on the methodology described above, the applied parameters and employee data. As at 31 December 2016, these provisions totalled EUR 9.3 million, of which provisions for jubilee benefits accounted for EUR 1.7 million and provisions for retirement benefits for EUR 7.5 million. For solvency purposes, they are recognised in the balance sheet under the item "Other provisions".

The calculation of provisions for jubilee and retirement benefits for solvency purposes matches the calculations for financial statements.

This class of liabilities also includes provisions for unused leave in the amount of EUR 4.3 million, which are valuated in the same manner for both solvency and financial reporting purposes. The same applies to other provisions – mostly provisions for legal disputes – in the amount of EUR 4 million.

D.3.2 Deferred tax liabilities

For solvency purposes, deferred tax liabilities are valued as the product of the difference between the liability side of the statutory and market-valued balance sheet and the currently applicable tax rate of 19%. The resulting amount is added to the deferred tax liabilities for financial reporting purposes.

In accordance with international accounting standards, deferred tax liabilities are calculated for all taxable temporary differences between the value of assets and liabilities for tax purposes and their carrying amount. The calculation of deferred tax liabilities is made at the tax rate, which is expected to be applied when tax liabilities will be settled.

D.4 Alternative methods for valuation

In the reporting period, the Group did not use any alternative valuation methods for solvency purposes other than those disclosed in the previous sections of this Report.

D.5 Any other information

The Group manages investment risk in accordance with the "prudent person" principle, as specified in Section C.7 of this Report.

Investment policies used by the subsidiaries to match assets and liabilities are promptly adapted to market requirements. The correlation between the risks arising from various classes of assets and liabilities are monitored on a regular basis using stress tests by credit rating agencies, stress tests initiated by the regulator or stress tests prescribed by EIOPA.

The Group's largest off-balance-sheet exposure is related to the futures item; the Company therefore regularly monitors the development of its exposure to this type of positions.

The Group regularly verifies the effectiveness of its risk mitigation techniques and adjusts or upgrades these techniques to the extent necessary.

In the course of risk management, the Group also monitors, measures and manages risk concentration arising from exposure to individual or related counterparties, issuers, groups of transactions, products or geographical areas.

The management of risk concentration is included in the risk management system of individual risk types; the Group's business practice indicates that risk concentration is not material thanks to the focus on the diversification of the portfolio and operations.

However, a potential threat of segment concentration does exist in comprehensive car insurance. This insurance risk is suitably covered by catastrophe reinsurance coverage, which has previously proven to be adequate.

The Group estimates the underwriting risk concentration in life insurance as immaterial, since the life insurance risk portfolio is adequately diversified in terms of all relevant criteria. This is largely thanks to the fact that the majority of policies originates from geographically dispersed retail sale. Any risk concentration in the portfolio is reduced by transferring a portion of the risks to reinsurers through an appropriate reinsurance programme.

E. Capital management

The system of capital management and the related processes of the Group's parent company are based on strategic objectives, regulatory requirements, good practices and internally established methodologies that take into account the characteristics of the Company as a whole, its size, organisation and business volume.

The whole Group defined objectives and principles for medium-term capital management, bases and guidelines to define the dividend policy, the main elements of the capital management system, responsibilities, including key processes and criteria for identification, measurement and monitoring of capital requirements and the capital adequacy level as well as reporting. The Business Plan of the Group is drawn up for the minimum period of 3 years.

The objective of capital management is an efficient use of available capital, which provides for:

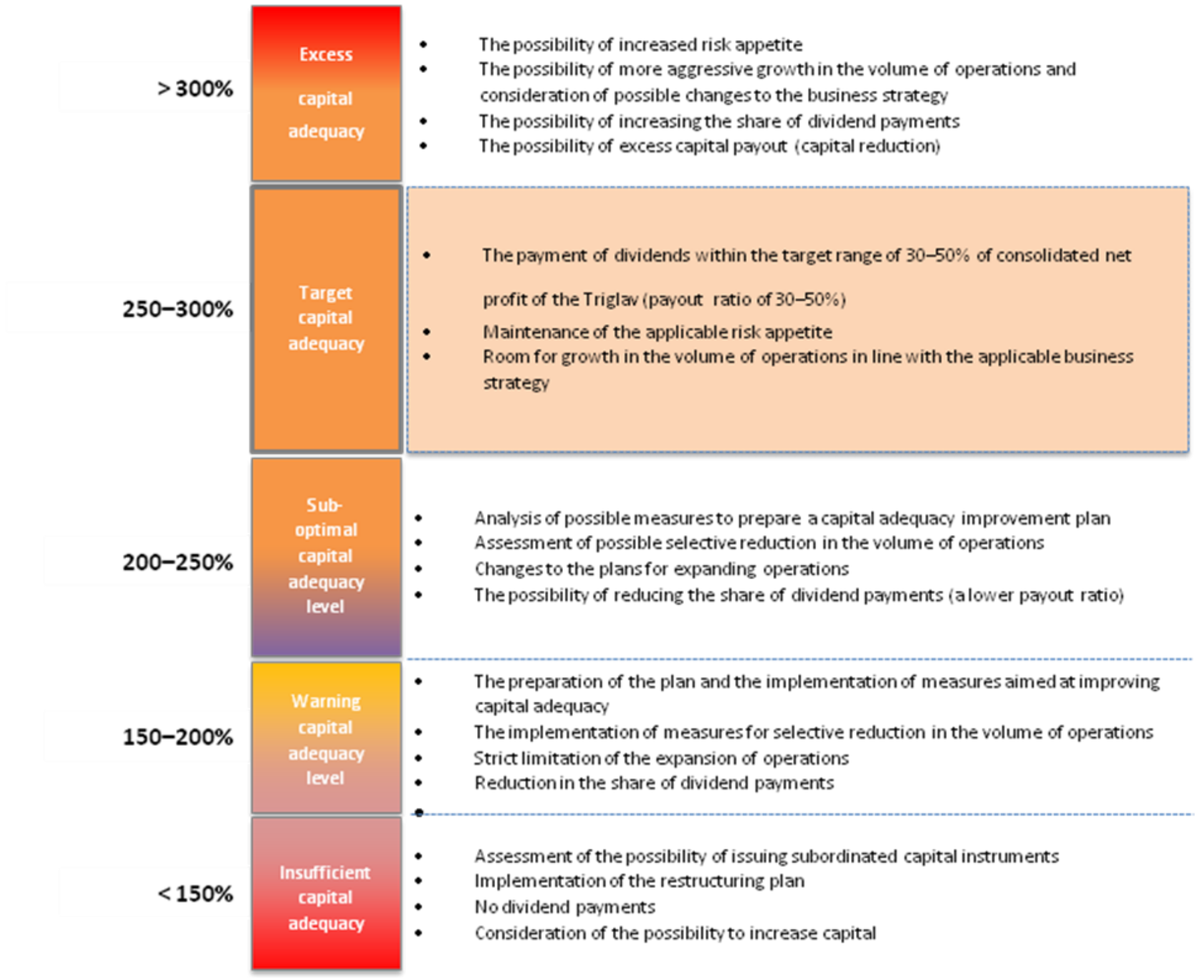
- safety and profitability of operations at the Group level;
- a high level of confidence of all stakeholders;
- meeting the regulatory capital adequacy requirements;
- achieving an appropriate capital adequacy level in the ORSA process;
- meeting the criteria of external rating agencies to maintain at least the A credit rating.

With the capital management system, the Group also established a system for transparent and optimal economic allocation of capital by functional area based on risk-adjusted profitability criteria for optimal achievement of strategic objectives.

The basic criteria are derived from the regulatory capital adequacy requirements. When defining the objectives for capital management, the Group takes into account the regulatory requirements as well as the facts and circumstances arising from its position, role, the business environment and macroeconomic conditions in the markets where it operates, and the shareholder structure. Taking into account not only the target return on equity, the planned volume of business and planned capital needs in the Slovene and strategic markets but also the experiences and guidelines of the insurance sector, the Group defined the dividend policy criteria and the capital management guidelines, including a set of activities aimed at ensuring the necessary capital strength.

The capital management strategic objectives and the dividend policy criteria are shown in the figure below.

