

# 7. Performance of the Triglav Group

- The economic and financial crisis impacted the operations of the Group.
- The Triglav Group is the market leader in Slovenia, Macedonia and Montenegro and a market follower in Croatia, Bosnia and Herzegovina, in the Czech Republic and Serbia.
- Domination of non-life insurance, highly responsive insurers and strong competition.
- Increased gross claims paid, less premiums written and quality insurance technical provisions.

## 7.1 General economic environment in Slovenia

In spite of slow recovery, for the second consecutive year the euro zone was in recession, observed also in Slovenia. Conditions in the labour market remained harsh and financing conditions difficult. In December Slovenia started restructuring the banking sector and was thus able to borrow on the international market. Following the autumn forecast of the Office of the Government of the Republic of Slovenia for Macroeconomic Analysis and Development (hereinafter IMAD) in 2013 Slovenia recorded a 2.4% decrease in real GDP, and the inflation rate remained relatively low at 2.0%. GDP at current prices decreased down to EUR 34.9 billion.

Domestic consumption dramatically dropped again, private consumption reduced by as much as 3.5%, and government consumption was lower by 1 percentage point. Capital consumption went down by 1.6%, which was slightly less than in previous years – as higher investments were observed in the energy industry and a slightly smaller fall was recorded in construction investments.

The reduction in GDP was mitigated by fast growing international trade. While imports practically stagnated, exports from Slovenia within and outside the European Union increased. The growth in goods was based on the export of medicinal and pharmaceutical products, whilst the growth in services stemmed from intermediary, trade and construction services. The competitiveness of the Slovene economy was strengthened by cost adjustments, whilst its cost competitiveness worsened because of the higher value of the euro. As at the year-end, 6.7% of total GDP growth was generated by the exchange rate.

Employment rate fell by 2.3%, as a result of decreased economic activity and a high rate of transition into inactivity due to the new pension reform. The largest fall in employment was recorded in construction, followed by manufacturing, and financial intermediation. Due to public finance restrictions a drop in employment in the public sector was noted for the first time. At an annual level the registered unemployment increased by 1.3 percentage points on average to 13.3% which nominally represents 120,600 persons.

The volume of loans granted to the private sector went down again, as a result of bank asset restructuring, restrictions in financing and deteriorating loan quality. Impairment and provisioning costs grew, and interest rates on corporate loans remained high as well. Indebtedness of Slovene companies is above-average. At the end of the year Bank of Slovenia published stress test results, requiring bank recapitalisation of EUR 4.8 billion. By transferring bad debt to the Bank Asset Management Company the government started the restructuring of the banking sector, but IMAD estimates that its effects will not be visible before 2015.

The state of Slovene public finances worsened again due to bank recapitalisation and higher interest expense. Total deficit of Slovenia considerably exceeded 3.8% reached in 2012 and its sovereign debt will climb (according to preliminary estimates of the Ministry of Finance) to almost 75% of GDP. Excluding the bank recapitalisation, in the first three quarters of 2013, the deficit was lower than in the same period of 2012, which leads to conclusion that the conditions started to improve. In spite of adopted reforms, approval to postpone the elimination of the excessive deficit by two years and inclusion of the fiscal rule in the Constitution, Slovenia did not gain higher credibility in the financial markets. Conditions changed only in December with the restructuring of the banking sector.

The recovery of the Slovene economy will be uncertain in 2014. According to the autumn forecast of IMAD, GDP growth will be negative for the third consecutive year and reach -0.8%. Household consumption, government consumption and investment consumption will drop again. Positive growth is forecast only in strong international trade. The growth of registered unemployment will slightly level off at 13.6%, but the inflation rate will remain at a similar level, i.e. 1.9%. In 2014, the government will have to continue with the consolidation of public finance and privatisation according to the Stability Programme, in order to be able to reduce both the budget deficit and public debt. Forecasts are followed by uncertainties that can reduce the currently anticipated growth rates. In most cases they arise from effects of government measures relating to the fulfilment of commitments towards public finance consolidation.

Continuation of negative trends

## Changed buying habits



Sales of insurance products

## 7.2 Environmental impact on the performance of the Triglav Group

In 2013, the operations of the Triglav Group were significantly marked by the continuing economic and financial crisis, which strongly affected policyholder habits. The effects of reduced household and corporate demand for some insurance products are described in detail in sections 3.3 *Objectives achieved by the Triglav Group in 2013* and 7.5 *Gross written premiums from insurance and co-insurance contracts*. The reaction of competitors to the exacerbated conditions of economic operation is strong. They particularly affect the Company's operations by reducing their premiums. The insurance subsidiaries of the Triglav Group are responding to the market changes by introducing new sales approaches and placing new products, bonus programmes and promotional offers as well as by changing and adjusting the insurance terms and conditions, which consequently reduce the volume of written premiums. An additional loss of planned premium income resulted from the insurance portfolio selection and the intense measures taken to mitigate poorer insurance technical results in non-life insurance, manifested in a good claims ratio of the Triglav Group and the parent company.

The Company's business results are heavily influenced by the situation on capital markets, as diverse financial investments represent the majority of the Company's total assets. Owing to significant or long-term decreases in the value of investments, permanent impairment of financial assets reached EUR 28.1 million.

The performance was also affected by individual mass loss events, consequences of floods and wind storms with snow, frost and hail. In Slovenia, the Company recorded six massive claims, amounting to EUR 14.5 million. The biggest mass loss event was caused by a snow and ice storm that affected the entire Slovenia in January, which resulted in EUR 6.1 million of claims, particularly affecting one policyholder. At the end of March and at the beginning of April, flooding in the Prekmurje region resulted in more than 900 reported claims totalling EUR 682 thousand. In May, Central Slovenia and the Upper Savinja Valley were hit by a hail storm entailing over 1,850 reported claims with total damage of EUR 1.6 million. At the end of July, wind storms in entire Slovenia caused over 5,700 reported claims worth EUR 3.8 million, and again in November resulting in some EUR 2.1 million of damage. Moreover, at the end of November and at the beginning of December, wind storms hit Western and Northern Slovenia, causing damage of nearly EUR 200 thousand. The flood events in Central and Eastern Europe at the end of May and in the beginning of June are considered the most devastating natural disasters in 2013, having an impact on the business results of Triglav Pojišt'ovna and Pozavarovalnica Triglav Re. Net claims of Pozavarovalnica Triglav Re, which participated through several reinsurance contracts, totalled EUR 1.8 million.<sup>31</sup>

Despite numerous negative factors which had a significant impact on the operating conditions in 2013, the planned profit level was achieved, indicating the efficacy of measures adopted by the Triglav Group.

<sup>31</sup> GRI G4-EC2

## 7.3 Insurance market and the position of companies in 2013<sup>32</sup>

Some changes occurred in the global insurance market, since America (North and South America together) took the leading position. According to the latest official data of the reinsurance company Swiss RE (from May 2013) it won a 33.9% share of the global insurance market in 2012 or 1.7 percentage points more than in 2011. The share of Europe in the global insurance market, which used to lead in recent years, slightly shrank again and reached 33.3% of total insurance premium, which is 2.6 percentage points less than in 2012. Asia again strengthened its position: its market share grew by 0.9 percentage point and represented 29.2%. Africa modestly increased its role and accounted for 1.6% of total global insurance premium. On the contrary, Oceania's market share was reduced to 2.1% of the total.

According to the global insurance ranking for 2012 the Slovene insurance market was ranked 55<sup>th</sup> which is 5 ranks lower than in 2011. Although the Slovene market is 118-times smaller than the British insurance market, the largest in Europe, and it accounts for only 0.06% of the total global market (0.07% in 2011), it is nevertheless well-developed as shown by relative ratios. At the global level, Slovenia was again ranked 28<sup>th</sup> in premium per capita and 25<sup>th</sup> in insurance penetration (two ranks lower than in 2011).

### Premium per capita and insurance penetration in Slovenia and some other European countries in 2012

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(as a % of GDP)	World rank
Slovenia*	1,284	28	5.80	25
Austria	2,478	21	5.27	27
Croatia	348.4	47	2.69	50
Czech Republic	746.7	33	3.72	40
Great Britain	4,350	9	11.27	7
Switzerland	7,522	1	9.57	9
Turkey	145.9	62	1.37	72
Greece	520.3	37	2.36	53
Serbia	96	69	1.86	61
EU - geographic area	1,724	-	6.73	-
EU - 27	2,533	-	7.70	-

Source: Swiss RE, publication Sigma (No. 3/2013)

\* Data on premium in Slovenia: Slovenian Insurance Association

The economic and financial crisis had a strong impact on the operations of insurance companies in Slovenia. A lower standard of living and a higher unemployment rate change consumer behaviour. The consumption of families and individuals is restricted to covering basic expenses; with all other costs, including insurance, following. Similar behaviour is also observed in companies. As clients they mostly decide for compulsory or other urgently needed insurance policies. Consequently, insurance companies earn lower insurance premium and adjust to the behaviour of their clients by changing their offerings. In 2013, several sales promotion campaigns and prize competitions were organised; partly involving various business partners, such as banks and merchants. Insurance companies introduced the

<sup>32</sup> GRI G4-6, G4-8

## Mass loss events

majority of campaigns, new products and elements in car insurance, where price competitiveness is the highest.

### Development of the Slovene insurance market

Premium per capita	EUR 999
Premium as a percentage of GDP (data for 2012)	5.8%
Insurance market growth index in 2013	95.6

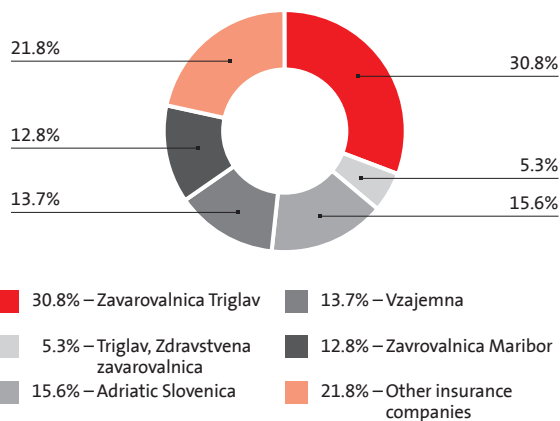
Source: Swiss RE, publication SIGMA (No. 3/2013), Slovenian Insurance Association

At the end of 2013, 14 insurance companies and 4 foreign branch offices, or one less than a year ago, operated in the Slovene insurance market. As at 1 October 2013, the insurance portfolio of KD življenja was transferred to Adriatic Slovenica. The insurance companies generated a total of EUR 1,964 billion in gross written insurance premiums, which is 4.4% less than in 2012. There were 17 traditional reinsurance companies, of which 10 composite and 7 companies specialised (in life, health, and non-life insurance). Together traditional insurance companies recorded EUR 1,962 billion in premium income of which non-life insurance accounted for almost 73% and the rest came from the life insurance segment. Life insurance premium went down by 10%, whilst a drop of 2% was recorded in non-life insurance. These data do not include insurance transactions directly conducted by the insurance companies from other EU member states (FOS) operating in Slovenia. Although the share of these transactions is growing, it is still negligible according to available data. Zavarovalnica Triglav directly operates in all 28 EU member states.

