

An aerial photograph showing two men standing on a lush green grassy field. One man is wearing a yellow high-visibility vest and a white hard hat, holding a small white drone. The other man is wearing a grey jacket and dark trousers. A larger white drone is hovering in the air to the left of the men, with motion blur around its propellers. The scene is brightly lit, casting long shadows on the grass.

Going further to be closer.

The Triglav Group and Zavarovalnica Triglav d.d.
Annual Report 2018



The goal is to arrive to the policyholder as soon as possible after a loss event has occurred. Adverse weather conditions, such as storms, may affect large areas of agricultural land. **Domen Marovt**, a hop grower and farmer, followed with great interest the trial **use of drones**, which began to be used **to appraise damage** to insured agricultural land in the middle of the summer 2018. New technologies help the Company to provide a quicker and better appraisal.

[More](#) →





The orthopaedic specialist **Martin Mikek, MD**, is encouraged by the great reviews of his patients relating to the services provided by the **Artros** orthopaedic centre, because their trust is important for quality treatment. The private centre was again among the recipients of **Excellence Awards** given by Triglav, Zdravstvena zavarovalnica for client satisfaction. On the photo is Martin Mikek, MD, during an exam talking to a patient. [More →](#)





The policyholders throughout the whole Adria region are provided **roadside assistance** services, monitoring them in most European countries. To repair a vehicle on the road or at home, roadside assistance services are available 24/7 and can be reached by telephone or via a mobile application. The Company expanded both the range of assistance services and the partner network for the settlement of non-life claims, such as flood, fire, equipment malfunction and damage to buildings. [More →](#)



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Audited Annual Report

for the year ended 31 December 2018

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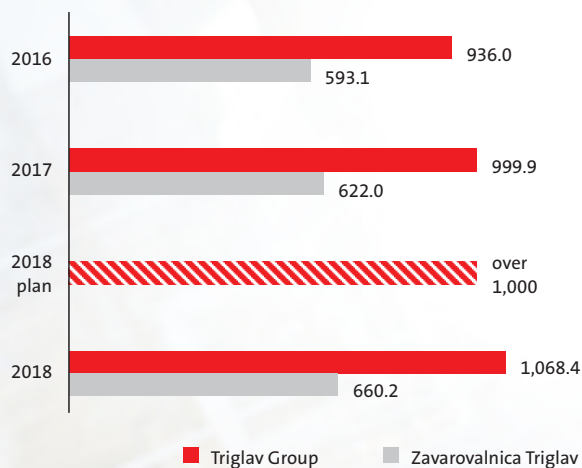
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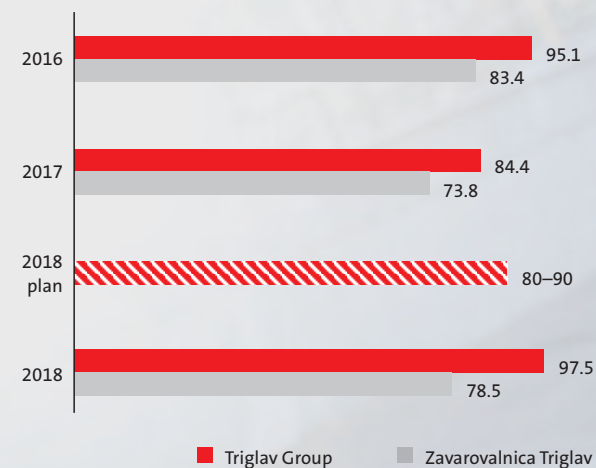


The Triglav Group and Zavarovalnica Triglav in 2018

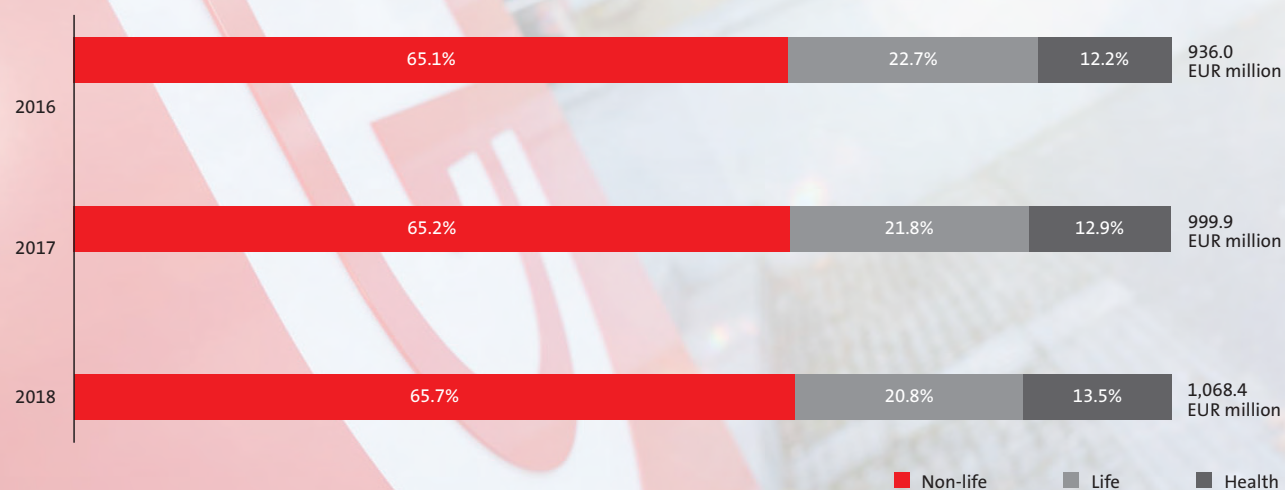
Gross written premium for insurance, co-insurance and reinsurance contracts in EUR million



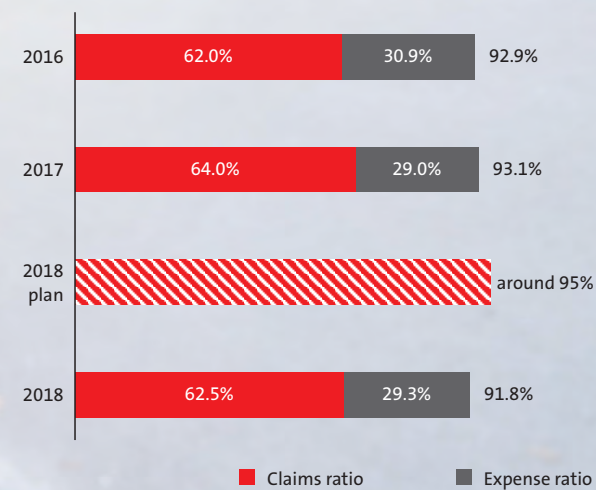
Net profit before tax in EUR million



Consolidated gross written premium of the Triglav Group by segment

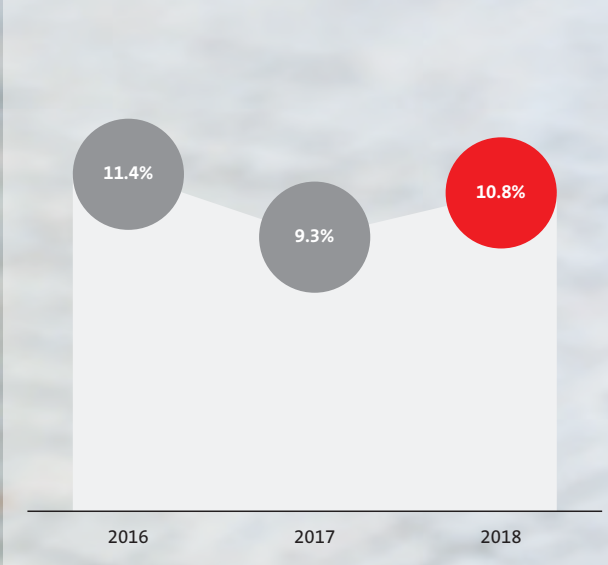


Combined ratio of the Triglav Group

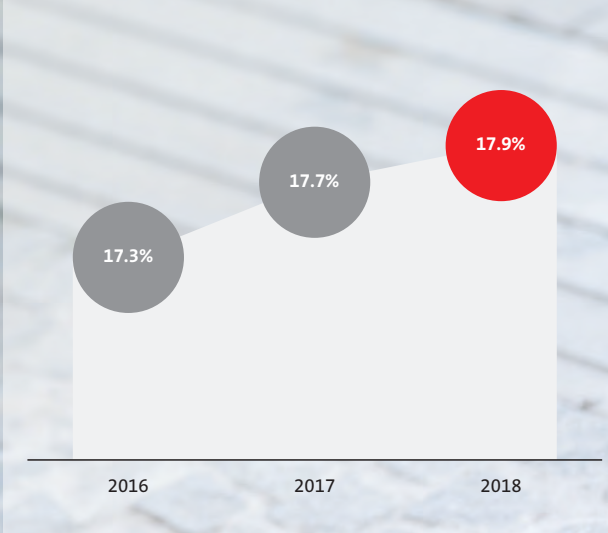


Credit rating
“A”
of the Triglav Group
with a stable
medium-term
outlook

Return on equity of the Triglav Group



Share of premium charged in the markets outside Slovenia



■ Return on equity of the Triglav Group was 10.8%.

1. Address by the President of the Management Board¹

Andrej Slapar, President of the Management Board of Zavarovalnica Triglav, presents his view on the 2018 business results and highlights the implementation of the revised Triglav Group Strategy.

How do you see the performance of the Triglav Group in 2018?

We are pleased that 2018 was another successful year. Profit before tax amounted to EUR 97.5 million which was 15% more than in 2017. The originally planned figure was between EUR 80 and 90 million, but that was outperformed mainly thanks to the high premium growth, favourable claims experience and several one-off events. Return on equity was 10.8%.

The Group's insurance business was profitable as is reflected in the combined ratio of 91.8%. In total premium, the Triglav Group booked EUR 1,068.4 million. In recent years, we have been operating in a record low interest rate environment, which has had an unfavourable impact on our performance, particularly via financial investments. As a result, regular return on financial investments again decreased in 2018.

We are an insurance/financial group with high »A« credit ratings and a stable medium-term outlook, which both credit rating agencies reaffirmed in 2018.

How did you perform in the insurance business?

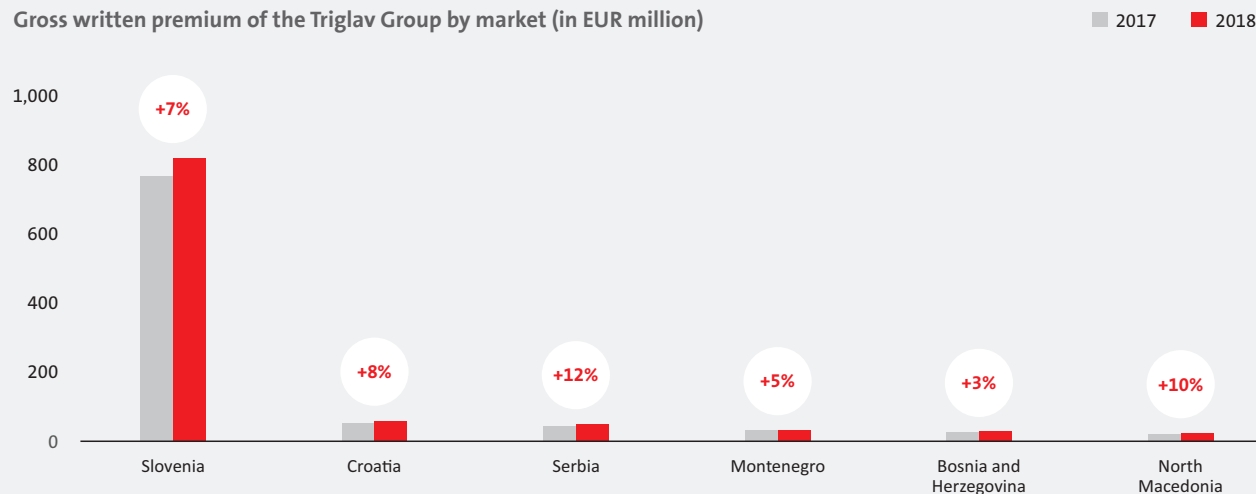
The macroeconomic conditions in the region are improving and positively influence our insurance markets. Their growth is adequately reflected in our performance. In tight competition Triglav benefited from its strong competitive advantages, intensified sales activities and improved services to cater for our clients. Our activities were finely tuned to the level of development and specificities of individual markets.

■ All 12 insurance companies of the Group recorded premium growth.

The results achieved are encouraging. Premium increased by as much as 7%

and resulted in higher written premium volumes in all three insurance segments. With almost 66% non-life insurance premium, which grew by 8% in 2018, accounted for the bulk of consolidated premium. Furthermore, premium growth was recorded in most non-life insurance classes. Written premium in health insurance increased by 11%, primarily as a result of new

Gross written premium of the Triglav Group by market (in EUR million)



insurance contracts and partly due to a higher supplemental health insurance premium. Life insurance premium rose by 2%.

All 12 insurance companies of the Group recorded premium growth. In the Slovene market, the average growth rate was 7% and 8% in the markets outside of Slovenia. The share of premium written outside of Slovenia continued to grow. In 2018, it increased by 0.2 percentage point to 17.9%.

Claims experience, particularly mass claims, was more favourable compared to the year before. Major CAT events occurred mainly in the second quarter of 2018, but their total number and intensity were lower. Total claims paid amounted to EUR 18.3 million, which was considerably less than in 2017 and a reason for a favourable combined ratio.

Premium growth is linked to increased operating expenses, primarily due to higher acquisition costs. Operating expenses were up by 5% and below the premium growth rate. As a result, operating expenses of the insurance business fell by 0.4 percentage point and accounted for 24.5% of gross written premium.

What are your market plans and expectations?

We are the market leader in the region we cover, and want to remain that. Not only will we continue doing business in the existing markets, but we will also expand the scope of business.

In the markets where the Group holds both a high market share and the leading position, we pursue consolidation strategy, and on those markets where the Group is only gaining ground, the focus is on position strengthening. Our growth is organic, but potential takeovers are not ruled out if an opportunity arises. In parallel, we use opportunities offered by the modern and dynamic business environment, by developing new business models and new ways of doing business and forging appropriate partnerships. Such a business concept enables the Group to

enter the markets outside the region, but in a non-traditional way, on digital platforms, through partnerships and otherwise.

Generally, in our assessment the markets outside of Slovenia will continue to grow in the long run, and we expect that the share of total premium generated by these markets will increase further. In line with its long-term interest, the Group will continue to actively develop the existing insurance markets in the region. Our plan is to invest more in life, pension and health insurance, where maximum growth rates are expected.

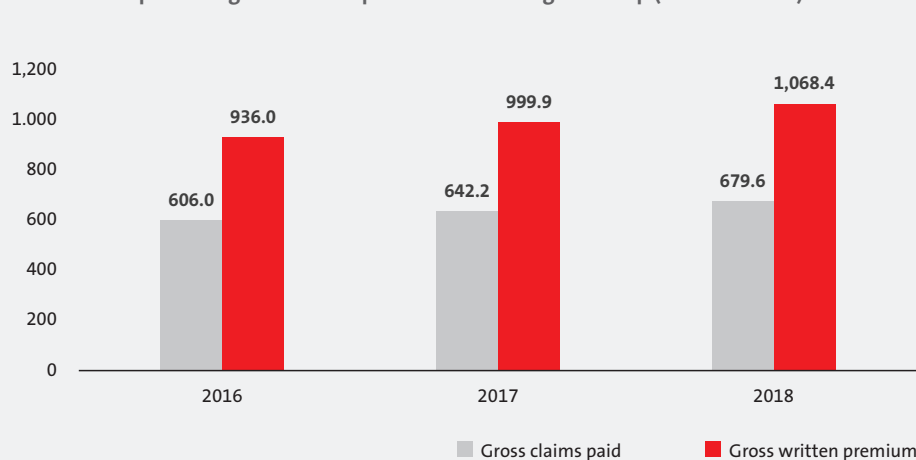
+7%
The Triglav Group
premium growth

What about your plans in the asset management segment?

Asset management, in the widest sense, includes the management of insurance portfolios, own assets and direct client asset management. The latter is performed by one of the Group's members. We believe that the importance of asset management will further increase, particularly because of the need for additional savings and ensuring the sources of income in later stages of life. Regionally, Triglav wants to be a more visible asset manager and increase the volume of clients' assets under management.

To this end, several development steps were made in 2018. Thanks to an agreement to acquire Raiffeisen mirovinsko osiguravajuće društvo, the Group is entering the Croatian pension insurance market. In Slovenia, Triglav signed an acquisition agreement for Alta Skladi and bought 100% of Skupna pokojninska družba, which further increased the Group's presence and visibility.

Gross claims paid and gross written premium of the Triglav Group (in EUR million)



Social changes shape the development of the insurance product range. On what did you focus your development in 2018?

All our activities continue to be consistently client-centric, which is one of the Group's main strategic guidelines. It is important to know the clients' needs well. Therefore, in 2018 the Group continued to develop its client relationship management system and began to systematically measure client satisfaction and loyalty.

The Group dynamically develops client-tailored products, upgrades them with assistance services and advice, as well as implements many new ways of access to Triglav services. In this manner the existing products were redesigned and new products were launched, more client-tailored and understandable. Products were upgraded with a wide range of assistance services, as our goal is to provide to our clients not only insurance coverage but also comprehensive solutions that meet their needs. In order to make them readily easily accessible, the sales channels are being upgraded with direct access to our on-line services and with useful mobile applications. The expansion of

modern sales channels and our clients' openness will continue in all markets.

The Group is setting up a state of the art, computerised and innovative business environment, and changing its business processes towards that end. This involves a number of activities in all business processes, from taking out an insurance and insurance handling to claim settlement. Special attention is on the latter, with new technological and process improvements that arise from ever-greater digitalisation and new mobile services. At the same time, we are of course developing services for those clients who prefer to report and settle a claim using the traditional channels.

Reorganisation and redefinition of culture are prominent strategic guidelines. How will you achieve this?

The environment has changed and we are faced with new technologies and business models. Being aware of these trends we take on the challenges of the modern environment. We are building a culture of change acceptance and diversity promotion. The mobility of employees between projects and project teams as well as between organisational units and companies can certainly lead to creating such a culture. The Group is creating a stimulating work environment, which fosters systematic accumulation of modern technological knowledge and skills to help us be well prepared for the digital future. It does not help if everyone works best on their own. It is more important that we are successful together as a team. This is not about aspiring to ideals but it is about getting closer to

mutual understanding, respecting diversity, relationship building, higher responsiveness and greater reliability. We need to move forward on the cooperation outside formal organisational structures and break down silo mentality.

To this end, a project is under way to develop organisational culture in Slovenia, which in 2019 will also come to fruition in Triglav's companies in the region. We are pleased that employee engagement and satisfaction are on the rise in both the parent company and group-wide, in combination with more employee functional training that includes new technological skills.

After revising the Triglav Group Strategy, the focus remained on safe, profitable and stable operations. What concrete strategic objectives does the Group have?

In concrete terms, the Group's credit ratings will remain within the »A« range, its average target combined ratio will be at around 95% and its return on equity will exceed 10% throughout the entire strategy period to 2022. The Group plans to expand its business and increase the share of premium written in the markets outside of Slovenia. We will stay the regional market leader. The Group's business will be cost-effective and underpinned by integrated risk management.

How do you view the Group's integration into the social environment?

We are a multinational group that systematically invests in the social environment and actively advocates responsible business practices. The type of projects integrated into the local environment and the broader community shows that we are an active community member. Our role in the society is clear. With our business, insurance and asset management, we will continue to provide for the financial security of individuals, families and organisations, and on the other hand reduce all risks, including climate change and cyber risks. Our goal is to remain an attractive employer and a reliable business partner. The results achieved and the realisation of the set strategy, are the result of teamwork and expertise of our employees. On behalf of the Management Board, I would like to thank all employees of the Triglav Group for their effort.



2. The Triglav Group and Zavarovalnica Triglav in 2018



- The Triglav Group and Zavarovalnica Triglav continued to operate profitably and safely and again surpassed the budgeted business results.
- The Triglav Group revised its strategy to 2022, the capital management policy and the dividend policy.
- It maintained a favourable »A« credit rating with a stable medium-term outlook.
- The Group's leading position in the Slovene market was retained, whereas in the Adria region it was further strengthened.
- Premium growth was recorded in all insurance markets and in all insurance segments.
- To maintain stable profitability and to implement the set plans, the Group is focusing on an even greater client-centric approach and on transforming the organisational culture.

2.1 Financial highlights of the Triglav Group²

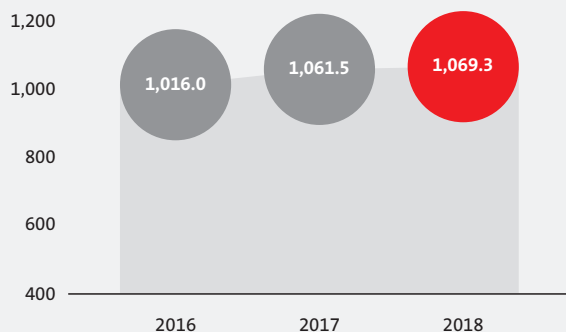
	2018	2017	2016	in EUR million	
				Index	
				2018/2017	2017/2016
Gross written premium from insurance, co-insurance and reinsurance contracts	1,068.4	999.9	936.0	107	107
Net premium income	951.8	891.2	849.6	107	105
Gross claims paid	679.6	642.2	606.0	106	106
Net claims incurred	626.6	620.0	577.1	101	107
Gross operating expenses	288.8	274.0	277.1	105	99
Profit before tax	97.5	84.4	95.1	115	89
Net profit	80.8	69.7	82.3	116	85
Net profit attributable to the controlling company	80.7	69.3	81.9	116	85
Combined ratio	91.8%	93.1%	92.9%	99	100
Insurance technical provisions as at 31 December	2,713.1	2,732.2	2,660.8	99	103
Equity as at 31 December	746.9	756.6	744.3	99	102
Equity attributable to the controlling company as at 31 December	744.6	749.8	734.0	99	102
Return on equity	10.8%	9.3%	11.4%	116	82
Return on equity attributable to the controlling company	10.8%	9.3%	11.5%	116	81
Book value per share (in EUR)*	32.75	32.98	32.28	99	102
Net earnings per share (in EUR)	3.56	3.07	3.62	116	85
Number of employees as at 31 December	5,166	5,151	5,046	100	102

* In calculating the book value per share, the equity attributable to the controlling company of the Triglav Group and the number of shares as at the reporting date were taken into account.

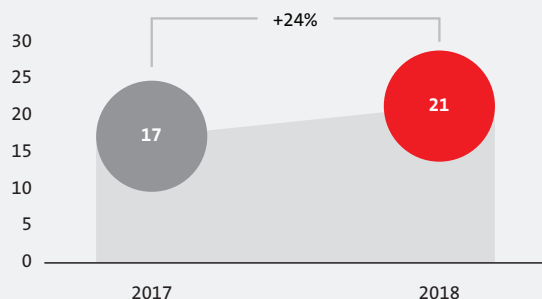
2.2 Financial highlights of Zavarovalnica Triglav³

	2018	2017	2016	in EUR million	
				Index	
				2018/2017	2017/2016
Gross written premium from insurance, co-insurance and reinsurance contracts	660.2	622.0	593.1	106	105
Net premium income	551.9	522.1	509.8	106	102
Gross claims paid	421.0	411.3	391.2	102	105
Net claims incurred	359.9	376.3	350.7	96	107
Gross operating expenses	174.4	167.7	164.5	104	102
Profit before tax	78.5	73.8	83.4	106	88
Net profit	65.5	62.5	75.3	105	83
Combined ratio	86.1%	87.9%	87.9%	98	100
Insurance technical provisions as at 31 December	2,061.4	2,103.4	2,076.3	98	101
Equity as at 31 December	560.1	571.4	563.4	98	101
Return on equity	11.6%	11.0%	13.8%	105	80
Book value per share (in EUR)	24.64	25.13	24.78	98	101
Net earnings per share (in EUR)	2.88	2.75	3.31	105	83
Number of employees as at 31 December	2,290	2,285	2,335	100	98

Economic value distributed of the Triglav Group
(in EUR million)



Average training hours per employee in the Triglav Group



For additional information please contact:⁴

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Miklošičeva cesta 19, 1000 Ljubljana

Tomaž Žust,
Director of Strategic Planning and Controlling Department

Phone: ++386 (1) 47 47 449

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E-mail: tomaz.zust@triglav.si

2.3 Other economic, social and environmental impact on the Triglav Group's operation

	2018	2017	2016	Index	
				2018/2017	2017/2016
1. Other economic impacts (in EUR million)					
Economic value generated*	1,107.7	1,087.6	1,054.5	102	103
Economic value distributed	1,069.3	1,061.5	1,016.0	101	104
▪ Net claims incurred and other insurance expenses	636.9	682.1	624.8	93	109
▪ Expenses from financial assets	64.9	28.5	38.6	228	74
▪ Other expenses	17.4	16.6	16.0	105	104
▪ Operating costs**	118.4	109.2	114.6	108	95
▪ Dividend payments	56.8	56.8	56.8	100	100
▪ Tax expense (income tax expense)	16.6	14.7	12.8	113	115
▪ Community investments (prevention activities, donations, sponsorships)	6.3	5.8	6.3	110	91
▪ Employee wages, allowances and benefits	152.1	147.7	145.9	103	101
Economic value retained	38.3	26.2	38.6	146	68
2. Social impact					
Average training hours per employee (Triglav Group)*****	21	17		124	
Number of insurance policies (products, services) sold online	19	18	18	106	100
Number of insurance products encouraging preventive actions	63	62	62	102	100
Personal data protection (number of fines received - target is zero)***	0	1	1	0	100
Fair business practices (share of investigated fraud cases in %)	91	91	91	100	100
3. Impact on the environment					
Electricity consumption in MWh (Zavarovalnica Triglav)****	8,602	8,593	5,475	100	157
Carbon footprint:					
▪ Zavarovalnica Triglav (tons of CO ₂ equivalent)****	7,600	7,738	5,117	98	151
▪ Triglav Osiguranje, Zagreb (tons of CO ₂ equivalent)	477	602	709	79	85
▪ Triglav Osiguranje, Belgrade (tons of CO ₂ equivalent)	774	743	668	104	111
▪ Lovćen Osiguranje, Podgorica (tons of CO ₂ equivalent)	209	206	252	101	82
▪ Triglav Osiguranje, Sarajevo (tons of CO ₂ equivalent)	155	151	165	103	92
▪ Triglav Osiguranje, Banja Luka (tons of CO ₂ equivalent)	100	72	71	139	101
▪ Triglav Osiguruvanje, Skopje (tons of CO ₂ equivalent)	171	201	179	85	112
▪ Zavarovalnica Triglav (tons of CO ₂ equivalent per employee)****	3.3	3.4	2.2	97	155
Waste sorting (share of employees participating in Zavarovalnica Triglav in %)****	94	94	91	100	103

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

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

*** See [→ Section 12.5 Responsibility towards Clients, Fair Business Practice] for more details.

**** Data for the commercial building on Dunajska cesta are not included in the 2016 data.

***** No data for 2016.

2.4 Major business events in 2018

- **A revised strategy:** For the 2019–2022 period, the Triglav Group has maintained the essential elements of its existing strategy and has renewed its values, which are compatible with a client-centric approach. See [→ *Section 4. Strategy and Plans of the Triglav Group*] for more details.
- **Good business results:** The Triglav Group again operated at a profit and surpassed the budgeted business results. Premium growth was recorded in all insurance markets and in all insurance segments.
- **Revised Triglav Group's capital management policy and dividend policy:** The Triglav Group's dividend policy is attractive and sustainable, and its implementation will continue to be subordinated to achieving the medium-term sustainable target capital adequacy of the Group. See [→ *Sections 6.4 Dividends and Dividend Policy and 1.3 Risk Management*] for more details.
- **A high credit rating:** The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's »A« credit rating with a stable medium-term outlook. See [→ *Section 6.6 Credit Rating of the Triglav Group and Zavarovalnica Triglav*] for more details.
- **Dividend payment:** Dividend payments accounted for 82% of net profit of the Triglav Group for 2017. See [→ *Section 6.4 Dividends and Dividend Policy*] for more details.
- **The Croatian pension insurance market:** The Triglav Group signed an agreement to acquire the Croatian pension insurer Raiffeisen Mirovinsko osiguravajuće društvo. This acquisition is in line with the growth and development strategy of the Triglav Group. See [→ *Section Changes in the Structure of the Triglav Group*] for more details.
- **Strengthening of asset management:** Triglav Skladi and ALTA Skupina signed an agreement to acquire ALTA Skladi. Thereby, the Group continues to strengthen its asset management activity. See [→ *Section Changes in the Structure of the Triglav Group*] for more details.
- **Reappointment of Management Board members of Zavarovalnica Triglav:** The Supervisory Board appointed Andrej Slapar President of the Management Board for a new five-year term of office. The Supervisory Board approved the proposal tabled by the President of the Management Board and reappointed Uroš Ivanc and Tadej Čoroli as Management Board members for a five-year term of office. See [→ *Section 5.3.2 Management Board*] for more details.



2.5 Financial calendar 2019

Planned date*	Type of announcement	Silent period**
Monday, 4 March 2019	Preliminary information of the performance in 2018	From Monday, 11 February 2019
Friday, 29 March 2019	Audited annual report for 2018	From Friday, 15 March 2019
Thursday, 25 April 2019	Convening of the General Meeting of Shareholders which will decide on the distribution of accumulated profit	
Thursday, 16 May 2019	Interim Report for the period from 31 January to 31 March 2019	From Thursday, 2 May 2019
Tuesday, 28 May 2019	General Meeting of Shareholders and notice of its resolutions	
Wednesday, 12 June 2019	Dividend shareholders' record date	
Thursday, 13 June 2019	Dividend payment date to Centralna kliniška depotna družba	
Tuesday, 20 August 2019	Interim Report for the period from 31 January to 30 June	From Tuesday, 6 August 2019
Thursday, 14 November 2019	Interim Report for the period from 31 January to 30 September	From Thursday, 31 October 2019

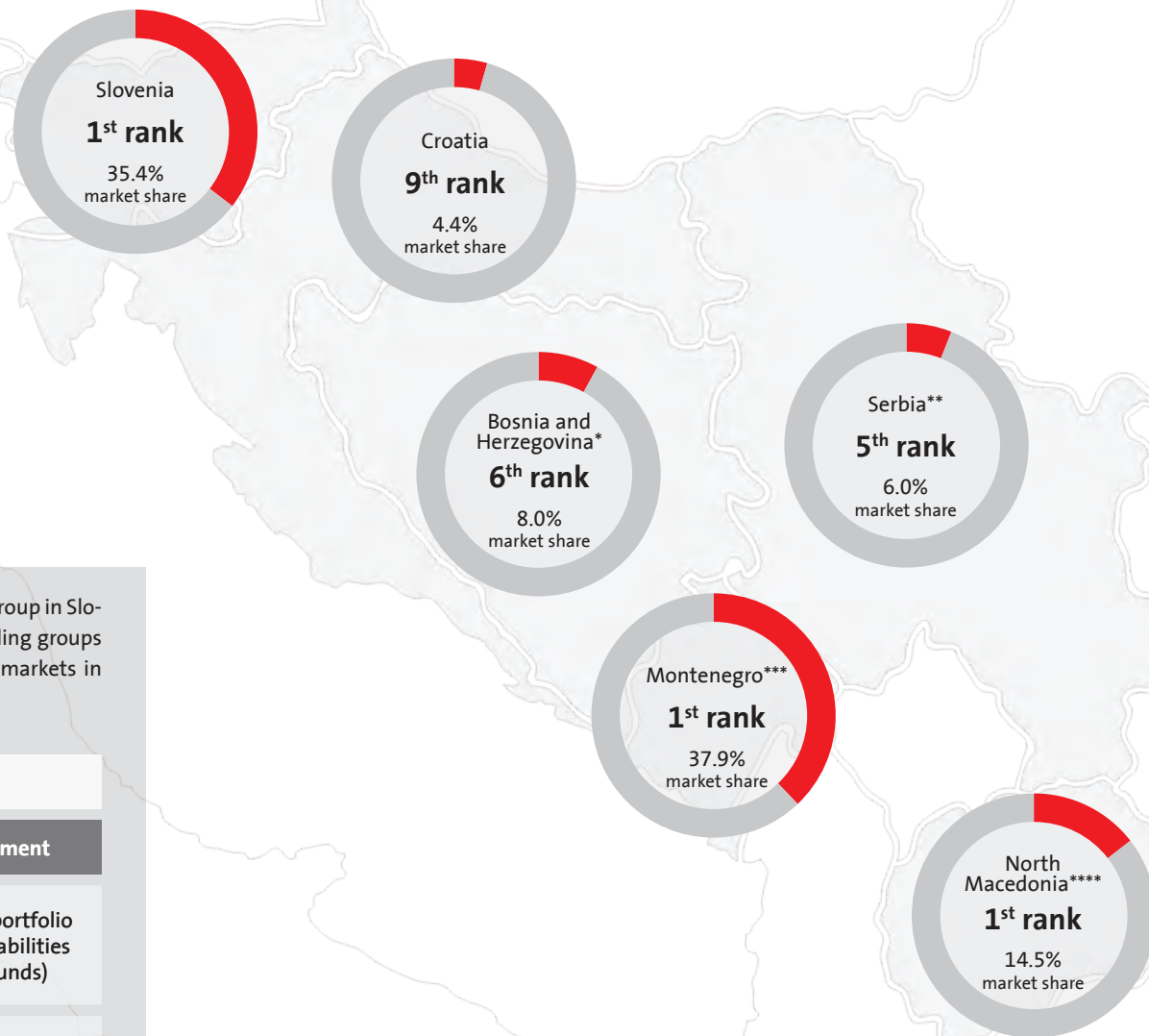
* Announcement dates as planned. The actual dates may differ from the above-stated planned dates.

** The silent period denotes a period preceding the announcement of a performance report, during which Zavarovalnica Triglav does not disclose information on current operations to the public.

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The financial calendar as well as any amendments to the dates of publication will be published on the Ljubljana Stock Exchange website via the SEOnet system (<http://seonet.ljse.si>) and on the Company's website (www.triglav.eu).

2.6 Activities, markets and position of the Triglav Group⁵



The Triglav Group is the leading insurance/financial group in Slovenia and the Adria region as well as one of the leading groups in South-East Europe. The Group operates in seven markets in six countries.

Strategic activities	
Insurance	Asset management
Non-life	Own insurance portfolio (asset backing liabilities and backing funds)
Life	
Pensions	
Health	Mutual funds and individual asset management
Reinsurance	

* Market share of Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Banja Luka (H1 2018 data)

** Q 1-3 2018 data

*** Market share of Lovćen Osiguranje and Lovćen životna osiguranja

**** Market share of Triglav Osiguruvanje, Skopje and Triglav Osiguruvanje Život, Skopje

2.6.1 The business model of the Triglav Group

Dynamic challenges in the environment

- Competition
- New client needs
- Technological development
- Financial and macroeconomic factors
- Development of regulatory frameworks
- Environmental change
- Demographic and social change
- Economic and political factors

For who value is created

- Shareholders/investors
- Policyholders/clients
- Employees
- Suppliers
- Social and natural environment

Checking and improving the created value

- Strategic performance indicators
- Operational performance indicators

Our resources

- Employees
- Financial capital of shareholders and investors
- Intellectual capital
- Operating assets
- Partnerships in the social environment
- Natural resources
- Modern data warehouse



The Triglav Group accomplishes its mission and creates value for its stakeholders by applying a client-centric approach, focusing on profitable operations and increasing the value of the Group.

Results

- Client satisfaction and loyalty
- Motivated and qualified employees
- Financial stability
- Profitability and growth of shareholders' assets
- Financially security of clients
- Innovative and comprehensive insurance and financial products and services
- Increase in the Group's value
- Strong and reputable brand
- Improved traffic and fire safety and balanced development of local communities

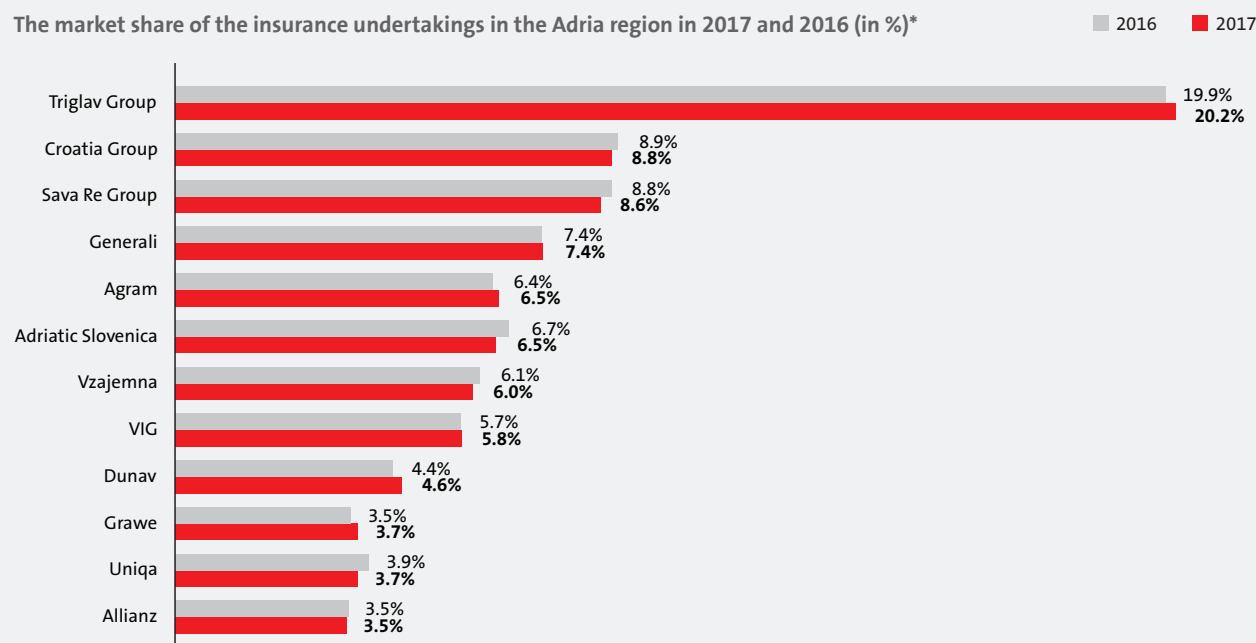
Products and services that create value

- Comprehensive range of insurance and financial products and services
 - Insurance services
 - Assistance services
 - Investment services

How value is created

- Implementation of the Triglav Group's strategy
- Employee development
- Efficient risk management
- Efficient asset management
- Adaptation of products and services to client needs
- Multi-channel client approach
- Active role on the markets in the region
- Business digitalisation
- Implementation of modern business models and technologies
- Strategic partnerships and integration into dynamic business ecosystems
- Cooperation with partners in the social environment
- Comprehensive and transparent communication

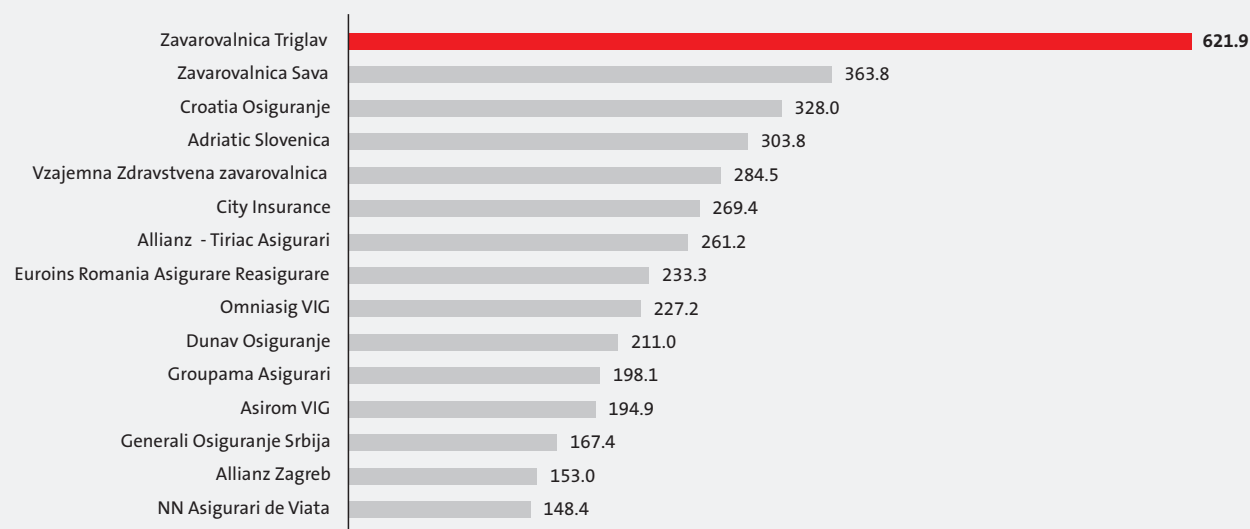
The market share of the insurance undertakings in the Adria region in 2017 and 2016 (in %)*



* Data for 2018 were not yet available

Source: The calculation of Zavarovalnica Triglav based on the data of national insurance supervision agencies and insurance associations

The largest insurers in South-East Europe by written premium in 2017 (in EUR million)



Source: SeeNews 2018

2.6.2 Insurance

Insurance is the most extensive strategic activity of the Triglav Group, which includes non-life, life, health and pension insurance as well as reinsurance.

The insurance-oriented part of the Group encompasses:

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

Position in the regional insurance market

In 2018, the Triglav Group held a dominant position among the insurers in the Adria region (Slovenia, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and North Macedonia), as it had increased its market share to 20.2% in 2017.

Among the 100 largest insurers in South-East Europe in terms of written premium in 2017 were 7 insurance companies of the Triglav Group and 14 Slovene insurers. The SeeNews study for South-East Europe covers Albania, Bosnia and Herzegovina, Bulgaria, Croatia, North Macedonia, Moldavia, Montenegro, Romania, Serbia and Slovenia. According to its findings, Zavarovalnica Triglav topped the ranking, being 1.7 times larger than the second ranked Slovene insurer Zavarovalnica Sava.

2.6.3 Asset management

The **asset management** activity in the Triglav Group is performed by the life insurance subsidiaries of the Group, Triglav Skladi d.o.o., Triglav, Upravljanje nepremičnin d.d. and Triglav d.o.o., which includes saving via the Group's insurance services and investing in the Group's mutual funds.

2.6.4 Structure of the Triglav Group

Subsidiaries of the Triglav Group directly involved in or supporting the Group's core business lines

	Insurance	Assets management	Other
Slovenia	<ul style="list-style-type: none"> Zavarovalnica Triglav d.d. Pozavarovalnica Triglav Re d.d. Triglav, Zdravstvena zavarovalnica d.d. Skupna pokojninska družba d.d. 	<ul style="list-style-type: none"> Triglav Skladi d.o.o. Triglav, Upravljanje nepremičnin d.d. Triglav d.o.o. 	<ul style="list-style-type: none"> Triglav INT d.d. Triglav Svetovanje d.o.o. Triglav Avtoservis d.o.o. Triglavko d.o.o.
Croatia	<ul style="list-style-type: none"> Triglav Osiguranje d.d., Zagreb 		<ul style="list-style-type: none"> TRI-LIFE d.o.o.
Serbia	<ul style="list-style-type: none"> Triglav Osiguranje a.d.o., Belgrade 		<ul style="list-style-type: none"> Triglav Savetovanje d.o.o.
Montenegro	<ul style="list-style-type: none"> Lovćen Osiguranje a.d., Podgorica Lovćen životna osiguranja a.d., Podgorica 		<ul style="list-style-type: none"> Lovćen Auto d.o.o.
Bosnia and Herzegovina	<ul style="list-style-type: none"> Triglav Osiguranje d.d., Sarajevo Triglav Osiguranje a.d., Banja Luka Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka 	<ul style="list-style-type: none"> PROF-IN d.o.o. 	<ul style="list-style-type: none"> Triglav Savjetovanje d.o.o. Triglav Auto d.o.o. Autocentar BH d.o.o. Unis automobili i dijelovi d.o.o.
North Macedonia	<ul style="list-style-type: none"> Triglav Osiguruvanje a.d., Skopje Triglav Osiguruvanje Život a.d., Skopje 		

Changes in the structure of the Triglav Group in 2018⁶

- Triglav INT d.d., gradually acquired equity stakes from non-controlling interest holders, in total it acquired a 0.42% equity stake of Triglav Osiguruvanje a.d., Skopje in the reporting year, thereby becoming its 80.35% owner. The purchase price equalled MAK 3,695,289 or EUR 59,968.
- Due to the exclusion of a shareholder, the share capital of Golf Arboretum d.o.o. decreased by EUR 4,966. As a result, other shareholdings proportionately increased. Triglav, Upravljanje nepremičnin d.d. thereby became an 80.73% owner of the said company.
- On 24 April 2018, Triglav INT d.d. signed an agreement with Raiffeisen Bank Austria d.d., Zagreb to purchase a 74.99% stake in the Croatian pension insurance company Raiffeisen Mirovinsko osiguravajuće društvo. The agreement was signed under suspensive conditions due to the required approval of the regulators.
- Zavarovalnica Triglav provided additional capital to its subsidiary Triglav INT d.d. The share capital was paid in by the in-cash contribution of EUR 4,000,000 and financed through a debt to equity swap transaction of EUR 5,170,729.
- Lovćen Auto a.d. changed its legal form from a public limited company (a.d.) to a limited liability company (d.o.o.).
- On 1 August 2018, AKM nepremičnine d.o.o. was stricken off from the Companies Register due to its merger to Triglav, Upravljanje nepremičnin d.d.
- Lovćen Osiguranje a.d., Podgorica, increased its equity stake in its subsidiary Lovćen životna osiguranja a.d. in the amount of EUR 300,000, thus remaining a 100% owner of the said company.
- Through the in-cash contributions of EUR 6,832,309 Zavarovalnica Triglav increased the share capital of its associate Triglav d.o.o. and thus maintained its 49.9% equity stake in the said company. Triglav is a 100% owner of equity stakes

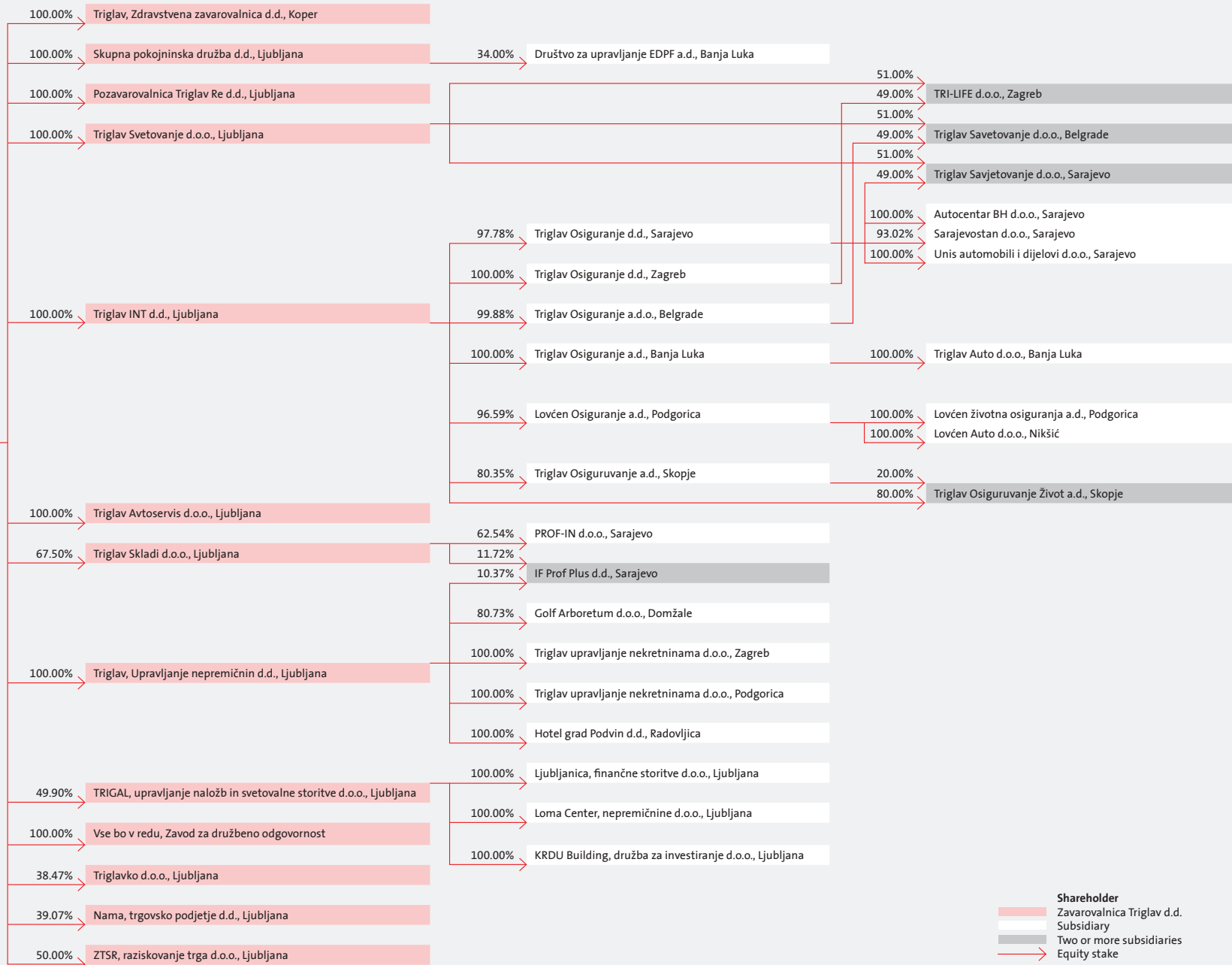
of companies Ljubljana d.o.o., Loma center d.o.o. and KRDU Building d.o.o.

- Furthermore, Lovćen Osiguranje a.d.o., Podgorica increased its equity stake in its subsidiary Lovćen Auto a.d., thus remaining a 100% owner of the said company. The capital increase amounted to EUR 1,150,000.
- Triglav Osiguranje a.d., Belgrade and Triglav Svetovanje d.o.o., Domžale increased the capital of their subsidiary Triglav Savetovanje d.o.o., Belgrade in accordance with their proportional stakes, thus maintaining their stakes of 49% and 51% respectively. The capital was increased by the in-cash contributions of RSD 10 million or EUR 84,829.
- On 14 September 2018, Zavarovalnica Triglav signed an agreement with Nova Ljubljanska banka d.d. to purchase its 28.13% equity stake in Skupna pokojninska družba, thereby becoming its 100% owner. The purchase price equalled EUR 4,600,000. Through consolidation and integrated management of this segment, the Triglav Group continues to implement its growth strategy in the pension insurance segment.
- On 21 September 2018, Triglav Skladi and ALTA Skupina signed an agreement to acquire a 100% stake in ALTA Skladi, družba za upravljanje. The agreement was entered into under suspensive conditions, among which is the condition to obtain the approval of the regulators. The purchase price excluding adjustment for net debt is EUR 21.7 million, a part of which is contingent on future payments made into the funds of the acquiree.
- On 25 September 2018, the project company ZTSR, raziskovanje trga d.o.o. was established for research purposes. Its share capital is EUR 250,000. With a payment of EUR 125,000, Zavarovalnica Triglav became a 50% owner of ZTSR.
- Sarajevostan d.o.o. changed its legal form from a public limited company (d.d.) to a limited liability company (d.o.o.). In the context of changing its legal form, the company's share capital was reduced by BAM 3,728,477 or EUR 1.9 million. All shareholders were repaid proportionally to their share. Following the share capital decrease, Triglav Osiguranje d.d., Sarajevo remained the 93.02% owner of the said company.

The changes in the Triglav Group are discussed in greater detail in [→ Section 2.7 of the Accounting Report].

Subsidiaries and associates of the Triglav Group as at 31 December 2018 and their equity stake

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Tadej Čoroli

Marica Makoter

Uroš Ivanc

2.7 Management of Zavarovalnica Triglav

As at the 2018 year-end, the Management Board of the Company was composed of the following members::

- Andrej Slapar, President
- Uroš Ivanc, Member,
- Tadej Čoroli, Member,
- Barbara Smolnikar, Member,
- Marica Makoter, Member and Employee Representative.

See more [[→](#) in section 5.3.2.2.].

3. Report of the Supervisory Board

From left to right: Žiga Škerjanec, Boštjan Molan, Peter Celar, Andrej Adoljšek, Mario Gobbo, Ivan Sotošek, Nataša Damjanovič, Milan Tomažević, Igor Stebernak

Report of the Supervisory Board of Zavarovalnica Triglav d.d. on the Verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2018 and Opinion of the Supervisory Board of Zavarovalnica Triglav d.d. on the Annual Internal Audit Report by the Internal Audit Department of Zavarovalnica Triglav d.d. for 2018

In 2018, the Supervisory Board of Zavarovalnica Triglav responsibly supervised the operations of Zavarovalnica Triglav d.d. and the Triglav Group. It discussed the various aspects of their business and development, and on that basis adopted appropriate resolutions and followed up their implementation. Individual issues were already previously discussed within the framework of the Supervisory Board's committees. The Supervisory Board participated in the process of developing the strategy for the coming strategic period and approved the Triglav Group Strategy for the 2019–2022 period, which, in addition to an even greater emphasis on the client-centric approach, continues to focus on achieving long-term stable profitability and increasing the value of the Group as its key elements. Furthermore, Andrej Slapar was re-appointed President of the Management Board, while Uroš Ivanc and Tadej Čoroli were re-appointed members of the Management Board for a further five-year term of office.

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

3.1 Introduction

Pursuant to Article 282 of the Companies Act and Article 69 of the Insurance Act, the Supervisory Board hereby presents its Report on the Verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2018 (hereinafter: the Report) and its Opinion on the Annual Internal Audit Report for 2018.

The findings are based on the supervision of the operations of Zavarovalnica Triglav d.d. (hereinafter: the Company, the controlling company or the parent company) in 2018 and on the verification of the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2018 (hereinafter: Annual Report), which includes the reports by the chief actuarial officers for non-life and life insurance categories for 2018.

The Opinion of the Supervisory Board on the work of the Internal Audit Department in 2018 and the Annual Internal Audit Report by the Internal Audit Department of Zavarovalnica Triglav d.d. for 2018 are also integral parts of the Report.

3.2 General information

The Supervisory Board and its committees in 2018

The composition of the Supervisory Board in 2018 is described in [→ *Section 5. Corporate Governance Statement (Supervisory Board)*] in the business report of the Annual Report. In 2018, the Supervisory Board held seven sessions and had three committees: the Audit Committee, the Appointment and Remuneration Committee and the Strategy Committee. The composition of the Supervisory Board committees in 2018 as well as the significant duties and competences of individual committees are described in [→ *Section 5. Corporate Governance Statement (Composition of Supervisory Board committees and their activities in 2018)*] in the business report of the Annual Report.

The Audit Committee

In 2018, the Audit Committee held nine meetings, at which it, among others:

- monitored and discussed financial reporting procedures and the external audit of the annual financial statements of the Triglav Group and Zavarovalnica Triglav;
- assessed the compilation of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017;
- discussed the Solvency and Financial Condition Report of Zavarovalnica Triglav d.d. as at 31 December 2017 and the Solvency and Financial Condition Report of the Triglav Group as at 31 December 2017 including the independent auditor's report;
- monitored and discussed the risk management systems, the functioning of internal controls, the Internal Audit Department's reports, recommendations, annual work plan for 2019 and guidelines for the 2020–2022 period, including the external quality assessment of the IAD;
- supervised and discussed the conclusion of agreements with audit firms and the independence of the certified auditor. The Committee performed the auditor selection procedure for the audit of the Company's annual report for 2019, 2020 and 2021 and tabled a proposal to the Supervisory Board to appoint the audit firm and draft a resolution to the General Meeting of Shareholders for the said period;
- adopted amendments to the Rules of Procedure of the Audit Committee of the Supervisory Board of Zavarovalnica Triglav d.d.;
- discussed the annual report of the Compliance Office for 2017 and its work plan for 2018 and 2019, risk and investment reports, and the IT strategy of the Triglav Group for 2018–2020.

The external experts Jure Vehovec (until 20 March 2018) and Jernej Pirc (as of 16 May 2018) provided their expertise and support to the work of the Audit Committee in relation to information technology issues. The Audit Committee conducted a performance self-assessment with the aim of ensuring continued improvement and quality of its work and adopted an action plan for the improvement of its performance.

Appointment and Remuneration Committee

The key activities of the Appointment and Remuneration Committee in 2018 included:

- drafting of assessment proposals or fit and proper assessments of the members or candidates for the members of the Management and Supervisory Boards and of both bodies as a whole;
- discussion of the proposals to reappoint the President of the Management Board and two Management Board members;
- discussion of the report on the development of key promising staff in Zavarovalnica Triglav d.d. in 2017, the proposal for giving the approval to the powers granted to the risk management key function holder;
- discussion of the calculation of the factor on which the variable part of remuneration of the Management Board members depends.

The Committee held five meetings in 2018.

Strategy Committee

The Strategy Committee, which held three meetings in 2018, devoted special attention to the realisation of the Triglav Group Strategy in 2017 and the starting points for the development of the business plan of the Triglav Group for 2019 and the Triglav Group Strategy for the 2019–2022 period.

3.3 Operations of the Supervisory Board and the scope of supervision over the company's governance in 2018

The description of the Supervisory Board's operations and the scope of monitoring and supervision over the governance of the Company and the Triglav Group in 2018 are based on the supervision of the Company's and the Group's operations performed by the Supervisory Board in 2018, acting within its powers.

The Supervisory Board's duty is to supervise how the Company conducts its business and to perform other tasks in accordance with the Companies Act, the Insurance Act, the Articles of Association, the Rules of Procedure of the Supervisory Board and the Slovene Corporate Governance Code. The methods and organisation of its work are set out by the Rules of Procedure of the Supervisory Board, which are published on the Company's website.

a) With regard to its core competences, in 2018 the Supervisory Board:

- adopted the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017, the Report by the Supervisory Board of Zavarovalnica Triglav d.d. on the Verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017 and the Opinion of the Supervisory Board of Zavarovalnica Triglav d.d. on the Annual Internal Audit Report for 2017 by the Internal Audit Department of Zavarovalnica Triglav d.d.;
- approved the Triglav Group Strategy for the 2019–2022 period;
- approved the business policy and the business plan of the Triglav Group for 2019;
- approved the Solvency and Financial Condition Report of Zavarovalnica Triglav and the Triglav Group as at 31 December 2017;
- discussed the Annual Internal Audit Report of the Internal Audit Department for 2017;
- approved the Internal Audit Department's work plan for 2019 and the guidelines of the Internal Audit Department for the 2020–2022 period;
- re-appointed Andrej Slapar the President of the Management Board and Uroš Ivanc and Tadej Čoroli the Supervisory Board members for a five-year term of office;
- proposed to the 43rd General Meeting of Shareholders of Zavarovalnica Triglav d.d. to grant a discharge to the Management Board for its work in 2017. It approved the resolution of the General Meeting of Shareholders on the distribution of accumulated profits as at 31 December 2017;
- considered the findings of the Insurance Supervision Agency, Tax Authority and other supervisory bodies involved in supervision procedures as well as followed up procedures that resulted from the findings and requirements of the above stated;
- adopted the amendments to the Management Board Rules; and
- approved the amendments to the Governance System and Policy of Zavarovalnica Triglav d.d. as well as to the internal documents of the Company related to risk and capital management.

b) With regard to the supervision of the Company's conduct of business, in 2018 the Supervisory Board:

- was briefed on the reports on the performance of Zavarovalnica Triglav d.d., the Triglav Group and the subsidiaries of Zavarovalnica Triglav d.d.;
- was briefed on the implementation of the Triglav Group Strategy;
- monitored the assessed performance indicators of the Company in each period, the implementation of the business plan and any possible measures;
- took note of the reports on risks and capital adequacy;
- oversaw the work of the Internal Audit Department and was briefed on the internal audit reports by the Internal Audit Department and the Annual Report of the Compliance Office for 2017 and its work plan for 2018 and 2019;
- was briefed on the Letter to the Management following the audit of financial statements for 2017;
- took note of the Report of the Life Insurance Actuarial Function Holder in Zavarovalnica Triglav d.d. and the Report of the Non-Life Insurance Actuarial Function Holder in Zavarovalnica Triglav d.d.;
- was briefed on insurance products;
- took note of the report on the work of the Marketing Department and the report on key activities and projects of the Corporate Communications Department and the report on development of key promising staff of Zavarovalnica Triglav d.d. in 2017;
- discussed the reports of the Audit Committee, the Appointment and Remuneration Committee and the Strategy Committee;
- was briefed on other information regarding Zavarovalnica Triglav d.d., the Triglav Group and its subsidiaries.

c) Other major actions of the Supervisory Board in 2018:

- The Supervisory Board approved the issue of a subordinated bond of Zavarovalnica Triglav d.d. and the acquisition of equity stakes of Zavarovalnica Triglav d.d., when the approval of the Supervisory Board for the decisions of the Management Board is required in accordance with the Rules of Procedure of the Supervisory Board.
- The Supervisory Board approved the fit and proper assessments of the candidates for the Management and Supervisory Board members and of both bodies as a whole.

- The Supervisory Board discussed the proposals of the Appointment and Remuneration Committee in relation to agreements with the Management Board members and approved the proposals.
- The Supervisory Board discussed the report of the Works Council of Zavarovalnica Triglav d.d.
- The Supervisory Board approved the proposal of the Audit Committee to appoint the audit firm for 2019, 2020 and 2021 and drafted a resolution for the 44th General Meeting of Shareholders of Zavarovalnica Triglav d.d. to appoint the audit firm of Zavarovalnica Triglav d.d. for 2019, 2020 and 2021.
- The Supervisory Board approved the powers granted to the risk management key function holder and, based on the proposal of the Audit Committee, appointed Jernej Pirc, outsourced expert who will provide assistance and support to the Audit Committee with respect to IT issues.
- The Supervisory Board adopted amendments to the Rules of Procedure of the Supervisory Board of Zavarovalnica Triglav d.d.
- The Supervisory Board performed other activities related to the supervision or work of the Supervisory Board or its committees.

Operating costs of the Supervisory Board other than the remuneration paid to its members and committees (disclosed in the [→ *Section 5.5 Management and Supervisory Bodies and their remuneration in the accounting report of the Annual Report*] and in [→ *Section 5.3.3.2 The Supervisory Board in the business report of the Annual Report*]), mostly included the costs of translation of material for Supervisory Board's sessions and the meetings of its committees, the costs of interpreting at sessions and the rental costs of interpretation equipment, training costs of the members of the Supervisory Board and its committees, and the outsourced IT services for the Audit Committee. In 2018, these costs amounted to EUR 89 thousand.

3.4 Performance self-assessment

Individual issues were first discussed by the Supervisory Board's committees, which drafted resolutions to be adopted by the Supervisory Board and carried out other tasks within the scope of their powers. The committee chairs regularly reported on their work at the sessions of the Supervisory Board, which discussed

the adopted decisions, submitted recommendations and opinions and passed appropriate resolutions after due consideration.

All members were involved in the Supervisory Board's work and that of its committees. With attendance of the Supervisory Board or an individual committee at sessions and active participation in discussions and decision-making, they contributed to the effective discharge of the Supervisory Board's/committee's duties. The work of the Supervisory Board is well managed and supported, whilst the frequency of its sessions is adequate. The Rules of Procedure of the Supervisory Board include the rules regulating potential conflicts of interest. The Supervisory Board amended these rules by incorporating the relevant provisions of the Rules of Zavarovalnica Triglav d.d. on managing conflict of interest pertaining to the Supervisory Board and its members. The members of the Supervisory Board signed and submitted statements of independence in accordance with the Slovene Corporate Governance Code, which the Company published on its website. All members of the Supervisory Board and the external member of the Audit Committee (an independent accounting and audit expert) are independent. To the best of the Supervisory Board's knowledge, in discussion and decision-making of the Supervisory Board and its committees, no case of conflict of interest was recorded by individual Supervisory Board members in the reporting period.

The Supervisory Board is of the opinion that its cooperation with the Management Board was adequate, in accordance with the applicable legislation and good practice. To its best knowledge, the Supervisory Board was informed of all events of material significance to the assessment of the situation and its consequences, and to the supervision of the Company's operations. The documents provided as material for the Supervisory Board's sessions are of good quality and information is accurate, relevant, reliable, comparable and exhaustive. The Supervisory Board regularly followed the implementation of its resolutions. The Governance System and Policy of Zavarovalnica Triglav d.d. sets out the main corporate governance guidelines, taking into account the set long-term objectives and the defined role and functioning of the Supervisory Board and its committees.

The fit and proper criteria as set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. apply to both the

Supervisory Board as a collective body and to its members as individuals. The fit and proper assessment is periodically made by the Supervisory Board or the Appointment and Remuneration Committee body was assessed as fit and proper, taking into account the adequate range of qualifications, skills and experience in view of the circumstances and requirements under which the Company operates.

The Supervisory Board regularly carries out the self-assessment procedure. Based on the findings of the self-assessment, it adopts an action plan containing a series of proposals and measures aimed at improving its future performance. The implementation of the action plan is monitored on an ongoing basis. By implementing the self-assessment procedures, the quality of work of the Supervisory Board is improved, which is reflected in a higher quality of supervision of the operations and the areas material for the Company and the Group. In 2018, the Supervisory Board's working methods underwent digital transformation (digitalisation of material and session convocations).

