IV. Notes to the Consolidated Financial Statements

1. General Information

1.1 Company profile

Zavarovalnica Triglav d.d. (hereinafter: »Zavarovalnica Triglav« or »the controlling company«) with its subsidiaries and associated companies form the Triglav Group (hereinafter: »the Group«).

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

Insurance is the core business of the Group, including a wide range of life, property and health insurance, as well as reinsurance products. In addition, the Group provides a variety of asset management, servicing and other financial services.

On 18 March 2014, the Management Board approved the issuance of the consolidated financial statements. Once the financial statements are issued, the shareholders are entitled to make amendments. Zavarovalnica Triglav also prepared separate financial statements in accordance with IFRS. The consolidated financial statements are available at the headquarters of Zavarovalnica Triglav and on its website.

1.2 Management and supervisory bodies

Supervisory Board

The Supervisory Board monitors and supervises the management and performance of Zavarovalnica Triglav. According to the Articles and Memorandum of Association, the Supervisory Board has nine members (six representatives of shareholders and three representatives of employees). Members of the Supervisory Board are given a four-year mandate and can be re-elected without limitation. In 2013, the Supervisory Board had the following members:

Name	SB	AC	ACC	SC	NC	Notes
Mihael Perman	P					16 April 2013 - 11 June 2013
	M					8 April 2013 - 11 June 2013
			M			16 April 2013 - 11 June 2013
Jovan Lukovac	M					13 June 2012 - 11 June 2013
		P, M				21 June 2012 - 7 April 2013
		P, M				16 April 2013 - 11 June 2013
				M		16 April 2013 - 11 June 2013
Aleš Živković	M					8 April 2013 - 11 June 2013
		M				16 April 2013 - 11 June 2013
Rok Strašek	M					8 April 2013 - 11 June 2013
				P, M		16 April 2013 - 11 June 2013
Žiga Andoljšek	M					8 April 2013 - 11 June 2013
		M				16 April 2013 - 11 June 2013
Blaž Šlemic	M					8 April 2013 - 11 June 2013
			P, M			16 April 2013 - 11 June 2013
Peter Celar	M					since 30 May 2011
				M		30 May 2011 - 7 April 2013
				M		16 April 2013 - 11 June 2013
				M		since 1 July 2013
Branko Gorjan	M					since 30 May 2011
		M				30 May 2011 - 7 April 2013
		M				16 April 2013 - 11 June 2013
		M				since 1 July 2013
					M	20 December 2012 - 14 February 2013
Miran Krštinc	M					from 30 May 2011 on
			M			20 June 2011 - 7 April 2013
			M			16 April 2013 - 11 June 2013
			M			since 1 July 2013
Gregor Kastelic	DP					21 June 2012 - 7 April 2013
	DP					since 1 July 2013
	M					13 June 2012 - 7 April 2013
	M					since 12 June 2013
				P, M		21 June 2012 - 7 April 2013
				P, M		since 1 July 2013
Igor Mihajlović	M					7 April 2009 - 7 April 2013
	P					21 June 2012 - 7 April 2013
			P			21 June 2012 - 7 April 2013
				M		10 February 2011 - 7 April 2013
					P, M	20 December 2012 - 14 February 2013
Vladimir Uršič	M					28 June 2010 - 7 April 2013
		M				17 October 2011 - 7 April 2013
Aljoša Valentinčič	M					7 April 2009 - 7 April 2013
		M				20 April 2009 - 7 April 2013
Adolf Zupan	M					12 June 2012 - 7 April 2013
			M			21 June 2012 - 7 April 2013
Srečko Jadek			M			4 May 2009 - 7 April 2013
Matjaž Jauk					M	20 December 2012 - 14 February 2013
Peter Ješovnik					M	20 December 2012 - 14 February 2013

Name	SB	AC	ACC	SC	NC	Notes
Barbara Nose		M				20 April 2009 - 7 April 2013
		M				26 April 2013 - 11 June 2013
		M				since 22 August 2013
Anton Marolt			M			21 May 2013 - 11 June 2013
Matej Runjak	M					since 12 June 2013
	P					since 1 July 2013
			P			since 1 July 2013
Dubravko Štimac	M					since 12 June 2013
			M			since 1 July 2013
Mario Gobbo	M					since 12 June 2013
		P				since 1 July 2013
				M		since 1 July 2013
Rajko Stanković	M					since 12 June 2013
		M				since 1 July 2013
Matija Blažič	M					since 12 June 2013

Legend:
SB – Supervisory Board
AC – Audit Committee
ACC – Appointments and Compensation Committee
SC – Strategy Committee
NC – Nominations Committee

P – President
M – Member

Management Board

The Management Board directs, represents and acts on behalf of Zavarovalnica Triglav, independently and on its own responsibility. In compliance with the Articles and Memorandum of Association, the Supervisory Board can appoint three to six members (the President and five members) to the Management Board. The President and members of the Management Board are appointed for a five-year term with the possibility of reappointment or early termination of office in the case of a serious breach of obligations. In 2013, the Management Board had the following composition:

- Andrej Slapar, president;
- Stanislav Vrtunski, member;
- Benjamin Jošar, member;
- Marica Makoter, member, employee representative.

1.3 Employees

Number of employees in Triglav Group and their educational structure are shown in the table below.

LEVEL OF EDUCATION	31 December 2013	31 December 2012
Primary and Vocational (I-IV)	220	260
Secondars School (V)	2.774	2.866
Post-Secondary Education (VI)	593	567
Higher Education and University (VII)	1.606	1.549
Masters and Doctorate (VIII-IX)	158	137
TOTAL	**5.351**	**5.379**
Average number of employees	5.433	5.406

1.4 Statement of compliance

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

1.5 Reporting basis

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

- derivative financial instruments, which are measured at fair value;
- financial assets measured at fair value through profit and loss;
- available-for-sale financial assets measured at fair value; and
- equity instruments in associates, which are accounted for using the equity method.

The methods used for measuring fair value are described in *Section 2.3, 2.8 and 6.20*.

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

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

The consolidated annual report is adopted by the Management Board and approved by the Supervisory Board. In the event the Supervisory Board fails to approve the report, it is discussed by the General Meeting of Shareholders. The distribution of profits is discussed separately for each company of the Group by the General Meeting of Shareholders.

1.6 Basis for consolidation

The controlling company defines an entity to be its subsidiary based on an assessment whether it has control over the latter. The following conditions have to be met:

- the controlling company has influence over the entity based on rights that arise from voting rights attached to equity instruments;
- the controlling company is exposed to, or has rights, to variable returns from its involvement in the entity;
- through its power over the entity, the controlling party has the ability to affect those returns.

The entities in which the Group directly or indirectly holds more than half of the voting rights or otherwise has the power to exercise control over their operations (subsidiaries) have been fully consolidated. The subsidiaries are consolidated from the date on which effective control was transferred to the Group and are no longer consolidated from the date that such control ceases. The changes in the equity share of the controlling company which do not cause a loss of control are accounted for as equity transactions. The difference between the amount for which the non-controlling interests are adjusted and the fair value of paid or received consideration is recognised directly in equity and allocated to shareholders of the controlling company. In the case of a loss of control over the subsidiary, assets (including goodwill) and liabilities are derecognised by their carrying value as at the date of loss of control and the carrying amount of non-controlling interest is derecognised.

All intercompany transactions, balances and any income and expenses arising from intra-group transactions have been eliminated in the process of consolidation.

The subsidiaries' accounting policies are predominantly the same as the accounting policies of Zavarovalnica Triglav. Where necessary, the accounting policies for subsidiaries have been changed in order to ensure consistency with the policies adopted by the Group. In the consolidated statement of financial position, non-controlling interests are disclosed separately from the equity of the controlling company. Net profit / loss attributable to minority interests is disclosed separately in the statement of changes in equity and in the income statement.

In 2013 the following changes occurred in the ownership structure of the Group:

Purchase of shares of Slovenijales d.d., Ljubljana

Zavarovalnica Triglav d.d. purchased 5,744 shares of Slovenijales d.d. from non-controlling shareholders, which increased its shareholding to 100% of the company. The purchase price of the 2.02% equity stake equalled EUR 686,006. The difference between the amount for which the non-controlling interest is adjusted and the compensation received, totalling EUR 118,328, was recognized directly in equity (capital reserves).

The liquidation procedure of Triglav Penzijski fondovi a.d., Belgrade, concluded

On 24 December 2012 the Companies Register (Agencija za privredne registre) in the Republic of Serbia issued a decision to start a liquidation procedure for Triglav Penzijski fondovi a.d., Belgrade. This procedure was concluded on 3 October 2013 when the company was stricken off the Companies Register.

»Vse bo v redu« institute established

The Company established »Vse bo v redu« institute by paying in EUR 100,000. On the basis of immateriality the institutes is not fully consolidated.

Increase of share capital of Triglav Osiguranje, a.d.o., Belgrade

Triglav INT d.d. increased the capital of Triglav Osiguranje a.d.o., Belgrade, by EUR 4,601,220. The share capital was increased through an issue of 746,055 new shares with a nominal value of RSD 700 each, equalling RSD 522,238,500 or EUR 4,601,220 in total. As a result the equity holding of Triglav INT d.d. in the recapitalised subsidiary grew from 97.10% to 99.15%. The share capital increase was used to cover loss brought forward from previous years amounting to RSD 499,200,800 or EUR 4,356,870.

Increase of share capital of Integral Zagorje, d.o.o., Zagorje ob Savi

Avrigo d.o.o. increased the capital of its subsidiary Integral Zagorje d.o.o. by EUR 127,482.

Increase of share capital of Lovćen Auto, a.d., Podgorica

Lovćen Osiguranje a.d.o., Podgorica, increased the capital of its subsidiary Lovćen Auto a.d. by EUR 800,000.

Divestment from Polara Invest d.d., Banja Luka

Triglav Skladi d.o.o. divested from Polara Invest d.d., Banja Luka. The 100% holding was sold for EUR 168,728, following a previous dividend payment of EUR 1,267,103. The effect of this divestment disclosed in consolidated financial statements amounted to EUR 38,737 and was recognised in the income statement. In consolidated financial statements this investment was accounted for under the equity method on the basis of immateriality.

Shares of non-controlling interest holders in the operations and and cash flows of Triglav Group[110]

in EUR

	Company	Address	Tax rate (In %)	Activity	Equity stake (in %)		Share of voting rights (in %)		Value of equity As at 31 December	
					2013	2012	2013	2012	2013	2012
1	Pozavarovalnica Triglav RE d.d.	Miklošičeva 19, Ljubljana, Slovenia	17	Reinsurance	100.00	100.00	100.00	100.00	52,949,851	46,589,340
2	Triglav, Zdravstvena zavarovalnica, d.d.	Pristaniška 10, Koper, Slovenia	17	Insurance	100.00	100.00	100.00	100.00	15,770,657	10,401,682
3	Triglav Osiguranje d.d. Zagreb	Antuna Heinza 4, Zagreb, Croatia	20	Insurance	99.76	99.76	99.76	99.76	18,373,786	18,017,228
4	Triglav Osiguranje d.d. Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	10	Insurance	68.94	68.94	78.71	78.71	20,550,093	19,783,613
5	Triglav Pojišt'ovna, a.s.	Novobranska 544/1, Brno, Czech Republic	19	Insurance	100.00	100.00	100.00	100.00	2,993,549	6,952,409
6	Lovćen Osiguranje a.d.	Slobode 13a, Podgorica, Montenegro	9	Insurance	94.95	94.95	94.95	94.95	6,315,798	7,110,207
7	Lovćen životna osiguranja a.d.	Marka Miljanova 29/III, Podgorica, Montenegro	9	Insurance	94.95	94.95	94.95	94.95	1,994,182	1,824,479
8	Triglav Osiguranje a.d.o.	Milutina Milankovića 7A, Novi Beograd, Serbia	15	Insurance	99.15	97.10	99.15	97.10	2,682,819	3,230,342
9	Triglav penzijski fondovi a.d. - liquidated	Milutina Milankovića 7A, Novi Beograd, Serbia	15	Fund management	-	99.86	-	99.86	-	874,596

110 The companies listed under numbers 1 to 34 have been included in the consolidated financial statements using the full consolidation method. The companies listed under numbers 35 to 38 have not been included using the full consolidation method, as they are not of importance to the Group. In 2012, the company listed under number 39 was wound up (in a simplified procedure without liquidation) and thus excluded from the Group. GRI G4-17

Shares of non-controlling interest holders in the operations and and cash flows of Triglav Group[110]

in EUR

	Company	Address	Tax rate (In %)	Activity	Equity stake (in %) 2013	Equity stake (in %) 2012	Share of voting rights (in %) 2013	Share of voting rights (in %) 2012	Value of equity As at 31 December 2013	Value of equity As at 31 December 2012
10	Triglav Osiguranje, a.d.	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Insurance	100.00	100.00	100.00	100.00	3,099,491	2,916,584
11	Triglav Osiguruvanje a.d.	Bulevar 8-mi Septemvri 16, Skopje, FYROM	10	Insurance	73.38	73.38	73.38	73.38	9,750,988	8,700,278
12	Triglav Skladi, d.o.o.	Slovenska 54, Ljubljana, Slovenia	17	Asset management	67.50	67.50	100.00	100.00	30,947,128	27,778,617
13	AS Triglav, d.o.o.	Verovškova 60b, Ljubljana, Slovenia	17	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	51,297	44,394
14	Triglav Svetovanje, d.o.o.	Ljubljanska 86, Domžale, Slovenia	17	Insurance agency	100.00	100.00	100.00	100.00	491,809	392,813
15	Triglav INT, d.d.	Miklošičeva 19, Ljubljana, Slovenia	17	Holding company	100.00	100.00	100.00	100.00	48,743,687	64,710,526
16	Triglav Nepremičnine, d.o.o.	Dunajska 22, Ljubljana, Slovenia	17	Real estate management	100.00	100.00	100.00	100.00	12,886,962	18,297,105
17	Triglav naložbe, d.d.	Slovenska 54, Ljubljana, Slovenia	17	Holding company	100.00	100.00	100.00	100.00	42,187,319	44,024,326
18	Slovenijales d.d.	Dunajska 22, Ljubljana, Slovenia	17	Retail trade	100.00	97.90	100.00	97.90	34,459,129	38,025,661
19	Golf Arboretum d.o.o.	Volčji potok 43G, Radomlje, Slovenia	17	Sport facilities management	80.10	80.10	80.10	80.10	717,065	736,409
20	Gradis, IPGI, d.d.	Industrijska 2, Ljubljana, Slovenia	17	Construction	85.66	85.66	85.66	85.66	-3,848,616	-3,579,552
21	Slovenijales trgovina d.o.o.	Plemljeva 8, Ljubljana, Slovenia	17	Retail trade	100.00	97.90	100.00	97.90	6,609,658	8,655,871
22	TRI-PROBH d.o.o.	Topal Osman Paše 30, Sarajevo,Bosnia and Herzegovina	10	Insurance agency	89.57	89.57	89.57	89.57	-89,630	-122,515
23	Autocentar BH d.o.o.	Topal Osman Paše BB, Sarajevo, Bosnia and Herzegovina	10	Car retailer	68.49	68.49	78.71	78.71	1,473,185	1,397,407
24	Unis automobili i dijelovi d.o.o.	Ul. Mehmeda ef. Pandze Br. 13, Sarajevo, Bosnia and Herzegovina	10	Car retailer	81.85	81.85	64.42	64.42	781,956	946,317
25	Sarajevostan d.d.	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	10	Real estate management	49.80	49.80	49.80	49.80	3,402,595	3,392,562
26	Lovćen Auto a.d.	Novaka Miloševa 6/2, Podgorica, Montenegro	9	Maintenance and repair of motor vehicles	94.95	94.95	94.95	94.95	3,615	275,797
27	Triglav Auto d.o.o.	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	1,023	1,023
28	Salnal d.o.o.	Slovenska 54, Ljubljana, Slovenia	17	Real estate management	100.00	100.00	100.00	100.00	20,313,230	20,942,901
29	Pista d.o.o.	Ul.Milutina Milankovića 7a, Beograd, Serbia	15	Real estate management	100.00	100.00	100.00	100.00	4,575,282	4,567,657
30	Avrigo, d.o.o.	Kidričeva ul. 20, Nova Gorica, Slovenia	17	Transport	100.00	100.00	100.00	100.00	5,968,500	5,325,692
31	Integral - Zagorje, d.o.o.	Cesta zmage 4, Zagorje ob Savi, Slovenia	17	Transport	100.00	100.00	100.00	100.00	1,101,154	742,487
32	Integral Notranjska, d.o.o.	Čabranska ul. 8, Cerknica, Slovenia	17	Transport	100.00	100.00	100.00	100.00	2,474,639	2,250,020
33	Integral Stojna Kočevje, d.o.o.	Reška cesta 1, Kočevje, Slovenia	17	Transport	100.00	100.00	100.00	100.00	684,692	542,473
34	Alptours d.o.o.	Trg golobarskih žrtev 47, Bovec, Slovenia	17	Transport	97.66	97.66	97.66	97.66	-18,298	-15,710
35	PROF-IN d.o.o.	M. P. Sokolovića 15, Sarajevo, Bosnia and Herzegovina	10	Fund management	62.54	62.54	62.54	62.54	2,057,012	2,463,844
36	Polara Invest a.d.	Svetozara Markovića 5/5, Banja Luka, Bosnia and Herzegovina	10	Asset management	-	78.27	-	78.27	-	1,474,569
37	Zdravstveni center morje d.o.o. – in liquidation	Ljubljanska 6/a, Koper, Slovenia	17	Health services	69.84	69.84	69.84	69.84	17,494	23,547
38	Hotel Grad Podvin d.d.	Miklošičeva c. 19, Ljubljana, Slovenia	17	Tourism	100.00	100.00	100.00	100.00	959,808	1,326,515
39	Zavod Vse bo v redu	Miklošičeva c. 19, Ljubljana, Slovenia	17	Insitute for corporate social responsibility	100.00	-	100.00	-	100,000	-

Shares of non-controlling interest holders in the operations and and cash flows of Triglav Group

in EUR

	Company	Place of business	Non-controlling interest in capital (in %)	Voting rights of non-controlling interests (v %)	Net profit or loss for 2013 attributable to non-controlling interest holders	Retained earnings attributable to non-controlling interest holders
1	Triglav Osiguranje, d.d., Zagreb	Zagreb, Croatia	0.24	0.24	1,987	20,327
2	Triglav Osiguranje, d.d., Sarajevo	Sarajevo, Bosnia and Herzegovina	31.06	21.29	180,101	2,972,870
3	Triglav Osiguranje, a.d.o., Beograd	Belgrade, Serbia	0.85	0.85	-43,922	201,522
4	Triglav Osiguruvanje, a.d. Skopje	Skopje, FYROM	26.62	26.62	296,822	1,426,944
5	Lovćen Osiguranje, a.d.	Podgorica, Montenegro	5.05	5.05	3,888	346,639
6	Lovćen životna osiguranja, a.d.	Podgorica, Montenegro	5.05	5.05	5,074	36,057
7	Golf Arboretum, d.o.o.	Radomlje, Slovenia	19.90	19.90	-3,849	141,059
8	Gradis IPGI, d.d.	Ljubljana, Slovenia	14.34	14.34	-38,584	-276,781
9	TRI-PRO BH, d.o.o.	Sarajevo, Bosnia and Herzegovina	10.43	10.43	5,005	-36,986
10	Unis automobili i dijelovi, d.o.o.	Sarajevo, Bosnia and Herzegovina	35.58	35.58	-71,617	19,286
11	Autocentar BH, d.o.o.	Sarajevo, Bosnia and Herzegovina	21.29	21.29	23,537	118,842
12	Lovčen Auto, a.d.	Podgorica, Montenegro	5.05	5.05	-54,131	-186,618
13	Alptours, d.o.o.	Bovec, Slovenia	2.34	2.34	-61	-428
14	Sarajevostan, d.d.	Sarajevo, Bosnia and Herzegovina	50.20	56.86	5,656	1,439,849
	TOTAL				**309,906**	**6,222,582**

2. Main Accounting Policies

2.1 The use of estimates and judgments

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

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

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

- Insurance technical provisions: Provisions are calculated on the basis of insurance contracts and past trends in occurred loss events and adjusted for future expectations. The accounting policies are presented in *Section 2.19*, the main assumptions in *Section 3*, and an analysis of changes in these provisions in *Section 6.13*. A liability adequacy test as at 31 December 2013 is also given.
- Calculation of the fair value of financial assets and impairment thereof: An estimate of the fair value of financial assets, the price of which cannot be determined in an active capital market, has been made on the basis of several assumptions. Possible changes in these assumptions are reflected in the amount or even the impairment of these assets. Due to the financial crisis, the assessed fair value is subject to greater uncertainty. The accounting policies are presented in *Sections 2.3, 2.8 and 2.9*. The parameters and assumptions applied in the valuation of non-quoted financial assets are presented in *Section 6.20*. The values of individual types of assets are reported in *Sections 6.5 and 6.20*. Sensitivity analysis for the calculation of fair values is presented in *Section 4.3*.

2.2 Functional and presentation currency

Items included in the separate financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the respective entity operates (functional currency). The consolidated financial statements are presented in euros, which is the presentation currency of the Group. In the consolidated financial statements, the amounts and disclosures are rounded to one euro.

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

The financial statements of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the final exchange rate as at the balance sheet date; and
- income, expenses and costs at the average exchange rate for the year.

For the consolidation of equity items the historical exchange rate is used. Differences arising from the use of the historical exchange rate are disclosed as a separate equity item: currency translation differences.

2.3 Measuring fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction under current market conditions in the principal (or most advantageous) market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group measures all financial assets at fair value, except for loans and held-to-maturity financial assets which are disclosed in financial statments at amortised cost. The fair value of the latter two is disclosed under *Section 6.20*. The fair value of land and buildings used for insurance operations and of investment property is disclosed under *Sections 6.2 and 6.3* and that of subordinated liabilites under *Section 6.12*.

The fair value of financial instruments traded on organised financial markets is measured on the basis of their prices quoted as at the reporting date. In the event no quoted price is available, the price offered by stock brokers is used as the reference price.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. These valuation techniques include: discounted cash flow method, listed company comparison

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approach and asset accumulation method. If there is a valuation technique commonly used by market participants for establishing instrument prices and if such a technique has yielded reliable estimates of prices used in actual market transactions, such a technique is applied by a member of the Group. The applied estimates and assumptions involve certain risks as to their future realisation. With the aim of reducing this risk, the assumptions and estimates applied are verified by different methods (by comparing assumptions and estimates against the industry average, individual traded companies, etc.). Moreover, a sensitivity analysis of the following value drivers is applied in order to estimate the value range of an individual investment: net sales income, the EBITDA margin, financial intermediation margin, rate of return on the financial asset portfolio, operating expenses to total assets, cash flow growth over a forecast period and the discount rate. In the discounted cash flow method, future cash flows and discount rates are applied as estimated by the management, reflecting interest rates on comparable instruments.

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

For purposes of disclosing the methods for measuring the fair value of financial assets, the following price level hierarchy was applied:

- Level 1: valuation through market prices quoted for identical assets in an active market (stock exchange prices and Bloomberg generic prices).
- Level 2: valuation through comparable market data (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset;
- Level 3: valuation through valuation models, mostly using unobservable market inputs.

2.4 Intangible assets

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

Amortisation is calculated using the straight-line amortisation method.

	Annual amortisation rate
Software	20.00%
Other economic rights	1% - 20%

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

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

Deferred acquisition costs for non-life insurance contracts, determined proportionally to unearned premiums, are also a part of intangible assets.

Deferred acquisition costs for life insurance contracts are considered in the calculation of mathematical provisions using the Zillmer method. Negative reserves after the application of this method are not capitalised. A change in the deferred acquisition cost of life insurance contracts is recognised as a change in the mathematical provision.

Decrease or increase in deferred acquisition costs is recognised as a change in unearned premium provision in the income statement, within net premium income.

Accounting policies regarding the impairment of intangible assets are described in *Section 2.15*.

Goodwill

Upon the acquisition of a subsidiary, goodwill can be recognized. Upon acquisition of a subsidiary or associated company, the difference between the Group's share in the fair value of assets and liabilities acquired and the fair value of the given consideration is calculated. Where the consideration exceeds the net assets acquired, goodwill is recognised.

2.5 Property, plant and equipment

Property, plant and equipment are accounted for using the cost model. The cost of an item of property, plant and equipment comprises its purchase price and any other costs directly attributable to bringing the asset to the location and the conditions necessary for it to be capable of operating.

After initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line depreciation method. Depreciation rates are given below.

	Annual depreciation rate
Buildings	1.5% - 5.0%
Transport vehicles	12.50%
Computers and hardware	50.00%
Office and other furniture	10% - 20%
Other equipment	6.7% - 25.0%

Depreciation of an asset begins when it is available for use. The depreciation charge for each period is recognised in profit or loss. Depreciation of an asset ceases as at the date that the asset is derecognised.

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

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

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

Accounting policies regarding the impairment of property, plant and equipment are described in *Section 2.15*.

2.6 Investment property

Investment property is property held to earn rentals. Property is classified as investment property if not used by the holder for performing its business activities or if only a minor part of the building is used for that purpose.

Investment property is accounted for using the cost model. The cost of purchased investment property comprises its purchase price and any directly attributable expenditure. After initial recognition, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated and impaired using the same method as that used for property, plant and equipment described under *2.4*.

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

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

Accounting policies regarding the impairment of investment property are described in *Section 2.15*.

2.7 Investments in associates

Associates are those entities in which the Group has a significant influence. In all associates this influence is based on a minimum of 20% voting rights held by the Group. In the consolidated financial statements, investments in associates (shares, equity stakes) are accounted for using the equity method. The part of the profit or loss of associates attributable to the Group is recognised in the income statement. The percentage of change in other comprehensive income of the associate is recognised in the other comprehensive income of the Group.

2.8 Financial assets (excluding operating receivables and cash)

Financial assets are classified into the following groups: financial assets at fair value through profit and loss, financial assets held to maturity, loans and receivables and available-for-sale financial assets. Their classification depends on the initial intent at the time of their purchase. Management decides on the classification of assets at the date of initial recognition.

At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset (allowances to agents, consultants, and brokers, fees paid to the Stock Exchange and other transfer related fees).

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

Available-for-sale financial assets

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

After initial recognition, financial assets classified as available for sale are measured at their fair value, without deducting transaction costs that may occur in their sale or other disposal. Financial instruments not listed on a stock exchange are measured at fair value on the basis of their prices in the latest transactions (official price offers by stock broking firms or banks for certain securities) or using different pricing models (discounting of expected cash flow). Details on valuation models are described in *Section 6.20*. Equity instruments not quoted in an active market and for which the fair value cannot be reliably measured are measured at cost.

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

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

Held-to-maturity financial assets

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

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

Financial assets at fair value through profit and loss

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

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

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

- held in long-term funds[111] for the purpose of covering liabilities arising from insurance contracts, relating to a change in the fair value of these assets; such a classification eliminates or reduces any mismatches that might arise from the measurement of assets and liabilities or the recognition of gains and losses arising from various contracts; or
- managed and its performance measured based on fair value in accordance with the Group's investment policy.

After initial recognition, financial assets measured at fair value through profit or loss, excluding derivative financial markets not traded and not quoted on stock markets, are measured at fair value on the basis of prices quoted in an active market.