The market is characterised by a high degree of concentration. Four major insurers controlled 72.9% of the market of traditional insurance companies (70.7% in 2012). **Zavarovalnica Triglav** maintained the leading position with a 30.8% share, followed by Adriatic Slovenica whose share is almost twice smaller, was ranked second. Together with **Triglav, Zdravstvena zavarovalnica**, the Group held 36.1% of the market as at the end of the reporting period, which was 0.2 percentage point more compared to one year earlier. Predominantly foreign-owned insurance companies (Generali, Merkur, Grawe, Wiener Städtische, Allianz, Ergo branch office, Ergo življenjska zavarovalnica and Arag) recorded a total of EUR 211.9 million of insurance premium and expanded their market share from 10.1% in 2012 to 10.8%.

Zavarovalnica Triglav increased its share in life insurance market to 33.6%, which is by 1.3 percentage points more than in 2012. In the non-life insurance segment its share accounted for 29.7%, or 1.4 percentage points less than in 2012. The maintenance of the leading position has become increasingly demanding, since the difficult economic situation has been additionally aggravated by the aggressive price competition. When market concentration is high the competition is focused on the existing clients. To a great extent, maintaining the market position will depend on the speed of response to market changes.

### The 2013 market share of traditional insurance companies in Slovenia



Source: Slovenian Insurance Association

## 7.4 Triglav Group's operations in other markets<sup>33</sup>

### 7.4.1 South-East Europe

In 2013 the Triglav Group, operating in the markets in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, the Czech Republic, Serbia and the Former Yugoslav Republic of Macedonia, was consolidating its position. In most of these countries, life and non-life insurance products are offered, while in the Czech Republic, Macedonia and the Republic of Srpska only non-life insurance products are provided.

The following goals were pursued in the foreign markets:

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

The South-East European countries recorded a modest economic growth rate, excluding Slovenia and Croatia which are in recession. With the exception of the Czech Republic, the markets of the Triglav Group are relatively undeveloped, thus it is estimated that they have major development potential. In the structure of total written premium in the region, the largest segment remained motor liability insurance, although the share of life insurance products increased in 2013. Subsidiaries of the Triglav Group maintained their leading position in Slovenia, Montenegro and Macedonia. More details on individual markets and market position of the Triglav Group subsidiaries are provided on next pages.

High market concentration

<sup>33</sup> GRI G4-6, G4-8

## 7.4.2 Croatia

### Main macroeconomic indicators for 2013

Population	4.4 million
2013 GDP growth (estimate)	-0.6%
2013 GDP (estimate)	USD 58.6 billion
2013 GDP per capita (estimate)	USD 13,312
2013 inflation rate (retail prices) (estimate)	3.0%

Source: IMF, World Economic Outlook, October 2013

In 2013, Croatia became a full member of the European Union. Reduced economic activity continued in the reporting year and strongly affected the labour market, indicating that the crisis will continue in the real economy as well. Further decreased domestic and foreign demand reflected in lower GDP, which was, according to different estimates, smaller by almost one percent. Industrial production dropped by approximately 1.9% or by a total of 19.2% in the last five years. The continuation of negative trends was also witnessed in retail trade and the construction industry. Tourism remains the most successful industry in the Croatian economy, achieving a 3.3% increase in the number of overnight stays.

The unemployment rate rose by almost 2 percentage points compared to 2012 and reached a record level of 21.1%. The inflation rate was 3%. Croatia continued to record one of the highest rises in the public debt-to-GDP ratio among the European countries, which according to estimates grew to approximately 60% in 2013.

### Insurance market

#### Development of the Croatian insurance market

Premium per capita (2012 data)	EUR 271
Premium as a percentage of GDP (2012 data)	2.7%
Insurance market growth index in 2013	100.4

Source: Swiss RE, SIGMA 3/2013, Croatian Insurance Bureau

In 2013, as many as 26 insurance companies operated in the Croatian insurance market (9 composite, 10 non-life and 7 life), which was one fewer than in 2012, since Helios VIG and Kvarner VIG merged into Wiener Osiguranje VIG. Together they recorded a gross written premium amounting to HRK 9.1 billion, which was slightly more than in 2012 (index of 100.4). In the structure of written premium, non-life insurance accounted for 72% and life insurance for the rest. Non-life insurance premium decreased by 0.6%, while life insurance premium rose by 3.1%.

The five biggest insurance companies still control approximately two thirds of the insurance market. The largest insurance company, Croatia osiguranje, has a 28.9% market share and a leading position in non-life insurance, a drop of 1% compared to 2012. By increasing its market share by almost 2 percentage points to 18.6%, Allianz further consolidated its leading position in the life insurance segment. The insurance undertaking **Triglav Osiguranje, Zagreb** was ranked ninth, one place lower than in the previous year. Its market share increased by 0.1 percentage point to 3.9%. One reinsurance company operated in the insurance market.

## 7.4.3 Bosnia and Herzegovina

### Main macroeconomic indicators for 2013

Population	3.9 million
2013 GDP growth (estimate)	0.5%
2013 GDP (estimate)	USD 18.9 billion
2013 GDP per capita (estimate)	USD 4,866
2013 inflation rate (retail prices) (estimate)	1.8%

Source: IMF, World Economic Outlook, October 2013

The economic crisis has not spared even Bosnia and Herzegovina, where the state has not formed a clear anti-crisis programme and with political differences present at all levels. In 2013, after Bosnia had experienced a fall in GDP in 2012, its BDP slightly increased, according to initial estimates.

Unstable political situation in Bosnia and Herzegovina has paralysed more concrete economic activities. Political tensions prevent the implementation of necessary reform processes and hinder the economic progress. The unemployment rate is on the rise, being the highest in the region at around 45%. The export/import coverage ratio is decreasing, already being relatively low at around 51%. External debt is increasing both in nominal and relative terms, although it is one of the lowest in Europe. The household purchasing power is low, as the average gross wage accounts for approximately 40% of the Slovene average gross wage. The government has managed to restrain and stabilise inflation in recent years.

### Insurance market

#### Development of the Bosnian insurance market

Premium per capita (2012 data)	EUR 67
Premium as a percentage of GDP (2012 data)	1.9%
Insurance market growth index in 2013	103.5

Source: Swiss RE, SIGMA 3/2013, FBH Insurance Supervision Agency, RS Insurance Agency

At the 2013 year-end, 23 insurance companies operated in the Bosnian insurance market, of which 12 were domiciled in the Federation of Bosnia and Herzegovina and 11 in the Republic of Srpska. The circumstances in the insurance market did not change significantly. Most insurance companies still do not conduct their business in line with the norms of insurance and general business ethics, whilst competition is not adequately controlled.

Written premium totalled BAM 527.1 million, of which BAM 368.1 million originated in the Federation of Bosnia and Herzegovina and BAM 172.8 million in the Republic of Srpska. Compared to the preceding year, written premium in Bosnia and Herzegovina increased by 4.4%. An increase was recorded in the Federation of Bosnia and Herzegovina (by 4.6%) as well as in the Republic of Srpska (by 3.6%). The growth of the insurance market was mainly due to the growth of life insurance premium, having increased by 15.8%. In the insurance market of the Federation of BiH, it increased by 12% and in the Republic of Srpska by as many as 29%. Although the share of life insurance products increased in the structure of total written premium, the largest segment remained non-life insurance with an 81.1% market share.

The insurers domiciled in the Republic of Srpska or in the Federation of Bosnia and Herzegovina continue to expand their operations to the entire territory of Bosnia and Herzegovina. The premium written by insurance companies domiciled in the Federation of Bosnia and Herzegovina increased by 20.4% in the territory of the Republic of Srpska, while the insurance companies domiciled in the Republic of Srpska collected 1.1% more premium in the territory of the Federation of Bosnia and Herzegovina.

The market leader in the Federation of Bosnia and Herzegovina was Agram (Bosna Sunce Osiguranje and Euroherc) with a total market share of 22.8%, followed by Sarajevo Osiguranje (16.2% market share), Uniqua (11.0% market share) and Croatia (10.8% market share). With a market share of 8.7% (0.6% less than in the preceding year), insurance company **Triglav Osiguranje, Sarajevo** maintained its sixth rank.

Jahorina Osiguranje remains the market leader in the territory of the Republic of Srpska with a 13.5% market share. It is followed by Dunav osiguranje (10.3% market share), Drina osiguranje (9.8% market share) and Bobar osiguranje (8.8% market share). With its 4.7% market share, having increased by 0.2 percentage point, Triglav Osiguranje, Banja Luka maintained its ninth rank.

In the insurance market of Bosnia and Herzegovina as a whole, the two **insurance companies of the Triglav Group** taken together ranked sixth and held a 7.6% market share.

## 7.4.4 Czech Republic

### Main macroeconomic indicators for 2013

Population	10.5 million
2013 GDP growth (estimate)	-0.4%
2013 GDP (estimate)	USD 198.6 billion
2013 GDP per capita (estimate)	USD 18,868
2013 inflation rate (retail prices) (estimate)	1.8%

Source: IMF, World Economic Outlook, October 2013

The Czech Republic is one of the most developed economies in Eastern Europe. Its manufacturing sector, comprising mainly privately held companies, generates around 40% of the country's GDP. It employs approximately 40% of the working-age population. The car industry is one of the most important in the manufacturing sector. A negative GDP growth rate was again recorded in 2013, even though GDP shrank by only 0.4%. In 2014, the Czech GDP is forecast to grow by 1.4%. The inflation rate was 1.4% (1.8% according to the IMF forecasts). Capital expenditure decreased by just below 1%, while the value of exports increased by 2.1%. The accession to the euro zone was put off until 2019.