The Supervisory Board is of the opinion that its composition in 2018 was proportionate to the size, business activities and set objectives of the Company and the Triglav Group, which allowed the Supervisory Board to make quality decisions.

In view of the above, the Supervisory Board is of the opinion that its work and the work of its committees in 2018 were successful.

3.5 Opinion on the annual internal audit report for 2018

In accordance with the third paragraph of Article 165 of the Insurance Act (ZZavar-1), the Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2018 was submitted to the Supervisory Board, which took note of it at its session on 28 March 2019. The report contains an overview of the implementation of the Internal Audit Department's planned activities in 2018 and a summary of material internal audit findings, including the assessment of the adequacy and effectiveness of risk management and the internal control system in the audited areas, as well as the assessment of the adequacy of the Internal Audit Department's funding and the statement of independence and impartiality of the Internal Audit Department and its employees.

The Internal Audit Department conducted the planned internal audits in the Company and other companies of the Triglav Group and presented its internal audit findings to the relevant persons in charge and made recommendations for improving risk management and the internal control system in the audited areas. On the basis of the performed internal audits and the follow-up of implementation of the recommendations, the Internal Audit Department assessed that risk management and the internal control system of the audited areas within the Company and at the Group level were overall appropriate and were constantly improving. The Internal Audit Department also engaged in advisory activities, followed up on the implementation of recommendations made by external auditors, and carried out tasks related to improving the quality of the Internal Audit Department and the internal audit departments of other Group members. The Internal Audit Department reported on the implementation of its work plan, material audit findings and the implementation of recommendations on a quarterly basis to the Audit Committee and on a semi-annual basis to the Supervisory Board.

By monitoring the work of the Internal Audit Department and based on the submitted Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2018, the Supervisory Board is of the opinion that the Internal Audit Department operated in line with its work plan for 2018, which was adopted by the Management Board with the approval of the Supervisory Board, and the expectations of the Supervisory Board and that its work contributed to the better functioning of the internal control system and risk management at both the Company and the Group level. The Supervisory Board has no objection to the Annual Internal Audit Report of the Internal Audit Department of Zavarovalnica Triglav d.d. for 2018.

3.6 Findings of the Supervisory Board regarding the operations of Zavarovalnica Triglav d.d. in 2018

On the basis of its monitoring and supervision of the Company's performance in 2018 and its examination and verification of the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2018, the Supervisory Board hereby establishes

that the Company performed well and firmly adhered to its strategic objectives.

Insurance subsidiaries of the Triglav Group generated insurance and co-insurance premiums of EUR 1,068.4 million in 2018 (index 107), of which EUR 660.2 million (index 106), was earned by the parent company. Premium growth was recorded in all insurance segments and in all markets where the Group operates.

The Group generated consolidated profit before tax of EUR 97.5 million (index 115) and consolidated net profit of EUR 80.8 million (index 116), thereby surpassing the planned business results. Net profit of the parent company amounted to EUR 65.5 million (index 105).

Gross claims paid of the Triglav Group totalled EUR 679.6 million, which was 6% more over 2017, whilst those of the parent company amounted to EUR 421.0 million (index 102).

Total consolidated gross operating expenses of the Triglav Group increased by 5% to EUR 288.8 million nominally, while those of the parent company grew by 4% to EUR 174.4 million. Higher operating expenses are mainly a result of higher insurance acquisition costs.

The Group's total equity capital amounted to EUR 746.9 million as at the 2018 year-end, down by 1% compared to the year before. Lower equity capital resulted from lower fair value reserve due to lower available-for-sale financial assets. Return on equity was 10.8%.

The Triglav Group's financial stability, high capital adequacy and high profitability in 2018 were again confirmed by the two renowned rating agencies S&P Global Ratings and A.M. Best by assigning an »A« rating to the Group with a stable medium-term outlook.

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

- Report of the Non-Life Insurance Actuarial Function Holder for 2018,
- Report of the Life Insurance Actuarial Function Holder for 2018,
- Annual Internal Audit Report of the Internal Audit Department for 2018.

The Supervisory Board has no objection to the aforementioned reports.

3.7 Annual report

On 8 March 2019, the Management Board submitted the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2018 to the Supervisory Board.

The Supervisory Board hereby ascertains that the Annual Report was compiled within the legally prescribed period and submitted to the appointed auditor. The Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2018 was audited by the audit firm Ernst & Young Revizija, poslovno svetovanje d.o.o., Ljubljana, which on 8 March 2019 issued a positive opinion on the stand-alone and consolidated financial statements in the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2018. In their report as an independent auditor, they took a stance on key audit issues regarding the assessments which are the basis for the calculation of insurance technical provisions and the liability adequacy test (LAT) and expressed their opinion on other information contained in the Annual Report as to their consistency with the stand-alone and consolidated financial statements and their compliance with the applicable legislation and other regulations.

The certified auditor who signed the annual reports attended the session of the Supervisory Board and the Audit Committee during the items when the Annual Report was discussed and provided the required additional explanations to the Audit Committee and the Supervisory Board. The Audit Committee discussed the Report after the pre-audit and the final audit and the Letter to the Management after the audit, which was also discussed by the Supervisory Board.

On the basis of a detailed verification, the Supervisory Board established that the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2018, which was prepared by the Management Board and verified by a certified auditor, was compiled in a clear and transparent manner and that it was a true and fair view of the assets, liabilities, financial position and profit or loss of the Triglav Group and Zavarovalnica Triglav d.d. The Supervisory Board is of the opinion that the Corporate Governance Statement, which is included in the Annual Report, is appropriate and has no objections to it.

In accordance with the aforementioned findings, the Supervisory Board expresses no objection to the positive opinion of the certified audit firm Ernst & Young Revizija, poslovno svetovanje d.o.o., Ljubljana, which found that in all material respects, the

consolidated and stand-alone financial statements presented a true and fair view of the financial position of the Triglav Group and Zavarovalnica Triglav d.d. as at 31 December 2018, their profit or loss, comprehensive income and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as endorsed by the EU.

In view of the above, the Supervisory Board hereby approves the Audited Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for the Year Ended 31 December 2018.

3.8 Proposal for the distribution of accumulated profit

The Supervisory Board examined the Management Board's proposal for the distribution of accumulated profits as at 31 December 2018, subject to a final decision by the General Meeting of Shareholders of Zavarovalnica Triglav d.d., and approved the following draft resolution on the distribution of accumulated profits proposed by the Management Board to the General Meeting of Shareholders:

"The accumulated profits, which amounted to EUR 66,783,627.69 as at 31 December 2018, shall be distributed as follows:

- a part of the accumulated profits in the amount EUR 56,837,870.00 shall be distributed for dividend payments. The gross dividend per share of EUR 2.50 shall be paid to the shareholders entered in the Shareholders' Register as at 12 June 2019. On 13 June 2019, the Company shall ensure funds for the payment of all dividends on the account of KDD – Centralno klirinška depotna družba d.d., intended to execute the corporate action of paying out dividends to the shareholders in accordance with the common European standards for corporate actions;
- the distribution of the remaining accumulated profits of EUR 9,945,757.69 shall be decided on in subsequent years."

The Supervisory Board hereby proposes to the General Meeting of Shareholders to grant a discharge to the Management Board for its work in 2018.



Igor Stebernak,
Chairman of
the Supervisory Board

Ljubljana, 28 March 2019

4. Strategy and Plans of the Triglav Group

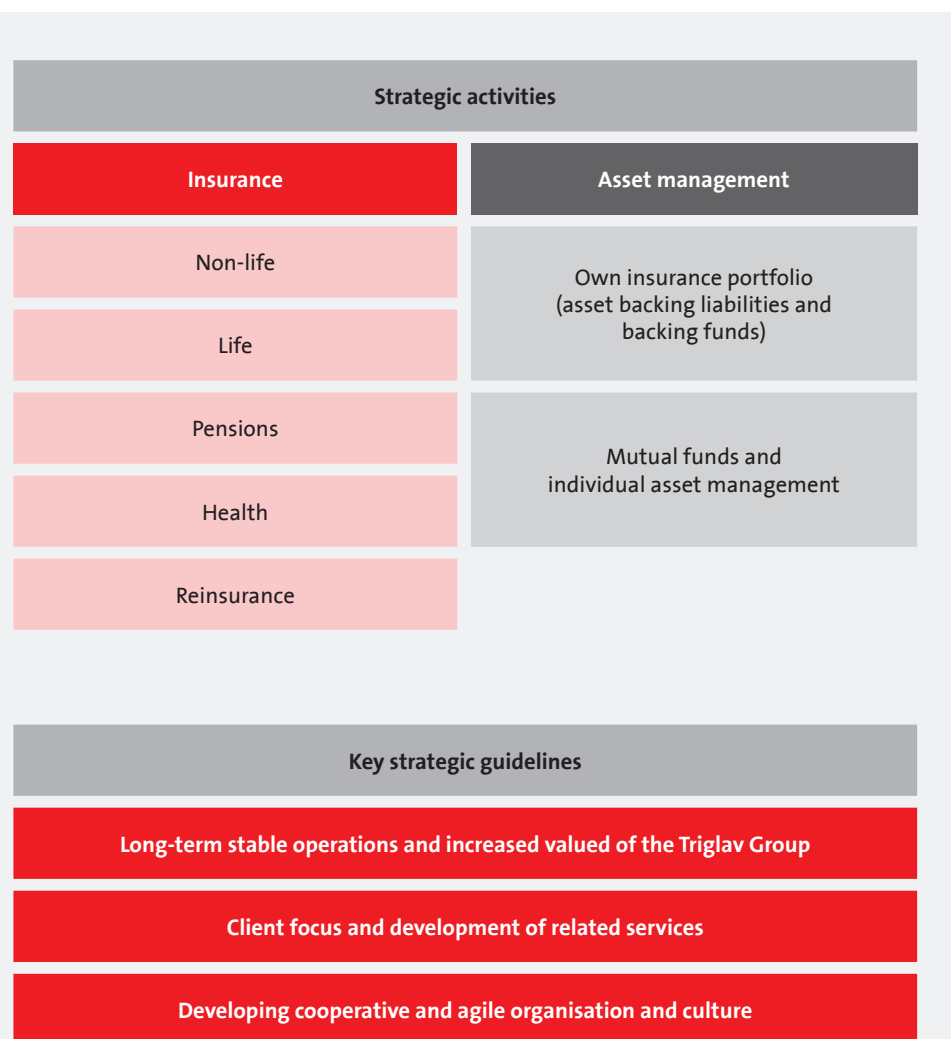
- The client-centric approach is at the forefront of the revised Strategy of the Triglav Group for the period to 2022, adopted in December 2018.
- The Triglav Group is developing into a modern, innovative and dynamic insurance/financial group, firmly rooted as the leader both in Slovenia and the wider region.
- Profit earned in 2018 was above the budgeted level.
- In 2019, profit before tax of the Triglav Group is planned between EUR 90 million and EUR 100 million, whilst gross written premium is set to reach approximately EUR 1.1 billion.

In December 2018, the Triglav Group adopted the revised strategy for the period to 2022 and preserved its existing main elements. The vision remained client-centric and the values of the Group were updated. According to this clear vision a path was set out for Triglav to become a modern, innovative and dynamic insurance/financial group, which will firmly remain the leader both in Slovenia and the wider region.

4.1 Mission, values and vision of the Triglav Group

Mission	Values	Vision of the Triglav Group
We build a safer future.	<ul style="list-style-type: none"> ■ Responsiveness: We respond immediately and effectively. ■ Simplicity: We are simple and transparent. ■ Reliability: We deliver as promised. 	<p>Based on its client-centric approach the Group dynamically develops new ways of doing business as the foundation of its responsible long-term development, while at the same time operating profitably and safely.</p> <ul style="list-style-type: none"> ■ In South-East Europe, the Triglav Group is recognised as the leading provider of innovative and comprehensive insurance-service products and asset management services. ■ The Group is the largest in terms of income and the best in terms of client satisfaction. ■ Clients perceive the Group's multi-channel products and services as simple and desirable. ■ Client experience is the Group's main competitive advantage. ■ The Group dynamically develops new ways of doing business, setting top trends in digitalisation. ■ The Group is well-positioned in dynamic networks of business ecosystems. ■ The Group effectively manages the risks and ensures financial stability. ■ Return on equity (ROE) is planned above 10% throughout the whole strategy period. ■ The standalone »A« credit rating assigned by a renowned rating agency is being maintained. ■ The governance and management systems of the Group are structured and effective. ■ The Group's processes are lean, simple, technologically advanced and cost-effective. ■ Engaged and highly skilled employees are the cornerstone of the Group's culture of openness and cooperation, as well as its sustainable development and a responsible attitude towards all stakeholders.

4.2 The Triglav Group Strategy for the 2019–2022 period⁷



Long-term stable and profitable operations and greater value of the Triglav Group: The strategic guideline of the Group remains achieving long-term stable profitability and increasing its value. Its strategic objectives are as follows:

- profitable operations;
- growing volumes of operations (in terms of written premium the Triglav Group remains the largest insurer in South-East Europe region);
- maintaining the »A« credit ratings;
- capital adequacy and optimal capital allocation by segment/subsidiary of the Group and comprehensive risk management.

The dividend policy criteria and the capital management guidelines of the Group defined in 2018 remain unchanged. The return on equity (ROE) of the Group will exceed 10% throughout the whole strategy period (2019–2022). The Group will ensure both long-term responsible asset management and cost-effectiveness.

In its operations, the Group will not only exploit but also enhance its competitive advantages. The Triglav Group boasts a strong, trustworthy brand, size, economy of scale and economy of scope (capital strength), a comprehensive client portfolio, quality and comprehensive services, a wide range of products and services and developed sales channels (omni-channel availability and a strong own sales network), in addition to being known for quick settlement of claims. Furthermore, its attitude towards the market set the Group apart from its competitors by. Its long-term focus on the existing markets of South-East Europe requires the Group to both actively and responsibly invest in the market and stakeholder relations.

The Group will remain present in six countries of South-East Europe, where it will grow organically. However, potential takeovers are not ruled out should an appropriate opportunity arise. New business models will be developed, which will, among other things, enable the Group to enter the markets outside the region. The Group will build strategic partnerships with the companies whose activities complement its business model. In the region where the Group operates, a long-term growth of insurance markets is expected, resulting in a higher share of total written premium in the markets outside Slovenia. In the long

⁷ GRI GS 103-1, 103-2, 103-3

Strategic objectives

Strategic objectives were classified into four balanced scorecard strategy levels:

Financial operations

- Profitable operations
- Growth in the volume of operations (in terms of written premium, the Triglav Group remains the largest insurance company in South-East Europe)
- Maintaining the “A” credit ratings
- Capital adequacy and optimal capital allocation by segment/subsidiary of the Group
- Comprehensive risk management

Clients

- Comprehensive and responsible client relationship management and omni-channel communication with clients
- Satisfied and loyal clients
- Growth in the number of active clients, their understanding of the Group’s services and higher insurance coverage of individual clients
- Insurance products with a high degree of related services
- New business models

Processes and organisation

- A high degree of automation, optimisation and cost-effectiveness of business processes
- Digital business
- Developed multi-matrix organisation and business productivity growth
- Efficient use of data (internal and external) so as to make the right business decisions
- Innovation
- Exploitation of synergies within the Group

Employees, competences and learning

- Redesigned organisational culture
- An appropriate number, structure and commitment of employees to renewed and optimised processes
- Adequate competences and digital skills of employees
- Stability and appropriate structure of key promising employees
- Employee mobility

run the core insurance business will be profitable and the average target combined ratio in non-life insurance is envisaged at around 95%. In asset management the strategic objective of the Group is to increase the volume of assets under management, i.e. assets managed on behalf a particular client.

The Group’s strategic objectives in process organisation and implementation are as follows: a high degree of automation, optimisation and cost-effectiveness of business processes, digitalisation of operations, innovation, exploitation of synergies within the Group, efficient use of data (internal and external) that supports right business decisions, developed multi-matrix organisation and business productivity growth. All activities and effects will be systematically assessed in terms of responsibility and sustainable development (the three-level balance: 3P – people, planet, profit).

Client focus and development of related services: Clients are at the very core of all the activities of the Triglav Group. Client-insurer relations are built on trust and efforts are made to achieve client satisfaction and loyalty. The Group is developing a range of comprehensive solutions for its clients through related solutions and communication. Moreover, it is not only developing simple products and solutions but also introducing operational digitalisation and new business models. Insurance products are being transformed into insurance and other related services, which strengthen the Group’s core activities, i.e. insurance and asset management. The strategic objectives are holistic and responsible client relationship management and omni-channel client communication. The Triglav Group aims to improve clients’ understanding of its services, raise the insurance coverage of individual clients and increase the number of active clients.

Developing cooperative and agile organisation and culture: The Triglav Group is implementing a redesigned organisational culture and an increasingly agile and cooperative organisational structure, which allow it to provide responsive, simple and efficient services to both external and internal clients. Engaged employees with adequate competences and digital skills are of key importance for the upgraded and optimised processes of the Group. In all areas of operation the Group will apply state-of-the-art practices.

4.3 Implementation of the Triglav Group Strategy 2018⁸

The set strategy and strategic guidelines were effectively implemented, while continuing to pursue the planned activities. The activities, tasks, projects and processes were undertaken within the framework of the following five strategic guidelines: (1) **profitable operations and greater value of the Triglav Group**, (2) **efficient asset management**, (3) **comprehensive client relationships**, (4) **business transformation** and (5) **development of a modern culture and engaged employees**. The implementation of the strategy was periodically checked. Activities were dynamically adapted to the changes in both the internal and external environment, as provided for by the latest strategic management guidelines.

1. Profitable operations and greater value of the Triglav Group	<ul style="list-style-type: none"> ■ The Triglav Group generated a profit before tax of EUR 97.5 million in 2018. ■ An increase in the volume of operations in all insurance business segments of the Group. ■ The strengthening of the core activities (insurance and asset management), the market position, the shares in the existing markets, as well as seeking and exploiting opportunities in new target markets. ■ The "A" rating was retained; the market value of the parent company was increased, while financial stability and capital adequacy were maintained. ■ Building new partnerships and establishing active cooperation with start-ups and accelerators. ■ The implementation of numerous activities with the aim of achieving synergies at the Group level and improving the competitive position of each individual subsidiary of the Group. ■ Achieving cost optimisation and ensuring an effective risk management system.
2. Efficient asset management	<ul style="list-style-type: none"> ■ The strengthening of asset management as a core business activity of the Group, while implementing its development vision. ■ The upgrade of the implementation process and IT support so as to ensure more effective management of capital and assets and liabilities at the Group level. ■ Continued gradual centralisation of asset management at the Group level and its cost effectiveness. ■ The development of the regional platform for alternative investments (Trigal), while upgrading the processes for investing in alternative investments.
3. Comprehensive client relationships	<ul style="list-style-type: none"> ■ The adaptation of management and development of all business segments of the Group (non-life, life, health and pension insurance, reinsurance and asset management) to market needs and technological capabilities. ■ Further development of the online and mobile sales as well as other alternative sales channels, with the aim of taking advantage of the technological potential and strengthening (long-term) client relationships. ■ Making improvements to client satisfaction and loyalty measurement, while conducting in-depth analyses of clients and their expectations. ■ The upgrade of the existing range and the development of new, more flexible and understandable products. ■ Further upgrade of products with assistance services which improve user experience. ■ The introduction of paperless, mobile and simple business operations with clients and partners as well as business process digitalisation so as to facilitate day-to-day operations and work. ■ The transfer of business solutions and best practices adapted to the specificities of each market and client focused to the Group members. ■ The development of business models for the digital entry of the Group to the selected new target markets.
4. Business transformation	<ul style="list-style-type: none"> ■ The implementation of numerous business transformation activities by changing the existing methods and implementing the latest best practices. ■ Continued development of the central business data warehouse at the Group level, with a view to ensuring maximum transparency of operations and utilising information for making more effective operational and strategic decisions. ■ The development and upgrade of business processes aimed at achieving paperless operations, faster data processing, and a higher level of standardisation and automation of procedures and processes. ■ The centralisation and unification of IT support so as to achieve the desired level of its maturity (technical, management, security). ■ The development of efficient and coherent functions at the Group level by setting minimum and expected business standards as well as by transferring proven business practices.
5. Development of a modern culture and engaged employees	<ul style="list-style-type: none"> ■ The implementation of a number of activities to promote the Group's values and achieve the target organisational culture within the Group. ■ The development of own model of employee skills (competences) aimed at improving the established management-by-objectives system as the key management tool. ■ The implementation of the coaching system for seeking and strengthening employees' natural talents. ■ Dissemination of employee knowledge and experiences and their adaptation to both the existing and future needs of the environment as well as to trends. ■ The development of the existing key posts and those that will be established in the near future (new business models, the increasingly digitised environment). ■ The promotion of intergenerational cooperation and diversity, consideration of employees' needs and wishes, and increasing the awareness of a healthy lifestyle and work practices.

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4.4 Objectives achieved by the Triglav Group in 2018⁹

Despite the challenging situation on markets and persisting unfavourable financial market conditions, the Triglav Group performed well and implemented its set strategic objectives. The Group's **profit before tax** totalled **EUR 97.5 million** and was higher than planned (see [→ *Section 8. Financial result*] for more details).

The Triglav Group surpassed the budgeted total written premiums: growth was recorded in all insurance segments and in all insurance markets of the Group. The Slovene insurance market saw a 7% increase in total. A 6% more in written premium was charged by the parent company, whereas Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba recorded 11% and 9% higher written premium respectively. Triglav recorded an 8% premium increase on markets outside Slovenia. Insurance premium is discussed in greater detail in [→ *Section 7.5 Gross written insurance, co-insurance and reinsurance premiums*].

As expected, **the combined ratio** of the Triglav Group was **91.8%** and is in the expected positive territory (the combined ratio of profitability in the core non-life and health insurance operations excluding investment return) (see [→ *Section 8. Financial result and Section 7.2 Environmental impact on the performance of the Triglav Group*] for more details).

The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's »A« credit ratings with a **stable medium-term outlook**. The Triglav Group **maintained its financial strength and stability, capital adequacy and profitability of its operations**. Achievement of the »A« credit rating is in line with the Strategy of the Group. Such a credit rating ensures the Triglav Group an appropriate competitive position in insurance, reinsurance and financial markets, as it confirms its financial strength and solid performance. See [→ *Section 6.6 Credit Rating of the Triglav Group and Zavarovalnica Triglav*] for more details.

4.5 Triglav Group's plans for 2019



The strategic starting points, market potential and competitive conditions and the forecasts of macroeconomic trends and development of financial markets for 2019 are the basis of the Triglav Group Business Plan for 2019.

Expected business conditions: The macroeconomic environment of the region will be slightly less favourable for the Group's insurance business, which could result in even fiercer competitive conditions in insurance markets. As expected, the financial environment will in 2019 remain unfavourable to return on investment.

Triglav Group Business Plan for 2019

Profit before tax: Profit before tax for 2019 is planned between EUR 90 to 100 million, which is higher than budgeted figure for 2018. The higher profit before tax target is based on the projections of the insurance operations and asset management of the Group and takes into account the anticipated conditions on the financial markets, which are likely to affect the return on investment of the Group.

Insurance premium: In the insurance business, the Group plans to earn higher written premium of approximately EUR 1.1 billion. The Group will not only use and strengthen its strong competitive advantages but also adapt its marketing strategy to the anticipated harsh competitive situation. The development activities will be aimed at ensuring a range of simple, reliable, integrated and transparent insurance products, which will be complemented by related services. In 2019, the Triglav Group will continue to focus on the client, implement the relevant development activities and increase the efficiency of the sales networks through strategic omni-channel client communication.

Mass claims: Approximately the same development and occurrence of major CAT events (flood, hail, storm) as in past years is foreseen. The Group continues to duly provide for adequate reinsurance protection.

Combined ratio: The combined ratio of the Group is projected to be at around 95%, which is its average target strategic value.

Gross operating expenses: Gross operating expenses will be affected by higher insurance acquisition costs (marketing campaigns, advertising, fees and commissions, labour costs of the agent network) and higher depreciation of property, plant and equipment resulting from high past and planned investments in information technology. Furthermore, gross operating expenses will be affected by the streamlining measures, which will be predominantly focused on the types of costs not directly related to insurance acquisition. The planning of staffing levels and labour costs, which account for the bulk of total operating expenses of the Group's insurance subsidiaries, will follow the strategic guidelines, changes in business processes and identified requirements of individual work areas.

Asset management: In asset management, the strategic objectives will be to increase the volume of assets under management (AUM) from non-compulsory saving and effective management of assets at the level of the whole Group. The Group will continue to actively pursue any opportunities arising from the consolidation of the asset management industry in the region and continue with asset management centralisation at the Group level.

Investment policy of the Group and the expected return on investment: The basic investment guidelines governing the insurance portfolios of the Group will remain unchanged, with the focus put on maintaining appropriate investment security and liquidity, followed by achieving adequate profitability. The Group maintains a relatively conservative investment structure with emphasis on

fixed-rate investments. In view of the anticipated conditions, the Group foresees that return on investment, excluding unit-linked insurance contract investments, will remain at approximately the same level as in 2018.

Risk management: The upgrade of the comprehensive risk management system will continue in the parent company and the group level. This will primarily include consistent inclusion of risk assessment in day-to-day business decisions and their follow-ups based on regulatory and especially additional internal approaches. The purpose is to spread the risk management culture to all business segments and all Group members.

Maintaining high credit ratings: By retaining strong financial stability, high capital adequacy and high profitability, the Group is expected to maintain high credit ratings from the renowned credit rating agencies S&P Global Ratings and A.M. Best.

The ambitious business plan for 2019 involves continued and consistent implementation of the planned strategic guidelines by 2022 and a step towards realising the vision of the Triglav Group.

Financial highlights of the Triglav Group business plan for 2019 (in EUR million)

	2016	2017	2018	2019 plan
Profit/loss before tax	95.1	84.4	97.5	90–100
Gross written premiums from insurance, co-insurance and reinsurance contracts	936.0	999.9	1,068.4	around 1,100
Combined ratio	92.9%	93.1%	91.8%	around 95%

Disclaimer

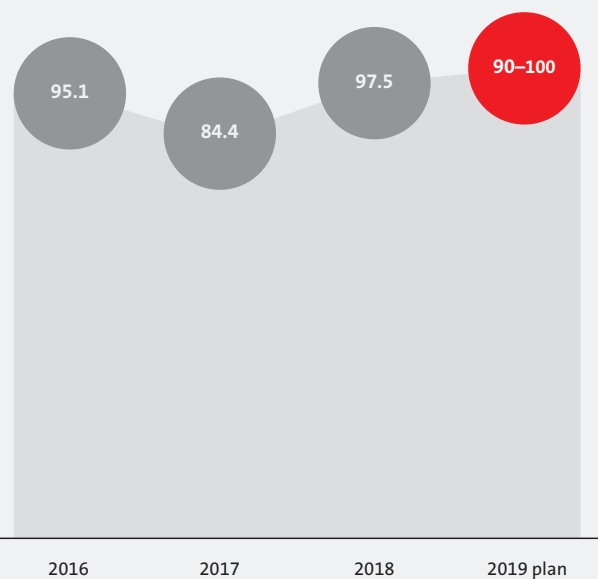
The planned figures for 2019 are based on the outlook, anticipated events and circumstances, and forecasts available to the Company when drafting the plan. The actual results, performance and events may significantly deviate from those taken presumed in the plan. When publishing the interim results of the Triglav Group in 2019, the Company will each time comment on the Group's planned annual profit before tax.

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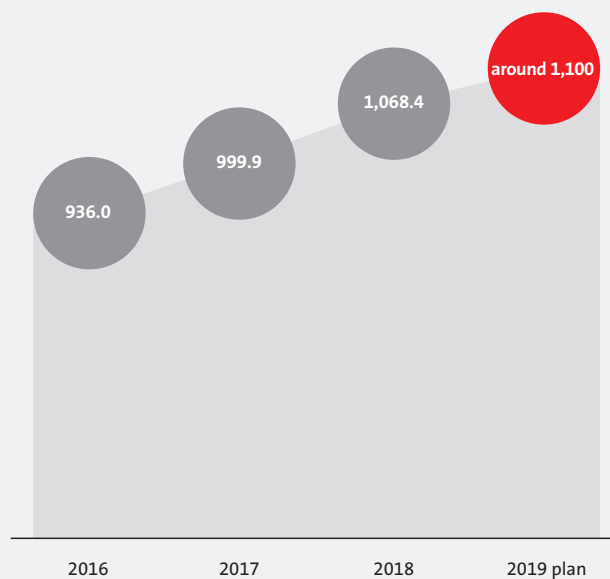
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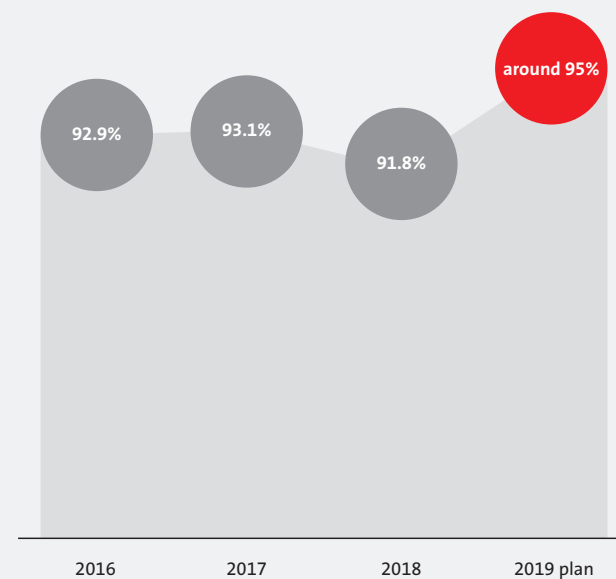
Budgeted net profit/loss before tax of the Triglav Group for 2019 in EUR million



Budgeted gross written premium for insurance and co-insurance contracts of the Triglav Group for 2019 in EUR million



Budgeted combined ratio of the Triglav Group for 2019



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5. Corporate Governance Statement

- The Supervisory Board gave a positive fit and proper assessment of the individual Management Board members and the Management Board as a collective body. Furthermore, Andrej Slapar was re-appointed President of the Management Board and Uroš Ivanc and Tadej Čoroli were re-appointed members of the Management Board for a further five-year term of office.
- The market processing and product development strategies were developed in order to strengthen the business development and competitive position of insurance subsidiaries abroad. The market development and product diversification strategies were followed in new markets.
- Cooperation among subsidiaries in the achievement of strategic objectives and projects was strengthened.
- Closer cooperation between the activities of the Group is planned.

5.1 Governance policy

The Governance System and Policy of Zavarovalnica Triglav, adopted by the Management and Supervisory Boards, define the main guidelines for the governance of the Company, taking into account the set long-term objectives and values. They are the foundation for setting up and implementing a reliable governance system, which is based on an effective risk management system and enables the implementation of the business strategy of the Company. The document was published on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav (www.triglav.eu).

5.2 Statement of Compliance with the Slovene Corporate Governance Code¹⁰

In its operations, Zavarovalnica Triglav abides by the Slovene Corporate Governance Code (hereinafter: the Code), which was adopted on 27 October 2016 and published in Slovene and English on the Ljubljana Stock Exchange website at (www.ljse.si).

The Statement of Compliance with the Corporate Governance Code for the period from 1 January 2018 to the day of publication in 2019 is available on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav (www.triglav.eu).

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

- Point 15.3: The Chairman of the Supervisory Board is the Chairman of the Appointment and Remuneration Committee. In order to facilitate coordination and implementation of procedures, the Company believes it is reasonable that the Chairman of the Supervisory Board is also the Chairman of the said committee.
- Point 19.6: In line with the resolution of the Supervisory Board, the Management Board members are not required to obtain the prior approval of the Supervisory Board before being appointed to the management or supervisory bodies of

direct and indirect subsidiaries and associates of Zavarovalnica Triglav; however, they do promptly inform the Supervisory Board in writing about their appointment in accordance with Article 62(2)(1) of the Insurance Act (ZZavar-1).

In its operations, the Company abides to the principles of the Insurance Code, available on the website of the Slovenian Insurance Association (www.zav-zdruzenje.si).

Moreover, Zavarovalnica Triglav has its own code, available at the Company's official website (<http://www.triglav.eu>). This code presents Zavarovalnica Triglav's fundamental values and principles of operation in order to achieve its business objectives, strategic guidelines and competitive advantages in a fair and transparent manner and in compliance with the law and ethics.

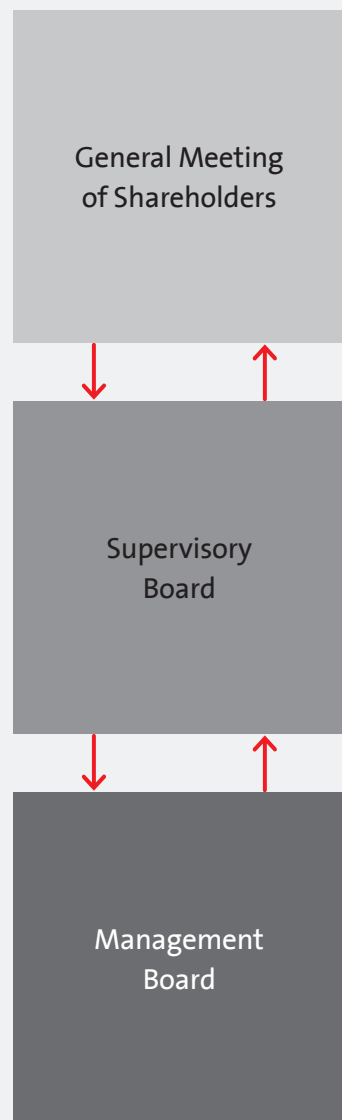
Zavarovalnica Triglav took a position on the provisions of the Corporate Governance Code for Companies with Capital Assets of the State and the Recommendations and Expectations of the Slovenian Sovereign Holding (both documents are available on the website of Slovenski državni holding d.d. at <http://www.sdh.si>), which is published on the Company's official website (www.triglav.eu).

The Statement of Compliance with the Slovene Corporate Governance Code is available in electronic form on SEOnet, the Ljubljana Stock Exchange information system, and on the official website of Zavarovalnica Triglav (www.triglav.eu).

5.3 Management bodies of Zavarovalnica Triglav¹¹

The Company uses a two-tier management system. The management and supervisory bodies are as follows: **General Meeting of Shareholders, Management Board and Supervisory Board**. The management bodies operate in compliance with the primary and secondary legislation, the Articles of Association and their own rules of procedure. The Articles of Association are available at www.triglav.eu.

Two-tier governance of Zavarovalnica Triglav



5.3.1 General Meeting of Shareholders

The shareholders of Zavarovalnica Triglav exercise their rights in respect of the matters concerning the Company through the General Meeting of Shareholders, which is convened at least once a year, by the end of August at the latest. The General Meeting of Shareholders may also be convened in other circumstances set out by law and the Articles of Association, and when it is in the interest of the Company.

The powers and operation of the General Meeting of Shareholders are set out in the Companies Act and the Articles of Association. The Articles of Association do not set out any specific provisions regarding their amendment.

Each share of Zavarovalnica Triglav gives its holder the right to:

- one vote at the General Meeting of Shareholders,
- proportional dividends from the profit intended for the payment of dividends and
- a proportional share from the remaining bankruptcy or liquidation estate in the event of bankruptcy or liquidation.

All shareholders who are entered in the share register managed by KDD – Centralno klirinška depotna družba d.d. no later than by the end of the fourth day before the date of the General Meeting of Shareholders have the right to attend the General Meeting and exercise their voting rights if they apply to be present no later than by the end of the fourth day prior to the date of the General Meeting of Shareholders.

The rights and obligations attached to the shares as well as the notes on the restriction of transfer of shares and on reaching a qualifying holding are described in [→ [Section 6.2 Equity](#)]. See the Insurance Act for further details.

In accordance with the Financial Instruments Market Act, the following three shareholders own a qualifying holding in Zavarovalnica Triglav:

- Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Institute of Pension and Invalidity Insurance of Slovenia; hereinafter: ZPIZ) is the direct holder of 7,836,628 shares or 34.47% of the share capital of Zavarovalnica Triglav. Its share in 2018 remained unchanged. On behalf of and for the account of ZPIZ, the shareholder's rights attached to the shares were managed by Slovenski državni holding d.d. (hereinafter: SDH).

- SDH is the direct holder of 6,386,644 shares or 28.09% of the share capital of Zavarovalnica Triglav. Its share in 2018 remained unchanged.
- Addiko Bank d.d., Pension fund 1 – fiduciary account, Zagreb held 1,488,809 shares or 6.55% of the share capital of Zavarovalnica Triglav, representing an increase of 34,915 shares over the 2017 year-end.

As at the reporting date, Zavarovalnica Triglav had no other shareholders whose holdings exceeded 5.00% of the share capital, nor any issued securities that would grant their holders special control rights.

General Meeting of Shareholders in 2018

The shareholders of Zavarovalnica Triglav had one general meeting in the reporting period. The 43rd General Meeting of Shareholders was held on 29 May 2018. The total number of shares and voting rights represented at the General Meeting of Shareholders was 17,934,863 or 78.97% of all shares to which the voting rights are attached. The General Meeting of Shareholders took note of:

- Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017,
- Opinion given by the audit firm,
- Annual Internal Audit Report for 2017,
- Report by the Supervisory Board of Zavarovalnica Triglav on the verification of the Annual Report for 2017 and
- Opinion given by the Supervisory Board on the Annual Internal Audit Report of the Internal Audit Department for 2017.

The shareholders adopted a resolution on the following distribution of the accumulated profit of EUR 58,085,121.96 as at 31 December 2017:

- A part of accumulated profit amounting to EUR 56,837,870.00 shall be allocated for dividend payments. The dividend in the amount of EUR 2.50 gross per share shall be paid to the shareholders appearing in the Share Register on 13 June 2018. The Company shall ensure funds for the payment of all dividends on the account of KDD – Centralno klirinška depotna družba d.d. on 14 June 2018.
- The distribution of the remaining accumulated profit of EUR 1,247,251.96 shall be decided in the next few years.

The shareholders granted a discharge for the financial year 2017 to both the Management Board and the Supervisory Board of Zavarovalnica Triglav. At the General Meeting of Shareholders no action of voidness was announced.

5.3.2 Management Board

The Management Board of Zavarovalnica Triglav manages the Company independently and at its own responsibility, as well as presents and represents the Company without limitations. In legal transactions, the Company is always jointly presented and represented by two members of the Management Board, one of whom is its President.

Any person fulfilling the requirements stipulated by the Insurance Act, the Companies Act and the applicable documents of the Company may be appointed to the Management Board as its President or member. The fit and proper criteria, which the Management Board members and other individuals are required to meet, are clearly defined in the Fit and Proper Policy for the Management and Supervisory Board Members of Zavarovalnica Triglav d.d., which sets out the fit and proper assessment procedure for Management Board members to be performed before the appointment, periodically, extraordinarily or after the appointment of an individual Management Board member. Furthermore, the Policy determines the fit and proper assessment criteria and procedures for the Management Board as a collective body. In respect to the latter, the Supervisory Board takes into account the diversity of knowledge and competences which not only allow comprehensive functioning of the Management Board but also contribute to an appropriate variety of skills, knowledge and experience for professional management of Zavarovalnica Triglav. All members should collectively possess the relevant knowledge and experience relating to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates.

In November 2018 before their re-appointment, the fit and proper assessment procedures were carried out for Andrej Slapar, the candidate for the President of the Management Board, and for Uroš Ivanc and Tadej Čoroli, the candidates for Management Board members. In addition, the assessment procedure for the Management Board as a collective body was performed, taking into account the said candidates. It was assessed that Andrej Slapar was a fit and proper candidate for the President of the Management Board and that Uroš Ivanc and Tadej Čoroli were fit and proper candidates for Management Board members. Furthermore, the Management Board as a collective body was assessed as fit and proper. In November 2018, a positive periodic fit and proper assessment of the members of the Management Board and the Management Board as a collective body was made.

Composition and appointment of the Management Board

In accordance with the Articles of Association, the Management Board has no less than three and no more than six members, one of whom is President. The number of the Management Board members, their powers, the manner of representation and presentation and the transfer of the Management Board's authorisations are determined by the Supervisory Board in the Management Board Rules.

The Management Board is appointed by the Supervisory Board. The term of office of an individual Management Board member is up to five years, with the possibility of reappointment without limitation. Zavarovalnica Triglav has one Worker Director, who is a member of the Management Board.

The appointment or recall of all members or an individual member is proposed to the Supervisory Board by the President of the Management Board. Any individual member or President of the Management Board may be dismissed by the Supervisory Board if legal grounds for their dismissal have been established.

5.3.2.1 Management Board's powers to increase the share capital

In accordance with the Company's Articles of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 14,740,278.36 by issuing new shares for cash contributions within five years of 2 June 2016. The issue of new shares, the amount of capital increase, the rights attached to the new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Following a share capital increase, the Supervisory Board is authorised to amend the Company's Articles of Association.

5.3.2.2 Presentation of the Management Board, its functioning and powers

On 14 November 2018, the Supervisory Board re-appointed Andrej Slapar President of the Management Board for a five-year term of office, commencing on 12 November 2019. Furthermore, Uroš Ivanc was re-appointed a Management Board member for a five-year term of office, commencing on 15 July 2019, while Tadej Čoroli was re-appointed a Management Board member for a five-year term of office, commencing on 30 July 2019.

The Diversity Policy, which was adopted by the Management Board and the Supervisory Board in 2017, was taken into account in the proposals to re-appoint Andrej Slapar, Uroš Ivanc and Tadej Čoroli. Its objectives are to ensure complementarity and diversity in the Management Board by taking into account various qualifications, experience and knowledge defined in the Fit and Proper Policy for the Management and Supervisory Board Members of Zavarovalnica Triglav d.d., gender balance and representation of various age group.

Composition of the Management Board in 2018¹²

Name and surname	Post	Area of work in the Management Board (as at 31 December 2018)	Start of term of office (the first)	End of term of office	Gender	Nationality	Date of birth	Education	Professional profile	Membership in the supervisory or management bodies of other companies
Andrej Slapar	President	As the President of the Management, he manages and directs the work of the Management Board and the head office support departments (the Management Board Office, the Legal Office, the Internal Audit Department, the Corporate Communication Department, the Compliance Office, the Business Intelligence Department) as well as the Non-Life Insurance Development and Actuarial Department and the Investment Department. He is in charge of the Corporate Accounts Division, senior management staffing, Arbitration, Nuclear Pool, Commercial Association of Slovenian Insurance Companies, reinsurance and asset management.	22 May 2013	12 Nov. 2024	Male	Slovene	1972	LL.B.	Management, strategic management, commercial law, insurance and reinsurance, actuarial science	Krka d.d. Pozavarovalnica Triglav Re d.d. Triglav Skladi d.o.o. Triglav INT d.d.
Uroš Ivanc	Member	In charge of the following head office support departments: the Strategic Purchasing Department, the Risk Management Department, the Strategic Planning and Controlling Department, the Subsidiary Management Department, Accounting and Finance excluding the Investment Department.	14 July 2014	15 July 2024	Male	Slovene	1975	Master of Science in Business and Organisation	Management and organisation, strategic management, insurance, financial management, financial markets and analysis, asset management, risk management	Triglav INT d.d. Triglav, upravljanje naložb in svetovalne storitve d.o.o. Triglav, Upravljanje nepremičnin d.d
Tadej Čoroli	Member	In charge of the Innovation and Digitalisation Department, the Client Contact Unit, the Marketing Department, the Non-Life Insurance Division, the Non-Life Insurance Claims Division and the Non-Life Insurance Sales Division.	29 July 2014	30 July 2024	Male	Slovene	1975	LL.M	Management, strategic management, commercial law, insurance, marketing	Triglav, Zdravstvena zavarovalnica d.d. Triglav INT d.d. Skupna pokojninska družba d.d.
Barbara Smolnikar	Member	In charge of the Life Insurance Division and the Life Insurance Development and Actuarial Department. Responsible for health insurance, pension insurance and money laundering prevention.	17 Oct. 2017	17 Oct. 2022	Female	Slovene	1967	PhD in Management	Management, strategic management, banking, bancassurance, financial markets and analysis, risk management	Triglav INT d.d. Triglav, Zdravstvena zavarovalnica d.d. (as of 28 February 2018) Triglav Svetovanje d.o.o. (as of 16 February 2018) Skupna pokojninska družba d.d. (as of 31 August 2018)
Marica Makoter	Member and Employee Representative	As the Worker Director, she represents workers' interests in compliance with the Worker Participation in Management Act. She is in charge of the Organisation Development and Business Process Management Department, the Fraud Prevention, Detection and Investigation Department and the Change and Project Portfolio Management Department. Moreover, she is responsible for the IT Division, the Back Office Division and the Human Resource Management Division, excluding senior management staffing.	21 Dec. 2011	22 Dec. 2021	Female	Slovene	1972	LL.B.	Management, strategic management, commercial law, insurance, human resources and organisation, worker representation	Triglav INT d.d.

¹² GRI GS 405-1

Data on the remuneration of the Management Board members are disclosed in [→ *Section 5.5 of the Accounting report of the Annual Report*]. The basis for the remuneration of the Management Board is the **Remuneration Policy** of Zavarovalnica Triglav d.d., which is based on the Solvency II Directive 209/138/EC, as amended by Directive 212/23/EU, and Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC.

The Remuneration Policy is designed to ensure the maintenance of appropriate capital strength of the Company, to encourage reliable and effective risk management, not to promote the assumption of risks exceeding the allowed risk limits of the Company and to provide for the acquisition and retention of appropriately professionally qualified, competent, responsible and engaged employees. The Policy serves as a foundation for implementing a robust and reliable governance system and ensures business integrity and transparency.

Composition and remuneration of the Management Board in 2018 (in EUR)

Name and surname	Function (President, Member)	Fixed remuneration - gross (1)	Variable remuneration - gross			Deferred remuneration - gross (3)	Severance pay (4)	Benefits and SVPI (5)	Bonus claw-back (6)	Total gross (1+2+4+6)	Total net
			based on quantitative criteria	based on qualitative criteria	Total variable remuneration (2)						
Andrej Slapar	President	173,769	42,887	0	42,887	51,968	0	56,968	0	216,656	78,343
Uroš Ivanc	Member	165,101	40,743	0	40,743	49,370	0	40,972	0	205,844	72,065
Tadej Čoroli	Member	165,101	40,743	0	40,743	49,370	0	49,594	0	205,844	67,505
Barbara Smolnikar	Member	165,422	3,857	0	3,857	3,857	0	41,203	0	169,279	57,320
Marica Makoter	Member	164,780	40,743	0	40,743	49,370	0	45,712	0	205,523	69,041
Benjamin Jošar	Member till 2 Nov. 2017	0	69,776	0	69,776	12,622	0	0	0	69,776	33,938
Total		834,173	238,749	0	238,749	216,557	0	234,449	0	1,072,922	378,212

* Travel expenses, accommodation costs and daily allowance are not included as, by their nature, they are not considered remuneration for the Management Board.

** The data under item (2) contains the 2nd portion of the bonus for 2015, the 1st portion of the bonus for 2017 and 2nd portion of the bonus for 2016 paid in 2018 to Benjamin Jošar.

*** The data under item (3) contains the 3rd portion of the bonus for 2015, the 2nd and 3rd portions of the bonus for 2016 (excluding the 2nd portion of the bonus for 2016 for Benjamin Jošar) and the 2nd and 3rd portions of the bonus for 2017 which will be paid out in the coming years.

**** The data in item (5) contains the benefits and the premium for supplemental voluntary pension insurance.

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5.3.3 Supervisory Board

The Supervisory Board is composed of six shareholder representatives and three employee representatives. As a supervisory body, it supervises the Company's business conduct with full responsibility.

Shareholder representatives are elected by the General Meeting of Shareholders and employee representatives by the Works Council. The Chairman and Vice Chairman of the Supervisory Board are elected from among its members representing shareholders. Their appointment and recall are made in accordance with the applicable legislation and the documents of the Company. The members of the Supervisory Board are given a four-year term of office and may be re-elected without limitation. The fit and proper criteria as set out in the Fit and Proper Policy for the Management and Supervisory Board Members of Zavarovalnica Triglav d.d. also apply to both the Supervisory Board as a collective body and to Supervisory Board members as individuals. Fit and proper assessments are made before the appointment, periodically, extraordinarily or after the appointment of an individual Supervisory Board member.

In assessing the composition and performance of the Supervisory Board as a whole along with a diverse gender and age structure, the Supervisory Board takes into account diversity in such a manner that all members possess the relevant knowledge, skills and experience relating to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management, and the regulatory and legal environment in which Zavarovalnica Triglav operates.

The General Meeting of Shareholders may dismiss any elected member of the Supervisory Board before the expiry of their term of office, while each member of the Supervisory Board may resign from the position under the conditions and in the manner laid down by the Articles of Association.

In November 2018, a periodic assessment was performed of the Supervisory Board members and the Supervisory Board as a collective body, which was assessed as fit and proper.

5.3.3.1 Powers of the Supervisory Board

The powers and operation of the Supervisory board are set out by the applicable legislation, the Articles of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board (available at www.triglav.eu). Besides the powers specified in the Companies Act and the Insurance Act, the Supervisory Board has the power to give consent to the decisions of the Management Board where the value or an investment exceeds the amount set out in the Rules of Procedure of the Supervisory Board, i.e., in the event of:

- founding limited companies in Slovenia and abroad;
- the acquisition or sale of Zavarovalnica Triglav's stakes in domestic or foreign companies;
- the issue of debt securities and long-term borrowing from domestic or foreign banks; or
- the acquisition, sale of, or investment in investment property of Zavarovalnica Triglav.

In accordance with the law and the Rules of Procedure, the Supervisory Board holds at least one session per quarter, or more if necessary.

5.3.3.2 Supervisory Board in 2018

Composition of the Supervisory Board in 2018 ¹³															
Name nad surname	Post	Start of term of the office (first)	End of term of office	Attendance of sessions of the Supervisory Board / total number of Supervisory Board sessions	Gender	Nationality	Date of birth	Education	Professional profile	Independence pursuant to Article 23 of the Corporate Governance Code	Existence of conflict of interest in 2018	Membership in the supervisory or management bodies of other companies while serving as a SB member in 2018	Membership in Supervisory Board committees	Function in Supervisory Board committees	Attendance of meetings of Supervisory Board committees / total number of meetings of Supervisory Board committees
Igor Stebernak	Chairman	18 Aug. 2016	2 June 2020	7 of 7	Male	Slovene	1968	BSc in Electrical Engineering, MBA	Banking, insurance, strategic management, financial markets and analysis, controlling, accounting and business process reengineering	YES	NO	/	Appointment and Remuneration Committee	Chairman	5 of 5
Andrej Andoljšek	Member Vice Chairman	13 June 2017 21 June 2017	21 June 2017 13 June 2021	6 of 7	Male	Slovene	1970	BSc in Economics	Financial and general management, financial markets and analysis, banking, corporate governance, business and financial restructuring of companies	YES	NO	/	Strategy Committee	Member	3 of 3
Milan Tomaževič	Member	13 June 2017	13 June 2021	7 of 7	Male	Slovene	1946	BSc in Economics	Insurance and reinsurance, informatics, management and actuarial science	YES	NO	/	Strategy Committee	Chairman	3 of 3
Žiga Škerjanec	Member	13 June 2017	13 June 2021	7 of 7	Male	Slovene	1978	LL.B.	Corporate law and finance and the operation of the supervisory boards	YES	NO	/	Strategy Committee Appointment and Remuneration Committee	Member Member	3 of 3 5 of 5
Nataša Damjanovič	Member	13 June 2017	13 June 2021	7 of 7	Female	Slovene	1965	Bachelor of Economics	Financial markets and analysis, banking, marketing and strategic management	YES	NO	/	Audit Committee Appointment and Remuneration Committee	Member Member	9 of 9 5 of 5
Mario Gobbo	Member	12 June 2013	13 June 2021	7 of 7	Male	Italian	1953	PhD in Management	Banking, financial management, financial markets and analysis, investment banking, investment, restructuring, acquisition of financial assets and privatisation	YES	NO	/	Audit Committee	Chairman	9 of 9
Peter Celar	Member	30 May 2011	31 May 2019	7 of 7	Male	Slovene	1958	Bachelor of Economics	Insurance	YES	NO	/	Strategy Committee	Member	3 of 3
Boštjan Molan	Member	31 May 2015	31 May 2019	7 of 7	Male	Slovene	1973	Bachelor of Economics	Insurance	YES	NO	/	Appointment and Remuneration Committee	Member	5 of 5
Ivan Sotošek	Member	31 May 2015	31 May 2019	7 of 7	Male	Slovene	1969	LL.M.	Insurance	YES	NO	/	Audit Committee	Member	9 of 9

External members of Supervisory Board Committees in 2018								
Name and surname	Supervisory Board committee	Attendance of meetings of Supervisory Board committees / total number of committee meetings	Gender	Nationality	Date of birth	Education	Professional profile	Membership in the supervisory bodies of other companies while serving as a SB committee member in 2018
Simon Kolenc	Audit Committee	9 of 9	Male	Slovene	1977	BSc in Economics	Finance, accounting, audit	Deželna banka Slovenije d.d. (from 30 March 2018 to 7 September 2018)

By signing the Statement of Independence and Loyalty (www.triglav.eu), the members of the Supervisory Board undertook to adhere to the principles of independence laid down in item B of the Annex to the Corporate Governance Code.

The data on remuneration of the Supervisory Board members are disclosed [[→](#) in *Section 5.5 of the Accounting report*] of the Annual Report. Remuneration of the Supervisory Board members was in line with the resolution passed by the 41st General Meeting of Shareholders of Zavarovalnica Triglav.

¹³ GRI GS 405-1

Composition and remuneration of the Supervisory Board and its committees in 2018 (in EUR)

Name and surname	Function (Chairman, Vice Chairman, Member, External committee member)	Remuneration for performing the function – gross per year (1)	Attendance fees for SB sessions and committee meetings – gross per year (2)	Total gross (1+2)	Total net*	Gross travel expenses	Net travel expenses*
Igor Stebernak	Chairman	28,125	3,025	31,150	22,655	360	262
Andrej Andoljšek	Member	20,250	2,310	22,560	16,408	486	353
Milan Tomažević	Member	20,625	2,585	23,210	16,881	503	365
Žiga Škerjanec	Member	22,500	3,685	26,185	19,044	320	233
Nataša Damjanovič	Member	22,500	4,961	27,461	19,972	320	233
Mario Gobbo	Member	20,625	3,861	24,486	16,130	32,811	21,614
Peter Celar	Member	18,750	2,585	21,335	15,517	178	130
Boštjan Molan	Member	18,750	3,025	21,775	15,837	181	132
Ivan Sotošek	Member	18,750	3,861	22,611	16,445	2,050	1,491
Simon Kolenc	External committee member	7,500	2,420	9,920	7,215	57	41
Total		198,375	32,318	230,693	166,104	37,266	24,854

* The amount paid to an individual's account as the payment after deducting the income tax prepayment, which does not take into account any subsequent payments of an individual's personal income tax.

5.3.3.3 Composition of Supervisory Board committees and their activities in 2018

Supervisory Board committees prepare draft resolutions for the Supervisory Board, assure their implementation and carry out other professional tasks.

In 2018, the Supervisory Board committees were the following: the Audit Committee, the Appointment and Remuneration Committee, and the Strategy Committee.

Audit Committee

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

- monitoring the financial reporting process, creating reports and drafting proposals for ensuring its comprehensiveness;
- monitoring the efficiency and effectiveness of internal controls, internal audit and risk management systems;
- monitoring the mandatory audit of annual and consolidated financial statements and reporting on the audit findings to the Supervisory Board;
- being in charge of the auditor selection procedure and proposing a candidate to the Supervisory Board to audit the Company's annual report and participating in the drafting of an agreement between the auditor and the Company;
- supervising the integrity of financial information provided by the Company; evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board;
- cooperation with the Internal Audit Department, monitoring its interim reports, examination of the internal documents of the Internal Audit Department, the Rules of Operation of the Internal Audit Department and the annual plan of the Internal Audit Department;

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- examination of decisions on the appointment, dismissal and remuneration of the head of the Internal Audit Department.

In 2018, the Audit Committee was composed of the following members: Mario Gobbo as its Chairman, and Nataša Damjanovič, Ivan Sotošek and Simon Kolenc (external independent expert) as its members.

Appointment and Remuneration Committee

The main duties and powers of the Appointment and Remuneration Committee, set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions, include:

- drafting proposals regarding the criteria for membership in the Management Board;
- drafting proposals regarding the policy of remuneration, compensation and other benefits for the Management Board members;
- preliminary consideration of proposals made by the President of the Management Board related to the management of the Company, pursuant to the third paragraph of Article 13 of the Articles of Association;
- performance of fit and proper assessment for the Management and Supervisory Board members in line with the Fit and Proper Policy for the Management and Supervisory Board Members of Zavarovalnica Triglav d.d.;
- support and making proposals on matters that concern the Supervisory Board (e.g. conflicts of interest, design and implementation of a remuneration system for Supervisory Board members, assessment of the Supervisory Board's work against the Corporate Governance Code).

In 2018, the Appointment and Remuneration Committee had the following composition: Igor Stebernak as its Chairman, and Nataša Damjanovič, Žiga Škerjanec and Boštjan Molan as its members.

Strategy Committee

The duties and powers of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board's resolutions. The Committee's main areas of work include discussing and preparing proposals related to the strategic development and planning of the Triglav Group and the realisation of its strategic plans.

In 2018, the Committee was composed of the following members: Milan Tomaževič as its Chairman, and Andrej Andoljšek, Žiga Škerjanec and Peter Celar as its members.

5.4 Governance and management of subsidiaries¹⁴

The Triglav Group is comprised of Zavarovalnica Triglav as the controlling company and its subsidiaries and associates. The subsidiaries in the Group operate as independent legal entities in accordance with the applicable legislation, resolutions passed by the general meetings and the management and supervisory bodies of the subsidiaries, agreements on business cooperation (if concluded) and other adopted rules and instructions implemented by individual subsidiaries.

The Governance Policy of the Triglav Group's Subsidiaries is the basis for the establishment and implementation of a robust and reliable governance system. The governance system of the Group's subsidiaries is implemented as corporate governance by actively exercising the management rights in compliance with the law applicable to individual subsidiaries and their internal regulations. In the context of corporate governance, the Group also carries out business management, which is based on ensuring effective monitoring or supervision of the operations of the subsidiaries. This supports the harmonisation of business and achievement of synergies, particularly with the activities promoting cooperation in the fields of expertise, as well as mutual communication and knowledge transfer at the Group level.

Zavarovalnica Triglav as the controlling company actively manages direct subsidiaries in accordance with the Governance Policy of the Triglav Group's Subsidiaries. Direct subsidiaries assume responsibility for the transfer of the governance system and active management of their subsidiaries. The expected goals of transferring the governance system and management activities are more specifically defined in the minimum standards. The governance and management of subsidiaries follows the key guidelines and objectives of the strategy of the Triglav Group. Adhering to the values of the Group is an ongoing process in all subsidiaries and the key guideline in their governance. The Company actively encourages and connects subsidiaries so as to effectively implement and transfer good practices. Long-term effort to increase the value of the Group's assets is also an important objective.

The governance of subsidiaries is based on an ongoing monitoring of their operations and active implementation of the set strategy. Furthermore, identification of business opportunities and challenges both in the local and wider environment is encouraged in order to achieve the optimal development of individual subsidiaries and the whole Group. In 2018, special attention was paid to the strengthening of business development of insurance subsidiaries abroad and their competitive position, which will continue to be the key focus in the coming period. In the existing markets, both the market processing strategy (maintaining and strengthening the competitive position) and the product development strategy (launch of upgraded and new or innovative products and services into the existing markets) were implemented. In new markets, the market development strategy (entry into new markets, establishing partnerships and building visibility) and the diversification strategy (development of new products and services in new markets) were pursued. Furthermore, cooperation among subsidiaries was strengthened in the achievement of strategic objectives in core and supporting activities (particularly in the health and pension insurance segments) as well as in strategic projects (especially in the development of digital content, modern sales and marketing approaches and at the organisational level with an emphasis on strengthening the target organisational culture).

A special attention is devoted to the setting up of a single information and data system, which will enable the Group to achieve the highest level of business transparency and transformation at the Group level. In the coming period, even greater focus will be on strengthening and achieving synergies in various fields of activity, especially at a horizontal level, i.e. among the core segments or activities of the Group. This will also be the key future guideline for the governance and management of subsidiaries.

¹⁴GRI GS 102-10, GS 102-18

The composition of governance and management bodies as at 31 December 2018

Slovenia	Croatia	Bosnia and Herzegovina	Serbia	North Macedonia	
<div>Pozavarovalnica Triglav Re d.d., Ljubljana</div> <div>Gregor Stražar – President, Tomaž Rotar – Member, Stanislav Vrtunski – Member</div> <div>Supervisory Board: Andrej Slapar – Chairman, Tomaž Žust, Sebastjan Debevc, Janko Šemrov</div>	<div>Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale</div> <div>Edvard Kranjčič – Director, Tedo Djekanović – Authorised Officer</div> <div>Supervisory Board: Barbara Smolnikar – Chairman, Matjaž Novak, Lidija Breznik, Primož Plantarič</div>	<div>Triglav Osiguranje d.d., Zagreb</div> <div>Marin Matijaca – President, Denis Burmaz – Member, Mišo Čeplak – Authorised Officer</div> <div>Supervisory Board: David Benedek – Chairman, Tomaž Žust, Gorazd Jenko, Darko Popovski, Nives Matijević</div>	<div>Triglav Osiguranje d.d., Sarajevo</div> <div>Edib Galijatović – President, Edin Muftić – Member</div> <div>Supervisory Board: Tedo Djekanović – Chairman, Janko Šemrov, Matej Gostiša, Uroš Cvetko, Aleš Levstek</div>	<div>Triglav Osiguranje a.d.o., Belgrade</div> <div>Dragan Marković – General Manager, Blaž Jakič – Member of the Board of Directors</div> <div>Supervisory Board: Tedo Djekanović – Chairman, Radenko Purić, Vuk Šušić, Gorazd Jenko, Fejsal Hrustanović</div>	<div>Triglav Osiguruvanje a.d., Skopje</div> <div>Gjorge Vojnović – Chief Executive Officer, Rok Pivk – Executive Officer</div> <div>Board of Directors: Tedo Djekanović – Chairman, Darko Popovski, Matej Ferlan, Blaž Kmetec, Gjorge Vojnović, Ljube Rajeovski, Rok Pivk</div>
<div>Triglav, Zdravstvena zavarovalnica d.d., Koper</div> <div>Meta Berk Skok – President, Simon Vidmar – Member</div> <div>Supervisory Board: Barbara Smolnikar – Chairman, Tadej Čoroli, Tomaž Krevatin</div>	<div>Triglav INT, holdinška družba d.d., Ljubljana</div> <div>Tedo Djekanović – Executive Director, Blaž Kmetec – Authorised Officer</div> <div>Board of Directors: Andrej Slapar – Chairman, Barbara Smolnikar, Marica Makoter, Uroš Ivanc, Tadej Čoroli, David Benedek, Tedo Djekanović</div>	<div>Montenegro</div> <div>Lovćen Osiguranje a.d., Podgorica</div> <div>Matjaž Božič – Executive Director</div> <div>Board of Directors: Tedo Djekanović – Chairman, Tomaž Žust, Darko Popovski</div>	<div>Triglav Osiguranje a.d., Banja Luka</div> <div>Matej Žlajpah – Director</div> <div>Board of Directors: Blaž Jakič – Chairman, Iztok Šekoranja, Draško Milinović</div>	<div>Triglav Osiguruvanje Život a.d., Skopje</div> <div>Aleksandar Andonovski – Chief Executive Officer</div> <div>Board of Directors: Tedo Djekanović – Chairman, Igor Donevski, Aleksandar Andonovski, Gjorgji Jančevski</div>	
<div>Skupna pokojninska družba d.d., Ljubljana</div> <div>Aljoša Uršič – President, Peter Krassnig – Member, Vida Šeme Hočevar – Member</div> <div>Supervisory Board: Barbara Smolnikar – Chairman Tadej Čoroli, Miha Grilec, Jaka Kirn, Miran Kalčič, Vesna Vodopivec, Borut Simonič, Tomaž Jontes</div>	<div>Triglav Avtoservis d.o.o., Ljubljana</div> <div>Edvard Zabukovnik – Director, Boris Kuhelj – Director</div> <div>Supervisory Board: Matej Ferlan – Chairman, Nataša Novak Priveršek, Aleš Klement</div>	<div>Lovćen životna osiguranja a.d., Podgorica</div> <div>Zorka Milić – Executive Director</div> <div>Board of Directors: Igor Zupan, Janez Rožmarin, Edvard Kranjčič</div>			
<div>Triglav Skladi, družba za upravljanje d.o.o., Ljubljana</div> <div>Benjamin Jošar – President, Andrej Petek – Member, Igor Kušar – Member</div> <div>Supervisory Board: Andrej Slapar – Chairman, Blaž Kmetec, Meta Berk Skok</div>	<div>Triglav, Upravljanje nepremičnin d.d., Ljubljana</div> <div>Mitja Selan – President, Aleš Vahčič – Member</div> <div>Supervisory Board: Uroš Ivanc – Chairman, Ksenija Zajc, Blaž Jakič, Nataša Novak Priveršek</div>				

5.5 External and internal audit

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

The report on the work of the Internal Audit Department is included [[→ in Section 1.1 Risk Management](#)].