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

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

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

Loans and receivables

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

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

Derivative financial instruments

After initial recognition, derivatives are measured based on their fair value, with effects recognised in the income statement. The fair value is determined on the basis of the price quoted in an active market. If the price is not known, the fair value is determined on the basis of the latest transactions or by using another pricing model (discounting of expected cash flow: the Black-Scholes option pricing model). Derivatives include financial instruments used for protecting cash flows against interest rate risk as well as for protecting the cash flows of individual financial instruments and other items. All of the documented gains and losses due to changes in fair value are recognised in profit or loss through financial income or expenses.

2.9 Derecognition of financial assets

A financial asset is derecognised when:

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

2.10 Reinsurers' share of technical provisions

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

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

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

2.11 Receivables from insurance operations

Receivables from insurance operations are recognised when insured persons are charged the premium. Receivables from active reinsurance are recognised based on estimates and calculations based on valid reinsurance contracts. After initial recognition, receivables are measured at fair value reduced by the impairment allowance, so as to show their expected recoverable amount.

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

2.12 Other assets

Other assets include inventories, deferred expenses and accrued revenue.

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

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

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

2.13 Cash and cash equivalents

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

2.14 Non-current assets held for sale

Non-current assets held for sale include assets that meet the criteria to be classified as such in accordance with IFRS 5. These assets are measured at the lower of the carrying amount and fair value less costs to sell. The same applies to subsequent measurement of these assets. In such subsequent measurements, it is necessary to recognise impairment losses arising from initial or subsequent write-offs of assets to their fair value, less costs to sell or profits resulting from a subsequent increase in fair value less costs to sell, which may not exceed any accumulated impairment losses.

2.15 Impairment

Intangible assets and property, plant and equipment

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

The value of goodwill and contractual rights is tested as at the reporting date so as to ascertain if there are any objective signs of impairment. Impairment of goodwill and contractual rights is recognised for a cash generating unit, which represents an individual company. In the event signs of impairment are present, the recoverable amount of assets is estimated that represent its value in use.

Goodwill impairment testing is carried out in compliance with IAS 36, while testing of valuation techniques is carried out in compliance with the International Valuation Standards (IVS). The testing and the estimation of potential impairment is carried out in accordance with the estimated recoverable amount. The basis for the explicit forecast period are the available plans of the management and assessors' estimates of market convergence towards more developed ones, taking into account the forecasted economic convergence of international financial institutions and other EU regulators. The discount rate is calculated by applying the CAPM method and surpluses for specific risks. Goodwill impairment tests are carried out on an annual basis.

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

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

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

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

Investment property

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

Financial assets

On quarterly basis, or at least at the end of every reporting period, it is verified whether there is objective evidence of impairment of an individual financial asset or group of financial assets. When such evidence exists, impairment losses have to be measured.

An impairment loss on an available-for-sale financial asset is calculated on the basis of its fair value at the time. When there is objective evidence of impairment of an available-for-sale financial asset, the accumulated loss, initially recognised in other comprehensive income, is transferred to the income statement. For equity instruments, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), a significant decrease in the fair value of a security (above 40%) or a long-term decrease in the fair value of a security (continuing for more than 9 months). For debt instruments, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), payment arrears or other significant negative events related to the creditworthiness of the issuer.

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

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

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

Insurance receivables

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

Reinsurers' share of technical provisions

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

2.16 Equity

Share capital equals the nominal value of paid-up ordinary shares, denominated in euros. When Zavarovalnica Triglav or a subsidiary acquires shares of Zavarovalnica Triglav, their value is disclosed as a deduction from the Group's equity. The same amount is then allocated to treasury share reserves as required by the Companies Act (hereinafter: »ZGD-1«).

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

Reserves from profit are legal reserves, statutory and other reserves, treasury share reserves, credit risk equalisation reserves reserves. Some insurance companies outside the Republic of Slovenia that are members of the Triglav Group set aside contingency reserves as well.

The consolidated financial statements also include legal, statutory and other reserves from profit. Legal reserves are formed and used in line with ZGD-1 and the local legislation of each subsidiary. Together with share premium, they have to amount to no less than 10% of the share capital. They represent tied capital set aside in order to protect creditors' interests.

Statutory reserves represent up to 20% of share capital of the parent company. Based on a decision by the Management Board, Zavarovalnica Triglav may allocate up to 5% of net profit to statutory reserves in any business year, decreased by any amounts used for covering losses brought forward and amounts allocated to legal reserves and reserves from profit. Statutory reserves may be used for covering loss after tax for the business year or loss brought forward, for treasury share reserves, for increasing share capital from authorised capital, as well as for dividend payment policy purposes.

According to ZGD-1, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations.

Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act. The Insurance Act defines equalisation reserves as a liability and requires that they are recognised under insurance technical provisions and formed or used through the income statement. Pursuant to local legislation governing subsidiary insurance companies outside the Republic of Slovenia, equalisation reserves were also formed by in Lovćen Osiguranje a.d., Podgorica. As this local legislation is not in compliance with IFRS, equalisation reserves are disclosed under reserves from profit in accordance with IFRS and are formed from net profit for the year in the statement of changes in equity.

Contingency reserves are formed in accordance with the local legislation of Croatia. They amount to no less than one third of net profit for the year and are earmarked for covering possible future losses.

2.17 Subordinated liabilities

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

2.18 Classification of insurance and financial contracts

All products in the portfolio of the Triglav Group are classified as insurance contracts, because all of the products bear significant insurance risk. The significance is determined on the basis of additional payments upon the occurrence of a loss event. The significance of additional amounts is assessed by comparing the greatest difference between the value of the payment in the event of a loss event and the payment in other cases. Percentages from 105% to 110% are used for the assessment of significance.

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

2.19 Insurance-technical provisions

Unearned premium provisions

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

Claims provisions

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

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

Provisions for incurred but not reported claims (IBNR) are calculated by means of "triangle" methods (a combination of Chain Ladder and Bornhuetter- Ferguson methods). The basis for calculation is a sample of past claims experience with appropriate allowance for future trends. For this purpose a several-year-long time series of settled claims is applied.

With the exception of annuities, provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on an quarterly basis.

Mathematical provisions

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

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

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

A portion of fair value reserve of available-for-sale financial assets, which will be distributed among policyholders after maturity, is also included in mathematical provisions. The principle of shadow accounting is applied. All effects from fair value measurement of available-for-sale financial assets are recorded in equity (fair value reserve). The sums are then transferred to mathematical provisions on the reporting date, as follows:

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

The applied assumptions and other parameters are presented in greater detail in *Section 3.1*.

Other insurance-technical provision

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

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

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

2.20 Employee benefits

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

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

Provisions for unused annual leave equal the amount of the total gross wage due for the period when leave was not taken. The amounts of provisions are undiscounted.

Retirement benefits and jubilee payments are upon payment recognised as operating expenses (labour costs) in the income statement. All changes of these provisions due to payments or additional provisioning are recognised in the same way. Provision adjustments due to an increase or decrease in the current value of a liability caused by changed actuarial assumptions or experience adjustments are recognised as actuarial gains and losses in other comprehensive income, i.e. only the part arising from provisions for retirement benefits.

2.21 Other financial liabilities

At initial recognition financial liabilities are measured at the cost arising from relevant underlying documents. They are decreased by paid amouonts and increased by accrued interest. In the financial statement financial liabilities are measured at amortised cost. Interest paid on loans taken is recognised as expense and accordingly accrued over the term of the underlying loan.

2.22 Operating liabilities and other liabilities

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

2.23 Premium income

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

2.24 Income from financial assets

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

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

2.25 Other income from insurance operations

Other income from insurance operations represents fees and commission income (asset management fees, reinsurance commissions and other) and includes other income from insurance operations (income from green card sales, loss adjustment services, assistance services and other). It is recognised in the income statement once a service has been provided and/or invoiced.

2.26 Other income

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

2.27 Claims incurred

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

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

2.28 Other operating costs and costs of insurance acquisition costs

Gross operating costs are recognised as original expenses by natural type of cost. In the income statement these costs are classified by function. Claim handling costs are a constituent part of claims incurred, asset management costs are a constituent part of investment expense, whilst insurance contract acquisition costs and other operating costs are separately disclosed in the statement. All operating costs are disclosed by natural type and function.

2.29 Expenses from financial assets and liabilities

Other financial expenses are interest expenses, fair value losses, net realised losses on financial assets, permanent impairment losses and other financial expenses.

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

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

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

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

2.30 Borrowing expenses

Borrowing expenses include interest expenses and other expenses incurred by the Group in relation to the borrowing of financial assets. Borrowing expenses can include interest on overdraft balances and interest on loans taken, exchange rate differences related to loans taken in foreign currencies and financial expenses related to finance leases. Borrowing expenses are recognised as expenses in the period when incurred and are disclosed under expenses from financial assets and liabilities.

2.31 Other insurance expenses

Other insurance expenses include management fees, losses arising from the impairment of receivables, fire protection tax, prevention expenses and other insurance-related expenses. Other insurance expenses are recognised in the income statement once a service is provided.

2.32 Other expenses

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

2.33 Leases

A lease is a contractual arrangement under which the lessor transfers the right to use an asset for an agreed time period to the lessee in exchange for a payment.

In cases when the Group acts as the lessor, the lease is classified as a finance lease, if under the terms and conditions of such a lease the practically all risks and benefits incident to ownership of the leased asset are transferred to the lessee. When an asset is subject to a finance lease, the present value of the lease is recognised as a liability and disclosed under loans. The difference between the gross and present value of the liability is recognised as non-earned financial income. During the term of the lease, income from the lease is recognised using the net investment method (before tax) which reflects the periodic earnings rate and is disclosed as part of interest income.

In cases where the Group acts as a lessee, the tangible fixed assets acquired under a finance lease are carried at the lower of fair value or the present value of minimum payments to the end of the lease, less accumulated depreciation and impairment losses. These assets are depreciated for the duration of their useful life. In the absence of reasonable assurance that the lessee will acquire ownership before the end of the term of the financial lease, the relevant fixed assets have to be depreciated for the duration of the term of the financial lease or for the duration of their useful life, whichever is shorter.

Any lease that is not a finance lease is treated as an operating lease. For an operating lease, the book value of the leased asset is increased by the initial direct expenses incurred in relation to lease brokerage and recognised for the duration of the term of the lease on the same basis as lease income. Rents are recognised as income in the time period when generated.

2.34 Taxes

Tax expense for the year comprises current and deferred tax. Deferred tax is calculated for all temporary differences between the amounts of assets and liabilities used for taxation and their carrying amount. The impact of the recognition of deferred tax receivables or liabilities is disclosed as income or expense in the income statement, excluding taxes charged on a business event recognised under other comprehensive income.

In the Republic of Slovenia, current income tax is charged at a 17% tax rate and in other countries where subsidiaries operate at tax rates enacted by local tax laws (as shown in *Section 1.6*).

In consolidation, temporary differences may be recognised, arising either from the difference between the official financial statements of a subsidiary and those adjusted for consolidation purposes, or from consolidation procedures.

2.35 Standards and Interpretations

The accounting policies, used in the preparation of the financial statements are consistent with those of the annual financial statements for the year ended 31 December 2012, except for new and amended standards as of 1 January 2013, as presented below.

New standards and interpretations

IAS 1 - Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)
The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items that will never be reclassified. The amendment does not change the nature of the items that were recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit and loss in future periods. The amendment affects presentation only and there is no impact on the financial position of Triglav Group and or its performance.

IAS 19 - Employee benefits (revised)
The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following: for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed; there are new or revised disclosure requirements which include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption; termination benefits are recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37; the distinction between short-term and other long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement to the benefits. This standard is effective for annual periods beginning on or after 1 January 2013. Revised standard has no impact on the financial position of Triglav Group or its performance.

IFRS 7 - Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)
The amendment is effective for annual periods beginning on or after 1 January 2013. This amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. The amendment has no impact on financial position of Triglav Group or its performance.

IFRS 13 - Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Fair value under IFRS 13 is defined as »the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date« (i.e. an »exit price«). »Fair value« as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:
- concepts of »highest and best use« and »valuation premise« are relevant only for non-financial assets;
- adjustments for blockage factors (block discounts) are prohibited in all fair value measurements;
- a description of how to measure fair value when a market becomes less active.

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

The standard has no impact on financial position of Triglav Group or its performance.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. If the benefit from the stripping activity is realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset, only if certain criteria are met. This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation has no impact on financial position of Triglav Group or its performance.

New IFRS Standards and Interpretations either not yet Effective or not yet Adopted by the EU

In compliance with the requirements of IFRSs and subject to the endorsement by the EU, the Group will have to apply in future periods the following amended and revised standards and interpretations. The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from 1 January 2014 or later.

IAS 28 - Investments in Associate and Joint Ventures (revised)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment does not have a significant impact on the financial position or performance of the Group.

IAS 32 - Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)
In December 2011, IASB issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after 1 January 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. It is not expected that the amendment will have an impact on the consolidated financial statements of Triglav Group.

IAS 36 - Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)
The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after 1 January 2014. It is not expected that the amendment will have an impact on the consolidated financial statements of Triglav Group.

IAS 39 - Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)
The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after 1 January 2014 It is not expected that the amendment will have an impact on the consolidated financial statements of Triglav Group.

IFRS 9 - Financial Instruments – Classification and measurement
The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets
Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- the asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities
For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting
A new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the financial assets and liabilities of Triglav Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 - Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:

- power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities),
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns.

This standard becomes effective for annual periods beginning on or after 1 January 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014. It is not expected that the amendment will have an impact on the consolidated financial statements of Triglav Group.

IFRS 11 - Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. »Control« in »joint control« refers to the definition of »control« in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The Group does not expect the standard will have a significant impact on current interests in other entities, but may affect the treatment of future arrangements.

IFRS 12 - Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after January 1, 2013 and may affect the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The standard affects presentation only and there is no impact on the financial position of Triglav Group or its performance.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The Group is currently assessing the impact that this standard could have on the financial position of Triglav Group and its performance.

IFRIC 21 - Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after 1 January 2014. The Group is currently assessing the impact that this standard could have on the financial position of Triglav Group and its performance.

3. Main Assumptions

The main assumptions used for measuring the value of insurance contracts and non-tradable financial assets are described below.

3.1 Parameters and assumptions in calculating life insurance provisions

3.1.1 Life and annuity insurance

For life and annuity insurance contract liabilities valuation, a modified prospective net premium method is applied by taking into account insurance acquisition costs, all of the contractual obligations and the previously allocated surplus. The insurance technical parameters used by the method are either the same as those used for calculating insurance premiums or corrected so as to reflect the subsequent circumstances which increase the value of liabilities. A correction to reflect the current circumstances applies to the annuity insurance products of Zavarovalnica Triglav, where the relevant liabilities are valued on the basis of rather conservative mortality tables and a prudently set lower interest rate of 3.75% p.a. for the contracts containing a fixed interest rate guarantee of 4% or 4.5% p.a. For the purpose of valuing annuity insurance contracts, instead of the legally allowed German mortality tables of 1987, Zavarovalnica Triglav applies the German mortality tables of 1994.

The guaranteed interest rate used for valuation at the Group level ranges between 2.75% p.a. and 3.75% p.a. The calculation takes into account insurance contract acquisition costs below the legally imposed level of 3.5% of the sum insured under life insurance policies.

3.1.2 Voluntary pension insurance

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

Voluntary pension insurance belongs to the group of insurance contracts, as it includes the option of discretionary participation in the profits from the long-term business fund. Moreover, for the majority of voluntary pension insurance contracts the annuity factors are guaranteed and defined at the time of underwriting.

The insurance technical parameters used in the calculation are either the same as those used when underwriting a policy, or they are adapted to the circumstances expected in the pension annuity pay-out period in the event these circumstances are worse than those taken into account in the premium calculation. The guaranteed technical interest rate used for the valuation of liabilities during the premium payment period ranges between 2% p.a. and 4.5% p.a. For the pension annuity pay-out period, a prudently set lower interest rate of 3.75% is applied to contracts containing a fixed interest rate guarantee of 4% or 4.5% p.a. For the purpose of valuing its liabilities during the pay-out period of pension annuities bearing an interest rate from 2.75% p.a. to 3.75% p.a., instead of the legally allowed German mortality tables of 1987 the Group applies the German mortality tables of 1994, which are more conservative.

3.1.3 Supplementary voluntary pension insurance (SVPI)

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

The technical parameters used are either the same as those used when underwriting a policy or adjusted due to circumstances which will change later and increase the value of liabilities - primarily when valuing liabilities arising from pension annuity pay-outs. For valuation purposes, instead of the legally allowed German mortality tables of 1987, the Group applies the more conservative German mortality tables of 1994. During the accumulation period, the insurance companies of the Group guarantee a minimum annual return on net premiums paid, equalling 50% of the average annual interest rate on government securities with a maturity of over one year (figures published by the Ministry of Finance of the Republic of Slovenia). During the annuity pay-out period, the insurance companies value their liabilities at an interest rate ranging from 2.75% to 3.75%.

3.1.4 Unit-linked insurance

The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products additional provisions are formed to cover contractual risk payments under basic and additional policies.

3.2 The liability adequacy test (LAT) for life insurance

The purpose of LAT is to verify the adequacy of provisioning for life insurance. The test consists of comparing the amount of provisions with the best estimate of provisions, arrived at on the basis of the present value of the best estimate of the future expected contractual and other cash flows. The calculation is performed for each separate contract while the results are aggregated on the level of homogenous groups. The test is based on a unified methodology that determines, among others, the grouping of policies into homogenous groups, the choice of risk-free discount rates and the type of cash flows being modelled. The portfolio balance is tested as at the last day of the business year.

3.2.1 Segmentation of life insurance products for the purpose of LAT test

Insurance contracts are segmented into homogenous groups which feature similar risks and are kept within the same portfolio. As a rule, insurance contracts are grouped according to their insurance classes:

- traditional life insurance,
- unit-linked life insurance and
- capital redemption insurance (supplementary voluntary pension insurance).

The adequacy of liabilities is measured on the level of a homogenous group. If the test shows that the liabilities are insufficient, the total amount of the difference is recognised as an increase in provisions and an expense in the income statement.

3.2.2 Parameters and assumptions applied to life insurance

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

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

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

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

Expected returns and discount interest rates
The applied methodology sets out that the yield curve should reflect the yield of government securities, denominated in the same currency as the currency of insurance policy benefits. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2013 was applied to Zavarovalnica Triglav d.d., Triglav Osiguranje d.d., Sarajevo, and Lovćen životna osiguranja a.d. The reference value for a period of 10 years is 4.85%. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2013 was applied to Triglav Osiguranje, Zagreb. The reference value for a period of 10 years is 5.49%. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 31 December 2013 was applied to Triglav Osiguranje, a.d.o., Beograd. The reference value for a 10-year period is 4.22%, the same as in Serbian Dinars, as at 31 December 2013 (reference value for a 10-year period: 10.16%).

Profit participation
The determination of the profit participation rate is at the discretion of each Group member and regulated by internal rules. The estimated future allocation of surpluses are in line with the expected performance, the previous profit allocation rates and the policyholders' reasonable expectations.

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

Annuity factor guarantee
The liability adequacy test allows for the possibility of a change in annuity factors by the insurer in the event of insurance policies for which the mortality forecasts indicate that life expectancy is likely to increase to such an extent that the contract conditions justify such a change. The calculation also takes into account the assumption that 15% of supplemental voluntary pension insurance policyholders and 50% of voluntary pension insurance policyholders will choose to receive a pension annuity, while the rest will opt for a lump-sum payout.

3.2.3 Results of the liability adequacy test for life insurance

Liability adequacy tests based on available data show that the level of provisions formed by the insurance companies of the Group were adequate. This was not true of Triglav Osiguranje a.d., Belgrade, and Triglav Osiguranje d.d., Zagreb. Consequently, these two insurance companies closed the provisioning gap by forming additional provisions: EUR 45,567 in Triglav Osiguranje a.d., Belgrade and EUR 84,430 in Triglav Osiguranje d.d., Zagreb.

3.2.4 Sensitivity analysis of LAT test to parameter changes

The valuation of liabilities depends on variables such as mortality, lapse rate, operating costs and the estimated percentage of policyholders deciding to opt for a pension annuity. Parameters are sensitivity tested in order to assess the impact of changes to the above-mentioned variables on future liabilities, the level of provisions and net profit or loss for the year. The changes represent reasonable potential changes in the parameters which could significantly impact the performance of the company.

Individual sensitivity analyses always take into account the change of a selected parameter with all the remaining variables unchanged without accounting for the value of assets backing the liabilities.

The changes under consideration were:

- an increase in mortality rates by 10%,
- a decrease in longevity rates by 10%,
- an increase in lapse rates by 10%,
- an increase in expenses by 10%,
- an increase in the annuisation rate by 10%.

Test results have proven provisions in all these scenarios of changing key insurance technical parameters to be adequate, with the exception of the two insurance companies specified above. The table below shows the impact of individual parameter changes on increasing the provisioning gap.

in EUR

Change in provisions due to changed parameters	Triglav Osiguranje, Beograd	Triglav Osiguranje, Zagreb
An increase in mortality rates by 10%	48,329	148,873
A decrease in mortality rates by 10%	42,801	19,490
An increase in lapse rates by 10%	43,431	192,471
A decrease in lapse rates by 10%	46,017	0
An increase in expenses by 10%	97,547	629,195

3.3 Parameters and assumptions in calculating non-life insurance provisions

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

In general, the claims provisions are calculated as the sum of total claims reported but not settled and incurred but not reported (IBNR) claims. The majority of provisions for incurred but not reported claims are calculated using the run-off triangle method. Previous experience shows that claims from mass loss events, such as hail, floods and storms, are reported with considerable delay. None of the standard actuarial methods for determining the amount of IBNR claims after mass loss events is suitable for calculating these claims. Such claims can represent a significant part of total incurred but not reported claims. In order to ensure an up-to-date calculation of the actual amount of claims after mass loss events, additional provisions for IBNR or insufficiently reported claims after mass loss events are formed, based on a joint assessment by actuaries and the department in charge of insurance claims.

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

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

The insurance companies of the Group form reserves for unexpired risks for those lines of business where the expected loss ratio exceeds 100%. Additional reserves for unexpired risks are calculated as a product of unearned premiums and the difference between the value of the loss ratio and 100%.

Additional tests are performed to check the adequacy of the unearned premiums and unexpired risk reserves. The amounts of future gross claims and gross claim handling costs are applied in these tests and compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs.

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

4. Risk Report

We define risk as the threat or possibility that an action or event will adversely or beneficially affect our ability to achieve our strategic objectives. Risk management, therefore, represents a crucial part of corporate governance, all business processes, culture and operating policies of the Triglav Group.

The risk management system is made of:
- a clear organisational structure of risk management functions and committees in charge of the system; and
- a well-defined system of risk management competences and powers.

Further details on the system, process, activities and main objectives of risk management are discussed in *Section 11.1* of the Business Report.

4.1 Main characteristics of the risk management system

Risk management is successfully integrated into the entire business process of the Company. It is also in line with the Company's strategy and the risk appetite defined therein. The integrated risk management system ensures that the typical existing and recurring risks are identified, adequately measured, managed, controlled and reported on an on-going basis.

4.2 Capital management and capital adequacy management

The amount of available capital for meeting capital adequacy requirements is measured in compliance with the legislation in force at the level of individual subsidiaries as well as at the Group level. In parallel, capital adequacy is monitored by applying the Standard & Poor's model in accordance with the Directive 2010/138/EC of the European Parliament and of the Council (Solvency II).

4.2.1 Group Capital Adequacy

The amount of required capital and, above all, the fluctuation in the level of the capital available to insurance companies of the Triglav Group, are subject to various factors, mostly the structure and nature of services, the volume of premium, assets and liabilities, as well as the impact of interest rates and capital markets parameters on changes in the said items. The Group Triglav regularly monitor their capital adequacy in line with the applicable legislation, whereby they are required to maintain a surplus of the available solvency margin over the capital requirement in order to maintain their core business and ensure coverage of potential losses. Surplus offers high coverage of losses due to unexpected adverse events, with regard to the previous and current developments in the environment of the Group and future expectations. In addition to measuring current capital adequacy levels, the Group members monitor their planned capital adequacy levels, which enables them to monitor the effects of the extended and narrow environment on capital adequacy. Furthermore, this enables optimal distribution of capital both at the level of the Group and in its individual members.

Regulators impose minimum capital requirements on the level of the Group as well as on the level of individual Group members. The main objective is to maintain a suitable capital level in the Group and in all its members.

4.2.2 Capital adequacy of the Triglav Group as a financial conglomerate

The Triglav Group, Abanka Vipa d.d. and its subsidiaries together constituted a financial conglomerate until 18 December 2013 (according to the EU Directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and the relevant laws of the Republic of Slovenia). Zavarovalnica Triglav informed the Insurance Supervision Agency (ISA), as the regulatory, about the following new facts: the termination of its ownership of Abanka Vipa d.d. On that basis it is estimated that the Triglav Group and Abanka Group no longer constitute the financial conglomerate named the Triglav Group. Up to date of this annual report the Company has not received any reply and/or decision of ISA.

4.2.3 Rating agency capital adequacy

Decisions concerning capital management are supported by the capital models, otherwise used for credit rating purposes. The credit ratings of the Triglav Group are provided by the credit rating agencies Standard & Poor's (hereinafter: S&P) and A.M. Best.

In February 2013, S&P decreased the long-term rating of the Triglav Group, which also applies to Zavarovalnica Triglav and Pozavarovalnica Triglav Re, by one notch from »A-« to »BBB+«, due to a downgrade of a sovereign credit rating of the Republic of Slovenia. As a result of the revised credit rating criteria for insurance companies, S&P reassessed the credit rating of the Triglav Group and on 5 July 2013 raised it by one notch from »BBB+« to »A-« with a stable medium-term outlook. On 21 March 2013, A.M. Best assigned Zavarovalnica Triglav, and thus also the Triglav Group, the financial strength rating of »A-« (excellent) and the issuer credit rating (ICR) of »A-«. AM Best assigned the same rating to Pozavarovalnica Triglav Re. The outlook for the credit ratings is stable.

4.3 Financial risk and sensitivity analysis

In the assets and liabilities management of long-term business funds and assets backing liabilities in reinsurance transactions and in the funding of its operations within the scope of capital management, the Company is exposed to the following main financial risk types (see *Section 11.3* of the Management Report:

- equity risk and interest rate risk related to the operating activities (core business) of Group members;
- credit risk; and
- liquidity risk.

Financial risks are managed through a system of clearly defined competences and powers that includes a scheme of exposure limits and a reporting process, both on the Group level and in individual group members. The investment policies of individual Group members are approved by the Assets and Liabilities Committee (ALCO), which regularly monitors the group members' exposure against investment limits.

Investment policies are structured so as to account for the nature and characteristics of individual members' liabilities, optimise asset spread and maximise return.

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

Industry	31 December 2013 (in EUR)	Percentage*	31 December 2012 (in EUR)	Percentage*
(Raw) materials	41,582,952	1.71%	48,305,354	1.97%
Communications	73,248,608	3.01%	66,437,840	2.72%
Cyclical activities	58,293,748	2.40%	46,162,486	1.89%
Non-cyclical activities	105,950,710	4.36%	90,380,465	3.70%
Highly diversified activity - conglomerates	7,151,715	0.29%	9,626,298	0.39%
Energy	79,791,196	3.28%	84,163,359	3.44%
Finance	610,446,829	25.10%	615,947,434	25.18%
Manufacturing	53,210,643	2.19%	61,685,581	2.52%
Technologies	11,382,857	0.47%	0	0.00%
Goods and services of public interest	80,586,058	3.31%	64,492,207	2.64%
EMU countries	766,283,503	31.51%	786,903,795	32.17%
EU countries (except EMU)	154,282,912	6.34%	124,214,078	5.08%
Other countries	44,983,829	1.85%	110,919,780	4.53%
Small businesses and households	5,046,223	0.21%	3,990,424	0.16%
No industry specified**	339,941,595	13.98%	332,649,557	13.60%
TOTAL	**2,432,183,379**	**100.00%**	**2,445,878,652**	**100.00%**

*Percentages are calculated on the basis of carrying amounts.
**Including investments in regional financial funds.