The unemployment rate in the Czech Republic was 7.4%. Most of the economic activity is concentrated in the Prague area and the highly industrialised Ostrava area. Prague with its surroundings generates one quarter of total GDP. This is reflected in the unemployment rate in this region, being approximately half the country' level.

### Insurance market

#### Insurance market development in the Czech Republic

Premium per capita (2012 data)	EUR 581
Premium as a percentage of GDP (2012 data)	3.7%
Insurance market growth index in 2013	100.1

Source: Swiss RE, SIGMA 3/2013, ČAP

The Czech insurance market is well developed and highly competitive. In 2013, insurance was provided by 29 insurers. The volume

of written premiums stagnated in comparison with 2012; life premium volume slightly increased, while non-life premiums remained at the same level as the year before. The share of non-life insurance in total premium somewhat decreased and accounts for 59.3% (in 2012 it accounted for 59.4%). The top three insurers (Česka Pojišť'ovna, Kooperativa Pojišť'ovna and Allianz Pojišť'ovna) controlled almost 54% of the total insurance market.

**Triglav Pojišť'ovna** sells only non-life insurance. It gained a 1.1% market share (0.1 percentage point more than a year earlier) and remained the tenth strongest non-life insurance company.

## 7.4.5 Montenegro

### Main macroeconomic indicators for 2013

Population	0.6 million
2013 GDP growth (estimate)	1.5%
2013 GDP (estimate)	USD 4.5 billion
2013 GDP per capita (estimate)	USD 7,252
2013 inflation rate (retail prices) (estimate)	2.8%

Source: IMF, World Economic Outlook, October 2013

In recent years, Montenegro has maintained a stable rate of inflation, as a result of the unilateral adoption of the euro in 2002. A trend of low industrial output and exports continued in 2013, manifested in a large balance of payments current account deficit (16.7% of GDP). The government finances this deficit mostly by foreign direct investments (FDI), which represent 14% of GDP. FDI inflows are expected also in 2014 when two large infrastructure projects are planned to take place: the most demanding section of Bar-Boljare motorway and the second block of the Plevlja thermal power plant.

The economic stability is threatened by a number of factors: the relatively expensive borrowing at an annual average weighted nominal interest rate exceeding 8.5% in 2013, the poor liquidity of the real sector, a considerable budget deficit (over 3.5% of GDP in 2013), the rising public debt (including issued guarantees it accounted for over 63% of GDP), poor asset quality of the banking sector and a relatively high unemployment rate (14.9%).

In November 2013, Standard & Poor's confirmed the Montenegro's credit rating of »BB-« and changed the outlook to negative.

### Insurance market

#### Insurance market development in Montenegro

Premium per capita (2012 data)	EUR 108
Premium as a percentage of GDP (2012 data)	2.0%
Insurance market growth index in 2013	108.8

Source: Swiss RE, SIGMA 3/2013, Insurance Supervision Agency of Montenegro

There were 11 insurance companies operating on the Montenegrin insurance market: 5 non-life and 6 life insurers. They booked EUR 72.9 million of written premiums or 8.8% than in the previous year. Non-life insurance prevailed, accounting for 85.1%. Non-life insurance premiums increased by 7.8% and life insurance premiums by 14.6%.

**Lovćen Osiguranje** and its subsidiary **Lovćen životna osiguranja** together reached a total market share of 40.7%. Both preserved their leading roles in the insurance market, although their market share decreased by 2.2 percentage points. Lovćen Osiguranje is followed by Sava Montenegro (15.3% market share), Delta Generali and Uniqua neživotno osiguranje (14.1% market share).

## 7.4.6 Serbia

### Main macroeconomic indicators for 2013

Population	7.3 million
2013 GDP growth (estimate)	2.0%
2013 GDP (estimate)	USD 43.7 billion
2013 GDP per capita (estimate)	USD 6,017
2013 inflation rate (retail prices) (estimate)	8.5%

Source: IMF, World Economic Outlook, October 2013

In October 2013, Serbia signed the Association Agreement with the European Union. In the third quarter, it recorded 3.7% higher GDP growth in comparison with the previous year (IMF projected a 2% growth rate). High growth rates were recorded in power supply (20.5%), in the information and communication sector (12.5%) and 8.7% in processing industry. A decline was recorded in Serbia's construction (26%), transport (3.5%) and financial services (2.7%) sectors.

In the first three quarters, Serbia recorded 13% growth in external trade. Its exports rose by 26.7%, mainly on account of car industry, while the imports grew by 4.8%. The export/import ratio reached 71.8%, whereas in the same period of 2012 it was 59.3%.

The inflation rate in Serbia fell to 2.2% in 2013 (IMF forecast was 8.5%), as a result of trends in foreign trade and the foreign trade deficit reduced by half in comparison with the preceding year. No considerable exchange rate fluctuations were registered, contrary to what happened in the previous periods. As at the year-end, the mean exchange rate of the national currency dinar against the euro was 114.6 compared to 113.7 one year earlier. The unemployment rate remained high at 21%.

### Insurance market

#### Insurance market development in Serbia

Premium per capita (2012 data)	EUR 75
Premium as a percentage of GDP (2012 data)	1.9%
Insurance market growth index in 2013	102.9

Source: Swiss RE, SIGMA 3/2013, National Bank of Serbia

There were 24 insurers operating in the Serbian insurance market, of which 6 composite, 11 non-life and 7 life insurance companies. The majority of them, as many as 18, were predominantly foreign-owned.

The top three insurers hold more than 62% of the highly concentrated insurance market. The leading state-owned insurance company, Dunav osiguranje, reached a market share of 29.1%. In terms of size it is followed by Delta Generali (19.4% market share) and DDOR (13.6% market share). In the first nine months of 2013, total premiums increased by 2.9%. Life insurance products recorded a high 9.8% growth rate, whilst non-life insurance products, on the other hand, grew by 1.4%. The share of life insurance in total premium rose to 18.8%; however the market continued to be dominated by non-life insurance business.

In the first nine months of 2013, Triglav Osiguranje, Belgrade registered a 6.9% rise in the volume of written premiums, which was 4 percentage points above the growth rate of the Serbian insurance market as a whole. Triglav's subsidiary increased its market share to 3.0% (2.8% in 2012) and remained the eighth strongest in the Serbian insurance market.

## 7.4.7 Macedonia

### Main macroeconomic indicators for 2013

Population	2.1 million
2013 GDP growth (estimate)	2.2%
2013 GDP (estimate)	USD 10.5 billion
2013 GDP per capita (estimate)	USD 5,073
2013 inflation rate (retail prices) (estimate)	2.8%

Source: IMF, World Economic Outlook, October 2013

According to preliminary estimates, the Macedonian economy will see low GDP growth in 2013, resulting mainly from a slight economic recovery in the EU Member States and high growth in the construction industry. In the first three quarters, GDP grew between 2.9% and 3.9%, which is a sign of a positive trend also in the future.

The government continued to take actions aimed at strengthening the country's macroeconomic stability, fostering foreign direct investment and increasing industrial production. The budget deficit (according to estimates) climbed to 3.9% of GDP. Such a level of deficit does not undermine the macroeconomic stability, as Macedonia's public debt is relatively low at approximately 35% of GDP. A relatively low level of integration of the Macedonian financial sector in the global financial system reduces certain risks related to the global financial crisis. In 2013, Macedonia again preserved a stable dinar exchange rate and a low inflation rate.

The actions taken thus far to foster investments have not yet yielded desired results. The real economy remains weak, the unemployment rate high and the living standard low. In order to achieve long-term strategic objectives, economic restructuring will have to be followed by thorough institutional restructuring.

### Insurance market

#### Insurance market development in Macedonia

Premium per capita (2012 data)	EUR 55
Premium as a percentage of GDP (2012 data)	1.5%
Insurance market growth index in 2013	104.2

Source: Swiss RE, SIGMA 3/2013, Insurance Supervision Agency of Macedonia

There are 15 insurers in the insurance market of Macedonia (11 in the non-life insurance segment and 4 in life). One of the insurance companies also holds a reinsurance licence. The 5 largest insurance companies operating in the highly concentrated insurance market collectively booked 56% of written premiums. The market concentration was particularly high in the life insurance segment, with Croatia život and Grawe controlling 87% of the market.

In the first nine months of 2013, the written premiums totalled MKD 5.5 billion or 4.2% more than in the same period of 2012. Non-life insurance premiums accounted for 91.6% of the total and experienced a 2.6% increase, whereas life insurance premiums grew by as much as 26.3%

Triglav Osiguranje, Skopje remains the leading insurer in the Macedonian market, despite a decrease in written premiums. It reached a 16.4% market share in non-life insurance (18.0% in 2012). The subsidiary is followed by EuroLink, holding 12.7% of the market and Winner with a 10.9% market share.

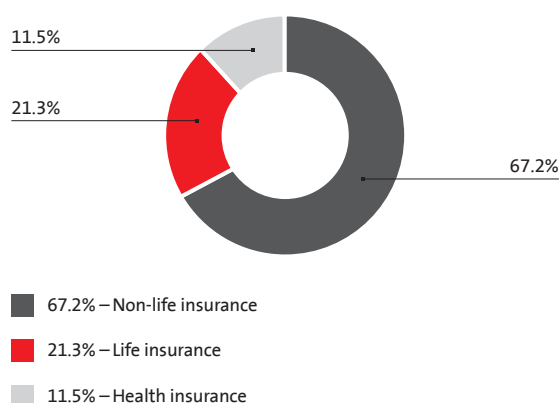
## 7.5 Gross written premiums from insurance and co-insurance contracts

In 2013, the Triglav Group posted a total of EUR 900.9 million in gross written premiums from insurance and co-insurance contracts or 4% less than in 2012. Non-life insurance total was EUR 605.2 million (index 95), life insurance reached EUR 191.6 million (index 94) and health insurance amounted to EUR 104.0 million (index 114) in gross written premiums.