Figure 2: The capital management strategic objectives and the dividend policy criteria



Capital management is centralised at the Group level by ensuring optimal and cost-effective capital allocation and use through capital concentration in the parent company. In the capital management process, the Group takes into account the capital needs as well as the options and restrictions for capital transfer between insurance segments and from subsidiaries to the parent company. The criterion for capital transfer from subsidiaries is the long-term stability and safety of their operations, taking into account the local regulations on capital requirements. Each method of capital withdrawal not in the form of paid dividends is previously coordinated with the local supervisory institution.

The objective of the capital management process is to achieve an optimal return according to the use of economic capital criterion at the Group level and represents continuous implementation of the following activities:

- setting of mutually coordinated and clearly communicated objectives, defining long-term business strategy of each insurance segment;
- adoption of optimal business and strategic decisions for the purpose of efficient capital management;
- monitoring and measurement of economic capital value, profitability and use for each insurance segment and subsidiary as well as analysing of changes in the risk profile;
- evaluation of business results;
- implementation of measures for optimal economic capital allocation and its use.

In the context of monitoring and measurement of economic capital value, profitability and use for each segment and subsidiary as well as analysing of changes in the company's risk profile, regular implementation of the ORSA process, which is described in greater detail in Section B.3.5 hereof, is of utmost importance.

In accordance with the applicable regulations, own funds are classified into tiers, taking into account capital quality, subordination and availability to cover unexpected events.

To cover the solvency capital requirement (SCR), eligible own funds are used, which are without restrictions Tier 1 own fund items and Tier 2 and Tier 3 own fund items up to the regulatory specified amounts. The value of eligible own funds to cover the solvency capital requirement is the sum of the value of Tier 1 own fund items and the value of eligible Tier 2 and Tier 3 own fund items.

In the framework of the capital management system, the Company's Risk Management Department reports to the RMC and the Management Board at least quarterly in the context of the regular Risk Report and in the event of significant changes by drafting extraordinary reports on the amount of the solvency capital requirement and the achieved capital adequacy of the Group.

Capital adequacy of the Group

As at 31 December 2016, the Group was adequately capitalized and had sufficient capital to cover both the solvency capital requirement (246%) and the minimum capital requirement (599%).

The capital adequacy ratio is defined as the ratio between the capital available to cover the capital requirements and the required capital.

Table 16: Capital adequacy of the Group as at 31 December 2016

31 Dec.2016	in EUR thousand
Capital adequacy of the Group	**Value**
Total eligible own funds to meet the consolidated group SCR	843,651
Total eligible own funds to meet the minimum consolidated group SCR*	843,651
SCR excluding ring-fenced funds	315,082
SCR for ring-fenced fund (PDPZ)	10,847
SCR for ring-fenced fund (PDPZ RENTA)	197
Capital requirements for Skupna pokojninska družba	7,375
Capital requirements for Triglav Skladi	7,421
Capital requirement for residual undertakings	12,708
Overall SCR	342,585
Minimum consolidated Group SCR	140,828
Capital adequacy in relation to the SCR	246%

*MCR is calculated based on the "remaining part", i.e. without taking into account the ring-fenced funds and other companies which are not included in the consolidation.

Below are the details of the calculation of own funds (Section E.1) and capital requirements (Section E.2).

E.1 Own funds

For the calculation of the Group's solvency, the Group uses the consolidation method prescribed in the ZZavar-1, i.e. method 1, under which own funds are determined in accordance with the valuation methods of assets and liabilities, as presented in Section D. The transactions among the Group companies which are fully consolidated are excluded from the balance sheet, with the main difference being the risk margin. The calculation of the risk margin is presented in Section D.2.

As at 31 December 2016, the Group only had basic own funds. The Group did not have any ancillary own funds. Basic own funds include:

- share capital in the amount of EUR 73.7 million;
- reconciliation reserve in the amount of EUR 749.9 million; and
- subordinated liabilities in the amount of EUR 20 million.

Reconciliation reserve consists of excess of assets over liabilities excluding share capital in the amount of EUR 827.5 million less the value of expected dividend payment for 2016 (EUR 56.8

million), the amount to cover the solvency capital requirement for ring-fenced funds (EUR 11 million) and additionally the amount of restricted own funds of EUR 9.7 million.

Table 17: Reconciliation reserve of the Group as at 31 December 2016

31 Dec. 2016	in EUR thousand
Reconciliation reserve of the Group	**Value**
Excess of assets over liabilities	901,186
Expected dividend payment	56,838
Share capital	73,701
Reconciliation reserve before deduction	**770,647**
Deductions:	0
-- Decrease in capital for ring-fenced funds	11,043
-- Capital adjustment for companies with sectoral rules	8,787
-- Unavailable capital of minority stakes	936
Reconciliation reserve after deduction	**749,880**

In accordance with the adopted Insurance Act (ZZavar-1) and the Commission Delegated Regulation, share capital and reconciliation reserve are classified into Tier 1, whilst subordinated liabilities are classified into Tier 2 due to contractual provisions and duration. Reconciliation reserve takes into account expected profit included in future premiums in the amount of EUR 43.8 million.

As at 31 December 2016, the Group had no deductions from own funds due to legislative restrictions by an individual tier.

The structure of the Group's own funds by tier as at 31 December 2016 is shown in Table 18.

Table 18: The structure of the Group's own funds by tier as at 31 December 2016

31 Dec. 2016	in EUR thousand			
Own funds	**Total**	**Tier 1 (no restrictions)**	**Tier 2**	**Tier 3**
Share capital (including treasury shares)	73,701	73,701	0	0
Reconciliation reserve	749,880	749,880	0	0
Subordinated liabilities	20,069	0	20,069	0
Eligible own funds to cover the solvency capital requirement (SCR)	843,651	823,582	20,069	0
Eligible own funds to cover the minimum capital requirement (MCR)	843,651	823,582	20,069	0

Eligible own funds to cover the solvency capital requirement (SCR) consist of 98% of Tier 1 capital.

The differences between the own funds disclosed in the Group's annual report and the capital calculated for solvency purposes is the result of the differences in the valuation of assets and liabilities. For solvency purposes, capital is calculated as the difference between assets and liabilities, where assets and liabilities are valued at market value.

Table 19: Differences between the Group's own funds for solvency purposes and for financial reporting purposes as at 31 December 2016

31 Dec. 2016	in EUR thousand
Differences between the Group's own funds for solvency purposes and for financial reporting purposes	**Value**
Equity capital in the financial statements	744,350
Market value of assets (excluding unit-linked assets (UL))	-214,435
Net market value of assets (UL)	-202,478
Intangible assets	-73,824
Change in provisions ceded to reinsurers	-25,988
Difference between the provisions for solvency purposes and for financial reporting purposes (excluding UL)	758,202
Change in net deferred assets	-35,714
Receivables from insurance operations	-65,175
Subordinated liabilities included in own funds	-3,200
Other	19,448
Excess of assets over liabilities for solvency purposes	**901,186**

As at 31 December 2016, equity capital amounted to EUR 744 million and the excess of assets over liabilities for solvency purposes amounted to EUR 901 million. The different consolidation of

Skupna pokojninska and Triglav Skladi, which are fully consolidated for financial reporting, has the largest impact on the difference. In addition, the different valuation of technical provisions and assets significantly affects the difference. The difference is reduced with intangible assets, changes in provisions ceded to reinsurers and other items.

E.2 Solvency capital requirement and minimum capital requirement

The Company is the final parent company in the Group, which is obligated to calculate the capital adequacy at the Group level in accordance with the ZZavar-1. In order to calculate the consolidated solvency capital requirement, the standard formula is used, taking into account the diversification effects among the companies. The solvency capital requirement is calculated separately for the subsidiaries Triglav Skladi and Skupna pokojninska, which are subject to separate sectoral rules regarding the capital adequacy, and for the companies which pursue a non-ancillary activity or which are associates and are not consolidated. For these companies, which are listed in Section A, the diversification effects are not taken into account in the calculation of capital requirements. Undertaking-specific parameters are not used at the Group level.

The Group has established two ring-fenced funds from pension insurance, i.e. the PDPZ ring-fenced fund and the PDPZ Renta ring-fenced fund. The Group manages the assets in the ring-fenced funds by ensuring that it will be able to meet its obligations by separately calculating the capital requirements for each ring-fenced fund. As at 31 December 2016, the capital requirement for the ring-fenced funds was calculated at EUR 11 million.

Table 20 shows capital requirements by risk type for the Group as at 31 December 2016.