In terms of financial assets, the prevailing category are sovereign bonds of EMU countries with a share of 32.17% and investments in the financial sector with a share of 25.18%. The detailed structure of debt securities in the portfolio of the Triglav Group is shown in *Section 4.3.6*.

4.3.1 Market risk and asset-liability management of insurance portfolios

A description of market risks, related processes and the methods and tools used for managing this type of risk is given in *Sections 11.4.1 through 11.4.6* of the Business Report.

In assets and liability management, the Group is mostly exposed to interes trate nad equity risk on the assets side. To a lesser extent, the Group is also exposed to the regulatory risk of potential changes in the minimum standard for setting the applicable technical interest rate for calculation mathematical provisions on the existing insurance portfolio.

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

4.3.2 Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the value of interest-sensitive assets, as well as the risk that interest-sensitive assets and interest-sensitive liabilities reach their maturity at different times at different values. Reinvestment risk arises for interest-sensitive assets yielding coupons in the period up to maturity, depending on the structure of the individual instruments.

The interest rate risk sensitivity analysis includes all financial assets exposed to interest rate risk, i.e. debt securities, classified into »measured at fair value through profit and loss« and »available-for-sale« categories and derivative financial instruments. The value of these assets as at 31 December 2013 amounted to EUR 1,430,720,146 and as at 31 December 2012 to EUR 1,413,878,701. The share of debt securities in the total portfolio is shown in the detailed overview of financial assets per groups of assets in *Section 6.5*.

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

in EUR

Type of security	31 December 2013		31 December 2012	
	+100bp	-100bp	+100bp	-100bp
Government securities	-27,600,945	27,600,945	-27,578,791	27,578,791
Securities issued by financial institutions	-9,116,358	9,116,358	-3,903,238	3,903,238
Securities issued by companies	-20,756,580	20,756,580	-18,752,855	18,752,855
Composite securities	-2,012,621	2,012,621	-2,218,278	2,218,278
Other	10	-10	10,250	-10,250
TOTAL	**-59,486,494**	**59,486,494**	**-52,442,912**	**52,442,912**
Impact on comprehensive income	-53,469,952	53,469,952	-49,683,433	49,683,433
Impact on the income statement	-6,016,542	6,016,542	-2,759,477	2,759,477

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

4.3.3 Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of securities within the Group's portfolio that are sensitive to such fluctuations. A description of the processes, methods and tools used for managing this type of risk is given in *Section*

11.4.3 of the Business Report. To a large extent, the portfolio consists of debt securities: this diversification causes a slightly lower equity risk (for details see *Section 6.5*).

The structure of the equity portfolio per type of exposure is shown in the table below. The amounts shown are based on the carrying values of assets.

in EUR

	31 December 2013	31 December 2012
Equities in the EU	295,580,254	352,731,878
Equities in the USA	0	36,154
Equities in Asia*	0	3,473
Equities in emerging markets	66,487,749	63,077,748
Global equities**	148,929,998	102,324,025
TOTAL	**510,998,001**	**518,173,278**

*Equity investments in developed Asian countries (Japan, Hong Kong)

**Globally diversified equity investments

The largest part of the portfolio of the Group consists of shares of issuers originating from the EU, worth EUR 295,580,254 in total as at 31 December 2013. These are followed by globally diversified investments in shares totalling EUR 148,929,998, and shares in emerging markets worth EUR 66,487,749 follow in the third place.

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

in EUR

	31 December 2013		31 December 2012	
	10%	**-10%**	**10%**	**-10%**
Equities in the EU	29,558,025	-29,558,025	35,273,188	-35,273,188
Equities in the USA	0	0	3,615	-3,615
Equities in Asia	0	0	347	-347
Equities in emerging markets	6,648,775	-6,648,775	6,307,775	-6,307,775
Global equities	14,893,000	-14,893,000	10,232,403	-10,232,403
TOTAL	**51,099,800**	**-51,099,800**	**51,817,328**	**-51,817,328**
Impact on comprehensive income	12,842,631	-12,583,419	15,554,998	-13,612,724
Impact on the income statement	38,257,170	-38,516,382	36,262,332	-38,204,606

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the prices of the equities in the portfolio as at 31 December 2013 were 10% above their disclosed values, the comprehensive income and profit of the Group would be EUR 12.8 million and EUR 38.3 million higher, respectively. In contrast, if the prices of the equities in the portfolio as at 31 December 2013 were 10% lower, the comprehensive income and profit of the Group would be EUR 12.6 million and EUR 38.5 million lower, respectively.

Due to the established long-term decrease in the fair value of equity securities, the Triglav Group, in accordance with International Financial Reporting Standards, impaired certain equity securities. The impacts of impairments are disclosed in *Section 7.3*.

4.3.4 Liquidity risk

This is the risk or threat of a liquidity mismatch, i.e. the mismatched maturity of assets and liabilties. Such a mismatch can cause liquidity problems or a shortage in liquidity needed to settle due liabilities. Related processes, methods and tools used for managing this type of risk is given in *Section 11.4.4* of the Business Report. The following tables show the maturity structure of the Group's financial assets and liabilities.

Maturity structure of financial assets and liabilities

in EUR

At 31 December 2013	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
FINANCIAL ASSETS						
Investments in associates	10,204,674	0	0	0	0	10,204,674
Financial assets	499,437,714	237,615,796	791,482,921	551,527,952	352,118,993	2,432,183,379
Reinsurers' share of technical provisions	1,850,725	38,206,787	17,648,818	5,288,435	1,712,763	64,707,528
Receivables	8,103,649	186,436,700	8,830	0	1,779,602	196,328,781
Cash and cash equivalents	23,263,239	5,805,319	0	0	0	29,068,558
TOTAL FINANCIAL ASSETS	**542,860,001**	**468,064,602**	**809,140,569**	**556,816,387**	**355,611,358**	**2,732,492,920**
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	0	0	28,244,484	0	28,244,484
Insurance technical provisions	421,687,005	643,131,386	406,624,243	332,744,847	457,245,553	2,261,433,034
Other financial liabilities	10,116	7,901,486	19,931,034	6,948,362	0	34,790,998
TOTAL FINANCIAL LIABILITIES	**421,697,121**	**651,032,872**	**426,555,277**	**367,937,693**	**457,245,553**	**2,324,468,516**
Given financial guarantees	0	0	0	0	0	0

Maturity structure of financial assets and liabilities

in EUR

At 31 December 2012	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
FINANCIAL ASSETS						
Investments in associates	14,384,184	0	0	0	0	14,384,184
Financial assets	500,234,602	314,577,099	824,077,583	508,866,661	298,122,707	2,445,878,652
Reinsurers' share of technical provisions	4,983,137	45,859,520	23,707,990	8,081,875	943,190	83,575,712
Receivables	6,306,690	186,943,308	1,588,928	4,839	6,287	194,850,052
Cash and cash equivalents	10,622,328	6,629,092	0	0	0	17,251,420
TOTAL FINANCIAL ASSETS	**536,530,941**	**554,009,019**	**849,374,501**	**516,953,375**	**299,072,184**	**2,755,940,020**
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	8,769,000	0	28,256,550	0	37,025,550
Insurance technical provisions	447,109,716	627,863,404	439,309,597	306,606,156	484,370,892	2,305,259,765
Other financial liabilities	54,262	21,902,099	14,681,042	2,743,163	0	39,380,566
TOTAL FINANCIAL LIABILITIES	**447,163,978**	**658,534,503**	**453,990,639**	**337,605,869**	**484,370,892**	**2,381,665,881**
Given financial guarantees	0	3,086,692	0	0	0	3,086,692

4.3.5 Foreign exchange risk

Our exposure to foreign exchange risk is minor, as most of our assets are denominated in euros. In terms of the foreign exchange risk structure, the highest exposures are to the currencies of the countries that emerged from the former Yugoslavia, which in total represent no more than 5% of the portfolio.

4.3.6 Credit risk

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

Details on the processes, methods and tools used for managing this type of risk are given in *Section 11.4.6* of the Business Report.

Credit risk exposure arising from insurance business operations is regularly monitored by analysing:

- The maturity structure of receivables from insurance operations (see *Section 2.11* for guidelines and *Section 6.7* for analysis of receivables by maturity) and
- Reinsurers' and co-insurers' credit ratings. The Group monitors the financial standing of reinsurers and, as a rule, enters into retrocession reinsurance agreements for liability insurance only with A- rated reinsurers, and for all other insurance classes only with at least BBB+ rated reinsurers (70% of reinsurers are A-rated).

The Group's financial assets that may be exposed to credit risk (i.e. financial investments, assets from reinsurance contracts, operating receivables and cash or cash equivalents) as at 31 December 2013 amounted to EUR 2,732,492,920 (vs. EUR 2,755,940,017 as at 31 December 2012).

The table below shows the credit-rating structure of debt securities.

Credit rating	31 December 2013 (in EUR)	Percentage	31 December 2012 (in EUR)	Percentage
AAA	319,812,979	18.47%	371,163,307	21.73%
AA	135,633,646	7.83%	80,790,325	4.73%
A	311,323,089	17.98%	595,674,280	34.88%
BBB	688,485,911	39.76%	345,372,264	20.22%
BB	77,084,652	4.45%	148,060,347	8.67%
B	83,050,296	4.80%	26,844,428	1.57%
less than B	116,199,769	6.71%	140,118,939	8.20%
TOTAL	**1,731,590,342**	**100.00%**	**1,708,023,890**	**100.00%**

The table above shows that 44.28% of the debt securities in the Group portfolio have a credit rating of at least »A«, while 49.01% of debt securities have a credit rating of at least »BBB«.

In 2013, the single largest exposure of the Triglav Group was to Commerzbank AG amounting to EUR 97,617,376 (vs. EUR 40,219,914 to Abanka Vipa d.d. as at 31 December 2012).

4.4 Strategic risk

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Triglav Group's ability to achieve its strategic objectives and thus the Group's value.

Strategic risks are identified and addressed already in the process of strategy planning. The strategy implementation process is monitored with internal controls, while competences and responsibilities of the above-mentioned bodies in managing strategic risk are clearly defined. At Group level, special attention is paid to the synergies between individual Group members' strategies, their mutual harmonisation as well as compliance with the strategy of the Triglav Group.

A description of strategic risks as well as the Group's processes, methods and tools for managing this type of risk is given in *Section 11.7*.

4.5 Underwriting risk

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

As part of the basic underwriting process, the risks related to the occurrence of a loss event are transferred from the policy holder to the insurance company. The primary responsibility for the active management of the underwriting risk lies with the individual insurance companies of the Triglav Group. This type of risk is managed with clear policies and clearly structured competences and powers, which include the segregation of duties, underwriting limits and an authorisation system. In addition, underwriting risks are managed with established actuarial techniques linked to product pricing and allocations of insurance technical provisions, as well as by means of regular performance monitoring, optimisation of reinsurance schemes and regular monitoring of the adequacy of the insurance technical, mathematical and claims provisions.

Reinsurance is one of the basic tools used to mitigate underwriting risks. Insurance companies within the Triglav Group are cosignatories of the same reinsurance contract according to which net retained lines are based on the tables of maximum net retained lines of Zavarovalnica Triglav. For each business year a plan of reinsurance is adopted that contains:

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

The choice of suitable reinsurers depends to a great extent on their credit. This provides even more stable operations, which result in more stable cash flows.

4.5.1 Underwriting risk concentration

Underwriting risk concentration occurs due to the concentration of an insurance operation in a geographic area, or an industry or an insurance peril. It may also occur as a result of a correlation between individual insurance classes.

Insurance risk concentration is managed with adequate re-insurance schemes, which are based on the tables of maximum net retained lines. Particular attention is paid to events with a low frequency and a high impact, such as natural disasters (earthquakes, storms, hail and floods).

4.5.1.1 Insurance risk and concentration

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

For the Group earthquakes are events with the biggest potential loss risk. The re-insurance scheme is designed accordingly. In the case of an earthquake with a return period of 1,000 years, the retained loss of the Group increased by 20% would account for two thirds of the maximum risk that the Group is still able to assume according to the tables of maximum net retained lines.

In terms of the number of policies, motor vehicle insurance represents the bulk of the Group's business, as shown in Section 7.1. Of the various types of motor vehicle insurance, motor liability insurance accounts for the biggest part of the Group's portfolio. As this type of insurance is characterised by high risk dispersion, this segment does not entail any underwriting risk concentration. A potential danger of risk type concentration exists in comprehensive motor vehicle insurance. However, it is covered by a catastrophe reinsurance scheme, which has proved to be adequate in recent years.

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

The concentration of life underwriting risk is low, as the risk sum insured is below EUR 35,000 and accounts for 99.6% of the life, annuity and unit-linked portfolio. For additional accidental death insurance, the risk sum insured is lower than EUR 50,000 and represents 99.3% of the respective portfolio. Both sums insured represent the stipulated retention in line with the reinsurance agreement for most insurance policies.

Being one of only three insurance companies in Slovenia to offer supplemental health insurance, with a market share of 17.7%, and one of only two reinsurers in the country, holding 44% of the Slovene market, the Group is exposed to market concentration risk in both segments. As regards the reinsurance portfolio, the Group manages the reinsurance portfolio concentration risk by the international geographical spread of inwards reinsurance risks and with the adequate retrocession of outwards reinsurance risks. The supplemental health insurance segment, in contrast, is characterised by dispersed underwriting risks, and thus does not entail any risk concentration exposure.

4.5.1.2 Geographical and sectorial concentration

Triglav conducts insurance business mainly in the territory of the Republic of Slovenia and the countries of the former Yugoslavia, with limited operations in the Czech Republic. On the basis of previous experience, the Group believes that all potential risk concentrations is adequately reinsured.

The table below summarises the gross written premium in the countries in which the insurance companies of the Group operate.

	Gross written premium in EUR		Share (in %)	
Country	2013	2012	2013	2012
Slovenia	740,772,865	777,472,347	82.23	83.04
Croatia	46,948,957	46,247,759	5.21	4.94
Montenegro	29,650,716	28,696,542	3.29	3.07
Czech Republic	28,426,366	27,321,366	3.16	2.92
Bosnia and Herzegovina	20,424,267	20,480,464	2.27	2.19
Serbia	17,195,138	16,042,196	1.91	1.71
FYROM	17,474,271	20,002,349	1.94	2.14
TOTAL	**900,892,580**	**936,263,023**	**100.00**	**100.00**

4.5.2 Low-frequency and high severity risk

The threat of earthquakes represents the highest potential risk in this segment for the Group. Reinsurance protection against earthquakes and other natural disasters is arranged accordingly. Thus far, no earthquake of catastrophic proportions has occurred. The earthquake models available show that earthquakes with a return period of 1,000 years and an implied 20% margin of error in estimating the amount of potential claims do not represent a greater threat than the other natural disasters with which Triglav is faced almost every year.

The table below shows the earthquake model for the Group's portfolio for 2013.

in EUR

Return period (years)	Share of total exposure	Gross claims paid
100	0.32%	65,528,802
250	0.69%	141,296,480
500	1.25%	255,971,884
1000	2.76%	565,185,921

Another potentially catastrophic loss occurrence could arise from the nuclear peril that Zavarovalnica Triglav has assumed from the Slovenian Nuclear Pool. Such a loss occurrence is characterised by an extremely low frequency, since no major loss event has been reported in 25 years and the correlation between such a potential loss event and the arising liabilities is low or null. In the worst-case scenario, a net claim arising from nuclear risk would not exceed claims arising from a single natural disaster. There were no such significant low frequency and high severity events in 2013.

4.6 Operational risks

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

- inadequate or failed internal processes (process disruptions, customer complaints, lack of reliable management information, business continuity issues, mismanagement of business-related costs, inefficient change management, inconsistent or incomplete process documentation, etc.);
- inappropriate or inefficient human behaviour (inadequate human resource management, loss of key personnel, lack of knowledge and competences, employee misconduct, etc.);
- inadequate or failed systems (outdated software applications and/or infrastructure in use, lack of audit trails in software, inadequate backup and recovery times, etc.);
- external events (changes in regulation, natural disasters, competition, fraudulent activity, etc.).

The Triglav Group drew up a framework for identifying and measuring operational risks, which defines their types, underlying reasons, consequences, assessment methods and internal control identification. An analysis of the internal control system - focused on the accuracy and reliability of financial reporting in all business areas of Zavarovalnica Triglav - was carried out on the basis of which the minimum standard of internal controls was set up, serving as the starting point for optimising the management of individual business process in the Group. Operational risk exposure is measured in terms quantity by applying the Solvency II methodology and in terms of quality by using questionnaires and interviews for individual operational risk segments.

Fraud risk continued to be categorised as an operational risk. To manage this operational risk type, the Company established a special department responsible for the development and implementation of fraud indicators, research of potential fraudulent activity and reporting to the Management Board on the findings and initiated procedures. For more details on fraud risk management see *Sections 11.6.1* of the Business Report.

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

5. Segment Reporting

The management monitors the operations of the Group by business segments (non-life insurance, life insurance, health insurance and non-insurance operations) and by geographical segments (separately for the Slovene and foreign markets).

Distribution of income and expenses between the segments is described below.

Income
Income from insurance premiums is disclosed separately by insurance group and insurance class, as well as by geographical areas (separately for Slovenia and other countries).

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

Other income from insurance operations and other income is accounted for by insurance group. In order to ensure an appropriate presentation of the insurance-technical result, income from non-insurance operations is disclosed as other income.

Furthermore, all income is accounted for by geographical area – separately for Slovenia and for other countries.

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

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

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

Other net insurance expenses are accounted for separately by insurance group and by insurance class - partly directly and partly by using a matrix. Other expenses from insurance operations and other expenses are posted separately by insurance group. In order to ensure the appropriate presentation of the insurance-technical result, operating expenses of non-insurance companies are disclosed as other expenses in the income statement. In the Notes to financial statements they are disclosed also by nature.

Furthermore, all expenses are accounted for by geographical area – separately for Slovenia and for other countries.

Additional disclosures

Depreciation and amortisation charges by business segment are disclosed under operating expenses in *Section 7.11*.

Values of investments in intangible assets, property, plant and equipment and investment property by business segments are shown in the table below.

in EUR

	2013					2012				
	Non-life	Life	Health	Non-insurance	TOTAL	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	5,113,286	659,000	183,993	4,269,066	**10,225,345**	7,394,236	1,478,182	117,561	135,540	**9,125,519**
Investments in property plant and equipment	4,878,863	1,910,089	39,292	2,932,418	**9,760,660**	6,768,880	1,134,927	224,951	2,551,498	**10,680,256**
Investments in investment property	911,073	114,028	0	1,593,757	**2,618,858**	2,482,094	17,673	0	14,951	**2,514,718**

5.1 Business segments

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

In the consolidation process, the key inter-company eliminations between segments which influenced their profit/loss were the following: acquisition costs and acquisition income, premium income and operating expenses. The aforementioned eliminations had no impact on the consolidated profit/loss. The key inter-company eliminations, which did impact both the profit/loss of individual segments and the consolidated profit/loss, were the effects of the capital method and the elimination of investment impairments in subsidiary companies. These effects are disclosed under financial income and financial expenses.

The management monitors the operations of the Group according to the following main segments:

- non-life insurance,
- life insurance,
- health insurance and
- non-insurance operations.

Consolidated statement of financial position by segment as at 31 December 2013

in EUR

	Non-life	Life	Health	Other	TOTAL (before eliminations)	Eliminations	TOTAL (after eliminations)
ASSETS	**1,695,195,489**	**1,458,862,871**	**36,550,277**	**294,437,386**	**3,485,046,023**	**-407,938,679**	**3,077,107,344**
Intangible assets	63,386,203	2,180,245	355,450	5,153,850	71,075,748	648,495	71,724,243
Property, plant and equipment	84,364,211	11,276,398	1,322,661	25,652,259	122,615,529	235,355	122,850,884
Deferred tax receivables	18,262,817	2,100,930	265,393	3,067,659	23,696,799	0	23,696,799
Investment property	32,575,926	2,550,233	0	50,522,099	85,648,258	11,597,126	97,245,384
Investments in subsidiaries	163,223,025	1,600,763	0	95,228,558	260,052,346	-260,052,346	0
Investments in associates	0	6,911,037	0	3,293,637	10,204,674	0	10,204,674
Financial assets	965,455,929	1,423,048,803	30,335,291	63,323,671	2,482,163,694	-49,980,315	2,432,183,379
Financial investments:	965,455,929	985,381,187	30,335,291	63,323,671	2,044,496,078	-49,980,315	1,994,515,763
- loans and deposits	161,001,693	74,281,178	1,777,169	10,472,371	247,532,411	-48,268,085	199,264,326
- held to maturity	2,615,969	222,264,982	0	0	224,880,951	0	224,880,951
- available for sale	785,151,567	566,226,833	28,558,122	52,798,886	1,432,735,408	-1,712,230	1,431,023,178
- investments recognised at fair value	16,686,700	122,608,194	0	52,414	139,347,308	0	139,347,308
Unit-linked insurance assets	0	437,667,616	0	0	437,667,616	0	437,667,616
Reinsurers' share of technical provisions	137,840,108	32,271	514	0	137,872,893	-73,165,365	64,707,528
Receivables	208,623,391	5,625,012	4,172,193	12,598,929	231,019,525	-34,690,744	196,328,781
- receivables from direct insurance operations	93,219,131	525,095	3,847,280	0	97,591,506	-1,631,577	95,959,929
- receivables from reinsurance and co-insurance operations	71,395,409	16,128	0	0	71,411,537	-28,088,998	43,322,539
- current tax receivables	14,715,731	154	0	8,210	14,724,095	0	14,724,095
- other receivables	29,293,120	5,083,635	324,913	12,590,719	47,292,387	-4,970,169	42,322,218
Other assets	3,404,261	199,804	48,903	25,851,682	29,504,650	-2,530,885	26,973,765
Cash and cash equivalents	18,059,618	3,337,375	49,872	7,621,693	29,068,558	0	29,068,558
Non-current assets held for sale	0	0	0	2,123,349	2,123,349	0	2,123,349
EQUITY AND LIABILITIES	**1,695,195,489**	**1,458,862,871**	**36,550,277**	**294,437,386**	**3,485,046,023**	**-407,938,679**	**3,077,107,344**
Equity	514,580,357	103,192,573	15,770,657	207,307,723	840,851,310	-250,313,853	590,537,457
Controlling interests	514,580,357	103,192,573	15,770,657	207,307,723	840,851,310	-256,536,433	584,314,877
- share capital	114,724,605	31,799,855	25,822,144	184,424,707	356,771,311	-283,069,929	73,701,392
- share premium	42,861,652	13,067,907	0	20,474,425	76,403,984	-19,537,790	56,866,194
- reserves from profit	238,474,815	39,295,891	0	4,032,661	281,803,367	-5,124,903	276,678,464
- fair value reserve	35,793,900	4,350,686	293,768	20,944,342	61,382,696	-16,777,261	44,605,435
- net profit brought forward	64,161,087	11,909,770	-15,303,446	-3,220,865	57,546,546	32,536,569	90,083,115
- net profit/loss for the year	20,735,564	3,759,666	4,958,191	-18,883,820	10,569,601	35,643,906	46,213,507
- currency translation differences	-2,171,266	-991,202	0	-463,727	-3,626,195	-207,035	-3,833,230
Non-controlling interests	0	0	0	0	0	6,222,580	6,222,580
Subordinated liabilities	19,341,157	11,982,682	1,500,000	0	32,823,839	-4,579,355	28,244,484
Insurance technical provisions	996,802,008	891,348,148	11,271,089	0	1,899,421,245	-73,189,935	1,826,231,310
- unearned premium	270,929,452	450,957	2,009,309	0	273,389,718	-15,323,049	258,066,669
- mathematical provisions	0	870,733,006	0	0	870,733,006	0	870,733,006
- claims provisions	704,023,242	20,164,185	8,115,703	0	732,303,130	-57,866,886	674,436,244
- other insurance technical provisions	21,849,314	0	1,146,077	0	22,995,391	0	22,995,391
Insurance technical provisions for unit-linked insurance contracts	0	435,201,724	0	0	435,201,724	0	435,201,724
Employee benefits	8,504,665	1,511,247	281,151	1,104,319	11,401,382	0	11,401,382
Other provisions	6,339,830	78,640	215,003	9,585,257	16,218,730	0	16,218,730
Deferred tax liabilities	10,400,528	2,204,529	0	5,508,692	18,113,749	351,293	18,465,042
Other financial liabilities	22,614,740	9	0	52,424,285	75,039,034	-40,248,036	34,790,998
Operating liabilities	76,161,771	6,293,755	3,489,418	354,874	86,299,818	-29,974,285	56,325,533
- liabilities from direct insurance operations	12,367,962	6,229,925	3,489,157	0	22,087,044	-1,839,151	20,247,893
- liabilities from reinsurance and co-insurance operations	63,436,040	37,425	261	0	63,473,726	-28,135,134	35,338,592
- current tax liabilities	357,769	26,405	0	354,874	739,048	0	739,048
Other liabilities	40,450,433	7,049,564	4,022,959	18,152,236	69,675,192	-9,984,508	59,690,684