The structure of consolidated written premiums by insurance segment was as follows:

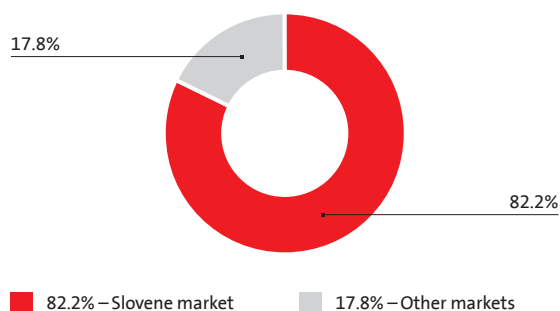
- non-life insurance accounted for 67.2% (in 2012: 68.3%),
- life insurance for 21.3% (in 2012: 21.9%) and
- health insurance for 11.5% (in 2012: 9.8%).

### Gross written premiums from insurance and co-insurance contracts of the Triglav Group by segment



A total of 82.2% of consolidated gross written premiums was charged in the Slovene insurance market, whereas consolidated gross written premiums charged in foreign markets increased by 0.8 percentage point compared to the preceding year.

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



Insurance subsidiaries of the Triglav Group (excluding the Triglav Re reinsurance subsidiary) booked EUR 870.0 million in non-consolidated gross insurance and co-insurance premiums, or 3% less than the year before. Trends varied depending on subsidiary and market. In Slovenia, the insurance premium of Zavarovalnica Triglav was lower by 6% compared to 2012, whilst that of Triglav Zdravstvena zavarovalnica was higher by 14%. In addition, premium growth was recorded in Triglav Osiguranje, Banja Luka (by 8%), Triglav Osiguranje, Belgrade (by 7%), Triglav Pojišt'ovna and Lovćen Osiguranje (by 4% respectively) and in Triglav Osiguranje, Zagreb (by 2%). Gross written premiums were lower in Triglav Osiguranje, Sarajevo by 2%, Lovćen životna osiguranja by 9% and in Triglav Osiguruvanje, Skopje by 13%.

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

Insurance company	Gross written premium in 2013			Index			Structure 2013
	Non-life	Life	Total	Non-life	Life	Total	
Zavarovalnica Triglav	426,555,665	179,199,991	605,755,656	94	93	94	69.6%
Triglav, Zdravstvena zavarovalnica	104,046,847	0	104,046,847	114		114	12.0%
Triglav Osiguranje, Zagreb	38,357,864	8,591,093	46,948,957	103	94	102	5.4%
Triglav Osiguranje, Sarajevo	13,933,833	2,374,683	16,308,516	97	103	98	1.9%
Triglav Pojišt'ovna, Brno	28,426,366	0	28,426,366	104		104	3.3%
Lovćen Osiguranje, Podgorica	28,375,971	0	28,375,971	104		104	3.3%
Triglav Osiguranje, Belgrade	16,577,948	618,205	17,196,153	107	105	107	2.0%
Triglav Osiguranje, Banja Luka	4,150,841	0	4,150,841	108		108	0.5%
Triglav Osiguruvanje, Skopje	17,474,271	0	17,474,271	87		87	2.0%
Lovćen životna osiguranja, Podgorica	0	1,285,496	1,285,496		91	91	0.1%
<b>TOTAL</b>	<b>677,899,606</b>	<b>192,069,468</b>	<b>869,969,074</b>	<b>98</b>	<b>94</b>	<b>97</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	105,015,611	0	105,015,611	90		90	
Consolidation eliminations	-73,653,252	-438,853	-74,092,105	95	106	95	
<b>TOTAL CONSOLIDATED</b>	<b>709,261,965</b>	<b>191,630,615</b>	<b>900,892,580</b>	<b>97</b>	<b>94</b>	<b>96</b>	

### 7.5.1 Non-life insurance

Expected lower premium income

In total, Triglav Group insurance subsidiaries charged EUR 677.9 million of unconsolidated insurance and co-insurance premiums from non-life insurance contracts, which is a 2% nominal decrease on the same period the year before. The main reasons for the expected decrease in premiums are:

- aggressive competition among insurance companies, particularly in the motor vehicle insurance sector;
- impact of the persisting economic crisis:
  - decreased purchasing power of population and greater prudence of policyholders – both retail and corporate clients (policy degradation, lower insurance density, cancellation of insurance contracts);
  - several sales promotion activities and continued inclusion of policyholders in the Triglav Komplet bonus programme;
- continued efforts to mitigate the poor insurance technical results recorded in insurance of property and interests in property as well as in agricultural insurance. The resulting changes caused a decrease in written premiums and a simultaneous improvement of insurance technical results.

Health insurance premium grows again

**Motor vehicle insurance** remains the largest insurance class, accounting for 33.3% of the portfolio. Insurance subsidiaries of the Triglav Group collected EUR 119.6 million in **comprehensive car insurance** premium, a 7% drop compared to 2012. Growth was recorded in insurance subsidiaries Triglav Pojišt'ovna, Brno (index 117), Triglav Osiguranje, Banja Luka (index 108), Triglav Osiguranje, Sarajevo (index 102) and Triglav Osiguruvanje, Skopje (index 101). Other insurance subsidiaries recorded a drop in premiums, the largest (9%) in the parent company and in Triglav Osiguranje, Belgrade. The Company collected EUR 170.4 million in **motor liability insurance** premium, which was 6% less than at the 2012 year-end. The decrease in premium was seen in the parent company (index 90), whose share in total premium from motor vehicle liability insurance of the Group represents almost 59%, and in Lovćen Osiguranje (index 99). Other insurance subsidiaries of the Group recorded premium increases. Premium written increased by 4% in Triglav Osiguranje, Belgrade, by 3% in Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Banja Luka, by 2% in Triglav Pojišt'ovna and Triglav Osiguranje, Zagreb and by 1% Triglav Osiguruvanje, Skopje.

Some reasons for a lower volume of premium payments were stated in the introduction to this section. Sales promotion activities and inclusion of policyholders in the Triglav Komplet bonus programme resulted in attracting the attention of policyholders, loyalty and acquiring new policyholders, but they also decreased the prices of insurance products and had an impact on a lower volume of premium payments. In retail insurance, a lower level of premium realisation was also a result of fewer and older vehicles owned by families, which is reflected in non-renewal, cancellation (failure to renew comprehensive car insurance for older vehicles, for vehicles after the expiration of leasing contracts or loan repayment) and a reduced volume of purchased comprehensive car insurance. In most markets, the sale of vehicles fell and the conditions to acquire new sources of funding have become more difficult. In corporate insurance, decreased premiums were substantially affected by corporate bank-

ruptcies, fewer company vehicles and lower premium from large policyholders which are won through public tenders (stricter tender requirements, competition, participation of insurance brokers and agencies and their commissions). Characteristic for the markets in Bosnia and Herzegovina, Montenegro and Macedonia are competitive insurers that pay high commissions to agents, brokers, agencies and roadworthiness test providers, as well as unfair competition in a form of large discounts. In Bosnia and Herzegovina, competitive insurers make use of different material incentives, such as roadworthiness test or registration vouchers, gas coupons and partial premium reimbursement.

Again in 2013, a high growth of premiums was achieved in **health insurance** class. A total of EUR 104.7 million in premiums was collected, which is 14% more than in 2012. A substantial growth of written premiums stems from performance by Triglav, Zdravstvena zavarovalnica, a higher number of policyholders, successful marketing of supplemental health insurance products and an increase in the premium in July 2012. Triglav Zdravstvena zavarovalnica earned a total of EUR 104.0 million in gross written premiums or EUR 14% more than the year before. An increase in premiums was also recorded in insurance subsidiaries Triglav Osiguranje, Zagreb (index 157) and Triglav Osiguranje, Banja Luka (index 115).

In the **real property insurance** class (fire and natural disaster insurance and other damage to property insurance), premiums of EUR 153.1 million were booked (index 97). In both insurance classes fire and natural disaster insurance as well as other damage to property insurance, a 3% premium decrease was recorded. A drop in premiums was posted by Triglav Osiguruvanje, Skopje, Triglav Osiguranje, Sarajevo and Zavarovalnica Triglav, whose combined share in total premiums from real property insurance represents 85%. The significant premium decrease in Triglav Osiguruvanje, Skopje (index 70) is predominantly a result of the discontinuation of business cooperation with a key client and unfair competition in public tenders, where competing insurers offer significantly lower premium rates. Triglav Osiguranje, Sarajevo generated less premium (index 88) due to the discontinuation of the cooperation and a reduced scope of insurance coverage of some large policyholders. The premium decrease of 3% in Zavarovalnica Triglav (an 81% share in total real property insurance of the Triglav Group) is mainly a result of a premium drop in earthquake insurance, home insurance packages for individuals (DOM), machinery breakdown insurance, animal insurance and combined non-life insurance. A drop in earthquake insurance was caused by a lower insured sum of a major policyholder and aggressive price competition of insurance companies, whereas premium from the home insurance package for individuals (DOM) decreased due to additional discount as a result of the Triglav Komplet bonus programme, decreased purchasing power of population and lower insurance density. A lower machinery breakdown insurance premium was a result of further portfolio clean-up and reduced scope of insurance coverage of large policyholders (lower insurance sum, balance sheet clean-up, etc.). The main reasons for the animal insurance premium decrease are the cancellation of certain types of animal production (e.g. breeding animals reared by a large policyholder and fewer fattening pigs) and production with



a small number of animals by natural persons, changes to insurance bases in animal producers of breeding cows and a strict compliance with the bonus–malus system. Combined non-life insurance premium went down mostly due to its transformation into other insurance subclasses, such as fire insurance of civil risks, fire insurance in the power industry and business interruption insurance, thus recording an increase in their premiums.

**Accident insurance** represented 4.9% of total written premiums or EUR 43.0 million in nominal terms. Compared to 2012, the premium booked fell by 10%. The drop in premium was posted by Triglav Osiguranje, Zagreb, Triglav Osiguruvanje, Skopje, and Zavarovalnica Triglav, whose combined share in total premium from accident insurance is 80%. Other insurance subsidiaries of the Group recorded premium increases. Almost half of accident insurance premiums comes from two insurance subclasses taken out simultaneously with car insurance (driver and passenger accident insurance and the driver's bodily injury insurance or AO-plus insurance), where the decrease in written premiums results from the developments in the motor vehicle insurance market and in AO-plus insurance as well as from the decrease in the price of premium in 2012. Nevertheless, a growing unemployment rate and the poor state of the economy are the main reasons for a lower group accident insurance premium. Premium drop was experienced by Triglav Osiguruvanje, Skopje, owing mostly to the loss of a large client in aviation accident insurance and fierce competition of insurers in public tenders.