Table 20: The structure of solvency capital requirement by risk type as at 31 December 2016

31 Dec.2016	in EUR thousand
The structure of solvency capital requirement by risk type	**Value**
Capital requirement for market risk	244,819
Capital requirement for counterparty default risk	43,151
Capital requirement for life underwriting risk	43,990
Capital requirement for health underwriting risk	46,032
Capital requirement for non-life underwriting risk	141,965
Diversification	-161,117
Capital requirement for intangible assets risk	
Basic SCR	**358,840**
Capital requirement for operational risk	30,563

Loss-absorbing capacity of technical provisions	-1,142
Loss-absorbing capacity of deferred taxes	-73,180
Consolidated SCR	**315,082**
Capital requirement for Triglav Skladi	7,421
Capital requirement for Skupna pokojninska družba	7,375
Capital requirement for other undertakings (non-ancillary activity, associates)	12,708
Total SCR	**342,585**

The minimum capital requirement is not defined for the Group. The floor for the consolidated solvency capital requirement at the Group level corresponds to the minimum consolidated solvency capital requirement at the Group level and is the sum of the minimum capital requirement of the Company and a proportional share of the minimum capital requirement of all related (re)insurance companies. For the insurance undertakings which are not subject to Solvency II the respective local minimum capital requirements are taken into account in the calculation.

Minimum consolidated solvency capital requirement at the Group level amounted to EUR 140.8 million as at the reporting date. Eligible basic own funds to cover the minimum consolidated solvency capital requirement equal eligible own funds to cover the solvency capital requirement in the amount of EUR 844 million.

Table 21 shows the calculation of the Group's minimum consolidated solvency capital requirement as at 31 December 2016.

Table 21: Minimum consolidated solvency capital requirement of the Group as at 31 December 2016

31 Dec. 2016 in EUR thousand

Minimum consolidated solvency capital requirement of the Group	**Value**
Zavarovalnica Triglav, d.d., Ljubljana *	93,891
Pozavarovalnica Triglav RE, d.d.	12,545
Triglav Zdravstvena zavarovalnica, d.d.	5,820
Triglav Osiguranje, Zagreb	7,635
Triglav BH Osiguranje, d.d., Sarajevo	4,090
Lovčen Osiguranje, a.d., Podgorica	3,000
Triglav Osiguranje, a.d.o, Belgrade	6,393
Triglav Osiguranje, a.d., Banjaluka	2,556
Triglav Osiguruvanje, a.d., Skopje	2,997
Lovčen životna osiguranja, Podgorica	1,900
Total minimum consolidated solvency capital requirement	**140,828**

Note: *MCR is calculated based on the “remaining part”, without taking into account the ring-fenced funds.

The values of minimum capital requirement in the table for individual insurance companies of the Group, which operate in the European Union, are presented in greater detail in the solvency and financial condition reports of these companies. For the other insurance companies, the capital requirement as prescribed by the local legislation is presented.

Diversification effects in the Group

Material diversification effects in the Group arise from the relative size of the risks and the correlation between them. To calculate the diversification effects, correlation factors prescribed with the standard formula are used. Given that the insurance portfolio of the Group is larger and well dispersed among non-life, health and life insurance, the diversification effects are larger than with respect to an individual company. In relation to the ring-fenced funds, the companies pursuing a non-ancillary activity, the diversification is not taken into account.

E.3. Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

For calculation and monitoring of capital adequacy levels, the Group does not use internal models

E.4. The difference between the standard formula and any other internal model used

For calculation and monitoring of capital adequacy levels, the Group does not use internal models.

E.5. Non-compliance with the solvency capital requirement

As at 31 December 2016, the Group did not find any non-compliance with the minimum capital requirement and the solvency capital requirement.

E.6. Other information

The Group disclosed all material information for capital management in Sections E.1 through E.5.

Annexes:

Quantitative Reporting Templates (QRT) of the Group as at 31 December 2016:

1. S.02.01.01 - Balance sheet for solvency purposes
2. S.05.01.01 - Premiums, claims and expenses by line of business
3. S.05.02.01 - Premiums, claims and expenses by country
4. S.23.01.04 - Own funds
5. S.25.01.04 - Solvency Capital Requirement — for undertakings on Standard Formula
6. S.32.01.04 – Insurance undertakings of the Group

Annex 1: S.02.01.01 - Balance sheet for solvency purposes

		Solvency II value	Statutory accounts value
		C0010	C0020
Assets			
Goodwill	R0010		
Deferred acquisition costs	R0020		
Intangible assets	R0030		73.823.588,00
Deferred tax assets	R0040	31.256.127,09	15.793.114,00
Pension benefit surplus	R0050	0,00	
Property, plant & equipment held for own use	R0060	102.706.391,27	111.006.656,78
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**2.198.730.889,00**	**2.403.507.586,66**
Property (other than for own use)	R0080	105.373.014,76	92.769.221,72
Holdings in related undertakings, including participations	R0090	61.943.121,00	6.927.400,94
Equities	*R0100*	*57.334.091,23*	*77.341.253,74*
Equities - listed	R0110	48.450.860,08	50.541.950,36
Equities - unlisted	R0120	8.883.231,15	26.799.303,39
Bonds	*R0130*	*1.822.736.479,21*	*1.974.553.623,23*
Government Bonds	R0140	921.918.991,05	969.431.659,41
Corporate Bonds	R0150	883.199.379,72	987.503.855,38
Structured notes	R0160	17.618.108,45	17.618.108,45
Collateralised securities	R0170	0,00	
Collective Investments Undertakings	R0180	96.053.351,16	177.500.459,52
Derivatives	R0190	1.423.428,55	1.423.428,55
Deposits other than cash equivalents	R0200	49.457.531,25	68.582.329,20
Other investments	R0210	4.409.871,84	4.409.869,76
Assets held for index-linked and unit-linked contracts	R0220	649.810.444,45	649.029.115,50
Loans and mortgages	**R0230**	**34.795.280,04**	**28.267.708,75**
Loans on policies	R0240	2.352.676,93	2.362.431,34
Loans and mortgages to individuals	R0250	85.766,35	88.893,61
Other loans and mortgages	R0260	32.356.836,76	25.816.383,80
Reinsurance recoverables from:	**R0270**	**51.096.765,62**	**77.084.783,00**
Non-life and health similar to non-life	R0280	46.593.097,18	77.084.783,00
Non-life excluding health	R0290	46.602.782,42	77.084.783,00
Health similar to non-life	R0300	-9.685,24	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	4.503.668,44	
Health similar to life	R0320	0,00	
Life excluding health and index-linked and unit-linked	R0330	4.503.668,44	
Life index-linked and unit-linked	R0340	0,00	
Deposits to cedants	R0350	5.171.805,79	5.171.805,79
Insurance and intermediaries receivables	R0360	18.883.742,38	84.059.166,00
Reinsurance receivables	R0370	10.850.587,28	35.099.850,00
Receivables (trade, not insurance)	R0380	14.001.212,78	33.762.523,00
Own shares (held directly)	R0390	0,00	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0,00	
Cash and cash equivalents	R0410	45.783.328,37	53.668.765,25
Any other assets, not elsewhere shown	R0420	3.737.233,93	4.610.760,27
Total assets	**R0500**	**3.166.823.808,00**	**3.574.885.423,00**