Consolidated statement of financial position by segment as at 31 December 2012

IN EUR

	Non-life	Life	Health	Other	TOTAL (before eliminations)	Eliminations	TOTAL (after eliminations)
ASSETS	**1,789,171,344**	**1,436,934,084**	**29,000,678**	**323,905,677**	**3,579,011,783**	**-455,203,390**	**3,123,808,393**
Intangible assets	60,948,409	2,520,675	365,434	1,225,906	65,060,424	1,817,862	66,878,286
Property, plant and equipment	88,270,604	10,704,707	2,359,236	28,780,580	130,115,127	235,355	130,350,482
Deferred tax receivables	28,918,980	2,520,432	374,901	2,620,404	34,434,717	0	34,434,717
Investment property	33,836,897	3,188,771	0	51,564,069	88,589,737	11,597,126	100,186,863
Investments in subsidiaries	189,198,013	1,600,761	0	106,823,405	297,622,179	-297,622,179	0
Investments in associates	810	7,285,249	0	7,098,125	14,384,184	0	14,384,184
Financial assets	998,058,697	1,402,003,876	21,673,158	73,131,790	2,494,867,521	-48,988,869	2,445,878,652
Financial investments:	998,058,697	983,121,960	21,673,158	73,131,790	2,075,985,605	-48,988,869	2,026,996,736
- loans and deposits	179,767,954	121,980,439	3,710,271	15,112,515	320,571,179	-47,293,157	273,278,022
- held to maturity	3,159,459	225,256,706	0	0	228,416,165	0	228,416,165
- available for sale	794,005,173	551,280,008	17,962,887	56,012,426	1,419,260,494	-1,695,712	1,417,564,782
- investments recognised at fair value	21,126,111	84,604,807	0	2,006,849	107,737,767	0	107,737,767
Unit-linked insurance assets	0	418,881,916	0	0	418,881,916	0	418,881,916
Reinsurers' share of technical provisions	168,833,642	9,617	0	0	168,843,259	-85,267,547	83,575,712
Receivables	206,346,575	4,656,692	4,076,095	14,263,480	229,342,842	-34,492,790	194,850,052
- receivables from direct insurance operations	101,885,358	558,578	3,777,336	0	106,221,272	-2,356,271	103,865,001
- receivables from reinsurance and co-insurance operations	70,778,349	20,843	0	0	70,799,192	-27,856,408	42,942,784
- current tax receivables	9,240,257	154	0	91,298	9,331,709	0	9,331,709
- other receivables	24,442,611	4,077,117	298,759	14,172,182	42,990,669	-4,280,111	38,710,558
Other assets	6,326,403	197,703	30,307	29,608,343	36,162,756	-2,482,348	33,680,408
Cash and cash equivalents	8,432,314	2,245,601	121,547	6,451,958	17,251,420	0	17,251,420
Non-current assets held for sale	0	0	0	2,337,617	2,337,617	0	2,337,617
EQUITY AND LIABILITIES	**1,789,171,344**	**1,436,934,084**	**29,000,678**	**323,905,677**	**3,579,011,783**	**-455,203,390**	**3,123,808,393**
Equity	522,540,892	96,776,850	10,401,682	231,551,006	861,270,430	-286,706,673	574,563,757
Controlling interests	522,540,892	96,776,850	10,401,682	231,551,006	861,270,430	-293,406,610	567,863,820
- share capital	115,974,541	31,119,897	25,822,144	186,624,504	359,541,086	-285,839,694	73,701,392
- share premium	43,254,647	13,067,907	0	19,884,306	76,206,860	-19,496,147	56,710,713
- reserves from profit	222,346,715	32,091,323	0	3,760,902	258,198,940	-4,965,860	253,233,080
- fair value reserve	42,650,453	5,407,124	-117,016	20,669,741	68,610,302	-16,791,248	51,819,054
- net profit brought forward	79,339,131	9,801,205	-18,268,658	19,011,205	89,882,883	-3,113,788	86,769,095
- net profit/loss for the year	20,628,500	6,191,169	2,965,212	-17,546,338	12,238,543	36,571,124	48,809,667
- currency translation differences	-1,653,095	-901,775	0	-853,314	-3,408,184	229,003	-3,179,181
Non-controlling interests	0	0	0	0	0	6,699,937	6,699,937
Subordinated liabilities	26,406,976	13,677,269	1,500,000	0	41,584,245	-4,558,695	37,025,550
Insurance technical provisions	1,072,460,633	890,796,041	9,981,170	0	1,973,237,844	-85,317,063	1,887,920,781
- unearned premium	283,810,138	415,636	1,869,256	0	286,095,030	-17,670,457	268,424,573
- mathematical provisions	0	869,949,936	0	0	869,949,936	0	869,949,936
- claims provisions	763,526,567	20,430,469	6,865,684	0	790,822,720	-67,646,606	723,176,114
- other insurance technical provisions	25,123,928		1,246,230	0	26,370,158	0	26,370,158
Insurance technical provisions for unit-linked insurance contracts	0	417,338,984	0	0	417,338,984	0	417,338,984
Employee benefits	7,723,483	1,437,173	282,477	1,130,540	10,573,673	0	10,573,673
Other provisions	8,351,432	127,059	169,602	10,973,459	19,621,552	0	19,621,552
Deferred tax liabilities	10,788,513	2,861,666	0	7,350,526	21,000,705	351,293	21,351,998
Other financial liabilities	22,412,471	892,596	0	52,981,785	76,286,852	-36,906,286	39,380,566
Operating liabilities	77,708,078	7,370,405	3,288,659	146,445	88,513,587	-30,363,480	58,150,107
- liabilities from direct insurance operations	11,235,706	7,278,280	3,288,659	0	21,802,645	-990,928	20,811,717
- liabilities from reinsurance and co-insurance operations	66,080,146	36,521	0	0	66,116,667	-29,372,552	36,744,115
- current tax liabilities	392,226	55,604	0	146,445	594,275	0	594,275
Other liabilities	40,778,866	5,656,041	3,377,088	19,771,916	69,583,911	-11,702,486	57,881,425

Consolidated income statement by segment

in EUR

	2013				
	Non-life	Life	Health	Other	TOTAL
NET PREMIUM INCOME	**542,174,975**	**191,560,898**	**103,906,794**	**0**	**837,642,667**
- gross written premium	605,215,118	191,630,615	104,046,847	0	900,892,580
- ceded written premium	-70,888,863	-31,811	0	0	-70,920,674
- change in unearned premiums	7,848,720	-37,906	-140,053	0	7,670,761
TOTAL INCOME FROM FINANCIAL ASSETS	**59,731,858**	**121,218,425**	**1,172,220**	**2,570,041**	**184,692,544**
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	7,989	84,915	0	-29,481	63,423
- profit on equity investments accounted for using the equity method	0	38,548	0	984	39,532
- interest income	0	0	0	0	0
- dividends	0	0	0	0	0
- fair value gains	0	0	0	0	0
- realised gains on disposals	7,989	46,367	0	-30,465	23,891
- other financial income	0	0	0	0	0
INCOME FROM OTHER FINANCIAL ASSETS	59,723,869	72,657,487	1,172,220	2,599,522	136,153,098
- interest income	36,569,841	38,356,138	939,786	277,098	76,142,863
- dividends	1,203,768	900,844	0	752,375	2,856,987
- fair value gains	2,382,288	19,867,040	0	0	22,249,328
- realised gains on disposals	15,971,888	12,423,956	232,434	14,758	28,643,036
- other financial income	3,596,084	1,109,509	0	1,555,291	6,260,884
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	48,476,023	0	0	48,476,023
OTHER INCOME FROM INSURANCE OPERATIONS	**7,741,425**	**137,675**	**31,451**	**0**	**7,910,551**
- fees and commission income	2,363,585	129,574	0	0	2,493,159
- other income from insurance operations	5,377,840	8,101	31,451	0	5,417,392
OTHER INCOME	**4,341,673**	**286,714**	**25,702**	**71,960,035**	**76,614,124**
NET CLAIMS INCURRED	**312,366,103**	**171,336,665**	**87,960,331**	**0**	**571,663,099**
- gross claims settled	377,177,758	171,600,928	78,729,648	0	627,508,334
- reinsurers' and co-insurers' share	-35,840,696	0	0	0	-35,840,696
- changes in claims provisions	-28,970,959	-264,263	1,250,019	0	-27,985,203
- equalisation scheme expenses for supplementary health insurance	0	0	7,980,664	0	7,980,664
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	**-1,302,687**	**4,054,249**	**-100,153**	**0**	**2,651,409**
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	**0**	**17,906,261**	**0**	**0**	**17,906,261**
EXPENSES FOR BONUSES AND DISCOUNTS	**6,537,369**	**1,826**	**0**	**0**	**6,539,195**
OPERATING EXPENSES	**160,529,933**	**31,539,143**	**7,293,024**	**0**	**199,362,100**
- costs of insurance contract acquisition	107,892,951	18,683,293	1,456,534	0	128,032,778
- other operating costs	52,636,982	12,855,850	5,836,490	0	71,329,322
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	**31,738,228**	**75,610,501**	**195,203**	**6,842,992**	**114,386,924**
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	7,172	0	0	1,410,737	1,417,909
- loss on investments accounted for using the equity method	0	0	0	986,250	986,250
- interest expense	0	0	0	0	0
- fair value losses	0	0	0	0	0
- realised loss on disposals	0	0	0	418,604	418,604
- impairments	0	0	0	1	1
- other financial expenses	7,172	0	0	5,882	13,054
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	31,731,056	41,821,399	195,203	5,432,255	79,179,913
- interest expense	1,405,509	830,043	0	1,159,374	3,394,926
- fair value losses	1,106,003	20,063,655	0	2,040,289	23,209,947
- realised loss on disposals	2,614,962	12,736,191	57,943	335,644	15,744,740
- impairments	20,650,365	5,776,367	4,228	1,713,040	28,144,000
- other financial expenses	5,954,217	2,415,143	133,032	183,908	8,686,300
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	33,789,102	0	0	33,789,102
OTHER INSURANCE EXPENSES	**21,607,118**	**1,102,654**	**973,709**	**0**	**23,683,481**
OTHER EXPENSES	**11,571,034**	**1,566,343**	**1,073,933**	**72,815,046**	**87,026,356**
PROFIT/LOSS BEFORE TAX	**70,942,833**	**10,086,070**	**7,740,120**	**-5,127,962**	**83,641,061**
Income tax expense	-12,786,952	-449,204	-437,294	-116,608	-13,790,058
NET PROFIT/LOSS	**58,155,881**	**9,636,866**	**7,302,826**	**-5,244,570**	**69,851,003**
Net profit/loss attributable to the controlling company	57,752,818	9,595,978	7,302,826	-5,110,526	69,541,096
Net profit/loss attributable to non-controllng interest holders	403,063	40,887	0	-134,044	309,906

Consolidated income statement by segment

in EUR

	2012				
	Non-life	Life	Health	Other	TOTAL
NET PREMIUM INCOME	**587,891,014**	**204,865,726**	**91,611,132**	**0**	**884,367,872**
- gross written premium	639,931,921	204,876,520	91,454,582	0	936,263,023
- ceded written premium	-74,961,173	-22,072	0	0	-74,983,245
- change in unearned premiums	22,920,266	11,278	156,550	0	23,088,094
TOTAL INCOME FROM FINANCIAL ASSETS	**68,677,859**	**99,147,955**	**647,941**	**5,177,792**	**173,651,547**
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	2,039,807	1,032,252	0	2,682,666	5,754,725
- profit on equity investments accounted for using the equity method	0	1,032,252	0	688,199	1,720,451
- interest income	0	0	0	0	0
- dividends	0	0	0	0	0
- fair value gains	0	0	0	0	0
- realised gains on disposals	0	0	0	0	0
- other financial income	2,039,807	0	0	1,994,467	4,034,274
INCOME FROM OTHER FINANCIAL ASSETS	66,638,052	68,292,999	647,941	2,495,126	138,074,118
- interest income	40,761,867	40,595,753	647,937	497,154	82,502,711
- dividends	1,135,234	755,859	0	1,229,271	3,120,364
- fair value gains	4,455,884	13,160,276	0	0	17,616,160
- realised gains on disposals	15,776,075	13,490,356	0	4,029	29,270,460
- other financial income	4,508,992	290,755	4	764,672	5,564,423
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	29,822,704	0	0	29,822,704
OTHER INCOME FROM INSURANCE OPERATIONS	**6,408,944**	**14,260,442**	**33,571**	**0**	**20,702,957**
- fees and commission income	1,034,523	12,707,446	0	0	13,741,969
- other income from insurance operations	5,374,421	1,552,996	33,571	0	6,960,988
OTHER INCOME	**4,797,804**	**263,336**	**71,118**	**70,907,642**	**76,039,900**
NET CLAIMS INCURRED	**336,266,693**	**163,030,391**	**79,641,187**	**0**	**578,938,271**
- gross claims settled	379,872,215	163,220,596	70,672,367	0	613,765,178
- reinsurers' and co-insurers' share	-22,515,985	0	0	0	-22,515,985
- changes in claims provisions	-21,089,537	-190,205	1,559,177	0	-19,720,565
- equalisation scheme expenses for supplementary health insurance	0	0	7,409,643	0	7,409,643
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	**-2,484,155**	**925,077**	**112,260**	**0**	**-1,446,818**
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	**0**	**52,882,779**	**0**	**0**	**52,882,779**
EXPENSES FOR BONUSES AND DISCOUNTS	**8,645,999**	**1,772**	**0**	**0**	**8,647,771**
OPERATING EXPENSES	**158,508,803**	**33,079,066**	**6,890,096**	**0**	**198,477,965**
- costs of insurance contract acquisition	107,688,800	19,066,816	1,205,074	0	127,960,690
- other operating costs	50,820,003	14,012,250	5,685,022	0	70,517,275
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	**52,894,939**	**43,795,727**	**38,235**	**4,229,042**	**100,957,942**
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	12	5,513	0	2,098,723	2,104,247
- loss on investments accounted for using the equity method	11	5,513	0	2,098,723	2,104,247
- interest expense	1	0	0	0	1
- fair value losses	0	0	0	0	0
- realised loss on disposals	0	0	0	0	0
- impairments	0	0	0	0	0
- other financial expenses	0	0	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	52,894,927	43,114,401	38,235	2,130,319	98,177,882
- interest expense	1,820,382	819,026	0	936,918	3,576,326
- fair value losses	3,580,492	14,696,365	0	491,786	18,768,643
- realised loss on disposals	6,353,620	17,727,955	0	167	24,081,742
- impairments	35,272,321	8,282,210	4,930	92,814	43,652,275
- other financial expenses	5,868,110	1,588,844	33,305	608,642	8,098,896
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	675,813	0	0	675,813
OTHER INSURANCE EXPENSES	**27,297,194**	**14,982,024**	**550,690**	**0**	**42,829,908**
OTHER EXPENSES	**11,204,554**	**1,902,292**	**482,888**	**70,213,312**	**83,803,046**
PROFIT/LOSS BEFORE TAX	**75,441,594**	**7,938,331**	**4,648,406**	**1,643,081**	**89,671,412**
Income tax expense	-12,787,533	-2,475,667	-46,426	-1,180,723	-16,490,349
NET PROFIT/LOSS	**62,654,061**	**5,462,664**	**4,601,980**	**462,358**	**73,181,063**
Net profit/loss attributable to the controlling company	61,876,613	5,433,807	4,601,980	600,578	72,512,978
Net profit/loss attributable to non-controllng interest holders	777,450	28,857	0	-138,229	668,078

Consolidated statement of comprehensive income by business segment for the year 2013

in EUR

	Non-life	Life	Health	Other	TOTAL
NET PROFIT/LOSS FOR THE YEAR AFTER TAX	58,155,881	9,636,865	7,302,826	-5,244,569	69,851,003
OTHER COMPREHENSIVE INCOME AFTER TAX	-7,404,404	-1,143,752	410,784	304,028	-7,833,344
Actuarial gains/losses on pension plans	-57,754	-12,939	35,256	11,262	-24,175
Net gains/losses from the remeasurement of available-for-sale financial assets	-7,186,252	-4,565,125	449,127	-105,826	-11,408,076
- Gains/losses recognised in fair value reserve	-7,902,880	-2,439,215	449,127	-128,636	-10,021,604
- Transfer from fair value reserve to profit/loss	716,628	-2,125,910	0	22,810	-1,386,472
Net gains/losses related to non-current assets held for sale	0	0	0	0	0
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	0	8,605	0	324,398	333,003
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	2,853,742	0	0	2,853,742
Currency translation differences	-532,638	-87,314	0	-43,688	-663,640
Tax on other comprehensive income	372,240	659,279	-73,599	117,882	1,075,802
COMPREHENSIVE INCOME/LOSS FOR THE YEAR AFTER TAX	**50,751,474**	**8,493,113**	**7,713,610**	**-4,940,541**	**62,017,656**
Controlling interests	50,335,440	8,457,084	7,713,610	-4,806,541	61,699,593
Non-controlling interests	416,033	36,029	0	-134,000	318,063

Consolidated statement of comprehensive income by business segment for the year 2012

in EUR

	Non-life	Life	Health	Other	TOTAL
NET PROFIT/LOSS FOR THE YEAR AFTER TAX	62,654,061	5,462,664	4,601,980	462,358	73,181,063
OTHER COMPREHENSIVE INCOME AFTER TAX	32,875,073	14,236,179	627,483	1,071,911	48,810,646
Actuarial gains/losses on pension plans	0	0	0	0	0
Net gains/losses from the remeasurement of available-for-sale financial assets	38,246,253	44,162,943	792,958	2,038,215	85,240,369
- Gains/losses recognised in fair value reserve	11,279,718	42,019,370	792,958	2,038,215	56,130,261
- Transfer from fair value reserve to profit/loss	26,966,535	2,143,573	0	0	29,110,108
Net gains/losses related to non-current assets held for sale	0	0	0	0	0
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	0	246,560	0	0	246,560
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	-23,745,609	0	0	-23,745,609
Currency translation differences	-9,867	-135,246	0	-493,419	-638,532
Tax on other comprehensive income	-5,361,313	-6,292,469	-165,475	-472,885	-12,292,142
COMPREHENSIVE INCOME/LOSS FOR THE YEAR AFTER TAX	**95,529,134**	**19,698,843**	**5,229,463**	**1,534,269**	**121,991,709**
Controlling interests	94,639,077	19,431,692	5,229,463	1,672,199	120,972,431
Non-controlling interests	890,057	267,151	0	-137,930	1,019,278

5.2 Reporting by geographical area

Statement of financial position by geographical area as at 31 December 2013

in EUR

	Slovenia	Other	TOTAL (before eliminations)	Eliminations	TOTAL (after eliminations)
ASSETS	**3,114,135,609**	**370,910,414**	**3,485,046,023**	**-407,938,679**	**3,077,107,344**
Intangible assets	57,430,962	13,644,786	71,075,748	648,495	71,724,243
Property, plant and equipment	87,593,892	35,021,637	122,615,529	235,355	122,850,884
Deferred tax receivables	22,439,314	1,257,485	23,696,799	0	23,696,799
Investment property	62,846,550	22,801,708	85,648,258	11,597,126	97,245,384
Investments in subsidiaries	254,907,306	5,145,040	260,052,346	-260,052,346	0
Investments in associates	10,204,674	0	10,204,674	0	10,204,674
Financial assets	2,285,757,108	196,406,586	2,482,163,694	-49,980,315	2,432,183,379
Financial investments:	1,862,907,738	181,588,340	2,044,496,078	-49,980,315	1,994,515,763
- loans and deposits	194,948,246	52,584,165	247,532,411	-48,268,085	199,264,326
- held to maturity	197,096,116	27,784,835	224,880,951	0	224,880,951
- available for sale	1,334,899,667	97,835,741	1,432,735,408	-1,712,230	1,431,023,178
- investments recognised at fair value	135,963,709	3,383,599	139,347,308	0	139,347,308
Unit-linked insurance assets	422,849,370	14,818,246	437,667,616	0	437,667,616
Reinsurers' share of technical provisions	113,242,391	24,630,502	137,872,893	-73,165,365	64,707,528
Receivables	177,758,876	53,260,649	231,019,525	-34,690,744	196,328,781
- receivables from direct insurance operations	67,157,061	30,434,445	97,591,506	-1,631,577	95,959,929
- receivables from reinsurance and co-insurance operations	66,023,829	5,387,708	71,411,537	-28,088,998	43,322,539
- current tax receivables	12,917,312	1,806,783	14,724,095	0	14,724,095
- other receivables	31,660,674	15,631,713	47,292,387	-4,970,169	42,322,218
Other assets	26,952,370	2,552,280	29,504,650	-2,530,885	26,973,765
Cash and cash equivalents	12,878,817	16,189,741	29,068,558	0	29,068,558
Non-current assets held for sale	2,123,349	0	2,123,349	0	2,123,349
EQUITY AND LIABILITIES	**3,114,135,609**	**370,910,414**	**3,485,046,023**	**-407,938,679**	**3,077,107,344**
Equity	764,942,578	75,908,732	840,851,310	-250,313,853	590,537,457
Controlling interests	764,942,578	75,908,732	840,851,310	-256,536,433	584,314,877
- share capital	275,730,021	81,041,290	356,771,311	-283,069,929	73,701,392
- share premium	75,034,014	1,369,970	76,403,984	-19,537,790	56,866,194
- reserves from profit	266,043,850	15,759,517	281,803,367	-5,124,903	276,678,464
- fair value reserve	58,902,830	2,479,866	61,382,696	-16,777,261	44,605,435
- net profit brought forward	70,981,681	-13,435,135	57,546,546	32,536,569	90,083,115
- net profit/loss for the year	18,250,182	-7,680,581	10,569,601	35,643,906	46,213,507
- currency translation differences	0	-3,626,195	-3,626,195	-207,035	-3,833,230
Non-controlling interests	0	0	0	6,222,580	6,222,580
Subordinated liabilities	31,456,714	1,367,125	32,823,839	-4,579,355	28,244,484
Insurance technical provisions	1,681,642,295	217,778,950	1,899,421,245	-73,189,935	1,826,231,310
- unearned premium	211,391,566	61,998,152	273,389,718	-15,323,049	258,066,669
- mathematical provisions	823,783,519	46,949,487	870,733,006	0	870,733,006
- claims provisions	628,057,067	104,246,063	732,303,130	-57,866,886	674,436,244
- other insurance technical provisions	18,410,143	4,585,248	22,995,391	0	22,995,391
Insurance technical provisions for unit-linked insurance contracts	420,333,091	14,868,633	435,201,724	0	435,201,724
Employee benefits	9,874,510	1,526,872	11,401,382	0	11,401,382
Other provisions	10,044,992	6,173,738	16,218,730	0	16,218,730
Deferred tax liabilities	17,665,747	448,002	18,113,749	351,293	18,465,042
Other financial liabilities	51,695,793	23,343,241	75,039,034	-40,248,036	34,790,998
Operating liabilities	71,132,145	15,167,673	86,299,818	-29,974,285	56,325,533
- liabilities from direct insurance operations	15,615,686	6,471,358	22,087,044	-1,839,151	20,247,893
- liabilities from reinsurance and co-insurance operations	54,875,504	8,598,222	63,473,726	-28,135,134	35,338,592
- current tax liabilities	640,955	98,093	739,048	0	739,048
Other liabilities	55,347,744	14,327,448	69,675,192	-9,984,508	59,690,684

Statement of financial position by geographical area as at 31 December 2012

in EUR

	Slovenia	Other	TOTAL (before eliminations)	Eliminations	TOTAL (after eliminations)
ASSETS	**3,190,566,666**	**388,445,117**	**3,579,011,783**	**-455,203,390**	**3,123,808,393**
Intangible assets	54,118,220	10,942,204	65,060,424	1,817,862	66,878,286
Property, plant and equipment	93,518,448	36,596,679	130,115,127	235,355	130,350,482
Deferred tax receivables	32,743,054	1,691,663	34,434,717	0	34,434,717
Investment property	64,986,142	23,603,595	88,589,737	11,597,126	100,186,863
Investments in subsidiaries	292,440,723	5,181,456	297,622,179	-297,622,179	0
Investments in associates	14,384,184	0	14,384,184	0	14,384,184
Financial assets	2,289,877,331	204,990,190	2,494,867,521	-48,988,869	2,445,878,652
Financial investments:	1,883,374,543	192,611,062	2,075,985,605	-48,988,869	2,026,996,736
- loans and deposits	255,524,416	65,046,763	320,571,179	-47,293,157	273,278,022
- held to maturity	199,277,500	29,138,665	228,416,165	0	228,416,165
- available for sale	1,325,255,570	94,004,924	1,419,260,494	-1,695,712	1,417,564,782
- investments recognised at fair value	103,317,057	4,420,710	107,737,767	0	107,737,767
Unit-linked insurance assets	406,502,788	12,379,128	418,881,916	0	418,881,916
Reinsurers' share of technical provisions	132,202,677	36,640,582	168,843,259	-85,267,547	83,575,712
Receivables	174,932,784	54,410,058	229,342,842	-34,492,790	194,850,052
- receivables from direct insurance operations	74,079,379	32,141,893	106,221,272	-2,356,271	103,865,001
- receivables from reinsurance and co-insurance operations	64,471,298	6,327,894	70,799,192	-27,856,408	42,942,784
- current tax receivables	7,490,565	1,841,144	9,331,709	0	9,331,709
- other receivables	28,891,542	14,099,127	42,990,669	-4,280,111	38,710,558
Other assets	31,250,939	4,911,817	36,162,756	-2,482,348	33,680,408
Cash and cash equivalents	7,774,547	9,476,873	17,251,420	0	17,251,420
Non-current assets held for sale	2,337,617	0	2,337,617	0	2,337,617
EQUITY AND LIABILITIES	**3,190,566,666**	**388,445,117**	**3,579,011,783**	**-455,203,390**	**3,123,808,393**
Equity	781,402,446	79,867,984	861,270,430	-286,706,673	574,563,757
Controlling interests	781,402,446	79,867,984	861,270,430	-293,406,610	567,863,820
- share capital	276,279,152	83,261,934	359,541,086	-285,839,694	73,701,392
- share premium	74,443,895	1,762,965	76,206,860	-19,496,147	56,710,713
- reserves from profit	242,702,915	15,496,025	258,198,940	-4,965,860	253,233,080
- fair value reserve	66,014,133	2,596,169	68,610,302	-16,791,248	51,819,054
- net profit brought forward	104,230,833	-14,347,950	89,882,883	-3,113,788	86,769,095
- net profit/loss for the year	17,731,518	-5,492,975	12,238,543	36,571,124	48,809,667
- currency translation differences	0	-3,408,184	-3,408,184	229,003	-3,179,181
Non-controlling interests	0	0	0	6,699,937	6,699,937
Subordinated liabilities	40,221,260	1,362,985	41,584,245	-4,558,695	37,025,550
Insurance technical provisions	1,739,652,960	233,584,884	1,973,237,844	-85,317,063	1,887,920,781
- unearned premium	226,269,982	59,825,048	286,095,030	-17,670,457	268,424,573
- mathematical provisions	826,665,167	43,284,769	869,949,936	0	869,949,936
- claims provisions	665,571,588	125,251,132	790,822,720	-67,646,606	723,176,114
- other insurance technical provisions	21,146,223	5,223,935	26,370,158	0	26,370,158
Insurance technical provisions for unit-linked insurance contracts	404,899,884	12,439,100	417,338,984	0	417,338,984
Employee benefits	9,363,448	1,210,225	10,573,673	0	10,573,673
Other provisions	11,944,984	7,676,568	19,621,552	0	19,621,552
Deferred tax liabilities	20,615,780	384,925	21,000,705	351,293	21,351,998
Other financial liabilities	51,489,102	24,797,750	76,286,852	-36,906,286	39,380,566
Operating liabilities	73,604,679	14,908,908	88,513,587	-30,363,480	58,150,107
- liabilities from direct insurance operations	15,808,735	5,993,910	21,802,645	-990,928	20,811,717
- liabilities from reinsurance and co-insurance operations	57,320,673	8,795,994	66,116,667	-29,372,552	36,744,115
- current tax liabilities	475,271	119,004	594,275	0	594,275
Other liabilities	57,372,123	12,211,788	69,583,911	-11,702,486	57,881,425