5.6 Internal controls and risk management in relation to financial reporting¹⁵

The Triglav Group has an efficiently designed and integrated internal control and risk management system, which is promptly adapted to the Group's development, organisational changes and best practices. The system exceeds the basic statutory requirements for insurance undertakings set out in the Companies Act and the Insurance Act, as well as special implementing regulations of the Insurance Supervision Agency on the establishment and maintenance of a suitable internal control and risk management system.

The internal control and risk management system was set up at all organisational levels, in all units and processes of the Triglav Group and encompasses:

- a clear organisational structure with a precisely defined and transparent system of duties and powers;
- efficient procedures for an ongoing control, error prevention, and identification, assessment, management and monitoring of risks to which the insurance undertakings are or may be exposed in the course of their operations;
- an adequate internal control system that includes appropriate administrative and accounting procedures (reporting, working procedures, risk exposure limits and physical controls);
- compliance with the applicable legislation and regulatory requirements.

The Internal Audit Department is an independent organisational unit, set up in compliance with the law. It regularly reviews the effectiveness of the internal control and risk management system and offers upgrade proposals as well as reports to the Management Board, the Audit Committee and the Supervisory Board.

The characteristics and operation of the risk management system are discussed in detail [[→ in Section 1. Risk Management](#)].

Internal controls are guidelines and procedures established by Zavarovalnica Triglav as the parent company of the Group and implemented at all levels in order to manage the risks related to financial reporting. The purpose of internal controls is to ensure reliability of financial reporting and compliance with the applicable laws and other external and internal regulations.

Accounting controls are based on the principles of truthfulness and an appropriate sharing of responsibilities, checking the performance of transactions, keeping of up-to-date records, compliance of books of account with the actual situation, separation of the records from the execution of transactions, professionalism of accountants and their independence. Accounting controls are closely linked to IT controls, which, inter alia, restrict and control access to the data and applications and ensure completeness and accuracy of data capturing and processing.

5.7 Notes on takeover legislation

Zavarovalnica Triglav is subject to the provisions of the Takeover Act (hereinafter: ZPre-1).

The share capital structure of Zavarovalnica Triglav, the rights and obligations attached to the shares, the restriction on transfer of shares and the absence of shares that would grant their holders special control rights are described in detail [[→ in Section 6. Share and Shareholders of Zavarovalnica Triglav](#)].

5.8 Disclosure of the existence of any agreements or authorisation regarding shares or voting rights

Zavarovalnica Triglav is not aware of any shareholder agreements that could cause a restriction on the transfer of shares or voting rights.

The Management Board of Zavarovalnica Triglav is not authorised by the general Meeting of Shareholders to buy its own shares. The Management Board's authorisation to increase the share capital is described under [[→ Section 5.3.2.1](#)]. The issue of new shares, the amount of capital increase, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board.

Zavarovalnica Triglav has no employee share scheme.

The Company is not aware of any agreements that would become effective, change or expire on the basis of a changed control of the Company or as a consequence of a takeover bid as defined by the Takeover Act (ZPre-1).

Zavarovalnica Triglav has not entered into any agreements with the members of its management or supervisory bodies or employees which would provide for remuneration if a takeover bid in line with the Takeover Act caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated in some other manner.

Andrej Slapar,
President of the Management Board

Uroš Ivanc,
Member of the Management Board

Tadej Čoroli,
Member of the Management Board

Barbara Smolnikar,
Member of the Management Board

Marica Makoter,
Member of the Management Board and
Employee Representative

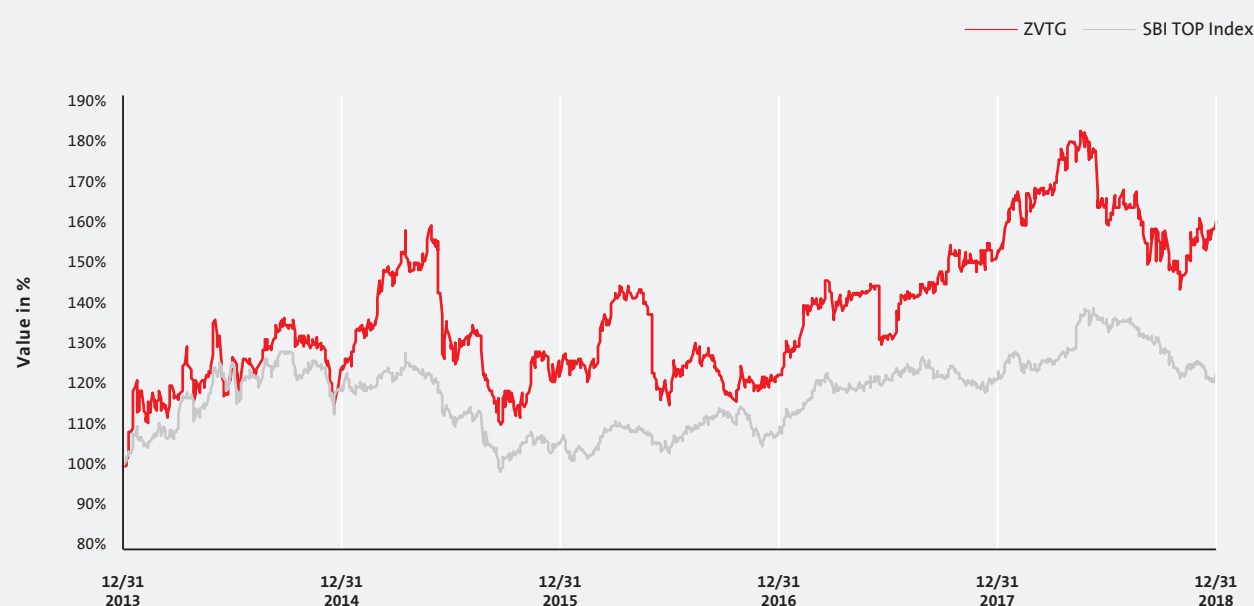
6. The Share and Shareholders of Zavarovalnica Triglav

6.1 The share of Zavarovalnica Triglav

The reporting year saw a growing price of the ZVTG share, having increased by 4.8%. The SBI TOP index of the Ljubljana Stock Exchange decreased by 0.2%, global BEINSUR index by 10.3%. In the last five years, the ZVTG share price movement followed the SBI TOP index trend (see figure), however, it recorded a noticeably higher growth.

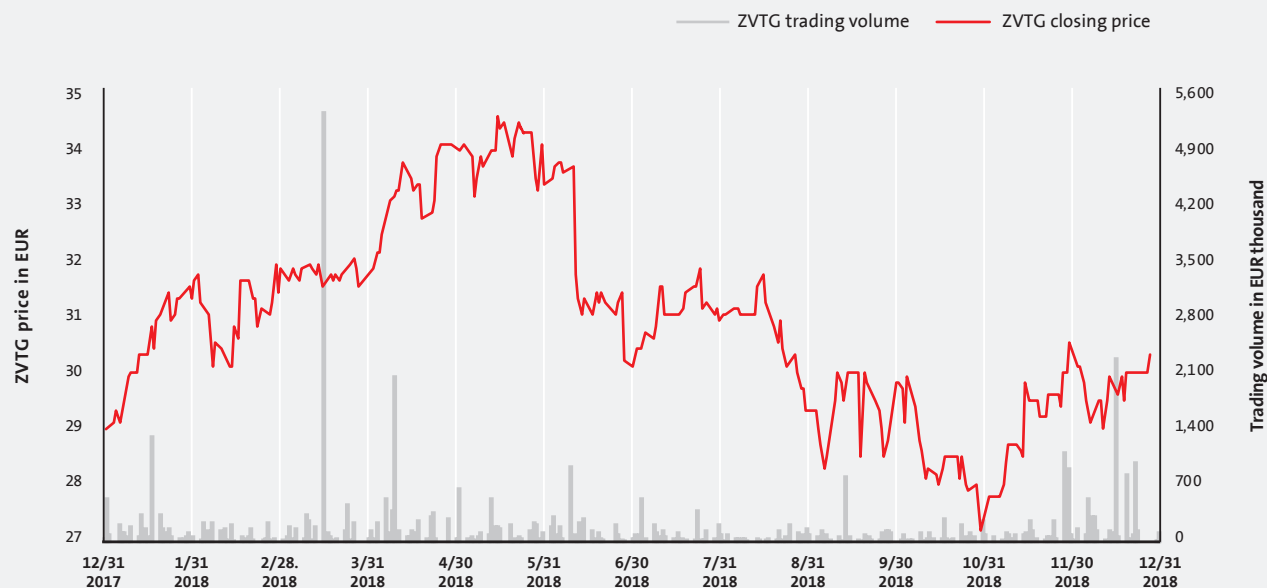
The first half of 2018 saw a gradual growing of the ZVTG price, having increased by 16% as at 11 June 2018, followed by the anticipated drop in price due the entitlement to dividends for 2017. In the second half of the reporting year, the ZVTG share was affected mostly by conditions on the capital markets. As at the reporting date, the closing price of the share equalled the H1 2018 figure, total annual growth of the price of the ZVTG share reached 4.8%.

ZVTG share price movement in the last five years compared to the Ljubljana Stock Exchange index (as at the 2013 year-end = 100)



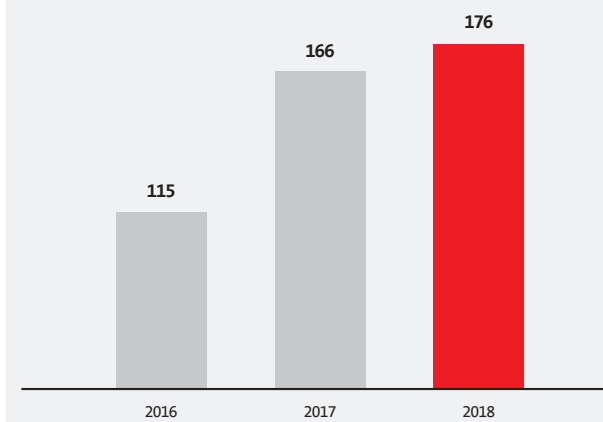
- As at the reporting date, total yield of share was 13.1%.
- Zavarovalnica Triglav implemented an attractive and sustainable dividend policy.
- Strengthening of the share of international shareholders continued.
- High »A« credit ratings with a stable medium-term outlook were reassigned.

Movements in the closing price (left axis) and trading volume (right axis) of the ZVTG share in 2018



Compared to the preceding year, the ZVTG share turnover again increased and was up by 6%. The ZVTG share was the third most traded share on the Ljubljana Stock Exchange, accounting for 13.2% of total turnover in shares. In terms of market capitalisation, Zavarovalnica Triglav was third largest listed Slovene company with EUR 689 million.

Average daily ZVTG share turnover in the last three years (in EUR thousand)



689
EUR million
market capitalisation

Key figures for the share of Zavarovalnica Triglav			
Items	31 December 2018	31 December 2017	31 December 2016
Maximum closing price	34.50	29.30	27.38
Minimum closing price	27.20	23.21	21.80
Closing price	30.30	28.90	23.20
Book value per share (parent company)*	24.64	25.13	24.78
Book value per share (consolidated data)*	32.75	32.98	32.28
Net earnings per share (consolidated data)**	3.56	3.07	3.62
Market capitalisation	688,874,984	657,045,777	527,455,434
Average daily trading volume	176,495	166,345	114,845
Payed dividend per share for the previous business year	to be defined	2.50	2.50
No. of shares	22,735,148	22,735,148	22,735,148
The percentage of floating stock***	30.89%	31.04%	30.98%
Traded on	Ljubljana Stock Exchange - LJSE		
ISIN code	SI0021111651		
Ticker symbol	ZVTG		
Bloomberg	ZVTG SV		
Reuters	ZVTG.LJ		
Credit rating (S&P Global Ratings, A.M. Best)	»A«, stable medium term outlook	»A«, stable medium term outlook	»A«, stable medium term outlook

* In calculating the book value per share (parent company), the equity of Zavarovalnica Triglav and the number of shares as at the reporting date were taken into account, whilst in calculating the book value per share (consolidated data), the equity attributable to the controlling company and the number of shares as at the reporting date were taken into account.

** In calculating net earnings/loss per share (consolidated data), net profit or loss of the Triglav Group and the weighted average number of shares were taken into account.

*** The shares held by shareholders with a 5% or higher stake are deducted from the total number of shares.

6.2 Equity

As at the 2018 year-end, the share capital of Zavarovalnica Triglav remained at the same level with EUR 73,701,391.79. It was divided into 22,735,148 ordinary registered no-par value shares of the same class. All the shares of Zavarovalnica Triglav are freely transferable and issued in a dematerialised form. Each represents the same stake and corresponding amount in the share capital. All have been paid up in full. Each ZVTG share gives its holder the right to one vote at the General Meeting of Shareholders, proportional dividends from the profit intended for the payment of dividends and a proportional share of the remaining bankruptcy or liquidation estate after the payoff of priority shareholders in the case of bankruptcy or liquidation.

In acquiring shares, the existing and potential shareholders of Zavarovalnica Triglav are required to observe the provisions of the Insurance Act. Prior authorisation of the Insurance Supervision Agency is a prerequisite for:

- the acquisition of shares of an insurance company by which a person acquires or exceeds a qualifying holding (the qualifying holding is a direct or indirect holding of shares or other rights

that gives the holder a minimum 10% share of voting rights or equity interest, or that gives the holder a share of voting rights or equity interest that is smaller than 10%, but nevertheless allows the holder to significantly influence the management of the company). In the operative part of its decision on issuing an authorisation to acquire a qualifying holding, the Insurance Supervision Agency lays down the amount of participation in the voting rights or participation in the insurance undertaking's capital for which the authorisation is issued as the ceiling for one of these thresholds:

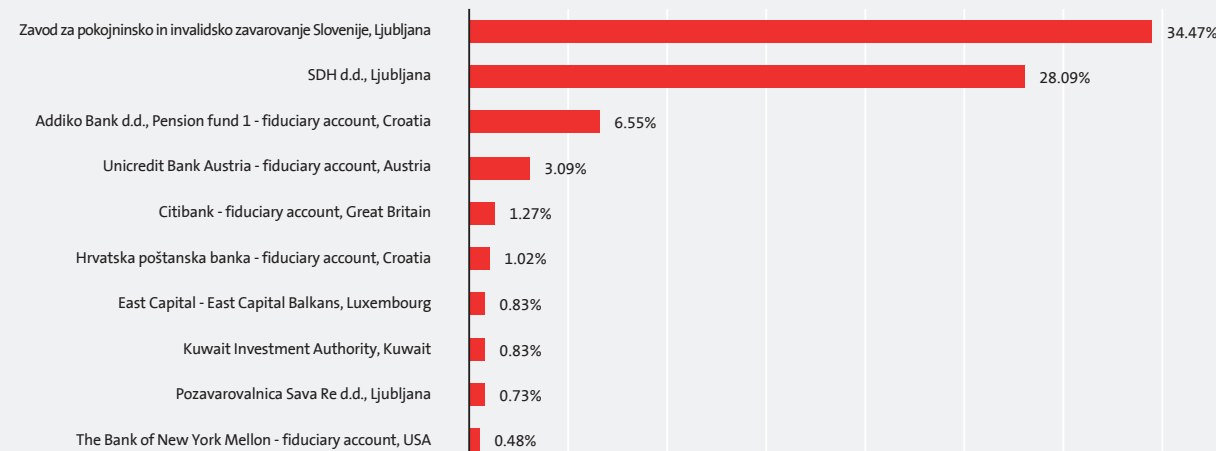
- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than the qualifying holding and lower than 20%;
- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 20% and lower than 1/3;
- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 1/3 and lower than 50%;
- participation in the insurance undertaking's voting rights or in the insurance undertaking's capital, which equals or is higher than 50%;
- participation based on which a future qualifying holder becomes the parent entity of the insurance undertaking;
- before any further acquisition of shares by which a qualified holder would surpass the threshold for which an authorisation for the acquisition of a qualifying holding had been issued;
- for the entities that agree to a concerted acquisition of the shares of the insurance undertaking or a concerted exercising of management rights arising from the shares (joint qualifying holders) and intend to acquire a holding by which they would jointly reach or exceed a qualifying holding of the undertaking;
- before any further acquisition of shares of the joint qualifying holders, by which their joint holding would surpass the threshold for which an authorisation to acquire a qualifying holding had already been issued.

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

6.3 Shareholder structure¹⁶

In 2018, there were no significant changes to the shareholder structure of Zavarovalnica Triglav. As at the reporting date, top ten shareholders held 77.4% of total shares, which was 0.7 percentage point more over the 2017 year-end. The structure of top ten shareholders remained unchanged, with the exception of the Company's shares on the fiduciary account of the British Citibank. The biggest shareholders, two funds of the Republic of Slovenia, maintained their equity stakes, whilst some major shareholders had to adapt their positions. Unicredit Bank Austria from Austria (fiduciary account) increased its stake the most (by 0.3 percentage point), whereas Hrvatska poštanska banka from Croatia (fiduciary account) recorded the highest decrease of its stake (by 0.4 percentage point).

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2018 (ownership in %)



Top ten shareholders of Zavarovalnica Triglav as at 31 December 2018 and 31 December 2017

Shareholder	Number of shares		Ownership (in %)	
	2018	2017	2018	2017
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	7,836,628	7,836,628	34.47	34.47
SDH d.d., Ljubljana	6,386,644	6,386,644	28.09	28.09
Addiko Bank d.d., Pension fund 1 - fiduciary account, Zagreb, Croatia	1,488,809	1,453,894	6.55	6.39
Unicredit Bank Austria - fiduciary account, Vienna, Austria	703,410	634,792	3.09	2.79
Citibank - fiduciary account, London, Great Britain	289,498	36,687	1.27	0.16
Hrvatska poštanska banka d.d. - fiduciary account, Zagreb, Croatia	232,189	322,004	1.02	1.42
East Capital - East Capital Balkans, Luxembourg, Luxembourg	188,100	221,700	0.83	0.98
Kuwait Investment Authority, Safat, Kuwait	187,827	193,827	0.83	0.85
Pozavarovalnica Sava Re d.d., Ljubljana	166,678	166,678	0.73	0.73
The Bank of New York Mellon- fiduciary account, New York, USA	109,855	128,576	0.48	0.57

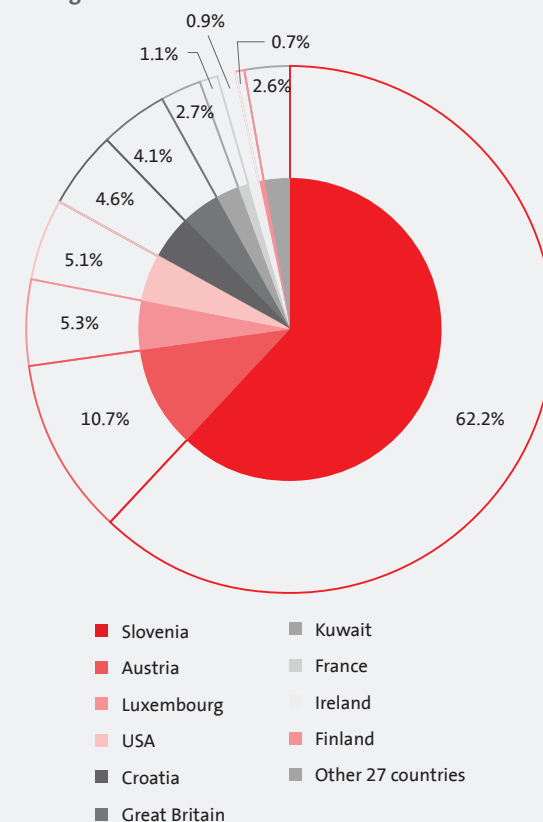
Shareholder structure of Zavarovalnica Triglav as at 31 December 2018

	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	18,595,111	4,140,037	20,239,455	2,495,693
Number of shareholders	14,153	13,504	649	478	13,675
Number of shares - percentage	100.00%	81.79%	18.21%	89.02%	10.98%
Number of shareholders - percentage	100.00%	95.41%	4.59%	3.38%	96.62%

Source: Centralna klirinško depozitna družba (domestic/international data based on the country of entry in the share register)

As at 31 December 2018, Zavarovalnica Triglav had **14,153 shareholders**, or 1% less than the year before. The biggest changes were seen in the number and equity stakes of **international shareholders**, as their multi-annual growth increased even further. As at the 2018 year-end, the Company had **649 international shareholders**, which is **48% more over the preceding year**. The share of the **free float**, i.e. the shares held by the shareholders with less than a 5% equity stake, stood at **37.8% or 18.2% of total shares**. The observed trend is also the result of the strengthened promotion of the Triglav Group among international investors and an active investor relations policy implemented by Zavarovalnica Triglav.

The free float shareholder structure of Zavarovalnica Triglav by the country of origin of shareholders entered in the share register as at 31 December 2018



The number of shares held by the Management and Supervisory Boards equalled 4,484 as at the end of reporting period, the same as one year earlier.

The number of shares owned by members of the Management and Supervisory Boards as at 31 December 2018

Name and surname	Post	No. of shares	Equity stake
Management Board		80	0.00%
Andrej Slapar	President of the Management Board	-	-
Uroš Ivanc	Member	80	0.00%
Tadej Čoroli	Member	-	-
Barbara Smolnikar	Member	-	-
Marica Makoter	Member, Employee Representative	-	-
Supervisory Board		4,404	0.02%
Shareholder Representatives		4,004	0.02%
Igor Stebernak	Chairman	-	-
Andrej Andoljšek	Deputy Chairman	-	-
Mario Gobbo	Member	-	-
Nataša Damjanovič	Member	-	-
Žiga Škerjanec	Member	-	-
Milan Tomažević	Member	4,004	0.02%
Employee representative		400	0.00%
Boštjan Molan	Member	-	-
Peter Celar	Member	400	0.00%
Ivan Sotošek	Member	-	-
Management and Supervisory Board combined		4,484	0.02%

6.4 Dividends and dividend policy

At the General Meeting of Shareholders of Zavarovalnica Triglav held on 29 May 2018, the shareholders passed the draft resolution on the dividend payment in the same amount as the year before, totalling EUR 56,837,870 or EUR 2.50 gross per share, which accounted for 82% of consolidated net profit for 2017. **Taking into account the closing price as at the reporting date, the dividend yield of the ZVTG share was 8.3% and total yield 13.1%.** The dividend payments in the previous years are shown in the table below.

Overview of dividend payments for the business years 2015-2018

Items	2018	2017	2016	2015
Total dividends (In EUR)	to be defined	56,837,870	56,837,870	56,837,870
Dividends per share (in EUR)	to be defined	2.50	2.50	2.50
General Meetings of Shareholders	28 May 2019	29 May 2018	30 May 2017	31 May 2016

In March 2018, the dividend policy of Zavarovalnica Triglav was revised.

Zavarovalnica Triglav implements an attractive and sustainable dividend policy. A part of consolidated net profit of the preceding year, which is to be allocated to dividend payment, accounts for at least 50%. The Company will strive to pay out a dividend not lower than the dividend payment of the preceding year. As thus far, the future implementation of the dividend policy will be subordinated to achieving the medium-term sustainable target capital adequacy of the Triglav Group. The proposal of the Management Board and the Supervisory Board as regards the annual distribution of accumulated profit of the Company will therefore take into account the following three objectives in a balanced manner: to ensure prudent capital management of the Triglav Group and its financial stability, to reinvest net profit in the implementation of the strategy of growth and development of the Triglav Group and to pay out attractive dividends to the shareholders.

The capital management strategic objectives and the dividend policy criteria are described in [→ *Section 1.3 Risk Management*].

6.5 Investor relation management¹⁷

Through proactive management of relations with investors, shareholders and analysts, the Company **promotes the attractiveness of its issued financial instruments**, with the aim of achieving an adequate liquidity. Transparency is achieved with active and open communication, whilst ensuring equal treatment of all investors. As one of the biggest the companies whose shares are listed on the Ljubljana Stock Exchange Prime Market, Zavarovalnica Triglav co-develops the standards of this market segment, following the good international practices.

Investor relations are being further strengthened. In 2018, Triglav participated in twelve meetings with institutional investors across Europe and in the USA (in seven on average until 2016). Along with the participation in five meetings with institutional investors and analysts in the financial centres across Europe, Triglav organised multi-day investor road show in the USA and in Scandinavia/Baltic countries for the first time. The Company participated in four webcasts and organised a gathering with analysts and investors for the third consecutive year. The calendar of past investor conferences, including the presentation material, and the calendar of future conferences is available on the Company's website. The Company is available to analysts, institutional investors and shareholders at individual meetings, via conference calls and by e-mail.

Special attention is devoted to small shareholders. The Investor Relations subpage at www.triglav.eu contains a special section devoted to small shareholders, providing daily trading information about the ZVTG share and all key information on the Company's business operations and financial standing.

Key information are announced in the financial calendar for the coming year, which is simultaneously published in the Slovene and English languages on the website. All publications are available on the Company's website www.triglav.eu, the SEOnet information system of the Ljubljana Stock Exchange and the INFO HRAMBA system.

Investors and current shareholders can obtain more information at the following address:

Information for shareholders:

Zavarovalnica Triglav, d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
Ms Helena Ulaga Kitek, Head of Investor Relations
Phone: ++386 (1) 47 47 331
E-mail: investor.relations@triglav.si

6.6 Credit rating of the Triglav Group and Zavarovalnica Triglav

The credit ratings of the Triglav Group – and consequently its parent company Zavarovalnica Triglav and its subsidiary Pozavarovalnica Triglav Re – were an **»A« stand-alone credit rating** with a **stable** medium-term outlook. S&P Global Ratings and A.M. Best assigned these credit ratings to Triglav. The **»A«** credit ratings reflect the Group's standalone credit profile and does not include any uplift from the insurer's status as a government-related entity.

Credit ratings of Zavarovalnica Triglav since 2008

Year	Credit rating	Medium-term outlook	Rating agency
2018	A	Stable	A.M. Best
			S&P Global Ratings
2017	A	Stable	A.M. Best
			S&P Global Ratings
2016	A	Stable	A.M. Best
			S&P Global Ratings
2015	A-	Positive	A.M. Best
			S&P Global Ratings
2014	A-	Positive	A.M. Best
			S&P Global Ratings
2013	A-	Stable	S&P Global Ratings
			A.M. Best
	BBB+	Positive	S&P Global Ratings
			S&P Global Ratings
2012	A-	Negative	S&P Global Ratings
2011	A	Negative	S&P Global Ratings
2010	A	Stable	S&P Global Ratings
2009	A	Stable	S&P Global Ratings
2008	A	Stable	S&P Global Ratings

In 2018, the credit rating agency S&P assessed the business risk profile of the Triglav Group as strong and its financial risk profile as very strong. According to S&P, the assessment is based on the Group's leading position both in Slovenia and the region, its profitable and well-diversified insurance portfolio enhanced by a large sales network and strong brand recognition. As the important aspects, S&P pointed out the Group's strategic client-centric approach, its leading position in offering innovative risk covers in the region and the use of alternative sales channels, such as the option to purchase insurance online. Apart from that, S&P stated in its report that the Group's capital adequacy meets the **»AAA«** rating requirements, also reaffirmed by the Solvency II ratio of 222% as at the 2017 year-end. Sound financial stability is ensured by strong business profitability, a very conservative and stable reinsurance protection and

prudent management of provisions. **According to S&P**, the Group has a well-diversified investment portfolio, with its assets mostly invested in the euro area. The exceptional liquidity of the Group

was pointed out as its important advantage. It is based on steady premium income and a liquid asset portfolio, allowing the Triglav Group to manage unexpectedly large claims. Furthermore, the Group's experienced management is effectively adjusting the Group to the changing environment and market conditions, while at the same time focusing not only on the Group's core activities (insurance and asset management) but also on implementing its set strategy.

According to A.M. Best, the affirmation of the high credit rating reflects the Triglav Group's strong operating performance, very strong balance sheet and appropriate enterprise risk management. The Group's balance sheet strength is underpinned by strong capitalisation, prudent reserving approach and good financial flexibility. Its operating performance over the recent years has been assessed as strong, even though it continues to be impacted by the low interest rate environment, the situation in the life insurance segment and intense competitive conditions on the markets. A.M. Best pointed out the advantages of the Group's dominant position both in the Slovene market and the region. Moreover, outside of Slovenia the Group continues to demonstrate improvement in earnings, primarily by achieving additional scale and actively seeking alternative lower cost distribution channels.

6.7 Bonds of Zavarovalnica Triglav

Zavarovalnica Triglav issued a series of subordinated bonds. Since 30 June 2010, the bonds bearing the ZT02 ticker symbol and the ISIN Code SI0022103038 have been traded on the bond market of the Ljubljana Stock Exchange. They are Euro-denominated bonds at a fixed rate of 5.95%. The bond nominal value was EUR 30 million. The last coupon and the principal will fall due on 21 March 2020.

7. Performance of the Triglav Group and Zavarovalnica Triglav

- The economic recovery positively affected the premium growth on the insurance markets of the Triglav Group, where the challenging competitive conditions continued.
- Premium growth was recorded in all insurance segments and in all insurance markets.
- The Triglav Group maintained its leading market position in Slovenia, Montenegro and North Macedonia. Furthermore, the Group increased its market share in Serbia.
- Unlike the year before, the reporting year was more favourable in terms of major CAT events and their intensity.
- Premium growth rate above operating costs growth rate.
- Low interest rates continues to reduce rates of return on investment.

7.1 The general economic environment worldwide and in Slovenia

In 2018, the global economy moved to the late stage of the economic cycle. The growth of developed economies is gradually slowing down, while the growth of developing countries is moderately growing. The US economy maintains a strong growth supported by fiscal stimulus, whereas reduced trade contributed to a noticeable economic slowdown in Europe. Nevertheless, the euro area growth remains favourable at around 2%. As a result of increasing employment and thereby higher disposable income, private consumption gradually rose. Supported by favourable financing conditions and high corporate profits, investment consumption recorded growth. Inflation in the euro area remained at a low level at slightly less than 2%.

Slovenia's economy saw strong growth for the fifth consecutive year. According to the latest forecasts, it is slightly lower than the previous year, but an around 4.5% real GDP growth is still well above the euro area average. The growth of international trade and consequently industrial production slowed down, whereas domestic consumption increased, supported by both final and investment consumption. The situation in the labour market and consumer sentiment improved, while financing conditions remained very favourable. The registered unemployment rate fell significantly, on average to just over 8% of the working age population. Accompanied by favourable economic trends, Slovenia even recorded a small budget surplus. Gross consolidated debt declined again and reached almost 70% of GDP. The annual inflation rate gradually increased, but did not exceed 2% at the annual level, thus remaining relatively low.

The financial markets, particularly at the end of 2018, were marked by strong stock market corrections as a result of the uncertainty surrounding the global economic slowdown and the consequences of trade wars. In Europe, the uncertainties increased mostly due to the political situation and budget adoption in Italy and Brexit. Financial market shocks were observed in some developing countries such as Turkey and Argentina, which are both burdened by high macroeconomic imbalances. The US Federal Reserve (Fed) continued to raise the target interest rate range, whereas the European Central Bank's (ECB) interest rates will remain unchanged at least through the first half of 2019. Moreover, the ECB ended its net asset purchases as at the 2018 year-end.

Characterised by long fluctuations, the return on 10-year German government bond stood at around 0.46% throughout the year, ending 2018 at 0.24% or 0.18 percentage point lower than at the beginning of the year. The return on the 10-year Slovene bond was 1.09% on average, whereas at the 2018 year-end it reached 1.02%, which is 0.13 percentage point higher compared with the beginning of the

year. A similar dynamics was observed in the return on long-term bonds of most other euro area countries. In contrast, the return on the 10-year Italian government bond soared by more than one percentage point at the beginning of political uncertainty, however at the year-end it fell to 2.74%.

The global stock market indices ended 2018 in the red. Following an all-time high in September, the American S&P 500 recorded a 6.2% loss as at the year-end. The European Stoxx 50 and the Chinese Hang Seng performed even more poorly, as they fell by 14.3% and 13.6% respectively. With 0.2% decline, the Slovene SBI remained practically unchanged.

Despite growth slowdown, the outlook for the global economy in 2019 is still favourable. The dynamics could be significantly changed by the uncertainties associated with the consequences of the protectionist-oriented policies of some of the most influential countries worldwide, the developments surrounding Brexit and new political tensions in Italy. The expected further normalisation of monetary policies could destabilise the financial position of the more vulnerable sectors or countries.

The outlook for the Slovene economy continues to be favourable. Official institutions forecast a lower real GDP growth, but still around 3.5%. There are slightly more uncertainties surrounding the realisation of these forecasts than in past years, the reasons for this are mainly the possible changes in the international environment.

Considering the further normalisation of the global economic growth and increased uncertainty about the future, it is expected that investors will be focusing more on safe investments. It is expected that 2019 will be less favourable for investors in stock markets. The same expectation also applies to the bond markets, particularly due to the further normalisation of the monetary policies of the key central banks, with a few increases in the U.S. interest rates and with the first rise in interest rates in the euro area at the end of the year. The overall return on long-term government bonds could significantly increase compared to the beginning of the year if the risks arising from growth slowdown, and particularly political uncertainties, diminish.

7.2 Environmental impact on the performance of the Triglav Group¹⁸

The economic recovery positively affected the premium growth. Nevertheless, fierce price competition and the challenging competitive conditions on the insurance markets of the Triglav Group continued. The Company and its subsidiaries respond to the market conditions by adapting their marketing, sales and price policies, as presented [[→ in Section 11. Development and sales activities](#)], by launching new products and redesigning the existing ones, upgrading their business processes and taking measures to improve the insurance technical result.

The conditions on the financial markets remained unfavourable, and the record low interest rates resulted in a lower return on investment.

With respect to mass loss events, the reporting year was more favourable than the previous year. Nevertheless, mass loss events, which occurred in Q2 2018 and amounted to EUR 18.3 million, affected the business results of the Triglav Group. In May, a hail storm and floods in eastern part of Slovenia caused EUR 4.0 million, and in June a hail storm resulted in EUR 13.2 million of damage (three loss events). In early June, storms with hail caused EUR 1.6 million in claims in North-Eastern Slovenia. On 8 June 2018, Bela Krajina and North-Eastern Slovenia were hit by hail, causing damages of EUR 10.0 million, whereas in mid-June the Zasavje region and its surroundings reported claims of EUR 1.6 million. The hailstorm in North Macedonia in May and June caused damage of EUR 1.1 million.

7.3 Global insurance market¹⁹

According to the most recent official data published by Požarovalna Swiss Re, the **global insurance market** recorded a 2% growth in 2017 and 3% growth one year earlier. The highest growth of 6% was again achieved by Asia. Its market share increased by 0.9 percentage point to 32.5%, and came close to the first ranked America (North and South America), which remained the market leader with 34.0% of total global premium (0.3 percentage point less than the year before). Europe held a 30.2% of total global premium, which decreased by 0.6 percentage point compared to the previous year. The share held by Oceania shrunk, accounting for 1.9% (2016: 2.0%), whilst Africa's share grew by 0.1 percentage point to 1.4% (2016: 1.3%).

7.4 Operations of the Triglav Group in the Adria region (South-East Europe)²⁰

7.4.1 South-East Europe

The Triglav Group sells insurance in seven markets in six countries: in Slovenia, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and North Macedonia.

Zavarovalnica Triglav and the specialised insurers Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba are active on the well-developed Slovene market. Other insurance markets remain relatively undeveloped with an estimated major development potential. Motor vehicle insurance prevailed in the markets outside of Slovenia.

Pozavarovalnica Triglav Re offers its services in the entire region.

Backed by moderate economic growth, the volume of insurance markets increased in all countries in the region. Maximum relative premium growth was recorded in North Macedonia and Croatia. The **Slovene insurance market** grew substantially. Growth was also seen in the markets of Montenegro, Serbia and Bosnia and Herzegovina, but positive trends were slower.

The Triglav Group maintained its leading position in Slovenia, Montenegro and North Macedonia. The Group increased its

market share in Serbia, and maintained it in Croatia and the Republic of Srpska. Total written premium increased in all markets. In Serbia, the Group exceeded the market growth rate and practically everywhere grew at a rate not significantly lagging behind the total market growth rate [→ see Section 7.5 Gross written insurance, co-insurance and reinsurance premiums for more details].

Market share trends in the insurance companies of the Triglav Group in 2018

Market	Market share	Market share trend		Ranked in 2018	Ranked in 2017
Slovenia	35.4 %	↓	-0,2-percentage point	1	1
Croatia	4.4 %	■	0,0-percentage point	9	9
Serbia**	6.0 %	↑	+0,2-percentage point	5	5
Montenegro	37.9 %	↓	-0,3-percentage point	1	1
Bosnia and Herzegovina***	8.0 %	↓	-0,2-percentage point	6	4
- Federation of BiH	8.8 %	↓	-0,1-percentage point	7	7
- Republic of Srpska*/***	5.5 %	■	0,0-percentage point	8	7
North Macedonia	14.5 %	↓	-0,1-percentage point	1	1

* Market shares of Triglav Osiguranje, Banja Luka and subsidiary of Triglav Osiguranje, Sarajevo were taken into account

** Q1-3 2018 data

*** H1 2018 data

In the markets where the Group holds a high market share and the leading position, the consolidation strategy was pursued, whilst on the remaining markets, where the Group's presence is still being built, focus was on strengthening the Group's position. The Group will strive to ensure long-term profitability and increased productivity through its recognisable Triglav brand and other competitive advantages, while taking into account the applicable local legislation and risks.

More details on individual markets and the market position of the Group subsidiaries are provided below.

Main macroeconomic indicators for 2018 by insurance market of the Triglav Group

Macroeconomic indicators	Slovenia	Croatia	Serbia	Montenegro	Bosnia and Herzegovina	North Macedonia
Population (in million)	2.1	4.1	7.0	0.6	3.5	2.1
GDP growth (estimate in %)	4.5	2.8	4.0	3.7	3.2	1.6
2018 GDP (estimate in USD million)	55.0	60.0	47.7	5.4	20.0	12.4
2018 GDP per capita (estimate in USD)	26,586	14,637	6,815	8,644	5,704	5,953
2018 inflation rate (estimate in %)	2.1	1.6	2.1	2.8	1.4	1.8
2018 unemployment rate (estimate in %)	5.8	12.0	13.8	14.1*	18.4	21.1

Source: IMF, World Economic Outlook, October 2018, *Agency for Statistics of Montenegro (Q3 2018)

35.4% market share of
Triglav Group
Slovenia 1st rank

7.4.1.1 The Slovene insurance market

Despite its small size, the Slovene insurance market is well-developed. On the world scale, Slovenia is ranked 32nd by premium per capita (one rank higher compared to the previous year) and remains 30th by insurance penetration (premium share in GDP). In 2017, the Slovene insurance market maintained its 55th rank in terms of total written premium. It accounts for 0.05% of the global insurance market and is 115 times smaller than the British market, the largest European insurance market (data for 2017).

Premium per capita and market penetration in Slovenia and some other European countries in 2017

	Premium per capita		Insurance penetration	
	(in USD)	World rank	(% of GDP)	World rank
Slovenia	1,192*	32	5.0%*	30
Croatia	333	52	2.5%	51
Serbia	123	65	2.1%	64
Switzerland	6,811	3	8.5%	13
Great Britain	3,810	12	9.6%	8
Austria	2,217	23	4.6%	35
Czech Republic	609	38	2.9%	47
Poland	421	43	3.0%	45
Turkey	149	63	1.4%	72
Europe	1,651	-	6.5%	-
EU	2,429	-	7.2%	-

Source: Swiss RE, SIGMA 3/2018

* Data for Slovenia: Slovenian Insurance Association

Average premium per capita increased to EUR 1,055, which is the same as in 2009 and 2010 when it reached its 10-year peak. In 2017, premium as a percentage of GDP accounted for 5.0%, which is the lowest share in the last ten years.

Insurance market development in Slovenia

Premium per capita (2017 data)	EUR 1,055
Premium as a percentage of GDP (2017 data)	5.0%
Insurance market growth index in 2018	107.7

Source: Slovenian Insurance Association

In the reporting period, 14 insurance companies, 5 foreign branch offices and 2 reinsurance companies were active in the **Slovene insurance market**, all members of the Slovenian Insurance Association (hereinafter: SZZ). In July, Allianz Slovenia, the Allianz Zagreb branch office, joined the Slovenian Insurance Association.

There were 9 composite and 10 specialised insurers (life, health and non-life insurance) among the insurance companies. These data exclude direct insurance transactions of the insurers from other EU Member States (foreign-owned subsidiaries – FOS). Even though their share is growing, it is still negligible. Zavarovalnica Triglav directly operates in all 28 EU Member States.

Gross written premium amounted to EUR 2,364.9 million, which was **7.7% more** than in 2017. **Non-life insurance** grew by 7.0% and accounted for 70% of total premium. Excluding **health insurance**, non-life insurance premium growth would be 7.4%, as its premium growth was slightly lower (6.2%). Non-life insurance premium primarily increased as a result of higher other damage to property insurance, comprehensive car insurance and health insurance. **Life insurance premium** increased by 9.3%, the highest growth (14%) rate was achieved by unit-linked life insurance (including pension insurance).

The Slovene insurance market continues to be characterised by a high degree of concentration as the four largest insurance companies controlled 70.2% of the market. With a 27.9% market share, **Zavarovalnica Triglav** remains the market leader (2017: 28.3%). The second largest market share was held by Zavarovalnica Sava, a company 1.7 times smaller. With a 35.4% market share on the Slovene insurance market, **the Triglav Group** (parent company, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba) decreased its market share by 0.2 percentage point over the corresponding period in the preceding year.

The market shares of **the Triglav Group** by segment:

- **non-life insurance** (excluding health insurance): 43.9% (an increase of 0.3 percentage point);
- **life insurance**: 28.9% (a decrease of 2.2 percentage points);
- **health insurance**: 26.5% (an increase of 1.3 percentage point).

The market shares of **Zavarovalnica Triglav** by segment:

- **non-life insurance**: 29.4% (an increase of 0.4 percentage point);
- **life insurance**: 24.4% (a decrease of 2.1 percentage points).

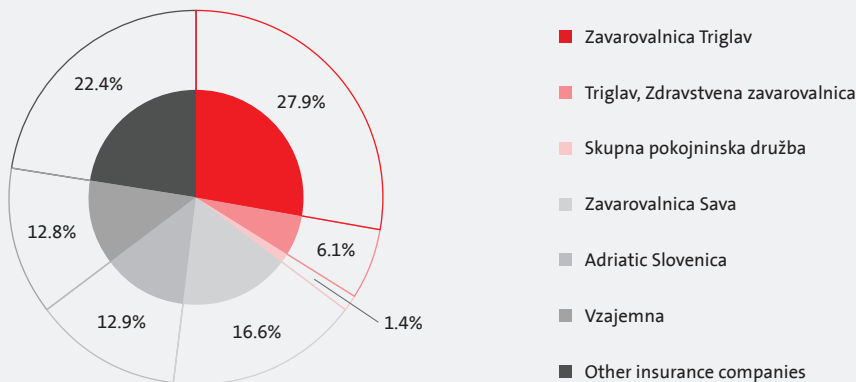
The market share of **Triglav, Zdravstvena zavarovalnica**:

- **health insurance**: 26.4% (an increase of 1.2 percentage point and premium growth of 11.4%, the highest among the top three health insurance providers, which together hold a 98.8% share of the health insurance market).

The market share of **Skupna pokojninska družba**:

- **supplementary voluntary pension insurance (SVPI)**: 19.6% (the leading position; an increase of 0.1 percentage point).

The market share of insurance companies in Slovenia in 2018



Source: Slovenian Insurance Association

7.4.1.2 Croatia

The GDP growth was 2.8%, with GDP growth forecast for 2019 at 2.6%. Economic growth is driven by vigorous global trade, household consumption and investment activity, while government consumption remains under control. The tourist year was very successful, while the real sector shows signs of cooling down. Croatia managed to effectively prevent the crisis caused by Agrokor from spreading; however, its uncertain fate continues to remain a significant risk to the whole economy.

As at the end of Q3 2018, gross government debt decreased to 74.5%. The inflation rate was 1.6%, while the unemployment rate was 12%. The service sector generates 70% of GDP and employs over 70% of the working-age population. The most important service activity is tourism, which is in full bloom. According to forecasts, the number of tourists is expected to increase by 7.8% annually over the next five years. The industrial sector accounts for 26% of GDP and the agricultural sector for 4%. The wood industry continues to remain one of the core economic sectors.

Insurance market

As at the reporting date, as many as 20 insurance companies operated in the Croatian insurance market (9 composite, 7 non-life and 4 life), which was one fewer than in 2017, since Croatia zdravstveno osiguranje was merged to Croatia osiguranje.

Together the insurance companies recorded written premium in the total amount of HRK 9.9 billion (EUR 1.3 billion), which was 8.8% more than in 2017. Non-life insurance and life insurance premiums both increased, by 9.9% and 6.6% respectively. In total written premium, non-life insurance premium further increased to 68.2% (2017: 67.5%) and life insurance accounted for the rest.

Market concentration was high, with top three insurers controlling over 51% of the market. With a 27.9% market share, Croatia osiguranje maintained its leading position (1.0 percentage point less than in the preceding year). Triglav Osiguranje, Zagreb was again ranked ninth with a 4.4% market share.

Insurance market development in Croatia

Premium per capita (2017 data)	EUR 295
Premium as a percentage of GDP (2017 data)	2.5%
Insurance market growth index in 2018	108.8

Source: Swiss RE, SIGMA 3/2018, Croatian Insurance Bureau

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4.4% market share of
Croatia Triglav Group
9th rank



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7.4.1.3 Serbia

Dynamic domestic demand and openness to trade and foreign investments, position Serbia among the countries with a high market potential. The estimated GDP growth in 2018 was 4.0% as result of high private consumption, growth in construction activities, export and foreign direct investments. The outlook for the coming years is favourable. The estimated inflation rate in 2018 was 2.1%, while in 2019 and 2020 it is estimated at 2.4% and 2.9% respectively. The exchange rate of the Serbian dinar compared with the Euro is stable and is expected to remain so in the next year. The estimated unemployment rate for 2018 is 13.8%.

Insurance market

The Serbian insurance market is characterised by high concentration. The top three insurers (Dunav, Delta Generali and DDOR) control 61% of the market. In 2018, as many as 17 insurance companies were active, of which 6 were composite insurance companies, 7 non-life insurance companies and 4 life insurance companies.

In the first nine months of 2018, total written premium increased by 5.2% to RSD 74.6 billion (EUR 630 million). Non-life insurance products recorded a 4.8% growth, whilst life insurance products grew by 6.4%. In total written premium, non-life insurance accounted for the bulk (77.3%).



Serbia is an EU candidate country and is implementing the required reforms at an accelerated pace. It is faced with the challenges of creating new jobs, promoting competitiveness and increasing economic growth. It adopted certain important economic reforms in order to improve the business environment in the country. Strengthening the rule of law is one of the government's key objectives.

As the most important, the service sector generates 49% of GDP and employs approximately 57% of the working-age population. The industrial sector creates for 42% of GDP and employs nearly 26% of the working-age population. Modernisation and strong foreign investments are needed.

Triglav Osiguranje, Belgrade increased its market share to 6.0% (2017: 5.8%) and maintained its fifth rank. Its growth was higher than the Serbian insurance market growth by 4.2 percentage points.

Insurance market development in Serbia

Premium per capita (2017 data)	EUR 109
Premium as a percentage of GDP (2017 data)	2.1%
Insurance market growth index in 2018 (Q 1-3)	105.2

Source: Swiss RE, SIGMA 3/2016, National Bank of Serbia

7.4.1.4 Montenegro

The GDP growth for 2018 was expected to be 3.7% and 2.5% in 2019. Montenegro has one of the highest balance of payments deficits in the region. In addition, the fiscal consolidation measures will reduce the growth of both public and private consumption. The VAT rate was increased from 19% to 22%. The unemployment rate was 14.1%, while the inflation rate is expected to reach 2.8% in the 2018–2019 period.

Montenegro's fiscal deficit for 2018 is estimated at 3.2%, while in 2017 it was more than 5.0%. By 2020, Montenegro is expected to have a budget surplus.

Montenegro began official accession negotiations with the EU already in 2012, therefore the government's priority is the implementation of market reforms, attracting foreign investors and the development of the private sector. Many reforms need to be carried out, which include commitment to the fiscal discipline, implementation of the voluntary restructuring programme of bank loans, improvement of the business environment and education reform.

The Montenegrin economy is gradually transforming into a market economy; thus far, approximately 90% of state-owned companies have been privatised. The economy mostly depends on tourism and export of metal. Tourism generates around 20% of GDP.

The highest, 70% share of GDP is accounted for by the service sector, which employs over 70% of the working-age population, while the industrial sector (20% of GDP) employs over 21% of the working-age population.

Insurance market

The number of insurers in the insurance market of Montenegro fell to 9 (5 non-life insurers and 4 life insurers), as Atlas Life osiguranje ceased to operate. In the reporting period, the Montenegrin insurers booked EUR 86.8 million, which was 6.2% more than the year before. Life and non-life insurance premiums increased by 7.5% and 5.9% respectively. In total written premium, non-life insurance remained by far the largest segment with an 82.5% market share.

The insurance companies of the Triglav Group **Lovćen Osiguranje** and its subsidiary **Lovćen životna osiguranja** together reached the market share of 37.9% (0.3 percentage point less than in 2017), maintaining the leading position. Lovćen Osiguranje is followed by Uniqa (non-life and life insurance together) with a 15.4% market share and Sava Montenegro with a 14.7% market share.

Insurance market development in Montenegro

Premium per capita (2017 data)	EUR 131
Premium as a percentage of GDP (2017 data)	1.9%
Insurance market growth index in 2018	106.2

Source: Insurance Supervision Agency of Montenegro

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7.4.1.5 Bosnia and Herzegovina

In recent years, the economy of Bosnia and Herzegovina has grown relatively fast. The estimated GDP growth in 2018 was 3.2%, resulting from increased export and household consumption. If the favourable conditions in the international environment continue, the economy will grow even faster in 2019, but the risks of a negative scenario forecast are high. The investment activity will be decisive factor. It depends on external financing, and this is conditional on the IMF financing, which is also questionable due to internal political disagreements. Owing to constant political discord, Bosnia and Herzegovina will have difficulties in achieving sustainable growth in the long term, which would at the same time facilitate stronger progress and higher employment. The credit rating agency Moody's assigned it a »B3« credit rating, whilst S&P Global Ratings a »B« credit rating. Both ratings have a medium-term stable outlook.

The average inflation rate in 2018 was 1.4% and an increase to 1.6% is anticipated in 2019. According to IMF data, the unemployment rate is 18.4%, whereas according to the Employment Service of Bosnia and Herzegovina it is well above 30%.

Bosnia and Herzegovina is a potential EU candidate country, therefore the government strives to increase internal stability and implement reforms to kick-start the economy and increase its competitiveness. The highly decentralised country hinders the coordination of economic policies and reforms, while foreign investors are discouraged by the high level of red tape and the fragmented market. The banking sector, however, is quite reformed. Many foreign banks (mainly Austrian and Italian) have entered the market, which comprise over 85% of the Bosnian banking sector. As a result, businesses have easier access to capital and banking services of higher quality. The privatisation of state-owned enterprises is very slow.



The industrial sector generates 27% of GDP and employs a third of the working-age population. The tertiary sector generates the same share of GDP and employs 66% of the working-age population.

Insurance market

In 2018, the small but highly competitive Bosnian insurance market was marked by mergers of insurers. In the first half of 2018, as many as 26 insurance companies operated in the insurance market of the Federation of BiH, of which 12 are domiciled in the Federation of BiH and 14 in the Republic of Srpska. The insurance companies operating in the insurance market of Bosnia and Herzegovina as a whole collected BAM 358.9 million (EUR 184 million) in written premium, up by 4.7% over the preceding year. In the insurance market of the Federation of BiH, written premium increased by 2.9% and in the Republic of Srpska by 6.5%. In total written premium, non-life insurance premium accounted for 80.6%.

In the Federation of BiH, Agram (Adriatic osiguranje and Euroherc) remained the market leader with a 23.0% market share. With an 8.8% market share, **Triglav Osiguranje, Sarajevo** maintained its seventh rank (a 0.1 percentage point less than in the preceding year) (2018 data).

With a 9.8% market share, Drina osiguranje maintained its leading position in the Republic of Srpska (a 0.8 percentage point less than in the preceding year). With the market share of 5.0% (0.2

percentage point less than the year before), **Triglav Osiguranje, Banja Luka** was ranked ninth (eighth in 2017). The subsidiary **Triglav Osiguranja, Sarajevo**, which only sells life insurance, increased its market share to 0.5% (H1 2017: 0.4%).

In the insurance market of Bosnia and Herzegovina as a whole in H1 2018, **the two insurance companies of the Triglav Group** taken together ranked sixth (fourth place one year earlier) and held an 8.0% market share (0.2 percentage point less than in 2017).

Insurance market development in Bosnia and Herzegovina

Premium per capita (2017 data)	EUR 99
Premium as a percentage of GDP (2017 data)	2.2
Insurance market growth index in 2018 (H1)	104.7

Source: FBIH Insurance Supervision Agency, RS Insurance Agency

7.4.1.6 North Macedonia

A modest 1.6% economic growth is estimated for 2018. The purchasing power of population reaches only around 37% of the EU average. Favourable economic growth forecasts are expected in the coming years. In 2018, North Macedonia and Greece signed a name change agreement, thereby removing an important obstacle to Macedonia's accession to NATO and the EU. The improving situation in the region and higher attractiveness for foreign investors are expected.

Budget deficit remains close to the target value of 3% of GDP but, according to the EC forecast, this objective is threatened by the lack of decisive government action in addition to the increasing social transfers and much needed infrastructure projects.

North Macedonia has a small, open economy, of which further growth depends to a great extent on the progress made in the integration into the EU. The service sector generates 60% of GDP and employs 54% of the working-age population. Its key sectors are transport, telecommunications and energy. The industrial sector including the mining industry accounts for 29% of GDP and employs nearly 30% of the working-age population.

Supported by favourable trends, the unemployment rate, which is still one of the highest in the region at over 20%, will decline.

Insurance market

In 2018, as many as 16 insurance companies were active in the Macedonian insurance market, of which 11 were non-life insurance companies and 5 life insurance companies. Makedonija Osiguruvanje also holds a reinsurance licence. The insurance companies booked MKD 9.9 billion (EUR 161 million) in written premium or 10.4% more than the year before. Life insurance products recorded a high 15.5% growth rate, whilst non-life insurance products grew by 9.4% (83.2% of total written premium). The five largest insurers booked 50% of total written premium. The market concentration was particularly high in the life insurance segment, with Croatia život and Grawe controlling 77% of the market.

With a 14.4% market share (0.2 percentage point less than in 2017), **Triglav Osiguruvanje, Skopje** continues to hold the leading position in the Macedonian insurance market. The insurer only sells non-life insurance, holding 17.3% of the non-life insurance market (vs. 17.4% in 2017). It is followed by Eurolink, holding a 10.8% market share, and Osiguruvanje Makedonija (the VIG Group) with a 9.2% market share. **Triglav Osiguruvanje Život, Skopje**, which was established in 2017, achieved a 1.1% market share in the life insurance market. **Both insurers taken together** held a 14.5% market share, down by 0.1 percentage point compared to the year before.

Insurance market development in North Macedonia

Premium per capita (2017 data)	EUR 71
Premium as a percentage of GDP (2017 data)	1.5%
Insurance market growth index in 2018	110.4

Source: Insurance Supervision Agency of North Macedonia



14.5%
North
Macedonia
market share of
Triglav Group
1st rank

7.5 Gross written premiums from insurance, co-insurance and reinsurance contracts

Higher premium was collected in all business segments in the reporting period. The Triglav Group posted a total of EUR 1,068.4 million in consolidated gross insurance and co-insurance premiums or 7% more than in 2017. Premium by segment:

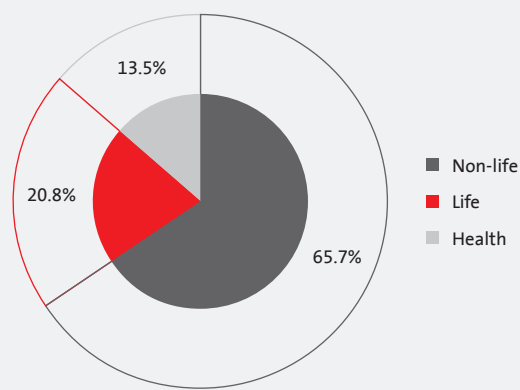
- **non-life insurance**: EUR 702.2 million, index 108;
- **life insurance**: EUR 222.2 million, index 102;
- **health insurance**: EUR 144.0 million, index 111.

The share of non-life and health insurance premiums in total consolidated gross written premium increased, whereas the share of life insurance premium went down:

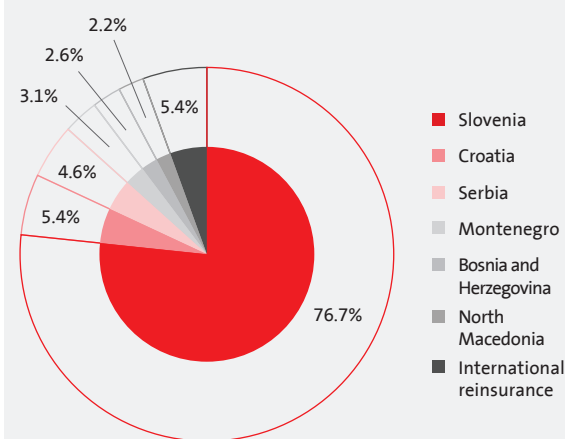
- non-life insurance: 65.7% (in 2017 65.2%);
- life insurance: 20.8% (in 2017 21.8%);
- health insurance: 13.5% (in 2017 12.9%).

The share of the insurance premium earned on the markets outside Slovenia continues to gradually increase. Compared to 2017, it went up by 0.2 percentage point. A total of 76.7% of consolidated gross written premium was charged in the Slovene insurance market, 17.9% of premium was booked in the markets outside Slovenia, while international reinsurance premium accounted for 5.4% of written premium.

Consolidated insurance, co-insurance and reinsurance premiums of the Triglav Group by segment



Consolidated gross written insurance, co-insurance and reinsurance premiums of the Triglav Group by market



Consolidated gross written insurance, co-insurance and reinsurance premiums of the Triglav Group by market

Country	Gross written premium			Index		Structure		
	2018	2017	2016	2018/2017	2017/2016	2018	2017	2016
Slovenia	819,436,864	768,106,145	724,385,060	107	106	76.7%	76.8%	77.4%
Croatia	57,876,297	53,548,115	48,937,278	108	109	5.4%	5.4%	5.2%
Serbia	48,979,893	43,730,967	34,407,999	112	127	4.6%	4.4%	3.7%
Montenegro	32,880,893	31,265,239	31,169,916	105	100	3.1%	3.1%	3.3%
Bosnia and Herzegovina	28,032,889	27,181,479	25,483,087	103	107	2.6%	2.7%	2.7%
North Macedonia	23,438,597	21,358,432	21,555,079	110	99	2.2%	2.1%	2.3%
International reinsurance	57,748,974	54,726,249	50,065,396	106	109	5.4%	5.5%	5.3%
Total	1,068,394,407	999,916,626	936,003,815	107	107	100.0%	100.0%	100.0%

Premium growth was recorded in all insurance markets (see the overview by insurance subsidiary on next page). Insurance subsidiaries of the Triglav Group (excluding the Triglav Re reinsurance) booked EUR 1,029.0 million in non-consolidated gross insurance premiums, or 7% more than the year before.

Gross written insurance, co-insurance and reinsurance premiums in 2018 by insurance company of the Triglav Group

Insurance company	Gross written premium			Index		Structure	
	Non-life	Life	Total	Non-life	Life	Total	2018
Zavarovalnica Triglav*	486,029,951	174,113,761	660,143,712	108	100	106	64.2%
Triglav, Zdravstvena zavarovalnica	144,884,931	0	144,884,931	111	0	111	14.1%
Skupna pokojninska družba	0	32,649,992	32,649,992	0	109	109	3.2%
Triglav Osiguranje, Zagreb	50,150,643	7,725,654	57,876,297	109	101	108	5.6%
Triglav Osiguranje, Sarajevo	16,066,681	6,505,793	22,572,474	101	109	103	2.2%
Lovćen Osiguranje, Podgorica	30,722,331	0	30,722,331	103	0	103	3.0%
Triglav Osiguranje, Belgrade	45,259,815	3,723,633	48,983,448	114	93	112	4.8%
Triglav Osiguranje, Banja Luka	5,540,747	0	5,540,747	104	0	104	0.5%
Triglav Osiguruvanje, Skopje	23,134,397	0	23,134,397	108	0	108	2.2%
Lovćen Životna osiguranja, Podgorica	0	2,158,562	2,158,562	0	157	157	0.2%
Triglav Osiguruvanje Život, Skopje	0	304,200	304,200	0	0	0	0.0%
Total	801,789,496	227,181,595	1,028,971,091	109	102	107	100.0%
Pozavarovalnica Triglav Re	131,170,639	0	131,170,639	106	0	106	
Consolidation eliminations	-86,728,228	-5,019,095	-91,747,323	110	121	110	
Total consolidated	846,231,907	222,162,500	1,068,394,407	108	102	107	

* Data already include pre-consolidation adjustments.

7.5.1 Non-life insurance

In non-life insurance, the Triglav Group charged EUR 801.8 million of non-consolidated insurance and co-insurance premiums, which represented a significant growth of 9%.

In total written premium, **motor vehicle insurance** remained the largest insurance class with a 29.5% share. The Triglav Group insurance subsidiaries collected EUR 141.0 million in **comprehensive car insurance** premium or 12% more compared to 2017. Most insurance subsidiaries recorded premium growth mainly through effective sales campaigns, intensified sales activities and winning new clients. The strongest growth was recorded by Triglav Osiguranje, Belgrade (index 132) and Triglav Osiguranje, Zagreb (index 118). Such a good result of 11% growth recorded by the parent company (84% share of total premium) is a reflection of effective sales activities (especially of the “Together in Action” Vignette sales campaign and “Free Time”), the redesign of motor vehicle insurance tariffs and the increased number of sold insurance policies. Premium was lower in Triglav Osiguranje, Sarajevo by 1% (loss of premium of some major policyholders and a lower scope of cooperation with brokers) and Triglav Osiguruvanje, Skopje (higher discounts on roadworthiness tests and lower sale of new cars).

The Group collected EUR 163.0 million in **motor liability insurance** premium, up by 5% compared to the preceding year. This insurance class continues to account for the largest share on the markets outside Slovenia. In motor liability insurance, almost all insurance subsidiaries of the Group experienced premium growth (excluding Triglav Osiguranje, Sarajevo, which maintained the 2017 premium figure). The highest premium growth of 9% was recorded by Triglav Osiguranje, Belgrade. Zavarovalnica Triglav, accounting for 57% share of total motor liability insurance premium, recorded a 6% growth in written premium.

In the **real property insurance** class (fire and natural disaster insurance and other damage to property insurance) a premium of EUR 196.5 million was booked, having increased by 13%. In fire and natural disaster insurance, a premium growth of 3% was recorded, while in other damage to property insurance a 20% premium growth was seen. The strongest increase in written premium was observed in Triglav Osiguruvanje, Skopje (122) and Triglav Osiguranje, Belgrade (index 116), which resulted from the acquisition of new policyholders and the increased scope of insurance coverage with certain existing policyholders, whilst high growth recorded by the Serbian insurer was mostly a result of the higher volume of fronting arrangements. A high premium

increase of 9% was posted by Triglav Osiguranje, Zagreb (crop insurance premium growth), whilst the parent company recorded a high premium increase of 14%, which accounted for 80% of the Group's total premiums. In the parent company, the acquisition of new clients and projects, the increased scope of insurance coverage were the main causes of high growth in combined non-life insurance, machinery breakdown insurance in the power industry, erection insurance and mobile phone insurance. The high growth in crop insurance policies was the result of the higher number of concluded insurance policies for permanent crops and the higher proportion of the Government's co-financing in fruit-growing, wine-growing, hop-growing and agriculture. In contrast, a decrease in premium due to the loss of some major policyholders was recorded by Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Banja Luka.

Such a good result of 13% growth was recorded in **health insurance**, where the Triglav Group wrote EUR 149.7 million in premiums. Triglav, Zdravstvena zavarovalnica generated the largest portion of the premium amounting to EUR 144.9 million, thus achieving an 11% growth. The bulk of its written premium stems from supplemental health insurance, where the increased number of concluded insurance policies (cooperation with new agencies) and the premium increase on 1 May 2018 were the key main reasons for an increase. It was also successful in marketing additional health insurance products. Most other insurance subsidiaries selling health insurance products also recorded a high premium growth.

In **general liability insurance**, the Triglav Group recorded a 5% premium growth or EUR 45.6 million in nominal terms. In general liability insurance, 83% of total is accounted for by the parent company. Zavarovalnica Triglav charged 7% more premium than in 2017, primarily as the result of the high growth recorded in product liability insurance, building contractors liability insurance and liability of management and supervisory board insurance. A strong increase in premiums written was observed in Triglav Osiguranje, Banja Luka and Triglav Osiguranje, Zagreb, due to acquiring new policyholders and increasing the scope of insurance coverage with existing policyholders.