		Solvency II value	Vrednost v skladu z obveznimi računovodskimi izkazi
		C0010	C0020
Liabilities			
Technical provisions - non-life	**R0510**	**464.203.859,07**	**898.880.515,00**
Technical provisions - non-life (excluding health)	**R0520**	**428.770.868,81**	898.880.515,00
TP calculated as a whole	R0530	0,00	
Best estimate	R0540	401.220.927,32	
Risk margin	R0550	27.549.941,50	
Technical provisions - health (similar to non-life)	**R0560**	**35.432.990,26**	
TP calculated as a whole	R0570	0,00	
Best estimate	R0580	32.487.805,78	
Risk margin	R0590	2.945.184,48	
TP - life (excluding index-linked and unit-linked)	**R0600**	**950.013.187,62**	**1.273.538.608,00**
Technical provisions - health (similar to life)	**R0610**	**0,00**	
TP calculated as a whole	R0620	0,00	
Best estimate	R0630	0,00	
Risk margin	R0640	0,00	
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**950.013.187,62**	**1.273.538.608,00**
TP calculated as a whole	R0660	0,00	
Best estimate	R0670	930.336.388,15	
Risk margin	R0680	19.676.799,47	
TP - index-linked and unit-linked	**R0690**	**660.942.696,30**	**457.683.091,00**
TP calculated as a whole	R0700	0,00	
Best estimate	R0710	643.981.070,21	
Risk margin	R0720	16.961.626,09	
Other technical provisions	R0730		30.686.101,00
Contingent liabilities	R0740	0,00	
Provisions other than technical provisions	R0750	15.122.941,38	17.521.481,00
Pension benefit obligations	R0760	0,00	
Deposits from reinsurers	R0770	0,00	
Deferred tax liabilities	R0780	76.577.492,86	25.400.544,00
Derivatives	R0790	0,00	
Debts owed to credit institutions	R0800	209.954,68	
Financial liabilities other than debts owed to credit institutions	R0810	4.987.035,90	5.288.693,00
Insurance & intermediaries payables	R0820	23.351.616,50	16.020.020,00
Reinsurance payables	R0830	3.450.228,00	23.129.245,00
Payables (trade, not insurance)	R0840	36.806.349,30	2.878.930,00
Subordinated liabilities	**R0850**	20.069.251,13	16.869.102,00
Subordinated liabilities not in BOF	R0860	0,00	16.869.102,00
Subordinated liabilities in BOF	R0870	20.069.251,13	
Any other liabilities, not elsewhere shown	R0880	9.903.194,40	62.639.345,00
Total liabilities	**R0900**	**2.265.637.807,13**	**2.830.535.675,00**
Excess of assets over liabilities	**R1000**	**901.186.000,86**	**744.349.748,00**
Excess of assets over liabilities minus Subordinated Liabilities in BOF		**921.255.251,99**	

Annex 2: S.05.01.01 - Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Premiums written													
Gross - Direct Business	R0110	115.816.375,82	70.462.159,35		149.023.344,63	116.541.740,94	16.871.591,24	156.423.317,86	40.258.695,67	26.745.743,28	50.159,43	11.722.907,81	5.460.316,74
Gross - Proportional reinsurance accepted	R0120	116.795,43	2.842.862,32		6.479.580,63	5.694.686,04	5.646.534,88	65.663.727,77	2.182.160,54	3.501.549,55	28.065,23	484.175,71	1.797.016,16
Gross - Non-proportional reinsurance accepted	R0130												
Reinsurers' share	R0140	528.143,30	2.377.037,52		8.617.218,89	13.324.349,17	8.608.113,02	84.760.900,17	15.545.220,97	6.134.637,84	815,91	708.945,36	4.944.025,31
Net	**R0200**	**115.405.027,95**	**70.927.984,15**		**146.885.706,37**	**108.912.077,81**	**13.910.013,10**	**137.326.145,46**	**26.895.635,25**	**24.112.654,99**	**77.408,75**	**11.498.138,16**	**2.313.307,59**
Premiums earned													
Gross - Direct Business	R0210	114.945.280,48	70.759.171,12		147.555.428,90	113.707.651,28	17.385.796,14	152.804.376,50	38.323.409,15	25.869.644,07	37.967,48	10.686.120,36	5.760.374,94
Gross - Proportional reinsurance accepted	R0220	116.742,50	3.261.304,30		6.792.751,58	5.793.152,51	5.613.746,15	64.775.479,39	2.162.709,05	3.603.737,44	34.232,61	459.236,15	1.791.445,33
Gross - Non-proportional reinsurance accepted	R0230												
Reinsurers' share	R0240	378.090,03	2.417.077,88		8.903.246,00	13.556.506,64	8.690.058,70	84.515.436,92	14.269.305,09	6.269.113,57	815,91	663.001,25	5.025.635,97
Net	**R0300**	**114.683.932,95**	**71.603.397,54**		**145.444.934,48**	**105.944.297,14**	**14.309.483,60**	**133.064.418,97**	**26.216.813,11**	**23.204.267,94**	**71.384,18**	**10.482.355,26**	**2.526.184,30**
Claims incurred													
Gross - Direct Business	R0310	93.772.578,87	28.229.134,20		63.390.841,24	80.672.412,64	7.873.978,47	69.753.576,13	10.205.659,33	9.092.567,58	4.778,78	8.985.648,48	3.231.471,63
Gross - Proportional reinsurance accepted	R0320	120.974,11	1.931.924,61		3.433.083,82	4.304.449,88	2.361.454,06	30.201.618,31	873.732,78	367.077,10	-1.565,53	416.871,48	1.391.989,31
Gross - Non-proportional reinsurance accepted	R0330												
Reinsurers' share	R0340	18.935,41	924.102,01		8.012.395,00	5.361.096,10	2.604.335,76	24.340.318,12	748.139,71	1.333.387,04		514.940,34	2.009.889,19
Net	**R0400**	**93.874.617,57**	**29.236.956,79**		**58.811.530,07**	**79.615.766,43**	**7.631.096,76**	**75.614.876,32**	**10.331.252,40**	**8.126.257,65**	**3.213,25**	**8.887.579,62**	**2.613.571,75**
Changes in other technical provisions													
Gross - Direct Business	R0410	-631.602,84	-127.263,86		33.123,20	-415.576,69	54.924,07	53.859,03	-144.189,60	-479.106,89	-35,67	78.092,10	168.842,41
Gross - Proportional reinsurance accepted	R0420									180.530,61			
Gross - Non-proportional reinsurance accepted	R0430												
Reinsurers' share	R0440		40.571,35		74.526,12	16.275,91	5.603,92	39.436,04	4.023,70	202,09	71,43	1.226,21	410,98
Net	**R0500**	**-631.602,84**	**-167.835,22**		**-41.402,92**	**-431.852,60**	**49.320,15**	**14.422,99**	**-148.213,31**	**-298.778,37**	**-107,10**	**76.865,89**	**168.431,43**
Expenses incurred	**R0550**	**11.969.914,49**	**24.266.553,57**		**51.921.344,10**	**33.795.229,19**	**5.085.050,86**	**58.765.747,46**	**13.366.924,27**	**5.915.395,15**	**31.697,27**	**5.249.546,06**	**2.099.930,74**
Administrative expenses													
Gross - Direct Business	R0610	2.537.445,90	2.317.013,71		4.843.504,32	3.632.829,99	797.211,08	5.233.411,86	1.528.413,49	970.124,42	398,12	491.308,60	253.138,57
Gross - Proportional reinsurance accepted	R0620												
Gross - Non-proportional reinsurance accepted	R0630												
Reinsurers' share	R0640												
Net	**R0700**	**2.537.445,90**	**2.317.013,71**		**4.843.504,32**	**3.632.829,99**	**797.211,08**	**5.233.411,86**	**1.528.413,49**	**970.124,42**	**398,12**	**491.308,60**	**253.138,57**
Investment management expenses													
Gross - Direct Business	R0710	36.152,74	129.800,30		537.768,98	338.494,50	50.014,17	444.364,97	206.983,22	102.552,77	20,76	33.244,43	14.335,30
Gross - Proportional reinsurance accepted	R0720	552,96	13.459,33		30.677,11	26.925,48	26.346,35	306.428,59	9.983,70	16.577,84	132,87	2.292,30	8.507,85
Gross - Non-proportional reinsurance accepted	R0730												
Reinsurers' share	R0740												
Net	**R0800**	**36.705,70**	**143.259,63**		**568.446,09**	**365.419,98**	**76.360,52**	**750.793,56**	**216.966,91**	**119.130,60**	**153,63**	**35.536,73**	**22.843,15**
Claims management expenses													
Gross - Direct Business	R0810	891.417,78	2.742.644,65		7.523.741,12	4.372.938,19	464.058,07	5.173.308,83	2.841.320,44	1.888.330,25	15,18	889.281,77	352.888,55
Gross - Proportional reinsurance accepted	R0820												
Gross - Non-proportional reinsurance accepted	R0830												
Reinsurers' share	R0840												
Net	**R0900**	**891.417,78**	**2.742.644,65**		**7.523.741,12**	**4.372.938,19**	**464.058,07**	**5.173.308,83**	**2.841.320,44**	**1.888.330,25**	**15,18**	**889.281,77**	**352.888,55**
Acquisition expenses													
Gross - Direct Business	R0910	2.764.374,50	12.533.036,74		23.990.234,34	16.460.840,33	1.875.889,44	30.801.926,55	6.854.588,34	1.586.155,07	11.655,10	2.753.368,19	1.222.301,02
Gross - Proportional reinsurance accepted	R0920	1.681,48	862.911,34		1.989.687,31	1.224.562,15	959.254,01	10.861.829,68	360.836,79	314.316,10	9.545,89	150.760,93	30.708,37
Gross - Non-proportional reinsurance accepted	R0930												
Reinsurers' share	R0940	50.337,59	310.481,47		1.415.213,96	1.556.379,81	854.253,91	8.719.922,59	1.750.611,62	1.036.176,91		158.022,83	327.548,64
Net	**R1000**	**2.715.718,39**	**13.085.466,61**		**24.564.707,70**	**16.129.022,67**	**1.980.889,53**	**32.943.833,64**	**5.464.813,51**	**864.294,26**	**21.200,99**	**2.746.106,30**	**925.460,75**
Overhead expenses													
Gross - Direct Business	R1010	5.786.356,67	5.922.914,85		14.295.007,18	9.184.482,14	1.658.372,92	13.406.428,70	3.274.424,20	2.005.459,20	9.383,88	1.077.902,19	510.672,76
Gross - Proportional reinsurance accepted	R1020	2.270,05	55.254,13		125.937,71	110.536,24	108.158,75	1.257.970,87	40.985,72	68.056,43	545,48	9.410,48	34.926,97
Gross - Non-proportional reinsurance accepted	R1030												
Reinsurers' share	R1040												
Net	**R1100**	**5.788.626,72**	**5.978.168,98**		**14.420.944,88**	**9.295.018,37**	**1.766.531,67**	**14.664.399,56**	**3.315.409,93**	**2.073.515,63**	**9.929,36**	**1.087.312,67**	**545.599,73**
Other expenses	R1200												
Total expenses	**R1300**												