Consolidated income statement by geographical area

in EUR

	2013			2012		
	Slovenia	Other	TOTAL	Slovenia	Other	TOTAL
NET PREMIUM INCOME	**695,139,516**	**142,503,151**	**837,642,667**	**737,842,838**	**146,525,034**	**884,367,872**
- gross written premium	740,772,865	160,119,715	900,892,580	777,472,347	158,790,676	936,263,023
- ceded written premium	-55,395,657	-15,525,017	-70,920,674	-59,068,376	-15,914,869	-74,983,245
- change in unearned premiums	9,762,308	-2,091,547	7,670,761	19,438,867	3,649,227	23,088,094
TOTAL INCOME FROM FINANCIAL ASSETS	**170,629,077**	**14,063,467**	**184,692,544**	**157,502,031**	**16,149,516**	**173,651,547**
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	56,259	7,164	63,423	5,754,725	0	5,754,725
- income from investments accounted for using the equity method	39,532	0	39,532	1,720,451	0	1,720,451
- interest income	0	0	0	0	0	0
- dividends	0	0	0	0	0	0
- fair value gains	0	0	0	0	0	0
- realised gains on disposals	16,727	7,164	23,891	0	0	0
- other financial income	0	0	0	4,034,274	0	4,034,274
INCOME FROM OTHER FINANCIAL ASSETS	123,192,373	12,960,725	136,153,098	123,466,490	14,607,628	138,074,118
- interest income	66,679,242	9,463,621	76,142,863	72,262,404	10,240,307	82,502,711
- dividends	2,794,428	62,559	2,856,987	3,014,950	105,414	3,120,364
- fair value gains	21,993,806	255,522	22,249,328	17,042,119	574,041	17,616,160
- realised gains on disposals	28,120,993	522,043	28,643,036	27,164,048	2,106,412	29,270,460
- other financial income	3,603,904	2,656,980	6,260,884	3,982,969	1,581,454	5,564,423
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	47,380,445	1,095,578	48,476,023	28,280,816	1,541,888	29,822,704
OTHER INCOME FROM INSURNCE OPERATIONS	**3,465,833**	**4,444,718**	**7,910,551**	**16,544,951**	**4,158,006**	**20,702,957**
- fees and commission income	828,182	1,664,977	2,493,159	12,285,835	1,456,134	13,741,969
- other income from insurance operations	2,637,651	2,779,741	5,417,392	4,259,116	2,701,872	6,960,988
OTHER INCOME	**70,199,554**	**6,414,570**	**76,614,124**	**68,641,629**	**7,398,271**	**76,039,900**
NET CLAIMS INCURRED	**486,546,053**	**85,117,046**	**571,663,099**	**484,036,436**	**94,901,835**	**578,938,271**
- gross claims settled	519,868,939	107,639,395	627,508,334	512,687,516	101,077,662	613,765,178
- reinsurers' and co-insurers' share	-23,264,488	-12,576,208	-35,840,696	-13,963,801	-8,552,184	-22,515,985
- changes in claims provisions	-18,039,062	-9,946,141	-27,985,203	-22,096,922	2,376,357	-19,720,565
- equalisation scheme expenses for supplementary health insurance	7,980,664	0	7,980,664	7,409,643	0	7,409,643
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	**-840,399**	**3,491,808**	**2,651,409**	**-6,278,879**	**4,832,061**	**-1,446,818**
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	**15,433,207**	**2,473,054**	**17,906,261**	**49,999,757**	**2,883,022**	**52,882,779**
EXPENSES FOR BONUSES AND DISCOUNTS	**5,385,564**	**1,153,631**	**6,539,195**	**7,610,509**	**1,037,262**	**8,647,771**
OPERATING EXPENSES	**144,301,682**	**55,060,418**	**199,362,100**	**143,175,597**	**55,302,368**	**198,477,965**
- costs of insurance contract acquisition	95,482,607	32,550,171	128,032,778	96,708,063	31,252,627	127,960,690
- other operating costs	48,819,075	22,510,247	71,329,322	46,467,534	24,049,741	70,517,275
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	**110,898,700**	**3,488,224**	**114,386,924**	**97,778,795**	**3,179,148**	**100,957,942**
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	1,417,909	0	1,417,909	2,104,247	0	2,104,247
- loss from investments accounted for using the equity method	986,250	0	986,250	2,104,247	0	2,104,247
- interest expense	0	0	0	0	1	1
- fair value losses	0	0	0	0	0	0
- realised loss on disposals	418,604	0	418,604	0	0	0
- impairments	1	0	1	0	0	0
- other financial expenses	13,054	0	13,054	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	75,691,689	3,488,224	79,179,913	95,300,432	2,877,450	98,177,882
- interest expense	3,112,244	282,682	3,394,926	3,517,581	58,745	3,576,326
- fair value losses	22,296,441	913,506	23,209,947	18,347,458	421,185	18,768,643
- realised loss on disposals	15,459,428	285,312	15,744,740	23,718,018	363,724	24,081,742
- impairments	27,214,647	929,353	28,144,000	42,934,102	718,173	43,652,275
- other financial expenses	7,608,929	1,077,371	8,686,300	6,783,279	1,315,622	8,098,896
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	33,789,102	0	33,789,102	374,116	301,697	675,813
OTHER INSURANCE EXPENSES	**14,485,026**	**9,198,455**	**23,683,481**	**32,694,106**	**10,135,802**	**42,829,908**
OTHER EXPENSES	**76,537,749**	**10,488,607**	**87,026,356**	**73,903,491**	**9,899,555**	**83,803,046**
PROFIT/ LOSS BEFORE TAX	**86,686,398**	**-3,045,337**	**83,641,061**	**97,611,638**	**-7,940,226**	**89,671,412**
Income tax expense	-13,125,839	-664,219	-13,790,058	-17,857,098	1,366,749	-16,490,349
NET PROFIT/LOSS	**73,560,559**	**-3,709,556**	**69,851,003**	**79,754,540**	**-6,573,477**	**73,181,063**
Net profit/loss attributable to the controlling company	73,603,053	-4,061,957	69,541,096	79,843,085	-7,330,107	72,512,985
Net profit/loss attributable to non-controllng interest holders	-42,494	352,400	309,906	-88,552	756,630	668,078

6. Notes to the Statement of Financial Position

6.1 Intangible assets

in EUR

	Goodwill	Deffered acquisition cost	Licences and software	Intangible assets in course of acquisition	Total
COST					
As at 1 January 2012	**1,148,243**	**37,369,008**	**26,558,166**	**15,658,461**	**80,733,878**
- transfer in use	0	0	11,139,145	-11,139,145	0
- purchases	0	0	954,937	8,170,582	9,125,519
- disposals	0	0	-527,671	0	-527,671
- reclassification	0	0	1,790,525	0	1,790,525
- increase	0	923,795	0	0	923,795
- decrease	0	-1,860,654	0	0	-1,860,654
- changes in consolidation area	669,620	0	242,081	0	911,700
- exchange rate difference	0	18,793	0	-195,757	-176,964
As at 31 December 2012	**1,817,863**	**36,450,942**	**40,157,183**	**12,494,141**	**90,920,128**
- transfer in use	0	0	8,458,545	-8,458,545	0
- purchases	0	0	6,534,273	3,691,072	10,225,345
- disposals	0	0	-2,648,908	-2,817	-2,651,725
- reclassification	0	0	-630,468	0	-630,468
- impairment	-1,169,368	0	0	0	-1,169,367
- increase	0	3,496,245	0	0	3,496,245
- decrease	0	-1,517,698	0	0	-1,517,698
- changes in consolidation area	0	0	-92,494	0	-92,494
- exchange rate difference	0	-101,053	-147,332	-31,900	-280,285
As at 31 December 2013	**648,495**	**38,328,436**	**51,630,799**	**7,691,951**	**98,299,681**
ACCUMULATED AMORTISATION					
As at 1 January 2012	**0**	**0**	**-17,400,415**	**0**	**-17,400,415**
- current year amortisation	0	0	-5,142,300	0	-5,142,300
- disposals	0	0	366,030	0	366,030
- reclasification	0	0	-1,790,966	0	-1,790,966
- changes in consolidation area	0	0	-108,410	0	-108,410
- exchange rate difference	0	0	34,217	0	34,217
As at 31 December 2012	**0**	**0**	**-24,041,844**	**0**	**-24,041,844**
- current year amortisation	0	0	-5,560,452	0	-5,560,452
- disposals	0	0	2,638,263	0	2,638,263
- reclasification	0	0	518,874	0	518,874
- changes in consolidation area	0	0	-223,105	0	-223,105
- exchange rate difference	0	0	92,831	0	92,831
As at 31 December 2013	**0**	**0**	**-26,575,433**	**0**	**-26,575,433**
CARRYING AMOUNT					
As at 31 December 2012	**1,817,862**	**36,450,942**	**16,115,340**	**12,494,141**	**66,878,286**
As at 31 December 2013	**648,495**	**38,328,436**	**25,055,367**	**7,691,951**	**71,724,243**

The Group did not pledge any intangible assets as collateral. As at 31 December 2013, trade payables for intangible assets amounted to EUR 1,612,556 (vs. EUR 587,309 as at 31 December 2011).

The amortisation for the current year is split between several items of the income statement. For details, see expenses by nature and function in *Section 7.11*.

As at 31 December 2013, intangible assets with an indefinite useful life amounted to EUR 9,368 and remained the same compared to previous year. The amount refers to a licence issued for an indefinite period.

The Group has no individual intangible assets of material value to the consolidated financial statements.

Goodwill

in EUR

Goodwill due to	As at 31 December 2012	Increase	Decrease	As at 31 December 2013
- additional acquisition of equity shares of Triglav Svetovanje, d.o.o.	112,759	0	-112,759	0
- additional acquisition of equity shares of Golf Arboretum, d.o.o.	146,422	0	-146,422	0
- additional acquisition of equity shares of Lovćen Osiguranje a.d.	763,796	0	-763,796	0
- additional acquisition of equity shares of Sarajevostan d.d.	125,267	0	-125,267	0
- takeover of Avrigo, d.o.o.	184,853	0	0	184,853
- takeover of Integral Stojna Kočevje, d.o.o.	50,596	0	0	50,596
- takeover of Integral - Zagorje, d.o.o.	413,047	0	0	413,047
- takeover of Alptours d.o.o.	21,124	0	-21,124	0
TOTAL GOODWILL	**1,817,863**	**0**	**-1,169,368**	**648,495**

in EUR

	2013	2012
COST		
As at 1 January	**1,817,863**	**1,148,243**
- acquisition of subsidiaries	0	669,620
As at 31 December	**1,817,863**	**1,817,863**
ACCUMULATED AMORTISATION		
As at 1 January	**0**	**0**
- impairment	-1,169,368	0
As at 31 December	**-1,169,368**	**0**
CARRYING AMOUNT AS AT 31 DECEMBER	**648,495**	**1,817,863**

Goodwill impairment testing showed impairment indications for the investments in Triglav Svetovanje d.o.o., Golf Arboretum d.o.o., Lovćen Osiguranje a.d., Sarajevostan d.d. and Alptours d.o.o. According to the goodwill impairment testing results full impairment of goodwill was required for all the above stated investments.

The investment in Lovćen Osiguranje a.d. was tested by using the discounted cash flow method in the four-year forecast period, in accordance with projections contained in the document »2013–2017 Strategy« and adjusted by the cash flow realisation estimated for 2013 and 2014. The table below shows the key parameters used in value assessments.

Value assessment method	Material parameters	Parameter weight applied
DCF	g (growth rate in constant growth period)	2%
	operating margin before tax in the constant growth period (net profit/ gross premium)	5%
	re - discount rate	13.85%
	discount for the lack of liquidity	10%

The investment in Triglav Svetovanje, d.o.o. was measured based on the guidance that this company is crucial for retaining competitiveness in the insurance underwriting market.

As at the reporting date, both capital and the assessed liquidation value of Alptours d.o.o. were negative.

The investment in Golf Arboretum d.o.o. was measured using a company comparison approach.

The investment in Sarajevostan d.d., a company specialised in real property, was valued using the net asset value method, where real property was accounted for as the final asset. The value of the real property was assessed at an 18% discount rate.

In the consolidated financial statements a goodwill impairment loss of EUR 1.2 million was disclosed under other expenses. For Avrigo d.o.o., Integral Stojna Kočevje d.o.o. and Integral Zagorje d.o.o. the measured recoverable amounts were higher than carrying amounts and consequently no goodwill impairment was required.

6.2 Property, plant and equipment

in EUR

	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2012	**11,588,784**	**120,631,848**	**74,311,192**	**1,434,786**	**207,966,610**
- transfer in use	251,867	3,690,730	6,290,156	-10,232,753	0
- purchases	24,220	64,780	1,343,394	9,247,860	10,680,254
- disposals	-7,209	-1,393,637	-9,296,965	-18,014	-10,715,825
- reclasification	1,751,154	-2,764,956	-3,666,764	0	-4,680,566
- impairment	-53,268	-6,131,089	-65,606	0	-6,249,963
- external acquisition	1,672,752	6,917,806	32,418,359	0	41,008,917
- exchange rate differences	-8,295	-682,731	15,671	146	-675,209
As at 31 December 2012	**15,220,005**	**120,332,751**	**101,349,437**	**432,025**	**237,334,218**
- transfer in use	0	164,016	2,657,263	-2,821,279	0
- purchases	69,052	464,224	4,343,999	4,883,385	9,760,660
- disposals	-643,274	-19,332	-6,417,943	-2,791	-7,083,340
- reclasification	-179,184	-3,436,528	630,467	52,382	-2,932,863
- impairment	0	-1,016,767	-198,175	0	-1,214,942
- changes in consolidation area	0	0	10,006	0	10,006
- exchange rate differences	-61,756	-253,579	-165,094	-2,231	-482,660
As at 31 December 2013	**14,404,843**	**116,234,785**	**102,209,960**	**2,541,491**	**235,391,079**
ACCUMULATED DEPRECIATION					
As at 1 January 2012	**0**	**-25,796,900**	**-53,361,023**	**0**	**-79,157,923**
- depreciation for the current year	0	-2,259,230	-8,292,027	0	-10,551,257
- disposals	0	352,095	8,704,310	0	9,056,405
- reclasification	0	89,352	33,682	0	123,034
- impairment	0	272,156	60,034	0	332,190
- changes in consolidation area	0	-3,903,671	-22,979,407	0	-26,883,078
- exchange rate differences	0	187,107	-90,211	0	96,896
As at 31 December 2012	**0**	**-31,059,091**	**-75,924,642**	**0**	**-106,983,733**
- depreciation for the current year	0	-2,175,647	-9,875,920	0	-12,051,567
- disposals	0	5,529	5,965,396	0	5,970,925
- reclasification	0	673,163	-518,432	0	154,731
- impairment	0	30,946	162,663	0	193,609
- changes in consolidation area	0	0	-16,410	0	-16,410
- exchange rate differences	0	63,405	128,841	0	192,246
As at 31 December 2013	**0**	**-32,461,695**	**-80,078,504**	**0**	**-112,540,199**
CARRYING AMOUNT					
As at 31 December 2012	**15,220,005**	**89,273,660**	**25,424,795**	**432,025**	**130,350,482**
As at 31 December 2013	**14,404,843**	**83,773,090**	**22,131,456**	**2,541,491**	**122,850,884**

The depreciation charge for the current year is disclosed in several items of the income statement, as income statement expenses are recorded by functional group, as described in *Section 2.28*. For details, see expenses by nature and function in *Section 7.11*.

Reclassification of cost totalling EUR 3.4 million was due to the transfers of real property and tangible fixed assets to investment property, performed by Zavarovalnica Triglav and Triglav Nepremičnine.

6.3 Investment property

in EUR

	Land	Buildings	IP in course of acquisition	Total
COST				
As at 1 January 2012	**42,214,163**	**67,621,951**	**4,992**	**109,841,106**
- transfer in use	2,123,021	333,180	-2,456,201	0
- purchases	0	0	2,514,717	2,514,718
- disposals	-429,181	-4,791,344	0	-5,220,525
- reclasification	0	6,033,863	0	6,033,863
- changes in consolidation area	182,624	3,700,094	0	3,882,718
- exchange rate difference	-9,699	-39,903	0	-49,602
As at 31 December 2012	**44,080,928**	**72,857,841**	**63,508**	**117,002,277**
- transfer in use	83,780	180,131	-263,911	0
- purchases	945,489	1,287,297	386,072	2,618,858
- disposals	-178,051	-614,536	0	-792,587
- reclasification	138,511	3,383,769	-2,615	3,519,665
- impairment	-4,558,964	-1,712,653	0	-6,271,617
- exchange rate difference	-18,914	-86,186	0	-105,100
As at 31 December 2013	**40,492,779**	**75,295,663**	**183,054**	**115,971,496**
DEPRECIATION				
As at 1 January 2012	**0**	**-13,056,215**	**0**	**-13,056,215**
- depreciation for the current year	0	-1,650,016	0	-1,650,016
- disposals	0	158,492	0	158,492
- reclasification	0	-1,324,399	0	-1,324,399
- impairment	0	-29,558	0	-29,558
- changes in consolidation area	0	-913,809	0	-913,809
- exchange rate difference	0	89	0	89
As at 31 December 2012	**0**	**-16,815,416**	**0**	**-16,815,416**
- depreciation for the current year	0	-1,556,334	0	-1,556,334
- disposals	0	52,682	0	52,682
- reclasification	0	-632,488	0	-632,488
- impairment	0	213,416	0	213,416
- exchange rate difference	0	12,024	0	12,024
As at 31 December 2013	**0**	**-18,726,116**	**0**	**-18,726,116**
CARRYING AMOUNT				
As at 31 December 2012	**44,080,928**	**56,042,425**	**63,508**	**100,186,863**
As at 31 December 2013	**40,492,779**	**56,569,547**	**183,054**	**97,245,384**

Reclassification of cost totalling EUR 3.4 million was due to the transfers of real property and tangible fixed assets to investment property. Other instances of reclassification refer to transfers between cost accounts and accounts showing value adjustments of investment property, which had no impact on the carrying amount of investment property.

The Group leases its investment properties, i.e. individual business premises. All leasing agreements, stipulated for an initial period from one to ten years, may be rescinded at any moment. Rents do not include conditional rents.

All investment property income relates exclusively to rents and is shown in the income statement under the item »Other income« (see *Section 7.7*). All investment property expenses relate to depreciation and maintenance costs arising from the investment property and are shown in the income statement under the item »Other expenses« (see *Section 7.13*). Fair value is disclosed below.

in EUR

	31 December 2013	31 December 2012
Carrying amount	97,245,384	100,186,864
Estimated fair value	119,543,821	159,742,353

6.4 Investments in associates

In 2013 the Triglav Group did not acquire and associate company. The following changes regarding associates occurred:

- Triglav Skladi d.o.o. disposed ZIF Polara Invest Fond a.d., Banja Luka. The proceeds received for a 20.83% stake equalled EUR 1,967,399. The effect of this disposal was a loss of EUR 713,584, recognised in the income statement as a financial expense. In the consolidated financial statements the investment was accounted for using the equity method.
- In 2013, Tehnološki center varne vožnje Vransko d.o.o. was stricken out from the Companies Register based on a judicial winding-up order following a summary procedure. On a consolidated basis a loss of EUR 810 was recognised. In the consolidated financial statements the investment was accounted for using the equity method.
- In December 2013 the Bank of Slovenia issued a decision by which it annulled the shares issued by Abanka Vipa d.d. consequently these were stricken off the register kept by KDD.

The effect of the valuation of investments using the equity method is disclosed as a separate item in the income statement.

Summary financial information for Triglav Group associates

Name of the legal entity	Address	Tax rate (in %)	Activity	Share in capital (in %)		Voting rights (in %)		Value of investment (in EUR)	
				2013	2012	2013	2012	2013	2012
Elan skupina, d.o.o.	Begunje na Gorenjskem 1, Begunje na Gorenjskem, Slovenia	17	Holding company	25.05	25.05	25.05	25.05	0	220,693
Goriške opekarne d.d.	Merljaki 7, Renče, Slovenia	17	Manufacturing	46.74	46.74	46.74	46.74	0	108,535
Info TV d.d. – in liquidation	Brilejeva ul. 6, Ljubljana, Slovenia	17	Radio and television	-	41.41	-	41.41	-	0
Nama d.d.	Tomšičeva ulica 1, Ljubljana, Slovenia	17	Retail	39.07	39.07	39.07	39.07	4,281,456	4,296,703
Skupna pokojninska družba d.d.	Trg Republike 3, Ljubljana, Slovenia	17	Pension funds	30.14	30.14	30.14	30.14	2,901,445	3,262,269
Tehnološki center varne vožnje Vransko*	Vransko 66a, Vransko, Slovenia	17	Research and development	-	25.01	-	25.01	-	810
Triglavko d.o.o.	Ulica XXX. divizije 23, Nova Gorica, Slovenia	17	Insurance brokerage	38.47	38.47	38.47	38.47	14,825	13,366
ZIF Polara Invest Fond a.d.	Svetozara Markovića 5/5, Banja Luka, Republika srpska- BiH	10	Investment fund	-	20.83	-	20.83	-	2,680,984
ZIF Prof Plus	Veselina Masleše 1, Banja Luka, Republika srpska- BiH	10	Investment fund	22.09	22.11	22.09	22.11	3,006,946	3,800,821
TOTAL								**10,204,674**	**14,384,184**

* In 2013, Tehnološki center varne vožnje Vransko was stricken out from the Companies Register.

in EUR

Name of the legal entity	Assets		Liabilities		Equity		Revenues		Profit/Loss	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Elan skupina, d.o.o.	83,138,276	107,744,000	45,323,796	67,646,000	37,814,480	40,098,000	57,365,627	78,546,000	-1,760,594	-6,858,000
Goriške opekarne d.d.	13,468,842	14,388,509	9,033,334	9,214,784	4,435,508	5,173,725	6,672,717	6,868,497	-761,048	-1,539,645
Info TV d.d. – in liquidation	-	Ni podatka	-	Ni podatka	-	Ni podatka	-	Ni podatka	-	Ni podatka
Nama d.d.	12,489,786	12,345,071	2,032,783	1,849,078	10,457,003	10,495,993	12,841,834	14,104,058	97,475	134,774
Skupna pokojninska družba d.d.	No data	263,668,874	No data	246,764,252	No data	16,918,474	No data	6,269,379	No data	3,254,713
Tehnološki center varne vožnje Vransko	-	6,844	-	0	-	6,844	-	182	-	-43
Triglavko d.o.o.	143,906	187,091	54,780	101,759	89,126	85,332	369,015	532,122	3,793	-13,589
ZIF Polara Invest Fond a.d.	-	12,917,083	-	46,300	-	12,870,783	-	1,001,266	-	285,629
ZIF Prof Plus	22,906,963	26,401,626	254,025	155,628	22,652,938	26,245,998	611,852	821,338	2,273,355	1,628,220

6.5 Financial assets[112]

in EUR

	31 December 2013	31 December 2012
Held to maturity	224,880,951	228,416,165
At fair value through profit and loss	139,347,308	107,737,767
- designated	136,698,403	104,849,906
- held for trading	2,648,905	2,887,861
Available for sale	1,431,023,178	1,417,564,782
Loans and receivables	199,264,326	273,278,022
Unit-linked insurance assets	437,667,616	418,881,916
- at fair value through profit and loss	429,058,180	413,790,847
- loans and receivables	8,184,428	4,661,793
- available for sale	425,008	429,275
TOTAL	**2,432,183,379**	**2,445,878,652**

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

Overview of financial assets by type

in EUR

2013	HTM	FVTPL - held for trading	FVTPL - classified into this group	AFS	L&R	TOTAL
Debt and other fixed-return securities	224,880,951	207,417	135,494,892	1,294,300,257	28,673,047	1,683,556,564
Investments in shares, other floating-rate securities and fund coupons	0	17,618,191	414,341,917	130,929,936	0	562,890,044
Financial derivatives	0	665,166	52,414	0	0	717,580
Loans and receivables	0	3,623	21,869	6,217,990	174,608,859	180,852,341
- deposits with banks	0	0	0	0	111,742,125	111,742,125
- loans given	0	0	0	1,426,466	60,505,740	61,932,206
- other financial investments	0	3,623	21,869	4,791,524	2,360,994	7,178,010
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	4,166,848	4,166,848
TOTAL	**224,880,951**	**18,494,397**	**549,911,092**	**1,431,448,183**	**207,448,754**	**2,432,183,379**

in EUR

2012	HTM	FVTPL - held for trading	FVTPL - classified into this group	AFS	L&R	TOTAL
Debt and other fixed-return securities	228,416,165	0	154,826,027	1,257,599,388	51,738,939	1,692,580,519
Investments in shares, other floating-rate securities and fund coupons	0	15,932,053	344,918,549	155,598,917	0	516,449,519
Financial derivatives	0	289,434	1,163,846	0	0	1,453,280
Loans and receivables	0	0	4,398,706	4,795,752	222,014,998	231,209,456
- deposits with banks	0	0	0	0	158,405,271	158,405,271
- loans given	0	0	0	0	61,182,317	61,182,317
- other financial investments	0	0	4,398,706	4,795,752	2,427,410	11,621,868
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	4,185,878	4,185,878
TOTAL	**228,416,165**	**16,221,487**	**505,307,128**	**1,417,994,057**	**277,939,815**	**2,445,878,652**

112 For presentational ease, abbreviations of individual categories of financial assets are used in the disclosures:
- HTM – financial assets held to maturity
- FVTPL – financial assets at fair value through profit and loss
- AFS – financial assets available for sale
- L&R – loans and deposits
- ULI – financial assets of long-term business fund backing unit-linked insurance

Movements of financial assets

in EUR

FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	TOTAL
As at 1 January 2012	**245,218,283**	**83,543,191**	**1,192,865,726**	**439,712,248**	**364,684,374**	**2,326,023,820**
Purchases	4,961,442	109,677,916	930,345,023	595,363,149	35,878,027	1,676,225,557
Maturities	-23,176,148	-76,946,719	-720,405,477	-80,088,113	-11,218,407	-911,834,864
Disposals	-13,691,802	-10,361,708	-83,578,577	-696,590,196	-335,372	-804,557,655
Amount removed from equity at disposal	0	0	19,140,625	0	0	19,140,625
Valuation trough profit and loss	0	-536,601	-40,271,042	-355,117	29,166,164	-11,996,596
Valuation trough equity	0	0	76,298,875	0	0	76,298,875
Impairments	-511,188	0	-221,160	-58,808	0	-791,156
Premiums and discounts	3,854,533	0	575,233	-258,454	193,918	4,365,230
Interest income	11,767,377	3,027,378	42,625,153	15,475,768	532,202	73,427,878
Exchange rate difference	-6,332	-665,690	190,403	77,545	-18,990	-423,062
As at 31 December 2012	**228,416,165**	**107,737,767**	**1,417,564,782**	**273,278,022**	**418,881,916**	**2,445,878,652**
Purchases	0	106,479,762	1,006,359,385	370,579,669	119,039,276	1,602,458,092
Maturities	0	-46,388,554	-876,111,208	-101,177,635	-113,443,704	-1,137,121,101
Disposals	-14,341,608	-25,705,990	-146,083,693	-348,835,585	-233,706	-535,200,582
Amount removed from equity at disposal	0	0	20,371,314	0	0	20,371,314
Valuation trough profit and loss	0	-6,977,386	-1,858,006	-682,966	12,894,973	3,376,615
Valuation trough equity	0	0	-7,243,421	0	-796	-7,244,217
Impairments	-448,648	0	-20,379,347	-4,809,742	0	-25,637,737
Premiums and discounts	3,921,435	0	-247,350	248,170	201,723	4,123,978
Interest income	7,298,748	4,305,084	42,087,188	10,976,737	318,533	64,986,290
Exchange rate difference	34,859	-103,375	-3,436,473	-312,344	9,401	-3,807,932
As at 31 December 2013	**224,880,951**	**139,347,308**	**1,431,023,178**	**199,264,326**	**437,667,616**	**2,432,183,379**

6.6 Reinsurers' share of technical provisions

in EUR

NON-LIFE INSURANCE	31 December 2013	31 December 2012
Reinsurers' share of unearned premiums	15,147,591	16,382,042
Reinsurers' share of claims	49,555,929	67,190,188
Reinsurers' share of other technical provisions	0	0
TOTAL NON-LIFE INSURANCE	**64,703,520**	**83,572,230**
LIFE INSURANCE		
Reinsurers' share of unearned premiums	4,008	3,482
Reinsurers' share of other mathematical provisions	0	0
TOTAL LIFE INSURANCE	**4,008**	**3,482**
TOTAL ASSETS FROM REINSURANCE CONTRACTS	**64,707,528**	**83,575,712**