Accident insurance represented 3.9% of total written premium or EUR 39.7 million in nominal terms. The premiums were 2% lower than one year earlier. The largest drop in premium was

recorded by Triglav Osiguruvanje, Skopje (index 83) due to the transfer of the key person insurance premium to the life insurer and a non-renewal/subsequent renewal of certain key person insurance policies. Zavarovalnica Triglav, accounting for 66% of the Group's total premium, recorded a 3% decline in written premium, primarily as the result of two insurance sub-classes taken out simultaneously with motor vehicle insurance (the driver's bodily injury insurance or AO-plus insurance and driver and passenger accident insurance) due to a reduction in premium rates as well as on account of a lower premium from accident insurance for children and pupils. A high growth was achieved by the Sarajevo insurer (index 129) by attracting new policyholders and increasing the scope of insurance coverage with existing policyholders in relation to group accident insurance.

The premium in the **credit insurance** totalled EUR 26.8 million, accounting for 2.6% of the Group's total premium, and remained at the same level as in 2017 (index 100). Zavarovalnica Triglav, which accounted for 95% of total premium, recorded a 2% decrease in written premium. The decline in premium was primarily the result of lower consumer loan insurance premium (with a 54% share it is the most important credit insurance subclass) as well as a lower premium from unemployment, disability and whole life insurance (marketed by banks as an additional product taken out simultaneously with consumer and housing loans). Less premium in consumer loan insurance resulted from a revised credit policy of two major policyholders. Other insurance subsidiaries of the Group selling this insurance class recorded a high growth.

Premium from **other non-life insurance** (accounting for 3.8% of total premium) increased by 5% to EUR 39.4 million. High premium growth was recorded by most insurance companies, the largest by Triglav Osiguruvanje, Skopje (index 129) and Triglav Osiguranje, Belgrade (index 124). The highest growth was recorded by the Macedonian insurer foremost as the result of new concluded policies and higher volume of existing policies of miscellaneous financial loss insurance, whilst by the Serbian insurer mainly as the result of the higher volume of fronting arrangements in miscellaneous financial loss insurance and the higher number of concluded assistance insurance policies. A high premium growth was observed in Triglav Osiguranje, Banja

Luka (the higher volume of fronting arrangements in goods in transit insurance and higher sales volumes of health insurance for travel) and Triglav Osiguranje, Zagreb (higher sales volumes of marine insurance). Zavarovalnica Triglav, accounting for 69% of total premium, booked 1% more written premium compared to the preceding year. However, a lower premium was booked by Lovćen Osiguranje (a drop in aircraft insurance premium of a major policyholder and lower premium volume from goods in transit insurance).

7.5.2 Life insurance

In total, Triglav Group insurance companies charged EUR 227.2 million in non-consolidated gross written premium from **life insurance** contracts, which is 2% more over 2017. This accounted for 22.1% of total gross written premiums, which was 1.1 percentage point lower than as at the 2017 year-end.

Life insurance premium (traditional life insurance, annuity insurance, pension insurance and voluntary pension insurance), which amounted to EUR 98.7 million and accounted for 43.5%

of the life insurance class total, remained at approximately the same level as in the preceding year (index 100). The parent company recorded a 1% premium decrease (an 84% share), resulting from reduced premiums paid-in and lower retained sums paid out on maturity. A decrease in premium written was observed in Triglav Osiguranje, Zagreb and Triglav Osiguranje, Belgrade. In contrast, premium growth was recorded in Triglav Osiguranje, Sarajevo (index 109), and in Lovćen životna osiguranja (index 175) due to the increased number of sold insurance policies.

The premiums generated by **unit-linked life insurance** (life insurance linked to the units of investment funds, including pension insurance), rose by 6% compared to the preceding year. With EUR 111.7 million they represented 49.2% of the total life insurance premium. The 4% premium growth achieved by the parent company is primarily the result of higher regular premium paid-ins, additional paid-ins, transfer of assets and improved result of retained sums paid out on maturity. Skupna pokojninska družba (higher number of transfers from other insurance providers) and Triglav Osiguranje, Zagreb (higher number of new insurance policies) recorded premium growth.

Non-consolidated gross written insurance, co-insurance and reinsurance premiums of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class

Insurance class	Gross written premium			Index		Structure
	2018	2017	2016	2018/2017	2017/2016	2018
Accident insurance	39,686,378	40,355,334	41,671,957	98	97	3.9%
Health insurance	149,749,316	133,059,981	116,659,358	113	114	14.6%
Comprehensive car insurance	141,013,328	126,375,942	116,458,632	112	109	13.7%
Real property insurance	196,458,671	173,951,099	158,341,649	113	110	19.1%
Motor liability insurance	163,017,829	155,140,020	151,681,723	105	102	15.8%
General liability insurance	45,614,375	43,344,456	40,817,326	105	106	4.4%
Credit insurance	26,807,158	26,841,774	24,773,871	100	108	2.6%
Other non-life insurance	39,442,439	37,730,426	32,666,874	105	116	3.8%
Non-life insurance	801,789,494	736,799,032	683,071,390	109	108	77.9%
Life insurance	98,726,660	98,518,498	96,907,948	100	102	9.6%
Unit-linked life insurance	111,706,354	105,851,192	103,867,238	106	102	10.9%
Capital redemption insurance*	16,748,583	18,070,394	15,041,116	93	120	1.6%
Life insurance	227,181,597	222,440,084	215,816,302	102	103	22.1%
Total	1,028,971,091	959,239,116	898,887,692	107	107	100.0%

* According to the definition of the Insurance Supervision Agency, premiums of Skupna pokojninska družba are included in unit-linked life insurance.

Capital redemption insurance (supplemental voluntary pension insurance) generated EUR 16.7 million or 7.4% of the total life insurance premium. The 7% decrease was the result of smaller transfers of funds from other collective pension schemes of supplemental voluntary pension insurance provided by other managers to the collective supplemental voluntary pension insurance scheme of the parent company.

Gross written insurance, co-insurance and reinsurance premiums of Zavarovalnica Triglav by insurance class

Insurance class	Gross written premium			Index		Structure
	2018	2017	2016	2018/2017	2017/2016	2018
Accident insurance	26,173,583	27,032,366	28,798,922	97	94	4.0%
Health insurance	692,746	486,415	422,483	142	115	0.1%
Comprehensive car insurance	118,662,442	106,632,936	97,783,723	111	109	18.0%
Real property insurance	157,967,652	138,883,785	126,533,514	114	110	23.9%
Motor liability insurance	92,416,996	87,528,335	87,328,336	106	100	14.0%
General liability insurance	37,671,614	35,174,509	33,196,250	107	106	5.7%
Credit insurance	25,456,965	26,094,675	24,622,038	98	106	3.9%
Other non-life insurance	27,054,464	26,662,620	24,174,786	101	110	4.1%
Non-life insurance	486,096,462	448,495,641	422,860,052	108	106	73.6%
Life insurance	81,164,340	82,276,487	83,319,257	99	99	12.3%
Unit-linked life insurance	76,201,048	73,128,814	71,908,586	104	102	11.5%
Capital redemption insurance	16,748,583	18,070,394	15,041,116	93	120	2.5%
Life insurance	174,113,971	173,475,695	170,268,959	100	102	26.4%
Total	660,210,433	621,971,336	593,129,011	106	105	100.0%

7.5.3 Gross reinsurance written premiums of Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re saw higher volume of its operations and an increase in gross reinsurance premium. As a result, it posted a total of EUR 131.2 million in gross written reinsurance premium, up by 6% compared to the year before. The highest growth was recorded in other damage to property insurance (high growth of operations outside the Triglav Group), comprehensive car insurance and health insurance (operations within the Triglav Group).

In the operations outside of the Triglav Group, Pozavarovalnica Triglav Re achieved an 8% growth of EUR 57.0 million in nominal terms mostly by concluding new contracts, the highest in the markets of Benelux, Great Britain, Central Europe (Czech Republic, Poland, Austria) and Italy. Transactions with the Triglav Group experienced a 5% premium growth.

7.6 Gross claims paid

In the reporting year, the consolidated gross claims of the Triglav Group (including claim handling costs and subrogation receivables) were 6% higher over the previous year or EUR 697.6 million in nominal terms. Gross claims paid in **non-life insurance**, the largest insurance segment, equalled EUR 391.2 million or 13% more than in the previous year. The increase of gross claims paid of 13% was also seen in **health insurance**, amounting to EUR 119.1 million, whilst only gross claims paid from **life insurance** recorded a decrease of 11%, amounting to EUR 169.2 million.

The Triglav Group insurance companies (excluding Pozavarovalnica Triglav Re) posted a total of EUR 663.2 million in non-consolidated gross claims paid, up by 7% compared to the preceding year. High growth in gross claims was posted by majority of insurance companies, the highest by Lovćen Osiguranje (38%) and Triglav Osiguranje, Zagreb (23%).

Gross claims paid in 2018 by insurance company of the Triglav Group

Insurance company	Gross claims paid			Index		Structure	
	Non-life	Life	Total	Non-life	Life	Total	2018
Zavarovalnica Triglav*	272,218,985	148,754,692	420,973,677	113	87	102	63.5%
Triglav, Zdravstvena zavarovalnica	119,139,894	0	119,139,894	113	0	113	18.0%
Skupna pokojninska družba	0	12,676,218	12,676,218	0	110	110	1.9%
Triglav Osiguranje, Zagreb	38,657,395	5,894,306	44,551,701	128	97	123	6.7%
Triglav Osiguranje, Sarajevo	8,769,169	2,166,813	10,935,982	110	98	107	1.6%
Lovćen Osiguranje, Podgorica	21,962,740	0	21,962,740	138	0	138	3.3%
Triglav Osiguranje, Belgrade	15,493,559	2,755,409	18,248,968	109	200	117	2.8%
Triglav Osiguranje, Banja Luka	1,766,446	0	1,766,446	114	0	114	0.3%
Triglav Osiguruvanje, Skopje	11,605,231	0	11,605,231	113	0	113	1.7%
Lovćen Životna osiguranja, Podgorica	0	1,171,098	1,171,098	0	118	118	0.2%
Triglav Osiguruvanje Život, Skopje	0	151,651	151,651	0	0	0	0.0%
Total	489,613,419	173,570,187	663,183,606	115	90	107	100.0%
Pozavarovalnica Triglav Re	69,994,751		69,994,751	123	0	123	
Consolidation eliminations	-49,255,780	-4,322,359	-53,578,139	164	121	159	
Total - consolidated	510,352,390	169,247,828	679,600,218	113	89	106	

* Data already include the pre-consolidation adjustments.

7.6.1 Non-life insurance

Non-consolidated gross claims paid in **non-life insurance** increased by 15% to EUR 489.6 million. The high increase in claims paid in non-life insurance primarily resulted from the higher volume of operation in recent years and higher claim payments arising from major CAT events of the previous year for which adequate provisions were made and which were appropriately reinsured [→ see Section 7.2 *Environmental impact on the performance of the Triglav Group for more details*].

Movement in gross claims paid by insurance class is shown below.

In **health insurance** gross claims increased by 14% to EUR 121.4 million, accounting for 18.3% of total gross claims. Triglav, Zdravstvena zavarovalnica collected the majority of claims, i.e. EUR 119.1 million in insurance premiums, which is 13% more than last year. The increase in the number of insured persons and their changed age structure, which is nearing the Slovene average, resulted in higher average claims paid. The rise in gross claims paid was also affected by medical inflation, whilst equalisation scheme expenses (index 99) slightly decreased to EUR 6.2 million due to the changed age structure of policyholders.

In **real property insurance**, total claims paid amounted to EUR 111.8 million or as much as 32% more than the year before, accounting for 16.9% of total gross claims paid. In fire and natural disaster insurance, a 34% increase in gross claims was seen, along with a 32% growth in other damage to property insurance. Zavarovalnica Triglav, holding a 71% share of this insurance class, recorded a 16% increase. The main reasons were the payments of claims from fire insurance (a substantial claim due to fire, this year's substantial claims due to hail and last year's claims due to wind storms), combined non-property insurance (the payment of substantial claims from fronting operations insurance, substantial claims due to the last year's flood from inward reinsurance and claims due to fire and claims arising from telecommunication network due to storm), property and interest in property insurance for natural persons due to natural disasters (hailstorms and floods) and construction insurance (two substantial claims arising from fronting operations insurance). High growth rates in gross claims paid were also recorded by Lovćen Osiguranje (the payment of substantial claim due to fire), Triglav Osiguranje, Zagreb (the payment of substantial individual claims from fronting insurance and the payment of claims due to last year's drought), Triglav Osiguranje, Sarajevo (the payment of some substantial

individual fire insurance claims and the payment of a substantial claim due to flood from past years), Triglav Osiguruvanje, Skopje (payment of crop damage caused by hail and the payment of substantial individual claims) and Triglav Osiguranje, Belgrade (the payment of substantial claims resulting from fire and flood).

Gross claims paid from **comprehensive car insurance** rose by 7% to EUR 93.9 million. They accounted for 14.2% of total gross claims paid by the Group. Significant increases in gross claims paid were, which were posted by Triglav Osiguranje, Belgrade (index 120), Triglav Osiguranje, Zagreb (index 115) and parent company (index 107), resulted from a larger portfolio, whereas in the parent company (accounting for 84% of the Group's total comprehensive car insurance claims) growth was also a result of higher average material claims (higher cost of services and expensive equipment installed in vehicles). Gross claims paid declined in Triglav Osiguranje, Banja Luka and Triglav Osiguruvanje, Skopje.

Claims related to **motor liability insurance** increased by 7%. They represented 14.1% of total gross claims settled by the Triglav Group, amounting to EUR 93.4 million. Gross claims growth was recorded by most insurance companies, the largest by Triglav Osiguranje, Banja Luka (index 133) and Triglav Osiguruvanje, Skopje (index 117), as a consequence of higher number of reported claims and payments of substantial individual claims. Gross claims paid by the parent company, which accounted for 66% of gross claims paid by the Group in this insurance class, reached a 7% growth resulting from the higher number of reported claims and higher average claims. The highest drop in gross claims paid was recorded by Triglav Osiguranje, Sarajevo (lower number of reported claims) and Triglav Osiguranje, Belgrade (lower claim payments than in 2017).

Claims from **accident insurance** increased by 3%, amounting to EUR 23.6 million. This growth was to a large degree caused by a high growth in gross claims paid by Zavarovalnica Triglav due to the increase in payments relating to AO-plus insurance, individual accident insurance and accident insurance of consumers and subscribers. Volume growth in gross claims paid was seen in Triglav Osiguranje, Sarajevo (higher payments of group accident insurance claims) and Triglav Osiguranje, Banja Luka (a higher number of reported claims).

Gross claims paid in **general liability insurance** amounted to EUR 18.4 million or 24% more than the year before. Gross claims paid by the parent company, which accounted for 92% of gross claims paid by the Group in this insurance class, reached a 28% growth resulting from the payments of some substantial individual claims in product liability insurance. In addition, the high growth in gross claims paid was posted by Triglav Osiguranje, Belgrade (the payment of a substantial freight forwarder liability insurance claim).

Gross claims paid from **credit insurance** rose by 35% to EUR 3.9 million. Zavarovalnica Triglav (index 139), recorded a high increase in claims, accounting for a the bulk of this insurance class (95%). A significant increase resulted mostly from higher payments from export receivable insurance (higher number of reported claims due to larger portfolio) and overdraft insurance.

Gross claims paid from **other non-life insurance** went up by 22% to EUR 23.2 million. Zavarovalnica Triglav, holding a 82% share of this insurance class, recorded a 42% growth, primarily resulting from higher gross claims paid from railway insurance (the payment of two substantial claims due to train crash), miscellaneous financial loss insurance (higher claims paid from business interruption insurance) and assistance insurance (more claims in roadside assistance insurance). High growth rates in gross claims paid were also recorded by Lovćen Osiguranje (the payment of a substantial aircraft insurance claim from the previous year, the payment of a substantial marine insurance claim and higher roadside assistance insurance claims), Triglav Osiguranje, Belgrade (a higher number of reported roadside assistance insurance claims and the payment of a substantial claim from miscellaneous financial loss insurance), Triglav Osiguranje, Skopje and Triglav Osiguranje, Banja Luka (the payment of substantial claims from health insurance for travel).

7.6.2 Life insurance

Non-consolidated gross claims paid from **life insurance** declined by 10% to EUR 173.6 million. Their share in total non-consolidated claims paid fell by 5.0 percentage points to 26.2%.

The bulk of total claims paid was accounted for by **life insurance** (traditional life, annuity, annuity pension and voluntary pension insurance), having increased by 1% to EUR 92.5 million. A high growth rates in gross claims paid were posted by Triglav Osiguranje, Belgrade (higher number of claims paid), Triglav Osiguranje, Zagreb (higher sums paid out on maturity) and Lovćen životna osiguranja (higher payments of substantial claims due to a death and surrenders). Zavarovalnica Triglav recorded a 1% decrease in gross claims paid primarily due to reduced payments arising from maturities and surrenders of insurance policies.

Gross claims paid from **unit-linked life insurance** (including pension insurance) amounted to EUR 75.2 million or 22% less than the year before. Lower gross claims paid primarily resulted from the decrease in sums paid out on maturity in both Zavarovalnica Triglav (index 74) and Triglav Osiguranje, Zagreb (index 63). Gross claims paid by Skupna pokojninska družba rose by 10% due to due to larger payments and withdrawals from insurance contracts.

Gross claims paid from **capital redemption insurance** (supplemental voluntary pension insurance) increased by 10%, mainly due to higher payments stemming from insurance transfers and payments due to accidents in the parent company.

Non-consolidated gross claims paid of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class

Insurance class	Gross claims paid			Index		Structure
	2018	2017	2016	2018/2017	2017/2016	2018
Accident insurance	23,608,780	23,019,389	22,639,484	103	102	3.6%
Health insurance	121,356,577	106,519,452	94,651,607	114	113	18.3%
Comprehensive car insurance	93,863,228	87,626,067	85,351,958	107	103	14.2%
Real property insurance	111,847,394	84,422,815	73,796,966	132	114	16.9%
Motor liability insurance	93,438,289	87,670,650	79,535,216	107	110	14.1%
General liability insurance	18,430,832	14,880,210	14,712,114	124	101	2.8%
Credit insurance	3,881,949	2,871,513	3,646,000	135	79	0.6%
Other non-life insurance	23,186,370	18,996,651	20,690,894	122	92	3.5%
Non-life insurance	489,613,419	426,006,747	395,024,239	115	108	73.8%
Life insurance	92,472,985	91,119,134	92,946,327	101	98	13.9%
Unit-linked life insurance	75,211,711	96,537,828	83,944,181	78	115	11.3%
Capital redemption insurance	5,885,491	5,365,889	8,059,245	110	67	0.9%
Life insurance	173,570,187	193,022,851	184,949,753	90	104	26.2%
Total	663,183,606	619,029,598	579,973,992	107	107	100.0%

* According to the definition of the Insurance Supervision Agency, gross claims paid of Skupna pokojninska družba are included in unit-linked life insurance.

Gross claims paid of Zavarovalnica Triglav by insurance class

Insurance class	Gross claims paid			Index		Structure
	2018	2017	2016	2018/2017	2017/2016	2018
Accident insurance	13,893,520	13,035,715	13,065,160	107	100	3.3%
Health insurance	141,362	20,464	1,679	691	1,219	0.0%
Comprehensive car insurance	78,121,265	73,168,562	71,787,832	107	102	18.6%
Real property insurance	79,094,590	67,908,280	58,310,544	116	116	18.8%
Motor liability insurance	61,265,319	57,003,661	52,673,278	107	108	14.6%
General liability insurance	16,915,196	13,194,829	12,714,091	128	104	4.0%
Credit insurance	3,701,849	2,660,748	3,623,690	139	73	0.9%
Other non-life insurance	19,114,790	13,427,908	15,444,891	142	87	4.5%
Non-life insurance	272,247,891	240,420,167	227,621,165	113	106	64.7%
Life insurance	81,883,672	82,932,299	86,948,252	99	95	19.4%
Unit-linked life insurance	60,985,528	82,587,169	68,607,658	74	120	14.5%
Capital redemption insurance	5,885,491	5,365,889	8,059,245	110	67	1.4%
Life insurance	148,754,691	170,885,357	163,615,155	87	104	35.3%
Total	421,002,582	411,305,524	391,236,320	102	105	100.0%

7.6.3 Gross claims paid by Pozavarovalnica Triglav Re

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 70.0 million or 23% more compared to the previous year. In operations within the Group (due to major CAT events) as well as in operations outside of the Group (higher claims due to the larger portfolio), the high increase was primarily a result of the high growth of gross claims paid in fire insurance and natural disaster insurance. In operations both within and outside the Group, a 30% and 16% growth in gross claims paid was observed respectively.

7.7 Gross operating expenses

Total consolidated gross operating expenses of the Triglav Group totalled EUR 288.8 million, having increased by 5% over the preceding year. **Insurance business expenses** grew by 5% to EUR 261.7 million. Increased expenses were mostly caused by higher acquisition costs due to premium growth. **Non-insurance business expenses** equalled EUR 27.2 million or 6% more than in 2017.

Operating expenses of insurance business accounted for 24.5% of consolidated gross written premiums, which was

0.4 percentage point less compared to the preceding year. Operating expenses by insurance class increased; in **non-life insurance** by 5% (EUR 209.2 million), in the **life-insurance** segment by 4% (EUR 37.7million) and in **health insurance** they grew by 17% (EUR 14.8 million).

Acquisition costs (fees and charges) increased by 15% to EUR 50.1 million, mostly due to higher acquisition costs of Triglav, Zdravstvena zavarovalnica, Zavarovalnica Triglav, Triglav Osiguranje, Belgrade and Triglav Osiguranje, Zagreb. In Triglav, Zdravstvena zavarovalnica, they rose substantially as a result of higher commissions and higher costs of sales promotion campaigns (increased volume of concluded insurance contracts and a new way of rewarding new policyholders). Increased acquisition costs of the parent company were mainly caused by higher underwriting commissions paid to insurance brokers (insurance brokers, agencies and providers of roadworthiness tests) due to premium growth as well as increasing inclusion of insurance brokers into the process of insurance acquisition. Growth of acquisition costs was also caused by higher costs of marketing campaigns and sales promotion activities. Acquisition costs of the Serbian and Croatian insurance companies were up as a result of higher fees and commissions due to strong premium

growth. The costs of goods sold dropped to EUR 53 thousand (index 23). An 8% growth in depreciation costs (amounting to EUR 14.3 million) primarily resulted from higher depreciation costs of computer equipment in the parent company due to the purchases of new software, computer hardware and servers.

With 47.8%, labour costs again accounted for the largest portion of total expenses, totalling EUR 146.6 million, up by 3% compared to the year before. This increase is primarily a result of the higher number of employees in Triglav Osiguranje, Belgrade, Triglav, Zdravstvena zavarovalnica as well as due to higher other labour costs of the parent company. Costs of services provided by natural persons other than sole proprietors increased due to media buying services of Triglav Osiguranje, Belgrade. Other operating expenses increased by 3%, reaching EUR 93.1 million. Among them, the highest increase was recorded in costs of rent and lease payments (mostly due to rental costs of software, lease costs of data lines, services and equipment and operating lease for cars in the parent company) and in non-income-related costs, excluding insurance (dividend tax in Triglav INT and a ground rent of Triglav Osiguranje, Belgrade), followed by higher costs of material and energy (mainly due to higher costs of small inventory for insurance activities and electricity and costs of professional training services).

In total gross operating expenses broken down by functional group, acquisition costs increased to 60.9% over the preceding year (59.6%). Claim handling costs and other operating expenses were down to 9.8% (a decrease of 0.4 percentage point) and 28.4% (2017: 29.3%) respectively. With a 0.9% share, asset management costs remained unchanged.

Gross operating expenses of the Triglav Group by nature

Operating expenses by nature	Gross operating expenses			Index		Structure	
	2018	2017	2016	2018/2017	2017/2016	2018	2017
Acquisition costs (fees and charges)	50,066,326	43,571,169	42,724,005	115	102	16.3%	16.3%
Costs of goods sold	52,904	230,774	10,273,611	23	2	0.0%	0.0%
Depreciation of operating assets	14,264,627	13,222,256	13,015,136	108	102	4.6%	4.6%
Labour costs	146,572,719	142,350,871	140,524,957	103	101	47.8%	47.8%
- wages and salaries	101,612,962	98,913,028	97,854,815	103	101	33.1%	33.1%
- social security and pension insurance costs	23,640,837	22,890,436	22,618,667	103	101	7.7%	7.7%
- other labour costs	21,318,920	20,547,407	20,051,475	104	102	6.9%	6.9%
Costs of services provided by natural persons other than SPs, including related taxes	2,756,994	1,019,815	1,141,593	270	89	0.9%	0.9%
Other operating expenses	93,062,955	90,569,729	85,963,556	103	105	30.3%	30.3%
- costs of entertainment, advertising, trade shows	22,174,825	22,133,067	18,359,495	100	121	7.2%	7.2%
- costs of material and energy	8,232,171	7,608,524	8,398,156	108	91	2.7%	2.7%
- maintenance costs	14,126,532	14,134,554	13,351,914	100	106	4.6%	4.6%
- reimbursement of labour-related costs	5,483,902	5,395,372	5,397,007	102	100	1.8%	1.8%
- costs of intellectual and personal services	5,620,509	5,782,774	5,091,816	97	114	1.8%	1.8%
- non-income related costs, excluding insurance	3,492,721	3,126,976	3,273,907	112	96	1.1%	1.1%
- costs of transport and communication services	5,499,061	5,180,429	5,018,286	106	103	1.8%	1.8%
- costs for insurance premiums	1,843,152	1,620,212	1,764,757	114	92	0.6%	0.6%
- payment transaction costs and banking services	7,344,413	7,280,330	6,998,942	101	104	2.4%	2.4%
- rents	7,919,477	7,154,264	7,086,596	111	101	2.6%	2.6%
- costs of professional training services	1,141,933	881,851	783,577	129	113	0.4%	0.4%
- other costs of services	10,175,371	10,271,234	10,438,107	99	98	3.3%	3.3%
- long-term employee benefits	8,888	142	996	6,259	14	0.0%	0.0%
Total	306,776,525	290,964,614	293,642,858	105	99	100.0%	100.0%
Consolidation eliminations	-17,950,309	-16,919,317	-16,584,818	106	102		
Total consolidated	288,826,216	274,045,297	277,058,040	105	99		

Gross operating expenses of Zavarovalnica Triglav by nature

Operating expenses by nature	Gross operating expenses			Index		Structure
	2018	2017	2016	2018/2017	2017/2016	2018
Acquisition costs (fees and charges)	27,174,986	24,322,707	24,173,928	112	101	15.6%
Depreciation of operating assets	9,603,035	8,759,768	8,212,728	110	107	5.5%
Labour costs	96,407,086	94,573,784	93,223,604	102	101	55.3%
- wages and salaries	68,211,089	67,346,222	66,756,304	101	101	39.1%
- social security and pension insurance costs	11,730,443	11,476,946	11,289,520	102	102	6.7%
- other labour costs	16,465,554	15,750,615	15,177,780	105	104	9.4%
Costs of services provided by natural persons other than SPs, including related taxes	339,137	277,655	201,267	122	138	0.2%
Other operating expenses	40,898,606	39,810,842	38,735,691	103	103	23.4%
- costs of entertainment, advertising, trade shows	8,712,404	8,816,687	8,516,499	99	104	5.0%
- costs of material and energy	3,606,749	3,237,214	3,595,579	111	90	2.1%
- maintenance costs	8,869,488	9,358,251	8,833,688	95	106	5.1%
- reimbursement of labour-related costs	3,306,295	3,351,434	3,189,444	99	105	1.9%
- costs of intellectual and personal services	2,246,162	2,279,967	1,928,839	99	118	1.3%
- non-income related costs, excluding insurance	1,523,919	1,510,185	1,599,092	101	94	0.9%
- costs of transport and communication services	3,210,568	2,895,170	2,869,566	111	101	1.8%
- costs for insurance premiums	1,093,184	886,868	924,169	123	96	0.6%
- payment transaction costs and banking services	1,602,370	1,540,592	1,751,264	104	88	0.9%
- rents	3,303,744	2,799,533	2,585,575	118	108	1.9%
- costs of professional training services	632,487	447,741	447,540	141	100	0.4%
- other costs of services	2,791,236	2,687,200	2,494,436	104	108	1.6%
Total	174,422,850	167,744,757	164,547,218	104	102	100.0%

7.8 Risk equalisation

7.8.1 Insurance technical provisions

The Triglav Group equalised 90% of the risks within its own equalisation capacities. The Group was able to equalise risks that exceeded its own equalisation capacities by reinsurance and, to a lesser extent, by co-insurance arrangements. Within the Group's own equalisation capacities, claims were covered with the current annual inflow of technical premium by insurance class and the insurance technical provisions formed.

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured persons. As at the year end, the Triglav Group formed gross insurance technical provision in the amount of EUR 2,713.1 million, down by 1% compared to the year before. In **non-life insurance**, the amount of gross insurance technical provisions remained at a level approximately equal to the 2017 year-end (index 100), whereas in **life** (index 99) and **health insurance** (index 93) it decreased.

Provisions by type as at 31 December 2018 compared to 31 December 2017:

- **Gross provisions for unearned premium** were 8% higher and amounted to EUR 300.2 million. Unearned premium from non-life insurance increased by the same rate (index 108), whilst unearned premium from life insurance declined to EUR 414 thousand (index 97) and from health insurance rose to EUR 2.8 million (index 112). The movement of gross unearned premium corresponds to the movement and duration of gross written premium and the nature of underwritten risks.
- **Gross claims provisions** fell by 4% and amounted to EUR 614.9 million. Claims provisions from non-life insurance totalled EUR 584.5 million (index 96), those from life insurance equalled EUR 20.6 million (index 106) and those from health insurance amounted to EUR 9.9 million (index 99). Gross claims provisions are formed for covering claims incurred but not settled by the end of the accounting period. The amount of claims provisions was also influenced by the favourable development of claims provisions in previous years and the payment of mass claims incurred at the end of 2017 from claims provision.
- **Mathematical provisions** decreased by 1% and amounted to EUR 1,759.8 million. Mathematical provisions for life insurance totalled EUR 1,357.2 million (index 102), while insurance technical provisions for unit-linked life insurance contracts equalled EUR 402.6 million (index 90). Mathematical provisions of **Zavarovalnica Triglav** were 3% lower and amounted to EUR 1,375.0 million, accounting for the bulk of total mathematical provisions. Mathematical provisions for life insurance totalled EUR 1,009.7 million (index 102), while insurance technical provisions for unit-linked life insurance contracts equalled EUR 365.2 million (index 88). In the calculation methodology for mathematical provisions, the calculation of additional mathematical provisions for supplemental voluntary pension insurance was changed and the internally set maximum interest rate used for the valuation of life insurance liabilities was reduced. Due to both changes, mathematical provisions rose by EUR 4.6 million. A decrease in insurance technical

provisions for unit-linked life insurance contracts is a consequence of a decline in the value of unit-linked life insurance assets.

- **Other insurance technical provisions** grew by 30% to EUR 18.3 million. A 44% growth in other insurance technical provisions was seen in Triglav, Zdravstvena zavarovalnica due to the increase in provisions for unexpired risks arising from Zobje and Zobje+ insurance. Other insurance technical provisions of Zavarovalnica Triglav totalled EUR 10.4 million, up by 26%. The reason for the increase was the creation of additional provisions for liabilities arising from pension annuities of Skupna pokojninska družba, which the Company formed in accordance with the court settlement between both companies. Due to the said court settlement, Skupna pokojninska družba allocated EUR 1.4 million to insurance technical provisions. Net effect of the above-mentioned settlement amounted to EUR 2.0 million at the Group level.

Gross insurance technical provisions of the Triglav Group as at 31 December 2018

	Gross insurance technical provisions			Index	
	31 December 2018	31 December 2017	31 December 2016	2018/2017	2017/2016
Unearned premiums	300,166,946	278,112,719	263,639,620	108	105
Mathematical provisions	1,759,831,056	1,782,599,954	1,731,221,699	99	103
Claims provisions	614,943,915	638,473,713	635,240,895	96	101
Provisions for bonuses and discounts	19,833,253	18,943,606	19,105,924	105	99
Other insurance technical provisions	18,325,930	14,115,599	11,580,177	130	122
Total	2,713,101,100	2,732,245,591	2,660,788,315	99	103

Gross insurance technical provisions of Zavarovalnica Triglav as at 31 December 2018

	Gross insurance technical provisions			Index	
	31 December 2018	31 December 2017	31 December 2016	2018/2017	2017/2016
Unearned premiums	213,919,937	196,528,185	188,487,876	109	104
Mathematical provisions	1,374,950,680	1,410,988,265	1,390,394,245	97	101
Claims provisions	442,560,188	469,230,899	471,240,775	94	100
Provisions for bonuses and discounts	19,547,002	18,349,804	18,495,379	107	99
Other insurance technical provisions	10,403,743	8,262,880	7,684,844	126	108
Total	2,061,381,550	2,103,360,033	2,076,303,119	98	101

7.8.2 Reinsurance and coinsurance

The **Triglav Group** operates in the global reinsurance market via Pozavarovalnica Triglav Re and Zavarovalnica Triglav. Optimum coverage terms and conditions were pursued and also achieved in all reinsurance and co-insurance contracts in the reporting year. The Group allocated EUR 104.0 million of reinsurance and coinsurance premiums to external equalisation, which was 9% more over the 2017 year-end. Ceded reinsurance premium accounted for 9.7% of total gross written premium or 0.1 percentage point more than the year before. Changes in unearned premium related to the reinsurance portion totalled EUR 6.3 million. The reinsurers' and co-insurers' share in gross claims paid amounted to EUR 40.2 million (index 162). The change in gross claims provisions for the reinsurance portion equalled EUR –11.3 million (vs. EUR 6.8 million in 2017). The Group also received EUR 15.8 million in reinsurance commissions. The reinsurance result was negative and amounted to EUR –53.1 million (vs. EUR –47.4 million in 2017).

The reinsurance result of **Zavarovalnica Triglav** was EUR –43.8 million (vs. EUR –41.6 million in 2017).

7.9 The structure of financial investments of the Triglav Group and Zavarovalnica Triglav

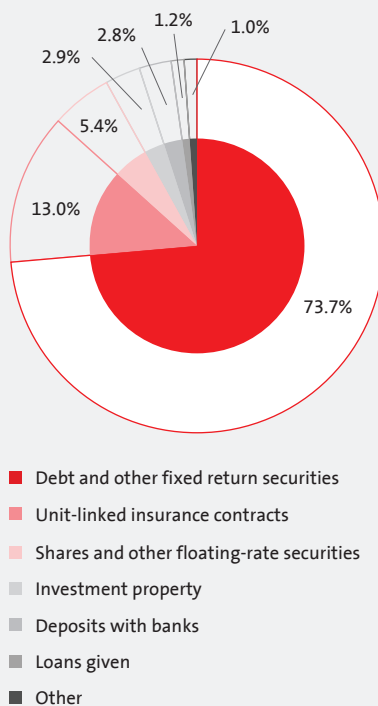
The Triglav Group continues to follow a relatively conservative investment policy, focusing on investment security and liquidity governed by adequate profitability. In the reporting year, the structure of financial investments did not significantly change, but the Group actively adapted the shares of individual investment grades in order to maintain a high overall credit rating of the whole investment portfolio.

As at the reporting date, financial investments of the **Triglav Group**, including investment properties, amounted to EUR 3,095.4 million or 1% less than as at the 2017 year-end. Their share in total assets dropped by 0.5 percentage points, reaching 84.9%.

Financial investments (including investment properties) of the Triglav Group as at 31 December 2018 and 31 December 2017

	Financial investments		Index	Structure	
	31 Dec. 2018	31 Dec. 2017	2018/2017	31 Dec. 2018	31 Dec. 2017
Investment property	89,840,456	94,007,483	96	2.9%	3.0%
Shares in associates	14,125,973	6,449,324	219	0.5%	0.2%
Shares and other floating-rate securities	168,345,913	217,756,846	77	5.4%	6.9%
Debt and other fixed return securities	2,281,642,459	2,237,729,266	102	73.7%	71.3%
Loans given	36,350,241	30,095,727	121	1.2%	1.0%
Deposits with banks	86,365,522	73,807,472	117	2.8%	2.4%
Other financial investments	9,918,886	22,793,778	44	0.3%	0.7%
Financial investments of reinsurance companies in reinsurance contracts with cedents	6,281,276	5,667,613	111	0.2%	0.2%
Unit-linked insurance contracts	402,515,770	450,236,045	89	13.0%	14.3%
Total	3,095,386,496	3,138,543,554	99	100.0%	100.0%

Financial investments of the Triglav Group as at 31 December 2018



The share of total debt and other fixed-return securities grew by 2.4 percentage point to 73.7%. Due to tactical adaptations of the portfolio to the market conditions, the exposure to equity investments was reduced. Their share in total financial assets fell by 1.5 percentage point to 5.4%, whilst other investment grades were only slightly adjusted. Financial investments in associates increased, primarily due to the capital share increase of Triglav, whereas other financial investments were down mainly as a result of the sale of equity stakes in Geoplin and Plinhold.

The structure of debt security and equity investment structures are presented in detail below.

By issuer sector, government bonds accounted for more than one half of total debt securities. Compared to the 2017 year-end, they were up 5%, whilst their share in total financial assets grew by 1.6 percentage points, followed by corporate bonds accounted with a 24.8% share and financial bonds with a 23.4%. Due to the harmonisation of the structure, the share of corporate bonds slightly decreased, whereas the share of financial bonds increased. The already low share of structured bonds further decreased in 2017.

Debt securities of the Triglav Group by issuer sector in 2018 and 2017

Issuer sector	Debt securities		Index	Structure	
	31 Dec. 2018	31 Dec. 2017	2018/2017	31 Dec. 2018	31 Dec. 2017
Government	1,177,116,267	1,119,983,226	105	51.6%	50.0%
Corporate	565,694,196	602,260,650	94	24.8%	26.9%
Financial	534,487,535	505,597,282	106	23.4%	22.6%
Structured	4,344,459	9,888,107	44	0.2%	0.4%
Total	2,281,642,459	2,237,729,265	102	100.0%	100.0%

Unit-linked life insurance contract investments data excluded.

The Group's investment portfolio mostly consists of investments in debt securities with a high **credit rating**. In 2018, the quality of the portfolio was further improved. A share of 81.5% of the portfolio is accounted for by debt securities of issuers having an investment grade credit rating of at least BBB, which represents an increase from 78.2% over the 2017 year-end, primarily in developed markets, which ensures adequate liquidity for the Group.

Debt securities of the Triglav Group by credit rating in 2018 and 2017

Credit rating	Debt securities		Index	Structure	
	31 Dec. 2018	31 Dec. 2017	2018/2017	31 Dec. 2018	31 Dec. 2017
AAA	220,729,382	224,091,714	98	9.7%	10.0%
AA	151,075,209	135,030,742	112	6.6%	6.0%
A	647,169,663	608,061,142	106	28.4%	27.2%
BBB	838,541,633	781,708,302	107	36.8%	34.9%
Below BBB	324,940,014	385,803,394	84	14.2%	17.2%
Not rated	99,186,558	103,033,971	96	4.3%	4.6%
Total	2,281,642,459	2,237,729,265	102	100.0%	100.0%

Unit-linked life insurance contract investments data excluded.

The majority of the portfolio is accounted for by debt securities of **issuers from the countries** with a high credit rating. Certain changes in the exposure to individual countries are a result of price fluctuations and tactical adjustment of some items.

Debt securities of the Triglav Group by issuer country in 2018 and 2017

Country of issuer	Debt securities		Index	Structure	
	31 Dec. 2018	31 Dec. 2017	2018/2017	31 Dec. 2018	31 Dec. 2017
Slovenia	372,682,300	370,950,356	100	16.3%	16.6%
Netherlands	174,147,165	182,670,364	95	7.6%	8.2%
Germany	170,997,573	171,947,794	99	7.5%	7.7%
Italy	165,345,901	140,023,509	118	7.2%	6.3%
France	152,372,593	136,588,287	112	6.7%	6.1%
Spain	130,282,806	125,155,289	104	5.7%	5.6%
USA	108,952,967	113,670,674	96	4.8%	5.1%
Croatia	100,188,584	105,260,997	95	4.4%	4.7%
Great Britain	77,287,888	73,813,737	105	3.4%	3.3%
Portugal	74,877,427	63,131,466	119	3.3%	2.8%
Other	754,507,255	754,516,792	100	33.1%	33.7%
Total	2,281,642,459	2,237,729,265	102	100.0%	100.0%

Unit-linked life insurance contract investments data excluded.

The volume of **equity investments of the Group** (shares and other floating rate securities and investments in associates) decreased by 19%, primarily due to tactical adaptations of the portfolio to the market conditions. Equity investments also include the category *other funds*, which consists mostly of alternative funds. Currently, this category accounts for 12.5% of equity investments, however its volume is gradually increasing.

Equity investments of the Triglav Group by investment type in 2018 and 2017

Equity investment type	Equity investments		Index	Structure	
	31 Dec. 2018	31 Dec. 2017	2018/2017	31 Dec. 2018	31 Dec. 2017
Shares	80,697,172	80,546,247	100	44.2%	35.9%
Equity funds	56,903,183	79,375,253	72	31.2%	35.4%
Bond funds	12,487,022	40,971,423	30	6.8%	18.3%
Money market funds	9,618,545	12,438,719	77	5.3%	5.5%
Other funds	22,765,964	10,874,528	209	12.5%	4.9%
Total	182,471,886	224,206,170	81	100.0%	100.0%

Equity investments of the Triglav Group by geographic area in 2018 and 2017

Geographic area	Equity investments		Index	Structure	
	31 Dec. 2018	31 Dec. 2017	2018/2017	31 Dec. 2018	31 Dec. 2017
Slovenia	61,154,968	62,230,851	98	33.5%	27.8%
Developed markets	98,861,077	138,198,029	72	54.2%	61.6%
Developing markets	13,081,652	12,763,426	102	7.2%	5.7%
Balkans	9,374,190	11,013,865	85	5.1%	4.9%
Total	182,471,886	224,206,170	81	100.0%	100.0%

In **Zavarovalnica Triglav**, financial investments, including investment properties, amounted to EUR 2,400.9 million, down 2% compared to the 2017 year-end.

Financial investments of the Triglav Group as at 31 December 2018 and 31 December 2017

	Financial investments		Index 2018/2017	Structure	
	31 Dec. 2018	31 Dec. 2017		31 Dec. 2018	31 Dec. 2017
Investment property	45,270,540	48,214,401	94	1.9%	2.0%
Investments in subsidiaries and associates	148,898,023	128,169,985	116	6.2%	5.2%
Shares and other floating-rate securities	85,450,642	135,783,991	63	3.6%	5.5%
Debt and other fixed return securities	1,666,922,943	1,638,907,656	102	69.4%	66.8%
Loans given	46,099,990	48,781,121	95	1.9%	2.0%
Deposits with banks	38,481,554	33,974,540	113	1.6%	1.4%
Other financial investments	1,688,557	1,680,215	100	0.1%	0.1%
Derivative financial instruments	1,393,263	1,870,633	74	0.1%	0.1%
Unit-linked insurance contract investments	366,664,078	417,607,959	88	15.3%	17.0%
Total	2,400,869,590	2,454,990,500	98	100.0%	100.0%

7.10 Asset management

The asset management activity in the Triglav Group is primarily performed by Zavarovalnica Triglav for the Group's own insurance portfolios (assets backing liabilities and guarantee funds) and the subsidiary Triglav Skladi by managing mutual funds and through discretionary mandate. Apart from that, the Group is an important partner of the alternative investment management platform Trigal.

Adopted strategic guidelines focus on enhancing the visibility of the Group as the leading asset manager in the target markets and increasing the volume of assets under management. Related thereto, the Group signed agreements to acquire Raiffeisen Mirovinsko osiguravajuče društvo and the Slovene asset management company ALTA Skladi.

Asset management market

In the reporting period, the consolidation of the Slovene market continued, where, as at the 2018 year-end, 2 companies less were operating on the Slovene market compared to the previous year. As the reporting date, an amount of EUR 2.5 billion of net asset value was managed under mutual funds of 5 companies, which

represented a 7.1% decrease compared to the 2017 year-end. In the discretionary mandate segment, 7 companies were operating in Slovenia, of which 3 were asset management companies. The value of these assets managed by asset management companies totalled EUR 713 million (index 101) as at 31 December 2018.

Triglav Skladi manages 17 mutual funds and 6 investment combinations and provides discretionary mandate services. At the 2018 year-end, they reached EUR 606.1 million, having decreased by 10.9% over the preceding year. The situation on capital markets and net cash outflows had a significant impact on the volume of assets under management. The discretionary mandate segment rose by 9.8% to EUR 50.0 million as at the 2018 year-end.

As at the reporting date, Triglav Skladi held a 24.6% market share among asset management companies (25.6% vs. 2017) in the mutual fund segment and a 7.0% market share (6.5% vs. 2017) in the discretionary mandate segment.

8. Financial result of the Triglav Group and Zavarovalnica Triglav

8.1 The Triglav Group

Good business results of the Triglav Group in 2018 are reflected in **profit above the budgeted level** as a result of a higher growth in net premium earned than growth in net claims incurred, more favourable net loss ratio and several one-off events. The latter included the realisation of capital gains on the sale of investment funds from own portfolio of the subsidiary Triglav Skladi in the amount of EUR 3.6 million. **Consolidated profit before tax** amounted to EUR 97.5 million or 15% more than in 2017, whilst **net profit** was up by 16% and reached EUR 80.8 million. **Net return on equity** was 10.8%, up by 1.5 percentage point.

The **combined ratio** of the Group was in the positive territory of expected values at 91.8%. The combined ratio was down by 1.3 percentage point compared to the year before, primarily as a result of the improved loss ratio and a higher growth in net premium earned than growth in net claims incurred. The combined ratio shows profitability of operations in the non-life and health insurance segments. Any value of this ratio below 100 means that the non-life and health insurance portfolios as the core business (excluding return on investment) are earning a profit.

The combined ratios of the Triglav Group and individual insurance companies in 2018 compared to 2017

Insurance company	2018	2017	Change
Zavarovalnica Triglav	86.1%	87.9%	-1.8 p.p.
Triglav, Zdravstvena zavarovalnica	99.3%	99.4%	-0.1 p.p.
Pozavarovalnica Triglav Re	96.2%	94.2%	2.0 p.p.
Triglav Osiguranje, Zagreb	103.1%	108.8%	-5.7 p.p.
Triglav Osiguranje, Belgrade	97.9%	99.7%	-1.8 p.p.
Lovćen Osiguranje, Podgorica	91.0%	99.3%	-8.3 p.p.
Triglav Osiguranje, Sarajevo	99.8%	99.3%	0.5 p.p.
Triglav Osiguranje, Banja Luka	107.7%	97.2%	10.4 p.p.
Triglav Osiguruvanje, Skopje	100.8%	97.0%	3.8 p.p.
Triglav Group	91.8%	93.1%	-1.3 p.p.

- In 2018, the Triglav Group generated a profit before tax of EUR 97.5 million and achieved a 10.8% return on equity.
- Compared to the preceding year, the Group's combined ratio improved to 91.8% primarily due to higher net premium earned.
- Lower rates of return on financial investment mainly resulted from the unfavourable conditions in financial markets and lower gains on financial assets.

8.1.1 Premium income, claims incurred and operating expenses

Net premium earned increased by 7% to EUR 951.8 million. Net premium income from health insurance grew by 11%, net premium income from non-life insurance went up by 8% and net premium income from life insurance rose by 2%. Net premium earned is composed of gross written insurance in the amount of EUR 1,068.4 million (index 107), reduced by ceded written premium in the amount of EUR 106.6 million (index 109) and adjusted by the change in net unearned premium of EUR -10.0 million (index 90).

Net claims incurred increased by 1% and totalled EUR 626.6 million. Net claims incurred in health insurance recorded the highest growth of 11% due to higher gross claims paid [→ *see Section 7.6.1 for more details*]. Net claims incurred increased by 4% in non-life insurance and decreased by 10% in life insurance. Net claims incurred are composed of gross claims paid in the amount of EUR 679.6 million (index 106), reduced by the reinsurers' and co-insurers' shares in gross claims in the amount of EUR 40.0 million (index 163), adjusted by the change in net claims provisions of EUR -19.2 million (index 492) and increased by equalisation scheme expenses for supplemental health insurance in the amount of EUR 6.2 million (index 99).

Operating expenses (acquisition costs and other operating expenses) amounted to EUR 233.6 million, up by 6% compared to 2017. Acquisition costs rose by 8% and other operating expenses by 2%. Higher operating expenses were mainly caused by higher indirect and direct acquisition costs due to strong premium growth. The growth of total operating expenses (all functional expenses groups) was behind premium growth, which resulted in a lower share of expenses in written premium by 0.4 percentage point. See [→ *Section 7.7*] for more details on operating expenses.

8.1.2 Income and expenses from financial assets

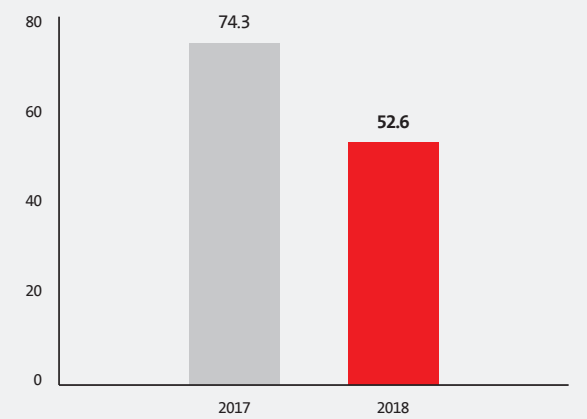
Income from investments, including income from investments in associates decreased by 32% and reached EUR 89.9 million. Income from investments in associates amounted to EUR 1.0 million (index 455), whereas income from investments decreased by 33% to EUR 88.9 million. In the reporting period, interest income was down by 5% to EUR 55.6 million, gains on disposals decreased by 20% to EUR 23.8 million and other income from investments totalled EUR 9.5 million (index 21). Other income from investments include net unrealised gains on unit-linked life insurance assets which totalled EUR 451 thousand (vs. EUR 28.4 million in 2017), dividends in the amount of EUR 4.0 million (index 76), changes in fair value equalling EUR 1.0 million (index 13) and other financial income in the amount of EUR 4.0 million (index 134).

Expenses from investments, including expenses from investments in associates, increased by 119% and reached EUR 67.3 million. Expenses from investments in associates totalled EUR 137 thousand (vs. EUR 3.1 million in 2017), while investment expenses equalled EUR 67.1 million, having increased by 143%. Losses on disposals totalled EUR 13.1 million (index 118), impairments of equity investments amounted to EUR 1.5 million (vs. EUR 335 thousand in 2017) and other investment expenses equalled EUR 52.5 million (index 323). Other investment expenses include net unrealised losses on unit-linked life insurance assets totalling EUR 30.4 million (vs. EUR 311 thousand in 2017), changes in fair value equalling EUR 15.4 million (index 366) and other financial expenses in the amount of EUR 6.7 million (index 57).

Return on investment of the Triglav Group (excluding unit-linked life insurance contract investments) represents the difference between income and expenses from financial assets. It dropped by 29% to EUR 52.6 million, primarily as a result of lower net gains on the sale of financial assets, lower net income arising from changes in fair value, lower net interest income and lower dividend received. Continuously lower interest income is further caused by lower interest rates.

Return on financial investments also impacts the insurance technical provisions and the net profit of the Group. See [→ *Section 8.1.3 (table Structure of profit before tax of the Triglav Group)*] for the impact of return on investment on profit before tax.

Return on financial investment of the Triglav Group (excluding unit-linked life insurance contract investments) in 2017 and 2018 (in EUR million)



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

Changes in other insurance technical provisions decreased to EUR 39.9 million (vs. EUR 60.3 million in 2017) primarily due to a lower growth of mathematical provisions. **Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR –46.9 million (vs. EUR –8.3 million in 2017) due to a decrease in the value of fund units. **Expenses for bonuses and discounts** increased by 22% to EUR 11.4 million, foremost as a result of higher bonuses paid out in the parent company (see more [→ *in Section 8.2.3*]).

Other income from insurance operations, excluding fees and commissions, went up by 10% to EUR 14.0 million. **Other insurance expenses**, excluding fees and commissions, increased by 38% and totalled EUR 17.1 million mainly due to higher value adjustments

of receivables in the parent company and Lovćen Osiguranje. **Net fee and commission income** amounted to EUR –850 thousand (vs. EUR 799 thousand in 2017).

Other income was up by 6%, totalling EUR 36.1 million, primarily due to higher income from sale of real properties in the parent company. **Other expenses** were also 6% higher, amounting to EUR 44.6 million, mainly as a result of higher performance provisions.

Income statement of the Triglav Group for 2018 – according to IFRS

	2018	2017	Index
Net premium income	951,762,862	891,197,369	107
- gross written premium	1,068,394,407	999,916,626	107
- ceded written premium	-106,624,908	-97,550,733	109
- change in unearned premium reserve	-10,006,637	-11,168,524	90
Income from investments in subsidiaries and associates	1,021,159	224,605	455
- profit on equity investments accounted for using the equity method	1,021,159	224,605	455
Income from investments	88,889,077	132,944,438	67
- interest income calculated using the effective interest method	55,573,242	58,196,582	95
- gains on disposals	23,777,837	29,790,480	80
- other income from investments	9,537,998	44,957,376	21
Other income from insurance operations	29,837,981	29,237,231	102
- fees and commission income	15,806,181	16,487,470	96
- other income from insurance operations	14,031,800	12,749,762	110
Other income	36,149,533	34,033,116	106
Net claims incurred	626,560,398	619,958,781	101
- gross claims settled	679,600,218	642,162,569	106
- reinsurers' share	-39,988,966	-24,573,610	163
- changes in claims provisions	-19,248,552	-3,915,964	492
- equalisation scheme expenses for supplementary health insurance	6,197,698	6,285,786	99
Change in other insurance technical provisions (excluding ULI)	39,860,373	60,281,190	66
Change in insurance technical provisions for unit-linked insurance contracts	-46,889,547	-8,250,712	568
Expenses for bonuses and discounts	11,417,685	9,342,891	122
Operating expenses	233,637,425	220,762,633	106
- acquisition costs	159,245,093	147,942,412	108
- other operating costs	74,392,332	72,820,221	102
Expenses from investments in subsidiaries	137,092	3,126,853	4
- loss on investments accounted for using the equity method	137,092	1,981,853	7
- other expenses from financial assets and liabilities	0	1,145,000	0
Expenses from investments	67,118,486	27,651,058	243
- loss on impairment of investments	1,497,483	335,255	447
- loss on disposal of investments	13,128,928	11,083,596	118
- other expenses from investments	52,492,075	16,232,207	323
Other insurance expenses	33,744,135	28,058,062	120
Other expenses	44,618,763	42,260,921	106
- expenses from financing	1,384,361	1,631,023	85
- other expenses	43,234,402	40,629,898	106
Profit before tax	97,455,802	84,445,082	115
Income tax expense	16,629,557	14,737,130	113
Net profit for the period	80,826,245	69,707,952	116
Net profit/loss attributable to the controlling company	80,662,754	69,256,560	116
Net profit/loss attributable to the non-controlling interest holders	163,491	451,391	36

Financial result ratios of the Triglav Group

Financial result ratios	2018	2017	2016
Loss ratio	62.5%	64.0%	62.0%
Expense ratio*	29.3%	29.0%	30.9%
Combined ratio*	91.8%	93.1%	92.9%
Operating expenses of insurance business in gross written premiums**	24.5%	24.8%	25.3%
Gross written premium per company employee* (in EUR)	237,579	224,171	212,559

* Due to the change in the presentation of the income statement, the calculations of the expense and combined ratios for 2017 and 2018 were adjusted for comparison purposes.

** Only the employees of the insurance subsidiaries and the reinsurance company within the Triglav Group were taken into account.

Structure of profit before tax of the Triglav Group*

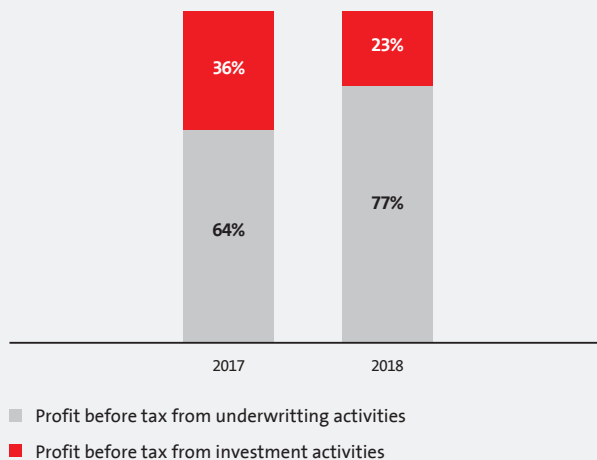
	2018				2017			
	Non-life	Life	Health	Total	Non-life	Life	Health	Total
Profit before tax from underwriting activities	51,167,138	17,820,019	2,638,850	71,626,007	37,215,150	14,426,530	2,607,645	54,249,325
Profit before tax from investment activities	24,534,323	-3,699,325	723,642	21,558,640	24,955,012	4,473,629	853,063	30,281,704
Profit before tax from insurance operations	75,701,461	14,120,694	3,362,492	93,184,647	62,170,162	18,900,159	3,460,708	84,531,029
Profit before tax from non-insurance operations				4,271,156				-85,948
Total profit before tax				97,455,802				84,445,082

* The profit from return on financial investments is reduced by the return guaranteed by insurance subsidiaries to life insurance policyholders in the form of a guaranteed return determined in insurance contracts. In addition, return on financial investments is reduced by the increase in mathematical provisions due to lower internally set maximum interest rate used for the valuation of life insurance liabilities.

The improved non-life insurance result resulted from higher profit before tax from underwriting activities, mainly due to higher net premium earned and more favourable net claims experience. Due to higher net realised capital gains, profit before tax from investments was comparable with the previous year.

The lower life insurance result of the Group primarily resulted from lower return on assets of insurance technical provisions (EUR 5.1 million) and the modified methodology for the calculation of additional mathematical provisions for supplemental voluntary pension insurance, which increased their value by EUR 3.4 million. On the other hand, additional provisions made due to the liability adequacy test (LAT) were lower by EUR 0.8 million; in parallel, the Group allocated EUR 1.1 million less to participating life insurance policies (due to lower realised return on assets of life insurance technical provisions).

Structure of profit before tax of the Triglav Group in 2017 and 2018



8.2 Zavarovalnica Triglav

Zavarovalnica Triglav performed well and ended 2018 with a higher profit. Compared to the preceding year, the Company's **profit before tax** increased by 6% and reached EUR 78.5 million. The Company's **net profit** grew by 5%, amounting to EUR 65.5 million. Growth of both profits is primarily a result of the higher growth of net premium earned than the growth of net claims incurred. **Net return on equity** continued to be favourable at 11.6% and rose by 0.6 percentage points compared to 2017.

Growth of net premium earned was higher than the growth of net claims incurred, which was reflected in the **combined ratio of non-life insurance**, having decreased by 1.8 percentage point to 86.1% compared to 2017.

8.2.1 Premium income, claims incurred and operating expenses

Net premium earned increased by 6% to EUR 551.9 million compared to the preceding year. Net premiums earned from non-life insurance increased by 8%, whilst that from life insurance remained at approximately the same level as the year before (index 100). Net premium earned are composed of gross written insurance and co-insurance premium in the amount of EUR 660.2 million (index 106), reduced by the reinsurers' share and adjusted by the change in gross unearned premium in the amount of EUR 101.3 million (index 108), and restated for changes in net unearned premium which amount to EUR -7.0 million (index 109).

Net claims incurred decreased by 4%, amounting to EUR 359.9 million. Net claims incurred increased by 3% in non-life insurance, whereas they were down by 13% in life insurance. Net claims incurred are composed of gross claims paid in the amount of EUR 421.0 million (index 102), reduced by the reinsurers' and co-insurers' shares in claims in the amount of EUR 37.8 million (index 153) and adjusted by the change in net claims provisions of EUR -23.3 million (index 224).

Operating expenses (acquisition costs and other operating expenses) amounted to EUR 153.0 million and were 5% higher than in 2017. Acquisition costs and other operating expenses also rose by 5%. Higher operating expenses were mainly caused by higher indirect and direct acquisition costs due to strong premium growth. The growth of total operating expenses (all functional expenses groups) was lower than the premium growth, which resulted in a lower share of expenses in written premium by 0.6 percentage point.

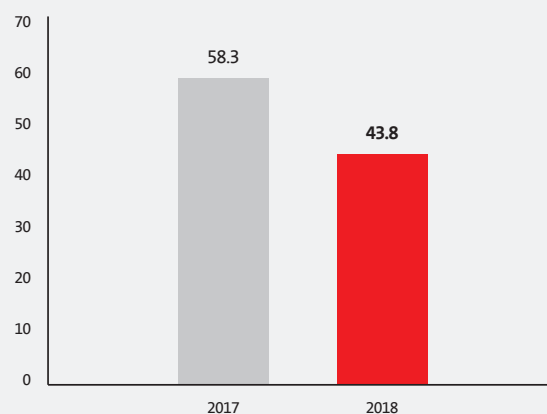
8.2.2 Income and expenses from financial assets

Income from investments, including income from investments in associates, decreased by 37% and reached EUR 67.1 million, whilst income from financial assets in associates totalled EUR 5.3 million or 25% less than in the preceding year, mainly as the result of lower dividends paid (index 73). Income from financial investments decreased by 38% to EUR 61.8 million. In the reporting period, interest income was down by 5% to EUR 36.9 million, gains on disposals decreased by 27% to EUR 18.5 million and other income from investments totalled EUR 6.3 million (index 18). Other income from investments include net unrealised gains on unit-linked life insurance assets reached EUR 440 thousand compared to EUR 27.8 million in the respective period of 2017.

Expenses from investments, including expenses from investments in associates increased by 149% and reached EUR 50.9 million. Expenses from financial assets in associates totalled EUR 5 thousand (index 107), while expenses from financial assets equalled EUR 50.9 million (index 249). Losses on disposals totalled EUR 12.6 million (index 119), impairments of equity investments amounted to EUR 1.2 million (2017: EUR 200 thousand) and other investment expenses equalled EUR 37.1 million (index 385). Other investment expenses include net unrealised losses on unit-linked life insurance assets totalled EUR 28.1 million (2017: EUR 143 thousand), changes in fair value equalling EUR 5.4 million (index 335) and other financial expenses in the amount of EUR 3.6 million (index 45).

Return on financial investments, excluding unit-linked insurance contract investments, amounted to EUR 43.8 million and were 25% lower compared to 2017, primarily as a result of lower net gains on the sale of financial assets, lower net income arising from changes in fair value, lower net interest income and lower dividends received. Continuously lower interest income is further caused by lower interest rates.

Return on financial investments of Zavarovalnica Triglav (excluding unit-linked life insurance contract investments) in 2017 and 2018 (in EUR million)



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

Changes in other insurance technical provisions decreased to EUR 29.5 million (2017: EUR 35.4 million) primarily due to a lower growth of mathematical provisions.

Change in insurance technical provisions for unit-linked insurance contracts equalled EUR –50.9 million (index 347) due to a decrease in price of fund units. **Expenses for bonuses and discounts** increased by 31% to EUR 10.6 million, foremost as a result of higher payment of bonuses due to the increased volume in premium arising from concluded policy contracts with corporate customers.

Other income from insurance operations, excluding fees and commissions, increased by 7% and reached EUR 10.4 million. **Other insurance expenses**, excluding fees and commissions expenses, increased by 73%, amounting to EUR 8.1 million mainly due to higher adjustments of receivables. **Net fee and commission income** decreased by 9% to EUR 15.3 million.

Other income was up by 14%, totalling EUR 12.5 million, primarily due to higher income from sale of real properties. **Other expenses** were 5% higher, amounting to EUR 15.6 million, mainly as a result of higher performance provisions.

Income statement of Zavarovalnica Triglav for 2018 – according to IFRS

	2018	2017	Index
Net premium income	551,940,868	522,057,353	106
- gross written premium	660,210,432	621,971,336	106
- ceded written premium	-101,297,110	-93,522,581	108
- change in unearned premium	-6,972,454	-6,391,402	109
Income from investments in subsidiaries and associates	5,305,545	7,106,829	75
- other income from investments in subsidiaries and associates	5,305,545	7,106,829	75
Income from investments	61,755,135	99,243,902	62
- interest income calculated using the effective interest method	36,890,019	38,861,704	95
- gains on disposals	18,521,649	25,370,295	73
- other income from investments	6,343,467	35,011,903	18
Other income from insurance operations	27,448,384	27,732,584	99
- fees and commission income	17,004,132	18,011,729	94
- other income from insurance operations	10,444,252	9,720,855	107
Other income	12,491,979	10,951,423	114
Net claims incurred	359,941,674	376,292,830	96
- gross claims settled	421,002,582	411,305,524	102
- reinsurers' share	-37,767,613	-24,624,035	153
- changes in claims provisions	-23,293,295	-10,388,659	224
Change in other insurance technical provisions (excluding ULI)	29,499,390	35,366,975	83
Change in insurance technical provisions for unit-linked insurance contracts	-50,884,979	-14,678,837	347
Expenses for bonuses and discounts	10,571,287	8,073,088	131
Operating expenses	153,008,918	145,922,909	105
- acquisition costs	110,230,112	105,301,136	105
- other operating costs	42,778,806	40,621,773	105
Expenses from investments in subsidiaries and associates	4,759	4,435	107
- other expenses from financial assets and liabilities	4,759	4,435	107
Expenses from investments	50,929,727	20,438,978	249
- loss on impairment of investments	1,248,877	200,000	624
- loss on disposal of investments	12,566,364	10,588,356	119
- other expenses from investments	37,114,486	9,650,622	385
Other insurance expenses	11,819,639	6,980,751	169
Other expenses	15,594,244	14,868,646	105
- expenses from financing	1,507,022	1,549,066	97
- other expenses	14,087,222	13,319,580	106
Profit before tax	78,457,252	73,822,316	106
Income tax expense	12,913,388	11,300,366	114
Net profit for the period	65,543,864	62,521,950	105

Financial result ratios of Zavarovalnica Triglav

Financial result ratios	2018	2017	2016
Return on equity	11.6%	11.0%	13.8%
Loss ratio	55.4%	58.5%	55.7%
Expense ratio	30.7%	29.4%	32.3%
Combined ratio	86.1%	87.9%	87.9%
Operating expenses of insurance business in gross written premiums	26.4%	27.0%	27.7%

* Due to the change in the presentation of the income statement, the calculations of the expense and combined ratios for 2018 and 2017 were adjusted for comparison purposes.