		Line of Business for: accepted non-proportional reinsurance				Total
		Health	Casualty	Marine, aviation, transport	Property	
		C0130	C0140	C0150	C0160	C0200
Premiums written						
Gross - Direct Business	R0110					**709.376.352,77**
Gross - Proportional reinsurance accepted	R0120					**94.437.154,25**
Gross - Non-proportional reinsurance accepted	R0130	588.133,34	5.213.297,71	1.422.625,64	16.859.380,82	**24.083.437,51**
Reinsurers' share	R0140	117.869,28	2.956.008,21	258.359,40	5.938.988,47	**154.820.632,83**
Net	**R0200**	**470.264,06**	**2.257.289,50**	**1.164.266,24**	**10.920.392,35**	**673.076.311,71**
Premiums earned						
Gross - Direct Business	R0210					**697.835.220,43**
Gross - Proportional reinsurance accepted	R0220					**94.404.537,00**
Gross - Non-proportional reinsurance accepted	R0230	577.919,85	5.121.748,78	1.411.349,07	16.800.414,82	**23.911.432,52**
Reinsurers' share	R0240	117.268,86	2.996.563,05	261.726,86	5.921.398,35	**153.985.245,07**
Net	**R0300**	**460.650,99**	**2.125.185,73**	**1.149.622,21**	**10.879.016,47**	**662.165.944,87**
Claims incurred						
Gross - Direct Business	R0310					**375.212.647,36**
Gross - Proportional reinsurance accepted	R0320					**45.401.609,92**
Gross - Non-proportional reinsurance accepted	R0330	329.279,38	4.089.861,53	1.763.393,79	11.885.126,07	**18.067.660,77**
Reinsurers' share	R0340	35.694,77	-1.943.229,02	62.077,22	5.843.707,78	**49.865.789,42**
Net	**R0400**	**293.584,61**	**6.033.090,55**	**1.701.316,57**	**6.041.418,29**	**388.816.128,63**
Changes in other technical provisions						
Gross - Direct Business	R0410					**-1.408.934,75**
Gross - Proportional reinsurance accepted	R0420					**180.530,61**
Gross - Non-proportional reinsurance accepted	R0430					**0,00**
Reinsurers' share	R0440					**182.347,76**
Net	**R0500**					**-1.410.751,90**
Expenses incurred	**R0550**	**45.524,55**	**165.354,42**	**106.216,48**	**997.011,22**	**212.467.333,16**
Administrative expenses						
Gross - Direct Business	R0610					**22.604.800,04**
Gross - Proportional reinsurance accepted	R0620					**0,00**
Gross - Non-proportional reinsurance accepted	R0630					**0,00**
Reinsurers' share	R0640					**0,00**
Net	**R0700**					**22.604.800,04**
Investment management expenses						
Gross - Direct Business	R0710					**1.893.732,13**
Gross - Proportional reinsurance accepted	R0720					**441.884,36**
Gross - Non-proportional reinsurance accepted	R0730	2.784,48	24.681,99	6.735,32	79.819,54	**114.021,32**
Reinsurers' share	R0740					**0,00**
Net	**R0800**	**2.784,48**	**24.681,99**	**6.735,32**	**79.819,54**	**2.449.637,80**
Claims management expenses						
Gross - Direct Business	R0810					**27.139.944,81**
Gross - Proportional reinsurance accepted	R0820					**0,00**
Gross - Non-proportional reinsurance accepted	R0830					**0,00**
Reinsurers' share	R0840					**0,00**
Net	**R0900**					**27.139.944,81**
Acquisition expenses						
Gross - Direct Business	R0910					**100.854.369,61**
Gross - Proportional reinsurance accepted	R0920					**16.766.094,05**
Gross - Non-proportional reinsurance accepted	R0930	31.309,06	39.346,32	71.830,88	589.511,26	**731.997,52**
Reinsurers' share	R0940					**16.178.949,33**
Net	**R1000**	**31.309,06**	**39.346,32**	**71.830,88**	**589.511,26**	**102.173.511,85**
Overhead expenses						
Gross - Direct Business	R1010					**57.131.404,68**
Gross - Proportional reinsurance accepted	R1020					**1.814.052,81**
Gross - Non-proportional reinsurance accepted	R1030	11.431,01	101.326,12	27.650,28	327.680,42	**468.087,83**
Reinsurers' share	R1040					**0,00**
Net	**R1100**	**11.431,01**	**101.326,12**	**27.650,28**	**327.680,42**	**59.413.545,32**
Other expenses	R1200					**14.974.290,44**
Total expenses	**R1300**					**228.755.730,27**

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	33.644,81	67.851.187,94	82.224.312,74	8.326.996,59					**158.436.142,08**
Reinsurers' share	R1420		33.282,11	33.520,15	314.161,33					**380.963,59**
Net	**R1500**	**33.644,81**	**67.817.905,83**	**82.190.792,58**	**8.012.835,26**					**158.055.178,49**
Premiums earned										
Gross	R1510	33.644,81	67.862.698,62	82.224.312,74	8.345.137,09					**158.465.793,26**
Reinsurers' share	R1520		33.282,11	33.520,15	314.161,33					**380.963,59**
Net	**R1600**	**33.644,81**	**67.829.416,51**	**82.190.792,58**	**8.030.975,76**					**158.084.829,67**
Claims incurred										
Gross	R1610	10.439,32	78.592.803,35	79.598.649,69	1.366.286,64		3.651.916,54			**163.220.095,54**
Reinsurers' share	R1620		7.838,32	41.660,28	117.185,04					**166.683,64**
Net	**R1700**	**10.439,32**	**78.584.965,03**	**79.556.989,41**	**1.249.101,60**		**3.651.916,54**			**163.053.411,90**
Changes in other technical provisions										
Gross	R1710		15.247.808,03	4.513.850,16	1.108.410,71					**20.870.068,90**
Reinsurers' share	R1720									**0,00**
Net	**R1800**		**15.247.808,03**	**4.513.850,16**	**1.108.410,71**					**20.870.068,90**
Expenses incurred	**R1900**	**11.804,08**	**13.443.385,27**	**15.384.953,76**	**3.525.695,07**		**69.338,88**			**32.435.177,06**
Administrative expenses										
Gross	R1910	832,71	1.686.283,94	1.938.076,16	580.254,05		42,36			**4.205.489,23**
Reinsurers' share	R1920									**0,00**
Net	**R2000**	**832,71**	**1.686.283,94**	**1.938.076,16**	**580.254,05**		**42,36**			**4.205.489,23**
Investment management expenses										
Gross	R2010	104,63	262.920,18	243.964,70	8.943,10					**515.932,61**
Reinsurers' share	R2020									**0,00**
Net	**R2100**	**104,63**	**262.920,18**	**243.964,70**	**8.943,10**					**515.932,61**
Claims management expenses										
Gross	R2110	284,86	683.134,27	1.072.244,58	151.803,07		64.825,42			**1.972.292,20**
Reinsurers' share	R2120		107,71		387,05					**494,75**
Net	**R2200**	**284,86**	**683.026,56**	**1.072.244,58**	**151.416,03**		**64.825,42**			**1.971.797,45**
Acquisition expenses										
Gross	R2210	9.257,76	6.806.939,71	6.406.461,96	1.938.612,05		743,63			**15.162.015,11**
Reinsurers' share	R2220		26.246,73		4.019,42					**30.266,14**
Net	**R2300**	**9.257,76**	**6.780.692,99**	**6.406.461,96**	**1.934.592,63**		**743,63**			**15.131.748,96**
Overhead expenses										
Gross	R2310	1.324,11	4.030.461,60	5.724.206,37	850.489,26		3.727,47			**10.610.208,81**
Reinsurers' share	R2320									**0,00**
Net	**R2400**	**1.324,11**	**4.030.461,60**	**5.724.206,37**	**850.489,26**		**3.727,47**			**10.610.208,81**
Other expenses	**R2500**									**246.109,00**
Total expenses	**R2600**									**32.681.286,06**
Total amount of surrenders	R2700		600.218,65		206.137,96					**806.356,61**