In **general liability insurance** the Triglav Group collected EUR 36.8 million in premiums or 3% more than in 2012, which represented 4.2% of total premium. In the current harsh economic conditions this growth is considered a success. Most insurance subsidiaries within the Triglav Group posted high premium growth as a result of effective sales campaigns and the extension of the portfolio. The strongest increase in

premium written was recorded in Triglav Osiguranje, Banja Luka, Triglav Osiguranje, Belgrade, Lovćen Osiguranje and Triglav Osiguranje, Zagreb. Zavarovalnica Triglav, accounting for 81% of total premium, saw a 1% decline in written premiums due to premium drop in liability insurance of attorneys-at-law, as business with a major client was discontinued, and a lower premium from general liability insurance, which is the biggest insurance subclass, as a result of financial crisis (a reduced number of employees that represent a premium calculation basis, corporate bankruptcies, etc.).

**Credit insurance** accounted for 2.5% of total premium and was 5% higher than the year before. Zavarovalnica Triglav, accounting for over 99% of total premium, saw a 7% growth in written premiums. The results of most credit insurance subclasses were solid, especially in payment card claims, financial gap insurance and other credit insurance. In the largest credit insurance subclass, consumer loan insurance written premiums increased by 9%. Apart from the parent company, credit insurance is also sold by Triglav Osiguranje, Sarajevo where the premiums markedly decreased (index 34) due to the drop in the volume of bank loans.

Premiums from **other non-life insurance** (accounting for 3.3% of total premium) decreased by 1%, owing mostly to the loss of a large client in aircraft insurance in Triglav Osiguruvanje, Skopje, loss of premium from goods in transit insurance in Triglav Osiguranje, Sarajevo (discontinuation of business cooperation with a major client) and a drop in premium from railway insurance, assistance insurance and goods in transit insurance in Zavarovalnica Triglav. Good sales results were achieved in miscellaneous financial loss insurance, marine insurance, suretyship insurance and goods in transit insurance.

## 7.5.2 Life insurance

In total, the Triglav Group insurance subsidiaries charged EUR 192.1 million in non-consolidated gross written pre-

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

Insurance class	Gross written premium			Index		Structure 2013
	2013	2012	2011	2013/2012	2012/2011	
Accident insurance	43,043,160	47,715,064	51,881,696	90	92	4.9%
Health insurance	104,659,615	92,087,938	80,888,967	114	114	12.0%
Comprehensive car insurance	119,553,393	128,525,463	144,099,735	93	89	13.7%
Real property insurance	153,131,239	158,229,083	166,632,065	97	95	17.6%
Motor liability insurance	170,355,817	180,622,811	205,077,707	94	88	19.6%
General liability insurance	36,835,526	35,686,105	35,070,402	103	102	4.2%
Credit insurance	21,328,900	20,370,273	20,598,151	105	99	2.5%
Other non-life insurance	28,991,955	29,265,713	31,506,871	99	93	3.3%
<b>NON-LIFE INSURANCE</b>	<b>677,899,605</b>	<b>692,502,450</b>	<b>735,755,594</b>	<b>98</b>	<b>94</b>	<b>77.9%</b>
Life insurance	97,143,260	94,716,178	96,651,038	103	98	11.2%
Unit-linked life insurance	80,226,141	89,120,094	98,001,240	90	91	9.2%
Capital redemption insurance	14,700,068	21,452,783	19,690,306	69	109	1.7%
<b>LIFE INSURANCE</b>	<b>192,069,469</b>	<b>205,289,055</b>	<b>214,342,584</b>	<b>94</b>	<b>96</b>	<b>22.1%</b>
<b>TOTAL</b>	<b>869,969,074</b>	<b>897,791,505</b>	<b>950,098,178</b>	<b>97</b>	<b>94</b>	<b>100.0%</b>

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

## Annuity pension insurance

miums from **life insurance** contracts, which represents a 6% decrease on 2012. This accounted for 22.1% of total gross written premiums, which was 0.8 percentage point lower than in 2012. The main reasons for the decrease in premiums are described in previous sections, among them being mostly the aging of the life insurance portfolio (increased number of maturities), a deteriorated financial and economic situation and more prudent consumer behaviour when concluding long-term life insurance contracts. Tight economic conditions also impacted the increased number of surrenders and advances.

**Life insurance** (traditional life insurance, annuity insurance, annuity pension insurance and voluntary pension insurance) premiums stood at EUR 97.1 million, accounting for 50.6% of total premiums in the life insurance class. The premiums were 3% higher than in 2012. Good sales results were achieved in annuity pension insurance, which in 2013 is considered part of the life insurance class, whilst a year before it was part of supplemental voluntary pension insurance.

Premiums generated by **unit-linked life insurance** totalled EUR 80.2 million or 41.8% of total gross written premiums in the life insurance class. It was 10% lower than in 2012. Unit-linked life insurance products are available from Zavarovalnica Triglav (index 90) and Triglav Osiguranje, Zagreb, which booked EUR 3.5 million in written premiums or 11% less than a year earlier.

**Supplemental voluntary pension insurance** (capital redemption insurance) generated EUR 14.7 million or 7.7% of total life insurance premium. Premiums dropped by 31% compared to the year before, although comparison with the same period last year is not realistic. In 2012, annuity pension insurance was part of the capital redemption insurance class, whereas this year it is covered by the life insurance class.

## 7.5.3 Gross reinsurance written premiums of Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re booked a total of EUR 105.0 million in gross reinsurance premiums or 10% less than in the same period last year, mostly due to the loss of a large aircraft insurance client and aircraft liability insurance. Apart from that, the largest insurance classes, fire and natural disaster insurance (index 92) as well as other damage to property insurance (index 89), recorded a premium drop. Triglav Re saw a high growth in premium from miscellaneous financial loss insurance, general liability insurance and aircraft liability insurance. Lower gross reinsurance premiums are a result of lower premiums from optional business with the Triglav Group (index 95) as well as lower reinsurance premiums earned outside the Triglav Group (index 82). The latter were mostly influenced by the lower credit rating of Pozavarovalnica Triglav Re in the beginning of 2013, resulting in the failure to renew some insurance transactions.

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

## 7.6 Gross claims paid

In 2013, the Triglav Group posted a total of EUR 647.5 million in consolidated gross claims (excluding income from subrogation receivables), or 2% more than in the previous year. Gross claims paid in **non-life insurance** equalled EUR

### Gross claims paid (excluding income from subrogation receivables) in 2013 by insurance subsidiary of the Triglav Group

Insurance company	Gross claims paid in 2013			Index			Structure 2013
	Non-life	Life	Total	Non-life	Life	Total	
Zavarovalnica Triglav	270,977,014	165,453,692	436,430,706	98	105	100	69.7%
Triglav, Zdravstvena zavarovalnica	78,774,020	0	78,774,020	111		111	12.6%
Triglav Osiguranje, Zagreb	29,652,612	3,824,105	33,476,717	98	98	98	5.3%
Triglav Osiguranje, Sarajevo	7,636,581	841,654	8,478,235	103	117	104	1.4%
Triglav Pojišt'ovna, Brno	27,276,866	0	27,276,866	141		141	4.4%
Lovćen Osiguranje, Podgorica	15,365,939	0	15,365,939	91		91	2.5%
Triglav Osiguranje, Belgrade	11,727,609	265,598	11,993,207	133	158	134	1.9%
Triglav Osiguranje, Banja Luka	1,336,651	0	1,336,651	70		70	0.2%
Triglav Osiguruvanje, Skopje	11,562,040	0	11,562,040	82		82	1.8%
Lovćen životna osiguranja, Podgorica	0	1,216,598	1,216,598		182	182	0.2%
<b>TOTAL</b>	<b>454,309,332</b>	<b>171,601,647</b>	<b>625,910,979</b>	<b>102</b>	<b>105</b>	<b>103</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	61,177,268	0	61,177,268	115		115	
Consolidation eliminations	-39,580,500	-719	-39,581,219	140	92	140	
<b>TOTAL CONSOLIDATED</b>	<b>475,906,100</b>	<b>171,600,928</b>	<b>647,507,028</b>	<b>101</b>	<b>105</b>	<b>102</b>	

397.1 million (index 99), in the life-insurance segment they amounted to EUR 171.6 million (index 105) and in **health insurance** they totalled EUR 78.8 million (index 111). Income from subrogated receivables decreased by 7% and amounted to EUR 20.0 million over the preceding year.

Excluding Pozavarovalnica Triglav Re, the insurance subsidiaries of the Triglav Group posted EUR 625.9 million in non-consolidated gross claims, representing an increase of 3% over the preceding year. Growth rates were highest in Lovćen životna osiguranja (index 182), Triglav Pojišt'ovna (index 141) and Triglav Osiguranje, Belgrade (index 134). Gross claims paid increased by 11% in Triglav, Zdravstvena zavarovalnica and by 4% in Triglav Osiguranje, Sarajevo. In Zavarovalnica Triglav, gross claims paid remained at the same level as the year before (index 100). Gross claims paid decreased in insurance subsidiaries Triglav Osiguranje, Banja Luka (index 70), Triglav Osiguruvanje, Skopje (index 82), Lovćen Osiguranje, Podgorica (index 91) and Triglav Osiguranje, Zagreb (index 98).

### 7.6.1 Non-life insurance

The comparison of growth rates between claims and insurance premiums in **non-life insurance** shows that claims grew at a rate of 4 index point higher than insurance premiums. Non-consolidated non-life insurance gross claims paid amounted to EUR 454.3 million or 2% more than the year before. The profit level in 2013 was also affected by major loss events, which is described in greater detail in *Section 7.2 Environmental impact on the performance of the Triglav Group*.

Claims related to **motor liability insurance** represented 16.7% of total gross claims settled by the Triglav Group. Total claims paid amounted to EUR 104.4 million, which was 3% less than in 2012. The majority of the Group insurance subsidiaries recorded a drop in gross claims in this insurance class, which was mostly seen in Triglav Osiguranje, Banja Luka (index 60), Lovćen Osiguranje, Podgorica (index 79) and Triglav Osiguranje, Zagreb (index 80). In the parent company which accounts for 63% of the total, claims settled in motor vehicle liability insurance fell by 3%. The decrease was a result of fewer reported claims due to improved road traffic safety and fewer insurance policies.