9. Financial standing of the Triglav Group and Zavarovalnica Triglav

- Compared to 2017, return on equity of the Triglav Group increased by 1.5 percentage point and reached 10.8%.
- Total assets and total equity capital decreased by 1%.

9.1 The Triglav Group

9.1.1 Equity and liabilities

As at the reporting date, **total equity capital** of the Triglav Group reached EUR 746.9 million (index 99). The share of equity in the balance sheet total decreased by 0.1 percentage point to 20.5%. Equity attributable to the controlling company dropped by 1% to EUR 744.6 million, whereas non-controlling interest holders had EUR 2.3 million, down by 66% due to the acquisition of equity share in Skupna pokojninska družba. Share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary registered no-par value shares. As a result of a decrease in the value of available-for-sale financial assets, **fair value reserve** decreased by 31% and totalled EUR 66.2 million. **Share premium** reached EUR 50.2 million and remained at approximately the same level as the year before (index 100).

Reserves from profit amounted to EUR 334.1 million and remained at a level approximately equal to the 2017 year-end (index 100). They include other reserves from profit of EUR 314.3 million, legal and statutory reserves in the amount of EUR 19.2 million, which increased by EUR 708 thousand due to a transfer from profit brought forward and credit risk equalisation reserves and contingency reserves of EUR 0.6 million, whereas **accumulated profit** grew by 12% and reached EUR 223.0 million. In addition to EUR 80.5 million in net profit for the year, it includes EUR 142.5 million of net profit brought forward. Compared to 2017, net profit brought forward increased by EUR 39.1 million due to the transfer of net profit of the preceding year and decreased by EUR 585 thousand due to allocation of net profit for the year to reserves from profit and by EUR 56.8 million due to the dividend payment.

Subordinated liabilities amounted to EUR 15.5 million and were at a level approximately equal to the 2017 year-end (index 100).

Gross insurance technical provisions totalled EUR 2,713.1 million or 1% less than on the last day of 2017. Its share in the balance-sheet total equalled 74.4%, the same as in 2017. Mathematical provisions fell by 1% to EUR 1,759.8 million. As expected, claims provisions went down by 4%. On contrast, provisions for gross unearned premiums (index 108) and other insurance

technical provisions (index 115) increased. Insurance technical provisions of the Triglav Group are discussed in greater detail in [→ *Section 7.8*].

Operating liabilities grew by 11% compared to the 2017 year-end, amounting to EUR 54.8 million, and accounted for 1.5% of total liabilities, foremost as a result of increased current tax liabilities.

Employee benefits of EUR 14.8 million grew by 6%, whilst **other provisions** totalled EUR 1.9 million (index 51). **Deferred tax liabilities**, which were balanced with deferred tax assets, amounted to EUR 17.2 million. Deferred tax liabilities decreased by 35%, primarily due to higher fair value reserve from financial investments for which deferred tax is calculated.

Other liabilities increased by 6% mainly due to higher liabilities for property, plant and equipment and liabilities to employees of the parent company. They amounted to EUR 75.5 million, accounting for 2.1% of total liabilities.

9.1.2 Assets

Financial investments in associates of the Triglav Group increased by 119% to EUR 14.1 million as a result of a capital raise of Triglav in the amount of EUR 6.8 million, new investment in the company ZTSR in the amount of EUR 0.1 million and the effects of the equity method.

Financial investments accounted for 71.0% of total assets. With EUR 2,588.9 million, they remained approximately at the same level as at the 2017 year-end. In total investments, available for sale financial assets accounted for the bulk, amounting to EUR 1,802.6 million. In total financial assets, EUR 450.7 million was accounted for by financial assets measured at fair value through profit or loss, EUR 196.8 million by held-to-maturity financial assets, and EUR 138.9 million by deposits and loans. **Unit-linked insurance assets** amounted to EUR 402.5 million, which decreased by 11%. **Investment property** declined by 4% due to the sale of real-properties, totalling EUR 89.8 million. The structure of financial assets is discussed in greater detail under [→ [Section 7.9](#)].

As at the reporting date, **receivables** increased by 9% and stood at EUR 178.7 million (a 4.9% share of total assets), of which receivables from direct insurance operations accounted for the bulk, totalling EUR 96.6 million (index 113). Receivables from co-insurance and reinsurance operations reached EUR 51.3 million (index 114), other receivables stood at EUR 30.2 million (index 91) and current tax receivables equalled EUR 580 thousand (2017: EUR 32 thousand).

Insurance technical provisions transferred to reinsurance contracts amounted to EUR 85.9 million, having increased by 3%. Assets from reinsurance contracts from claim provisions were 7% lower and totalled EUR 59.6 million, while those from unearned premiums were up by 33% and equalled EUR 26.3 million.

Intangible assets reached EUR 84.1 million, having increased by 7% primarily due to higher long-term deferred acquisition costs in the parent company. **Property, plant and equipment** totalled EUR 113.3 million, up by 2% compared to the 2017 year-end.

Non-current assets held for sale equalled EUR 2.1 million due to the planned sale of specific land plots and buildings.

Financial standing ratios of the Triglav Group

Financial standing ratios	2018	2017	2016
The portion of equity in total liabilities	20.5%	20.6%	20.8%
Average equity balance as % of gross written premium	70.4%	75.1%	77.4%
Return on equity	10.8%	9.3%	11.4%
Share of gross insurance technical provisions in total liabilities	74.4%	74.4%	74.4%
Average balance of gross insurance technical provisions as % of gross written premium	254.8%	269.7%	281.0%
Financial assets to total assets ratio	82.1%	82.7%	83.2%
Financial assets to gross insurance technical provisions ratio	110.3%	111.2%	111.8%

Balance sheet of the Triglav Group as at 31 December 2018 – according to IFRS

	31 December 2018	31 December 2017	Index	Structure 2018	Structure 2017
ASSETS	3,645,277,487	3,674,676,193	99	100.0%	100.0%
Intangible assets	84,060,048	78,840,612	107	2.3%	2.1%
Property, plant and equipment	113,296,053	111,210,437	102	3.1%	3.0%
Non-current assets held for sale	2,067,399	2,278,440	91	0.1%	0.1%
Deferred tax assets	12,893,732	13,769,115	94	0.4%	0.4%
Investment property	89,840,456	94,007,483	96	2.5%	2.6%
Investments in associates	14,125,973	6,449,324	219	0.4%	0.2%
Financial investments	2,588,904,297	2,587,850,704	100	71.0%	70.4%
- loans and deposits	138,857,972	125,251,487	111	3.8%	3.4%
- held to maturity	196,773,185	221,390,576	89	5.4%	6.0%
- available for sale	1,802,568,767	1,815,323,900	99	49.4%	49.4%
- recognised at fair value through profit and loss	450,704,373	425,884,741	106	12.4%	11.6%
Unit-linked insurance assets	402,515,770	450,236,044	89	11.0%	12.3%
Reinsurers' share of insurance technical provisions	85,920,499	83,815,576	103	2.4%	2.3%
Receivables	178,654,878	163,878,354	109	4.9%	4.5%
- receivables from direct insurance operations	96,601,328	85,722,492	113	2.7%	2.3%
- receivables from reinsurance and co-insurance operations	51,299,903	44,939,702	114	1.4%	1.2%
- current tax receivables	579,645	32,211	1,800	0.0%	0.0%
- other receivables	30,174,002	33,183,949	91	0.8%	0.9%
Other assets	5,396,722	3,922,257	138	0.1%	0.1%
Cash and cash equivalents	67,601,660	78,417,847	86	1.9%	2.1%
<i>Off balance sheet items</i>	<i>251,429,127</i>	<i>240,363,102</i>	<i>105</i>		
EQUITY AND LIABILITIES	3,645,277,487	3,674,676,193	99	100.0%	100.0%
Equity	746,862,805	756,645,683	99	20.5%	20.6%
Controlling interests	744,566,806	749,838,244	99	20.4%	20.4%
- share capital	73,701,392	73,701,392	100	2.0%	2.0%
- share premium	50,206,540	50,403,656	100	1.4%	1.4%
- reserves from profit	334,121,464	333,407,073	100	9.2%	9.1%
- treasury share reserves	364,680	364,680	100	0.0%	0.0%
- treasury shares	-364,680	-364,680	100	0.0%	0.0%
- fair value reserve	66,237,889	95,398,236	69	1.8%	2.6%
- net profit brought forward	142,483,579	160,647,992	89	3.9%	4.4%
- net profit/loss for the year	80,533,643	39,133,955	206	2.2%	1.1%
- currency translation differences	-2,717,701	-2,854,060	95	-0.1%	-0.1%
Non-controlling interests	2,295,999	6,807,439	34	0.1%	0.2%
Subordinated liabilities	15,462,711	15,459,132	100	0.4%	0.4%
Insurance technical provisions	2,310,503,061	2,282,701,026	101	63.4%	62.1%
- unearned premiums	300,166,946	278,112,719	108	8.2%	7.6%
- mathematical provisions	1,357,233,017	1,333,055,389	102	37.2%	36.3%
- claims provisions	614,943,915	638,473,713	96	16.9%	17.4%
- other insurance-technical provisions	38,159,183	33,059,205	115	1.0%	0.9%
Insurance technical provisions for unit-linked insurance contracts	402,598,039	449,544,565	90	11.0%	12.2%
Employee benefits	14,804,574	13,979,843	106	0.4%	0.4%
Other provisions	1,919,555	3,794,647	51	0.1%	0.1%
Deferred tax liabilities	17,203,576	26,396,579	65	0.5%	0.7%
Other financial liabilities	5,620,904	5,589,381	101	0.2%	0.2%
Operating liabilities	54,792,055	49,381,602	111	1.5%	1.3%
- liabilities from direct insurance operations	19,717,929	18,875,323	104	0.5%	0.5%
- liabilities from reinsurance and co-insurance operations	30,465,655	28,758,158	106	0.8%	0.8%
- current tax liabilities	4,608,471	1,748,121	264	0.1%	0.0%
Other liabilities	75,510,207	71,183,735	106	2.1%	1.9%
<i>Off balance sheet items</i>	<i>251,429,127</i>	<i>240,363,102</i>	<i>105</i>		

9.2 Zavarovalnica Triglav

9.2.1 Equity and liabilities

The **total equity capital** as at the reporting date amounted to EUR 560.1 million or 2% less than at the 2017 year-end. The portion of equity in the balance sheet total of 20.5% remained unchanged. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary registered no-par value shares. Share premium and reserves from profit remained the same with EUR 53.4 million and EUR 319.0 million respectively. As a result of a decrease in the value of available-for-sale financial assets, fair value reserve went down by 30% to EUR 47.3 million in nominal terms.

As at 31 December 2018, accumulated profit for the year was EUR 66.8 million (index 115), including net profit for the year and net profit brought forward of EUR 1.2 million (index 5). Net profit brought forward increased by EUR 32.3 million due to a transfer of net profit and decreased by EUR 56.8 million due to the dividend payment.

Subordinated liabilities amounted to EUR 20.6 million and were at a level approximately equal to the 2017 year-end (index 100).

On the liabilities side, **gross insurance technical provisions** decreased by 2% and stood at EUR 2,061.4 million. The portion of gross insurance technical provisions in the balance sheet total remained unchanged compared to the end of 2017 at 75.5%. As at the reporting date, mathematical provisions amounted to EUR 1,375.0 million, which represented a decrease of 3% over the end of the previous year. Gross claims provisions decreased by 6%. Provisions for gross unearned premiums were up by 9% and other insurance technical provisions by 13%. Insurance technical provisions are discussed in greater detail under [→ [Section 7.8 Risk equalisation](#)].

Operating liabilities grew by 3% compared to the 2017 year-end, amounting to EUR 28.5 million (share of 1.0% of the total balance sheet liabilities), foremost as a result of increased current tax liabilities (199%).

Deferred tax liabilities, which are balanced with deferred tax assets, decreased by 70%, which was mainly due to lower fair value reserve from financial investments, recognised under other comprehensive income. They totalled EUR 2.8 million.

Other liabilities increased by 6% due to higher liabilities arising from plant, property and equipment and liabilities to employees. As at the reporting date, they stood at EUR 43.2 million, representing 1.6% of total balance sheet.

9.2.2 Liabilities

Financial investments were down by 3% to EUR 2,206.7 million. Their share in total assets was down 0.9 percentage point, accounting for 80.8%. **Unit-linked insurance assets** went down by 12% (EUR 366.7 million), whereas financial investments decreased by 1% to EUR 1,840.0 million. In total **financial investments**, EUR 1,383.9 million was accounted for by investments available for sale, EUR 204.0 million by investments recognised at fair value through profit/loss, EUR 159.5 million by investments held to maturity and by deposits and loans EUR 92.7 million.

Financial investments in subsidiaries and associates grew by 16% and totalled EUR 148.9 million, representing a 5.5% share of total assets. Financial investments in subsidiaries amounted to EUR 131.9 million, which was 12% more over 2017 as a result of a capital increase of Triglav INT in the amount of EUR 9.2 million and acquisition of equity stake of Skupna pokojninska družba in the amount of EUR 4.6 million. Financial investments in associates increased by 70% to EUR 17.0 million as a result of a capital raise of Triglav in the amount of EUR 6.8 million and a new investment in the company ZTSR in the amount of EUR 0.1 million.

Investment properties dropped by 6% to EUR 45.3 million due to sale of certain real properties, accounting for 1.7% of total assets.

Compared to 31 December 2017, **receivables** increased by 11% to EUR 90.0 million, representing 3.3% of total financial assets, of which receivables from direct insurance operations accounted for the bulk, having increased by 14% to EUR 62.6 million. Receivables from reinsurance and co-insurance operations were up by 31% and reached EUR 18.2 million, whereas other receivables totalled EUR 9.2 million, having decreased by 28%.

Insurance technical provisions transferred to reinsurance contracts stood at EUR 87.9 million, which represented and increase of 3%. Assets from reinsurance contracts from claim provisions were 5% lower and totalled EUR 64.4 million, while those from unearned premiums were up by 34% and equalled EUR 23.5 million.

Intangible assets stood at EUR 62.2 million, which was 4% more over the 2017-year end primarily due to higher long-term deferred acquisition costs.

Balance sheet of Zavarovalnica Triglav as at 31 December 2018 – according to IFRS

	31 December 2018	31 December 2017	Index	Structure 2018	Structure 2017
ASSETS	2,730,187,525	2,786,489,540	98	100.0%	100.0%
Intangible assets	62,162,502	59,786,283	104	2.3%	2.1%
Property, plant and equipment	67,986,100	67,526,775	101	2.5%	2.4%
Investment property	45,270,540	48,214,401	94	1.7%	1.7%
Investments in subsidiaries	131,938,667	118,167,937	112	4.8%	4.2%
Investments in associates	16,959,355	10,002,047	170	0.6%	0.4%
Financial investments	1,840,036,950	1,860,998,156	99	67.4%	66.8%
- loans and deposits	92,670,309	91,428,595	101	3.4%	3.3%
- held to maturity	159,463,950	166,993,807	95	5.8%	6.0%
- available for sale	1,383,855,505	1,400,652,988	99	50.7%	50.3%
- recognised at fair value through profit and loss	204,047,186	201,922,766	101	7.5%	7.2%
Unit-linked insurance assets	366,664,078	417,607,959	88	13.4%	15.0%
Reinsurers' share of insurance technical provisions	87,893,306	85,327,645	103	3.2%	3.1%
Receivables	89,980,951	81,350,417	111	3.3%	2.9%
- receivables from direct insurance operations	62,635,337	54,731,853	114	2.3%	2.0%
- receivables from reinsurance and co-insurance operations	18,157,611	13,889,792	131	0.7%	0.5%
- other receivables	9,188,003	12,728,772	72	0.3%	0.5%
Other assets	3,296,589	1,993,174	165	0.1%	0.1%
Cash and cash equivalents	17,998,487	35,514,746	51	0.7%	1.3%
<i>Off balance sheet items</i>	<i>178,359,227</i>	<i>174,448,801</i>	<i>102</i>		
EQUITY AND LIABILITIES	2,730,187,525	2,786,489,540	98	100.0%	100.0%
Equity	560,120,736	571,412,305	98	20.5%	20.5%
- share capital	73,701,392	73,701,392	100	2.7%	2.6%
- share premium	53,412,884	53,412,884	100	2.0%	1.9%
- reserves from profit	318,962,643	318,962,643	100	11.7%	11.4%
- fair value reserve	47,260,189	67,250,264	70	1.7%	2.4%
- net profit brought forward	1,239,764	25,563,172	5	0.0%	0.9%
- net profit/loss for the year	65,543,864	32,521,950	202	2.4%	1.2%
Subordinated liabilities	20,612,951	20,608,180	100	0.8%	0.7%
Insurance technical provisions	1,696,143,475	1,687,109,267	101	62.1%	60.5%
- unearned premiums	213,919,937	196,528,185	109	7.8%	7.1%
- mathematical provisions	1,009,712,605	994,737,498	102	37.0%	35.7%
- claims provisions	442,560,188	469,230,900	94	16.2%	16.8%
- other insurance technical provisions	29,950,745	26,612,684	113	1.1%	1.0%
Insurance technical provisions for unit-linked insurance contracts	365,238,075	416,250,767	88	13.4%	14.9%
Employee benefits	11,167,156	10,700,463	104	0.4%	0.4%
Other provisions	758,435	724,961	105	0.0%	0.0%
Deferred tax liabilities	2,813,736	9,301,053	30	0.1%	0.3%
Other financial liabilities	1,587,443	1,845,184	86	0.1%	0.1%
Operating liabilities	28,523,572	27,740,050	103	1.0%	1.0%
- liabilities from direct insurance operations	11,306,835	11,354,265	100	0.4%	0.4%
- liabilities from reinsurance and co-insurance operations	13,819,946	15,249,797	91	0.5%	0.5%
- current tax liabilities	3,396,791	1,135,988	299	0.1%	0.0%
Other liabilities	43,221,946	40,797,310	106	1.6%	1.5%
<i>Off balance sheet items</i>	<i>178,359,227</i>	<i>174,448,801</i>	<i>102</i>		

10. Cash Flow Statement

10.1 The Triglav Group

The **cash flow from operating activities** of the Triglav Group was positive and equalled EUR 44.0 million. Compared to the previous year, it fell by 11% mostly due to lower debt recovery.

A **positive cash flow from investing activities** of EUR 3.4 million, down by 85% compared to the year before. This decrease was primarily caused by retained investment activities due to the extremely low interest rate environment and lower returns.

Cash flow from financing activities was negative at EUR –58.3 million (index 96). In addition to dividend payments and subordinated bond interest payments, an expense of EUR 133 thousand was recorded due to the decrease in equity following the acquisition of minority stakes.

The **closing balance of cash and cash equivalents** totalled EUR 67.6 million, having decreased by 14%.

Summary cash flow statement of the Triglav Group

	2018	2017	Index
A. Operating cash flow			
Income statement items	63,558,277	47,763,405	133
Changes in net current assets—operating balance sheet items	-19,565,937	1,918,944	
Net cash from/ (used in) operating activities	43,992,340	49,682,349	89
B. Cash flows from investing activities			
Cash inflows from investing activities	999,778,200	1,295,036,003	77
Cash outflows from investing activities	-996,334,697	-1,271,700,986	78
Net cash from/ (used in) investing activities	3,443,503	23,335,017	15
C. Cash flows from financing activities			
Cash inflows from financing activities	0	0	
Cash outflows from financing activities	-58,256,189	-60,407,207	96
Net cash from/ (used in) financing activities	-58,256,189	-60,407,207	96
D. Closing balance of cash and cash equivalents	67,601,660	78,417,847	86
E1. Net cash flow for the period	-10,820,346	12,610,159	
E2. Foreign exchange differences	4,159	93,214	4
F. Opening balance of cash and cash equivalents	78,417,847	65,714,474	119

- In 2018, cash flows from operating and investing activities of the Triglav Group and Zavarovalnica Triglav were positive, while cash flows from financing activities were negative.
- The closing balance of cash and cash equivalents in the Triglav Group totalled EUR 67.6 million.

10.2 Zavarovalnica Triglav

A higher positive **cash flow from operating activities** of Zavarovalnica Triglav mainly resulted from higher volume of net premium. It amounted to EUR 13.3 million, having increased by 90% compared to the year before.

Cash flow from investing activities dropped by 54% to EUR 27.3 million nominally compared to the year before, as a result of higher volume of investments, primarily of companies of the Group (capital raise of Triglav INT and Trigal, purchase of shares of Skupna pokojninska družba).

Cash flow from financing activities was negative and reached EUR –58.1 million. Compared to the previous year, it remained at approximately the same level (index 100). Financing expenses included dividend payments and interest paid on ZT02 treasury bonds.

The closing balance of cash and cash equivalents amounted to EUR 18.0 million, falling below the 2017 figure by 49%.

Summary cash flow statement of Zavarovalnica Triglav

	2018	2017	Index
A. Operating cash flow			
Income statement items	27,298,196	2,402,118	1.136
Changes in net current assets—operating balance sheet items	-14,036,824	4,592,420	
Net cash from/ (used in) operating activities	13,261,372	6,994,538	190
B. Cash flows from investing activities			
Cash inflows from investing activities	796,648,223	1,077,968,813	74
Cash outflows from investing activities	-769,343,650	-1,018,983,429	76
Net cash from/ (used in) investing activities	27,304,573	58,985,384	46
C. Cash flows from financing activities			
Cash inflows from financing activities	0	0	
Cash outflows from financing activities	-58,082,203	-58,118,823	100
Net cash from/ (used in) financing activities	-58,082,203	-58,118,823	100
D. Closing balance of cash and cash equivalents	17,998,487	35,514,746	51
E. Net cash flow for the period	-17,516,258	7,861,100	
F. Opening balance of cash and cash equivalents	35,514,746	27,653,646	128

11. Development and sales activities

- Products were upgraded into integrated solutions by using modern technologies, while striving for excellent user experience.
- Through research and data analysis, understanding client needs was deepened, digital sales-communication and distribution channels were developed at an accelerated pace, and the external sales network was expanded outside of Slovenia.
- The Triglav Lab digital centre was opened in Ljubljana.
- The Company provided even more additional services and benefits to its clients and upgraded effective marketing and sales campaigns with innovative solutions.
- The Group complied with the requirements of the new regulations for higher standards in client operations and better protection of clients' interests.
- Presence in the existing markets was strengthened, while opportunities to operate in new markets were intensively sought.

Insurance and asset management respond much faster to market trends and the changing user experience than ever before. The focus of the Group on profitable and safe operations is therefore closely related to adopting new ways of doing business by assessing all development steps in terms of capital adequacy.

The activities of the Group are concentrated on the clients and knowing their needs as well as on upgrading products and services. They are managed by the parent company using an interdisciplinary approach and with the constructive cooperation of all Group members. In connection to this, **technology** plays an important role in both core activities, i.e. insurance and asset management. With the help of technology, products are easier to understand and tailored to clients, while integrated solutions are developed that go beyond the products as they also include assistance or support and advisory services.

Digitalisation not only increases the speed of services but also enables lasting and deep client relationships, which increasingly take the form of mutual interaction. By developing new technological solutions in the insurance industry, greater transparency is achieved in taking out insurance and claim settlement, in addition to improving fraud detection. These important aspects of sustainable operations are further presented in other sections of the Annual Report, especially in [→ *Section Risk Management and Section 12. Sustainable development in the Triglav Group*].

11.1 Comprehensive client relationships

The client-centric approach was included to a greater extent in all **six key segments** of the Group's business (non-life, life, health and pension insurance, reinsurance and asset management).

It is important to well understand and anticipate the needs of clients. In the Net Promoter Score (NPS) survey for the insurance industry, the scope of client communication points of contact was expanded with respect to taking out insurance, roadside assistance and claim settlement. Critical events are promptly resolved. By reducing negative experience, efficiency and productivity increase. The **NPS survey results** provided new opportunities and guidelines for future improvements in client communication.

Client-centric approach as a continuous process



The Company strives for ethical and professional client relationship management and a high response rate. New regulatory requirements relating to client operations were incorporated into the business environment and **client relationship management**, which set **higher standards and better protection of clients' interests**.

To ensure a high response, clients can contact the Company at any time by dialling the toll-free telephone number for information about non-life and life insurance. The assistance centre is always available to give assistance and general information. In the event of **mass claims**, the organisation of work is specially adapted; in addition, in the mass claim reporting process, policyholders' property risk and their personal circumstances are taken into consideration, public calls are published and instructions on what to do in such a situation are issued. For example, in Zavarovalnica Triglav simple property damage claims can be reported by calling the toll-free telephone number 080 555 555, online or via the Triglav Asistenca mobile application²¹.

²¹GRI G4-FS13, G4-FS14, SDG 1.4

The omni-channel sales approach and expansion of digital channels



New technologies are changing the shopping habits and offer new forms of consumption. To access Triglav's insurance products and services, clients can choose a communication and sales channel that suits them best. The aim is to provide consistent user experience through all channels and throughout the entire service.

Young generations in particular desire simple and accessible products and services at a given time, therefore in 2018 **digital sales-communication and distribution channels** were developed at an accelerated pace. The Triglav Lab digital centre was opened in Ljubljana, where visitors can test new technologies and experience different forms of virtual reality [[→ more information in Section 11.6 Corporate image building](#)].

The insurance companies' websites enable clients insight into products and services, safe underwriting, quick claim reporting and handling their insurance policies.



Online and mobile sales were upgraded with various functionalities, in addition to enabling e-signing, distance insurance renewal, insurance quotes, renewal and conclusion of various types of insurance, ordering a green card, etc. In addition to mobile applications, online sale is connected with other digital solutions, such as the web portal or i.triglav web office, where clients can view their insurance policies and have many additional options and a lot of information available, while corporate clients can use the i.triglav office for business users. Modern technological solutions enable continuous services via web applications and on online platforms (Drajv, Triglav vreme, Vse bo v redu).

The role of intergenerational cooperation was increased in the expansive **sales network**, which is one of the Group's competitive advantages. To this end, the training model was upgraded and the motivation, engagement, selling power and performance of the sales staff were strengthened, which was supported by new, modern IT solutions.

Even though own sales network is the most important sales channel, the external sales network consisting of insurance agencies and insurance brokerage companies is also strengthened. The **external sales network** in the **markets outside of Slovenia** was expanded the most in 2018. In addition to increasing the skills of the sales staff through training, IT solutions used by the external sales network were upgraded. By unifying the key management functions, the management process of insurance agencies and insurance brokerage companies was upgraded, while uniform operation in insurance markets was ensured by standardising business cooperation agreements [[→ see Section 11.2 Activities in the markets of the Triglav Group outside Slovenia](#)].

Apart from that, other **alternative sales channels** were strengthened, such as selling via banks, travel agencies and leasing companies, which contributed to premium growth in individual markets [[→ see Section 7.5 Gross written insurance, co-insurance and reinsurance premiums for more details](#)].

Business digitalisation

All the steps in the processes of insurance underwriting and processing and claim settlement are improved, upgraded and developed by using digital technologies. In 2018, emphasis was on designing new business models that can contribute to a **higher level of digitalisation and innovation**.

With the aim of increasing the performance of the sales staff in the field and achieving a more efficient solving of complaints, the solutions that simplify the formalities and procedures were improved. By improving responsiveness, time required to process a client and their application was shortened. By strengthening the digital presence and using mobile platforms, the effectiveness of cooperation with business partners increased in various areas.

Digitalisation continues wherever possible and reasonable, especially in product redesign and development. A great deal of attention was devoted not only to paperless operations and expanding digital or electronic operations but also to upgrading, unifying and integrating various IT support, both within the Group and in the immediate business ecosystem.

Omni-channel client approach



The underwriting and claims settlement processes were optimised.

Special attention was devoted to the digitalisation of non-life insurance claim processing. The key objectives are a higher degree of automation and simplification of the specific steps and processes, while reducing the probability of risk occurrence. With regard to loss event management, the management efficiency of this process was increased and user experience was enhanced. The use of mobile services was promoted and services for the clients who choose to report and settle a claim using the traditional channels continued to be developed. Apart from that:

- the settlement of low-value claims was upgraded [*→ also see Section 12. Sustainable development in the Triglav Group*];
- the digital claim reporting process was upgraded (electronic claim reporting via a stationary or mobile device) for insurance (sub)classes, in which loss events typically occur more frequently; furthermore, the option for an insurance agent to report a claim on behalf of the client was set up;
- submission of documents relating to loss events was improved (the possibility of receiving documents in digital format or by e-mail);
- claim settlement was improved and the risks associated with claim settlement were reduced;
- drones started to be used in the claim settlement process, specifically for surveying the damaged area;
- a portal was set up for monitoring key performance indicators for claim settlement so as to further improve the process;
- the network of contractors was expanded and online correspondence or information exchange via the Contractor Portal mobile platform was introduced.

Product upgrade and development

Client-tailored products and services continued to be developed with an emphasis on making them simple, comprehensive and transparent. Several marketable insurance products were redesigned and measures for improving insurance technical results were taken. In order to provide excellent user experience, modern technological solutions were used, while ensuring consistent compliance with the applicable legal and regulatory requirements [*→ see Section 11.8 for more information*].

- **Property and interest in property insurance:** New insurance terms and conditions were developed for an increasingly important cyber risk for small and medium-sized enterprises.
- **Motor vehicle insurance:** Comprehensive car insurance products Kasko karambol and Kasko karambol plus were redesigned in line with market requirements, technical and technological changes in vehicles (prevention and safety systems).
- **Agricultural insurance:** New premium rates were set for the groups of agricultural crops, individual perils and all existing hazard areas. Product development was continued in compliance with the Decree on co-financing of insurance premiums for primary agricultural production and fisheries, in addition to introducing municipal, not only state, co-financing of part of the insurance premium.
- **Accident insurance:** The insurance terms and conditions of travel insurance and travel health insurance abroad were redesigned and simplified. Accident insurance for children and young people was redesigned, in addition to including even more assistance services in accident and health insurance.
- **Health insurance:** The new product Medical advice was developed for obtaining a family doctor's advice, thereby entering the primary health care segment. The development of the cancer insurance product for extra safety in the event of being diagnosed with cancer was completed.

- **Transport insurance:** Key insurance products continued to be redesigned, with special emphasis on expanding the range of insurance covers.
- **Accounts receivable insurance:** The range of insurance products continues to be tailored to client needs and the underwriting procedures for accounts receivable insurance are being simplified, such as the credit rating assessment when insuring traditional consumer and housing loans. With regard to brokered insurance products (unemployment insurance, death and permanent disability insurance, financial gap insurance and payment card insurance), the focus was on sales promotion and seeking new sales channels, particularly in co-operation with partners.
- **Life insurance:** The whole life insurance product was upgraded with the possibility of increasing the sum insured without a medical check of the person insured at significant life events, e.g. the birth of a child or job promotion. Mortgage life insurance was adjusted so that a bank may set the interest rate taken into account in the calculations on a case-by-case basis. In cooperation with Abanka, the single premium unit-linked life insurance product Abagarant was developed for Abanka's clients. The special feature of this type of insurance

The innovative entrepreneur **Matevž Zavolovšek**, the founder of **Water 902**, was among the first to exploit the benefits of the **Triglav Entrepreneurial Package** (Triglav poslovni komplet) for small and micro enterprises. On the photo with his son **Žan** in his own spring water bottling plant.

More →



is the guarantee that, after 10 years since the inception date, the amount of assets equalling at least to 80% of the paid single premium will be paid out.

- **Pension insurance:** Voluntary pension insurance, primarily intended for saving for additional pension, was upgraded with whole life insurance with a guaranteed sum insured.

New forms of partnerships and development of the existing partnerships

In the value chain, the Company not only cooperates with new partners but also strengthens partnerships with the existing partners. Thus, a suitable environment for building partnerships is set up and developed, particularly with regard to modern technologies, e.g. smart and related advanced tools and devices. In seeking and implementing new solutions, the Company cooperates with start-ups and business accelerators.

Partnerships are developed in all markets of the Triglav Group. The following long-lasting partnerships in the domestic market are of particular importance: cooperation with Petrol, Telekom Slovenije, Summit Leasing Slovenia, Big Bang, Institute of Sports of the Republic of Slovenia, the Chamber of Craft and Small Business of Slovenia (OZS), ABC accelerator, Finance newspaper (in the context of forums and conferences for business and other professional public), Dnevnik newspaper (in the context of the Golden Thread and the Gazelles project) and Mladinska knjiga (in the context of accident insurance). In addition to the above, new partnerships were forged, including cooperation with the international and local association CEED (driving economic growth by connecting and mentoring entrepreneurs) and Delo newspaper in the framework of Delo Business Stars.

Many entrepreneurial forums and conferences were held together with Finance newspaper.



11.2 Activities in the markets of the Triglav Group outside Slovenia

The position of the Group was consolidated in its existing markets, while actively seeking opportunities and partnerships in new, potential markets. Furthermore, the Group expanded its presence on the markets outside of the target region. In the context of expanding international business, the Group examines business models for the entry and operation in the European insurance markets outside the home region. Additional forms of international business and opportunities for its expansion include partnerships with foreign insurance brokerage companies and insurance agencies, through which insurance business models without a direct geographical presence and own sales network are gradually examined. In 2018, the first such pilot partnership scheme for selling motor vehicle insurance was established and launched in Greece.

An agreement to acquire a company operating in the Croatian pension insurance market was signed.

The key objective is to transfer best practices and solutions to the subsidiaries by adjusting them to the characteristics and specificities of a particular market, which is also taken into account in the development of new products. In 2018, the focus was on transferring sales skills, tools and techniques, intense sale of the existing products and cross-selling. At the Group level, a number of activities were implemented with the aim of achieving synergies in various areas, especially between the key business lines in both core activities. In improving and developing new products, services and processes, their market potential for the whole Group was taken into account.

In individual markets where the Group members operate, the activities implemented in 2018 included:

- **Triglav Osiguranje, Zagreb** launched two new insurance products: accounts receivables insurance for legal entities and liability insurance for tourist resorts and camps. Car insurance was upgraded to include vehicle repair costs (the Autopass insurance product) even if the car does not pass the roadworthiness test.
- In **Triglav Osiguranje, Belgrade**, roadside assistance insurance, group whole life insurance and mortgage life insurance were redesigned, while the online sale of health insurance with assistance abroad was upgraded.
- **Triglav Osiguranje, Sarajevo and Banja Luka** launched vehicle extended warranty insurance and adjusted motor liability insurance to comply with the applicable regulatory requirements in the market of Bosnia and Herzegovina.
- **Triglav Osiguruvanje, Skopje** began to sell a range of new products (vehicle extended warranty insurance, tyre insurance, credit card insurance, overdraft insurance, product liability insurance, critical illness and injury insurance) and adjusted motor liability insurance to comply with the applicable regulatory requirements; furthermore, the online sale of health insurance with assistance abroad was redesigned and additional health insurance was upgraded.
- **Lovćen Osiguranje, Podgorica** offered two new products (shipping agent liability insurance and marine hull insurance) and revised several insurance tariffs. At the same time, vehicle extended warranty insurance, credit card insurance and overdraft insurance were launched and motor liability insurance was adjusted to comply with the applicable regulatory requirements.

- In Triglav Osiguranje, Belgrade, Triglav Osiguruvanje, Skopje and Triglav Osiguranje, Banja Luka, the new product Additional health insurance with medical assistance was added to the product range, which was offered to the market on an integrated online platform.
- Much attention was paid to entering into partnerships with banks. New partnerships were established in Croatia, Serbia, Montenegro and the Republic of North Macedonia.
- In addition to enhancing cooperation in the implementation of roadworthiness tests, vehicle service and sale, many marketing activities, product adjustments and product developments with partners were carried out.

In IT support and business digitalisation, the Group pursued the goal of unifying and centralising IT solutions that are adapted to individual product groups or business lines at the Group level. IT support was adapted and upgraded to ensure compliance with the regulatory requirements and to meet the needs of partners in a particular market. Apart from that, a digital platform for retail and corporate clients was launched.

11.3 Business transformation of the Triglav Group

The key aspects of the Group's strategic business transformation include improvements in management practices and techniques, the information and data system and the efficiency of support functions.

In 2018, the **reporting and analytical system** started to be upgraded from the traditional business decision-making system to a modern and dynamic system based on understanding and anticipating the needs of the labour market and the general environment. It is being developed into a uniform and integrated system at the Group level. It will include and combine key information at

the level of an individual Group member and transform them to the Group level, thereby further strengthening the corporate governance system. Moreover, the Company intensively performed the tasks to integrate key data and information from different environments, which affect the operations of the Group.

To achieve a high efficiency of support functions, IT support was upgraded in various areas. In most insurance subsidiaries outside of Slovenia, conditions for the standardisation and improvement of accounting and financial processes were established. In the parent company, a modern corporate governance platform was set up. The advanced human resource platform, which was upgraded with modern intranet, is also the entry point for all employees and an effective communication channel to exchange experience, transfer know-how and foster mutual motivation.

IT support upgrading and process optimisation with an aim to increase the level of digitalisation were also carried out in other business lines. With the goal of **implementing lean business, cost-effectiveness and more efficient performance**, improvements and innovations were made in subsidiaries at an accelerated pace so as to unify the best practices at the Group level. Great effort was put into building the target organisational culture, which is directly connected with business transformation [*→ for more information see Section 12. Sustainable development in the Triglav Group, particularly Sections 12.4 and 12.5*].

11.4 Efficient asset management in the Triglav Group

Asset management is a core activity and effective asset management is a key strategic guideline of the Group. The Company is focused on **increasing the value of assets** managed in financial and pension (guarantee) funds and the value of discretionary mandate assets.

The development of the regional platform for alternative investments (Trigal) and the processes for investing in alternative investments were upgraded. Activities took place to **improve the cost-effectiveness** of asset management at the Group level and to increase visibility in the asset management segment in all markets where the Group operates.

Opportunities for development and growth on target markets were actively monitored. By signing the agreement to acquire a pension company so as to enter the Croatian pension insurance market, the Group pursues both the market processing and the market development strategy.

The management of risks, capital, assets and liabilities has a significant impact on the value of assets and the efficiency of asset management. The internal processes of the Group are being upgraded through the project of setting up the asset liability management (ALM) process and capital management.

11.5 Development of a modern culture and engaged employees

The common values, rules and methods of operation of all employees enable the realisation of the strategic guidelines.

The project of renovating the organisational culture is carried out in several parts based on the situation analysis and the planned activities. The emphasis is on implementing systemic measures in all Group members and on the development of leaders using the coaching method. The share of engaged employees is determined by measuring organisational vitality, which increased in 2018 compared to the year before [*→ more information in Section 12., particularly in Section 12.4*].



11.6 Marketing activities

Marketing activities inform both the existing and potential clients about products and services in a targeted manner, while devoting much attention to the development of advanced IT solutions that support marketing and sales activities. Marketing activities were performed by using modern CRM tools. In the reporting period, adjustments in marketing activities were required due to the new regulations and directives, particularly with respect to personal data protection and distribution of insurance products and services. In addition to numerous existing marketing and sales campaigns, new marketing opportunities were sought, and exploited, through partnerships that bring additional and joint benefits to policyholders. The client-centric approach was supported with the establishment of the Triglav Lab digital centre (more details below).

The Triglav komplet bonus programme was intensively marketed under the slogan Good night, worries.



Brand management and marketing communications

To maintain and enhance the reputation of the Triglav brand and the Triglav Group, loyalty and a two-way client relationship, the Company deepens its knowledge about consumers, their habits and future expectations. Brand redesign efforts continue by applying a comprehensive approach to branding at corporate (i.e. at the Group level) and product levels (i.e. at the level of individual products, product groups and services); in addition, the brand identity is implemented within the entire Triglav Group and in all target markets.

Zavarovalnica Triglav adhered to the Slovenian Code of Advertising Practice. In 2018, no proceedings for infringements related to marketing communications were initiated against Zavarovalnica Triglav and its subsidiaries.²² The Company received many international and domestic awards for its marketing communication activities and achieved results, such as Websi, Arc Award, IADA Awards, awards from the Finance newspaper, Trusted Brand and Somo Borac [[→ more information in Section 12.1](#)].

Verification of effectiveness and market research

With the introduction of key performance indicators (KPIs) and the first media audit, in 2015 Zavarovalnica Triglav was one of the pioneers in the Slovene market to start strategic planning of media buying. In 2018, the second media audit was conducted. In the coming year, this practice will be transferred to other markets.

The Company regularly monitors the impact of its activities on brand reputation as well as the efficiency and effectiveness of advertising campaigns. Zavarovalnica Triglav is among the most renowned brands in Slovenia. Good results are also achieved in the markets outside of Slovenia, where Triglav is ranked among top five brands in terms of brand reputation. The Group members are recognised as well-known and reputable companies, which openly communicate with their clients, provide a broad range of insurance products and services, and make quick claim payments.

The analysis of the Slovene insurance industry in 2018 (content and heuristic analysis of websites of the Slovene insurance companies and their social media profiles) provided an insight into the quality of the Company's services and its online approach to

the users of these services as well as into comparability within the industry. With respect to effectiveness and comprehensibility of key advertising campaigns among insurance companies, the Company most often ranked 1st and its messages recorded a good comprehension rate. The satisfaction of participants at the events organised by the Company (e.g. Triglav Run) is carefully monitored, in addition to improving event organisation and communication.

Product campaigns

Product campaigns are used to promote insurance sale and cooperate with other companies. An integrated marketing and communication campaign was carried out under the slogan *For people we care about*, with the key emphasis on raising awareness about the importance of life insurance and promoting the use of digital channels. The Triglav komplet bonus programme, which rewards client loyalty in a simple and transparent way, was intensively marketed for the fifth consecutive year. Care for clients in both the present and the future is promoted under the slogan *Good night, worries*.

In the context of sponsorship partnerships, such as the partnership with the Football Association of Slovenia, a long-term integrated campaign was launched to increase visibility and promote the sale of additional health insurance and the Triglav Zdravje brand. Interest for travel insurance, agricultural insurance, personal protection insurance and insurance for motorcyclists, etc. was actively promoted. An innovative address remains



characteristic of the campaign promoting accident insurance for children and youth under the PAZI TO! (Watch This!) brand. In asset management, a new approach was taken. *You deserve more* is the umbrella slogan of the integrated campaign, the aim of which is to position the Triglav Skladi brand as a differentiator.

Corporate image building

With the new Triglav Lab digital centre in Ljubljana, Zavarovalnica Triglav is promoted as an innovative, advanced and digital-centric company, addressing all generations, including young people. Triglav Lab creates innovative and other memorable experiences for its users and allows them to explore the 3D world. Furthermore, it not only provides access to the whole range of digital insurance-assistance services and support in transitioning into the digital world but also presents the possibilities and extent of paperless, digital operations. In 2018, over 100 different events, trainings, workshops and seminars were hosted in Triglav Lab, which focused on improving insurance literacy, raising awareness about everyday dangers and presenting the Company's products and services. With the help of simulators, visitors are able to experience ski jumping in Planica and rescue operations following a traffic accident and an earthquake. Over 800 visitors tested the Drajv safe driving simulator, while young drivers used it to complete the safe driving course.

The corporate identity is also built through the Zavarovalnica Triglav's Mladi upi project and events, presented in [→ *Section 12. Sustainable development in the Triglav Group*].

11.7 Investments in real property and equipment

In the reporting year, the Triglav Group invested EUR 11.0 million in property, plant and equipment, EUR 4.1 million in investment property and EUR 7.6 million in intangible assets (software and property rights). Zavarovalnica Triglav invested EUR 6.5 million in property, plant and equipment, EUR 3.5 million in investment property and EUR 4.4 million in intangible fixed assets (software and property rights).

Through careful management of investment properties, their value is not only preserved but also increased. In 2018, investment properties were intensively renovated in order to make the

best use of their capacity and achieve high standards consistent with advanced technological and functional guidelines and energy efficiency requirements. A complete energy-saving renovation of the commercial building at Dunajska cesta 22 in Ljubljana was undertaken, which is set to continue in 2019. Apart from that, the renovation of the parent company's headquarters at Miklošičeva 19 in Ljubljana began by paying special attention to quality renovation while preserving Plečnik's cultural heritage.

In the coming strategy period, several major complete renovation projects of strategic real properties are planned. Moreover, small-scale retrofitting (in terms of energy-efficiency and use of space) of other commercial buildings, which includes the commercial buildings of the Company's regional units, is planned so as to improve their use, functionality and safety and to lower their operating costs. This does not only ensure the necessary major maintenance and renovation but also improves energy-efficiency, workplace equipment, and the health and safety at work of employees and other stakeholders [→ *more information in Section 12.7*]. The efficient use of own real property once again contributed to lower property rental costs and related operating costs of the property not owned by the Group members. Employee relocation to own real property and cost optimisation continued. The lease or sale of redundant property is planned to continue. Growth in total real property owned by the Group is the result of investments in these real properties so as to improve their use, functionality and energy-efficiency. In 2018, no high-value real property was acquired, with the exception of the land and business premises in Banja Luka in order to relocate the headquarters of Triglav Osiguranje, Banja Luka to a new, cost-effective and more functional own location.

The Company exploits real property market trends so as to improve its own-use real property portfolio. In 2018, several non-strategic investment properties were sold, because they did not meet the expected profitability. At the same time, important steps were made in the sale of development projects. Optimisation of the real property portfolio is planned to continue in the coming period. By making prudent investments in real property, including purchasing and selling, which improves the structure of the real property portfolio intended for investment and own use, the Company will significantly contribute to the implementation of the strategic guideline of efficient asset management and increasing the value of the Group.



11.8 Adjustment to the regulatory changes

In planning and implementing all development and sales activities, the Group complies with the applicable legal provisions and regulatory frameworks. Regulatory changes are regularly monitored and promptly incorporated into the operations of both the parent company and the other Group members.

In 2018, the Group's activities were primarily focused on implementing the changes introduced by the General Data Protection Regulation (GDPR) and the requirements of the Insurance Distribution Directive (IDD) as well as on adjusting to the new International Financial Reporting Standards (IFRS 9, IFRS 16 and IFRS 17). Special attention was also paid to the implementation of the regulatory requirements for money laundering and terrorist financing prevention. In the pension insurance and asset management segments, the emphasis was on implementing the requirements of the amended Investment Trusts and Management Companies Act (ZISDU-3) and the Alternative Investment Fund Managers Act (ZUAIS).

Non-financial statement

Since 2009, Zavarovalnica Triglav adheres to the international sustainability reporting guidelines developed by the Global Reporting Initiative (GRI). By reporting in line with the most recent GRI (Global Reporting Initiative) standards, the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2018 is in compliance with the requirements of the European Directive on disclosure of non-financial and diversity information by certain large undertakings and groups, which was incorporated into Slovene legislation in 2017. The requirements of the non-financial statement in accordance with the Companies Act (ZGD-1J) are implemented throughout the whole Annual Report as references to GRI disclosures.

- The information, the description of the policies and results of the policies on environmental, social and employee matters, respect for human rights, and anti-corruption and bribery matters are presented in [[→ Section 12. Sustainable development in the Triglav Group](#)].
- The main risks related to the above-mentioned areas are presented in [[→ Section Risk Management, Section 11. Development and sales activities, and Section 12. Sustainable development in the Triglav Group](#)].
- The description of the business model or the Group's value generation model is presented in [[→ Section 2. The Triglav Group and Zavarovalnica Triglav in 2018](#)].
- The description of the diversity policies implemented in relation to administrative, management and supervisory bodies is presented in [[→ Section 5. Corporate Governance Statement](#)].

Andrej Slapar
President of the Management Board

Uroš Ivanc
Member of the Management Board

Tadej Čoroli
Member of the Management Board

Barbara Smolnikar
Member of the Management Board

Marica Makoter
Member of the Management Board and
Employee Representative

About the report²³

The Annual Report of the Triglav Group and Zavarovalnica Triglav is prepared by the relevant departments of the Company in cooperation with the relevant departments of the subsidiaries.²⁴ Reporting refers to an individual business and calendar year. Zavarovalnica Triglav adheres to the **International Financial Reporting Standards (IFRS)**, the **Companies Act (ZGD-1J)** and the **Insurance Act (ZZavar-1)**. The economic, social and environmental impact of operations is explained in accordance with the international sustainability reporting standards **GRI**, which are included in various sections and are evident from footnotes.

The GRI guidelines – Global Standards (GS) have been followed since 2016 by taking into account specific guidelines for the financial sector. By transitioning to the new standard, in 2017 the interests of stakeholders were identified by conducting in-depth interviews with the representatives of each stakeholder group. This practice will continue in the future. On the basis of replies, a materiality analysis and a materiality matrix of interests were prepared, which are presented in [[→ Section 12.2 Key stakeholders](#)]. The range of topics and disclosures presented in the GRI Content Index at the end of the Annual Report was updated in 2018. The most recent occupational health and safety GRI standards (GRI 403) were included in the reporting.

In this Annual Report, the reporting was upgraded with an overview of the areas where the Company contributes to achieving the sustainable development goals adopted by the United Nations.



The data on the Group's sustainable operations are collected by the relevant departments of the parent company Zavarovalnica Triglav, which is in charge of the reporting. The disclosures pursuant to the GRI standard mainly pertain to the parent company, however they are also being gradually introduced to subsidiaries.

The data on the calculation methodology for individual indicators are given in the text and the notes. There were no changes to the data provided in previous reports, which would have affected the state of affairs due to new findings or deviations. Individual minor changes are explained in the notes.²⁵

12. Sustainable Development in the Triglav Group



- Organisational vitality was again improved in both the Triglav Group and the parent company.
- In the Group, 23% more hours were allocated to the acquisition of new knowledge, including the most recent digital technologies.
- Injuries at work were rare; in 2018 their number decreased by another 43%.
- The new requirements of the GRI GS for occupational health and safety were included in the reporting.
- As much as 14% more funds were allocated to prevention activities. Good results of investments in smart traffic signs in Slovenia were recorded.
- The “Vse bo v redu” Institute (Everything Will Be Alright Institute) was a partner of the “Alcohol-Free for 40 Days” campaign.
- The number of safe drivers who took out an insurance policy with the DRAJV discount increased.
- Claim reporting was simplified by providing a new mobile channel, where an agent or an appraiser is able to report a claim using a mobile phone with a client's authorisation.
- The set goals and activities for 2018 were fully achieved.

12.1 Implementation of strategic guidelines and sustainable development goals of the Triglav Group and Zavarovalnica Triglav

Implementation of strategic guidelines by 2022 is also measured by indicators that show progress in the sustainability aspects of the Group's business. With an even stronger client-centric focus, the importance of clients as outlined in the 2017–2020 strategy has been maintained. The reputation of the Triglav Group is understood as building quality relationships with key stakeholders, while business performance reflects the positive trends of the key indicators of the Group's sustainable development.

The Group's active role in the development and implementation of responsible business practices will continue in the future. The Group participates in the long-term sustainable development of the insurance and financial industry, particularly by pursuing responsible and comprehensive management of financial and non-financial risks and the management of its shareholders' and clients' assets, as promoted by the respective United Nations and Global Reporting Initiative guidelines. The scope of material topics and disclosures according to the GRI GS standard is shown in the table below and obtained through a stakeholder analysis and a materiality analysis (2017). The achievement of global sustainable development goals (SDGs) of the United Nations is presented in the footnotes.

Material topics of sustainable development of the Triglav Group and Zavarovalnica Triglav:²⁶

Economic impacts	■ Economic performance	■ Protection of competition	
	■ Market presence	■ Anti-corruption behaviour	
Social aspects	■ Indirect economic impacts		
	■ Procurement practices		
Social aspects	■ Employment	■ Local communities	■ Marketing and labelling
	■ Relationships between the employees and the management	■ Non-discrimination	■ Product and service portfolio
Social aspects	■ Occupational health and safety	■ Grievance mechanisms on human rights policies or procedures	■ User privacy
	■ Employee training	■ Supplier assessment by grievance mechanisms	■ Socioeconomic compliance area
Social aspects	■ Diversity and equal opportunities		
	■ Labour practices		
Environment	■ Energy	■ Wastewater and waste	■ Supplier environmental assessment

²⁶ GRI GS 102-47

Commitments to external initiatives²⁷ and membership of associations²⁸

The Group complies with professional standards, the Insurance Code of the Slovenian Insurance Association and professional codes in individual markets. Taking into account the recommendations of the Slovene Consumers' Association, the aim is to improve financial literacy, both in insurance and asset management. The Group's participation in projects and its contribution to initiatives for ethical conduct and environmentally, socially and economically sustainable business are voluntary. It is active in the commissions and committees of the Slovenian Insurance Association, the European Institute of Compliance and Ethics (EICE) and the Corporate Ethics and Transparency Committee of the American Chamber of Commerce in Slovenia. The Company is a member of the Business Integrity and Transparency Forum of Transparency International Slovenia.

The Group members and their employees are members of industry and other economic associations in individual countries, including the Slovenian Insurance Association, the Chamber of Commerce and Industry of Slovenia, the Slovenian Directors' Association, the Slovenian Investment Fund Association (ZDU – GIZ), the Ethos anti-corruption working group operating within the UN-GC Slovenia, DPO Club of the Institute for Privacy and Access to Information, Transparency International Slovenia and the Network for Social Responsibility of Slovenia (MDOS). Furthermore, the Company is a member of several industry and professional associations for business compliance, both local and international.

Triglav
received
many
awards for
investment
in traffic
safety.



Awards and prizes of Zavarovalnica Triglav in 2018

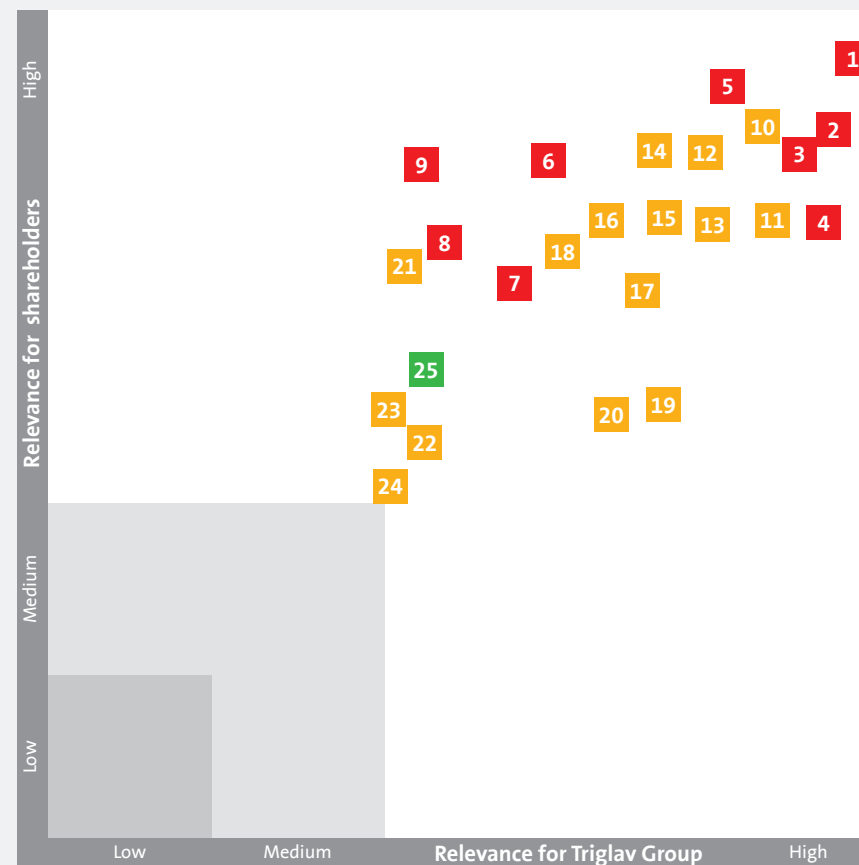
- **TOP 10 Training and Education Management:** For the tenth consecutive year, Zavarovalnica Triglav ranked among the companies in Slovenia that systematically invest the most in knowledge, education and training of their employees.
- **Trusted Brand 2018:** Zavarovalnica Triglav was recognised as the most trusted insurer in Slovenia for the twelfth time.
- **Slovene Advertising Festival (SOF):** Two Grand Prix Awards for the Triglav Rekord mobile application (innovative solutions and digital communication).
- **Marketing excellence of the Slovenian Marketing Association:** A finalist in the category "Large companies, the majority of business in B2C".
- **Award for socially responsible entrepreneurial practices:** The main prize for partnerships, innovations and changes in 2018 for the "Together for Better Road Safety in Slovenia" project, awarded by the Network for Social Responsibility of Slovenia.
- **PMO Symposium 2018:** A PMO of the Year Award finalist at the largest international conference for project management, PMO Symposium (awarded by the Project Management Institute).
- **Gold Quill** (awarded by the International Association of Business Communicators – IABC): The Award of Excellence in the category "Publications" for the special issue of *Obzornik* magazine: *Depression – Let's talk!* and in the category "Digital Communications" for the web portal "Vse bo v redu" (Everything will be alright).
- **Content Marketing Awards:** Two awards for the special issue of *Obzornik* magazine: *Depression – Let's talk!* for Best Special Topic Issue and Best Cover – Print (awarded by the Content Marketing Institute).
- **FEIEA Grand Prix 2018:** Two Grand Prix Awards for internal communication: *Obzornik* International for Best Multi-Language Publication and Best Photograph Internal Channel (awarded by FEIEA, European Association of Internal Communication).
- **POMP Forum 2018:** Two POMP Awards for achievements in content marketing in the categories "Best Video" and "Best Content Campaign".
- **ARC Award:** The Annual Report of the Triglav Group for 2017 was awarded the Gold Award for Non-Traditional Annual Report, the Silver Award for Interactive Annual Report, and awards in the categories "Design/Graphics" and "Photography/Video".
- **Best Annual Report:** The main award of *Finance* newspaper in cooperation with the Finance Academy for risk management and corporate governance and sustainable development, as well as an award for the best annual report among all Slovene companies.
- **IADA Awards:** The Gold Award for the Annual Report of the Triglav Group in the category "Printed version – non-traditional format".
- **SoMo Borac 2018:** The Triglav Dravj application was a finalist in the category "SoMo App".
- **WEBSI 2018:** The 2nd a place in the category "Digital Tools" for *Travel Tetris* and the category "Innovative Digital Projects" for *Firefighters rescue a trapped Cene Prevc from a vehicle* and the 3rd place for the Triglav Lab centre. An award of the expert jury for the in-depth story *Fire! What Now?*

12.2 Key stakeholders²⁹

The Company monitors the needs and interests of its stakeholders through a web of mutual relationships at the strategic and operational levels. Mutual trust and understanding between individual stakeholder groups and the Company are strengthened through proper and balanced communication and their inclusion.



Relevance of content for shareholders and the Triglav Group



Economic impacts

- Capital adequacy
- Business strategy and plans
- Efficient risk management system
- Profitability
- Fast payment of damages
- Long-term cooperation with suppliers
- The remuneration system
- Reliability of payments
- Favourable premium

Social impacts

- Safety of customers
- Reliability and trust in the Company
- In-depth information on the operations
- Traffic and fire safety
- Information about changes in the Company
- Education and training
- Relationships among employees
- Access for people with disabilities
- Friendly approach to clients
- Responsible and sustainable operations
- Financial literacy
- Cooperation with local communities
- Innovative products and services
- Infrastructure investments
- Health prevention

Environmental impacts

- Responsible use of natural resources

²⁹ GRI GS 102- 40, 102-42, 102-43, 102-44

Material topics and methods in stakeholder engagement

Stakeholders	Material topics/interest	Engagement method
Clients/policyholders	<ul style="list-style-type: none"> Fast payment of damages Good ratio between the price and quality of insurance and financial products and services Benefits for the existing and new policyholders, clients Reliability and trust in the Triglav Group Affordable insurance and strong profitability of the Group's funds Market experience Friendly approach to clients, policyholders Personal relationship with an expert Innovative financial/insurance products and services Personal data protection and care Responsible and understandable terms and conditions of insurance and financial services and products 	<ul style="list-style-type: none"> Personal contact with insurance experts, asset managers Detection of complaints and praise and responding thereto E-mail Telephone conversations Opinion polls and surveys Websites, blogs and e-newsletters Social networks Mobile applications Marketing communication
Employees	<ul style="list-style-type: none"> The remuneration system and performance-related pay Career advancement system Information about important milestones and changes in the Company Business strategy Relationships among employees Work-life balance Education and additional training Safety and health at work 	<ul style="list-style-type: none"> Management participation (the works council, trade unions, employee representatives in the supervisory boards) Career development and training system Measurement of organisational vitality Opinion polls and surveys Triglav.smo programme In-house print and online media In-house events, professional training, sports and recreational events Personal contact E-mail Telephone conversations
Shareholders/investors	<ul style="list-style-type: none"> Business strategy In-depth information on the operations, financial position and plans of the Group Financial efficiency, capital adequacy Dividend policy and returns Responsible and sustainable operations 	<ul style="list-style-type: none"> General Meetings of Shareholders Sessions of the Supervisory Board and its committees Public announcements on the Ljubljana Stock Exchange SEOnet online portal Corporate website Presentation for Investors Investor conferences, individual meetings, conference calls E-mail Opinion polls and surveys
State and supervisory bodies	<ul style="list-style-type: none"> Ensuring capital adequacy Safety of policyholders and/or users of insurance services Efficient risk management system Compliance of operations and insurance and financial services and products Complying with all obligations of a public company Responsible and sustainable operations 	<ul style="list-style-type: none"> Regulatory reporting (to the Insurance Supervision Agency, the Securities Market Agency) Regular reviews by inspection and supervisory bodies Audits by certified auditors
Suppliers	<ul style="list-style-type: none"> Long-term cooperation Reliable and timely payments Upgrading the existing cooperation Delivery times, prices of services and goods Delivery of environmentally friendly material Paperless operations 	<ul style="list-style-type: none"> Public tenders and competitions Working meetings E-mail and electronic operations Telephone conversations
Local and broader community	<ul style="list-style-type: none"> Traffic safety Fire safety Health protection and care Co-development of projects in the fields of culture, sport, prevention, health, art, charity Infrastructure investments Access to insurance services for people with various disabilities Insurance and financial literacy 	<ul style="list-style-type: none"> Partnerships with non-profit organisations and educational institutions and execution of joint projects Joint projects with local communities, particularly in traffic safety Fund allocation system for sponsorships and donations Cooperation with local decision-makers E-mail Telephone conversations
Media	<ul style="list-style-type: none"> Transparent information about the operations, events and changes in the Triglav Group Information about insurance and financial products and services Cooperation with local and broader community Development and general insurance topics Professional insurance and financial topics 	<ul style="list-style-type: none"> Press releases and statements Meetings with media representatives Answers and explanations E-mail Telephone conversations Websites

12.3 Economic aspects³⁰

Economic performance is the basic condition for sustainable operations of the Triglav Group in both strategic activities – insurance and asset management. It is defined in strategic objectives at all levels. The condition for its achievement is effective management of risks, which are fully understood and include non-financial risks.

Reporting on economic performance is included in several sections of the Annual Report, as seen in the GRI Content Index.

The **economic value distributed of the Triglav Group** includes net claims incurred and other insurance expenses, expenses from financial assets, other expenses, operating expenses, dividend payments, tax expenses, community investments, and employee salaries, allowances and benefits.

In 2018 it reached EUR 38.3 million (2017: EUR 26.2 million). Its structure by value and share is presented in [→ Section 2. in the table *Other economic, social and environmental impacts of the Triglav Group's operations*].

The Group holds the leading position among insurance/financial groups in the Adria region. Its **market position** in individual markets is presented in [→ Section 2.6.2 *Insurance*] and [→ Section 7.4 *Operation of the Triglav Group in the Adria Region (South-East Europe)*].

Indirect economic impacts of the Group primarily consist of prevention, sponsorships and donations, as well as investments in infrastructure. They are defined at the national and local levels, particularly:

- through the results of invitations to tender and invitations to participate in investments in prevention, sponsorships and donorships;
- based on the needs identified in local environments by the Group's subsidiaries and business units;
- through direct contact with local communities;
- based on performance analyses, especially risk and claims experience, published data of specialised organisations and institutions;
- with market research and public opinion surveys.