6.7 Receivables

Receivables by maturity

in EUR

31 December 2013	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			TOTAL NET VALUE
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	**70,006,602**	**-85,791**	**69,920,811**	**25,390,099**	**-5,435,008**	**19,955,091**	**80,006,185**	**-73,922,158**	**6,084,027**	**95,959,929**
Receivables from insurers	68,038,136	-85,769	67,952,367	23,161,908	-5,209,866	17,952,042	70,471,216	-65,172,802	5,298,414	91,202,823
Receivables from insurance brokers	421,497	0	421,497	960,608	-98,934	861,674	876,306	-191,205	685,101	1,968,272
Other receivables from direct insurance operations	1,546,969	-22	1,546,947	1,267,583	-126,208	1,141,375	8,658,663	-8,558,151	100,512	2,788,834
RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	**26,227,087**	**0**	**26,227,087**	**7,144,458**	**-2,073,685**	**5,070,773**	**12,024,679**	**0**	**12,024,679**	**43,322,539**
Premium receivable from co-insurance	794,372	0	794,372	225,664	0	225,664	0	0	0	1,020,036
Premium receivable from reinsurance	17,543,682	0	17,543,682	2,471,929	0	2,471,929	10,642,644	0	10,642,644	30,658,255
Receivables from co-insurers' share in claims	134,845	0	134,845	12,676	0	12,676	0	0	0	147,521
Receivables from reinsurers' share in claims	5,399,327	0	5,399,327	4,210,079	-2,073,685	2,136,394	1,362,163	0	1,362,163	8,897,884
Other receivables from co-insurance and reinsurance operation	2,354,861	0	2,354,861	224,110	0	224,110	19,872	0	19,872	2,598,843
RECEIVABLES FOR INCOME TAX REFUND	**14,724,095**	**0**	**14,724,095**	**0**	**0**	**0**	**0**	**0**	**0**	**14,724,095**
OTHER RECEIVABLES	**31,518,617**	**-54,785**	**31,463,832**	**10,732,308**	**-1,922,012**	**8,810,296**	**96,719,442**	**-94,671,352**	**2,048,090**	**42,322,218**
Other short-term receivables from insurance operations	6,483,176	-120	6,483,056	5,120,913	-1,813,238	3,307,675	91,839,914	-89,876,096	1,963,818	11,754,549
Short-term receivables from financing	6,567,249	-1,120	6,566,129	96,604	-16,141	80,463	457,413	-242,515	214,898	6,861,490
Other short-term receivables	15,316,854	-5,145	15,311,709	5,514,791	-92,633	5,422,158	4,422,115	-4,552,741	-130,626	20,603,241
Long-term receivables	3,151,338	-48,400	3,102,938	0	0	0	0	0	0	3,102,938
TOTAL	**142,476,401**	**-140,576**	**142,335,825**	**43,266,865**	**-9,430,705**	**33,836,160**	**188,750,306**	**-168,593,510**	**20,156,796**	**196,328,781**

v EUR

31 December 2012	NOT DUE			OVERDUE UP TO 180 DAYS			OVERDUE OVER 180 DAYS			TOTAL NET VALUE
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value	
RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	**76,026,464**	**-43,965**	**75,982,499**	**29,387,603**	**-6,149,102**	**23,238,501**	**77,507,695**	**-72,863,694**	**4,644,001**	**103,865,001**
Receivables from insurers	74,188,151	-43,965	74,144,186	26,501,239	-6,041,737	20,459,502	68,986,324	-64,955,304	4,031,020	98,634,708
Receivables from insurance brokers	543,446	0	543,446	1,269,123	-37,231	1,231,892	622,771	-117,560	505,211	2,280,549
Other receivables from direct insurance operations	1,294,867	0	1,294,867	1,617,241	-70,134	1,547,107	7,898,600	-7,790,830	107,770	2,949,744
RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	**28,956,260**	**0**	**28,956,260**	**5,278,236**	**0**	**5,278,236**	**8,708,288**	**0**	**8,708,288**	**42,942,784**
Premium receivable from co-insurance	914,306	0	914,306	116,483	0	116,483	276	0	276	1,031,065
Premium receivable from reinsurance	20,912,449	0	20,912,449	1,573,424	0	1,573,424	8,073,133	0	8,073,133	30,559,006
Receivables from co-insurers' share in claims	564,438	0	564,438	89,383	0	89,383	0	0	0	653,821
Receivables from reinsurers' share in claims	3,994,790	0	3,994,790	3,426,350	0	3,426,350	591,959	0	591,959	8,013,099
Other receivables from co-insurance and reinsurance operation	2,570,277	0	2,570,277	72,596	0	72,596	42,920	0	42,920	2,685,793
RECEIVABLES FOR INCOME TAX REFUND	**9,331,709**	**0**	**9,331,709**	**0**	**0**	**0**	**0**	**0**	**0**	**9,331,709**
OTHER RECEIVABLES	**24,911,898**	**-190,773**	**24,721,123**	**15,375,108**	**-3,771,391**	**11,603,717**	**91,776,200**	**-89,390,484**	**2,385,716**	**38,710,558**
Other short-term receivables from insurance operations	6,392,903	0	6,392,903	6,328,856	-2,486,004	3,842,852	87,824,802	-85,844,234	1,980,568	12,216,323
Short-term receivables from financing	1,175,685	232	1,175,917	1,226,040	-45,095	1,180,945	323,841	-238,357	85,484	2,442,346
Other short-term receivables	13,817,748	-191,005	13,626,741	7,820,212	-1,240,292	6,579,920	3,627,557	-3,307,893	319,664	20,526,327
Long-term receivables	3,525,562	0	3,525,562	0	0	0	0	0	0	3,525,562
TOTAL	**139,226,331**	**-234,738**	**138,991,593**	**50,040,947**	**-9,920,493**	**40,120,454**	**177,992,183**	**-162,254,178**	**15,738,005**	**194,850,052**

6.8 Other assets

in EUR

	31 December 2013	31 December 2012
Inventories	23,345,050	27,159,826
Deferred costs	2,750,061	5,880,361
Other assets	878,654	640,221
TOTAL	**26,973,765**	**33,680,408**

Inventories include investment property for sale in the amount of EUR 18.0 million (vs. 2012: EUR 23.1 million).

6.9 Cash and cash equivalents

in EUR

	31 December 2013	31 December 2012
Cash in bank accounts in EUR	10,054,833	5,128,879
Deposits redeemable at notice	10,077,961	3,397,733
Cash in bank accounts in other currencies	8,256,370	8,533,441
Cash on hand and cheques in EUR	49,942	41,841
Cash on hand and cheques in other currencies	55,323	135,592
Cash in transit	486,906	0
Other	87,223	13,935
TOTAL	**29,068,558**	**17,251,420**

Total cash amount in line Other includes EUR 82,883 of cash reserved for claims payments.

6.10 Non-current assets held for sale

The amount of non-current assets held for sale arise from property recognized by the group company Slovenijales.

in EUR

	31 December 2013	31 December 2012
Non-current assets held for sale	2,123,349	2,337,617
TOTAL	**2,123,349**	**2,337,617**

6.11 Equity

As at 31 December 2013, the share capital amounted to EUR 73,701,392. The share capital was divided into 22,735,148 no-par value shares. Each share represents the same stake and a corresponding amount in the share capital. The portion of each no-par value share in the share capital is determined on the basis of the number of no-par value shares issued. All of the shares have been paid up in full.

Top 10 shareholders of Zavarovalnica Triglav are listed below.

Shareholder	Number of shares		Percentage of ownership (in %)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Zavod za pokojninsko in invalidsko zavarovanje, Ljubljana, Slovenia	7,836,628	7,836,628	34.47	34.47
Slovenska odškodninska družba, d.d., Ljubljana, Slovenia	6,380,728	6,380,728	28.07	28.07
Hypo Alpe Adria Bank d.d. Zagreb, Croatia	825,769	0	3.63	0
Claycroft Limited, Nicosia, Cyprus	404,460	404,460	1.78	1.78
Hrvatska Poštanska banka d.d, Zagreb, Croatia	347,182	140,228	1.53	0.62
Skandinaviska Ensklida Banken S.A Luxembourg, Luxembourg	334,516	0	1.47	0
Eastern European Fund, Luxembourg, Luxembourg	333,034	0	1.46	0
Hypo Alpe Adria Bank AG Klagenfurt, Klagenfurt, Austria	279,164	280,720	1.23	1.23
Unicredit Bank Austria AG, Vienna, Austria	201,349	184,562	0.89	0.81
Pozavarovalnica Sava, d.d., Ljubljana, Slovenia	197,489	30,124	0.87	0.13
Other shareholders (each less then 1%)	5,594,829	7,477,698	24.60	32.89
TOTAL	**22,735,148**	**22,735,148**	**100.00**	**100.00**

Stock exchange listing and share price

On 5 December 2011, the shares of Zavarovalnica Triglav bearing the ZVTG ticker were transferred from the Standard to the Prime Market of the Ljubljana Stock Exchange. By listing shares on LJSE Prime Market, Zavarovalnica Triglav became one of the most prominent issuers at the Ljubljana Stock Exchange.

The quoted price of the Company's share on the Ljubljana Stock Exchange at the year end is given below.

in EUR

	31 December 2013	31 December 2012
Quoted price of the share	19.00	16.50
Carrying amount per share[113]	25.70	24.98

Dividends

in EUR

	2013	2012
Dividends to be distributed to shareholders[114]	Not decided yet	45,404,032
Dividend per share	-	2.00

113 Carrying amount per share is calculated using the amount of controlling interests.

114 The total amount of dividend salso includes amounts to be paid to non-controlling interest holders.

Authorised capital

In accordance with the Memorandum and Articles of Association of Zavarovalnica Triglav, in the period to 28 June 2016 the Management Board of Zavarovalnica Triglav is authorised to increase the share capital by up to EUR 11,055,209 with new share issues. The Management Board decides on new share issues, the amount of capital increases, the rights attached to new shares and the conditions of new share issues subject to the approval of the Supervisory Board.

To date, Zavarovalnica Triglav has not yet exercised the right to increase its share capital from said authorisation.

Reserves from profit

In addition to legal and treasury share reserves, reserves from profit also comprise credit risk equalisation reserves and other profit reserves.

According to the ZGD-1, the Management Board of Zavarovalnica Triglav may allocate net profit for the year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations. In addition to prudent risk management, strategic capital needs are considered when forming these profit reserves.

Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act. The calculation of these reserves is also stipulated by local legislation in Montenegro. The abovementioned legal requirements treat these equalisation reserves as insurance technical provisions. Any change in these reserves should be recognised through the income statement. Since the above mentioned requirements do not comply with IFRS, insurance companies in compliance with IFRS disclose equalisation provisions in reserves from profit. Any changes in these reserves are also recognised as an increase or decrease in the net profit/loss for the year in the statement of changes in equity.

Reserves from treasury shares and treasury shares (as a deductible item)

In 2008, Slovenijales d.d. acquired 24,312 shares of Zavarovalnica Triglav d.d. worth EUR 364,680. The company Avrigo d.d. acquired 8,820 shares of Zavarovalnica Triglav, worth EUR 88,200. In the consolidated statement of financial position, they are disclosed as a deductible equity item of the same amount. Equivalent reserves for treasury shares are formed for these shares in the consolidated statement of financial position (from profit from previous years).

Fair value reserve

The fair value reserve represents changes in the fair value of available-for-sale financial assets. The fair value reserve is reduced by the deferred tax liabilities. Changes in the fair value reserve are specified in more detail in the statement of comprehensive income in *Chapter III – Consolidated Financial Statements (Consolidated Statement of Comprehensive Income)*.

Currency translation adjustment

Currency translation differences arise from foreign exchange differences in consolidation procedures. In 2013, the currency translation adjustment totalled EUR 654,056 (vs. EUR 613,879 in 2012)[115], primarily due to the decrease in the Serbian dinar (RSD).

115 The amount does not include translation differences relating to non-controlling interests.

Notes to the statement of changes in equity

The following changes are shown in the statement of changes in equity for 2013:

- The Management Board of Zavarovalnica Triglav allocated EUR 23,2 million of net profit earned in 2013 to statutory reserves.
- Based on the resolution passed by the General Meeting of Shareholders of Zavarovalnica Triglav on 11 June 2013 on the distribution of the accumulated profit for 2012, EUR 45.5 million were allocated to dividend payments. For consolidation purposes the dividends paid to Slovenijales of EUR 48,624 and to Avrigo EUR 17,640 were eliminated.
- Sarajevostan d.d. and Triglav Osiguranje a.d.o., Banja Luka, allocated EUR 113 thousand to legal and statutory reserves. Triglav Osiguranje d.d., Zagreb, allocated EUR 4 thousand to contingency reserves. These reserves were formed out of net profit brought forward.
- Credit risk equalisation reserves of Pozavarovalnica Triglav d.d. increased by EUR 128 thousand.
- Share premium grew by EUR 118 thousand as a result of acquiring equity holdings in Slovenijales d.d. from non-controlling interest holders. The change in the equity holding in turn decreased the equity held by the non-controlling interest holders to EUR 804 thousand.

6.12 Subordinated liabilities

in EUR

	Amortised cost		Fair value	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
ZT01 bonds	0	8,769,000	0	9,038,213
ZT02 bonds	28,244,484	28,256,550	31,093,767	30,793,767
TOTAL SUBORDINATED LIABILITIES	**28,244,484**	**37,025,550**	**31,093,767**	**39,831,980**

The total amount of subordinated liabilities refers to Zavarovalnica Triglav bonds.

The ZT01 bonds were issued in 2003 as euro-doniminated subordinated bonds in a dematerialised form. The fell due on 20 October 2013. On the due date the principal and the last coupon were paid to bondholders amouting to EUR 8,790,000 and EUR 450,411 respectively.

As at the balance sheet date the principal of the ZT02 bonds – issued in 2009 as euro-doniminated subordinated registered bonds in a dematerialised form – was recognised as a subordinated liability. A total of 30,000 bonds worth EUR 1,000 each were issued. All the bonds were sold. The fixed interest rate of the bond is 250 basis points above the 10-year mid-swap rate as at 15 December 2009 and equals 5.95% p.a. The last coupon and the principal will fall due on 21 March 2020.

Issued bonds are disclosed at amortised cost. For the calculation of fair values, the last known price on the Ljubljana Stock Exchange is taken into account. The price for ZT02 as at 31 December 2013 was 99% (vs. 99% as at 31 December 2012).

In the event of winding-up or liquidation, liabilities arising from the above-mentioned bond issue are subordinated to net debt instruments and payable only after the satisfaction of all non-subordinated liabilities to ordinary creditors. These bonds may not be cashed before the maturity set by the amortisation schedule, and likewise Zavarovalnica Triglav has no right to redeem them before maturity.

The bonds are not convertible into capital or any other form of debt. ZT02 bonds were listed on the Ljubljana Stock Exchange in 2010.

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

in EUR

	31 December 2013	31 December 2012
NON-LIFE INSURANCE		
GROSS PROVISIONS FOR UNEARNED PREMIUMS	**257,615,712**	**268,008,937**
Gross provision for unearned premiums	257,485,291	267,877,005
Gross provisions for unearned premiums from coinsurance	130,421	131,931
GROSS CLAIMS PROVISIONS	**654,272,061**	**702,745,646**
Gross provisions for incurred and reported claims	242,962,715	263,591,097
Gross claims provisions for co-insurance	1,193,378	1,374,658
Gross claims provisions for IBNR and IBNER	377,786,972	400,367,167
Expected subrogation	-8,882,297	-8,886,913
Provisions for claim handling costs	41,211,293	46,299,638
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	**15,399,739**	**17,153,835**
TOTAL OTHER INSURANCE TECHNICAL PROVISIONS	**7,595,652**	**9,216,323**
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	**934,883,164**	**997,124,741**
LIFE INSURANCE		
GROSS UNEARNED PREMIUM PROVISIONS	**450,957**	**415,636**
GROSS MATHEMATICAL PROVISIONS*	**870,733,006**	**869,949,936**
Gross mathematical provisions covering life insurance	701,447,399	702,665,715
Gross mathematical provisions covering SVPI	152,073,435	158,074,465
Gross mathematical provisions covering SVPI during the annuity pay-out period	17,212,172	9,209,756
GROSS CLAIMS PROVISIONS	**20,164,185**	**20,430,469**
OTHER TECHNICAL PROVISIONS	**0**	**0**
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	**891,348,148**	**890,796,041**
TOTAL INSURANCE TECHNICAL PROVISIONS	**1,826,231,312**	**1,887,920,782**
GROSS MATHEMATICAL PROVISIONS COVERING ULI	**435,201,724**	**417,338,984**

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

Analysis of changes in insurance technical provisions

in EUR

NON-LIFE INSURANCE	1 January 2013	Increase (formation)	Use	Release	Exchange rate difference	31 December 2013
Gross unearned premium	268,008,937	181,224,071	-181,293,733	-9,334,052	-989,511	257,615,712
Gross claims provisions	702,745,646	179,269,136	-100,427,925	-124,501,333	-2,813,465	654,272,061
Gross provisions for bonuses and discounts	17,153,835	10,584,917	-7,304,854	-5,033,733	-426	15,399,739
Other gross insurance technical provisions	9,216,323	2,969,426	-3,257,029	-1,303,701	-29,367	7,595,652
TOTAL	**997,124,741**	**374,047,550**	**-292,283,541**	**-140,172,819**	**-3,832,769**	**934,883,164**

in EUR

LIFE INSURANCE	1 January 2013	Increase (formation)	Use	Release	Exchange rate difference	31 December 2013
Gross unearned premium	415,636	446,497	-409,164	-1,968	-44	450,957
Gross mathematical provisions	869,949,936	108,294,117	-106,268,493	-936,565	-305,989	870,733,006
Gross claims provisions	20,430,469	12,877,482	-8,033,410	-5,104,036	-6,320	20,164,185
Gross mathematical provisions for unit-linked insurance	417,338,984	68,674,960	-50,172,974	-526,704	-112,542	435,201,724
TOTAL	**1,308,135,025**	**190,293,056**	**-164,884,041**	**-6,569,273**	**-424,895**	**1,326,549,872**

Analysis of the decrease in gross mathematical provisions

in EUR

	Leto 2013	Leto 2012
Surrenders	39,829,912	48,885,707
Endowments	58,955,949	53,358,103
Deaths	2,683,606	2,503,099
Other	5,735,590	5,736,800
TOTAL	**107,205,057**	**110,483,709**

Analysis of changes in loss events for non-life insurance

in EUR

	Before 2005	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL*
Cumulative loss assessment											
- at the end of year of occurrence	345,954,557	337,227,075	395,532,468	452,588,309	580,563,977	560,952,881	535,615,958	509,028,152	537,773,397	540,980,548	4,796,217,324
- 1 year after year of occurrence	364,915,806	349,418,055	388,699,228	441,568,602	558,871,106	502,868,739	492,902,084	461,311,067	539,573,012	0	4,100,127,700
- 2 years after year of occurrence	388,566,812	364,418,433	386,951,625	437,542,206	531,833,942	492,609,753	473,335,579	474,755,005	0	0	3,550,013,356
- 3 years after year of occurrence	419,309,049	394,812,349	391,396,176	429,583,969	530,609,243	484,758,847	479,637,277	0	0	0	3,130,106,910
- 4 years after year of occurrence	493,011,817	437,600,736	391,600,750	430,229,469	526,347,769	484,136,193	0	0	0	0	2,762,926,734
- 5 years after year of occurrence	527,660,587	462,894,947	391,808,717	426,895,003	527,163,911	0	0	0	0	0	2,336,423,166
- 6 years after year of occurrence	550,965,574	481,557,073	397,476,476	429,407,513	0	0	0	0	0	0	1,859,406,635
- 7 years after year of occurrence	547,869,910	495,484,757	391,351,183	0	0	0	0	0	0	0	1,434,705,850
- 8 years after year of occurrence	547,025,194	480,485,720	0	0	0	0	0	0	0	0	1,027,510,914
- 9 years after year of occurrence	522,940,608	0	0	0	0	0	0	0	0	0	522,940,608
Cumulative loss assessment	**4,870,430,971**	**480,485,720**	**391,351,183**	**429,407,513**	**527,163,911**	**484,136,193**	**479,637,277**	**474,755,005**	**539,573,012**	**540,980,548**	**9,217,921,333**
Cumulative payments until balance sheet date	508,884,337	466,618,313	371,203,137	402,623,619	495,334,612	444,661,090	425,809,423	403,702,223	412,855,706	292,582,154	4,224,274,613
CLAIM PROVISIONS BALANCE	**14,056,271**	**13,867,407**	**20,148,046**	**26,783,893**	**31,829,300**	**39,475,104**	**53,827,854**	**71,052,783**	**126,717,306**	**248,398,394**	**646,156,358**

* The triangle includes gross claims provisions for incurred and reported claims as well as gross claims provisions for IBNER.

6.14 Employee benefits

in EUR

	31 December 2013	31 December 2012
Provisions for unused leave	3,743,359	3,529,472
Provisions for retirement benefits	6,120,337	5,559,233
Provisions for jubilee payments	1,537,686	1,484,968
TOTAL	**11,401,382**	**10,573,673**

Changes in employee benefits

in EUR

	2013	2012
AS AT 1 JANUARY	**10,573,674**	**10,392,164**
Increase	4,667,519	1,371,253
Decrease	-3,839,811	-1,189,744
AS AT 31 DECEMBER	**11,401,382**	**10,573,673**

For the maturity structure of employee benefits see *Section 4.3.4*.

Development of provisions for retirement benefits and jubilee payments

in EUR

	Provisions for retirement benefits	Provisions for jubilee payments	Total
PROVISIONS AS AT 31 DECEMBER 2012	**5,559,233**	**1,484,968**	**7,044,201**
Current service cost	487,800	241,375	729,175
Interest cost	90,645	8,954	99,599
Actuarial gains/losses due to:	24,175	45,006	69,181
- changes in demographic assumptions	235,748	5,509	241,257
- changes in financial assumptions	-286,534	-19,500	-306,034
- experience adjustments	74,961	58,997	133,958
Past service cost	3,357	-9,499	-6,142
Benefits paid during the year	-243,662	-193,364	-437,026
Gains/losses upon payment	14,730	-37,543	-22,813
Foreign exchange differentials	-2,677	-2,211	-4,888
PROVISIONS AS AT 31 DECEMBER 2013	**5,933,601**	**1,537,686**	**7,471,287**

Changes in provisions for unused annual leave and jubilee payments are fully recognised as operating expenses in the income statement. The same applies to changes in provisions for retirement benefits, excluding actuarial gains and losses. The letter are recognised in comprehensive income where the differed tax charge is accounted for.

Sensitivity analysis of parameter changes

in EUR

Parameter	Parameter change	2013
Interest rate	shift in the discount curve by +0.25%	-326,178
	shift in the discount curve by -0.25%	363,271
Wage growth	change in annual wage growth by +0.5%	512,635
	change in annual wage growth by -0.5%	-450,019
Mortality rate	constant increase in mortality by +20%	-259,472
	constant increase in mortality by -20%	299,817
Early employment termination	shift in the expense curve by +20%	-298,235
	shift in the expense curve by -20%	326,386

6.15 Other provisions

in EUR

	1 January 2013	Increase (formation)	Use	Release	Changes in consolidation area	Exchange rate difference	31 December 2013
Provisions for litigation	10,103,407	1,210,187	-20,794	-3,126,492	0	-1,989	8,164,318
Guarantee fund provisions	6,233,311	0	-1,328,022	0	0	-447,200	4,458,089
Other long-term provisions	3,284,834	1,288,716	-795,598	-173,765	0	-7,864	3,596,321
TOTAL	**19,621,552**	**2,498,903**	**-2,144,414**	**-3,300,257**	**0**	**-457,054**	**16,218,730**

The increase in other provisions is shown as »Other income« in the income statement. Other provisions include provisions for litigation, which mostly arise from the legal action of Jugobanka against Slovenijales (EUR 6.7 million). For detail, see *Section 8.6*.

The maturity of over 90% of other provisions is above 12 months.

6.16 Deferred tax assets and liabilities

in EUR

	31 December 2013	31 December 2012
DEFERRED TAX ASSETS		
As at 1 January	**34,434,717**	**40,661,243**
Increase	0	0
Decrease	-10,737,918	-6,226,526
As at 31 December	**23,696,799**	**34,434,717**
DEFERRED TAX LIABILITIES		
As at 1 January	**21,351,998**	**9,613,587**
Increase	0	11,738,411
Decrease	-2,886,956	0
As at 31 December	**18,465,042**	**21,351,998**
NET DEFERRED TAX ASSETS	**5,231,757**	**13,082,719**

Deferred tax assets are recognised for temporary differences arising from the impairment of receivables, financial assets and investment property, from employee benefits and from differences between the tax and carrying amount on property, plant and equipment.

Deferred tax liabilities are recognised due to the valuation of available-for-sale financial assets.

The change in deferred tax assets is recognised in the income statement, increasing and/or decreasing income tax expense, whilst the change in deferred tax liabilities is recognised in other comprehensive income. The impact of changes on the income statement and the comprehensive income is shown in *Section 7.14*.

6.17 Other financial liabilities

in EUR

	31 December 2013	31 December 2012
Loans from banks	24,925,491	29,080,514
Long-term liabilities for a finance lease	7,350,411	6,733,166
Other financial liabilities	2,145,383	2,691,788
Loans from other institutions	10,116	875,097
Loans secured by fixed-return securities	359,597	0
TOTAL FINANCIAL LIABILITIES	**34,790,998**	**39,380,566**

As at 31 December 2013 the Group has outstanding liabilities for loans totalling EUR 24.9 million (vs. EUR 29.95 million as at 31 December 2012). Outstanding liabilities refer to loans received by non-insurance group entities in the amount of EUR 21.9 million and loans received by insurance group entities in the amount of EUR 3.0 million. The interest rates on these loans range between 4.29% and 6.0%.

Long-term liabilities for a finance lease are related to Triglav Osiguranje, Zagreb in the amount of EUR 5.7 million for rental of premises in Zagreb.

Other financial liabilities mostly refer to liabilities for security purchases.

6.18 Operating liabilities

in EUR

	31 December 2013	31 December 2012
DIRECT INSURANCE LIABILITIES	20,247,893	20,811,717
Liabilities towards policyholders	12,285,427	12,851,060
Liabilities towards insurance brokers	2,395,818	1,870,713
Other liabilities from direct insurance operations	5,540,389	6,053,381
Liabilities from direct insurance operations towards Group companies	26,259	36,563
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	**35,338,592**	**36,744,115**
Liabilities from re/coinsurance premiums	15,905,613	16,205,989
Liabilities from the share of claims from co-insurance	9,585,873	10,523,112
Other re/coinsurance liabilities	9,847,106	10,015,014
Current tax liabilities	**739,048**	**594,275**
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	**56,325,533**	**58,150,107**

All liabilities are short-term and are to be settled within the next 12 months.

6.19 Other liabilities

in EUR

	31 December 2013	31 December 2012
Short-term liabilities to employees	13,298,990	14,412,755
Other short-term liabilities from insurance operations	9,366,659	10,382,563
Other short-term liabilities	28,172,152	24,874,389
Accrued costs and expenses	4,827,460	4,726,411
Other accruals	4,025,423	3,485,307
TOTAL OTHER LIABILITIES	**59,690,684**	**57,881,425**

Other short-term liabilities from insurance operations include payments to the claim fund, liabilities from insurance contract tax, fire tax and other liabilities related to insurance operations.

Other short-term liabilities include accounts payable and all of the liabilities from non-insurance companies.

All liabilities are short-term and are to be settled within the next 12 months.

6.20 Fair value of assets and liabilities

In measuring financial assets at fair value Zavarovalnica Triglav applied the following fair value hierarchy:

- Level 1: valuation through market prices quoted for identical assets in an active market (stock exchange prices and Bloomberg generic prices). This group includes financial assets with available market prices in an active market, as well as listed derivative financial instruments.
- Level 2: valuation through comparable market data or directly observable market inputs (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset;

- Level 3: valuation through valuation models mostly using unobservable market inputs. This group includes shares in companies with no active market, valued through valuation models using unobservable market inputs, and security holdings measured at historical cost, since their fair value cannot be reliably measured.