Annex 3: S.05.02.01 - Premiums, claims and expenses by country of operations

Home country: non-life insurance

		Total Top 5 and home country	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					
			Slovenia	Croatia	Serbia	Montenegro	Macedonia	Bosnia	Other EAA Countries
Premium written									
Gross - Direct Business	R0110	448.716.495,57	447.952.850,71	61.001,92	259.707,38	51.328,55	78.847,27	233.915,58	78.844,16
Gross - Proportional reinsurance accepted	R0120	1.102.902,67	1.098.170,27	451,70	1.102,54	361,50	567,47	1.715,21	533,98
Gross - Non-proportional reinsurance accepted	R0130	0,00							
Reinsurers' share	R0140	78.168.152,60	78.026.744,25	11.296,06	48.091,45	9.504,79	14.600,59	43.315,44	14.600,01
Net	**R0200**	**371.651.245,64**	**371.024.276,73**	**50.157,56**	**212.718,47**	**42.185,26**	**64.814,15**	**192.315,35**	**64.778,13**
Premium earned									
Gross - Direct Business	R0210	440.749.850,01	440.000.614,07	59.850,90	254.807,06	50.360,05	77.359,53	229.501,92	77.356,48
Gross - Proportional reinsurance accepted	R0220	1.134.898,92	1.132.844,04	164,15	698,84	138,12	212,17	629,44	212,16
Gross - Non-proportional reinsurance accepted	R0230	0,00							
Reinsurers' share	R0240	76.458.680,40	76.320.367,27	11.048,81	47.038,80	9.296,75	14.281,00	42.367,33	14.280,44
Net	**R0300**	**365.426.068,53**	**364.813.090,84**	**48.966,24**	**208.467,10**	**41.201,42**	**63.290,70**	**187.764,02**	**63.288,20**
Claims incurred									
Gross - Direct Business	R0310	214.077.155,97	213.977.557,92	4.187,34	50.270,64			39.595,24	5.544,83
Gross - Proportional reinsurance accepted	R0320	168.311,11	165.743,33	-7,81	2.371,80			-57,82	261,61
Gross - Non-proportional reinsurance accepted	R0330	0,00							
Reinsurers' share	R0340	25.589.517,01	25.577.202,11	517,75	6.215,76			4.895,79	685,60
Net	**R0400**	**188.655.950,07**	**188.566.099,14**	**3.661,78**	**46.426,68**			**34.641,63**	**5.120,84**
Changes in other technical provisions									
Gross - Direct Business	R0410	550.376,00	549.379,47	79,61	338,91	66,98	102,89	305,25	102,89
Gross - Proportional reinsurance accepted	R0420	0,00							
Gross - Non-proportional reinsurance accepted	R0430	0,00							
Reinsurers' share	R0440	0,00							
Net	**R0500**	**550.376,00**	**549.379,47**	**79,61**	**338,91**	**66,98**	**102,89**	**305,25**	**102,89**
Expenses incurred	R0550	122.477.482,41	122.266.050,58	16.889,72	71.905,68	14.211,43	21.830,60	64.764,66	21.829,73
Other expenses	R1200	8.229.971,00							
Total expenses	**R1300**	**130.707.453,41**							

life obligations		Total Top 5 and home country	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations				
			Slovenia	Croatia	Serbia	Bosnia and Herzegovina	Montenegro	Macedonia
Premium written								
Gross	R1410	158.436.142,08	143.309.120,12	7.169.577,35	2.104.651,90	4.731.629,55	1.121.163,16	
Reinsurers' share	R1420	380.963,59	322.684,09	4.703,89	4.741,95	11.037,20	37.796,46	
Net	**R1500**	**158.055.178,49**	**142.986.436,03**	**7.164.873,46**	**2.099.909,96**	**4.720.592,34**	**1.083.366,70**	
Premium earned								
Gross	R1510	158.465.793,26	143.314.884,06	7.169.577,35	2.104.651,90	4.731.629,55	1.145.050,40	
Reinsurers' share	R1520	380.963,59	322.684,09	4.703,89	4.741,95	11.037,20	37.796,46	
Net	**R1600**	**158.084.829,67**	**142.992.199,97**	**7.164.873,46**	**2.099.909,96**	**4.720.592,34**	**1.107.253,94**	
Claims paid								
Gross	R1610	163.220.095,54	154.996.404,71	5.284.677,23	699.410,87	1.367.846,82	880.885,54	-9.129,63
Reinsurers' share	R1620	166.683,64	150.113,50			7.838,32	8.731,82	
Net	**R1700**	**163.053.411,90**	**154.846.291,21**	**5.284.677,23**	**699.410,87**	**1.360.008,50**	**872.153,72**	**-9.129,63**
Changes in other technical provisions								
Gross	R1710	20.870.068,90	20.738.675,38				131.393,52	
Reinsurers' share	R1720	0,00						
Net	**R1800**	**20.870.068,90**	**20.738.675,38**				**131.393,52**	
Expenses incurred	R1900	32.435.671,80	27.882.620,58	1.679.436,30	819.322,19	1.660.063,44	394.229,29	
Other expenses	R2500	246.109,00						
Total expenses	**R2600**	**32.681.780,80**						

Annex 4: S.23.01.04 – Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	**73.701.392,00**	73.701.392,00			
Reconciliation reserve	R0130	**749.880.254,04**	749.880.254,04			
Subordinated liabilities	R0140	**20.069.251,13**			20.069.251,13	
Total basic own funds after deductions	**R0290**	**843.650.897,17**	**823.581.646,04**		**20.069.251,13**	
Other ancillary own funds	**R0400**					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	**843.650.897,17**	**823.581.646,04**		**20.069.251,13**	
Total available own funds to meet the minimum consolidated group SCR	**R0530**	**843.650.897,17**	**823.581.646,04**		**20.069.251,13**	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	**843.650.897,17**	**823.581.646,04**		**20.069.251,13**	
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	**843.650.897,17**	**823.581.646,04**		**20.069.251,13**	
Consolidated Group SCR	**R0590**	**342.585.449,55**				
Minimum consolidated Group SCR	**R0610**	**140.827.761,91**				
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)	**R0630**	**246,26%**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	**599,07%**				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	**843.650.897,17**	823.581.646,04		20.069.251,13	
SCR for entities included with D&A method	**R0670**					
Group SCR	**R0680**	**342.585.449,55**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	**246,26%**				

Reconciliation reserve		
Excess of assets over liabilities	R0700	**901.186.000,86**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	56.837.870,00
Other basic own fund items	R0730	**73.701.392,00**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	**11.043.248,24**
Other non available own funds	R0750	9.723.236,59
Reconciliation reserve	**R0760**	**749.880.254,04**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	29.240.064,80
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	14.615.576,53
Total Expected profits included in future premiums (EPIFP)	**R0790**	**43.855.641,33**