A 4% decrease in gross claims paid was recorded in the **comprehensive car insurance** class. Gross claims paid amounted to EUR 96.3 million, which was 15.4% of all claims settled. In this insurance class, the majority of the Triglav Group insurance subsidiaries posted a decrease in gross claims paid, mainly due to a lower number of reported claims. In Zavarovalnica Triglav, which accounts for 83% of total comprehensive car insurance, gross claims settled experienced a 3% decrease. Higher claims in this insurance class were registered in Triglav Osiguranje, Banja Luka, Triglav Osiguranje, Belgrade and Triglav Pojišt'ovna, Brno.

In **real property insurance**, total claims paid amounted to EUR 98.1 million or 5% more than the year before, which accounts for 15.7% of total gross claims paid. In fire and natural disaster insurance a high growth of 32% was recorded, while gross claims from other damage to property

insurance experienced a 12% decrease. Zavarovalnica Triglav, holding a 65% share of this insurance class, recorded a 6% decrease in claims. A high growth in claims was recorded by insurers Triglav Osiguranje, Belgrade, Triglav Pojišt'ovna, Triglav Osiguranje, Zagreb and Triglav Osiguranje, Sarajevo, mostly due to substantial individual claims. This significant increase in Triglav Osiguranje, Belgrade is mostly due to a high claim paid from fire and natural disaster insurance that has been contested since 2007. An increase in gross claims was recorded by Triglav Pojišt'ovna as a result of floods in Central and Eastern Europe. On the contrary, substantial premium declines were posted by Triglav Osiguruvanje, Skopje, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Banja Luka.

In **health insurance**, gross claims increased by 12%. In Slovenia, this was affected by the adoption of the Fiscal Balance Act (ZUJF), which transferred a part of health care costs from compulsory to supplemental health insurance and portfolio extension. Equalisation scheme expenses totalled EUR 8.0 million or 8% more than in 2012 (an increase of EUR 571 thousand). An increase in claims was also recorded in Triglav Osiguranje, Zagreb and Lovćen Osiguranje.

A 4% decrease in gross claims paid was recorded in the **accident insurance** class, equalling EUR 24.0 million. The decrease in claims in this insurance class was mostly due to the drop in claims paid in the two biggest insurance subclasses: AO-plus insurance and group accident insurance in Zavarovalnica Triglav, mainly as a result of a reduced number of reported claims. The parent company's share in the Group's accident insurance accounts for over 60% share of the total. Triglav Pojišt'ovna, Triglav Osiguranje, Zagreb, Triglav Osiguranje, Banja Luka and Triglav Osiguruvanje, Skopje also recorded a decrease in claims paid.

Gross claims paid in the **general liability insurance** class increased by as much as 20%. Gross claims paid amounted to EUR 20.8 million, i.e. 3.3% of total claims. The high growth was primarily a consequence of a 24% increase in gross written claims paid by Zavarovalnica Triglav (accounting for 93% of total claims in this insurance class) due to payments to two large claims to policyholders in the product liability insurance and construction insurance subclasses. A high growth was also posted by insurers Triglav Osiguruvanje, Skopje and Triglav Osiguranje, Belgrade due to a higher number of concluded insurance contracts, however their share in this insurance class accounts for only 0.6%. A significant decrease in gross claims settled was seen in Triglav Pojišt'ovna, Brno and Triglav Osiguranje, Sarajevo.

Gross claims paid in **credit insurance** decreased by 13%. In 2013, gross claims settled amounted to EUR 15.7 million. All Triglav Group insurance subsidiaries offering credit insurance experienced a drop in gross claims paid. Gross claims paid by Zavarovalnica Triglav, accounting for the majority of total claims (95%) in this insurance class, decreased by 3% over 2012. This drop was mainly caused by decreased claims in the largest insurance subclass – consumer loan insurance, which fell by 12%. On the contrary, a high increase was recorded in overdraft insurance and domestic trade credit insurance claims, mainly due to the financial and economic crisis.



Impact of major loss events

A 5% increase in gross claims paid was recorded in **other non-life insurance**, primarily owing to a high growth in Lovćen Osiguranje. This is mostly due to a high claim paid arising from goods in transit insurance that has been contested since 2010, two substantial claims for railway insurance and a substantial claim for aircraft insurance due to weather conditions as at the 2012 year-end. Significantly higher claims paid were recorded in most insurance subsidiaries, with the exception of Triglav Osiguranje, Sarajevo. On the other hand, aircraft liability insurance and suretyship insurance experienced decreases in claims paid.

### 7.6.2 Life insurance

Gross claims paid in life insurance totalled EUR 171.6 million and were 5% higher compared to the previous year. Claims in the life insurance group accounted for 27.4% of total claims paid or 0.7 percentage point more than a year earlier. The increase in claims paid from life insurance was caused by maturities due to the aging of the portfolio and surrenders, mostly as a result of the economic crisis.

The bulk of all claims settled is accounted for by **life insurance** (traditional life insurance, annuity insurance, annuity pension insurance and voluntary pension insurance), which reached EUR 97.9 million, i.e. 3% more compared to the previous year. A high 32% increase in claims paid was recorded in **unit-linked life insurance**, where claims paid amounted to EUR 52.5 million. Gross claims paid in **capital redemption insurance** (supplemental voluntary pension insurance) decreased by 26%. However, comparison with the previous year is not realistic as in 2012 annuity pension insurance, which is now part of life insurance, was not accounted for.

### 7.6.3 Gross claims paid by Pozavarovalnica Triglav Re from reinsurance contracts

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 61.2 million or 15% more than the preceding year. This growth was to a major degree caused by an increase in gross claims paid in general liability insurance (index 378) and fire and natural disaster insurance (index 134). A high 41% gross claims growth was recorded in operations in the Triglav Group, mostly as a result of claims arising from the flood events in Central and Eastern Europe late May and early June, as the most devastating natural disasters in 2013, and some individual cases of larger loss events.

Gross claims in operations outside the Triglav Group decreased by 12%. This decrease was mostly caused by lower gross claims paid arising from land motor vehicle insurance and miscellaneous financial loss insurance classes.

### 7.7 Gross operating expenses

Gross consolidated operating expenses totalled EUR 302.4 million, increasing 1% over the preceding year. In non-insurance operations they increased by 4%, whereas in insurance business they remained at approximately the same level as the year before and totalled EUR 230.3 million (index 100). The growth of insurance business operating expenses was 4 index points higher than the growth of gross written premium.

Insurance business operating expenses accounted for 25.6% of gross written premium, which was 1.0 percentage point more than in the respective period one year ear-

### Gross claims paid (excluding income from subrogation receivables) in 2013 by insurance class

Insurance class	Gross claims paid			Index		Structure 2013
	2013	2012	2011	2013/2012	2012/2011	
Accident insurance	24,017,522	24,911,025	26,272,057	96	95	3.8%
Health insurance	79,501,223	71,191,716	63,136,259	112	113	12.7%
Comprehensive car insurance	96,267,801	100,021,998	107,558,697	96	93	15.4%
Real property insurance	98,124,147	93,665,725	81,736,961	105	115	15.7%
Motor liability insurance	104,372,949	107,064,949	123,532,936	97	87	16.7%
General liability insurance	20,838,760	17,321,817	19,973,854	120	87	3.3%
Credit insurance	15,729,864	18,012,393	16,550,627	87	109	2.5%
Other non-life insurance	15,457,066	14,735,807	14,281,268	105	103	2.5%
<b>NON-LIFE INSURANCE</b>	<b>454,309,332</b>	<b>446,925,430</b>	<b>453,042,659</b>	<b>102</b>	<b>99</b>	<b>72.6%</b>
Life insurance	97,896,668	94,672,995	88,162,604	103	107	15.6%
Unit-linked life insurance	52,524,065	39,775,085	27,976,054	132	142	8.4%
Capital redemption insurance	21,180,914	28,773,296	24,344,033	74	118	3.4%
<b>LIFE INSURANCE</b>	<b>171,601,647</b>	<b>163,221,376</b>	<b>140,482,691</b>	<b>105</b>	<b>116</b>	<b>27.4%</b>
<b>TOTAL</b>	<b>625,910,979</b>	<b>610,146,806</b>	<b>593,525,350</b>	<b>103</b>	<b>103</b>	<b>100.0%</b>

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

lier. Gross operating expenses in **non-life insurance** came to EUR 187.8 million (index 101), in the **life-insurance** segment they amounted to EUR 34.9 million (index 96), in **health insurance** they totalled EUR 7.6 million (index 106) and in **non-insurance activities** they were EUR 72.1 million (index 104).

Acquisition costs (fees and charges) increased by 5% and totalled EUR 33.2 million. The costs of the acquisition of goods sold dropped by 15% to EUR 18.0 million. Due to large-scale investments in IT, depreciation charges amounted to EUR 21.1 million and rose by 28%. Labour costs accounted for the largest portion of total expenses (45%) and remained at the same level as the year before, amounting to EUR 142.8 million. Costs of services provided by natural persons other than sole proprietors equalled EUR 3.0 million, representing an increase of 8% over the year before. Other operating expenses increased by 2% to EUR 99.1 million. The highest increase was recorded in non-income-related costs (index 289), costs of transport and communications services (index 133), costs for insurance premiums (index 130) and maintenance costs (index 124).

In total gross operating expenses, broken down by functional group, costs of insurance contract acquisition accounted for 55.6%, which is the same as in 2012. Claim handling costs accounted for 12.0% (2012: 12.1%) and asset management costs for 1.5% (2012: 1.7%). Other operating expenses represented 31.0%, having increased by 0.3 percentage point.

## 7.8 Risk equalisation

The Triglav Group equalised 92% of the risks within its own equalisation capacities. The Group was able to equalise risks that exceeded its own equalisation capabilities by reinsurance and, to a lesser extent, by co-insurance arrangements.

With Triglav's own equalisation capacities, claims were covered with the current annual inflow of technical premium by insurance class and the insurance technical provisions formed.