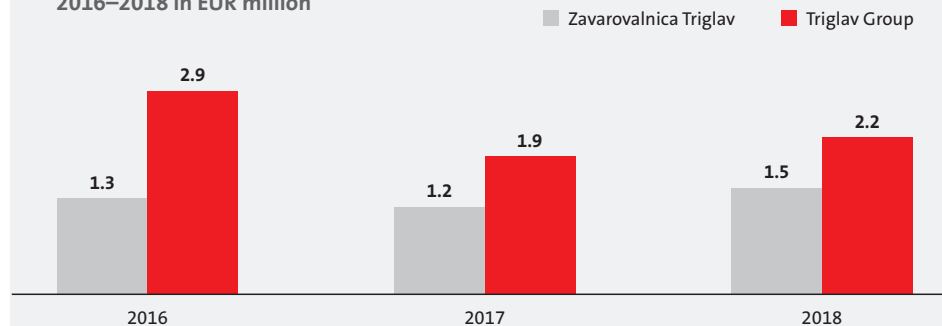
Investments in prevention³¹

Investing in prevention programmes not only reduces risks but also enables the insurance industry to have an important economic and social impact; these programmes are also prescribed by law. The Group's investments in prevention increased in 2018; see [→ Section 12.4 *Social aspects*] for more details.

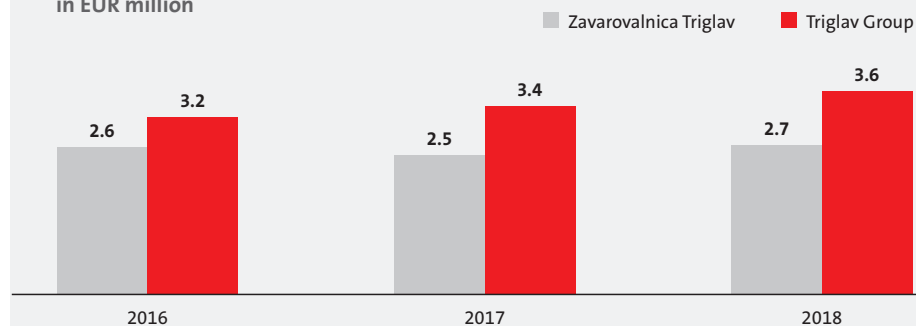
Sponsorships and donations³²

Donations are mostly made for medical purposes. In 2018, the funds for donations and sponsorships increased.

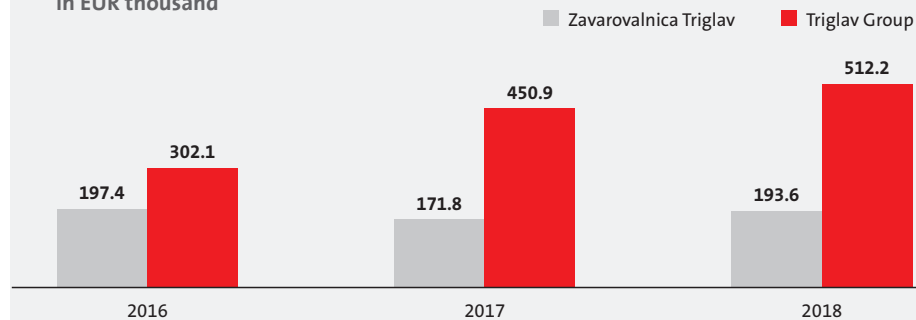
Funds allocated to prevention activities of the Triglav Group and Zavarovalnica Triglav in 2016–2018 in EUR million



Amounts for sponsorships of the Triglav Group and Zavarovalnica Triglav in 2016–2018 in EUR million



Amounts for donations of the Triglav Group and Zavarovalnica Triglav in 2016–2018 in EUR thousand



³⁰ GRI GS 103-1, 103-2, 103-3 | ³¹ GRI GS 201-1 | ³² GRI GS 201-1



The
playground
near the
cottage in
Lom pod
Storžičem.

Procurement practices³³

The procurement process in the parent company was upgraded, while focusing on its further digitalisation so as to increase transparency, competitiveness and quality of data on procurement results and suppliers. The redesigned IT support will be implemented in 2019. Good practices are being transferred to the Group members. Several major joint procurements in IT were carried out and a revised minimum standard was adopted for the procurement process in the Group.

Calls for proposals and tendering are mostly carried out electronically via the procurement portal, ensuring adequate traceability. The **supplier selection criteria** depend on the type of procurement. The obligatory criteria are **price and business cooperation**. Other criteria depend on the type of procurement (the credit rating of a company, payment terms and conditions, before- and after-sales services, technical advantages, experiences and references, the date of supply or completion of work, bank guarantees, etc.).

In 2018, extensive supplier assessments were performed. Suppliers were assessed in terms of deliveries performed; however, all suppliers, including potential, were assessed in terms of compliance requirements. Furthermore, the criteria of quality, corporate social responsibility, efficiency of cooperation and the achievement of synergies and price competitiveness were developed. Strengthening supplier relationships and using objective criteria to assess the effects of cooperation are the basis for efficient development of long-term partnerships, taking into account the principles of competitiveness, risk management, transparency and sustainable development.

Locally-oriented procurement³⁴

Due to the relatively small size of Slovenia, the Slovene market is considered a local market. The aim is to cooperate with as many local suppliers as possible. This, however, is not justified when it increases the number of intermediaries and quality risk as well as reduces the competitive position. The broader market trends in key procurement groups are regularly monitored, especially due to the competitiveness of the Company's purchases. Searching for suppliers on foreign markets is not sensible (except in exceptional cases), as suppliers for most types of purchases can always be found in Slovenia under better terms and conditions and with a lower risk arising from local suppliers.

Other Group members also follow mainly locally-oriented procurement practices by purchasing materials or services on their markets. The strategic procurement function of the parent company examines which types of purchases could be more centralised in the future with the goal of ensuring better terms and conditions, higher quality and lower risks.

Infrastructure investments

For the seventh consecutive year, new playgrounds were arranged and set up in local communities. From the beginning of the **Children of Triglav** campaign, over twenty playgrounds were opened for families with children, adolescents and others, providing them with quality leisure time. The last acquisition was the forest playground near the cottage in Lom pod Storžičem.

Protection of competition

The Group respects the protected interests of its competitors and acts in accordance with good business practices in its day-to-day operations, product development and marketing.³⁵

The Triglav Group denounces any arrangements with competitors, which could lead to restrictive practices, and ensures that no marketing purposes or preferences are revealed to them. Any information on competitors is gathered solely in compliance with the law. Furthermore, no banned advertising approaches are used when presenting the Company's services or products. As the company holding the leading position, the Company takes great care not to abuse its power in individual markets. Zavarovalnica Triglav was not informed of any legal actions filed against the Company or any Group member before the Slovenian Competition Protection Agency for violating the competition protection laws.³⁶

Remuneration of insurance agencies and their sales staff

The business results of contractual partners are regularly monitored and measures are taken for enhancing cooperation and improving sales. Before signing an agreement with a new contractual partner, the standardised selection procedure is performed.

As at the 2018 year-end, the Company cooperated with 457 contractual partners registered as insurance agents (roadworthiness test providers, car dealers, leasing companies, banks, travel agencies, life and non-life insurance agencies). Most agreements are concluded with non-exclusive agencies.³⁷ Non-life insurance agencies are classified based on the following criteria: exclusivity, written premium, size of the area of operation, and the insurance product range. The Company is implementing the system of awarding a bonus upon fulfilling annual plan targets and holds training and motivational events. In the case of agencies selling life insurance products, the commission rate depends on exclusivity, portfolio trend and client loyalty index. It is divided into an initial and portfolio commission and is based on premium paid.

In foreign markets of the Group, the Group cooperates with over 850 contractual partners (agencies, roadworthiness test providers, leasing companies, car dealers and banks). In awarding a bonus, linear bonus schemes are used which, pursuant to the local legislation, may be upgraded with bonus commissions depending on the amount of insurance sold, financial discipline and loss ratio. Premium rates are universal (regardless of whether an insurance policy is new or renewed), whereas exclusive partnerships are additionally rewarded with benefits.

Subsidies and state aid³⁸

In 2018, the Company received subsidies from the Eco Fund for the purchase of electric cars in the amount of EUR 39,161.07. Apart from that, the Company received subsidies for people with disabilities (bonuses for exceeding the set quotas, exemption from the payment of pension and disability insurance contributions) in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Act.

Other Group members did not receive any public funds in 2018.

³³ GRI GS 102-9, 103-1, 103-2, 103-3 | ³⁴ GRI GS 103-1, 103-2, 103-3, GS 204-1 | ³⁵ GRI GS 103-1 | ³⁶ GRI GS 206-1 | ³⁷ GRI GS 102-10 | ³⁸ GRI GS 201-4

12.4 Social aspects

12.4.1 Responsibility to employees³⁹

The human resource management policy of the Triglav Group is focused on redefining and unifying the organisational culture, as described below. The set business objectives are pursued with highly qualified, skilled, experienced and motivated employees. Thus, new hires are carefully selected among the best workers available on the labour market. Moreover, employees are provided with opportunities for personal growth, development and career advancement. The Company values new knowledge and digital talents, promotes innovation and multicultural awareness and encourages transfer of experience and knowledge through intergenerational cooperation.

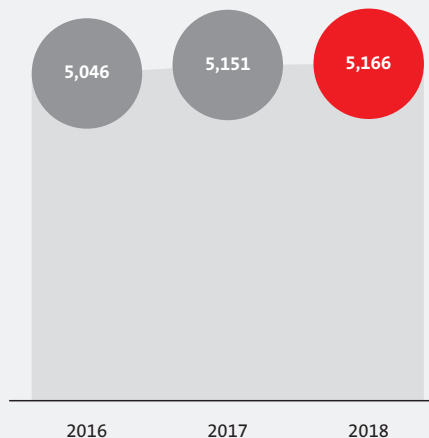
Strategic human resource management guidelines and the recruitment policy

- A uniform organisational culture of openness and cooperation is being built. The Triglav Group Strategy is implemented through the corporate values, rules, established processes and procedures, behaviour and working methods of employees.
- An emphasis is on building a good employer reputation. The goal is to recruit, develop and retain the best staff by improving processes and mobility of employees between the parent company and the subsidiaries, in addition to setting up a mentoring system and promoting diversity and intergenerational cooperation. In recruitment, both traditional and alternative methods are employed (job posting on web portals, cooperation with higher education institutions, scholarships, internal programmes, etc.). A special challenge is to obtain workers with inter-functional, analytical and technical skills.
- In 2018, posts were re-evaluated and annual interviews were upgraded using a competency model (in the context of reorganisation and new post classification). Employee development monitoring was added to the role of a leader.
- In training intended for the development of all employee groups, a special emphasis is placed on key promising staff. In addition to continuing training in digital technologies and sales skills, training and coaching of leaders are ongoing activities.
- The new human resource information system in Zavarovalnica Triglav facilitates improvements and simplifications of many processes. After making the necessary adjustments, it will be implemented in the Group members, thereby improving mutual cooperation.

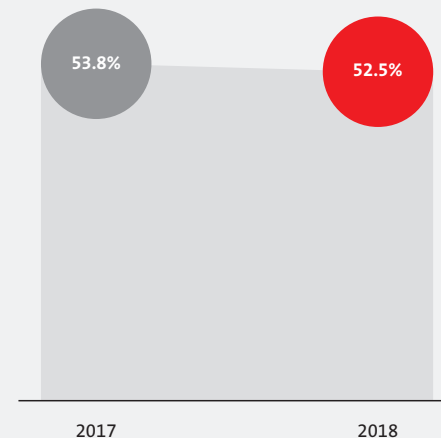
12.4.1.1 Recruitment and employee structure⁴⁰

As at 31 December 2018, the Triglav Group had 5,166 employees, 15 employees more compared with the year before, mainly as a result of new hires in Triglav Savetovanje, Belgrade.

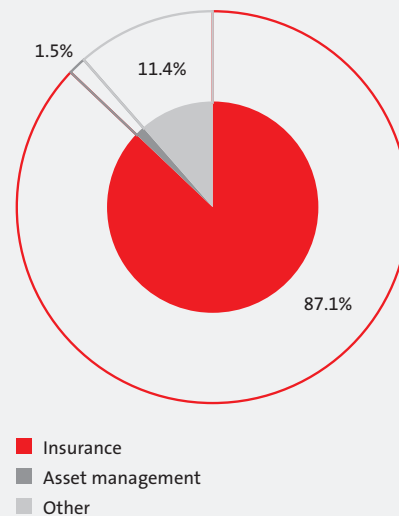
Number of employees in the Triglav Group



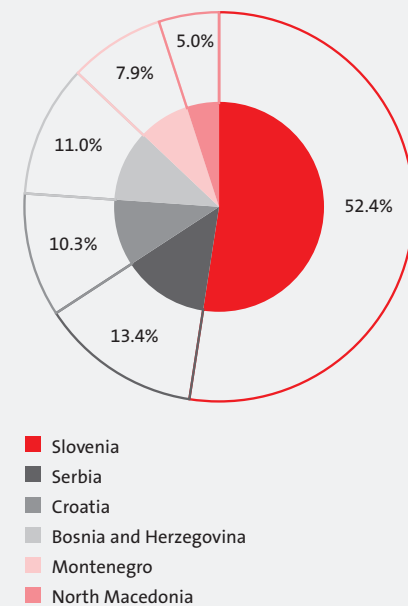
The share of employees in the Triglav Group with at least Bologna level VI education



Employees by activity in the Triglav Group



Employees by market in the Triglav Group



³⁹ GRI GS 103-1, 103-2, 103-3 | ⁴⁰ GRI GS 102-7, 102-8

Employees in the Triglav Group and Zavarovalnica Triglav by employment type (full-time, part-time) as at 31 December 2018⁴¹

Type of employment	2018		2017	
	Number	Percentage	Number	Percentage
Triglav Group				
Part-time	295	5.7	309	6.0
Full-time	4,871	94.3	4,842	94.0
Total	5,166	100.0	5,151	100.0
Zavarovalnica Triglav				
Part-time	91	4.0	91	4.0
Full-time	2,199	96.0	2,194	96.0
Total	2,290	100.0	2,285	100.0

Type of employment agreement	2018		2017	
	Number	Percentage	Number	Percentage
Triglav Group				
Fixed-term	655	12.7	703	13.6
Permanent	4,511	87.3	4,448	86.4
Total	5,166	100.0	5,151	100.0
Zavarovalnica Triglav				
Fixed-term	35	1.5	47	2.1
Permanent	2,255	98.5	2,238	97.9
Total	2,290	100.0	2,285	100.0

The **employee turnover rate**⁴² in the Group was 10.8% (2017: 10.2%) and much lower in the parent company at 3.0% (2017: 4.9%). Most leavers were aged between 26 and 40 years and above 56 years due to retirement. The majority of new hires were aged between 26 and 35 years.

The **average age** of employees in the Group slightly rose to 43.96 years (2017: 43.61 years). The average age of employees in the parent company was 45.61 years (2017: 44.99 years). The average age of Zavarovalnica Triglav's Management Board members was 45.8 years.⁴³ In Slovenia, senior management is hired from the local community,⁴⁴ as is the majority of senior management in foreign markets.

In terms of gender, **the share of women** among employees increased by 1.0 percentage point. In all employee categories, locations and activities, **the basic salary of men and women** is equal.⁴⁵ **The share of women in senior management** was 13.6% (2017: 13.3%) and 40.2% in middle management (2017: 38.8%). The share of women among the members of the Management Board of Zavarovalnica Triglav was 40%.⁴⁶

Employees in the Triglav Group and Zavarovalnica Triglav by age and gender as at 31 December 2018⁴⁷

	Triglav Group				Zavarovalnica Triglav			
	2018		2017		2018		2017	
Age group	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
From 18 to 19	5	0.1	0	0.0	0	0.0	0	0.0
From 20 to 25	116	2.2	119	2.3	17	0.7	26	1.1
From 26 to 30	397	7.7	412	8.0	121	5.3	126	5.5
From 31 to 35	645	12.5	664	12.9	224	9.8	219	9.6
From 36 to 40	780	15.1	807	15.7	297	13.0	335	14.7
From 41 to 45	905	17.5	923	17.9	422	18.4	434	19.0
From 46 to 50	829	16.0	833	16.2	434	19.0	453	19.8
From 51 to 55	749	14.5	735	14.3	434	19.0	415	18.2
56 and over	740	14.3	658	12.8	341	14.9	277	12.1
Total	5,166	100.0	5,151	100.0	2,290	100.0	2,285	100.0

Gender	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Men	2,470	47.8	2,512	48.8	1,128	49.3	1,159	50.7
Women	2,696	52.2	2,639	51.2	1,162	50.7	1,126	49.3
Total	5,166	100.0	5,151	100.0	2,290	100.0	2,285	100.0

The share of employees under the collective agreement in the Group was 91.4% (2017: 91.7%) and 93.1% in the Company (2017: 93.5%). The remaining 8.6% were employees with individual agreements (443 employees).⁴⁸ Benefits are the same for all employees, be it permanent full-time employees, fixed-term employees or part-time employees.⁴⁹

12.4.2 Staff training and development

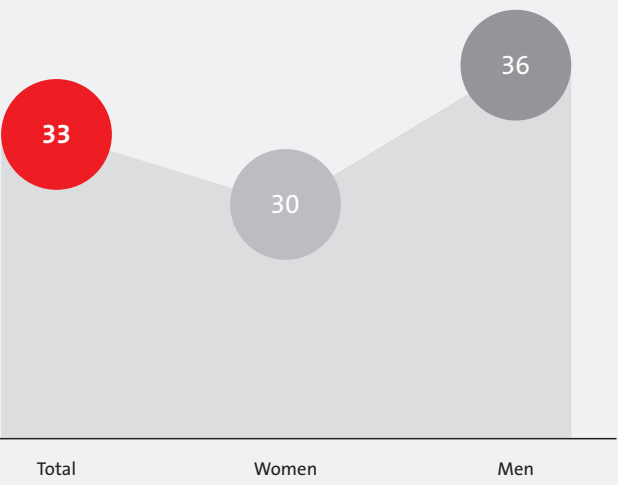
Training⁵⁰

Most training courses are carried out in-house so they can be better tailored to the Company's needs. The share of employees included in the **in-house training** stood at **94%** (63% classic, 31% online training).

In the parent company, the most training courses were related to the insurance industry, sales skills and business communication. New training programmes on new digital technologies were developed. A team of in-house coaches was trained to support supervisors in the introduction of a new mentality aimed at establishing a new leadership culture (Strengths Based Leadership). All supervisors of the parent company as well as those of two subsidiaries participated in the coaching. The system will be extended to other companies of the Triglav Group. All supervisors were also trained on how to conduct annual interviews. New insurance agents are offered a preparatory course to help them obtain the licence for insurance intermediation; more experienced agents can attend the Sales Academy which was also held in Triglav Svetovanje. Promising staff members of the Triglav Group participated in the third group of the Triglav International Business Academy (TIBA).

Zavarovalnica Triglav and Triglav INT organised **16 international expert symposia** for employees. Pozavarovalnica Triglav prepared a training course on receivables insurance aimed at employees of the entire Group, while Triglav Svetovanje conducted a specialised sales training course and introduced coaching for working with consultants. Triglav INT and insurance companies outside Slovenia trained supervisors for the introduction of the new strengths based leadership. Triglav Osiguranje Belgrade also introduced training for sales staff.

The average number of functional training hours in Zavarovalnica Triglav in 2018 by gender⁵²



Specialised topics related to the insurance business and sales skills prevailed among the online training courses at the level of the Triglav Group. Other courses focused on preparation for obtaining licences, health and safety at work, data security, protection of personal data and the prevention of money laundering and terrorist financing.⁵¹

Employees of the Group are encouraged to obtain further **formal education**. Full or partial funding of work study was provided to 155 employees, 13 young employees

completed traineeship under the in-house mentoring programme. Scholarships were provided to 18 high school and university students, while mandatory work practice/internship was offered to 36 high school and university students. Cooperation with university faculties continued and the Company presented its activities to high school and university students on several occasions.

The Triglav Group increased the **volume of functional training** in the Group by 19% (measured in hours). Training was spread quite evenly across all age groups; more training was offered to younger, particularly recently employed staff. **Higher total training costs** were the result of higher costs of in-house training and indirect training costs. Training costs at Group level amounted to EUR 1,684,203 at the Group level (index 124), a similar level was recorded by Zavarovalnica Triglav with costs totalling EUR 1,143,986 (index 123), indirect and direct costs included.

Management by objectives and competence⁵³

Management by objectives is used to monitor staff and their performance, provide them with feed-back and motivate them. Annual interviews with employees allow them to set their objectives for the current business year in cooperation with their superiors. These objectives are then monitored at quarterly interviews. Employees are rewarded for the achievement of their set objectives. Due to the nature of their work, sales staff in the parent company and subsidiaries are subject to other forms of remuneration.

At the end of 2018, the parent company upgraded the annual interviews with employees by including targeted development planning for employees and an in-house competence model that reflects the business strategy and the desired organisational culture. This model will serve as the basis for establishing a competence profile and fostering the development of employees.

As much as 70% of all employees are included in the management-by-objective system. The system is also being introduced in various forms to other companies (Pozavarovalnica Triglav Re, Skupna pokojninska družba, Triglav Svetovanje, Triglav Avtoservis, Triglav, Upravljanje nepremičnin and Triglav, Zdravstvena zavarovalnica). In 2018, the management-by-objective system was tested in the Group's insurance companies outside Slovenia and in Triglav INT and will be fully implemented in 2019.

Competences and the development potential of employees in several companies of the Group are also assessed using the DNLA (Discovery of Natural Latent Abilities) tool. It is also used in recruitment in Zavarovalnica Triglav, Pozavarovalnica Triglav Re and Triglav Osiguranje, Belgrade and for the development of leadership skills in the parent company, Pozavarovalnica Triglav Re, Triglav, Zdravstvena zavarovalnica and in insurance companies outside Slovenia.

Fit and proper assessment

The Solvency II Directive requires that all persons who manage or supervise an insurance undertaking or hold a key function have adequate professional qualifications (fit) and are of good reputation and integrity (proper). In the Triglav Group, fit and proper assessment is conducted in line with national legislation and the adopted internal acts for members of Management Boards, Supervisory Boards and among persons holding key functions. The assessment is carried out in all insurance companies. In 2018, a fit and proper assessment of all persons listed above was conducted on the basis of fundamental rules, criteria and assessment processes.

⁵⁰ GRI GS 103-1, 103-2, 103-3 | ⁵¹ GRI GS 412-2 | ⁵² GRI GS 404-1 | ⁵³ GRI GS 404-3

12.4.2.1 Organisational climate (vitality) and organisational culture⁵⁴

In 2018, 3,651 or 83.1% of employees in 15 companies participated in the measurement of organisational vitality and engagement. The responsiveness was 2% higher than in the year before (2017: 80.94%). The aggregate ORVI index is composed of the indices *work environment, systems, operational management, personal view and engagement*.

The organisational vitality of the Triglav Group has been improving from year to year. The **Group's** aggregate ORVI index for 2018 equals 3.87, which is 0.12 points more than last year. An improvement of all major indices has been recorded.

With over 52%, the share of highly engaged employees is growing, while the share of less engaged employees is in decline (12%). Employees of the Triglav Group perceive their working environment

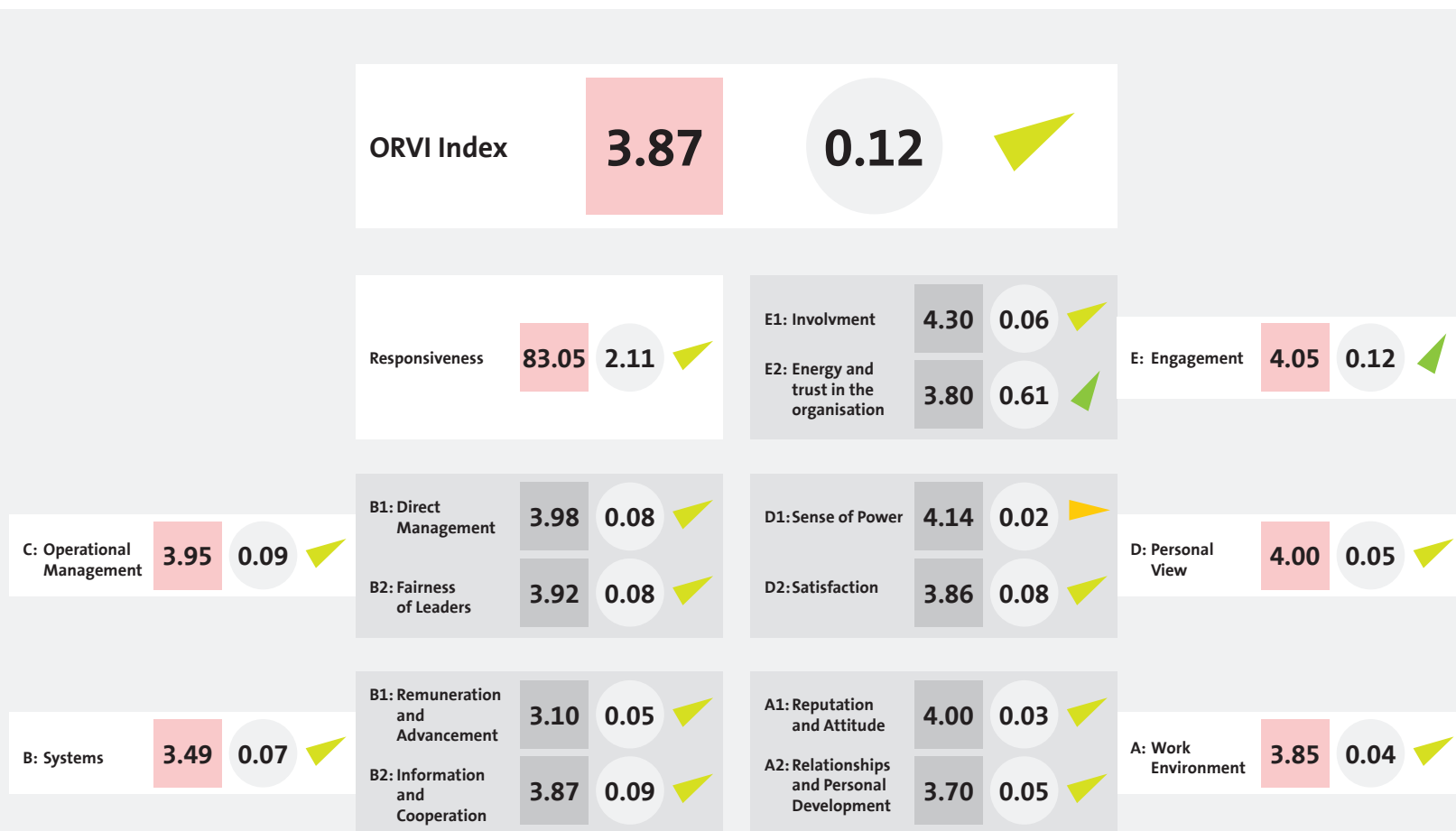
as positive; they are quite satisfied with the regular employment, working time, their co-workers and direct supervisors. Improvement is seen in the category of the Remuneration and Advancement as well.

The ORVI index of the **parent company** is higher than that of the Group and stands at 3.94. Other indicators have also improved.

The results of the survey serve as the basis for adjustments and improvements of the organisational culture of the Triglav Group and the long-term organisational vitality of Zavarovalnica Triglav. Key measures in this respect include the establishment of a leadership culture and the systematic development of supervisors throughout the entire Group. The introduction of a leadership culture (through management by objectives, coaching and other measures) has a significant impact on

the development, satisfaction and engagement of employees. Some companies have also introduced specific measures focusing on the systematic development of leadership skills and an overhaul of management by objectives and remuneration.

To support the development of a leadership culture, the Group has adopted a set of Triglav Group Leadership Standards that will complement the existing Minimum Standards in this field. The Policy on the implementation of in-house training in the Triglav Group was upgraded to ensure a more efficient introduction of new values. The continuous transfer of insurance and other expertise among the companies of the Group remains the key goal of such training.



⁵⁴ GRI GS 102-43, 102-44

The events such as “Where Do You Work” significantly improve the employees’ well-being.

12.4.3 Safety and health at work⁵⁵

Zavarovalnica Triglav has a comprehensive approach to ensuring safe and healthy working conditions and strives to identify, reduce and manage any risks arising from work tasks and the working environment. This approach is **transferred to subsidiaries** through the introduction of minimum standards for occupational health and safety. Local laws are also taken into account.

Safety and health at work is organised in line with the legislation and guided by the goal of smooth providing for a healthy working environment for employees. Three suitably qualified employees are in charge of safety and health at work.⁵⁶

The Safety Statement and Risk Assessment include an assessment of **all workplaces** in terms of the identified and described potential hazards and harmful effects on the health of employees and the foreseen mitigation measures. In this process, the Group conducts regular assessment audits and takes additional measures. Employees are also directly included in the programme. The risk assessment of potential health

hazards is conducted in cooperation with occupational physicians which is crucial for efficient risk management. Based on the results of the risk assessment, employees are medically examined in regular intervals, whereas any new employees undergo the statutory medical examination.⁵⁷

Great emphasis is placed on **prevention** and the timely elimination of any hazards. Employees have the possibility of reporting any hazards or work accidents. The parent company investigates the reported incidents and adopts necessary measures.⁵⁸

Better health and safety at work is also encouraged among customers through insurance products. Any company wishing to conclude a collective

accident insurance (employer), for example, can only do so if it fulfils the requirements relating to the occupational health and safety of its employees.⁵⁹

In the modern e-classroom, employees are able to gain new and improve the existing knowledge about fire safety and safety and health at work (training and exams are obligatory). In addition, all communication channels are used for raising awareness. The obligatory e-material was upgraded by adding a new section “Healthy Workplaces for All Ages”, prepared by the European Agency for Safety and Health at Work (EU-OSHA).

In addition to complying with statutory requirements and ensuring a safe and healthy working environment for employees, the Company also provides training and preventive medical examinations for its employees. In cooperation with internal and external experts, Zavarovalnica Triglav performs:

- the “**Protecting Health**” programme that promotes health (emphasis on mental health),
- the “**Triglav.smo**” programme (practical workshops in regional units); and
- the measures of the full “Family-Friendly Enterprise” certificate.



As part of its efforts to raise awareness on the importance of health, the Company organised a number of practical workshops and prepared materials that are available on the company intranet. A healthy lifestyle and work balance are regularly promoted in the context of the “Triglav.smo” and “Protecting Health” programmes. Due to the increasing number of older workers, thinking about **ageing and the**

workplace is of even greater importance. All employees receive advice on regular physical activity, sitting properly, healthy eating, efficient relaxation, coping with stress and breaking unhealthy habits (smoking, drinking alcohol, consumption of psychoactive substances). Employees’ families are also invited to attend workshops and events.

Certain parts of the “Triglav.smo” and “Greeting the Seasons” programmes have already been extended to other companies. The transfer of other events promoting the wellbeing of employees (such as “Bring your children to work” days) to other companies will continue.

A psychological and social support programme with a holistic approach to employees experiencing all types of distress is provided for by the parent company on a systematic basis.

The Company also **encourages** better health and safety at work **among its clients** through insurance products. Any company wishing to conclude a collective accident insurance (employer), for example, can only do so if it fulfils the requirements relating to the occupational health and safety of its employees.

Support to employees in the event of workplace violence⁶⁰

Employees who are in contact with clients are trained in how to respond in the event of violence, robbery or threats. In addition to the modern technical security measures to protect both the employees and the business premises, regulations and instructions ensuring a safe work environment are also in place.

Fire safety

Good practice in fire safety of the Triglav Group is disseminated to the business partners and clients.

Fire safety efforts include the implementation of preventive measures, monitoring of on-site fire safety in accordance with the applicable statutory requirements, regular training and education of employees and continuous improvement of fire safety at all business locations. A plan (instruction) on emergency response and actions in the case of emergency and other adverse events was drafted for all employees. In the case of an emergency or an adverse event, employees can call the security control centre where they will receive appropriate instructions and psychosocial assistance.



Health and safety topics covered in formal agreements with trade unions and in the collective agreement⁶¹

Safe working conditions are provided in accordance with Zavarovalnica Triglav's collective agreement and the applicable legislation. Before starting their work, employees are familiarised with the dangers at work and work safety measures that they are obligated to follow. Furthermore, employees are required to use the prescribed work equipment. Employees are provided with the necessary work equipment and personal protective equipment. Periodical medical examinations are carried out in line with the timeline and scope foreseen for individual categories of workplaces.

Injuries at work⁶²

The number of injuries at work was low in both the Triglav Group and the parent company.

Injuries at work in the Triglav Group and Zavarovalnica Triglav in 2017 and 2018

	2018		2017		Index 2018/2017
	Number	Percentage	Number	Percentage	
Triglav Group					
At work	8	57.1	14	82.4	57
On business trips	6	42.9	3	17.6	200
Total	14	100.0	17	100.0	82
Zavarovalnica Triglav					
At work	3	37.5	2	50.0	150
On business trips	5	62.5	2	50.0	250
Total	8	100.0	4	100.0	200

As a result of the lower number of injuries at work, the number of lost work days has decreased in the Triglav Group, whilst it was slightly higher in the parent company.

Lost work days due to injuries at work in the Triglav Group and Zavarovalnica Triglav in 2017 and 2018

	2018	2017	Index
Lost work days due to injuries at work			
Triglav Group	529	1,012	52
Zavarovalnica Triglav	106	83	128

Every accident at work which renders an employee unfit for work for more than three working days, dangerous occurrence and established occupational disease must be reported to the Labour Inspectorate of the Republic of Slovenia. In 2018, the Group did not record any dangerous occurrences and occupational diseases.⁶³

Absenteeism⁶⁴

The absenteeism rate in the Triglav Group increased by 0.25 percentage point to 4.73%. The share of absenteeism for which sickness benefits are borne by the employer increased by 0.36 percentage point (medical leave up to 30 days), whilst lost work days for which benefits are borne by other organisations decreased by 0.11 percentage point (medical leave longer than 30 days, sick-nursing, accompanying a sick person). In the parent company, the absenteeism rate slightly increased and stood at 4.91% (in 2017: 4.77%). As a result, the share of lost work days to be reimbursed by the Health Insurance Institute of Slovenia (ZZZS) increased by 0.11 percentage point.

In 2018, the parent company conducted an analysis of sick leave over the past three years in order to prepare measures for reducing absenteeism to a rate below the national average in cooperation with external experts.

12.4.4 Care for employee satisfaction⁶⁵

“Family-Friendly Enterprise” certificate

Zavarovalnica Triglav is planning for the long-term preservation of cognitive skills and promotion of both physical and mental health of its employees. The “Triglav.smo” programme and the topical issue of ageing and the workplace were already discussed under the section “Safety and health at work”. In addition to innovation, intergenerational cooperation and health promotion, the programme includes measures relating to the “Family-Friendly Enterprise” certificate aimed at facilitating the reconciliation of work and private life of employees.

Zavarovalnica Triglav has been the holder of the full »Family-Friendly Enterprise« certificate since 2016. The Company wishes to make sure that the benefits of this certificate are also visible in the framework of the strategic project of the improved organisational culture. Children who have lost one of their parents receive an annuity or a scholarship. The children of employees have been given the opportunity to participate in a summer holiday camp for the third consecutive year. The “care fund of work hours” has been welcomed by employees who have family members suffering from serious illness. Employees can also take extraordinary leave to accompany their loved ones for doctor's appointments.



Summer holiday camp 2018

⁶¹ GRI GS 403-4 | ⁶² GRI GS 403-2, 403-9 | ⁶³ GRI GS 403-10 | ⁶⁴ GRI GS 403-9 | ⁶⁵ GRI GS 103-1, 103-2, 103-3

Additional benefits for employees:⁶⁶

- the employer makes payments towards supplemental pension insurance for 52% of the employees of the Triglav Group, for 96% of the employees of the parent company;
- group accident insurance premiums are paid for all employees;
- favourable insurance terms are available for additional accident insurance to employees and their family members;
- additional accident insurance is provided for all business trips;
- after one year of employment in the parent company, all employees may opt for supplemental voluntary pension insurance and voluntary pension insurance;
- 49% of all employees of the Triglav Group and 81% of the parent company took out the collective insurance package Celostna zdravstvena oskrba (comprehensive medical care).

Other benefits are listed in the previous sections. Triglav Group companies operating outside Slovenia also provide benefits to their employees in the form of discounts on medical examinations, the payment of accident insurance premium, discounts on other types of insurance and, in certain companies, the payment of voluntary health insurance premium.

Parental leave or part-time work in the Triglav Group and Zavarovalnica Triglav in 2018⁶⁷

Triglav Group	Women	Men	Total
Maternity leave, child care leave	138	3	141
Father's leave of 20 days	0	143	143
Father's leave of 75 days (up to the child's age of three years)	0	5	5
Option to work part-time	39	4	43

Zavarovalnica Triglav	Women	Men	Total
Maternity leave, child care leave	55	3	58
Father's leave of 20 days	0	70	70
Father's leave of 75 days (up to the child's age of three years)	0	3	3
Option to work part-time	27	1	28

The number of employees who returned to work after parental leave stood at 95% (both genders).

Return to work and retention rate after using parental leave in the Triglav Group and Zavarovalnica Triglav in 2018⁶⁸

Triglav Group	Women	Men	Total
The number of employees who returned to work after parental leave	131	3	134
The number of employees who returned to work after parental leave (by gender) and who stayed employed in the Company after 12 months	129	3	132
Return rate after parental leave	95%	100%	95%
Retention rate after parental leave	98%	100%	99%

Zavarovalnica Triglav	Women	Men	Total
The number of employees who returned to work after parental leave	55	3	58
The number of employees who returned to work after parental leave (by gender) and who stayed employed in the Company after 12 months	55	3	58
Return rate after parental leave	100%	100%	100%
Retention rate after parental leave	100%	100%	100%

Circumstance and work requirements permitting, working hours can be adapted to the needs and wishes of employees. Employees who were parents of first graders can take advantage of a day's paid leave on the first school day. Employees can take unpaid leave in certain cases and in agreement with their superiors.

Relationships among employees and management, trade union activities⁶⁹

Two representative trade unions and a Works Council are active in Zavarovalnica Triglav. The Company concluded a special agreement and cooperates well with both of them. Before adoption, any act regulating the rights and obligations of workers is submitted to the trade unions to give their opinion. The Agreement on worker participation in the management of Zavarovalnica Triglav specifies the implementation of workers' rights under the Worker Participation in Management Act and regulates other rights and processes for the participation of employees in the management of the Company. The Agreement foresees both the individual and collective participation of workers in management. Employees hence have the right to:

- submit initiatives and receive a reply;
- submit opinions and proposals regarding all issues pertaining to the organisation of the individual employee's workplace and work process and receive a reply to their submissions;
- receive timely information on any changes relating to their field of work;
- request an explanation regarding salaries or other issues relating to the employment relationship from the employer or an employee authorised by the employer.

Provisions on the collective participation of workers in management stipulate that the employer is required to provide written information to the Works Council on plans and work programmes as well as reports on the Company's performance, draft company acts, regulation of working time and any changes and amendments to company acts pertaining to employment relationships, salaries and social standard. The employer must report to the Works Council on the performance and economic position of the Company, its development goals and the general economic situation in the sector at least once a year.

⁶⁶ GRI GS 401-2, 201-3 | ⁶⁷ GRI GS 401-3 | ⁶⁸ GRI GS 401-3 | ⁶⁹ GRI GS 103-1, 103-2, 103-3, GS 402-1, SDG 8.8

The Company informs the Works Council of any changes in the Company's operations at least 10 days prior to adopting such a decision. In addition to providing information, the Agreement also foresees a consultation with the Works Council regarding specific issues (e.g. issues relating to the legal form of the Company or HR management) and the co-decision of the Works Council in specific cases (e.g. decisions on the criteria for using annual leave and other absences from work).

Respecting the workers' rights and human rights of employees⁷⁰

Zavarovalnica Triglav considers respect for the dignity and integrity of employees at all levels to be an integral part of a safe working environment. The formal basis for respectful relationships is the Triglav Group Code which regulates the prevention of discrimination, harassment and mobbing at the workplace. In the implementation of this Code, individual companies must also comply with the local legislation. In Zavarovalnica Triglav, discrimination and unwelcome behaviour are regulated by the Rules on the Protection of Dignity at Work. A confidant is also appointed based on these Rules and with the consent of the Works Council. Triglav INT and insurance companies outside

Slovenia have internal regulations specifying the handling and reporting on cases of violations of the Triglav Group Code as part of their compliance function. The key to a comprehensive resolution of conflicts or misunderstandings lies in identifying the problem and addressing it in its earliest stage with the cooperation of a wide circle of experts and competent leaders.

In 2018, no incidents were reported by employees of the Triglav Group that would prove to constitute a case of discrimination, harassment or mobbing at the workplace.⁷¹

Promoting innovation and improvements

As part of the system Idea IN aimed at fostering creativity and collecting good ideas and proposals for improvements, 26 ideas were submitted by employees of which 13 were recognized as good and rewarded. The ideas will be implemented gradually where possible. Some other companies of the Group also have in place systems for collecting and discussing good ideas. These companies received 24 good ideas, of which 7 were implemented.

Care for employees outside working hours

Over 40% of employees of the parent company were members of the Mountaineering Association and the Sports Association. Employees from other subsidiaries in Slovenia are also members. The popular social and sports activities available to employees include the traditional Triglav Group Day – Our Day, Sports Games of Financial Organisations (ŠIFO) and gatherings with retired Triglav employees.

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⁷⁰ GRI GS 103-1, 103-2, 103-3 | ⁷¹ GRI GS 406-1

12.5 Responsibility toward clients⁷²

An important element of the Triglav Group Strategy is the focus on the client. Modern technologies provide for new ways of reaching clients and give clients the possibility to choose the type of communication that is best suited for them. Since the Company strives for long-term client relationships, it monitors clients' needs and makes every effort to resolve any disagreements smoothly. The transparency, comprehensibility and accessibility of products and services are of key importance and are therefore included in the very design. Much attention is also devoted to the quality of after-sales services. For more details, see [→ *Section 11. Development and sales activities*].

Marketing and labelling⁷³

The Company makes an effort to ensure that customers concluding an insurance contract or any other financial transaction receive a clear explanation of their rights, obligations and various risks and that they are provided with the necessary material. The Company's aim is to provide for simple and transparent processes and comprehensible content available via omnichannels. No misleading, aggressive, insulting, shocking or other inappropriate sales practices are used in promotional activities and the marketing of products and services. The Company also follows the recommendations of the Slovene Consumers' Association for improving financial literacy. See also [→ *Section 11.6 Brand management and marketing communications*].

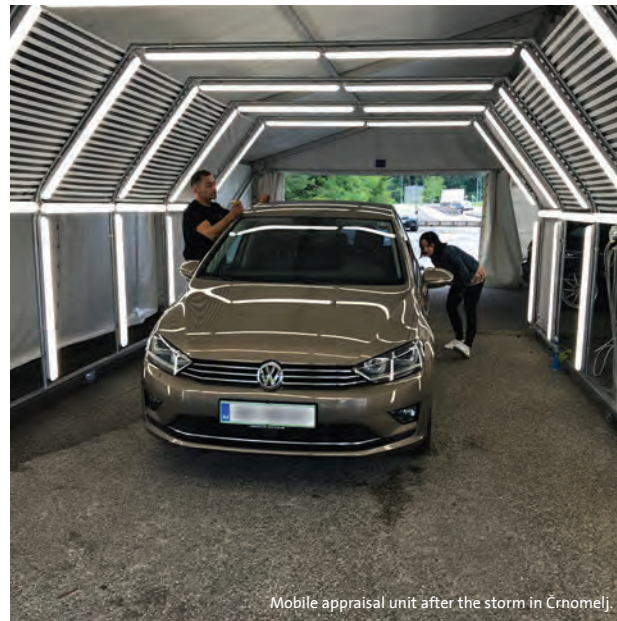
Any complaints are resolved quickly within the prescribed time periods. The Triglav Group fully complies with the consumer legislation and the special requirements with regard to client information when concluding distant contracts for financial services, including insurance contracts. In 2018, the Company implemented the Insurance Distribution Directive (IDD) and the Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs). For more information, see [→ *Section 11.8 Adjustment to regulatory changes*].

Product and service accessibility and portfolio⁷⁴

The client-centric strategy is supported by new technologies that provide greater accessibility and simplicity of services, constant interaction, new forms of partnerships and the upgrading of products into services. See [→ *Section 11. Development and sales activities for more details*].

- **Telematics to promote safe driving:** The DRAJV mobile application is regularly used by 42,000 drivers per month. The number of safe drivers who took out an insurance policy with the DRAJV discount increased.
- **Safe driving simulator in Triglav Lab:** Young drivers have the opportunity to take a driving skills test on the simulator, thereby receiving a 50% discount on the young driver surcharge on car insurance.
- **Application for mobile claim reporting and ordering assistance services:** The mobile application Triglav Asistenca enables clients to report a claim, monitor the progress of claim settlement and order assistance services.

- **Expanded electronic and mobile claim reporting:** The new mobile channel Pooblaščenec ZT was developed. In the Mobilni zastopnik and Mobilna cenilka mobile applications, a claim can be reported by an authorised person of the Company (agent, appraiser) on behalf of the client.
- **Mobile appraisal units in the event of mass claims:** Mobile appraisal units are set up in the affected areas, thereby facilitating the appraisal of damage.



Mobile appraisal unit after the storm in Črnomelj.

- **Simplified settlement of low-value claims:** The settlement of low-value claims reported online was simplified.
- **Web platform for prevention advice and insurance literacy:** The web platform Vse bo v redu (Everything Will Be Alright) provides advice and explains the basic insurance concepts and principles. In addition, Naložbenik magazine is published with the aim of raising awareness about the importance of life insurance in relation to ensuring financial security.

- **Weather alert mobile application:** The free Triglav Vreme application, in cooperation with the Slovenian Environment Agency, provides reliable weather information and forecasts for a particular location and the whole Slovenia. See [→ *Section 12.6.1 Investments in prevention*] for more details about prevention activities.
- **Accessibility in client communication:** The wide range of communication channels and tools is presented in [→ *Section 11. Development and sales activities*]. In addition to those, clients can receive information on non-life and life insurance products by calling the **toll-free number 080 555 555**. The **assistance and general information centre** is available 24/7 at the special phone number 080 2864 (for calls from abroad: +386 2222 2864). The web office, which is available as an Android and iOS smartphone application, provides easier access to insurance products to computer literate movement-impaired policyholders.⁷⁵

1 NO
POVERTY



⁷² GRI GS 103-1, 103-2, 103-3 | ⁷³ GRI GS 103-1, 103-2, 103-3, GS 417-1, 417-2 | ⁷⁴ GRI G4-FS7, G4-FS8 | ⁷⁵ GRI G4-FS14, SDG 1.4

Insurance products and services designed to promote environmental responsibility

- The awareness about the importance of **prevention and risk management in agricultural production** and the need to protect domestic food production is being raised:
 - promotion of insurance co-financed by municipalities at the level of local communities,
 - promotion of cooperatives by concluding insurance via cooperatives (especially with regard to hop insurance).
- The premium policy is designed to encourage policyholders to invest in **active protection from adverse weather conditions** through the use of anti-hail nets, greenhouses, tunnels, and irrigation and sprinkler systems for spring frost protection and test anti-frost candles against spring frost (for orchards and vineyards).⁷⁶
- For **appraising damage** to crops caused by storms **using drones**, training was held and appropriate equipment was purchased.
- In agricultural insurance, damage appraisal in the field is performed **electronically**.
- Remote sensing technology with satellite-based soil moisture measurement was added to the upgraded crop insurance against the risk of drought, which will be transferred to subsidiaries outside Slovenia.
- When taking out crop insurance, an interactive link is established with the state register of agricultural land so as to ensure a simple, fast, correct and transparent process of issuing an insurance policy.
- **The range of authorised veterinary clinics for small animals** with which the Company cooperates is growing with the aim of improving the quality of insurance and healthcare services.
- The Company encourages **less intensive animal production**, which is not only environmentally friendlier but also involves fewer insurance risks. Cattle insurance (the main class of livestock insurance) was adapted to local specificities and small and medium-sized livestock farms to maintain agricultural production in less favoured areas (limiting agricultural factors).⁷⁷

65% of the Company's points of sale provide an independent access to people with different types of disabilities.



- The stimulative premium policy for **young farmers** contributes to the promotion of young farmers setting up an agricultural holding, the preservation of settlement and larger land cultivation in the countryside. These goals are consistent with the interests of both the Common Agricultural Policy and Slovenia's agricultural policy.⁷⁸

Due to environmental risks, long-term and short-term financial security of agricultural producers is increased by:

- **actively participating in the project team for upgrading the financial risk management system** in agriculture, forestry and beekeeping due to natural disasters for the 2020–2027 period, which was established by the Ministry of Agriculture, Forestry and Food;
- **taking out agricultural insurance with the premium co-financed by the Government.** In accordance with the Decree on co-financing of insurance premiums for primary agricultural production and fisheries, the insurer and the policyholder agree on the payment of only that part of the premium which the policyholder is required to pay. On behalf of the policyholder, the insurer directly seeks the payment of the remaining portion of the premium co-financed by the Government.

Access to insurance services for people with various disabilities

Zavarovalnica Triglav: to improve the services provided to persons with disabilities and ensure their full integration⁷⁹

- 65% of the Company's points of sale provide an independent access to people with different types of disabilities.
- 100% of the points of sale are equipped with aids for partially sighted persons.
- 100% of the regional units' head offices are fitted with FM devices for hard-of-hearing persons.
- The website complies with the requirements of the AA standard WCAG 2.0 for visually impaired persons.
- Promoting awareness about the needs of persons with disabilities: in cooperation with the Sports Federation for the Disabled of Slovenia and the Vozim Institute, through the volunteer work of employees at school sports days.
- Zavarovalnica Triglav has been the general sponsor of the Paralympic Committee of Slovenia.



⁷⁶ GRI G4-FS8, SDG 2.3 | ⁷⁷ GRI G4-FS8 | ⁷⁸ GRI G4-FS7, SDG 9.3 | ⁷⁹ GRI G4-FS14

Fair business practices⁸⁰

In 2018 in Zavarovalnica Triglav, no major non-compliance issues were identified with regard to the infringement of the **Triglav Group Code**, which defines the principles of fair and ethical conduct and internal fraud management. In the reporting period, eight suspected cases of infringement of the Code were investigated in the Group subsidiaries outside Slovenia. In five cases, it was found that the suspicion of infringement was justified and appropriate measures were taken against the infringer.⁸¹

The Code applies to all insurance and financial subsidiaries of the Group. Its content and principles are constantly communicated and included in training (including ethical conduct and compliance, transparency, prevention of corrupt practices, conflict of interest management, fraud management, money laundering and terrorist financing prevention, consumer protection and fair business practices). The Code also serves as the basis for the system for direct reporting of non-compliance, which is regulated by a special internal document for dealing with internal fraud and infringements of the Code. These rules were transferred to the Group members through compliance standards.

The external supervisory bodies did not find any significant non-compliance in Zavarovalnica Triglav. They imposed EUR 1,000 in fines and two reprimands. The relevant business processes were adjusted in accordance with their findings. In other Group members, in 20 separate inspection procedures, three fines were imposed in the total amount of EUR 13,590 and three reprimands, while one fine of EUR 10,094 had not yet become final.⁸²

Insurance fraud management⁸³

Systematic training and awareness raising activities are carried out for all employees so as to effectively identify insurance fraud [→ *see Section 12.4.2 Staff training and development*], particularly with respect to taking out insurance and claim settlement. The internal control system is improved based on confirmed suspicions of fraud. In the fight against fraud, the Company actively collaborates with other insurers and competent state authorities.

Advanced computer solutions help to manage and prevent insurance fraud by expanding the identification of suspicious claim reports, while the established indicators help to quickly identify suspicions of fraud. As a result, investigations are simpler and faster.

In 2018, insurance fraud was confirmed in 450 cases out of 828 reported cases of suspected fraud. The share of confirmed cases of fraud was 2% higher than in 2017.⁸⁴

Anti-corruption measures and personal data protection⁸⁵

In accordance with the Declaration of Fair Business, the Slovene Corporate Integrity Guidelines and the Rules on Agreement Management, the anti-corruption clause as an obligatory contractual provision is included in legal relationships with contractual partners of Zavarovalnica Triglav and insurance and financial subsidiaries of the Group. The parent company has implemented the Anti-Corruption Policy since 2017. In 2018, the same standard of conduct was established in other insurance and financial companies of the Group.

The Company is one of the first and more active members of the Business Integrity and Transparency Forum of Transparency International Slovenia, as well as its strategic partner. In 2018, there were no reported suspicions of corruption in the Group.

With regard to personal data protection, the Company and its subsidiaries, which are bound by the European legislation, continued to implement the requirements of the Regulation on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation – GDPR). Thus, internal regulations and processes were updated and employee training was intensified.⁸⁶

The Company received and dealt with three requests from clients regarding their right of information in accordance with the Personal Data Protection Act (ZVOP-1). Since the GDPR has become effective, i.e. 25 May 2018, the Company received and handled 80 requests from natural persons, including objections against the Company's direct marketing activities. In addition, 12 events were handled which could constitute a personal data breach (data confidentiality, integrity and accessibility) under Article 33 of the GDPR, but in none of the cases examined it was established that there had been a risk to the rights and freedoms of natural persons. The Information Commissioner initiated three inspection procedures against the Company and in one case issued a reprimand without a fine. In other Group members, the competent personal data protection authorities carried out five inspection procedures, and in two cases issued a reprimand due to minor non-compliance.⁸⁷

Monetary value of all contributions to political parties⁸⁸

The corruption risk management policy in the Triglav Group prohibits the financing of political parties and other political activities that are not carried out in any of its members. Due to an over 25% share of state ownership in equity, Zavarovalnica Triglav is prohibited from financing political parties pursuant to the Political Parties Act.

Client satisfaction⁸⁹

By analysing client experiences and obtaining feedback, the Company is able to improve both its services and client satisfaction, which is systematically monitored and measured. In order to further increase client satisfaction, employees undergo additional training, claim handling applications are upgraded and insurance sale is monitored.

The client relationship management system and client satisfaction and loyalty measurement system (Net Promoter Score – NPS) provide quick indicators, the profiles of policyholders and potential clients, and user experience. In 2018, client satisfaction was measured with the NPS index in Zavarovalnica Triglav and Triglav Osiguruvanje, Skopje, while in the coming years it will be measured in all insurance subsidiaries outside of Slovenia. See [→ *Section 11.1 Comprehensive client relationships*] for more detail.

The goal of the *Zavarovalniški monitor* survey (Insurance Monitor, an international survey conducted since 2000) and systematic complaint management and resolving is to check client satisfaction

and knowledge. The survey results were approximately the same in 2018 as the year before. Zavarovalnica Triglav is still the most recognisable insurer, its top of mind recall increased to 43% and the share of respondents who would choose Zavarovalnica Triglav to take out new insurance rose to 48%. The best results were achieved in image statements, while the most important factor in taking out new insurance is speedy and high quality payment of claims and benefits.

Client feedback is also obtained through an anonymous survey when reporting a claim, direct information from agents in the field, direct and electronic client complaints, as well as from responses on social networks and websites.

Twice a year, the Management Board discusses a report on the satisfaction of outsourcers and measures for improvement.

Complaints and compliments are regularly monitored, resolved and analysed. In the reporting year, 2,659 complaints were received or 4% more compared to the previous year, most of which were related to non-life insurance, whereas only 9% referred to life insurance and less than 1% to other segments. Complaints are classified into substantive and general complaints and complaints resolved through a fast-track procedure. Substantive complains in which clients express their dissatisfaction with the handling of their claims are the most common (92%). In the reporting year, 9.9% of total resolved complaints were founded and 3.8% were partly founded. Apart from that, 62 compliments were received (2017: 31).

In the Macedonian insurance company, an omnibus survey under the CAPI method is conducted twice a year, while for the needs of health insurance, a survey using the CATI method is under preparation. In Triglav Osiguranje, Zagreb, Lovćen Osiguranje and Triglav Osiguranje, Belgrade, the measurement of client satisfaction is defined by the ISO procedure for service quality assurance. In 2018 in Lovćen Osiguranje, a research of the market and its needs was carried out.

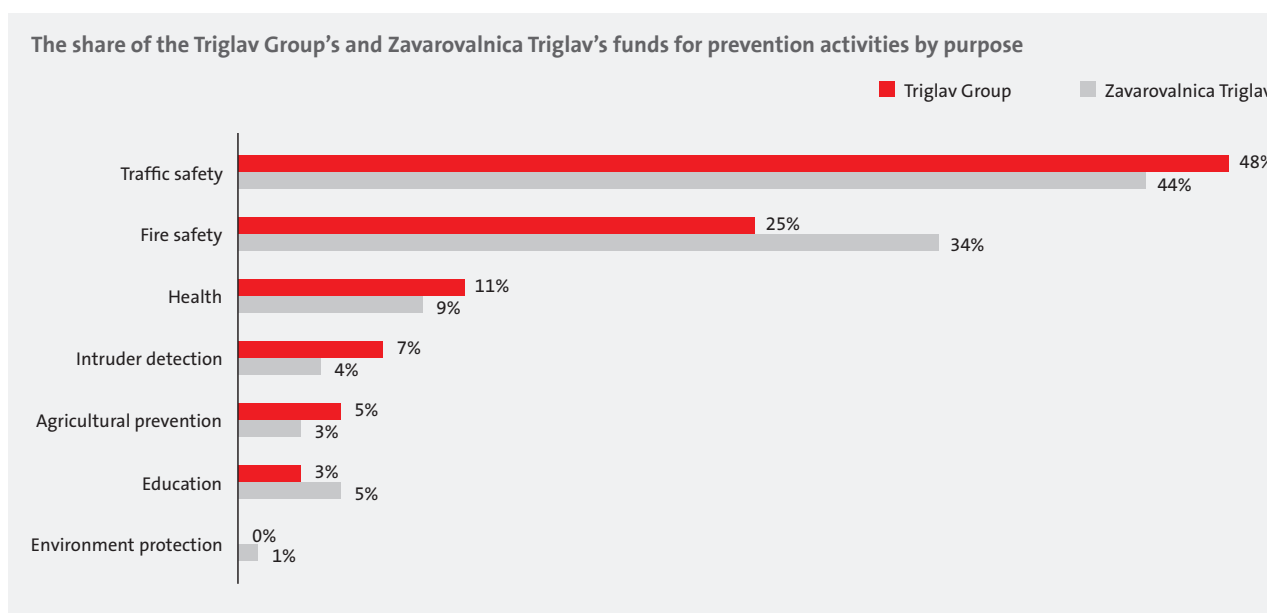
A book of complaints and compliments is available at all points of sale. In the Group members outside of Slovenia, complaints are handled by a complaint committee based on the applicable rules, while complaint records are kept in a prescribed form, mostly in electronic form.

12.6 Responsibility to the community

The Triglav Group is closely involved in the environment in which it operates through various prevention activities, partnerships with local communities and the volunteer work of its employees.

12.6.1 Investments in prevention⁹⁰

Investments in prevention are described together with sponsorships and donations under Indirect economic impacts. The bulk of funds was again allocated to improving traffic safety and reducing the risks of fire.



⁹⁰ GRI GS 103-1, 103-2, 103-3



Prevention projects⁹¹

Policyholders are actively financially encouraged to improve fire safety, i.e. to maintain and improve anti-fire systems as well as to purchase fire alarms and home security systems. Investments are made in the maintenance and purchase of equipment for volunteer fire services.

The Company supported Heavy Rescue Slovenia, the largest training of fire-fighters for rescue operations in major road accidents in the region. In order to familiarise drivers and other stakeholders with rescuing a person who has been involved in a motor vehicle collision, two 360-degree videos were shot and published (from a driver's and a fire-fighter's point of view).

High profile and comprehensive prevention projects of the Triglav Group in 2018⁹²

Segment: Road and rail traffic safety	Impact
Project Calming Traffic Together, partner company Sipronika, Slovenia	<ul style="list-style-type: none"> 44 speed display signs in local communities, at high-risk road sections and in the vicinity of schools and kindergartens (3 years). Reduction of speed by 5–7.5% and improved traffic safety. A survey was conducted to explore additional options of making driving safer (with additional means of communication). Cooperation with local communities, police officers, athletes, kindergartens and schools.
Project COPS@rail, partner company COPS system, Slovenia	<ul style="list-style-type: none"> 12 light signalling systems for preventing collisions on unprotected railway level crossings. Cooperation with local communities and ambassadors to raise public awareness.
Training of fire-fighters and other rescue workers in traffic accidents, partners AMZS and Vizija Institute, Slovenia	<ul style="list-style-type: none"> Traffic accident rescue training – Heavy Rescue. Training on a technologically advanced simulator was provided for over 300 fire-fighters.
Interactive workshops for secondary school students “I Still Drive But I No Longer Walk”, partner Vozim Institute, Slovenia	<ul style="list-style-type: none"> 169 workshops where 12,500 secondary school students listened to personal stories of traffic accident victims (lecturers) and became acquainted with the DRAJV application (the number of workshops increased by 13% compared with the previous year).
Activities for the safety of preschool children and first grader in road traffic, partner Slovenian Traffic Safety Agency, Slovenia	<ul style="list-style-type: none"> Road traffic accident prevention workshops in kindergartens. 23,000 first graders equipped with yellow neckerchiefs. Road Safety mascot Kuža Pazi (Watch Out Doggy) in over 50 elementary schools.
Neurophysiological and cognitive profiling of drivers' abilities, partner Faculty of Electrical Engineering, University of Ljubljana, Slovenia	<ul style="list-style-type: none"> Testing of abilities using the safe driving simulator in Triglav Lab for young drivers, professional drivers, agents and others who want to improve their driving skills. Continued neurophysiological and cognitive profiling of abilities on the simulator.
International programme “Safety Tunes” for road safety, partner AMZS, Slovenia	<ul style="list-style-type: none"> 5,000 secondary school students from 5 secondary schools participating in the road safety programme.
Educational charity event “Motorcyclists for Motorcyclists” partner AMZS, Safe Driving Centre Vransko, Slovenia	<ul style="list-style-type: none"> 190 motorcyclists attended workshops on prevention.
Safe driving training, partner Šmarje pri Jelšah Community Health Centre, Slovenia	<ul style="list-style-type: none"> Safe driving training in a critical situation for ambulance drivers.
Upgrade of the DRAJV safe driving application, Slovenia	<ul style="list-style-type: none"> The DRAJV safe driving applications has 42,000 regular monthly users, who have so far driven 195 million kilometres.
Segment: Safety in mountains	Impact
First aid, Slovenia	<ul style="list-style-type: none"> Purchase of first aid kits for the project “Men of Heart” of the Slovenian Alpine Museum.
Safer hiking trails, Slovenia	<ul style="list-style-type: none"> Co-financing of the renovation of the mountain trail for safer hiking of mountaineers to Okrešelj. Co-financing of the trailblazer course.
Segment: Health prevention	Impact
Assistance in the event of a sudden cardiac arrest, Slovenia	<ul style="list-style-type: none"> Co-financing of the purchase of 19 defibrillators in local communities, two of which were for assistance in mountain huts. Training of fire-fighters.
First aid, Slovenia	<ul style="list-style-type: none"> Co-financing of the purchase of a rescue vehicle for Tržič Community Health Centre. Co-financing of the purchase of protective equipment for Nova Gorica Dog Rescue Association.
Prevention and early detection of diseases, Slovenia	<ul style="list-style-type: none"> Prevention lectures and consults with specialists in Triglav Lab (e.g. breast cancer). Co-financing of the purchase of protective equipment for Nova Gorica Dog Rescue Association.
Preventive programme for recreational athletes, financing, Serbia	<ul style="list-style-type: none"> Improved awareness of recreational athletes about the risks of injury of basketball players.
Segment: Safety in sports activities	Impact
	<ul style="list-style-type: none"> Purchase of ski helmets for the students of the elementary school Videm pri Ptuj. Purchase of protective pads for the Kope Ski Resort.

In the framework of the New Year's prevention campaign "For a Better Tomorrow", Zavarovalnica Triglav supported another 30 prevention projects in local communities. Funds were provided to fire-fighters, health care, municipalities and local communities to improve traffic safety, safety in the mountains and ski resorts and to purchase rescue dog equipment. More than 130 prevention projects were supported over five years.



In 2018, support was provided for the installation of 12 light signalling systems for preventing collisions on unprotected railway level crossings.

Corporate volunteering of Zavarovalnica Triglav's employees

Initiative	Employee volunteering
Cleaning of the Triglav glacier	<ul style="list-style-type: none"> Participation of employees in cleaning the remaining glacier and the surroundings of the Kredarica mountain hut.
Cooperation with the Sports Federation for the Disabled of Slovenia – the Paralympic Committee	<ul style="list-style-type: none"> Participation in the organisation of the Paralympic Winter Sports Days in elementary schools across Slovenia.
Ana's Star and Trbovlje Association of Friends of Youth	<ul style="list-style-type: none"> Collection of food for socially disadvantaged people.

Our colleagues during the cleaning of the Triglav glacier.