Annex 5: S.25.01.04 - Solvency Capital Requirement

		Gross solvency capital requirement
		C0040
Market risk	R0010	244.818.580,70
Counterparty default risk	R0020	43.150.617,70
Life underwriting risk	R0030	43.990.256,55
Health underwriting risk	R0040	46.032.494,87
Non-life underwriting risk	R0050	141.965.128,47
Diversification	R0060	-161.116.591,81
Intangible asset risk	R0070	
Basic Solvency Capital Requirement	**R0100**	**358.840.486,48**

Calculation of Solvency Capital Requirement

		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Total capital requirement for operational risk	R0130	30.563.238,40
Loss-absorbing capacity of technical provisions	R0140	-1.141.558,82
Loss-absorbing capacity of deferred taxes	R0150	-73.180.305,40
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**315.081.860,67**
Capital add-on already set	R0210	
Solvency capital requirement	**R0220**	**315.081.860,67**
Solvency capital requirement		**315.081.860,67**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	11.043.248,24
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment
Net future discretionary benefits	R0460	1.141.558,82
Minimum consolidated group solvency capital requirement	R0470	140.827.761,91
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	14.795.711,05
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	7.420.705,60
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	7.375.005,45
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirer	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	12.707.877,83
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	**R0570**	**342.585.449,55**

Annex 6: S.32.01.04 - Insurance undertakings of the Group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0200	C0220	C0230	C0240	C0250	C0260
SI	549300XGYWQT0XWO4R05	1 - LEI	Pozavarovalnica Triglav RE, d.d., Ljubljana	3 - Reinsurance undertaking	Delniška družba	2 - Non-mutual	Agencija za Zavarovalni Nadzor	100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
SI	4851000094PJJQ1E0T23	1 - LEI	Triglav, Zdravstvena zavarovalnica, d.d., Koper	2 - Non life insurance undertaking	Delniška družba	2 - Non-mutual	Agencija za Zavarovalni Nadzor	100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
HR	74780000H0HHL1OVM657	1 - LEI	Triglav Osiguranje, d.d., Zagreb	4 - Composite undertaking	Delniška družba	2 - Non-mutual	Croatian Financial Services Supervisory Agency	99,91%	99,91%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
BA	485100004VIBWAYZM123	1 - LEI	Triglav BH Osiguranje, d.d., Sarajevo	4 - Composite undertaking	Delniška družba	2 - Non-mutual	Agencija za nadzor osiguranja	68,94%	78,71%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
ME	OP-06 - Lovćen Osiguranje, Podgorica	2 - Specific code	Lovćen Osiguranje, a.d., Podgorica	2 - Non life insurance undertaking	Delniška družba	2 - Non-mutual	Agencija za nadzor osiguranja	96,47%	96,47%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
RS	48510000D1F47ICK5Q68	1 - LEI	Triglav Osiguranje, a.d.o, Beograd	4 - Composite undertaking	Delniška družba	2 - Non-mutual	Agencija za nadzor osiguranja	99,88%	99,88%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
BA	485100007Q6XSLF2XO57	1 - LEI	Triglav Osiguranje, a.d., Banjaluka	2 - Non life insurance undertaking	Delniška družba	2 - Non-mutual	Narodna Banka Srbije	100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
MK	48510000WZS9RGTJVR81	1 - LEI	Triglav Osiguruvanje, a.d., Skopje	2 - Non life insurance undertaking	Delniška družba	2 - Non-mutual	Agencija za nadzor osiguranja	73,38%	73,38%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
ME	OP-39 - Lovćen Životna Origuranja, Podgorica	2 - Specific code	Lovčen životna osiguranja, Podgorica	1 - Life insurance undertaking	Delniška družba	2 - Non-mutual	Agencija za nadzor osiguranja	96,47%	96,47%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
SI	48510000PUF0PHJMWE31	1 - LEI	Skupna pokojninska družba, d.d., Ljubljana	9 - Institution for occupational retirement provision	Delniška družba	2 - Non-mutual	Agencija za Zavarovalni Nadzor	71,87%	71,87%	1 - Dominant		1 - Included in the scope	2016-01-01	4 - Method 1: Sectoral rules
SI	OP-19 - Triglav, Upravljanje nepremičnin	2 - Specific code	Triglav upravljanje nepremičnin, d.d., Ljubljana	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Delniška družba	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
SI	485100000Z4BS9C24Q46	1 - LEI	Triglav INT, d.d., Ljubljana	5 - Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Delniška družba	2 - Non-mutual	Agencija za Zavarovalni Nadzor	100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
SI	OP-11 - Triglav Skladi	2 - Specific code	Triglav Skladi, d.o.o.	8 - Credit institution, investment firm and financial institution	Družba z omejeno odgovornostjo	2 - Non-mutual		67,50%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	4 - Method 1: Sectoral rules
SI	OP-13 - Triglav, Upravljanje nepremičnin	2 - Specific code	Triglav Svetovanje, d.o.o., Ljubljana	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
SI	OP-12 - Triglav Avtoservis	2 - Specific code	Triglav Avtoservis, d.o.o., Ljubljana	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
SI	Triglavko, d.o.o, Ljubljana	2 - Specific code	Triglavko, d.o.o, Ljubljana	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual			38,47%	2 - Significant		1 - Included in the scope	2016-01-01	10 - Other method
HR	OP-52 - TRI-LIFE	2 - Specific code	TRI-Life, d.o.o. Zagreb	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual	Croatian Financial Services Supervisory Agency	99,96%	99,96%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
BA	OP-22 - TRI-PRO BH	2 - Specific code	Triglav Savjetovanje d.o.o., Sarajevo	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual	Agencija za nadzor osiguranja	89,57%	89,57%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
RS	OP-53 - Triglav Savetovanje, Beograd	2 - Specific code	Triglav Savetovanje, d.o.o., Beograd	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual	Narodna Banka Srbije	99,94%	99,94%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
BA	OP-23 - Unis	2 - Specific code	Unis automobili i dijelovi, d.o.o., Sarajevo	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual		65,62%	78,71%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
ME	OP-28 - Lovčen Auto	2 - Specific code	Lovćen Auto, d.o.o., Nikšić	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual		96,47%	96,47%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
BA	OP-40 - Triglav Auto, Banjaluka	2 - Specific code	Triglav Auto, d.o.o., Banja Luka	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
BA	PROF-IN, d.o.o., Sarajevo	2 - Specific code	PROF-IN, d.o.o., Sarajevo	8 - Credit institution, investment firm and financial institution	Družba z omejeno odgovornostjo	2 - Non-mutual		62,54%	62,54%	1 - Dominant		1 - Included in the scope	2016-01-01	10 - Other method
BA	ZIF Prof Plus, d.d., Sarajevo	2 - Specific code	ZIF Prof Plus, d.d., Sarajevo	99 - Other	Delniška družba	2 - Non-mutual			22,09%	2 - Significant		1 - Included in the scope	2016-01-01	10 - Other method
SI	Salnal, d.d., Ljubljana	2 - Specific code	Salnal, d.d., Ljubljana	99 - Other	Delniška družba	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	10 - Other method
SI	Hotel grad Podvin, d.d., Radovljica	2 - Specific code	Hotel grad Podvin, d.d., Radovljica	99 - Other	Delniška družba	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	10 - Other method
SI	Vse bo v redu, Zavod za družbeno odgovornost	2 - Specific code	Vse bo v redu, Zavod za družbeno odgovornost	99 - Other	Zavod za družbeno odgovornost	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	10 - Other method
SI	747800P0D13G4YJHYI09	1 - LEI	Nama, trgovsko podjetje, d.d. Ljubljana	99 - Other	Delniška družba	2 - Non-mutual			39,07%	2 - Significant		1 - Included in the scope	2016-01-01	10 - Other method
SI	Golf Arboretum, d.o.o., Domžale	2 - Specific code	Golf Arboretum, d.o.o., Domžale	99 - Other	Družba z omejeno odgovornostjo	2 - Non-mutual		80,10%	80,10%	1 - Dominant		1 - Included in the scope	2016-01-01	10 - Other method
BA	OP-24 - Autocentar BH	2 - Specific code	Autocentar BH, d.o.o., Sarajevo	99 - Other	Družba z omejeno odgovornostjo	2 - Non-mutual		68,94%	78,71%	1 - Dominant		1 - Included in the scope	2016-01-01	10 - Other method
BA	Sarajevostan, d.d., Sarajevo	2 - Specific code	Sarajevostan, d.d., Sarajevo	99 - Other	Delniška družba	2 - Non-mutual		61,04%	73,22%	1 - Dominant		1 - Included in the scope	2016-01-01	10 - Other method
SI	AKM nepremičnine, d.o.o., Ljubljana	2 - Specific code	AKM nepremičnine, d.o.o., Ljubljana	99 - Other	Družba z omejeno odgovornostjo	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
HR	Triglav upravljanje nekretninama Zagreb, d.o.o.	2 - Specific code	Triglav upravljanje nekretninama Zagreb, d.o.o.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation
ME	Triglav upravljanje nekretninama Podgorica, d.o.o.	2 - Specific code	Triglav upravljanje nekretninama Podgorica, d.o.o.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Družba z omejeno odgovornostjo	2 - Non-mutual		100,00%	100,00%	1 - Dominant		1 - Included in the scope	2016-01-01	1 - Method 1: Full consolidation