The table below shows the fair value measurements of financial assets and liabilities, classified according to the fair value hierarchy as at 31 December 2013.

in EUR

	Measurement date	Level 1	Level 2	Level 3	Total
ASSETS - measured at fair value					
Equity securities	31 Dec 2013	100,585,382	19,259,388	18,101,149	137,945,919
Debt securities	31 Dec 2013	1,340,025,859	90,059,034	192,004	1,430,276,897
Derivative financial instruments	31 Dec 2013	287,368	433,834	0	721,202
Unit-linked insurance assets	31 Dec 2013	333,284,270	96,198,917	0	429,483,187
ASSETS - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2012 and 31 Dec 2013	0	0	102,965,658	102,965,658
Land and buildings for investment activities	30 June 2013	0	0	119,543,821	119,543,821
Held-to-maturity assts	31 Dec 2013	236,633,885	0	0	236,633,885
LIABILITIES - fair value disclosed					
Subordinated bonds	31 Dec 2013	31,093,767	0	0	31,093,767

Financial assets carried at fair value

in EUR

	31 December 2013	31 December 2012
FINANCIAL ASSETS AVAILABLE FOR SALE	**1,431,023,178**	**1,417,564,788**
- Level 1	1,331,863,366	1,242,542,219
- Level 2	81,802,204	142,583,765
- Level 3	17,357,608	32,438,804
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**568,830,495**	**526,619,684**
- Level 1	439,997,336	388,283,287
- Level 2	127,897,615	137,754,828
- Level 3	935,544	581,569

Value assessment techniques and inputs used for measurement purposes

Financial asset	Assessment technique	Main parameters	Applied % of parameter	Fair value hierarchy
EXTERNAL APPRAISERS				
Debt securities				
- debt securities – companies and financial institutions	cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve		level 2
- debt securities - composite	stochastic model	issuer required rate of return, index level, gap risk value		level 2
Equity securities	stochastic model	issuer required rate of return, index level, gap risk value		level 2
Derivatives	Black-Scholes scholastic	index volatility		level 2
INTERNAL APPRAISERS				
Debt securities				
- debt sec. - government	cash flow discounting according to amortisation schedule	interest rate curve R Slovenia	1st year: 1.945% ... 15th year: 5.417%	level 2
- debt sec. - companies and finan. institutions	cash flow discounting according to amortisation schedule	interest rate curve R Slovenia, issuer credit spreads, value of a comparable finan. instrument	credit spread between 2.1 - 2.8%	level 2
- debt sec. – composite	instrument comparison approach, Bloomberg, stochastic model	value of a comparable finan. instrument, interest rate level and volatility		level 2
Equity securities				
	cash flow discounting, company comparison approach, asset accumulation method	g (growth rate in constant growth period)	2%	level 3
		EBIT margin (constant growth period)	32.80%	level 3
		discount rate	14.80%	level 3
		discount for the lack of liquidity	10%	level 3

Level 3 financial assets

in EUR

	AFS	FVTPL	TOTAL
VALUE AS AT 1 JANUARY 2012	**54,561,860**	**0**	**54,561,860**
Purchases	805,158	526,173	1,331,331
Disposals	-3,657,062	0	-3,657,062
Revaluation through profit or loss	-14,696,813	0	-14,696,813
Revaluation trhough equity	-4,574,339	55,396	-4,518,943
VALUE AS AT 31 DECEMBER 2012	**32,438,804**	**581,569**	**33,020,373**
Purchases	205,948	1,672,499	1,878,447
Disposals	-6,243,942	-2,264,465	-8,508,407
Revaluation through profit or loss	-9,605,401	4,484	-9,600,917
Revaluation trhough equity	-688,053	941,457	253,404
Transfers from levels 1 and 2	1,250,253	0	1,250,253
VALUE AS AT 31 DECEMBER 2013	**17,357,608**	**935,544**	**18,293,152**

The disposal of Level 3 financial assets included:

- a loss of EUR 1,310 thousand disclosed in the income statement as expenses from financial assets;
- shares issued by NLB d.d. worth EUR 4,352 thousand which were declared null are disclosed as sold or disposed of. Before the annulment the investment was fully impaired. Expenses from impairment are disclosed as expenses from financial assets in the income statement.

The sensitivity analysis shows the level of increase or decrease in the fair value of Level 3 equity financial assets in case of differently applied assumptions that are not based on available market data (nominal discount rates ranging from 10% to 13.75%; long-term growth rates of free cash flows – g ranging from 0% to 2.5%). The table below shows range calculations:

Non-marketable investments (Level 3)	Total value in euros	Deviation of the estimated value +/-
Value as at 31 December 2012	33,020,373	-9,100,000/+5,400,000
Value as at 31 December 2013	18,293,152	-4,300,000/+2,900,000

Reclassification of financial assets between levels

In 2013, the following reclassification was performed:

- from Level 1 to Level 2: debt securities of EUR 79,709,100, nearly all classified as available-for-sale financial assets. The reclassification was performed as it became evident in 2013 that these securities, due to their low trading activity on the Ljubljana Stock Exchange, no longer reflect their fair value. The discount rate used to establish the fair value of these instruments was determined on the basis of active instruments of the same issuer.
- from Level 2 to Level 1: debt securities of EUR 31,728,463, all classified as available-for-sale financial assets (AFS) concerning the RS 62 bond issued by the Republic of Slovenia. The upgrading took place as the bond was listed on the stock exchange and its price quoted by Bloomberg.
- No other reclassification between levels took place.

Reclassification of financial assets in accordance with amendements to IFRS

In accordance with amendments to IFRS (IAS 39.50) and IAS 39.54, individual members of the Group opted for the reclassification of financial assets.

The effects of reclassifications are shown below.

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

in EUR

	2013	2012
Amount of reclassified financial assets in the year	0	0
Effective interest rate at the date of reclassification	0	0
Carrying amount of reclassified financial assets as at 31 December	9,878,287	18,319,360
Fair value of reclassified financial assets as at 31 December	8,718,970	17,270,874
Impact on comprehensive income if not reclassified	-1,159,318	-1,048,487
Impact on net profit if not reclassified	8,416	39,397
Loss at disposal of reclassified assets	0	-3,957,712
Estimated cash flows	10,619,988	20,370,071

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

in EUR

	2013	2012
Amount of reclassified financial assets in the year	0	0
Effective interest rate at the date of reclassification	0	0
Carrying amount of reclassified financial assets as at 31 December	69,072,462	104,457,036
Fair value of reclassified financial assets as at 31 December	69,689,860	112,809,600
Impact on comprehensive income if not reclassified	-63,666	6,461,219
Impact on net profit if not reclassified	681,065	1,807,925
Profit/Loss at disposal of reclassified assets	0	0
Estimated cash flows	56,338,258	63,228,131

Reclassifications from financial assets »measured at fair value through profit or loss« to »available for sale«

in EUR

	2013	2012
Amount of reclassified financial assets in the year	0	0
Effective interest rate at the date of reclassification	0	0
Carrying amount of reclassified financial assets as at 31 December	79,931	567,619
Fair value of reclassified financial assets as at 31 December	79,931	567,619
Impact on comprehensive income if not reclassified	0	0
Impact on net profit if not reclassified	-25,176	24,411
Profit at disposal of reclassified assets	0	17,595
Loss at disposal of reclassified assets	-208,363	0
Estimated cash flows	481,087	491,204

7. Notes to the Income Statement

7.1 Premium income

in EUR

	2013	2012
NON-LIFE INSURANCE		
Gross written premium	602,371,971	637,587,818
Assumed co-insurance written premium	2,843,147	2,344,103
Ceded co-insurance written premium	-830,065	-925,411
Reinsurance written premium	-70,058,798	-74,035,762
Changes in gross provisions for unearned premiums	11,626,460	21,041,965
Changes in reinsurers' share of unearned premiums	-3,777,740	1,878,301
NET PREMIUM INCOME ON NON-LIFE INSURANCE	**542,174,975**	**587,891,014**
LIFE INSURANCE		
Gross written premium	191,630,615	204,876,520
Reinsurance written premium	-31,811	-22,072
Changes in gross provisions for unearned premiums	-35,419	11,448
Changes in reinsurers' share of unearned premiums	-2,487	-170
NET PREMIUM INCOME ON LIFE INSURANCE	**191,560,898**	**204,865,726**
HEALTH INSURANCE		
Gross written premium	104,046,847	91,454,582
Changes in gross provisions for unearned premiums	-140,053	156,550
NET PREMIUM INCOME ON HEALTH INSURANCE	**103,906,794**	**91,611,132**
TOTAL NET PREMIUM INCOME	**837,642,667**	**884,367,872**

Overview of premium income by insurance class

in EUR

2013	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	44,026,742	-427,937	43,598,805
Health insurance	104,661,834	-451	104,661,383
Land motor vehicle insurance	119,965,954	-6,577,832	113,388,122
Railway insurance	2,606,635	-509,625	2,097,010
Aircraft insurance	1,049,582	-439,788	609,794
Marine Insurance	3,514,989	-379,628	3,135,361
Cargo insurance	8,276,679	-2,488,702	5,787,977
Fire and natural forces insurance	86,195,473	-26,956,144	59,239,329
Other damage to property insurance	95,423,395	-16,120,092	79,303,303
Motor TPL insurance	167,257,870	-3,645,910	163,611,960
Aircraft liability insurance	840,351	-524,996	315,355
Marine liability insurance	613,795	-31,912	581,883
General liability insurance	37,317,711	-7,262,231	30,055,480
Credit insurance	21,434,453	-1,698,871	19,735,582
Suretyship insurance	2,337,861	-552,524	1,785,337
Miscellaneous financial loss insurance	4,462,936	-3,020,208	1,442,728
Legal expenses insurance	894,022	-101	893,921
Travel assistance insurance	8,381,682	-251,911	8,129,771
TOTAL NON-LIFE INSURANCE	**709,261,964**	**-70,888,863**	**638,373,101**
Life insurance	96,704,407	-31,811	96,672,596
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	80,226,141	0	80,226,141
Tontines	0	0	0
Capital redemption insurance	14,700,068	0	14,700,068
Loss of income due to illness	0	0	0
TOTAL LIFE INSURANCE	**191,630,616**	**-31,811**	**191,598,805**
TOTAL	**900,892,580**	**-70,920,674**	**829,971,906**

Overview of premium income by insurance class

in EUR

2012	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	49,525,991	-582,273	48,943,718
Health insurance	92,369,081	0	92,369,081
Land motor vehicle insurance	129,788,571	-7,485,949	122,302,622
Railway insurance	2,869,518	-562,082	2,307,436
Aircraft insurance	1,876,494	-2,591,465	-714,971
Marine Insurance	3,207,272	-228,311	2,978,961
Cargo insurance	8,457,888	-2,061,532	6,396,356
Fire and natural forces insurance	91,256,281	-32,056,089	59,200,192
Other damage to property insurance	100,685,881	-14,432,402	86,253,479
Motor TPL insurance	177,561,493	-4,157,128	173,404,365
Aircraft liability insurance	993,504	-969,345	24,159
Marine liability insurance	694,335	-111,675	582,660
General liability insurance	35,987,880	-4,607,927	31,379,953
Credit insurance	20,477,755	-1,904,812	18,572,943
Suretyship insurance	2,300,137	-518,410	1,781,727
Miscellaneous financial loss insurance	3,942,349	-2,493,254	1,449,095
Legal expenses insurance	978,499	-4,289	974,210
Travel assistance insurance	8,413,574	-194,230	8,219,344
TOTAL NON-LIFE INSURANCE	**731,386,503**	**-74,961,173**	**656,425,330**
Life insurance	94,257,175	-22,045	94,235,130
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	89,120,094	0	89,120,094
Tontines	0	0	0
Capital redemption insurance	21,452,783	-4	21,452,779
Loss of income due to illness	46,468	-23	46,445
TOTAL LIFE INSURANCE	**204,876,520**	**-22,072**	**204,854,448**
TOTAL	**936,263,023**	**-74,983,245**	**861,279,778**

7.2 Income from financial assets

in EUR

	2013	2012
Interest income from financial assets		
- available for sale	43,081,500	44,379,232
- loans and deposits	4,615,282	3,160,562
- held to maturity	10,630,990	15,847,124
- at fair value through profit and loss	11,223,145	11,727,593
- derivate financial instruments	0	110,666
- cash or cash equivalents	94,433	108,481
- interest on late payments of insurance receivables	1,122,990	1,226,999
- interest income from subrogated receivables	5,280,434	5,834,091
- other interest income from insurance operations	94,089	107,963
TOTAL INTEREST INCOME	**76,142,863**	**82,502,711**
Dividends from		
- available-for-sale financial assets	2,441,602	2,786,845
- financial assets at fair value through profit and loss	415,385	333,519
TOTAL DIVIDENDS	**2,856,987**	**3,120,364**
Fair value gains	**70,725,351**	**47,438,864**
Realised gains on disposals	**28,666,927**	**29,270,460**
Profit on investments accounted for using the equity method	**39,532**	**1,720,451**
Other financial income	**6,260,884**	**9,598,697**
TOTAL INVESTMENT INCOME	**184,990,276**	**173,651,547**

Fair value gains are described in detail in *Section 7.4* and realised gains on disposals in *Section 7.5*.

7.3 Expenses from financial assets and liabilities

in EUR

	2013	2012
Interest expense from derivative financial instruments held for trading	33,878	229,499
Interest expense from current debt	894,445	461,377
- on bank loans	806,031	229,682
- other loans	20,614	136,208
- other interest expense	67,800	95,487
Interest expense from noncurrent debt	364,326	589,859
- bank loans	216,425	243,716
- other loans	143,731	129,689
- other interest expense	4,170	216,454
Interest expense from bonds issued	2,102,277	2,295,590
TOTAL INTEREST EXPENSE	**3,394,926**	**3,576,326**
Fair value losses	**56,999,048**	**19,444,456**
Realised loss on disposals	**16,163,344**	**24,081,741**
Loss on equity investments in associates accounted for using the equity method	**986,250**	**2,104,247**
Loss on impairment of financial assets	**28,144,000**	**43,652,275**
Other finance costs	**8,699,354**	**8,098,896**
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	**114,386,924**	**100,957,942**

Fair value losses are described in detail in *Section 7.4* and realised loss on disposals of financial assets in *Section 7.5*.

In total loss on equity investments in associates accounted for using the equity method, EUR 657 thousand arises from IF Prof Plus, EUR 221 thousand from the Elan Group and EUR 109 thousand from Goriške opekarne.

Impairment losses on financial assets mostly arise from the impairment of available-for-sale financial assets, primarily shares and bonds issued by Slovene banks which were impaired by EUR 23 million in total.

7.4 Fair value gains and losses

in EUR

	2013	2012
Financial assets recognised at fair value through profit/loss	15,258,855	27,833,129
- gains	69,667,828	46,826,801
- losses	-54,408,973	-18,993,672
Derivative financial instruments	-1,441,782	177,848
- gains	1,057,523	612,063
- losses	-2,499,305	-434,215
NET GAINS FROM CHANGES IN FAIR VALUE	**13,817,073**	**28,010,977**

Net income from changes in fair value of financial assets includes net unrealised gains on unit-linked life insurance assets. Net expenses from changes in fair value of financial assets include net unrealised losses on unit-linked life insurance assets.

7.5 Realised gains and losses

in EUR

	2013	2012
Financial assets recognised at fair value through profit/loss	-10,529,084	-3,482,800
- realised gains on disposals	2,164,997	3,251,902
- realised losses on disposals	-12,694,081	-6,734,702
Available-for-sale financial assets	22,790,333	16,881,794
- realised gains on disposals	26,166,191	25,340,003
- realised losses on disposals	-3,375,858	-8,458,209
Loans and deposits	-28,808	-4,106,222
- realised gains on disposals	42,005	678,555
- realised losses on disposals	-70,813	-4,784,777
Derivative financial instruments	271,628	-69,117
- realised gains on disposals	293,734	0
- realised losses on disposals	-22,106	-69,117
Held-to-maturity financial assets	-487	-4,034,936
- realised gains on disposals	0	0
- realised losses on disposals	-487	-4,034,936
TOTAL REALISED GAINS AND LOSSES	**12,503,582**	**5,188,719**

7.6 Other insurance income

in EUR

	2013	2012
FEES AND COMMISSION INCOME	**2,493,159**	**13,741,969**
- investment management services	127,182	11,838,087
- reinsurance commission income	2,318,325	-315,504
- policyholder administration	0	571,563
- other fees and commission income	47,652	1,352,099
- surrender charges and other contract fees	0	295,724
OTHER INCOME FROM INSURANCE OPERATIONS	**5,417,392**	**6,960,988**
- income from sale of green cards for motor vehicles	2,128,418	2,174,668
- income from claims settled for other insurance companies	871,370	725,410
- income from assistance services	36,069	81,623
- other income from insurance operations	2,381,535	3,979,287
OTHER INSURANCE INCOME	**7,910,551**	**20,702,957**

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

7.7 Other income

in EUR

	2013	2012
Income from investment property	6,688,555	6,733,729
Rental income	388,979	404,557
Income from other services	1,807,606	2,094,331
Claims refund	180,504	141,536
Fair value gains	3,773,307	111,932
Income from non-insurance companies in the Group	63,775,173	66,553,811
TOTAL OTHER INCOME	**76,614,124**	**76,039,900**

Income from noninsurance companies mostly refers to the purchase of Slovenijales d.d., totalling EUR 29.3 million (in 2012 EUR 27.5 million) and net income from transportation services of Avrigo d.o.o. and its subsidiaries, amounting to EUR 22.1 million.

7.8 Claims

	2013	2012
		in EUR
NON-LIFE INSURANCE		
Gross claims settled	397,145,476	401,383,777
Income from gross subrogated receivables	-19,967,718	-21,511,562
Reinsurers' share of gross claims settled	-37,376,361	-23,585,994
Co-insurers' share of gross claims settled	1,535,665	1,070,009
Change in gross claims provisions	-46,621,343	17,005,774
Change in gross claims provisions for re/co-insurer's share	17,650,384	-38,095,311
NET CLAIMS INCURRED ON NON-LIFE INSURANCE	**312,366,103**	**336,266,693**
LIFE INSURANCE		
Gross claims settled	171,600,928	163,220,596
Change in gross claims provisions	-261,218	-190,205
Change in reinsurers' share in gross claims provisions	-3,045	0
NET CLAIMS INCURRED ON LIFE INSURANCE	**171,336,665**	**163,030,391**
HEALTH INSURANCE		
Gross claims settled	78,760,624	70,713,501
Subrogation income	-30,976	-41,134
Change in gross claims provisions	1,250,019	1,559,177
Equalisation scheme expenses	7,980,664	7,409,643
TOTAL NET CLAIMS INCURRED ON HEALTH INSURANCE	**87,960,331**	**79,641,187**
NET CLAIMS INCURRED TOTAL	**571,663,099**	**578,938,271**

Overview of net claims incurred by insurance class in 2013

in EUR

Insurance class	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
Accident insurance	25,027,581	-23,387	-86,616	24,917,578
Health insurance	79,536,238	-31,406	0	79,504,832
Land motor vehicle insurance	96,456,998	-2,574,756	-1,583,610	92,298,632
Railway insurance	3,204,753	-80,427	0	3,124,326
Aircraft insurance	463,868	0	-79,953	383,915
Marine Insurance	1,996,221	-1,729	0	1,994,492
Cargo insurance	1,928,570	-56,728	-153,734	1,718,108
Fire and natural forces insurance	59,305,423	-434,687	-19,927,377	38,943,359
Other damage to property insurance	58,642,226	-278,474	-6,060,196	52,303,556
Motor TPL insurance	102,512,537	-4,382,998	-2,399,076	95,730,463
Aircraft liability insurance	438,632	0	-404,091	34,541
Marine liability insurance	175,563	0	0	175,563
General liability insurance	20,951,240	-202,842	-4,757,967	15,990,431
Credit insurance	15,809,733	-11,644,378	-942,030	3,223,325
Suretyship insurance	630,203	-251,703	-38,025	340,475
Miscellaneous financial loss insurance	1,810,826	0	-898,223	912,603
Legal expenses insurance	13,721	0	0	13,720
Travel assistance insurance	7,001,768	-35,179	-45,462	6,921,127
TOTAL NON-LIFE INSURANCE	**475,906,101**	**-19,998,694**	**-37,376,361**	**418,531,046**
Life insurance	97,893,836	0	0	97,893,836
Unit-linked life insurance	52,524,065	0	0	52,524,065
Capital redemption insurance	21,180,914	0	0	21,180,914
Loss of income due to illness	2,112	0	0	2,112
TOTAL LIFE INSURANCE	**171,600,927**	**0**	**0**	**171,600,927**
TOTAL	**647,507,028**	**-19,998,694**	**-37,376,361**	**590,131,973**

Gross claims include gross claims settled and assessment costs divided by function, not reduced by subrogation receivables (see *Section 7.11*).

Overview of net claims incurred by insurance class in 2012

in EUR

Insurance class	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
Accident insurance	26,186,810	-14,486	-54,353	26,117,971
Health insurance	71,434,157	-41,541	0	71,392,616
Land motor vehicle insurance	100,622,469	-2,793,201	-1,714,602	96,114,666
Railway insurance	3,160,515	-486	0	3,160,029
Aircraft insurance	425,064	0	-278,987	146,077
Marine Insurance	1,884,063	-6,824	0	1,877,239
Cargo insurance	2,836,246	-476,798	-1,201,780	1,157,668
Fire and natural forces insurance	48,311,339	-61,600	-8,044,456	40,205,283
Other damage to property insurance	65,933,391	-184,907	-6,239,472	59,509,012
Motor TPL insurance	105,881,160	-5,530,981	-2,075,174	98,275,005
Aircraft liability insurance	704,655	0	-653,072	51,583
Marine liability insurance	111,064	-510	0	110,554
General liability insurance	17,414,247	-389,497	-1,096,387	15,928,363
Credit insurance	18,063,637	-11,965,173	-1,533,891	4,564,573
Suretyship insurance	832,287	-64,662	-210,987	556,638
Miscellaneous financial loss insurance	1,748,899	-2,410	-440,841	1,305,648
Legal expenses insurance	6,095	0	0	6,098
Travel assistance insurance	6,541,181	-19,620	-41,995	6,479,566
TOTAL NON-LIFE INSURANCE	**472,097,279**	**-21,552,696**	**-23,585,994**	**426,958,589**
Life insurance	94,672,214	0	0	94,672,214
Unit-linked life insurance	39,775,085	0	0	39,775,085
Capital redemption insurance	28,773,296	0	0	28,773,296
Loss of income due to illness	0	0	0	0
TOTAL LIFE INSURANCE	**163,220,595**	**0**	**0**	**163,220,595**
TOTAL	**635,317,874**	**-21,552,696**	**-23,585,994**	**590,179,184**

Reinsurance result

in EUR

	2013	2012
Reinsurance premiums	-70,090,609	-74,057,838
Changes in reinsurers' share of unearned premiums	-3,780,227	1,878,130
Reinsurers' share of claims	37,376,361	23,585,997
Changes in claims provisions for reinsurers' shares	-17,647,339	38,095,313
Net result from reinsurance operations	**-54,141,814**	**-10,498,398**
Reinsurance commission	2,223,990	256,749
GROSS REINSURANCE RESULT	**-51,917,824**	**-10,241,649**

7.9 Change in other insurance-technical provisions

in EUR

	2013	2012
Change in other insurance technical provisions	2,651,409	-1,446,818
Change in insurance technical provisions for unit-linked insurance contracts	17,906,261	52,882,779
TOTAL	**20,557,670**	**51,435,961**

Change in other insurance technical provisions refers entirely to changes in mathematical provisions for unit-linked life insurance, provisions for cancellation and unexpired risk provisions.

7.10 Expenses for bonuses and discounts

in EUR

	2013	2012
Settled bonuses and discounts	8,293,291	8,093,579
Changes in gross provisions for bonuses and discounts	-1,754,096	554,192
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	**6,539,195**	**8,647,771**

7.11 Acquisition costs and other operating expenses

Gross operating expenses by function compared to previous year

in EUR

	2013	2012
Acquisition costs	128,032,778	127,960,690
Other operating costs	71,329,322	70,517,275
Claim handling costs*	27,531,419	27,761,884
Costs of asset management**	3,410,013	4,010,732
Operating expenses from non-insurance operations***	72,130,215	69,220,741
TOTAL	**302,433,747**	**299,471,323**

* Claim handling costs are disclosed as a part of gross claims incurred.
** Costs of asset management are disclosed as financial expenses
*** Operating expenses from non-insurance operations are disclosed as other expenses.