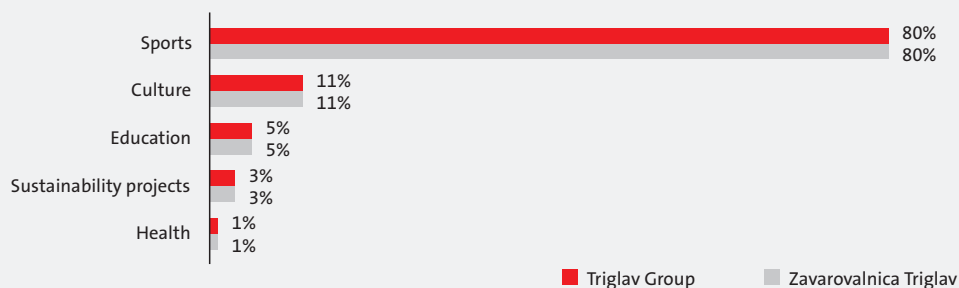


12.6.2 Sponsorships and donations⁹³

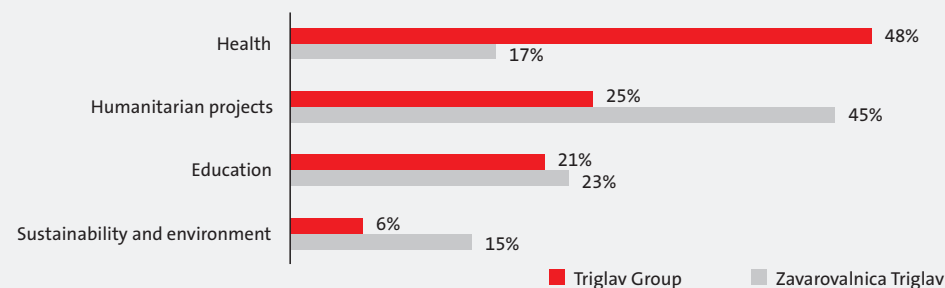
This section describes the causes supported by sponsorships and donations of Zavarovalnica Triglav and the key projects of the Group, while their value is presented in [→ *Section 12.3 Economic aspects*].

As many as 1,595 applications for partnerships in the form of sponsorships and donations were collected through the website www.triglav.eu, of which 41% were approved. Attention was paid that the selection and effectiveness of sponsorships comply with the Company's values and brand identity.

Sponsorships of the Triglav Group and Zavarovalnica Triglav in 2018 by content



Donations of the Triglav Group and Zavarovalnica Triglav in 2018 by content



Major sponsorships and donations

Sports sponsorships and the development of young athletes as well as raising awareness about the importance of a healthy lifestyle are in the forefront. Zavarovalnica Triglav is recognised as a partner of **national sports associations** (alpine skiing, hockey, volleyball, handball and kayak) and as a partner of organisers of international sports events and numerous sports clubs in Slovenia.

Triglav Osiguranje, Belgrade is the general sponsor of the Basketball Federation of Serbia and the Serbian male national basketball team.



⁹³ GRI GS 103-1, GS 203-1

Some of the major sponsorships of the Triglav Group

Triglav Group company	Sports sponsorship
Zavarovalnica Triglav	<ul style="list-style-type: none"> General sponsor of the Paralympic Committee of Slovenia Partner of the Ski Association of Slovenia Golden partner of national teams in biathlon and Nordic skiing General sponsor of the final competition of the Ski Flying World Cup in Planica Over 3,300 school children, large families and people with special needs were given the opportunity to see the competition live Over the past 30 years, more than 90,000 sports fans were taken to see the final in Planica The Company provided over 1,800 children with the opportunity to watch the Biathlon World Cup in Pokljuka Sponsor of the Ski Jumping World Cup Ladies in Ljubno ob Savinji Golden partner of the Football Association of Slovenia Continued traditional partnerships with the basketball clubs Petrol Olimpija, Krka – Telekom Novo mesto, Domžale and Basketball Club Radenska, Creativ Sobota and the handball clubs Celje Pivovarna Laško and Ajdovščina (women). In addition, Zavarovalnica Triglav supported many other sports clubs in local communities, including cycling clubs and societies (Rog, Kranj, Rajd) and the cycling event Marathon Franja. Sponsor of top athletes Peter, Domen and Cene Prevc, Jakov Fak, Vesna Fabjan, Rok Marguč, Klemen Bauer, Špela Rogelj, Žan Košir, Timotej Lampe Ignjič, Ana Marija Lampič, Janez Lampič, Nika Križnar, Vid Vrhovnik, Janja Garnbret and Domen Škofic Partner of the climbing event The Rock Ljubljana Main sponsor of the Triglav triathlon competition in Bled Sponsor of the Four Municipalities Mountain Run Supporter of the project HUDOdobra TELOvadnica (FIT-for-purpose BODY-building) implemented by the Faculty of Sports at elementary and secondary schools and focusing on the refurbishment of school gymnasias and improving the health of school children
Lovčen Osiguranje, Podgorica	<ul style="list-style-type: none"> Budučnost Basketball Club Budučnost Female Handball Club Montenegro Olympic Committee Water Polo and Swimming Federation of Montenegro Adriatic Water Polo League Sponsor
Triglav Osiguranje, Zagreb	<ul style="list-style-type: none"> Croatia Open Umag Croatian Academic Water Polo Club Mladost Adriatic Water Polo League Sponsor
Triglav Osiguruvanje, Skopje	<ul style="list-style-type: none"> Vardar Handball Club Stefanovski Auto Racing Club Alkaloid Chess Club MZT Basketball Club
Triglav Osiguranje, Sarajevo	<ul style="list-style-type: none"> Female Play Off Basketball Club S. Ketch Street Basketball
Triglav Osiguranje, Belgrade	<ul style="list-style-type: none"> General sponsor of the Basketball Federation of Serbia and the Serbian male national basketball team Sponsor of Mega Vizura Basketball Club Sponsor of Radivoj Korać Basketball Cup in Niš Sponsor of the ski school Snow Stars Team on Kopaonik Crvena Zvezda Judo Club Adriatic Water Polo League Sponsor
Triglav Osiguranje, Banja Luka	<ul style="list-style-type: none"> Mladost Tennis Club Jahorina Ski and Mountaineering Association Sports and Recreation Association

Culture

Music from all over the world was brought closer to its fans through the traditional cooperation with the Cankarjev Dom Cultural and Congress Centre, the Ljubljana Festival, the Lent Festival and numerous other festivals and events. Zavarovalnica Triglav continued its cooperation with the Ljubljana Puppet Theatre, supported the events *Boršnikovo srečanje* and the *Bobri* festival, *Kino v plenica*, *Kinobalon*, *Kinodvorišče* and *Letni kino* on Kongresni trg organised by Kinodvor.

Other companies of the Triglav Group are also similarly engaged in culture. Triglav Osiguranje, Belgrade supported the International Chivalry Festival *Despot Stefan Lazarević* and the Eurovision song contest. Triglav Osiguruvanje, Skopje supported the Macedonian Philharmonic Orchestra, the Ohrid Year and the Comedy Days in Kumanovo. Triglav Osiguranje, Sarajevo, was a partner of the documentary film festival AJB DOC, Triglav Osiguranje, Zagreb supported the Archaeological Museum, while Lovčen Osiguranje, Podgorica was a partner of the traditional festival *Grad Teatar* in Budva and the international summer carneval in Tivat.

Education and training

Zavarovalnica Triglav is the loyal partner of the intergenerational centre **“To Triglav to Change the World”** (Na Triglav spreminjat svet) in Ljubljana. There, young people introduce the world of computers and other innovations to the elderly, while they share their language skills, playing of instruments and other skills with young people.

The Company again supported the **“Staying Safe on Social Networks”** project, which was upgraded by the organiser with an aim to educate children, adolescents and parents on the safe use of social networks. Triglav, Zdravstvena zavarovalnica supported the educational exhibition Body Worlds Vital. Lovčen Osiguranje provided funds for the support of the elementary schools Sutjeska and Vlado Milić and the secondary school of economics and hospitality, while Triglav Osiguranje, Sarajevo provided funds to the elementary schools Mehmedalija Mak Dizdar and Hrasno for the purchase of the necessary educational aids.

Humanitarian activity

In cooperation with Kinodvor Cinema and the Paediatric Clinic of the UMC Ljubljana, a film was screened for the children at the Paediatric Clinic, who were also entertained by the Watch Out Doggy mascot.

Moreover, support was provided to organisations providing assistance to persons with physical and mental disabilities, institutes and associations improving the quality of life of the elderly and children, research and health organisations, mountaineering clubs, and many other institutions and associations that improve the quality of life in local communities.

Other forms of humanitarian aid of the Triglav Group

Donation recipient	Purpose of aid
Evropa Donna, Zavarovalnica Triglav, Slovenia	Preparation of awareness-raising video content for breast cancer prevention and psychological help to cancer patients
Brežice General Hospital, Zavarovalnica Triglav, Slovenia	Funds to purchase a CT scanner
Ultrasound Association, Zavarovalnica Triglav, Slovenia	Support for the project "Slojenčki" for the refurbishment of the Ljubljana maternity hospital
Society for Dog Assisted Therapy <i>Tačke Pomagačke</i> (Helping Little Paws), Zavarovalnica Triglav, Slovenia	Promotion of reading literacy and communication skills of children with developmental disorders or after an accident
ZPM Ljubljana Moste Polje, Triglav Skladi, Slovenia	Support for the Godparenthood programme
Red Noses, Triglav, Zdravstvena zavarovalnica, Slovenia	Support for Red Noses
Malči Belič Youth Home, Triglav Svetovanje, Slovenia	Helping children to take part in extra-curricular activities
SY Down i mi, Triglav Osiguranje, Banja Luka, BiH	Assistance to children with Down syndrome
Centre for Children and Adolescents with Development Disabilities, Triglav Osiguranje, Belgrade, Serbia	Purchase of teaching and educational materials
SOS Children's Village, Triglav Osiguruvanje, Skopje, Macedonia	Assistance in the education of teachers and therapists for children with special needs
True Story, Lovćen Osiguranje, Podgorica, Montenegro	Support for breast cancer prevention
Association for Helping People with Developmental Issues, Triglav Osiguranje, Zagreb, Croatia	Assistance in carrying out activities and support in fund-raising

Donations

In 2018, the Institute handed over donations in the amount of EUR 1,500, particularly for social purposes.

Information on corporate social responsibility partnerships:

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

Business
Report

Risk
Management

Everything Will Be Alright Institute

The mission of "Everything Will Be Alright" Institute is to implement socially responsible activities with the help of employees and external partners with the aim of providing help and support to the weakest members of society and raising awareness about corporate social responsibility. Key projects in 2018 included:

Support to young talents

Talented young athletes, artists, scientists and para-athletes were supported through the *Mladi upi* (Young Hopes) project for the sixth consecutive year. The tender for 2018 will end in early 2019. In 2017, the tender attracted 79 applicants. The board of experts selected 13 finalists aged between 16 and 19 years. In cooperation with Pro Plus media company, EUR 51,000 was allocated to the development of talent and the achievement of goals; in five years, a total of EUR 261,00 was allocated to 62 Young Hope participants.

In order to provide long-term assistance and guidance to young talents in achieving top results, the Company organised a free lecture for all Young Hopes generations and all who are closely connected to their work. The theme of the alumni meeting in 2018 was "A Career After Career", focusing on the life of elite athletes after retirement.

Prevention activities of the Institute aimed at preventing loss events

The "Everything Will Be Alright Institute" is the partner of the "Alcohol-Free for 40 Days" campaign, in the context of which breathalyser tests were offered free of charge in Planica during the World Cup.

More than 62 Young Hope participants
were supported over five years.
On the photo are Young Hopes 2017.



Accounting
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Carbon footprint calculation⁹⁵

Systematic carbon footprint measurements are performed in all insurance subsidiaries of the Triglav Group (see the table below).

Carbon footprint results in tonnes of CO₂ equivalent by Triglav Group company

Insurance company	Carbon footprint		
	2018	2017	2016
Zavarovalnica Triglav*	7,649/4,583***	7,738/4,793***	5,117
Triglav Osiguranje, Zagreb**	477	602	709
Triglav Osiguranje, Belgrade**	774	743	668
Lovćen Osiguranje, Podgorica**	209	206	252
Triglav Osiguranje, Sarajevo**	155	151	165
Triglav Osiguruvanje, Skopje**	171	201	179
Triglav Osiguranje, Banja Luka**	100	72	71

* The Company headquarters, 12 regional units' head offices and the commercial building at Dunajska 22 are included in the calculation. Data for previous years did not include the commercial building on Dunajska 22, therefore they are not comparable. The data for Dunajska 22 apply to the whole building including all tenants.

** The headquarters are included in the calculation.

*** The data does not include the commercial building on Dunajska 22 so that it is comparable with 2016.

The bulk of greenhouse gas emissions is accounted for by emissions due to electricity consumption and heating, followed by work-related transport. The above calculation was performed using the methodology based on the Greenhouse Gas Protocol. The greenhouse gas calculation included direct emissions from heating with natural gas and fuel oil at regional units' head offices and the headquarters as well as the emissions due to the Company's vehicle fleet, which is exclusively used for work-related travel. Indirect emissions included electricity used for cooling, lighting, heating, the operation of electrical and electronic equipment, as well as district heating emissions. Apart from that, emissions due to the use of paper and emissions due to work-related travel using employees' own vehicles or public transport (train, bus, plane) were taken into account. Commuting to/from work was not considered in the calculation.

Electricity consumption remained at approximately the same level as in 2017 (taking into account the same captured data as the year before) in Zavarovalnica Triglav, whereas **carbon footprint** from heating decreased by slightly more than 6%.

Total emissions due to work-related travel (using the Company's vehicle fleet for exclusively work-related travel, public transport and employees' own vehicles) climbed by 8% and accounted for 455 tonnes of CO₂ equivalent. This increase resulted mainly from increased air travel. Due to the purchase of additional electric vehicles, with which 7% of all trips using company vehicles were made, the carbon footprint of cars was reduced.

The average daily consumption of office paper (A4 format) per employee in Zavarovalnica Triglav was 27.6, having increased by more than a paper sheet per employee per day, while in the Triglav Group the average consumption was 30.2 paper sheets per employee per day.

12.7 Environmental aspects⁹⁴

Protection of the environment in work processes

Zavarovalnica Triglav regularly raises employee awareness about the rational use of resources and waste management. To reduce waste plastic packaging from beverage vending machines, all employees of Zavarovalnica Triglav have their own cup and water bottle. Employees in Zavarovalnica Triglav can use 21 company bicycles, while two company bicycles are available in Triglav Osiguranje, Skopje. In Zavarovalnica Triglav, 2,191 trips were made with company bicycles in 2018.

Having purchased 9 additional vehicles in 2018, the Company currently has 16 electric vehicles. Most (12 of 13) new company vehicles in Zavarovalnica Triglav and Triglav Osiguranje, Zagreb (17 of 21) have low CO emissions, which is in compliance with the guidelines of the European Commission, setting the maximum CO₂ emission target of 95 g/km by 2020. The sustainable business criteria are part of the supplier selection process [→ see *Procurement practices under Section 12.3 Economic aspects*].

In order to reduce paper consumption, the Group companies implemented various measures: a rational use of colour printing, use of network printers and duplex printing, adoption of measures for paperless operations, promotion of electronic archiving of documents.

⁹⁴ GRI GS 103-1, 103-2, 103-3 | ⁹⁵ GRI GS 305-1, GS 305-2, GS 305-3, GS 103-1

Use of energy products⁹⁶

As part of the adaptation and renovation of business premises, Zavarovalnica Triglav continued with the energy-saving renovation of major buildings. The possibility of energy-saving renovation is examined in each building renovation so as to reduce heating and cooling energy consumption and electricity consumption. LED lighting is installed in all new business premises and on advertising signs with the logo.

In 2018, the renovation of the commercial building at Dunajska 22 in Ljubljana began. The renovation works, which include the replacement of windows, insulation and roof, will continue in 2019. An over 10% saving in energy consumption is expected as a result of renovation.

Use of energy products in Zavarovalnica Triglav in 2016–2018

Energy product type	Use of energy product by year			Index	
	2018	2017	2016	2018/2017	2017/2016
Warm water (MWh)	5,369	5,935	3,080	90	193
Fuel oil (l)	13,286	0	7,498	0	0
Gas (m ³)	105,015	92,936	145,048	113	64
Electricity (MWh)	8,602	8,593	5,475	100	157

* The Company headquarters, 12 regional units' head offices and the commercial building at Dunajska 22 are included in the calculation. The data for Dunajska 22 apply to the whole building including all tenants. Data for 2016 do not include the consumption for commercial building at Dunajska 22.

In the reporting period, 54,366 gigajoules (GJ) of electricity were used for heating, cooling, lighting and the operation of electrical and electronic equipment, assuming that 10 kWh of electricity are generated from one litre of fuel oil and 9.5 kWh from a m³ of natural gas. Zavarovalnica Triglav does not yet keep any special records of its energy consumption by energy source, but estimates its structure to be comparable to the structure of energy sources at the national level. According to the latest available data (from 2016), it is estimated that the largest energy source in Slovenia is fossil fuels (59.42%), followed by nuclear energy (39.29%), while renewable energy sources accounted for 1.29% of the total (latest available data from 2016).⁹⁷



Waste disposal policy⁹⁸

Full waste separation is carried out only in Slovenia, as in many other countries of the Group separate collection and disposal systems are not set up. Only waste paper is collected for charity purposes. At the Group level, over 14 tonnes of obsolete IT equipment was handed over to the authorised waste management services and more than 8 tonnes in Zavarovalnica Triglav.

The quantity of waste in Zavarovalnica Triglav in 2016–2018⁹⁹

Waste type	Zavarovalnica Triglav (in m ³)			Index	
	2018	2017	2016	2018/2017	2017/2016
Mixed waste	739	740	743	100	100
Packaging	400	841	492	48	171
Paper	382	580	442	66	131
Glass	3	3	0	100	0
Biological waste	11	38	0	29	0
Total	1,535	2,202	1,677	70	131

9th season of Slovenia-wide "Let's Clean the Mountains"¹⁰⁰

- Biodegradable rubbish bags were provided to more than 78 cottages and mountain stations.
- More than a tonne of waste was removed from the mountains and separately deposited in containers in the valley.
- Over 36,000 campaign ambassadors on social networks actively co-create the community of lovers of clean mountains and meet at group clean-ups, thereby promoting intergenerational cooperation.
- The glacier below Triglav was cleaned, removing 380 kilograms of rubbish.
- Support was provided to the development of the SarOS programme, which helps mountain rescuers quickly locate the injured person and thus reduce the time before professional medical care is provided.
- Within the Best Mountain Trail contest, the Company selects and rewards a mountaineering society responsible for that trail. Mountaineering societies received financial aid to repair the damage to hiking trails caused by windfall, sleet and other natural phenomena.
- Over the course of three seasons, 67 suggestions for family hikes have been published on the interactive website www.ocistimogore.si.

12.8 Key corporate social responsibility guidelines in 2019

Guideline	Activities planned
Transparent governance of the organisation	<ul style="list-style-type: none"> Quality information of the financial public on the operations, financial position and plans of the Group Proactive cooperation with analysts, institutional investors and shareholders
Fair business practices	<ul style="list-style-type: none"> Declaration on Fair Business Proactive internal communication and employee training in compliance and corporate ethics Participation in compliance and fair business external working groups and transfer of best practices Further development of the culture of ethical business practice of the Group subsidiaries An example of best practice in insurance fraud investigation and prevention in the Triglav Group Encouraging employees to identify insurance fraud cases and participating in the relevant training
Responsible recruitment and work practices	<ul style="list-style-type: none"> Improvement of selection procedures Effective onboarding of new hires into the work and culture Unification of activities in relation to employee development in the Group Employee mobility Staff competency development Transformation of the organisational culture Employee training Maintaining a healthy and safe environment for the employees Active management of psychosocial risks among employees Intergenerational cooperation – coexistence of generations: activities and training
Respect for human rights	<ul style="list-style-type: none"> Protection of employees' dignity with zero tolerance to discrimination, harassment or mobbing at the workplace
Responsibility to clients and suppliers	<ul style="list-style-type: none"> To prepare a wide range of quality content, focusing on raising insurance and financial literacy and providing useful tips Services accessible to people with disabilities
Engagement in the community and its development	<ul style="list-style-type: none"> Traffic safety prevention programmes Employee volunteering The Triglav Generations in Planica Triglav Run Children of Triglav Preventive action
Reduction of environmental impact	<ul style="list-style-type: none"> Waste management Let's Clean the Mountains and Hills Reduction of greenhouse gas emissions



Triglav Run 2018



For the fourth consecutive year, Triglav Skladi supported the Financial Literacy for Young People project organised by Moje finance magazine.

13. Information on the Triglav Group as at 31 December 2018

Insurance

Zavarovalnica Triglav d.d.

Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 72 00
Fax:	++ 386 (1) 432 63 02
E-mail address:	info@triglav.si
Website:	www.triglav.si, www.triglav.eu

Pozavarovalnica Triglav Re d.d.

Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 474 79 00
Fax:	++ 386 (1) 433 14 19
E-mail address:	mail@triglavre.si
Website:	www.triglavre.si
Activity:	Reinsurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 4,950,000/EUR 4,950,000

Triglav, Zdravstvena zavarovalnica d.d.

Address:	Pristaniška ulica 10, 6000 Koper, Slovenia
Phone:	++ 386 (5) 662 20 00, 080 26 64
Fax:	++ 386 (5) 662 20 02
E-mail address:	info@triglavzdravje.si
Website:	www.triglavzdravje.si
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 25,822,144/EUR 25,822,144

Skupna pokojninska družba d.d.

Address:	Dunajska cesta 22, 1000, Ljubljana, Slovenia
Phone:	++ 386 (1) 47 00 840, 080 80 87
Fax:	++ 386 (1) 47 00 853
E-mail address:	info@skupna.si
Website:	www.skupna.si
Activity:	Pension funds
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 6,750,764/EUR 6,750,764

Business
Report**Triglav Osiguranje d.d., Zagreb**

Address:	Antuna Heinza 4, 10000 Zagreb, Croatia
Phone:	++ 385 (1) 563 27 77
Fax:	++ 385 (1) 563 27 99
E-mail address:	centrala@triglav-osiguranje.hr
Website:	www.triglav.hr
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /EUR 28,073,249

Risk
ManagementAccounting
Report**Lovćen Osiguranje a.d., Podgorica**

Address:	Ulica Slobode 13a, 81000 Podgorica, Montenegro
Phone:	++ 382 (20) 404 400, 404 410
Fax:	++ 382 (20) 665 281
E-mail address:	info@lo.co.me
Website:	www.lo.co.me
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /96.59%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /96.59%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /EUR 10,103,242

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Lovćen životna osiguranja a.d., Podgorica

Address:	Ulica Marka Miljanova 29, 81000 Podgorica, Montenegro
Phone:	++ 382 (20) 231 882
Fax:	++ 382 (20) 231 881
E-mail address:	info@lovcentivot.me
Website:	www.lovcentivot.me
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /96.59%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /96.59%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /EUR 2,511,340

Business
Report**Triglav Osiguranje d.d., Sarajevo**

Address:	Dolina 8, 71000 Sarajevo, Bosnia and Herzegovina
Phone:	++ 387 (33) 252 110
Fax:	++ 387 (33) 252 179
E-mail address:	info@triglav.ba
Website:	www.triglav.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /97.78%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /98.87%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /EUR 10,620,215

Risk
ManagementAccounting
Report**Triglav Osiguranje a.d., Banja Luka**

Address:	Ulica Prvog krajiškog korpusa broj 29, 78000 Banja Luka, Bosnia and Herzegovina
Phone:	++ 387 (51) 215 262
Fax:	++ 387 (51) 215 262
E-mail address:	info@triglavrs.ba
Website:	www.triglavrs.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /EUR 2,845,566

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Triglav Osiguranje a.d.o., Belgrade

Address:	Milutina Milankovića 7a, 11070 Novi Beograd, Serbia
Phone:	++ 381 (11) 330 51 00
Fax:	++ 381 (11) 312 24 20
E-mail address:	office@triglav.rs
Website:	www.triglav.rs
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /99.88%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /99.88%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /EUR 14,539,234

Business
Report**Triglav Osiguruvanje a.d., Skopje**

Address:	Bulevar 8-mi Septemvri br. 16, 1000 Skopje, North Macedonia
Phone:	++ 389 (2) 510 22 22
Fax:	++ 389 (2) 510 22 97
E-mail address:	info@triglav.mk, pr@triglav.mk, osig@triglav.mk
Website:	www.triglav.mk
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /80.35%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /80.35%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /EUR 2,417,269

Risk
ManagementAccounting
Report**Triglav Osiguruvanje Život a.d., Skopje**

Address:	Bulevar 8-mi Septemvri br. 16, 1000 Skopje, North Macedonia
Phone:	++ 389 (2) 510 22 01
Fax:	++ 389 (2) 510 22 97
E-mail address:	info@triglavzivot.mk
Website:	www.triglavzivot.mk
Activity:	Insurance
Equity stake of Zavarovalnica Triglav/the Triglav Group:	- /96.07%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	- /96.07%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	- /EUR 4,805,981

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Asset management

Triglav Skladi d.o.o.

Address:	Slovenska cesta 54, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 300 73 00
Fax:	++ 386 (1) 300 73 50
E-mail address:	info@triglavskladi.si
Website:	www.triglavskladi.si
Activity:	Management of mutual funds
Equity stake of Zavarovalnica Triglav/the Triglav Group:	67.50%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 563,345/EUR 834,585

Business
Report

Triglav, Upravljanje nepremičnin d.d.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 47 44 440
Fax:	++ 386 (1) 23 17 785
E-mail address:	info@triglav-upravljanje.si
Website:	www.triglav-upravljanje.si
Activity:	Asset management
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 3,160,113/EUR 3,160,113

Risk
ManagementAccounting
Report

Trigal, upravljanje naložb in svetovalne storitve d.o.o.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 51 317 019
E-mail address:	mrunjak@trigal.com
Website:	www.trigal.com
Activity:	Management of financial funds
Equity stake of Zavarovalnica Triglav/the Triglav Group:	49.90%/49.90%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	49.90%/49.90%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 7,331,308/EUR 7,331,308

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Other

Triglav INT, holdinška družba, d.d.

Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 430 95 34
E-mail address:	triglavint@triglav-int.si
Website:	www.triglav-int.si
Activity:	Holding company
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 77,180,734/EUR 77,180,734

Business
Report

Triglav svetovanje, zavarovalno zastopanje d.o.o.

Address:	Ljubljanska cesta 86, 1230 Domžale, Slovenia
Phone:	++ 386 (1) 724 66 50
E-mail address:	info@triglav-svetovanje.si
Website:	www.triglav-svetovanje.si
Activity:	Insurance brokerage
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 8,763/EUR 8,763

Risk
ManagementAccounting
Report

Triglav Savetovanje, društvo za zastupanje u aktivnosti osiguranju d.o.o., Belgrade

Address:	Zelengorska 1g, 11070, Belgrade, Serbia
Phone:	++ 381 (1) 165 58 493
E-mail address:	office@triglav-savetovanje.rs
Website:	www.triglav-savetovanje.rs
Activity:	Insurance brokerage
Equity stake of Zavarovalnica Triglav/the Triglav Group:	-/99.94%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	-/99.94%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	-/EUR 42,025

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Društvo sa ograničenom odgovornošću za zastupanje u osiguranju, Triglav Savjetovanje d.o.o., Sarajevo

Address:	Topal Osman Paše br. 30, 71000 Sarajevo, Bosnia and Herzegovina
Phone:	++ 387 (3) 361 81 06
Fax:	++ 387 (3) 361 82 95
E-mail address:	info@triglav-savjetovanje.ba
Website:	www.triglav-savjetovanje.ba
Activity:	Insurance brokerage
Equity stake of Zavarovalnica Triglav/the Triglav Group:	-/98.91%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	-/98.91%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	-/ EUR 151,716

Business
Report**TRI-LIFE, zastupanje u osiguranju d.o.o., Zagreb**

Address:	Sarajevska cesta 60, 10000 Zagreb, Croatia
Phone:	++ 385 (1) 344 41 22
E-mail address:	info@tri-life.hr
Website:	www.tri-life.hr
Activity:	Insurance brokerage
Equity stake of Zavarovalnica Triglav/the Triglav Group:	-/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	-/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	-/EUR 284,233

Risk
ManagementAccounting
Report**Triglav Avtoservis d.o.o.**

Address:	Verovškova 60b, 1000 Ljubljana, Slovenia
Phone:	++ 386 (1) 580 68 80
Fax:	++ 386 (1) 580 68 75
E-mail address:	info@triglav-avtoservis.si
Website:	www.triglav-avtoservis.si
Activity:	Maintenance and repair of motor vehicle
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Nominal value of equity stake held by Zavarovalnica Triglav/the Triglav Group:	EUR 43,663/EUR 43,663

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Vse bo v redu, zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti

Address:	Miklošičeva cesta 19, 1000, Ljubljana, Slovenia
E-mail address:	vsebovredu@triglav.si
Website:	www.vsebovredu.si
Activity:	Humanitarian and charity activities
Equity stake of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Share of voting rights of Zavarovalnica Triglav/the Triglav Group:	100.00%/100.00%
Initial contribution of Zavarovalnica Triglav/the Triglav Group:	EUR 100,000/EUR 100,000

14. Business Network of the Triglav Group

Focus on clients and new ways of doing business is reflected in the business network of the Triglav Group, which is being developed based on an effective combination of traditional sales channels with modern ones.

The Group's well developed business network is supported by strategic partnerships, vendors and contracted points of sale and further enhanced by on-line and assistance services. Insurance agents, sales clerks and own points of sale compose the Group's own insurance sales network. In 2018 in Slovenia, the Company cooperated with 457 contractual partners registered as insurance agents, consisting of over 130 exclusive and non-exclusive insurance agencies. Moreover, the Group has quality contractual relationships with roadworthiness test providers, car dealers, leasing companies, banks and travel agencies. In foreign markets, the Triglav Group has agency agreements with more than 850 agencies, the majority of partnership agreements being in Serbia mostly with roadworthiness test providers.

In order to maintain the efficiency of claim settlement, the Group again increased the number of contracted providers and relied on an omni-channelling approach. Clients have access to the insurance services via the call centre, where they receive the necessary information; furthermore, clients may take out insurance, report a claim and request assistance services via the telephone.

The range of Triglav's products and services is getting wider and the number of users is steadily increasing.

14.1 Insurance

- **Zavarovalnica Triglav d.d., Ljubljana, Headquarters – registered office**

Regional units:

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

- **Pozavarovalnica Triglav Re d.d., Ljubljana – registered office**
- **Triglav, Zdravstvena zavarovalnica d.d., Koper – registered office**
The insurance company has agencies set up in all 12 regional units of Zavarovalnica Triglav and a health information office at the headquarters.
- **Skupna pokojninska družba d.d., Ljubljana – registered office**
- **Triglav Osiguranje d.d., Zagreb – registered office**

Branch offices:

- | | |
|--------------|---------|
| ■ Zagreb | ■ Reka |
| ■ Čakovec | ■ Pulj |
| ■ Varaždin | ■ Split |
| ■ Koprivnica | ■ Zadar |
| ■ Osijek | |

- **Lovćen Osiguranje a.d., Podgorica – registered office**

Branch offices:

- | | |
|-------------|----------------|
| ■ Podgorica | ■ Bijelo Polje |
| ■ Nikšić | ■ Kotor |
| ■ Berane | ■ Bar |
| ■ Pljevlja | ■ Budva |

Offices and agencies:

- | | |
|---------------|---------------|
| ■ Andrijevica | ■ Rožaje |
| ■ Ulcinj | ■ Mojkovac |
| ■ Danilovgrad | ■ Tivat |
| ■ Kolašin | ■ Herceg Novi |
| ■ Tuzi | ■ Cetinje |
| ■ Žabljak | ■ Šavnik |
| ■ Plav | ■ Plužine |

- **Triglav Osiguranje d.d., Sarajevo – registered office**

Branch offices:

- | | |
|------------|------------------|
| ■ Sarajevo | ■ Brčko |
| ■ Bihać | ■ Banja Luka |
| ■ Tuzla | ■ Tomislavgrad |
| ■ Mostar | ■ Ljubuški |
| ■ Zenica | ■ Kiseljak |
| ■ Travnik | ■ Jelah – Tešanj |
| ■ Goražde | ■ Gračanica |

■ Triglav Osiguranje a.d.o., Banja Luka – registered office

Regional offices:

- | | |
|--------------|--------------------|
| ■ Banja Luka | ■ Gradiška |
| ■ Doboj | ■ Istočno Sarajevo |
| ■ Prijedor | ■ Bijeljina |

Offices and agencies:

- | | |
|-------------------|------------------|
| ■ Laktaši | ■ Kostajnica |
| ■ Mrkonjić Grad | ■ Prnjavor |
| ■ Teslić | ■ Istočna Ilidža |
| ■ Derventa | ■ Zvornik |
| ■ Modriča | ■ Vlasenica |
| ■ Brod | ■ Pale |
| ■ Novi Grad | ■ Omarska |
| ■ Kozarska Dubica | |

■ Triglav Osiguranje a.d.o., Belgrade – registered office

Branch offices:

- | | |
|------------|--------------|
| ■ Belgrade | ■ Kragujevac |
| ■ Novi Sad | ■ Čačak |
| ■ Kruševac | ■ Jagodina |
| ■ Niš | ■ Vranje |
| ■ Valjevo | ■ Vršac |
| ■ Kikinda | ■ Novi Pazar |
| ■ Subotica | ■ Užice |
| ■ Šabac | ■ Zrenjanin |

Offices and agencies:

- | | |
|--------------|--------------|
| ■ Belgrade 1 | ■ Prokuplje |
| ■ Bor | ■ Pančevo |
| ■ Bečej | ■ Bogatić |
| ■ Negotin | ■ Bela Crkva |
| ■ Leskovac | ■ Kraljevo |

■ Triglav Osiguruvanje a.d., Skopje – registered office

Branch offices:

- | | |
|------------|-------------|
| ■ Skopje | ■ Tetovo |
| ■ Bitola | ■ Kumanovo |
| ■ Ohrid | ■ Veles |
| ■ Gostivar | ■ Gevgelija |

- | | |
|-----------|-------------|
| ■ Prilep | ■ Štip |
| ■ Kičevo | ■ Kavadarci |
| ■ Radoviš | ■ Strumica |
| ■ Kočani | ■ Struga |

Agencies:

- | | |
|-----------------------|------------------------|
| ■ Kumanovo | ■ Valandovo |
| ■ Tetovo (2 agencies) | ■ Demir Hisar |
| ■ Negotino | ■ Zajas (Kičevo) |
| ■ Resen | ■ Oslomej |
| ■ Kočani | ■ Velešta |
| ■ Kruševo | ■ Vrapčište |
| ■ Berovo | ■ Skopje – Avtokomanda |
| ■ Delčevo | ■ Skopje – Cento |
| ■ Makedonska Kamenica | ■ Skopje – Aerodrom |
| ■ Vinica | ■ Plasnica |
| ■ Dolno Palčište | ■ Struga |
| ■ Dobri Dol | ■ Ohrid |
| ■ Debar | ■ Gostivar |
| ■ Rosoman | ■ Bogdanci |

14.2 Asset management

■ Triglav Skladi d.o.o., Ljubljana – registered office

■ Triglav, Upravljanje nepremičnin d.d., Ljubljana – registered office

■ Triglav, upravljanje naložb in svetovalne storitve d.o.o., Ljubljana – registered office

14.3 Other

■ Triglav INT, holdinška družba d.d., Ljubljana – registered office

■ Triglav Svetovanje, zavarovalno zastopanje d.o.o., Domžale – registered office

■ Triglav Avtoservis d.o.o., Ljubljana – registered office

15. Performance Indicators of Zavarovalnica Triglav

15.1 Growth of gross written premium (index)

		Gross written premium for the current year*100		Gross written premium for the preceding year			
					in EUR		
No.		Gross written premium			Index		
		2018	2017	2016	2018/2017	2017/2016	
1	2	3	4	5	6=3/4*100	7=4/5*100	
1	Accident insurance	26,173,583	27,032,366	28,798,922	97	94	
2	Health insurance	692,746	486,414	422,483	142	115	
3	Land motor vehicle insurance	118,662,444	106,632,935	97,783,724	111	109	
4	Railway insurance	3,041,772	3,142,650	3,000,826	97	105	
5	Aircraft insurance	611,302	970,750	1,039,498	63	93	
6	Marine insurance	333,969	345,918	398,352	97	87	
7	Good in transit insurance	4,952,630	5,324,046	5,066,567	93	105	
8	Fire and natural disaster insurance	55,459,450	54,761,073	55,304,473	101	99	
9	Other damage to property insurance	102,508,202	84,122,714	71,229,040	122	118	
10	Motor TPL insurance	92,416,996	87,528,335	87,328,336	106	100	
11	Aircraft liability insurance	988,282	994,150	810,377	99	123	
12	Marine liability insurance	453,104	335,514	343,659	135	98	
13	General liability insurance	37,671,613	35,174,509	33,196,250	107	106	
14	Credit insurance	25,456,965	26,094,676	24,622,038	98	106	
15	Suretyship insurance	1,842,317	1,601,544	1,453,625	115	110	
16	Miscellaneous financial loss insurance	2,816,203	2,821,601	2,653,327	100	106	
17	Legal expenses insurance	443,097	393,897	568,538	112	69	
18	Travel assistance insurance	11,571,786	10,732,548	8,840,017	108	121	
19	Total non-life insurance (No. 1-18)	486,096,463	448,495,641	422,860,052	108	106	
20	Life insurance	81,164,340	82,276,487	83,319,257	99	99	
21	Wedding insurance or birth insurance				-	-	
22	Unit-linked life insurance	76,201,048	73,128,814	71,908,586	104	102	
23	Tontine				-	-	
24	Capital redemption insurance	16,748,583	18,070,394	15,041,116	93	120	
25	Income protection insurance due to accident or illness				-	-	
26	Total life insurance (No. 20-25)	174,113,971	173,475,695	170,268,959	100	102	
27	Total (No. 19+26)	660,210,433	621,971,336	593,129,011	106	105	

15.2 Net written premium as % of gross written insurance premium

		Net written premium*100		Gross written premium			
						in EUR	
No.		Net written premium		Gross written premium		Net written premium as % of gross written insurance premium	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	25,314,374	25,918,422	26,173,583	27,032,366	97	96
2	Health insurance	428,000	203,661	692,746	486,414	62	42
3	Land motor vehicle insurance	109,238,897	97,684,954	118,662,444	106,632,935	92	92
4	Railway insurance	2,344,637	2,488,736	3,041,772	3,142,650	77	79
5	Aircraft insurance	190,540	127,862	611,302	970,750	31	13
6	Marine insurance	266,847	288,683	333,969	345,918	80	83
7	Good in transit insurance	2,559,751	2,712,171	4,952,630	5,324,046	52	51
8	Fire and natural disaster insurance	34,410,580	32,659,339	55,459,450	54,761,073	62	60
9	Other damage to property insurance	62,140,310	52,648,984	102,508,202	84,122,714	61	63
10	Motor TPL insurance	85,870,747	81,019,038	92,416,996	87,528,335	93	93
11	Aircraft liability insurance	94,134	13,842	988,282	994,150	10	1
12	Marine liability insurance	349,217	296,721	453,104	335,514	77	88
13	General liability insurance	26,417,695	24,237,533	37,671,613	35,174,509	70	69
14	Credit insurance	21,564,742	22,479,121	25,456,965	26,094,676	85	86
15	Suretyship insurance	1,396,282	1,218,926	1,842,317	1,601,544	76	76
16	Miscellaneous financial loss insurance	1,236,135	1,056,502	2,816,203	2,821,601	44	37
17	Legal expenses insurance	414,089	360,423	443,097	393,897	93	92
18	Travel assistance insurance	11,000,093	10,149,444	11,571,786	10,732,548	95	95
19	Total non-life insurance (No. 1-18)	385,237,072	355,564,362	486,096,463	448,495,641	79	79
20	Life insurance	80,726,621	81,685,185	81,164,340	82,276,487	99	99
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	76,201,048	73,128,814	76,201,048	73,128,814	100	100
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	16,748,583	18,070,394	16,748,583	18,070,394	100	100
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	173,676,252	172,884,393	174,113,971	173,475,695	100	100
27	Total (No. 19+26)	558,913,324	528,448,755	660,210,433	621,971,336	85	85

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15.3 Movements in gross claims paid (index)

		Gross claims paid for the current year*100		Gross claims paid for the preceding year			
						in EUR	
No.		Gross claims paid			Index		
		2018	2017	2016	2018/2017	2017/2016	
1	2	3	4	5	6=3/4*100	7=4/5*100	
1	Accident insurance	12,350,357	11,545,124	11,585,762	107	100	
2	Health insurance	134,892	14,210	957	949	1,485	
3	Land motor vehicle insurance	76,808,657	71,726,550	70,064,777	107	102	
4	Railway insurance	2,521,898	1,441,997	2,160,493	175	67	
5	Aircraft insurance	15,168	87,147	350,560	17	25	
6	Marine insurance	508,970	650,614	471,774	78	138	
7	Good in transit insurance	1,082,274	1,188,764	1,694,830	91	70	
8	Fire and natural disaster insurance	26,508,728	21,581,327	16,604,156	123	130	
9	Other damage to property insurance	49,201,547	42,710,558	37,756,202	115	113	
10	Motor TPL insurance	59,008,202	53,963,444	49,842,845	109	108	
11	Aircraft liability insurance	16,674	24,782	187,559	67	13	
12	Marine liability insurance	29,627	46,469	13,832	64	336	
13	General liability insurance	15,388,188	11,853,905	11,251,169	130	105	
14	Credit insurance	9,692,982	7,989,944	9,786,147	121	82	
15	Suretyship insurance	206,704	66,264	516,671	312	13	
16	Miscellaneous financial loss insurance	4,161,301	823,140	1,316,571	506	63	
17	Legal expenses insurance	12,734	-245	3,422	-	-	
18	Travel assistance insurance	9,600,577	8,538,092	7,954,543	112	107	
19	Total non-life insurance (No. 1-18)	267,249,479	234,252,085	221,562,268	114	106	
20	Life insurance	80,774,735	81,846,116	85,822,855	99	95	
21	Wedding insurance or birth insurance	-	-	-	-	-	
22	Unit-linked life insurance	59,839,416	81,504,295	67,535,885	73	121	
23	Tontine	-	-	-	-	-	
24	Capital redemption insurance	5,753,105	5,236,135	7,933,879	110	66	
25	Income protection insurance due to accident or illness	-	-	-	-	-	
26	Total life insurance (No. 20-25)	146,367,257	168,586,546	161,292,619	87	105	
27	Total (No. 19+26)	413,616,736	402,838,631	382,854,887	103	105	

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15.4 Loss ratio

		Gross claims paid*100		Gross written premium			
						in EUR	
No.		Gross claims paid		Gross written premium		Loss ratio (%)	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	12,350,357	11,545,124	26,173,583	27,032,366	47	43
2	Health insurance	134,892	14,210	692,746	486,414	19	3
3	Land motor vehicle insurance	76,808,657	71,726,550	118,662,444	106,632,935	65	67
4	Railway insurance	2,521,898	1,441,997	3,041,772	3,142,650	83	46
5	Aircraft insurance	15,168	87,147	611,302	970,750	2	9
6	Marine insurance	508,970	650,614	333,969	345,918	152	188
7	Good in transit insurance	1,082,274	1,188,764	4,952,630	5,324,046	22	22
8	Fire and natural disaster insurance	26,508,728	21,581,327	55,459,450	54,761,073	48	39
9	Other damage to property insurance	49,201,547	42,710,558	102,508,202	84,122,714	48	51
10	Motor TPL insurance	59,008,202	53,963,444	92,416,996	87,528,335	64	62
11	Aircraft liability insurance	16,674	24,782	988,282	994,150	2	2
12	Marine liability insurance	29,627	46,469	453,104	335,514	7	14
13	General liability insurance	15,388,188	11,853,905	37,671,613	35,174,509	41	34
14	Credit insurance	9,692,982	7,989,944	25,456,965	26,094,676	38	31
15	Suretyship insurance	206,704	66,264	1,842,317	1,601,544	11	4
16	Miscellaneous financial loss insurance	4,161,301	823,140	2,816,203	2,821,601	148	29
17	Legal expenses insurance	12,734	-245	443,097	393,897	3	-
18	Travel assistance insurance	9,600,577	8,538,092	11,571,786	10,732,548	83	80
19	Total non-life insurance (No. 1-18)	267,249,479	234,252,085	486,096,463	448,495,641	55	52
20	Life insurance	80,774,735	81,846,116	81,164,340	82,276,487	100	99
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	59,839,416	81,504,295	76,201,048	73,128,814	79	111
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	5,753,105	5,236,135	16,748,583	18,070,394	34	29
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	146,367,257	168,586,546	174,113,971	173,475,695	84	97
27	Total (No. 19+26)	413,616,736	402,838,631	660,210,433	621,971,336	63	65

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15.5 Operating expenses as % of gross written premium

		Operating expenses*100		Gross written premium			
						in EUR	
No.		Operating expenses		Gross written premium		Operating expenses as % of gross written premium	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	9,458,145	9,972,603	26,173,583	27,032,366	36	37
2	Health insurance	150,379	155,029	692,746	486,414	22	32
3	Land motor vehicle insurance	29,696,078	27,313,680	118,662,444	106,632,935	25	26
4	Railway insurance	392,363	378,264	3,041,772	3,142,650	13	12
5	Aircraft insurance	154,051	171,838	611,302	970,750	25	18
6	Marine insurance	196,655	180,417	333,969	345,918	59	52
7	Good in transit insurance	1,402,480	1,333,542	4,952,630	5,324,046	28	25
8	Fire and natural disaster insurance	17,885,085	18,087,999	55,459,450	54,761,073	32	33
9	Other damage to property insurance	27,971,925	25,403,154	102,508,202	84,122,714	27	30
10	Motor TPL insurance	26,260,970	25,623,209	92,416,996	87,528,335	28	29
11	Aircraft liability insurance	194,248	176,445	988,282	994,150	20	18
12	Marine liability insurance	205,577	185,841	453,104	335,514	45	55
13	General liability insurance	11,085,981	10,581,942	37,671,613	35,174,509	29	30
14	Credit insurance	6,119,796	6,210,725	25,456,965	26,094,676	24	24
15	Suretyship insurance	560,762	528,597	1,842,317	1,601,544	30	33
16	Miscellaneous financial loss insurance	825,989	771,033	2,816,203	2,821,601	29	27
17	Legal expenses insurance	265,058	270,602	443,097	393,897	60	69
18	Travel assistance insurance	7,222,355	7,261,977	11,571,786	10,732,548	62	68
19	Total non-life insurance (No. 1-18)	140,047,898	134,606,896	486,096,463	448,495,641	29	30
20	Life insurance	16,452,677	16,386,252	81,164,340	82,276,487	20	20
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	15,913,563	14,809,608	76,201,048	73,128,814	21	20
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	2,008,712	1,942,001	16,748,583	18,070,394	12	11
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	34,374,952	33,137,861	174,113,971	173,475,695	20	19
27	Total (No. 19+26)	174,422,850	167,744,757	660,210,433	621,971,336	26	27

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15.6 Acquisition costs as % of gross written insurance premium

		Acquisition costs*100		Gross written premium			
						in EUR	
No.		Acquisition costs		Gross written premium		Acquisition costs as % of gross written insurance premium	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	1,421,275	1,808,877	26,173,583	27,032,366	5.4	6.7
2	Health insurance	10,310	5,801	692,746	486,414	1.5	1.2
3	Land motor vehicle insurance	3,696,663	2,674,337	118,662,444	106,632,935	3.1	2.5
4	Railway insurance	5,871	3,499	3,041,772	3,142,650	0.2	0.1
5	Aircraft insurance	6,793	8,894	611,302	970,750	1.1	0.9
6	Marine insurance	6,922	5,439	333,969	345,918	2.1	1.6
7	Good in transit insurance	334,589	286,721	4,952,630	5,324,046	6.8	5.4
8	Fire and natural disaster insurance	1,825,468	1,752,532	55,459,450	54,761,073	3.3	3.2
9	Other damage to property insurance	3,357,715	2,643,036	102,508,202	84,122,714	3.3	3.1
10	Motor TPL insurance	4,472,255	3,402,021	92,416,996	87,528,335	4.8	3.9
11	Aircraft liability insurance	5,141	9,353	988,282	994,150	0.5	0.9
12	Marine liability insurance	6,794	7,594	453,104	335,514	1.5	2.3
13	General liability insurance	1,845,263	1,693,504	37,671,613	35,174,509	4.9	4.8
14	Credit insurance	1,118,288	1,157,736	25,456,965	26,094,676	4.4	4.4
15	Suretyship insurance	13,251	2,256	1,842,317	1,601,544	0.7	0.1
16	Miscellaneous financial loss insurance	177,210	131,541	2,816,203	2,821,601	6.3	4.7
17	Legal expenses insurance	25,155	18,441	443,097	393,897	5.7	4.7
18	Travel assistance insurance	400,079	401,586	11,571,786	10,732,548	3.5	3.7
19	Total non-life insurance (No. 1-18)	18,729,043	16,013,168	486,096,463	448,495,641	3.9	3.6
20	Life insurance	2,814,767	3,370,879	81,164,340	82,276,487	3.5	4.1
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	5,539,248	4,865,449	76,201,048	73,128,814	7.3	6.7
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	91,927	73,210	16,748,583	18,070,394	0.5	0.4
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	8,445,942	8,309,539	174,113,971	173,475,695	4.9	4.8
27	Total (No. 19+26)	27,174,986	24,322,707	660,210,433	621,971,336	4.1	3.9

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15.7 Net loss ratio

		(Net settled claims + Change in claims provisions)*100		Net premium income			
						in EUR	
No.		Net settled claims + Change in claims provisions		Net premium income		Net loss ratio (%)	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	13,930,195	10,438,660	25,635,949	26,602,838	54	39
2	Health insurance	135,950	39,112	347,257	255,140	39	15
3	Land motor vehicle insurance	70,450,454	66,040,962	105,662,062	94,479,436	67	70
4	Railway insurance	1,243,699	1,748,823	2,428,797	2,480,399	51	71
5	Aircraft insurance	-57,921	-11,273	171,949	129,649	-	-
6	Marine insurance	376,949	546,461	267,568	276,479	141	198
7	Good in transit insurance	449,645	591,048	2,572,334	2,709,399	17	22
8	Fire and natural disaster insurance	14,200,769	21,585,635	34,055,627	32,708,139	42	66
9	Other damage to property insurance	34,968,473	32,594,656	60,522,086	50,567,149	58	64
10	Motor TPL insurance	41,989,259	38,070,663	84,435,182	80,928,536	50	47
11	Aircraft liability insurance	51,356	152,918	93,446	39,580	55	386
12	Marine liability insurance	-48,038	92,042	332,366	297,772	-	31
13	General liability insurance	2,421,350	5,897,294	26,092,596	24,377,910	9	24
14	Credit insurance	761,596	389,356	22,155,420	21,097,579	3	2
15	Suretyship insurance	-13,210	-865,117	1,207,042	1,050,341	-	-
16	Miscellaneous financial loss insurance	1,776,583	791,267	1,198,840	1,050,492	148	75
17	Legal expenses insurance	65,307	-10,959	397,664	379,875	16	-
18	Travel assistance insurance	9,099,066	7,969,500	10,682,411	9,728,206	85	82
19	Total non-life insurance (No. 1-18)	191,801,484	186,061,048	378,258,596	349,158,917	51	53
20	Life insurance	81,397,084	82,170,825	110,099,124	110,822,794	74	74
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	59,839,416	81,504,295	46,834,564	44,005,246	128	185
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	5,753,105	5,236,135	16,748,583	18,070,394	34	29
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	146,989,606	168,911,255	173,682,272	172,898,435	85	98
27	Total (No. 19+26)	338,791,090	354,972,303	551,940,868	522,057,352	61	68

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15.8 Combined loss ratio

		$\frac{(\text{Net settled claims} + \text{Change in claims provisions} + \text{Net operating expenses}) \cdot 100}{\text{Net premium income}}$					
						in EUR	
No.		Net settled claims + Change in claims provisions + Net operating expenses		Net premium income		Combined loss ratio (%)	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	318,563,461	304,992,060	378,258,597	349,158,917	84	87

15.9 Expense ratio

		$\frac{\text{Operating expenses} \cdot 100}{\text{Net premium income}}$					
						in EUR	
No.		Operating expenses		Net premium income		Expense ratio (%)	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Life insurance	34,374,952	33,137,861	173,682,273	172,898,435	20	19

15.10 Utility ratio

		$\frac{(\text{Paid claims} + \text{Change in insurance technical provisions}) \cdot 100}{\text{Net written premium}}$					
						in EUR	
No.		Paid claims + Change in insurance technical provisions		Net written premium		Utility ratio (%)	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Life insurance	122,840,805	188,696,648	173,676,253	172,884,394	71	109

15.11 Investment return as % of average balance of investments

Investment return*100 (starting balance for the year + ending balance for the year)/2							
in EUR							
		Investment return		Average balance of in investments		Investment return as % of average balance of investments	
No.		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Asset backing liabilities	20,956,650	19,364,105	666,731,738	699,997,393	3.1	2.8
2	Guarantee fund backing traditional life insurance	22,197,287	26,229,116	773,085,242	761,392,976	2.9	3.4
3	Guarantee fund backing SVPI	-435,260	4,039,326	199,298,981	191,799,668	-0.2	2.1
4	Guarantee fund backing SVPI during the annuity payout period	1,274,131	1,184,858	43,277,219	37,173,883	2.9	3.2
5	Guarantee fund backing unit-linked insurance	-29,722,381	30,815,830	391,006,303	425,700,232	-7.6	7.2
6	Investments not financed from insurance technical provisions	8,247,785	10,358,309	329,884,266	304,483,884	2.5	3.4
7	Total	22,518,211	91,991,545	2,403,283,750	2,420,548,035	0.9	3.8

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15.12 Net claims provisions as % of net premium income

		Net claims provisions*100		Net premium income			
						in EUR	
No.		Net claims provisions		Net premium income		Net claims provisions as % of net premium income	
		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Accident insurance	28,811,601	26,849,256	25,635,949	26,602,838	112	101
2	Health insurance	39,483	33,223	347,257	255,140	11	13
3	Land motor vehicle insurance	18,301,740	17,601,201	105,662,062	94,479,436	17	19
4	Railway insurance	3,479,703	4,575,180	2,428,797	2,480,399	143	184
5	Aircraft insurance	80,465	144,616	171,949	129,649	47	112
6	Marine insurance	376,578	504,794	267,568	276,479	141	183
7	Good in transit insurance	1,126,387	1,302,720	2,572,334	2,709,399	44	48
8	Fire and natural disaster insurance	11,966,761	16,970,011	34,055,627	32,708,139	35	52
9	Other damage to property insurance	23,171,621	22,501,918	60,522,086	50,567,149	38	44
10	Motor TPL insurance	155,162,597	166,685,042	84,435,182	80,928,536	184	206
11	Aircraft liability insurance	280,891	230,448	93,446	39,580	301	582
12	Marine liability insurance	48,982	125,166	332,366	297,772	15	42
13	General liability insurance	109,341,224	119,188,566	26,092,596	24,377,910	419	489
14	Credit insurance	2,750,968	3,006,584	22,155,420	21,097,579	12	14
15	Suretyship insurance	58,416	75,368	1,207,042	1,050,341	5	7
16	Miscellaneous financial loss insurance	1,945,392	1,195,744	1,198,840	1,050,492	162	114
17	Legal expenses insurance	117,801	64,591	397,664	379,875	30	17
18	Travel assistance insurance	2,007,583	2,014,010	10,682,411	9,728,206	19	21
19	Total non-life insurance (No. 1-18)	359,068,194	383,068,438	378,258,596	349,158,917	95	110
20	Life insurance	19,133,482	18,408,603	110,099,124	110,822,794	17	17
21	Wedding insurance or birth insurance	-	-	-	-	-	-
22	Unit-linked life insurance	0	0	46,834,564	44,005,246	-	-
23	Tontine	-	-	-	-	-	-
24	Capital redemption insurance	0	0	16,748,583	18,070,394	-	-
25	Income protection insurance due to accident or illness	-	-	-	-	-	-
26	Total life insurance (No. 20-25)	19,133,482	18,408,603	173,682,272	172,898,435	11	11
27	Total (No. 19+26)	378,201,676	401,477,041	551,940,868	522,057,352	69	77

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

		Gross profit/loss*100		Net written premium			
						in EUR	
		Gross profit/loss		Net written premium		Gross profit/loss for the year as % of net written premium	
No.		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	69,592,565	58,942,749	385,237,071	355,564,361	18.1	16.6
2	Life insurance	8,864,689	14,879,560	173,676,253	172,884,394	5.1	8.6
3	Total	78,457,254	73,822,309	558,913,324	528,448,755	14.0	14.0

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

		Gross profit/loss*100		(equity starting balance for the year + equity ending balance for the year)/2			
						in EUR	
		Gross profit/loss		Average balance of equity		Gross profit/loss for the year as % of average equity	
No.		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	69,592,565	58,942,749	467,915,788	458,768,287	14.9	12.8
2	Life insurance	8,864,689	14,879,560	97,850,731	108,632,421	9.1	13.7
3	Total	78,457,254	73,822,309	565,766,518	567,400,708	13.9	13.0

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

		Gross profit/loss*100		(assets starting balance for the year + assets ending balance for the year)/2			
						in EUR	
		Gross profit/loss		Average balance of assets		Gross profit/loss for the year as % of average assets	
No.		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	69,592,565	58,942,749	1,227,670,824	1,215,860,529	5.7	4.8
2	Life insurance	8,864,689	14,879,560	1,549,413,575	1,567,537,083	0.6	0.9
3	Total	78,457,254	73,822,309	2,777,084,398	2,783,397,612	2.8	2.7

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15.16 Gross profit/loss for the year per share

		Gross profit/loss*100		Number of shares			
						in EUR	
		Gross profit/loss*100		Number of shares		Gross profit/loss for the year per share	
No.		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5	8=4/6
1	Non-life insurance	69,592,565	58,942,749	15,837,350	15,837,350	4.4	3.7
2	Life insurance	8,864,689	14,879,560	6,897,798	6,897,798	1.3	2.2
3	Total	78,457,254	73,822,309	22,735,148	22,735,148	3.5	3.2

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

Average balance of net insurance technical provisions*100		Net premium income				in EUR	
		Average balance of net insurance technical provisions		Net premium income		Average balance of net insurance technical provisions as % of net premium income (%)	
No.		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	576,896,646	585,146,248	378,258,597	349,158,917	152.5	167.6
2	Life insurance	1,418,863,670	1,423,793,952	173,682,273	172,898,435	816.9	823.5
3	Total	1,995,760,316	2,008,940,200	551,940,870	522,057,352	361.6	384.8

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15.20 Equity as % of liabilities

Equity * 100		Liabilities				in EUR	
		Equity		Liabilities		Equity as % of liabilities (%)	
No.		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	466,409,221	469,422,354	1,221,102,015	1,234,239,636	38.2	38.0
2	Life insurance	93,711,516	101,989,945	1,527,754,338	1,571,072,810	6.1	6.5
3	Total	560,120,738	571,412,299	2,748,856,353	2,805,312,446	20.4	20.4

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15.21 Net insurance technical provisions as % of liabilities

Net insurance technical provisions*100		Liabilities				in EUR	
		Net insurance technical provisions		Liabilities		Net insurance technical provisions as % of liabilities (%)	
No.		2018	2017	2018	2017	2018	2017
1	2	3	4	5	6	7=3/5*100	8=4/6*100
1	Non-life insurance	570,801,424	582,991,869	1,221,102,015	1,234,239,636	46.7	47.2
2	Life insurance	1,402,686,820	1,435,040,519	1,527,754,338	1,571,072,810	91.8	91.3
3	Total	1,973,488,244	2,018,032,388	2,748,856,353	2,805,312,446	71.8	71.9

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15.22 Net life insurance technical provisions as % of net insurance technical provisions

		Net life insurance technical provisions*100							
		Net insurance technical provisions							
								in EUR	
								Net life insurance technical provisions as % of net insurance technical provisions (%)	
No.		Net life insurance technical provisions 2018	2017	Net insurance technical provisions 2018	2017	2018	2017		
1	2	3	4	5	6	7=3/5*100	8=4/6*100		
1	Total	1,374,950,680	1,410,988,265	1,973,488,244	2,018,032,388	69.7	69.9		

Risk Management

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Risk Management

The capital management process enables the Group to ensure adequate safety and profitability of its operations and a high degree of confidence of all stakeholders. The goal of this process is to make efficient use of the available capital to ensure a long-term and stable return on investment for the shareholders of Zavarovalnica Triglav based on the predefined criteria in the dividend policy and taking into account the interests of other stakeholders and regulatory restrictions.

The key conditions for the implementation of the above-mentioned objectives are comprehensive identification, measurement, monitoring and management of assumed and potential risks as well as an ongoing own risk and solvency assessment. Comprehensive risk management enables regular measurement and monitoring of the level, return on and use of economic capital. On this basis, the capital structure is optimised and business decisions are made.

The Group measures the risks and monitors capital adequacy using the methods which comply with the Solvency II standard formula, based on mark-to-market valuation. In parallel, an internal risk measurement methodology is used and developed by risk type, which is also used to test the appropriateness of the regulatory method. To ensure the long-term target capital adequacy, own risk assessment is regularly prepared so as to determine the current and future solvency requirements and to define the appropriate capital management measures. According to the own risk assessment for 2018, the capital adequacy of the Group remains at a high level despite the persisting difficult situation in the financial markets.

The Group continues to be well capitalised. Its capital strength is confirmed by its capital structure, which almost entirely consists of the highest-quality capital, composed of share capital and reconciliation reserve. A small portion of available capital includes subordinated liabilities. Compared to the previous year, the quality of available capital at the Group level remained mostly unchanged in 2018. The adequate capital and financial strength of the Group is reflected in the credit rating of the rating agencies S&P Global Ratings and A.M. Best, which again assigned the Triglav Group the long-term credit rating and financial strength rating of "A". Both credit ratings have a stable medium-term outlook. [→ See also Section 6.6 of the Business Report.]

In the beginning of 2018, the Triglav Group adjusted its capital management objectives and redefined its dividend policy. The target capital adequacy is thus set in the range between 200% and 250%. This change is based on a modified and more conservative calculation of the adjustment for the loss-absorbing capacity of deferred taxes.

The Group provides for adequate short-term and long-term liquidity by ensuring adequate liquidity of the subsidiaries, particularly Zavarovalnica Triglav, which has a strong liquidity. Exposure to liquidity risk primarily arises from the probability of occurrence of major CAT events, which is adequately managed with an efficient reinsurance programme, or from mass cancellation of life insurance policies. The latter is reduced by having well-established processes of monitoring liquidity ratios and by adjusting life insurance products to the market conditions.

Compared to the 2017 year-end, the risk profile of the Group remained largely unchanged. Changes in exposure primarily arise from changes in the investment portfolio and the increase in the volume of the insurance portfolio, particularly the non-life insurance portfolio. Due to the reduction in exposure to corporate bonds and equity investments, both the spread risk and the equity risk decreased, thereby reducing market risks compared to the year before. In the reporting year, the own risk and solvency assessment was carried out only once as there were no material changes in the risk profile during the year.

New emerging risks from the environment were continuously monitored and the Company actively responded to any potential threats described in detail at the end of [→ Section 1].

- The Triglav Group continues to have a strong capital base and high liquidity. Its capital strength is confirmed by the level and structure of its capital.
- The established risk management processes and system ensure a controlled taking of risks and safe operations.
- The regulatory risk assessment method proved to be an appropriate method of measurement in the framework of the annual control.
- The Group shows appropriate resilience of capital adequacy to external effects, even in the case of stress scenarios.

Zavarovalnica Triglav established a comprehensive and integrated risk management system at the Group level, which is regularly and continuously upgraded. Upgrades take place mostly in the areas of increased vulnerability.

Key risk management development activities at the Group level in 2018

- In the context of market risks, spread risk is treated as a material risk because of the Group's high exposure to debt investments. In the reporting year, several important upgrades were made in relation thereto, among them being the implementation of an automated internal measurement of these risks, which is adapted to the specifics of the Company. In addition, regular internal measurement of equity risks was established.
- In the context of credit risks, the Group's counterparty database was reviewed and unified among the Group members. Furthermore, a standardised method for assessing the creditworthiness of counterparties was defined, which will improve credit risk assessment.
- In accordance with the strategic guideline of partially investing in less liquid assets, liquidity risk measurement methods in the Company were upgraded.
- By incorporating experience gained, the operational risk management system was appropriately upgraded, including information technology risks and the business continuity management system, in which special emphasis was placed on cyber risk. Given that an increase in exposure to cyber risk was identified, stress scenarios were amended, additional risk measurement was implemented and new security mechanisms were set up, which will be regularly upgraded.
- In the establishment of minimum standards, particularly in the drafting of regular risk reports, the Company not only continued to cooperate with insurance undertakings but also aimed to improve the quality of data and the reporting system at the Group level. With the goal of improving the risk management culture, training workshops were held for Zavarovalnica Triglav's employees.

1. Risk Management System

The **comprehensive risk management system** is a fundamental part of the governance system in the Triglav Group, which ensures the achievement of the Group's strategic objectives. The risk management system of Zavarovalnica Triglav is clear, transparent and well-documented. By taking into account the principle of proportionality with the minimum standards, it is effectively transferred to the other Group members. It ensures timely identification of all material risks and a standardised set of procedures, which provides for the understanding of the consequences of realised potential risks. Furthermore, it includes the processes that enable effective management of individual risks or exposures.

The quality of the whole risk management system is closely connected to the **own risk and solvency assessment process**. Its main purpose is to prepare own risk assessments at the Group level, which define the impact on current or future capital requirements, and on the basis of these assessments to make decisions on risk retention or transfer, optimisation of capital management and improved setting of premium rates. Part of the process is the stability testing of the Group's capital adequacy based on the new risks from the environment by verifying the impact on the available capital using the selected scenarios. When assessing the impacts of an individual scenario, the measures to reduce them are defined so as to increase the readiness and upgrade the internal control system. All of this is the basis for making other strategic decisions. The risk management system is well incorporated into the operations of the Group. This means that risks are partly managed in the first line of defence, which allows a quality assessment of present and future risks.