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Total Balance Sheet (for (re)insurance undertakings)	Total Balance Sheet (for other regulated undertakings)	Total Balance Sheet (non-regulated undertakings)	Written premiums net of reinsurance ceded under IFRS or local GAAP for (re)insurance undertakings	Turn over defined as the gross revenue under IFRS or local GAAP for other types of undertakings or insurance holding companies	Underwriting performance	Investment performance	Total performance	Accounting standard
C0010	**C0020**	**C0030**	**C0040**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**
SI	549300XGYWQT0XWO4R05	1 - LEI	Pozavarovalnica Triglav RE, d.d., Ljubljana	266.335.614,45			**69.631.106,68**	117.417.689,09	1.937.847,54	5.849.315,00	7.787.162,54	1 - IFRS
SI	4851000094PJJQ1E0T23	1 - LEI	Triglav, Zdravstvena zavarovalnica, d.d., Koper	50.565.069,72			**114.387.480,45**	114.996.564,36	518.472,39	868.553,12	1.387.025,51	1 - IFRS
HR	74780000H0HHL1OVM657	1 - LEI	Triglav Osiguranje, d.d., Zagreb	142.615.661,00			**39.784.712,00**	48.937.278,00	1.033.103,21	1.722.329,79	2.755.433,00	1 - IFRS
BA	485100004VIBWAYZM123	1 - LEI	Triglav BH Osiguranje, d.d., Sarajevo	51.245.294,00			**16.336.708,00**	20.489.548,00	1.489.855,08	512.926,92	2.002.782,00	1 - IFRS
ME	OP-06 - Lovćen Osiguranje, Podgorica	2 - Specific code	Lovčen Osiguranje, a.d., Podgorica	55.410.428,00			**23.420.775,00**	29.915.556,00	4.111.086,00	920.156,00	5.031.242,00	1 - IFRS
RS	48510000D1F47ICK5Q68	1 - LEI	Triglav Osiguranje, a.d.o, Beograd	51.338.688,00			**26.659.969,00**	34.409.252,00	-1.005.653,06	2.082.488,06	1.076.835,00	1 - IFRS
BA	485100007Q6XSLF2XO57	1 - LEI	Triglav Osiguranje, a.d., Banjaluka	9.760.081,00			**4.269.165,00**	5.027.712,00	-65.838,00	300.217,00	234.379,00	1 - IFRS
MK	48510000WZS9RGTJVR81	1 - LEI	Triglav Osiguruvanje, a.d., Skopje	36.037.249,00			**17.660.152,00**	21.555.079,00	2.006.669,00	982.887,00	2.989.556,00	1 - IFRS
ME	OP-39 - Lovćen Životna Origuranja, Podgorica	2 - Specific code	Lovčen životna osiguranja, Podgorica	5.845.548,00			**1.216.474,00**	1.254.360,00	-109.918,02	78.162,02	-31.756,00	1 - IFRS
SI	48510000PUF0PHJMWE31	1 - LEI	Skupna pokojninska družba, d.d., Ljubljana	286.410.118,00			**29.180.077,00**	29.180.077,00	-1.019.719,00	2.345.444,00	1.325.725,00	1 - IFRS
SI	OP-19 - Triglav, Upravljanje nepremičnin	2 - Specific code	Triglav upravljanje nepremičnin, d.d., Ljubljana			45.931.055,00		27.833.281,00			12.217.163,00	1 - IFRS
SI	485100000Z4BS9C24Q46	1 - LEI	Triglav INT, d.d., Ljubljana		66.126.996,00			200.386,00			-2.260.492,00	1 - IFRS
SI	OP-11 - Triglav Skladi	2 - Specific code	Triglav Skladi, d.o.o.		40.069.555,00			14.934.836,00			4.783.928,00	1 - IFRS
SI	OP-13 - Triglav, Upravljanje nepremičnin	2 - Specific code	Triglav Svetovanje, d.o.o., Ljubljana		1.328.608,00			4.311.592,00			71.765,00	1 - IFRS
SI	OP-12 - Triglav Avtoservis	2 - Specific code	Triglav Avtoservis, d.o.o., Ljubljana			381.623,00		2.220.371,00			3.488,00	1 - IFRS
SI	Triglavko, d.o.o, Ljubljana	2 - Specific code	Triglavko, d.o.o, Ljubljana									1 - IFRS
HR	OP-52 - TRI-LIFE	2 - Specific code	TRI-Life, d.o.o. Zagreb		52.888,00			239.388,00			-123.285,00	1 - IFRS
BA	OP-22 - TRI-PRO BH	2 - Specific code	Triglav Savjetovanje d.o.o., Sarajevo		184.053,00			926.355,00			57.449,00	1 - IFRS
RS	OP-53 - Triglav Savetovanje, Beograd	2 - Specific code	Triglav Savetovanje, d.o.o., Beograd		79.325,00			41.451,00			-114.809,00	1 - IFRS
BA	OP-23 - Unis	2 - Specific code	Unis automobili i dijelovi, d.o.o., Sarajevo			342.427,00		415.637,00			-72.719,00	1 - IFRS
ME	OP-28 - Lovčen Auto	2 - Specific code	Lovćen Auto, d.o.o., Nikšić			3.972.867,00		1.787.826,00			-1.411.168,00	1 - IFRS
BA	OP-40 - Triglav Auto, Banjaluka	2 - Specific code	Triglav Auto, d.o.o., Banja Luka			1.023,00						1 - IFRS
BA	PROF-IN, d.o.o., Sarajevo	2 - Specific code	PROF-IN, d.o.o., Sarajevo									1 - IFRS
BA	ZIF Prof Plus, d.d., Sarajevo	2 - Specific code	ZIF Prof Plus, d.d., Sarajevo									1 - IFRS
SI	Salnal, d.d., Ljubljana	2 - Specific code	Salnal, d.d., Ljubljana			5.728.135,00		519.150,00			517.857,00	1 - IFRS
SI	Hotel grad Podvin, d.d., Radovljica	2 - Specific code	Hotel grad Podvin, d.d., Radovljica									1 - IFRS
SI	Vse bo v redu, Zavod za družbeno odgovornost	2 - Specific code	Vse bo v redu, Zavod za družbeno odgovornost									1 - IFRS
SI	747800P0D13G4YJHYI09	1 - LEI	Nama, trgovsko podjetje, d.d. Ljubljana									1 - IFRS
SI	Golf Arboretum, d.o.o., Domžale	2 - Specific code	Golf Arboretum, d.o.o., Domžale			1.209.207,00		605.997,00			-230.066,00	1 - IFRS
BA	OP-24 - Autocentar BH	2 - Specific code	Autocentar BH, d.o.o., Sarajevo			2.320.084,00		1.375.969,00			46.325,00	1 - IFRS
BA	Sarajevostan, d.d., Sarajevo	2 - Specific code	Sarajevostan, d.d., Sarajevo			4.273.240,00		2.211.650,00			160.322,00	1 - IFRS
SI	AKM nepremičnine, d.o.o., Ljubljana	2 - Specific code	AKM nepremičnine, d.o.o., Ljubljana									1 - IFRS
HR	Triglav upravljanje nekretninama Zagreb, d.o.o.	2 - Specific code	Triglav upravljanje nekretninama Zagreb, d.o.o.			3.344.683,00		44.939,00			-10.128,00	1 - IFRS
ME	Triglav upravljanje nekretninama Podgorica, d.o.o.	2 - Specific code	Triglav upravljanje nekretninama Podgorica, d.o.o.			3.346.049,00		33.737,00			5.466,00	1 - IFRS