Structure of gross operating expenses

92% of risks equalised with own capacities

### Gross operating expenses by nature

	in EUR			Index		Structure 2013
	Gross operating expenses			2013/2012	2012/2011	
	2013	2012	2011			
Acquisition costs (fees and charges)	33,162,987	31,495,708	30,926,417	105	102	10.5%
Costs of goods sold	17,963,606	21,249,493	24,487,665	85	87	5.7%
Depreciation of operating assets	21,097,760	16,446,782	11,598,595	128	142	6.7%
Labour costs	142,777,949	142,838,625	136,195,600	100	105	45.0%
- wages and salaries	102,148,128	101,406,076	96,152,794	101	105	32.2%
- social securities and pension insurance costs	24,090,369	23,828,680	22,652,065	101	105	7.6%
- other labour costs	16,539,452	17,603,869	17,390,741	94	101	5.2%
Costs of services provided by natural persons other than SPs together with pertaining taxes	3,037,566	2,821,276	3,043,158	108	93	1.0%
Other operating expenses	99,127,319	96,993,359	89,237,493	102	109	31.3%
- costs of entertainment, advertising, trade shows	15,652,805	14,677,373	17,482,936	107	84	4.9%
- costs of material and energy	14,692,589	14,982,277	9,929,943	98	151	4.6%
- maintenance costs	11,725,485	9,479,010	8,527,111	124	111	3.7%
- reimbursement of labour-related costs	5,059,110	4,806,995	4,885,484	105	98	1.6%
- costs of intellectual and personal services	5,399,634	4,563,062	3,817,644	118	120	1.7%
- non-income-related costs, excluding insurance	7,787,648	2,696,851	2,623,521	289	103	2.5%
- costs of transport and communication services	6,641,991	4,999,056	5,096,185	133	98	2.1%
- costs of insurance premiums	2,437,698	1,880,079	2,002,248	130	94	0.8%
- payment transaction costs and banking services	3,107,927	3,982,190	3,980,632	78	100	1.0%
- rents	8,282,853	6,985,006	7,692,983	119	91	2.6%
- costs of services of professional training	1,269,551	1,132,831	1,040,200	112	109	0.4%
- other costs of services	16,920,079	26,482,948	22,158,606	64	120	5.3%
- long term employee benefits	149,949	325,681	0	46	0	0.0%
<b>TOTAL</b>	<b>317,167,187</b>	<b>311,845,243</b>	<b>295,488,928</b>	<b>102</b>	<b>106</b>	<b>100.0%</b>
Consolidation eliminations	-14,733,440	-12,373,919	-9,090,898	119	136	
<b>TOTAL CONSOLIDATED</b>	<b>302,433,747</b>	<b>299,471,324</b>	<b>286,398,030</b>	<b>101</b>	<b>105</b>	

### 7.8.1 Insurance technical provisions

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured parties. As at 31 December 2013, gross insurance technical provisions of the Triglav Group were EUR 2,261.4 million. The total amount of gross provisions was 2% lower than in 2012, after a 6% decrease in non-life insurance, a 1% increase in life insurance and a 13% increase in health insurance.

Provisions by type as at 31 December 2013 compared to the same day of the preceding year:

- **Gross provisions for unearned premiums** decreased by 4% down to EUR 258.1 million. Unearned premium from non-life insurance amounted to EUR 255.6 million (index 96), unearned premium from life insurance totalled EUR 451 thousand (index 108), while unearned premium from health insurance increased by 7% over 2012 or EUR 2.0 million in nominal terms.
- **Gross provisions for outstanding claims** decreased by 7% and amounted to EUR 674.4 million. Gross provisions for outstanding claims in non-life insurance came to EUR 646.2 million (index 93), in the life-insurance segment they amounted to EUR 20.2 million (index 99) and in health insurance they totalled EUR 8.1 million (index 118). A drop in claims provisions is primarily a result of the Company's decreased exposure and favourable development of loss events in 2013.
- **Mathematical provisions** stood at EUR 1,305.9 million, representing a 1% increase over the preceding year. Of the total amount of mathematical provisions, EUR 701.4 million originated from the long-term business fund backing unit-linked life insurance, EUR 435.2 million from the long-term business fund backing SVPI, EUR 152.1 million from two long-term business fund backing SVPI, i.e. annuities, and EUR 17.2 million from the long-term business fund backing SVPI during annuity payment period. The main reason for higher mathematical provisions is increased provisions for unit-linked life insurance, which is the result of an increase in the value of investments of unit-linked life insurance contracts and as a result of long-term business fund backing SVPI during annuity payment period.
- **Provisions for bonuses and discounts** decreased by 10% to EUR 15.4 million.
- **Other insurance technical provisions** totalled EUR 7.6 million or 18% less than in 2012, mainly as a result of a decrease in provisions for unexpired risks, the value of which is based on net claims and expenses by individual insurance class. The improvement in these results caused a decrease in provisions.

#### Gross insurance technical provisions as at 31 December 2013

	in EUR			Index	
	Gross insurance technical provisions			2013/2012	2012/2011
	31 December 2013	31 December 2012	31 December 2011		
Unearned premium	258,066,669	268,424,573	291,740,398	96	92
Mathematical provisions	1,305,934,730	1,287,288,920	1,209,960,825	101	106
Claims provisions	674,436,244	723,176,114	705,464,250	93	103
Provisions for bonuses and discounts	15,399,739	17,153,835	16,599,643	90	103
Other insurance technical provisions	7,595,652	9,216,323	10,377,656	82	89
<b>TOTAL</b>	<b>2,261,433,034</b>	<b>2,305,259,765</b>	<b>2,234,142,772</b>	<b>98</b>	<b>103</b>

### 7.8.2 Reinsurance

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

In 2013, optimum coverage terms and conditions were achieved in all reinsurance and co-insurance contracts.

In 2013, the Group allocated EUR 70.1 million of reinsurance premiums to external equalisation, which was 5% less than at the 2012 year-end. Reinsurance premium accounted for 7.8% of

total gross written premium. The change in unearned premium related to reinsurance portion amounted to EUR -3.8 million (2012: EUR 1.9 million). An amount of EUR 37.4 million was received from reinsurance (index 158). The change in gross claims provisions for reinsurers' share in unearned premiums equalled EUR -17.6 million (EUR (2012: EUR 38.1 million)). The Group also received EUR 2.2 million in reinsurance commissions. The reinsurance result was negative and amounted to EUR -51.9 million.

## 7.9 Structure of financial investments

Financial assets, investments in associates and investment property as at 31 December 2013 stood at EUR 2,539.6 million, which represents a 1% decrease compared to the previous year. Their share in total assets grew by 0.6 percentage point and reached 82.5%.

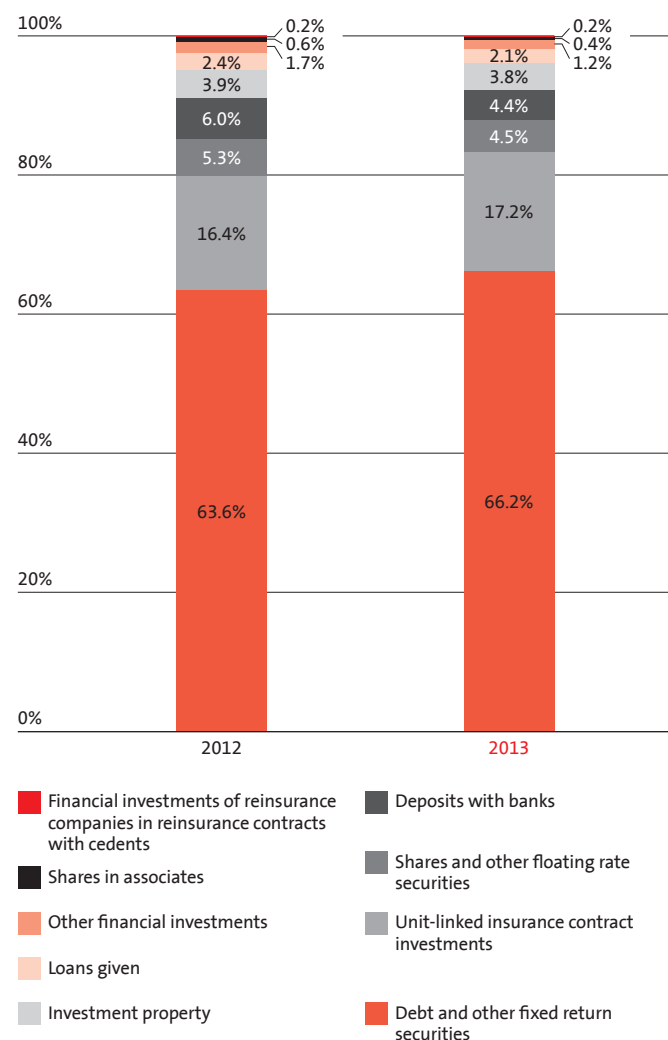
### Financial assets of the Triglav Group as at 31 December 2012 and 31 December 2013

	in EUR		Index	Structure 31 December 2013
	31 December 2013	31 December 2012		
Investment property	97,245,384	100,186,863	97	3.8%
Shares in associates	10,204,674	14,384,184	71	0.4%
Shares and other floating rate securities	113,308,492	136,804,915	83	4.5%
Debt and other fixed return securities	1,682,058,225	1,629,251,524	103	66.2%
Loans given	53,739,807	61,200,586	88	2.1%
Deposits with banks	111,252,085	152,970,974	73	4.4%
Other financial investments	29,990,307	42,582,859	70	1.2%
Financial investments of reinsurance companies in reinsurance contracts with cedents	4,166,848	4,185,878	100	0.2%
Unit-linked insurance contract investments	437,667,616	418,881,916	104	17.2%
<b>TOTAL</b>	<b>2,539,633,437</b>	<b>2,560,449,699</b>	<b>99</b>	<b>100.0%</b>

The tables show certain changes in investment grade structure that occurred in 2013, as the Group implemented its strategy of maintaining a high credit rating.