Gross operating expenses by nature and business segment in 2013

in EUR

	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
1. Acquisition costs (fees and charges)	23,562,324	4,228,284	386,839	28,177,447	0	28,177,447
2. Cost of goods sold	0	0	0	0	17,963,606	17,963,606
3. Depreciation of operating assets	11,253,134	2,203,422	385,045	13,841,601	7,256,159	21,097,760
4. Labour costs	100,944,040	16,904,641	3,035,496	120,884,177	21,227,848	142,112,025
- wages and salaries	71,762,917	12,308,802	2,232,026	86,303,745	15,409,652	101,713,397
- social security and pension insurance costs	17,742,594	2,548,069	392,184	20,682,847	3,176,329	23,859,176
- other labour costs	11,438,529	2,047,770	411,286	13,897,585	2,641,867	16,539,452
5. Costs of services provided by natural persons other than SPs, including related taxes	2,529,828	308,530	199,208	3,037,566	0	3,037,566
6. Other operating costs	49,506,683	11,284,055	3,572,003	64,362,741	25,682,602	90,045,343
- costs of entertainment, advertising, trade shows	11,617,378	2,802,092	561,583	14,981,053	284,022	15,265,075
- costs of material and energy	6,108,185	1,095,283	227,191	7,430,659	6,490,372	13,921,031
- maintenance costs	5,658,800	2,222,100	1,117,278	8,998,178	1,716,288	10,714,466
- reimbursement of labour-related costs	3,734,377	467,534	103,193	4,305,104	747,468	5,052,572
- costs of intellectual and personal services	3,055,476	635,999	68,282	3,759,757	1,344,293	5,104,050
- membership fees and charges	1,858,970	552,993	83,650	2,495,613	5,260,269	7,755,882
- costs of services - transport and communications	3,438,368	905,723	534,362	4,878,453	1,747,634	6,626,087
- costs for insurance premiums	1,407,698	379,133	909	1,787,740	579,747	2,367,487
- payment transaction costs and banking services	1,803,129	744,285	258,772	2,806,186	281,790	3,087,976
- rents	4,802,441	875,883	24,480	5,702,804	1,785,497	7,488,301
- costs of professional training services	864,223	231,178	30,324	1,125,725	142,311	1,268,036
- other costs of services	5,157,638	371,852	561,979	6,091,469	5,302,911	11,394,380
TOTAL OPERATING EXPENSES	**187,796,009**	**34,928,932**	**7,578,591**	**230,303,532**	**72,130,215**	**302,433,747**

Operating expenses by nature and function in 2013

in EUR

	TOTAL	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations
1. Acquisition costs (fees and charges)	28,177,447	25,117,419	4,947	27	3,055,054	0
2. Cost of goods sold	17,963,606	0	0	0	0	17,963,606
3. Depreciation of operating assets	21,097,760	6,456,233	2,016,396	296,133	5,072,839	7,256,159
4. Labour costs	142,112,025	63,571,224	19,283,531	2,220,100	35,809,322	21,227,848
- wages and salaries	101,713,397	45,687,109	13,498,898	1,709,132	25,408,606	15,409,652
- social security and pension insurance costs	23,859,176	10,702,000	3,284,017	301,384	6,395,446	3,176,329
- other labour costs	16,539,452	7,182,115	2,500,616	209,584	4,005,270	2,641,867
5. Costs of services provided by natural persons other than SPs, including related taxes	3,037,566	1,307,016	904,017	12,785	813,748	0
6. Other operating expenses	90,045,343	31,580,886	5,322,528	880,968	26,578,359	25,682,602
- costs of entertainment, advertising, trade shows	15,265,075	13,830,445	94,704	19,436	1,036,468	284,022
- costs of material and energy	13,921,031	3,401,727	1,224,744	108,835	2,695,353	6,490,372
- maintenance costs	10,714,466	2,136,187	896,959	157,409	5,807,623	1,716,288
- reimbursement of labour-related costs	5,052,572	3,292,115	181,090	60,688	771,211	747,468
- costs of intellectual and personal services	5,104,050	928,367	504,060	158,955	2,168,375	1,344,293
- membership fees and charges	7,755,882	990,758	128,175	56,941	1,319,739	5,260,269
- costs of services - transport and communications	6,626,087	2,327,959	564,264	46,637	1,939,593	1,747,634
- costs for insurance premiums	2,367,487	424,974	84,853	42,179	1,235,734	579,747
- payment transaction costs and banking services	3,087,976	110,381	21,531	82,343	2,591,931	281,790
- rents	7,488,301	2,173,208	545,553	29,852	2,954,191	1,785,497
- costs of professional training services	1,268,036	306,748	142,659	17,786	658,532	142,311
- other costs of services	11,394,380	1,658,017	933,936	99,907	3,399,609	5,302,911
TOTAL OPERATING EXPENSES	**302,433,747**	**128,032,778**	**27,531,419**	**3,410,013**	**71,329,322**	**72,130,215**

Gross operating expenses by nature and business segment in 2012

in EUR

	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
1. Acquisition costs (fees and charges)	23,102,741	6,262,253	254,449	29,619,443	0	29,619,443
2. Cost of goods sold	0	0	0	0	21,249,493	21,249,493
3. Depreciation of operating assets	10,388,515	1,849,076	414,730	12,652,321	3,794,461	16,446,782
4. Labour costs	100,119,908	17,726,994	3,148,977	120,995,879	21,595,294	142,591,173
- wages and salaries	71,012,367	13,054,225	2,184,461	86,251,053	14,975,172	101,226,225
- social security and pension insurance costs	17,215,226	2,552,636	410,124	20,177,986	3,583,093	23,761,079
- other labour costs	11,892,315	2,120,133	554,392	14,566,840	3,037,029	17,603,869
5. Costs of services provided by natural persons other than SPs, including related taxes	2,406,761	319,313	95,202	2,821,276	0	2,821,276
6. Other operating costs	50,606,329	10,341,187	3,214,146	64,161,662	22,581,493	86,743,155
- costs of entertainment, advertising, trade shows	11,463,012	1,170,912	459,287	13,093,211	0	13,093,211
- costs of material and energy	6,515,175	1,220,140	150,863	7,886,178	7,063,556	14,949,734
- maintenance costs	4,990,469	2,292,637	1,037,558	8,320,664	0	8,320,664
- reimbursement of labour-related costs	4,131,747	586,724	88,338	4,806,809	0	4,806,809
- costs of intellectual and personal services	3,587,597	603,462	58,430	4,249,489	0	4,249,489
- membership fees and charges	2,084,590	538,823	73,364	2,696,777	0	2,696,777
- costs of services - transport and communications	3,541,277	1,017,426	437,203	4,995,906	0	4,995,906
- costs for insurance premiums	1,505,076	327,618	14,514	1,847,208	0	1,847,208
- payment transaction costs and banking services	2,427,531	1,246,716	298,993	3,973,240	0	3,973,240
- rents	5,223,757	705,163	10,307	5,939,227	0	5,939,227
- costs of professional training services	875,856	214,016	42,894	1,132,766	0	1,132,766
- other costs of services	4,260,242	417,550	542,395	5,220,187	15,517,937	20,738,124
TOTAL OPERATING EXPENSES	**186,624,254**	**36,498,823**	**7,127,504**	**230,250,581**	**69,220,741**	**299,471,323**

Operating expenses by nature and function in 2012

in EUR

	TOTAL	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations
1. Acquisition costs (fees and charges)	29,619,443	26,599,661	5,478	26	3,014,278	0
2. Cost of goods sold	21,249,493	0	0	0	0	21,249,493
3. Depreciation of operating assets	16,446,782	5,812,436	1,630,519	259,602	4,949,764	3,794,461
4. Labour costs	142,591,173	63,304,325	19,541,891	2,733,102	35,416,561	21,595,294
- wages and salaries	101,226,225	44,733,858	13,465,592	2,043,729	26,007,874	14,975,172
- social security and pension insurance costs	23,761,079	10,191,229	3,167,451	344,321	6,474,985	3,583,093
- other labour costs	17,603,869	8,379,238	2,908,848	345,052	2,933,702	3,037,029
5. Costs of services provided by natural persons other than SPs, including related taxes	2,821,276	1,070,374	871,742	12,618	866,542	0
6. Other operating expenses	86,743,155	31,173,894	5,712,254	1,005,384	26,270,130	22,581,493
- costs of entertainment, advertising, trade shows	13,093,211	11,916,797	74,676	28,891	1,072,847	0
- costs of material and energy	14,949,734	3,523,584	1,311,399	132,673	2,918,522	7,063,556
- maintenance costs	8,320,664	1,643,386	784,929	162,182	5,730,167	0
- reimbursement of labour-related costs	4,806,809	3,640,314	180,463	92,086	893,946	0
- costs of intellectual and personal services	4,249,489	791,239	640,037	161,805	2,656,408	0
- membership fees and charges	2,696,777	972,803	183,448	53,119	1,487,407	0
- costs of services - transport and communications	4,995,906	2,307,585	620,627	78,446	1,989,248	0
- costs for insurance premiums	1,847,208	677,826	228,223	54,843	886,316	0
- payment transaction costs and banking services	3,973,240	1,410,720	33,428	116,375	2,412,717	0
- rents	5,939,227	2,672,367	587,918	26,669	2,652,273	0
- costs of professional training services	1,132,766	342,563	159,674	35,431	595,098	0
- other costs of services	20,738,124	1,274,710	907,432	62,864	2,975,181	15,517,937
TOTAL OPERATING EXPENSES	**299,471,323**	**127,960,691**	**27,761,884**	**4,010,732**	**70,517,275**	**69,220,741**

7.12 Other expenses from insurance operations

in EUR

	2013	2012
Expenses of preventive activity	2,761,716	2,915,506
Contributions for claims from uninsured or unidentified vehicles	353,318	2,045,788
Commission expenses	27,589	14,082,788
Fire tax	4,171,512	4,430,888
Expenses from impairment of insurance receivables and write-offs	13,261,588	13,324,405
Other net insurance expenses	3,107,758	6,030,535
OTHER EXPENSES FROM INSURANCE OPERATIONS	**23,683,481**	**42,829,908**

7.13 Other expenses

in EUR

	2013	2012
Depreciation of investment property	1,430,316	1,902,506
Other investment property expenses	3,760,564	1,193,298
Other expenses	81,835,476	80,707,238
- operating expenses of non-insurance companies	62,980,798	68,458,315
- impairment charge	12,810,947	5,688,392
- other expenses	6,043,731	6,560,535
TOTAL	**87,026,356**	**83,803,046**

Impairment charge arises from the impairment of tangible fixed assets and receivables of non-insurance companies.

7.14 Income tax expense

Tax expense in the income statement

in EUR

	2013	2012
Current tax expense	3,465,855	13,439,188
Deferred tax expense/income	10,324,203	3,051,161
TOTAL TAX EXPENSE IN THE INCOME STATEMENT	**13,790,058**	**16,490,349**

Tax expense in other comprehensive income

in EUR

	2013			2012		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available for sale financial assets	-11,628,062	1,284,095	-10,343,967	87,631,599	-14,646,387	72,985,212
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	3,073,728	-219,986	2,853,742	-26,136,839	2,391,229	-23,745,610
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	333,003	-1,463	331,540	246,560	-36,984	209,576
Actuarial gains/losses	-24,175	13,156	-11,019	0	0	0
Translation differences	-663,640	0	-663,640	-638,532	0	-638,532
TOTAL OTHER COMPREHENSIVE INCOME	**-8,909,146**	**1,075,802**	**-7,833,344**	**61,102,788**	**-12,292,142**	**48,810,646**

Reconciliation between tax expense and accounting profit

in EUR

	2013	2012
ACCOUNTING PROFIT	**83,641,061**	**89,671,412**
Income tax rate average of several countries	16.85%	17.80%
Accounting profit multiplied by tax rate	**-14,093,519**	**-15,959,905**
Tax effect of income deductible for tax purposes	4,027,795	4,519,693
Tax effect of expenses not deductible for tax purposes	9,116,932	-5,232,046
Tax effect of income added for tax purposes	239,670	251,776
Revenues or expenses concerning tax relief	962,302	1,110,238
Changes in temporary differences	-13,393,656	-4,613,107
Adjusted tax return for 2012	-649,582	3,433,002
TOTAL TAX EXPENSE	**-13,790,058**	**-16,490,349**
Effective tax rate	**16.49%**	**18.39%**

In accordance with the Corporate Income Tax Act (ZDDPO-2), the applicable tax rate in Slovenia was 17% in 2013 and 18% in 2012.

In subsidiaries operating outside the Republic of Slovenia, tax rates were used as applicable in the country of operation and in compliance with the local legislation. For the applied tax rates see *Section 1.6*.

Unused tax losses of the Group amounted to EUR 65.5 million as at 31 December 2013 (EUR 65.5 million as at 31 December 2012).

8. Other Information

8.1 Related party transactions

Related party transactions are disclosed separately for transactions with:

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

Associates are those entities in which the Group has a significant influence. These companies are presented in detail in *Section 6.4*.

Government related companies are all the companies in which the Republic of Slovenia has a significant influence. The Republic of Slovenia has a significant influence in Zavarovalnica Triglav through the two major shareholders (the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije - ZPIZ) and the Slovene Restitution Fund (Slovenska odškodninska družba - SOD), which hold 34.37% and 28.07% of share capital respectively).

Other related entities are those which are related to Zavarovalnica Triglav through the management, i.e. members of the management and supervisory boards

In addition to capital links, business cooperation with associates mostly refers to financial services (deposits and certificates of deposits) and insurance operations (reinsurance and co-insurance, insurance acquisition, development and launch of new products, handling of claims). Only a minor part of cooperation refers to operating leases and other service activities.

Business cooperation with government related companies refers to financial services and insurance business. Zavarovalnica Triglav made no direct transactions with the Republic of Slovenia, except for the purchase of Government bonds and treasury bills; with other governmet related companies, however, Zavarovalnica Triglav concluded and carried out financial and insurance business under the same conditions as apply to other non-related companies.

The services exchanged between Group companies are rendered at prices that are applied to other companies outside the Group.

Outstanding balances referring to the above-mentioned related parties as at the reporting date and income and expenses during the period are shown below.

in EUR

ASSETS	Associates	Other related entities
Stakes and shares	10,204,674	0
Receivables from insurance premium	0	13,444
Short-term receivables from financing	1,111,728	12,813
Other short-term receivables	38,061	39,967

in EUR

LIABILITIES	Associates	Other related entities
Liabilities to agents and brokers	26,259	0
Short-term liabilities from financing	0	384
Other short-term liabilities	3,398	3,165,493
Accrued costs and expenses	14	0

in EUR

INCOME AND EXPENSES	Associates	Other related entities
Gross written premium	96,906	4,307,826
Net premium income	**96,906**	**4,307,826**
Interest income	0	4,329,741
Dividend income	0	366,120
TOTAL INCOME	**96,906**	**9,003,687**
Gross claims settled	70,423	1,229,263
Net claims expenses	**70,423**	**1,229,263**
Other costs and expenses	16,702	0
Other finance expense	0	16
TOTAL EXPENSES	**87,125**	**1,229,279**

8.2 Members of the Management and Supervisory Board

In 2013, the Management Board members were paid the following amounts as compensation for their work:

in EUR

Surname and name	Fixed salaries (gross)	Other additional payments*	Bonuses	Net pay received	Insurance premiums**	Other benefits***	Reimbursements
Slapar Andrej	144,397	784	28,353	71,904	22,677	7,026	2,371
Rakovec Matjaž	75,799	74,785	44,228	85,326	12,519	5,949	1,150
Vrtunski Stanislav	144,040	784	8,402	59,832	22,738	6,720	950
Jošar Benjamin	138,808	784	2,401	52,422	16,284	11,025	1,243
Makoter Marica	144,040	784	14,404	59,573	22,440	7,112	384
Stebernak Igor****	0	0	14,404	8,416	0	0	0
TOTAL	**647,084**	**77,921**	**112,192**	**337,473**	**96,658**	**37,832**	**6,098**

* Other additional payments include holiday allowances.
** Insurance premiums include premiums for supplementary pension insurance, accident insurance, liability insurance and other types of insurance.
*** Other benefits include company cars.
**** In 2013 Igor Stebernak was not a member of the Management Board, but he was paid a benefit as compensation for his service on the Management Board in 2012.

In 2013, members of the Management Board did not receive any payments for their work in subsidiaries.

As at 31 December 2013, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

in EUR

MANAGEMENT BOARD	31 December 2013	31 December 2012
RECEIVABLES		
Matjaž Rakovec	-	96
Andrej Slapar	3	112
Stanislav Vrtunski	14	17
Benjamin Jošar	0	0
Marica Makoter	16	16
TOTAL RECEIVABLES FROM THE MANAGEMENT BOARD	**33**	**241**
LIABILITIES		
Matjaž Rakovec	-	8,254
Andrej Slapar	9,250	11,581
Stanislav Vrtunski	8,097	4,783
Benjamin Jošar	5,458	5,108
Marica Makoter	10,156	4,417
TOTAL PAYABLES TO THE MANAGEMENT BOARD	**32,961**	**34,143**

In 2013, the Supervisory Board members and members of Committees were paid the following amounts as compensation for their work:

in EUR

SUPERVISORY BOARD	Compensation	Attendance fee	Reimbursements	Total gross pay	Total net pay
Andoljšek Žiga	2,889	1,760	90	4,739	3,673
Blažič Matija	7,186	1,375	549	9,110	7,060
Celar Peter	16,079	3,795	535	20,409	15,816
Gobbo Mario	10,436	2,431	9,772	22,639	17,546
Gorjan Branko	16,079	6,116	2,328	24,523	19,005
Jadek Srečko*	7,774	317	0	8,091	6,270
Jauk Matjaž*	0	220	0	220	171
Ješovnik Peter*	0	220	0	220	171
Kastelic Gregor	16,253	2,420	11,417	30,090	23,320
Krštinc Miran	16,079	4,675	147	20,901	16,198
Lukovac Jovan	8,571	3,685	0	12,256	9,498
Marolt Anton	292	0	0	292	227
Mihajlović Igor	7,006	1,540	0	8,546	6,623
Nose Barbara	4,268	2,266	0	6,534	5,064
Perman Mihael	4,044	1,540	0	5,584	4,328
Runjak Matej	12,873	1,815	808	15,496	12,010
Stanković Rajko	8,811	2,211	0	11,022	8,542
Strašek Rok	3,178	1,100	668	4,946	3,833
Šlemic Blaž	3,178	1,540	0	4,718	3,656
Uršič Vladimir	4,379	2,200	840	7,419	5,750
Valentinčič Aljoša	4,378	2,200	0	6,578	5,098
Zupan Adolf	4,379	1,320	334	6,033	4,675
Živkovič Aleš	2,889	1,760	0	4,649	3,603
TOTAL	**161,021**	**46,506**	**27,488**	**235,015**	**182,137**

* External committee members

As at 31 December 2013, Zavarovalnica Triglav had the following liablities to the Management Board members:

in EUR

Surname and name	Net liabilities as at 31 December 2013
Štimac Dubravko	9,477
TOTAL	**9,477**

As at 31 December 2013 there are no outstanding receivables or liabilities from members of Supervisory Board and members of Supervisory Board Committees.

Proposed criteria for the assessment of the performance of Management Board Members are prepared by the Appointments and Compensation Committee and approved by the Supervisory Board. The purpose of these criteria is to ensure objective monitoring of existing goals and evaluation of the performance of Management Board Members on a regular basis. The above mentioned criteria are determined in such way so as to follow the strategy of Zavarovalnica Triglav. The definition of an individual goal includes its description, expected target value, assigned weight and the method of measurement or assessment. According to this method, the Board member is entitled to a bonus when goals are exceeded. On the other hand, a deduction is assumed when the goals are not met.

First half of an annual bonus for business efficiency is paid 30 days after the Supervisory Board approves the annual report and adopts a decision on bonus payments. If the annual report is approved at the Annual General Meeting, the first half of annual bonus is paid 30 days after the Annual General Meeting. Second half of an annual bonus is paid after 2 years. Bonus is paid in a proportion according to the time spent on a function.

Management Board Members are entitled to severance pay amounting to six of his average monthly salaries received as a board member, if he or she is dismissed for economic reasons. Severance is paid within one month after dismissal.

8.3 Amounts spent on auditors

The annual financial statements of the Group for 2013 were audited by Ernst&Young, d.o.o. The amounts, paid for auditing services on a Group level were as follows:

in EUR

	2013	2012
Auditing of the Annual Report	470,031	561,008
Other assurance services	87,013	337,126
Tax advising services	0	35,223
TOTAL	**557,044**	**933,357**

8.4 Profit per share

Net profit per share is calculated for the parent company and is disclosed in the separate financial statements of Zavarovalnica Triglav.

8.5 Additional notes to the cash flow statement

The consolidated cash flow statement is composed of the combined cash flows of all Triglav Group companies, taking into account inter-company eliminations.

Operating cash flows and cash flows from investing activities are recognised based on the data from financial statements and adjusted for the non-cash flow items (impairments, changes of claims and other provisions). Receipts/payments for intangible assets, for property, plant and equipment and for investment property were calculated based on the changes in their carrying amount, adjusted by depreciation charges and increased or decreased by realised losses or gains on disposals. Therefore, the figures differ from those in the tables of changes in *Sections 6.1, 6.2 and 6.3*.

Cash flow from financing activities is prepared based on actual payments. The amount of dividend payments in the cash flow statement differs from that disclosed in the statement of changes in equity by the amount of unpaid dividends.

The table below shows the reconciliation of operating cash flows.

in EUR

	2013	2012
PROFIT/ LOSS BEFORE TAX	**83,641,061**	**89,671,412**
Depreciation	22,528,076	16,446,782
Impairment of receivables	12,810,947	13,324,405
Change in receivables	-14,123,144	-68,685,893
Change in deferred tax assets	63,331	2,337,454
Change in inventory	722,094	1,879,031
Change in liabilities	-22,250,207	-4,567,429
Payment of income tax	-3,059,726	-14,332,149
OPERATING CASH FLOW	**12,736,301**	**36,073,605**

8.6 Significant legal disputes

- Stojan Klopčevski versus Triglav Osiguruvanje a.d., Skopje
  In April 2012, the former general manager of Triglav Osiguruvanje a.d., Skopje, lodged a claim against the company for damages in the amount of EUR 2.6 million. The claim was based on an unlawful decision on the termination of employment and the resulting loss of the possibility to exercise put option and call option agreements concluded with Zavarovalnica Triglav. Appellate proceedings are taking place at the court of second instance.

- Minority shareholders of Triglav osiguruvanje a.d., Skopje (plaintiff) versus Zavarovalnica Triglav and Triglav osiguruvanje a.d., Skopje (defendants)
  In May 2013, the minority shareholders Triglav osiguruvanja a.d., Skopje, filed a legal action on the grounds of the breaches of an agreement on a sale and/or put option amounting to just under EUR 2.5 million. In October 2013 a defence was lodged and the first trial hearing has not yet been called.

- Jugobanka a.d., Belgrade, in bankruptcy proceedings, and new creditor Municipium S versus Slovenijales d.d.
  In three claims, Jugobanka demands that Slovenijales d.d. pay the principal sums totalling USD 5,545,153 together with default interest (USD 4,540,723.54 + USD 238,843 + USD 765,587) for the period from 1 December 1994 onwards. The claim concerns guarantees allegedly issued by Slovenijales for liabilities of its subsidiaries in the USA, Canada and Australia.
  At a public auction Jugobanka's liabilities were acquired by Municipium S, which later sold them to Fincor Invest Anstalt AG according to information obtained from other judicial records. The defendant contests the existence of the capacity to bring proceedings and the capacity to be sued and filed a time-barring of claims.
  In the proceedings in which USD 4.5 million plus costs and interest are claimed, the court of first instance found in favour of Slovenijales d.d. In 2013 the Court dismissed plaintiff's appeal together with the two extraordinary remedies also lodged by the plaintiff – an appeal on points of law and a request for the protection of legality.
  In the proceedings in which USD 0.2 million plus costs and interest are claimed, the court ruled in favour of Slovenijales and the judgement is final. The two extraordinary remedies, appeal on points of law and request for the protection of legality, lodged by the plaintiff, were dismissed in 2013.
  In the proceedings in which USD 0.8 million plus costs and interest are claimed, the court ruled in favour of Slovenijales and the judgement is final. In 2012, both the appeal on a point of law and the request for the protection of legality were rejected.

- Fincor Invest Anstalt AG versus Slovenijales d.d.
  As stated above, by endorsing the bills it acquired at a public auction, Municipium S sold its receivables to Fincor Invest Anstalt.
  The proceedings were initiated in 2010 on the proposal for execution based on an original document (bills of exchange) filed by Fincor Invest Anstalt. The Court referred the case to the District Court in Ljubljana, which will decide the case in a civil proceeding.
  In these proceedings the plaintiff demands payment of a bill of exchange amounting to EUR 7,295,131 together with default interest for the period from 23 September 2010 onwards. The defendant contests payment and claims the transfer of the bill of exchange from its previous owner to the plaintiff to be null and void. It simultaneously raises an objection regarding the due date of the bills. The main hearing was concluded in December 2011. The court delivered a judgement rejecting all claims entered by Fincor Invest Anstalt. The judgement is not final as the plaintiff appealed. The same judgement also rejected the application by Slovenijales d.d. for the issue of a temporary injunction that would prohibit Fincor Invest Anstalt from disposing of the remaining bills of exchange in its possession. Slovenijales appealed against this part of the judgement. In 2013, the Higher Court in Ljubljana rendered a decision: it fully rejected the plaintiff's appeal and in part granted the appeal by Slovenijales d.d., ruling that the company FINCOR INVEST INSTALT is not allowed to endorse the three bills guaranteed by SLOVENIJALES d.d. and accepted by SK Produkts (original debtor) and require payment on their basis. As none of the parties lodged an extraordinary remedy, the case was closed in 2013.

- Fincor Invest Anstalt AG versus Slovenijales d.d.
  On 31 January 2012 Slovenijales received a request from Fincor Invest Anstalt for the payment of an additional sum of USD 6,997,000 (EUR 5,323,000) referring to interest. On the same day, the bill of exchange for the amount of USD 6,997,000 plus costs and interest (EUR 5,323,000 plus costs and interest) was

protested. At the petition of the creditor, the court issued an order of execution on the basis of an authentic instrument including the attachment of liquid assets in transaction accounts with banks. Slovenijales appealed against this order which resulted in the abrogation of the part of the order allowing the execution. The court will rule on the creditor's claim in contentious proceedings. The order is final. At the petition of the creditor, the court issued a preliminary injunction on the basis of which a provisional registration of a mortgage on Slovenijales property (land around the building and parts of the building at Dunajska 22 in Ljubljana) was made. An appeal was lodged against the decision on preliminary injunction. The Higher Court in Ljubljana granted the appeal fully, reversed the decision on preliminary injunction and completed all acts of execution. In the relative civil suit the first trial hearing has not yet been called.

- Westminster network Ltd. versus Triglav pojišt'ovna a.s., Brno
  The claim for the amount of CZK 39,634,272 was filed in 2009 and refers to a cooperation agreement concluded between the plaintiff's predecessor in law as the insurance agent and Triglav Pojišt'ovna a.s., Brno as the insurance company, on the basis of which the plaintiff's predecessor in law was entitled to a commission. In court proceedings the plaintiff requested the payment of commission for the period from March 2007 to October 2009, but later extended the claim to include commission for the period from November 2009 to March 2010, which means that the requested amount in commission payments from March 2007 to March 2010 total CZK 45,827,127. In 2010 the receivable was sold off to Barcolanza a.s. Brno, which continued the litigation with Triglav pojišt'ovna. The case is before the Supreme Court.

- Triglav osiguranje a.d., Banja Luka, versus Republic of Srpska Public Corporation »Business Premises« and the Republic of Srpska
  In 2001, Triglav osiguranje a.d., Banja Luka, lodged a claim against the Republic of Srpska Public Corporation "Business Premises" and the Republic of Srpska in which it requested the payment of outstanding insurance premium of EUR 612,726.87 plus cost and interest on late payment which as at 31 December 2013 totalled EUR 1,242,288. The part of the claim referring to the Republic of Srpska was rejected, while the part referring to the Public Corporation was granted. However the Public Corporation has no assets from which the claim of Triglav osiguranje could be recovered.

- Triglav osiguranje d.d., Sarajevo, versus SCT BBM d.o.o., Sarajevo
  In 2011, Triglav osiguranje d.d., Sarajevo applied for execution against SCT BBM d.o.o. for the payment of EUR 1,075,030. The court issued an execution order freezing all assets in the defendant's accounts and ordered the sale of property against which Triglav osiguranje d.d., Sarajevo, has a lien. Execution proceedings were stopped and mediation proceedings were initiated.

8.7 Subsequent events

No events ocurring after the reporting date were material to the financial statements for 2013. Events after the reporting date that could affect the operations in 2014 are the following:

- Zavarovalnica Triglav (plaintiff) versus Skupna pokojninska družba d.d., Ljubljana (defendant)
  On 28 January 2013 Zavarovalnica Triglav d.d. started a new legal action against the company Skupna pokojninska družba d.d., Ljubljana, claiming EUR 360,844 in dividend payments which fell due in 2013. Skupna pokojninska družba d.d. in support of its failure to make that dividend payments alleges the existence of an outstanding counterclaim of EUR 817,738,96 as at 31 December 2013, arising from an agreement on making supplementary pension payments under a pension scheme set up in 2000. Zavarovalnica Triglav d.d. denies the existence of that counterclaim.

- Operations review of Zavarovalnica Triglav by the Insurance Supervision Agency (ISA)
  On 27 January 2014 Zavarovalnica Triglav was served the request of the ISA for an operations review, in order to verify whether the Company in its operations complies with the Insurance Act, the pertaining secondary legislation and other legislation regulating the insurance industry. The review started on 3 February 2014.

- Recapitalisation of Triglav Group members
  In February 2014, the Management Board of Zavarovalnica Triglav adopted decisions and started relevant capital increase procedures in Pojišt'ovna a.s., Brno, and Triglav Osiguranje a.d.o., Belgrade, which are Group members.

- Triglav Group presence on Czech market
  Zavarovalnica Triglav considers its future presence in the Czech market, on which the subsidiary Triglav pojišt`ovna a.s., Brno operates, in dependence of the relevance of the said market for the Triglav Group and of the level to which strategic targets are met.