**Debt and other fixed-return securities** representing 66.2% of the total accounted for the bulk of total financial investments. At the 2013 year-end, they reached EUR 1,682.1 million (index 103). In this investment grade government bonds continued to prevail. They accounted for 55% of the total and decreased by 5 percentage points (2012: 60%). In total debt and other fixed-return securities the shares of corporate bonds (25%) and financial bonds (13%) increased. The percentage of financial bonds grew mainly on account of insurance bonds with the highest rating. A higher percentage of corporate bonds in total bonds stems from the

### Structure of financial assets of the Triglav Group as at 31 December 2013 and 31 December 2012



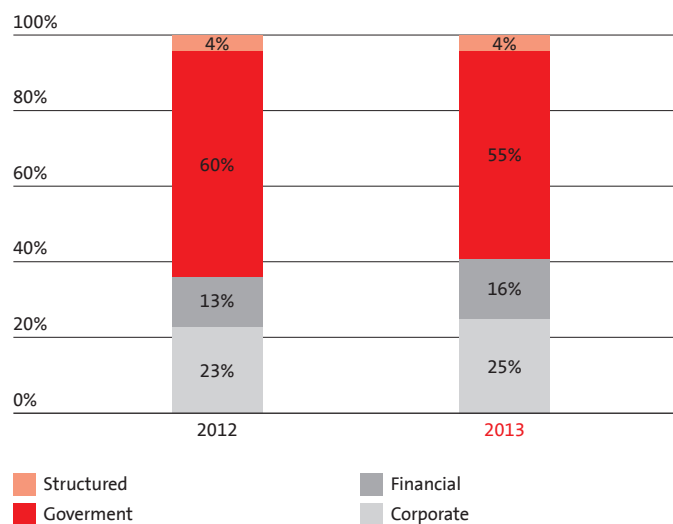
generally better credit quality of European corporate bond issuers and consequent continued downward trends in credit spreads. Structured bonds stayed at 4% or the same level as at the 2012 year-end.

### Debt securities of the Triglav Group by issuer sector in 2013 and 2012 (by life insurance and non-life insurance segment)

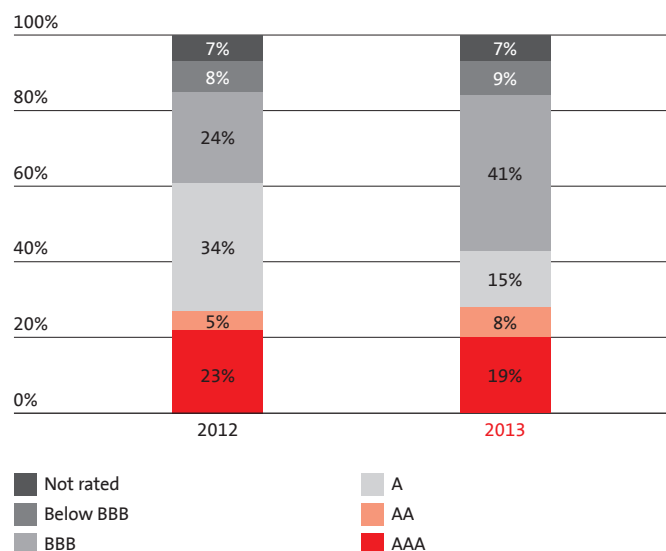
Debt securities	Non-life			Life			Total		
	31 December 2012	31 December 2013	Index	31 December 2012	31 December 2013	Index	31 December 2012	31 December 2013	Index
Corporate	228,018,000	216,070,157	95	147,359,311	200,344,573	136	375,377,310	416,414,731	111
Financial	74,057,847	134,829,541	182	131,590,971	133,685,052	102	205,648,818	268,514,593	131
Government	464,428,489	421,937,572	91	515,839,140	509,571,263	99	980,267,629	931,508,835	95
Structured	18,607,422	15,287,022	82	49,350,350	50,333,044	102	67,957,772	65,620,066	97
<b>TOTAL</b>	<b>785,111,759</b>	<b>788,124,293</b>	<b>100</b>	<b>844,139,771</b>	<b>893,933,932</b>	<b>106</b>	<b>1,629,251,530</b>	<b>1,682,058,225</b>	<b>103</b>

Note: Unit-linked insurance contract investments data are excluded.

### Structure of debt securities of the Triglav Group by issuer sector (excluding unit-linked insurance contract investments) in 2013 and 2012



### Debt securities of the Triglav Group by credit rating in 2013 and 2012 (excluding unit-linked insurance contract investments)



### Debt securities of the Triglav Group by credit rating in 2013 and 2012 (by life insurance and non-life insurance segment)

Debt securities	Non-life			Life			Total			in EUR
	31 December 2012	31 December 2013	Index	31 December 2012	31 December 2013	Index	31 December 2012	31 December 2013	Index	
AAA	197,171,354	184,851,136	94	174,003,708	134,956,487	78	371,175,061	319,807,623	86	
AA	44,748,946	80,984,430	181	35,625,134	54,647,045	153	80,374,080	135,631,475	169	
A	233,680,846	110,677,846	47	314,332,413	147,550,621	47	548,013,259	258,228,467	47	
BBB	182,739,462	278,432,271	152	208,335,535	418,552,780	201	391,074,997	696,985,051	178	
Below BBB	74,413,882	79,987,369	107	52,125,578	77,641,256	149	126,539,461	157,628,625	125	
Not rated	52,357,269	53,191,241	102	59,717,403	60,585,743	101	112,074,672	113,776,984	102	
<b>TOTAL</b>	<b>785,111,759</b>	<b>788,124,293</b>	<b>100</b>	<b>844,139,771</b>	<b>893,933,932</b>	<b>106</b>	<b>1,629,251,530</b>	<b>1,682,058,225</b>	<b>103</b>	

Note: Unit-linked insurance contract investments data are excluded.

In line with the adopted strategy, in recent years the exposure of the Triglav Group to bonds of Slovene issuers was decreased. As at the end of 2013, it equalled 23%, after a drop by 3 percentage points (2012: 26%).

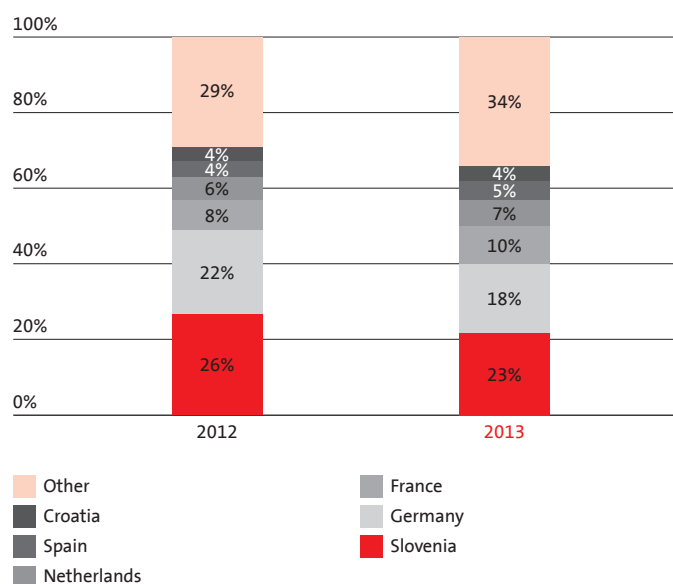
### Debt securities of the Triglav Group by issuer's country in 2013 and 2012 (by life insurance and non-life insurance segment)

Debt securities	Non-life			Life			Total			in EUR
	31 December 2012	31 December 2013	Index	31 December 2012	31 December 2013	Index	31 December 2012	31 December 2013	Index	
Slovenia	197,494,614	147,015,023	74	230,551,406	245,762,047	107	428,046,020	392,777,070	92	
Germany	193,378,284	147,917,447	76	170,544,334	148,315,834	87	363,922,619	296,233,281	81	
France	73,320,702	84,570,672	115	54,707,477	75,585,929	138	128,028,180	160,156,601	125	
Netherlands	54,906,617	68,256,733	124	49,022,002	48,040,118	98	103,928,619	116,296,851	112	
Spain	19,296,611	29,379,282	152	43,629,001	50,286,239	115	62,925,612	79,665,521	127	
Croatia	30,013,064	26,650,537	89	39,919,243	42,441,642	106	69,932,307	69,092,178	99	
Other	216,701,867	284,334,600	131	255,766,307	283,502,122	111	472,468,174	567,836,722	120	
<b>TOTAL</b>	<b>785,111,759</b>	<b>788,124,293</b>	<b>100</b>	<b>844,139,771</b>	<b>893,933,932</b>	<b>106</b>	<b>1,629,251,530</b>	<b>1,682,058,225</b>	<b>103</b>	

Note: Unit-linked insurance contract investments data are excluded.



### Structure of debt securities held by the Triglav Group by issuer's country (excluding unit-linked insurance contract investments) in 2013 and 2012



**Unit-linked insurance contracts** investments amounted to EUR 437.7 million as at the reporting date. Compared to the 2012 year-end, they experienced a 4% increase and accounted for 17.2% of total financial assets.

As at 31 December 2013 **financial investments in associates and investments in shares** stood at EUR 123.5 million having decreased by 18% over 2012. The Triglav Group's **financial investments in associates** totalled EUR 10.2 million. A 29% drop was mostly caused by Triglav Skladi d.o.o. divesting from Polara Invest Fond a.d., Banja Luka. **Investments in shares and other floating rate securities** went down by 17%, which is mainly the result of permanent impairments of these holdings. As at the reporting date, they stood at EUR 113.3 million, representing 4.5% of total financial assets.

**Deposits with banks** (which account for 4.4% of the total) decreased by 27% to EUR 111.3 million. **Investment property** amounted to EUR 97.2 million and accounted for 3.8% of total assets, having decreased by 3%. **Loans given** declined by 12% over the previous year and amounted to EUR 53.7 million, accounting for 2.1% of the total. **Other financial investments** stood at EUR 30.0 million, representing a 1.2% share of the total (index 70).

**Financial investments of reinsurance companies in reinsurance contracts with cedents** remained at the 2012 year-end level, equalled EUR 4.2 million (index 100) and accounted for 0.2% of total financial assets.

### Equity investments of the Triglav Group by geographic area in 2013 and 2012

in EUR

Equity investments	Non-life			Life			Total		
	31 December 2012	31 December 2013	Index	31 December 2012	31 December 2013	Index	31 December 2012	31 December 2013	Index
Slovenia	62,963,229	52,279,349	83	19,858,882	16,384,933	83	82,822,111	68,664,283	83
Developed markets	26,644,016	26,629,842	100	12,682,647	9,499,096	75	39,326,663	36,128,938	92
Developing markets	6,372,536	4,857,930	76	4,835,639	4,551,392	94	11,208,175	9,409,322	84
Balkan	15,296,473	7,428,682	49	2,535,671	1,881,942	74	17,832,143	9,310,624	52
<b>TOTAL</b>	<b>111,276,254</b>	<b>91,195,802</b>	<b>82</b>	<b>39,912,839</b>	<b>32,317,364</b>	<b>81</b>	<b>151,189,093</b>	<b>123,513,166</b>	<b>82</b>