1.1 Powers and responsibilities

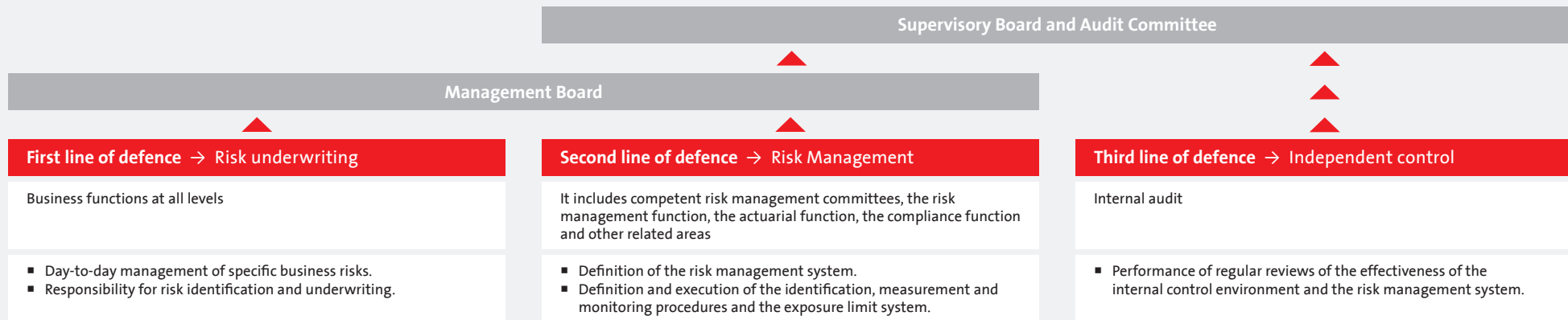
As the key element of comprehensive risk management, the corporate governance system ensures that the risk profile is within the limits set in the Risk Appetite Statement.

The risk management system is designed based on the **“Three Lines of Defence” model**.

- The first line of defence consists of the business functions, which actively manage concrete business risks through their business decisions and which are primarily responsible for risk identification and underwriting.
- The second line of defence is composed of business functions and decision-making bodies, forming the risk management system, which includes exposure identification, measurement and monitoring as well as the exposure limit system.
- The third line of defence includes the internal audit function. This function executes regular adequacy and effectiveness reviews of the internal control environment and the risk management system in individual functional areas.

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

The decision-making bodies participating in the integrated corporate risk management process and the three lines of defence



The Supervisory Board of the Company gives consent to the Management Board with respect to the written rules of the risk management system at the highest level. Within the scope of its powers and responsibilities, it takes note of the reports of key functions. At its sessions, the Supervisory Board regularly monitors the risk profile and capital adequacy as well as the results of the own risk and solvency assessment. Furthermore, it gives the Management Board its approval to the Solvency and Financial Condition Report in the context of discussing the comprehensive risk report. The Supervisory Board appoints a working body, which provides expert assistance and support in the formulation of positions on risk management.

The Audit Committee of the Supervisory Board supervises the adequacy and effectiveness of the risk management system and monitors the comprehensive risk profile of the Company.

The Management Board of the Company defines the business objectives and the risk appetite and approves the risk management strategy and policies. It is responsible for ensuring the effectiveness of the risk management system. The Management Board approves policies and plans of individual key functions, it is regularly briefed on capital adequacy and approves the most important reports drafted by the key functions, including the Regular Supervisory Report and the Solvency and Financial Condition Report. Independently or within a committee, the Management Board not only actively participates in and directs the own risk and solvency assessment process but also ensures its compliance with and integration into the capital planning and management processes.

The business functions in Zavarovalnica Triglav and individual subsidiaries of the Triglav Group are responsible for risk underwriting and identification in their respective work area in accordance with the guidelines of the Management Board, as well as for the management of concrete risks within the allowed exposure limits.

The second line of defence includes the key functions of the risk management system – the risk management function, the non-life and life insurance actuarial functions, and the compliance function. The third line of defence includes the Internal Audit Department as one of the key functions. **The key functions in Zavarovalnica Triglav are organised as independent organisational units**, which carry out their duties and responsibilities independently from one another and from the other organisational

units of the Company. All four key functions cooperate with one another and regularly exchange information necessary for their operation. The key function holders meet the fit and proper requirements in line with the applicable internal rules. In the risk management activities, the key functions proactively cooperate with the other control functions at the Group level.

The risk management function is responsible for the establishment and coordinated and continuous operation of the integrated risk management system in accordance with the guidelines of the Management Board. Furthermore, it is in charge of monitoring the general risk profile, developing risk measurement methodologies and risk valuation models, performing the underlying risk analyses, reporting on risk exposures, and performing capital adequacy valuation using the regulatory method and other capital models. In accordance with the guidelines of the Management Board, the risk management function also performs own risk and solvency assessment, prepares disclosures on risks and the solvency and financial condition for publication, as well as reports to regulatory bodies.

The compliance function assesses compliance risks of the Company's operations with the applicable regulations and any other commitments and informs the Management and Supervisory Boards thereof. Furthermore, the compliance function assesses the potential impact of legislative and other changes in the legal environment on the operations, advises on coordination, as well as assesses the adequacy and effectiveness of the procedures and measures to adapt the Company's operations to these changes. The compliance function also plays a major role in ensuring fair and transparent practices.

The actuarial function primarily coordinates and calculates the insurance technical provisions:

- to ensure the appropriateness of the methods and models used as well as the assumptions made in the calculation of insurance technical provisions;
- to assess the appropriateness, sufficiency and quality of the data required for the calculation of insurance technical provisions;
- to verify the appropriateness of the overall underwriting risk policy.

In addition, it expresses an opinion whether the amount of the premium of individual products is sufficient to cover all the liabilities

arising from these insurance contracts, as well as checks the adequacy of reinsurance. Furthermore, the actuarial function actively participates in the introduction and implementation of the risk management system, particularly in the development, application and monitoring of the appropriateness of capital requirement calculation models and in conducting own risk and solvency assessment. In the context of the second line of defence, the main task of the actuarial function holders is to regularly monitor the implementation of the actuarial function and to inform the Supervisory Board and the Management Board of any major findings.

The internal audit function performs an ongoing and comprehensive control over the operations of the Company. This is achieved by assessing the adequacy and effectiveness of the Company's governance, risk management and control procedures in an impartial, systematic and methodical manner and by making recommendations for their improvement. Apart from that, the internal audit function provides advice in agreement with the Management Board and the management of functional areas, cooperates with external auditors and other supervisory bodies, monitors the implementation of internal and external auditors' recommendations, participates in the performance of internal audits in other Group members, maintains the quality and provides for continuous development of internal auditing. The internal audit function periodically reports on its work and findings to the Management Board, the Audit Committee and the Supervisory Board. In their work, internal auditors must be impartial and must avoid any conflict of interest. Furthermore, they are not allowed to perform any development and operational tasks that could cause a conflict of interest and weaken their objectivity, nor do they decide on activities in the areas subject to internal auditing.

All key functions are in charge of not only transferring the know-how and best practices to the Group members but also of ensuring coordinated operations within the Group members.

In the Group members, the risk management system is established based on the principles of the controlling company, which are defined in the Minimum Standards, taking into account the size, complexity and business profile of a particular subsidiary. Risk management within the Group is primarily performed at the level of individual subsidiaries and secondarily at the Group level. The management bodies of subsidiaries and

their appointed responsible persons are responsible for setting up and ensuring the operation of the risk management system at the level of individual subsidiaries. The Risk Management Department is in charge of drawing up and transferring the minimum standards for risk assessment. The Strategic Planning and Controlling Department and the Legal Office are responsible for the implementation of the governance system of the Group's subsidiaries; moreover, by setting minimum standards, they are establishing and maintaining an effective and transparent governance system of the Triglav Group. Particularly important are effective communication and quality exchange of data and information (time availability, methodological consistency, accounting verifiability, integrity).

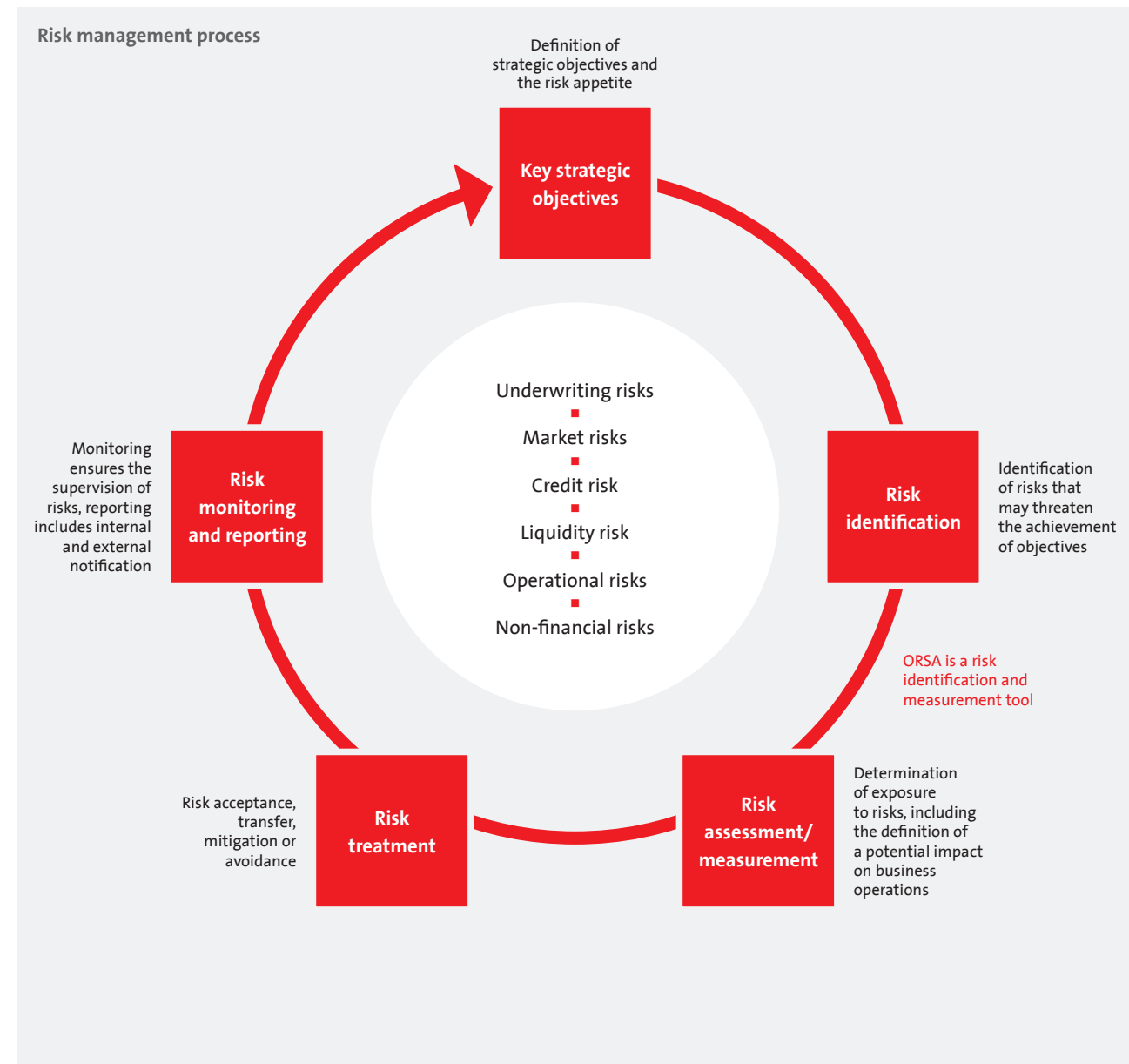
The second line of defence of the risk management system includes **the committees appointed by the Management Board**. They have an advisory role or are granted certain decision-making rights by the Management Board. The purpose of these committees is to provide support to the Management Board in regular monitoring, coordination and information about risk management. The competences and powers of the committees are defined in the respective rules of procedure approved by the Management Board.

The risk management system includes the following committees at the level of Zavarovalnica Triglav and the Triglav Group:

- **The Risk Management Committee** manages all material risks for the Company or the Group, while also being responsible for strategic or non-financial risks.
- **The Assets and Liabilities Committee** is responsible for market risks, including credit risks arising from investments, life insurance risks and liquidity risks.
- **The Non-Life Insurance Committee** is in charge of non-life underwriting and credit risks, including the risks related to the transfer of exposures to reinsurers.
- **The Operational Risk Committee** is in charge of operational risks, including the risks arising from outsourcing (but excluding project-related risks).
- **The Non-Life and Life Insurance Product Forums** are responsible for the development of new insurance products, including any risks related thereto.
- **The Project Steering Committee** deals with the project-related risks and reports on any material risks to other competent committees.

1.2 Risk management framework

The risk management system incorporates all areas, with an emphasis on those that materially affect the operations and the set business objectives. It is very important to build an appropriate culture in the Company, especially in relation to knowledge, cooperation and open communication about risks; the Management Board and the management bodies of individual Group members play the key role in this.



The main building blocks of comprehensive risk management in the Company are the Triglav Group Strategy and the Business Plan of Zavarovalnica Triglav. In the process of setting the guidelines and objectives for the strategic period, the risks that the Company is consciously willing to take in order to achieve these objectives are defined. In addition, the key indicators are defined, based on which the target (appetite) and maximum (tolerance) exposure values are set. Firstly, on the basis of the set strategic objectives, the possible events that could have a material impact on the achievement of objectives are identified once a year in the own risk and solvency assessment process (ORSA). Secondly, the impact of these events on the Company's operations is assessed and, if necessary, risk management measures are defined.

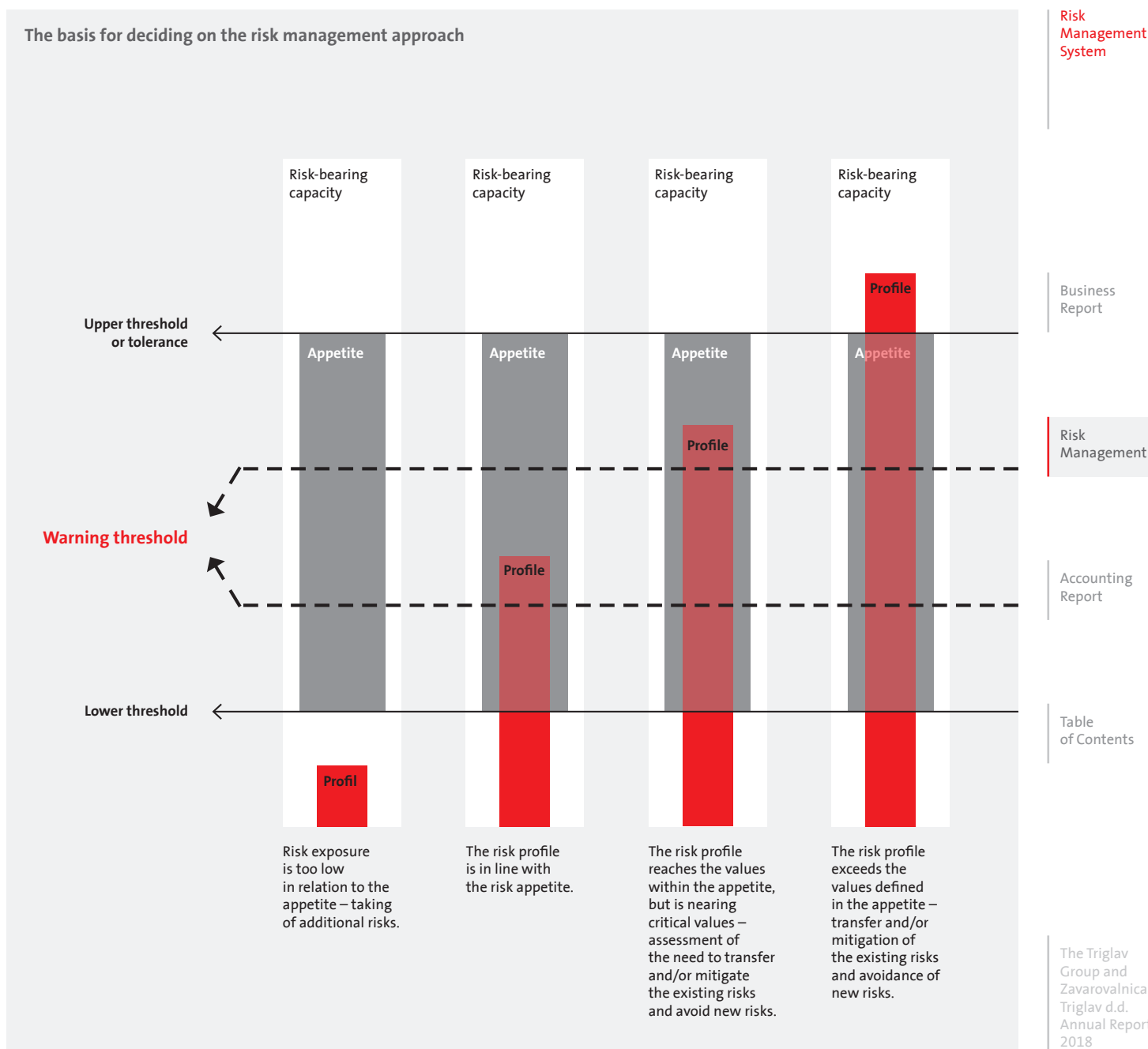
The identified events are the risks which the Company appropriately classifies, assesses and analyses, particularly in terms of impact and probability of occurrence. The analysis serves as the basis for the Management Board to make decisions on the risk management method, which depends on the ratio between the actual exposure (the risk profile) and the values laid down in the risk appetite (acceptance, transfer, mitigation or avoidance). All the risks are regularly monitored and controlled, which includes regular reporting to both external and internal stakeholders.

The risk appetite determines the key indicators for material risks and their target and limit values. The Company has zero tolerance for all types of risks which it does not want to assume in the course of its operations.

The key indicators also include the solvency ratio. Its target range and tolerance are consistent with the dividend policy and defined in the internal document regulating capital management in both the Company and the Group. Maintaining capital adequacy within the target range is an ongoing process, which requires regular review of business decisions in terms of profitability and the risks assumed.

The Risk Management Department regularly monitors the matching of the risk profile (the actual exposure to risks) and the risk appetite and briefs the Management Board by drafting regular risk reports.

The selection of the approach depends on the ratio between the risk profile and the values laid down in the risk appetite as shown in the following figure.



The risk exposure monitoring mechanisms enable the Company not only to detect and identify any negative trends but also to take appropriate measures. Operationally, risks are identified at several levels. At the level of the functional areas, risks are identified with the established processes of notifying the key functions about the transactions with increased risks, while at the aggregate level risks are identified by regularly monitoring the concentration of exposure and the increased volatility where the exposure of the Group is greater. Material detected or identified risks are included in the own risk and solvency assessment process.

Risks are regularly measured and monitored using various methods:

- **Regulatory method:** This method is based on risk measurement in accordance with the Solvency II standard formula and includes the explanation of substantial changes in the period.
- **Internal methods:** Through internal risk measurement, own calculations of the defined key risk indicators are regularly performed, thereby assessing the risk level of a particular risk type. In addition, the limits are defined in order to limit the underwriting of risks. These limits are used in the ordinary course of operations.
- **S&P risk assessment method:** Capital adequacy is also calculated by using the methodology of the S&P rating agency.

At least once a year, in the context of the own risk and solvency assessment process, an analysis is performed to assess the appropriateness of the regulatory method. The results of the internal risk measurement method are also taken into account in the final assessment of appropriateness.

Internal reporting enables the Management Board and the Supervisory Board to be regularly briefed on exposure to risks by individual risk type and the overall exposure at the level of the Company and the Group. The risk report, which is prepared on a quarterly basis, is a documented result of regular risk measurement and monitoring, as it covers all key risk indicators, including the trends, limits and recommendations of the Risk Management Department.

The Company regularly documents any deficiencies identified within the risk management system, including proposals for improvements, as well as prepares measures and recommendations for its upgrade.

1.3 Capital management

At any given time, the Triglav Group has sufficient capital, which allows it to assume a specific, measurable quantity of acceptable risks. Capital is the first criterion for assessing the solvency of the Group. The primary goal of capital management is to guarantee a sufficient and suitable capital adequacy level on both a consolidated and an individual basis. In setting the level of acceptable risk, generation of appropriate profit for owners has to be ensured. The goal of capital management is to guarantee the safety and profitability of operations as well as a long-term and stable return on investment by paying out dividends based on the predefined criteria in the dividend policy.

In the beginning of 2018, the Group adjusted its capital management objectives and consequently redefined its dividend policy; [→ see Section 6.4 of the Business Report for further details]. The target capital adequacy is thus set in the range between 200% and 250%. The reason for the change is the modified and more conservative calculation of the adjustment for the loss-absorbing capacity of deferred taxes.

In previous years and throughout 2018, the Group was adequately capitalised, safe and profitable. It was assessed that the Group had an adequate capital level also as at 31 December 2018.

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

Strategic objectives of capital management and the dividend policy

> 250%	Surplus capital adequacy	Possibility of a more aggressive growth of business volume, assessment of potential changes in the business strategy
200–250%	Target capital adequacy	Regular performance of risk management activities
150–200%	Sub-optimum level of capital adequacy	Analyzing possible medium and long-term measures to improve capital adequacy and emphasized monitoring of risks
130–150%	Warning level of capital adequacy	Implementation of measures to improve capital adequacy
< 130%	Insufficient capital adequacy	

As required by the applicable legislation, the amount of available capital is regularly measured to make sure it is in line with the regulatory capital requirements, both at the level of individual insurance subsidiaries and at the Group level.

At the Group level, Zavarovalnica Triglav maintains a surplus of available capital in excess of the capital requirements for its core business and for covering potential losses. This surplus provides protection against losses due to unforeseen adverse events and volatile capital requirements. In addition to current capital adequacy levels, the Company plans and assesses future capital and capital adequacy levels. This allows it to detect any influences from the environment affecting capital adequacy and to ensure optimum capital allocation.

Capital adequacy is an essential part of the credit rating. Decisions concerning capital management are supported by the results of the capital models, based on which the credit ratings are assigned. The Group's capital adequacy model is assessed by the credit rating agencies S&P Global Ratings and A.M. Best. The credit rating is discussed in greater detail in [→ *Section 6.6 of the Business Report*].

1.4 Risk types

The most important risk types are described below, whereas the risk management methods and exposure to a specific risk type are described in greater detail in [→ *Section 2*].

The basis for defining the risk appetite is identification of the risks to which the Company is exposed in the course of its operations. The risk identification process is ongoing. It involves all functional areas in accordance with their respective powers and responsibilities. Its purpose is to ensure the inclusion of all material risk types in the risk management system, to set up the risk exposure measurement process and to achieve uniform risk management and understanding at all management levels. In its operations, the Company assumes the following risks:

- **Underwriting risk** is the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions taken into account in the calculation of insurance technical provisions. Every type of insurance

has its own specific risks, which the Company duly identifies and manages. In the context of direct insurance operations, the Company is predominantly faced with traditional underwriting risks, which are divided into premium risk, provision risk, catastrophe risk and lapse risk. Within underwriting risks (including reinsurance risks), non-life underwriting risks (including health insurance) and life underwriting risks are treated separately.

- **Market risk** is the risk of loss or of adverse changes in the financial situation, resulting from fluctuations in the level and the volatility of market prices of assets, liabilities and financial instruments. It includes interest rate risk, equity risk, property risk, spread risk and market concentration risk.
- **Liquidity risk** is the risk of loss that may occur if the Company or the subsidiaries of the Group are not able to meet all past-due obligations or are forced to provide the required funding at costs significantly higher than normal. Liquidity risk is also the risk of limited access to the funding needed to meet the payment obligations from insurance and other contracts. Normally, it materialises in the form of the inability to liquidate financial assets without having to make the sale at a substantial discount compared to the current market price.
- **Credit risk** is the risk of loss or of adverse changes in the financial situation, resulting from fluctuations in the credit position of counterparties and potential debtors, to which an insurance undertaking is exposed in the form of counterparty default risk and concentration risk.
- **Operational risk** is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes information technology risk, legal risk, compliance risk, conduct risk, model risk, project risk and outsourcing risk. Apart from that, this risk type includes information security risks and within them cyber risk, which are monitored by the Company as a separate subtype due to their importance.
- The **non-financial risks** include strategic risk, reputational risk, capital risk and the Group risks:
 - *Strategic risk* is the risk of loss due to adverse business decisions, improper implementation of adopted strategic decisions and insufficient responsiveness to changes in the business environment (including legal and regulatory risks).

- *Reputational risk* is the risk of loss arising from lost income from future or existing operations of the Company or the Group, resulting from a negative image held by its clients, business partners, employees, shareholders and investors and/or competent or supervisory bodies and the other interested public.
- *Capital risk* is the risk of loss due to inadequate capital structure with regard to the business volume and method or problems encountered when acquiring fresh capital, especially in the case of unfavourable operating conditions or the need for a rapid capital increase.
- *The Group risks* arise from the business model of the Company, which is the parent undertaking or a group of related parties. They include the risks that might threaten the achievement of strategic objectives due to an ineffective governance system of the Group and insufficient understanding of the business environment in which its companies operate, e.g. changed circumstances relating to environmental, social, employee, bribery and anti-corruption matters. The Company's risk profile can also be influenced by the transactions between the associated companies and the high complexity of concentration risk management.

In addition to the above-described identified risks, the Group also pays particular attention to emerging risks. These are risks which may develop or which already exist and that are difficult to quantify and may have a significant impact on business. They cannot be predicted based on past experience as there is often no data from which to predict either the frequency or the severity.

The potential risks are monitored very closely and the risk management system is appropriately upgraded.

2. Disclosures and Risk Management

Presented below is the Group's exposure to all material risks of the Triglav Group.

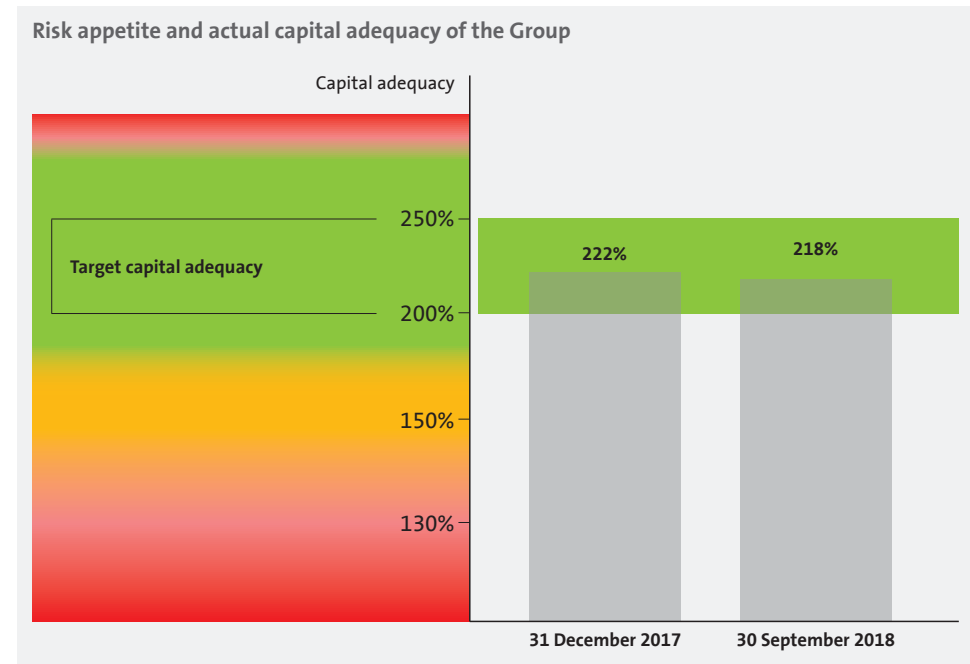
The quantitative presentation of risk exposure is primarily based on accounting data. Risk exposure from the economic aspect will be presented in greater detail in the Solvency and Financial Condition Report, which is prepared separately for the parent company and the Triglav Group.

The risk profile of the Group and risk assessments of individual risk segments are based on the economic aspect by using the regulatory method, which was adjusted to the internal specificities and assessed as appropriate for risk measurement in the context of the own risk and solvency assessment process. The assessment of each individual risk as at 30 September 2018 takes into account all material information if they affect the risk profile and the trends forecast until the end of the year.

2.1 Capital and capital adequacy management

Capital management enables the Group to optimise its operations, adopt appropriate business decisions and maintain its competitive advantages. Capital management is centralised at the Group level. Through capital concentration in the parent company, active capital management and allocation is ensured in line with the strategic objectives and the interests of a broad range of stakeholders.

According to the latest available estimates, the level of available capital at the Group level, taking into account the dividends, significantly exceeded the estimated risk level presented in the table as a capital requirement. The solvency ratio as at 31 December 2017 is presented in more detail in the Solvency and Financial Position Report of the Company and the Group for 2017. The solvency ratio as at 30 September 2018 was calculated in the context of own risk and solvency assessment and is within the set strategic objectives.



	Triglav Group		Zavarovalnica Triglav	
	30 Sept. 2018*	31 Dec. 2017	30 Sept. 2018*	31 Dec. 2017
Available capital (in million EUR)	858	878	868	887
Capital requirement (in million EUR)	393	395	307	322
Solvency ratio (in %)	218	222	283	275

* The column shows the unaudited, quarterly best estimates of available capital, capital requirements and the solvency ratio as at 30 September 2018 calculated in the context of own risk and solvency assessment, taking into account the planned dividends for 2018.

2.2 Risk profile

In the table below, the risk profile of Zavarovalnica Triglav and the Triglav Group shows their exposure to all material risk types.

Risk dashboard of Zavarovalnica Triglav and the Triglav Group as at 31 December 2018

Risks	Risk assessment	Risk trend	Note
Capital adequacy	Low	Stable	Sound performance at an acceptable level of risks increases the available funds which are eligible to cover them. Capital adequacy thus remains within the target range both in the Company and the Group.
Underwriting risks	Medium	Stable	The Group maintains premium growth and achieves the target values of indicators in strategic markets. Combined ratios are within the target values defined in the risk appetite. The risk of low interest rates is still relevant as it hinders profitability of insurance.
Market risks	Medium	Stable	Market risks decreased as a result of appropriate investment portfolio management. The risk of increased credit spreads remains in the forefront, which can lead to a decrease of the debt portfolio value but does not affect the estimate of insurance technical provisions.
Liquidity risk	Medium	Stable	Indicators show a high short-term liquidity of the Company. The medium-term liquidity slightly decreased in non-life insurance, whereas in life insurance it remained at the level of the previous year.
Credit risks	Low	Stable	The Company comprehensively reviewed its counterparty records and established a uniform method of assigning credit ratings to the Group's partners, thereby ensuring quality credit risk monitoring and assessment. Risks slightly increased but remain within the defined limits.
Operational risks	Medium	Stable	In the context of operational risks, the Company is most exposed to compliance risk (and within it to regulatory risk) and cyber risks. In accordance with the action plan, the upgrading of cyber risk management and information security indicators is under way. Constant upgrading of data control, cyber resilience and the risk management system for the protection of critical business processes and IT will be needed.
Non-financial and strategic risks	Low	Stable	On the basis of media placement analyses and internal analyses, no significant changes were identified, which confirms that the Company maintains a good reputation and successfully adapts to new challenges. The already low unemployment rate will continue to decline, which will make finding appropriately qualified staff that more difficult, particularly in the sectors where labour shortage has already been identified, and cause pressure on raising salaries.

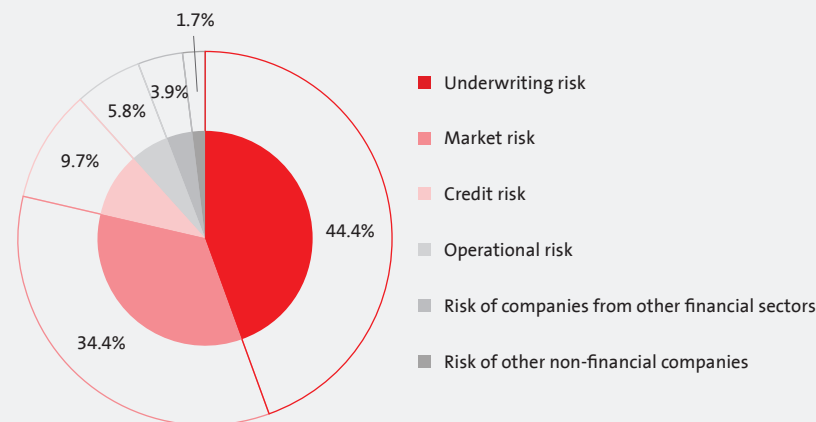
* An overall assessment of the main risk types was made on the basis of discussed quarterly risk reports and the scope of adopted and approved methodologies.

i) the colour scale of assessed risks: ■ high ■ medium ■ low

ii) risk trend: ▶ downward ▶ stable ▶ upward

The level of underwritten risks is in line with the guidelines defined in the risk appetite. The Group is most exposed to market and underwriting risks, followed by credit and operational risks. Within the Group, Zavarovalnica Triglav assumes the bulk of the risks.

Risk profile assessment of the Triglav Group as at 31 December 2018



2.3 Underwriting risks

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions taken into account in the calculation of insurance technical provisions.

The Group assumes underwriting risks when performing insurance transactions. An appropriate underwriting risk management, consisting of a system of procedures and separation of duties and powers, enables the Group to achieve the target level (appetite) of the risks which it is willing to accept for the implementation of its business and strategic objectives, while maintaining the size and quality of the portfolio that provides for stable and safe operations as well as generates adequate returns.

Insurance operations consists of four key processes, through which underwriting risks are identified, measured, monitored and managed: product development, underwriting, underwriting risk transfer and claim settlement.

- The risk appetite limits are taken into account already in **product development** by setting the premium amount and the general underwriting criteria using actuarial techniques. At this stage, the Group defines the underwriting risks which it is prepared to accept, which it wishes to avoid, which have to be mitigated and which will be transferred to reinsurance.
- The next key process is **underwriting**, where an insurance product is appropriately tailored to the person or property insured in such a way as to minimise the potential for abuse, adverse selection and moral hazard.

- The third key process is intended for a comprehensive approach to **transferring (excess) underwriting risks** to a reinsurer or capital markets. The main mechanism for the transfer of underwriting risks is reinsurance. The annual planned reinsurance programme includes the calculation of own shares by individual insurance class and the maximum coverage table prepared on this basis, as well as procedures and criteria for determining the maximum possible loss with regard to individual insurance perils.
- The last key process in underwriting risk management is **claim settlement**, in which the Company pays out the claims it is obligated to pay to the insured in exchange for received insurance premium. In the claim settlement process, the Company monitors whether the amount of an insurance claim is within reasonable expectations, and in the case of derogations, it responds by taking appropriate action in all four key processes, e.g. by changing products or underwriting, by taking into account changes in insurance technical provisions, or by changing reinsurance.

Underwriting risks are divided into:

- **non-life insurance** underwriting risks and
- **life insurance** underwriting risks.

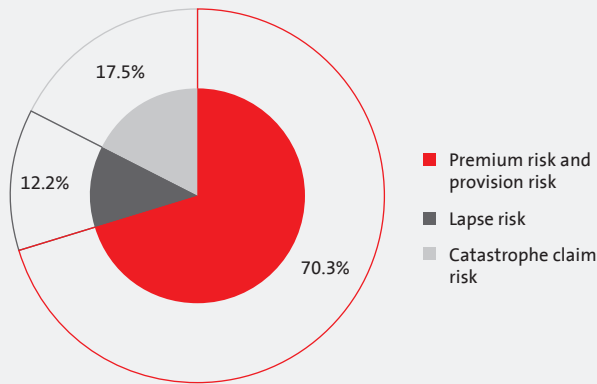
Consolidated gross written premium from insurance and co-insurance contracts of the Triglav Group by non-life and life insurance segment is presented in detail in [→ *Section 7.5 Gross written premium from insurance and co-insurance contracts of the Business Report*].

2.3.1 Non-life insurance underwriting risks

When concluding non-life insurance policies, the insurance and reinsurance subsidiaries of the Group underwrite premium risk, provision risk, lapse risk and catastrophe risk. Under the standard formula, these risks depend on the exposure of individual insurance segments and the variability of the rates of these exposures.

The Group is most exposed to premium and provision risks, followed by catastrophe risk and lapse risk. Within the Group, Zavarovalnica Triglav underwrites the bulk of the non-life underwriting risks, while Triglav, Zdravstvena zavarovalnica underwrites the majority of health underwriting risks. The level of underwritten risks is in line with the defined risk appetite limits.

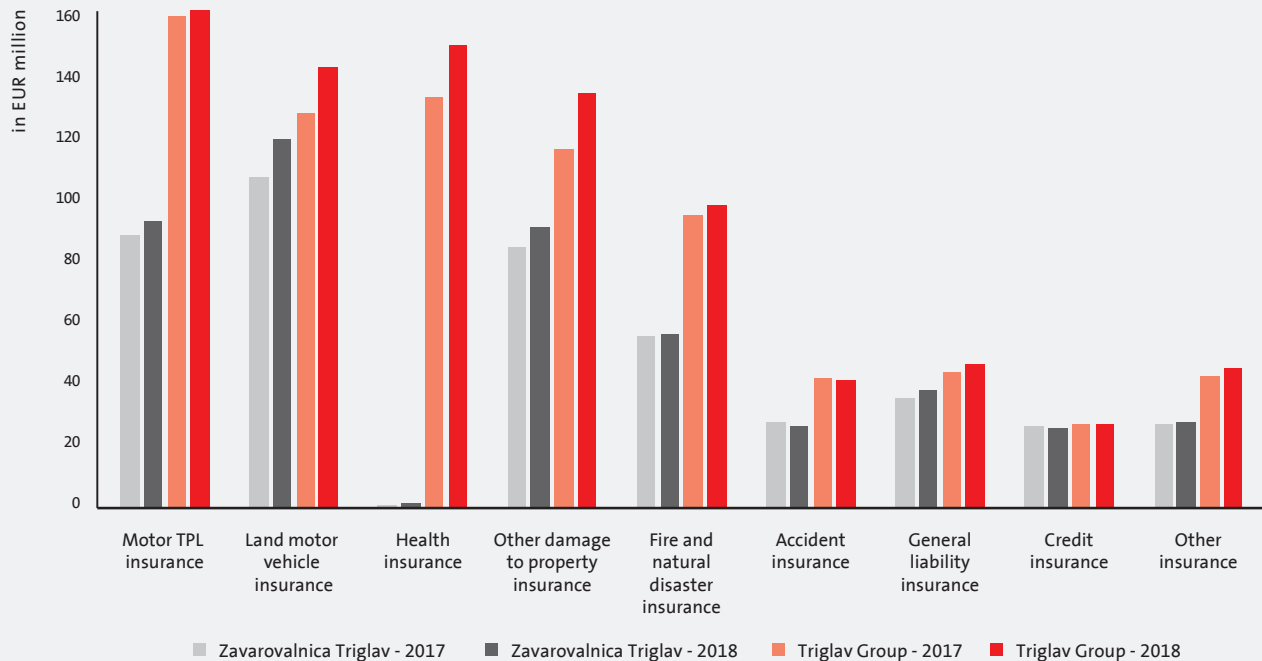
Risk assessment* for the Triglav Group by non-life underwriting risk type including health underwriting risks as at 31 December 2018



* Shows the risk profile under the regulatory method. Includes non-life insurance and additional accident insurance taken out with life insurance, but non-life insurance annuities are excluded.

Premium risk is the risk that the written premium will be insufficient to meet all obligations arising from the conclusion of an insurance contract, not taking into account major or catastrophe losses. The risk depends on premium earned and the annual variability of loss ratios, which is determined for each insurance segment using the standard formula. Greater the variability, greater the risk. Since premium risk also depends on the range of various insurance segments in the portfolio, the Group pursues a balanced diversification of the portfolio in different insurance segments.

Gross written premium from insurance and co-insurance contracts by insurance segment



At the level of insurance and reinsurance subsidiaries of the Group, premium risk is regularly monitored through combined ratios, which measure the adequacy of written premium in relation to actual claims and costs arising from concluded insurance contracts. The combined ratios of the Group and the Company for the last three years are presented in [→ *Section 8.1 and Section 8.2 of the Business Report*] respectively. Based on actuarial estimates of the movement of the amount of benefits, expenses, combined ratios and the market situation, premium rates for non-life insurance are high enough, therefore premium risk management is appropriate.

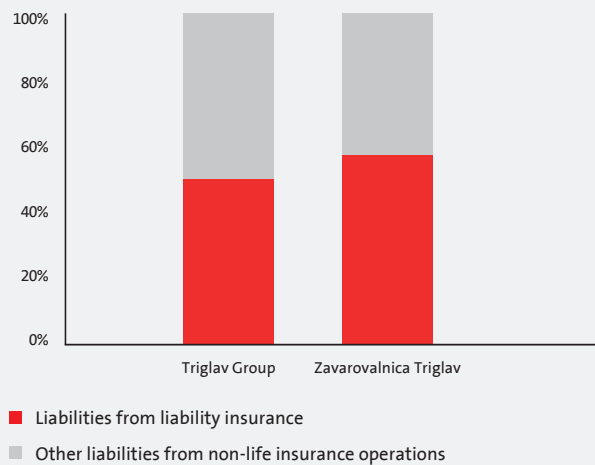
Provision risk is the risk that the actual claims paid will deviate from the expected. Insurance technical provisions for solvency purposes represent the best estimate of expected claims paid from the existing non-life and health insurance contracts, taking into account the time value of money. If the claims paid are higher than the formed provisions, the Group will generate a loss from the existing obligations in the amount of such a surplus. However, if the future utilization of claims paid is lower than expected, the Group will generate profit. Provision risk therefore represents potential loss from provisions for claims already incurred (statistically) in an extreme 200-year event and, in accordance with the standard formula for each insurance segment, depends on the best estimate of net claims provision and its annual variability.

The appropriateness of provisions for individual insurance classes [→ *see Section 2.6 of the Accounting Report*] is verified by regularly performing the liability adequacy test based on the balance as at the last day of the business year and by regularly calculating insurance technical provisions for solvency purposes. According to actuarial estimates of future claims, insurance technical provisions, both for financial reporting and solvency purposes, were adequate as at the 2018 year-end [→ *see Sections 2.6.3 and 3.14 in the Accounting Report for more information*], therefore provision risk management is appropriate.

The provision risk is also influenced by the maturity of liabilities, which represents the average duration of claim settlements for which provisions were made. With respect to liability insurance, more than half of the claims are settled after one year, while in other insurance segments more than half of the claims are paid within one year. As a general rule, provisions with long maturity

are relatively riskier in the long term than short-term provisions, whereas in the period of one year they are normally less risky.

Ratio between liabilities from liability insurance and other insurance as at 31 December 2018



The share of long-term provisions of the Group is lower than the comparable share of the Company, primarily due to the significant impact of short-term health insurance of Triglav, Zdravstvena zavarovalnica.

After one year, it is expected that approximately a quarter of provisions for long-term liabilities and three quarters of provisions for short-term liabilities relating to non-life insurance will be released, including health insurance. Long-term provisions are released at a slower pace, which is why they are more stable than short-term provisions in a one-year period.

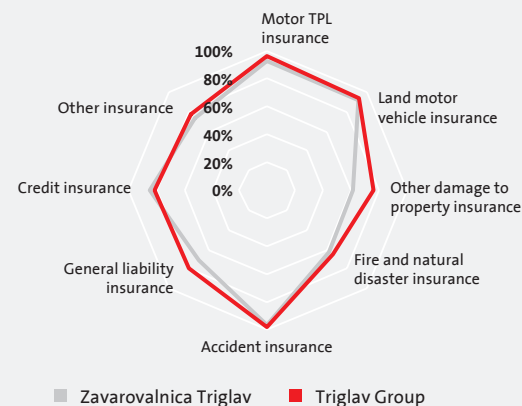
Lapse risk is the risk that the lapse rates of concluded non-life insurance contracts will be higher than the expected lapse rates. Because the term of non-life insurance policies is mostly one year (short-term) and because even in the case of multi-year insurance policies the Company cannot unilaterally terminate an insurance policy, except in the case of non-payment of premium, in practice this risk is lower than in life insurance policies. Nevertheless, the lapse risk assessment under the standard formula is conservative, as it is equal to the maximum potential loss upon immediate termination of 40% of insurance policies.

Non-life underwriting risk concentration

Concentration risk is the consequence of the clustering of insurance operations in a geographic area, sector or industry, or individual insured perils. It may also arise as a result of correlation between individual insurance classes. In such a case, even a single loss event may have a material impact on the Company's ability to settle its obligations. Concentration risk is managed with appropriate reinsurance contracts. The Group aims to have appropriate procedures in place at all times for minimising the probability of loss occurrence arising from underwriting risk concentration and for minimising the incurred loss.

A large loss can occur in the case of substantial individual claims, such as a fire of an industry building, or a high number of claims caused simultaneously, e.g. in the event of an earthquake. The fire and natural disaster insurance portfolio includes the largest number of individual large perils, which is also exposed to natural disasters perils. Reinsurance cover is therefore most needed in this segment.

Net written premium share in relation to gross written premium as at 31 December 2018



With regard to regulating the reinsurance coverage in the Triglav Group, Pozavarovalnica Triglav Re plays an important role as it assumes the underwriting risks based on reinsurance contracts concluded with individual subsidiaries of the Group. Pozavarovalnica Triglav Re concludes outward reinsurance contracts for a portion of the risks it reinsures in order to better control its exposure and to protect its own assets, while indirectly protecting the assets of the insurance entities of the Group.

Low-frequency and high-severity risks

Special attention is paid to consequences of natural disasters such as earthquakes, storms, hail, floods and frost. When we are assessing the potential loss of catastrophe events, we take into consideration the results of various models and then use them to determine the reinsurance coverage. The reinsurance programme includes different types of reinsurance coverage, which depend on the nature of insured perils and insurance segments.

The Triglav Group's maximal retention amounts to EUR 5 million per peril, with the exception of nuclear perils, where retention is EUR 10 million per natural disaster and EUR 5 million per other aggregate perils occurring after the event. With regard to nuclear perils with an even lower frequency, the maximum exposure of the Group amounts to EUR 13.8 million. The year 2018 was prevailed by four major weather disasters [*→ See Section 7.2 of the Business Report for more information*].

Another contingent loss event could arise from the nuclear peril, which Zavarovalnica Triglav has assumed from the Slovenian Nuclear Pool. It is characterised by an extremely low frequency, as no loss event has been reported in 25 years, and by a low or null correlation with other contingent liabilities that would arise in relation to such an event.

Assumed capacity of nuclear perils for 2017 and 2018

	Assumed capacity in EUR	
	2018	2017
Zavarovalnica Triglav	10,000,000	10,000,000
Pozavarovalnica Triglav Re	2,984,400	2,520,000
Triglav Osiguranje, Zagreb	850,000	850,000
TOTAL PER EVENT	13,834,400	13,370,000

The reinsurance coverage for retention in the case of catastrophe events is designed as excess of loss reinsurance with four layers and has been activated twice since 2010. The protection against increased occurrence of natural disasters is also arranged for the Group. Past events have shown that the reinsurance programme is suitable.

The greatest risk among low-frequency and high-severity risks of the Group is an earthquake in Ljubljana. It is covered with quota share reinsurance, while retention is additionally protected with excess-of-loss reinsurance for catastrophe events. In the context of an insurance scenario, the Company tested the effect of a 200-year and 1000-year earthquake in Ljubljana, which represents the maximum concentration of exposure for this risk. In addition to the payment of damages from insurance operations, this scenario includes all other operating effects on the business, such as increased claim handling expenses and business continuity costs. Furthermore, the scenario includes the calculation of the effect of a fall in the value of Slovene government debt securities due to the adverse economic situation in Slovenia and the effect of changes in the volume of insurance business. Having an adequate reinsurance coverage, the Company and Group would successfully survive the severe earthquake event. In the case of a 200-year earthquake, the estimated impact under the scenario would amount to EUR 108 million for the Company or EUR 125 million for the Group, while in the case of a 1000-year earthquake, the estimated impact would be EUR 148 million for the Company or EUR 176 million for the Group. These crisis scenarios showed a strong resilience of both the Company and the Group.

The estimated amount of non-life underwriting risk including health insurance risk accounts for 23% of the Group's available capital.

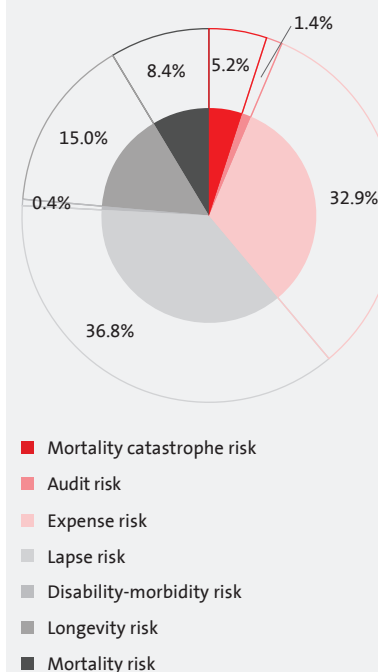
2.3.2 Life insurance underwriting risks

The life insurance portfolio includes traditional, unit-linked and pension insurance policies. Pension insurance also includes supplemental voluntary pension insurance provided by the Company in the context of the second pillar of the pension system. Additional insurance can be added to unit-linked and traditional

insurance policies. **Life insurance underwriting risks** are all underwriting risks arising from life insurance underwriting processes and from maintaining the life insurance portfolio. The Group underwrites mortality risk, longevity risk, morbidity risk, permanent total incapacity for work risk, disability risk, accidental death risk, critical illness or injury risk, medical expense risk, daily benefit risk, second medical opinion risk, etc.

Life underwriting risks account for around 10% of total non-diversifiable risks in the Group. The level of underwritten risks is in line with the defined risk appetite. The Group is most exposed to life expense risk and lapse risk. Within the Group, Zavarovalnica Triglav underwrites the bulk of life underwriting risks. Gross written insurance, co-insurance and reinsurance premiums in 2018 by insurance subsidiary of the Group is presented in [*→ Section 7.5 of the Business Report*].

Risk assessment* for the Triglav Group by life underwriting risk type as at 31 December 2018



* Shows the risk profile under the regulatory method of risk measurement. Includes life insurance and non-life insurance annuities, but additional accidental insurance taken out with life insurance is excluded.

Lapse risk (early policy termination is requested by the policyholder) is linked to life insurance policies. It is the difference between the future realised and expected surrenders, capitalisation and any other changes to policies. The types of impact on this risk are similar to those on mortality risk. Lapse risk may arise from changes in the general economic environment, which affect policyholders' behaviour, and in any other sources leading to an incorrect estimate.

Life expense risk is the risk that the future actual life insurance expenses will differ from the expected. This risk is reflected in inadequately calculated premium, insufficient insurance technical provisions and in the difference between the actual and expected result. Expense risk may be a consequence of miscalculations and incorrect allocation of actual expenses (the inadequacy of the cost model) and incorrectly estimated level, trend or volatility of expenses.

Mortality risk is the risk that the actual future mortality rate will be different than expected, which affects the adequacy of:

- the amount of calculated premium,
- the level of insurance technical provisions,
- the amount and type of risk transfer (reinsurance, co-insurance) and
- the difference between the actual and the expected result of the Company.

Mortality risk can arise from:

- inappropriate risk assessment in the underwriting process (mainly arising from information asymmetry between the policyholder and the Company);
- incorrectly estimated level, trend or volatility of future mortality rates for a particular homogeneous risk group (e.g. the lack of empirical data);
- catastrophe events that affect mortality (e.g. a pandemic), as well as other sources leading to an incorrect estimate.

Moreover, mortality risk includes **longevity risk**, which is closely monitored primarily in annuity and pension insurance.

As in the case of mortality risk, similar also applies to the other abovementioned underwriting risks covered by life insurance policies.

Adequate risk equalisation, which is the basic principle on which the insurance industry functions, is achieved through sufficiently large homogeneous risk groups, which constitute the entire portfolio of the above risks. An important prerequisite for adequate equalisation is efficient and correct classification of risks in underwriting, based on which a specific risk is assessed and classified into an appropriate group. Also considered in underwriting are the new findings, know-how and procedures of reinsurers who assume a portion of risks.

Premium risk and provision risk are managed in the context of the actuarial cycle, where deviations of the actual effects compared to the estimated are periodically checked. In the event any deviations outside the set parameters are detected, appropriate action is taken, e.g. adapting the design or parameters of an insurance product, appropriately adjusting the parameters for the calculation of insurance technical provisions, etc.

The adequacy of provisions is regularly tested using the liability adequacy test (LAT) and calculating the "realistic provisions" set based on the present value of the best estimate of future expected contractual and other cash flows. The test is performed at least once a year based on the balance as at the last day of the business year [→ see Section 2.6 of the Accounting Report]. The test results for 2018 show that an adequate level of insurance technical provisions for life insurance was formed at the level of both the Group and individual subsidiaries, with the exception of an identified shortfall in the guarantee fund backing supplemental voluntary pension insurance, for which additional other insurance technical provisions were created.

A part of life insurance risk management is the transfer of a corresponding portion of risks to reinsurers under the adopted reinsurance programme, which is also part of regular checks in the context of the actuarial cycle.

Traditional life and pension insurance policies with a savings component and a guaranteed interest rate are exposed to asset-liability mismatch risk, where the assets are insufficient to cover the described liabilities. Similar risks due to a special guarantee for the return arise from the supplementary voluntary pension insurance (SVPI) policies during the saving period. These risks are described in detail among market risks in [→ Section 2.4.6 of this Report].

Contractual financial options and guarantees are embedded in a number of policies, therefore the risks related thereto are assessed in the context of regular portfolio valuation. Among them is the guaranteed interest rate risk, which occurs in the products with a savings component. The guaranteed interest rate is set at the time of concluding an insurance policy and remains valid for the entire policy term. The risk arises when the actual rates of return on investment, which cover the benefits under such policies, are lower than the guaranteed interest rate. This risk is reduced by achieving the maximum possible matching of assets and liabilities arising from these policies. A secondary measure is to create additional provisions, especially in relation to the liabilities in the older portion of the portfolio. The fund of assets backing technical reserves of life insurance, with mathematical provisions in the amount of EUR 756 million, includes the majority of the Company's liabilities with a guaranteed fixed interest rate. In order to achieve a guaranteed return on the life insurance portfolio in the before-mentioned fund, it is necessary to maintain at least 2.5% return on assets, which is below the realised investment return of the Fund achieved in 2018, i.e. 2.9% [→ see Section 15.11 of the Business Report for more information].

This risk group also includes the guaranteed annuity rate risk, which arises from the annuity rates set at the time of concluding certain older pension insurance policies, i.e. in the savings phase. The policyholder will be entitled to them at the end of the savings period and the transition to the payout period when they will receive life annuity, which will then be calculated based on the saved assets and by applying the aforementioned fixed rates. This guarantee exposes the Company also to longevity risk (in addition to the abovementioned interest rate risk). This risk is not transferred to reinsurers, instead additional provisions are formed if necessary.

The most important type of a contractual financial option is the possibility to suspend the payment of premium and transform the policy into a paid-up policy or to surrender the policy. The fulfilment of this risk depends on the policyholders' actions, and therefore it is more difficult to manage. The Company reduces this risk by designing the products that meet the clients' needs and by carefully managing the existing portfolio.

Concentration of life insurance underwriting risks

The concentration of life insurance underwriting risks is assessed as low, because the **life insurance** risk portfolio is well dispersed by all relevant criteria and due to the fact that most policies originate from geographically dispersed retail sale. Any risk concentration in the portfolio is reduced by transferring a portion of the risks to reinsurers based on the reinsurance programme. The risk sum insured in the event of death is less than EUR 60,000 for 82.4% of the whole life insurance portfolio and less than EUR 35,000 for 99.9% for the other life insurance portfolio. For additional accidental death insurance, the sum insured is lower than EUR 50,000 and accounts for 98.3% of the respective portfolio, while for additional disability insurance the sum insured is less than EUR 100,000 for 98.2% of the respective portfolio. Both sums insured represent the stipulated retention in line with the reinsurance contract for most insurance policies.

The estimated amount of life underwriting risk accounts for 6% of the Group's available capital.

2.4 Market risks

Asset management is a strategic activity and a significant part of the Group's business. In this way, insurance and other obligations and capital requirements are covered while ensuring an appropriate return. The Group is exposed to market risks, which mostly arise from exposure to different asset classes.

For the purpose of market risk management, methods and processes with clearly defined powers and responsibilities were established so as to promptly identify, measure, treat and monitor market risks. The market risk management system enables quality analyses and reporting on market risks, as well as preparing and implementing measures aimed at preventing the reduction of surplus of assets over liabilities due to changes in financial markets, including the real property market.

In its market risk appetite, the Group defined the level of unexpected losses, which is still acceptable in relation to its strategic objectives and capital strength. On this basis, the limit system specifies the target investment portfolio structure and maximum acceptable exposure to counterparties.

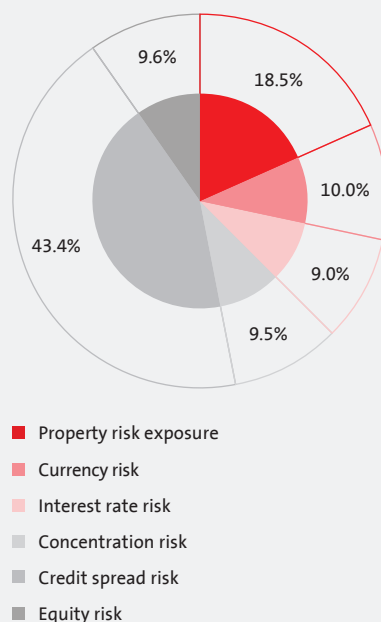
Apart from an appropriately diversified investment portfolio and regular asset-liability matching, the Group uses derivatives as a risk reduction technique.

The Group is exposed to the following market risk types:

- interest rate risk,
- equity risk,
- property risk,
- spread risk,
- currency risk.

Market risks consist of nearly 34% of non-diversified risks of the Group. Based on the investment structure [[→ see Section 7.9 of the Business Report](#)], the Group is most exposed to debt securities, followed by equity securities and investment property. The highest market risk for the Group is spread risk, followed by property risk, whilst currency risk, equity risk, concentration risk and interest rate risk are smaller risks, all at the same level.

Market risk assessment for the Triglav Group by market risk type as at 31 December 2018



2.4.1 Concentration risk

The largest share of the Group's assets is accounted for by debt securities. They are divided approximately equally into government and corporate bonds, while the latter are further equally divided into financial and non-financial sector bonds.

The Group continuously monitors exposure by issuer or group of related issuers of securities as well as compliance with the limit system for exposure to issuers, which ensures adequate diversification. The limit system is based on the regulatory method with the limit values, which are defined based on the issuer credit rating. The highest exposure to a particular issuer is represented by the Republic of Slovenia.

The estimated amount of concentration risk accounts for 3% of the Group's available capital.

2.4.2 Spread risk

Debt securities account for over 73% of total investments of the Group. Their value also depends on the level and volatility of credit spreads. Half of these investments is associated with exposure to government securities, followed by exposure to the corporate sector, accounting for more than 24% of investments in debt securities.

Credit risk exposure resulting from debt securities is limited by the investment policy aimed at investing in high-quality securities. In its investment portfolio, the Group is exposed to investments with outstanding credit quality. Over 44% of investments in debt securities bear at least the "A" credit rating. The bulk or good 80% of the portfolio is accounted for by debt securities of issuers having an investment grade credit rating of at least "BBB".

The structure of debt securities is presented in detail in [[→ Section 7.9 of the Business Report](#)]. The investment structure in terms of credit rating is presented in [[→ Section 2.5 Credit risk](#)].

The estimated amount of spread risk accounts for 13% of the Group's available capital.

2.4.3 Equity risk

Equity investments, excluding unit-linked life insurance contract investments, account for approximately 6% of the Group's investment portfolio. The majority of exposure to equity risk arises from exposure of the parent company.

The Group manages equity risk in its portfolio through exposure limits as well as through geographical and sectoral diversification. In addition, due to different levels of development of capital markets and local statutory limitations, the investment policy is adapted to individual markets.

The table below shows the geographical diversification of equity investments, including unit-linked life insurance investments. Most equity investments are globally diversified, followed by shares issued by issuers in the European Union. Unit-linked life insurance contract investments account for the bulk of globally diversified equity investments.

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Equities in the EU	161,266,048	198,466,682	89,846,079	116,161,531
Equities in the USA	15,275,648	10,800,877	4,126,014	2,985,278
Equities in Asia*	5,433,915	6,020,532	5,166,857	5,845,250
Equities in emerging markets	18,276,513	23,948,525	9,782,475	14,588,535
Global equities**	316,680,199	381,880,388	293,373,122	355,080,954
TOTAL	516,932,323	621,117,004	402,294,547	494,661,549

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

** Globally diversified equity investments

The sensitivity analysis of the change in prices of equity investments and its impact on comprehensive income or profit or loss of the Group showed that a 10% increase in the market price of equities in the portfolio would have a positive impact on both the equity and profit of the Group in the amount of EUR 10.8 million and EUR 40.9 million, respectively. In contrast, a 10% drop in market prices of equity investments would reduce the equity and profit of the Group by EUR 10.6 million and EUR 41.1 million, respectively. The assessment of impact on profit or loss shown in the table below is significantly lower in real terms because the presented analysis also includes unit-linked insurance contract investments.

The estimated amount of equity risk accounts for 3% of the Group's available capital.

	Triglav Group				Zavarovalnica Triglav			
	31 Dec. 2018		31 Dec. 2017		31 Dec. 2018		31 Dec. 2017	
	10%	-10 %	10%	-10 %	10%	-10 %	10%	-10 %
Equities in the EU	16,126,605	-16,126,605	19,846,668	-19,846,668	8,984,608	-8,984,608	11,616,153	-11,616,153
Equities in the USA	1,527,565	-1,527,565	1,080,088	-1,080,088	412,601	-412,601	298,528	-298,528
Equities in Asia*	543,392	-543,392	602,053	-602,053	516,686	-516,686	584,525	-584,525
Equities in emerging markets	1,827,651	-1,827,651	2,394,853	-2,394,853	978,248	-978,248	1,458,853	-1,458,853
Global equities**	31,668,020	-31,668,020	38,188,039	-38,188,039	29,337,312	-29,337,312	35,508,095	-35,508,095
Total	51,693,232	-51,693,232	62,111,700	-62,111,700	40,229,455	-40,229,455	49,466,155	-49,466,155
Impact on equity	10,791,200	-10,573,220	16,999,209	-14,956,900	7,533,983	-7,316,003	12,350,262	-10,307,953
Impact on profit or loss***	40,902,033	-41,120,013	45,112,492	-47,154,801	32,695,472	-32,913,452	37,115,893	-39,158,202

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

** Globally diversified equity investments

*** Presented is the impact of changes in assets that does not include the impact of liabilities, which results from a change in the price of equity securities, classified as "available for sale" due to revaluation adjustment.

2.4.4 Property risk

The property risk of the Group arises from the real properties for own use and investment properties owned by the Group. Total exposure amounts to EUR 203.1 million. In the financial investment portfolio, investment properties account for almost a half of the real property portfolio. Real property of the Group is primarily located in Slovenia.

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Investment property	89,840,454	94,007,483	45,270,540	48,214,401
Real property for own use*	113,296,053	98,302,376	67,986,100	60,295,362
Total	203,136,507	192,309,859	113,256,640	108,509,763

* Investment property is disclosed at cost in the financial statements. The fair value of investment property is presented in [→ *Section 3.2 of the Accounting Report*], where other land and buildings for the direct performance of the insurance activity are deducted, which are otherwise included in "property, plant and equipment". Fair value is determined using the valuation techniques. Valuation of real property based on the existing methodology is performed by an authorised valuer.

The estimated amount of property risk accounts for 6% of the Group's available capital.

2.4.5 Currency risk

The Group is exposed to currency risk to a lesser extent, as the currency structures of assets and liabilities almost fully match. The table below also includes unit-linked life insurance assets and liabilities.

Financial assets in euros account for 93.6% of total financial assets of the Group. Exposure to an individual currency does not account for more than 2.1% of total financial assets.

The Triglav Group as at 31 Dec. 2018	EUR	HRK	USD	OTHER	Total
Financial investments	2,812,631,458	61,682,057	35,978,834	95,392,304	3,005,684,653
Debt securities	2,231,378,456	31,848,557	22,722,806	63,118,525	2,349,068,344
Equity securities	491,997,326	8,836,834	11,025,699	5,072,465	516,932,324
Derivatives	1,936,813	0	0	0	1,936,813
Loans and receivables	87,318,863	20,996,666	2,230,329	27,201,314	137,747,172
Reinsurers' share of insurance technical provisions	143,648,182	0	681,999	9,596,482	153,926,663
Total	2,956,279,640	61,682,057	36,660,833	104,988,786	3,159,611,316

The Triglav Group as at 31 Dec. 2017	EUR	HRK	USD	OTHER	Total
Financial investments	2,874,211,591	37,409,196	34,372,129	92,093,825	3,038,086,741
Debt securities	2,191,085,082	25,726,083	25,297,118	61,738,920	2,303,847,203
Equity securities	599,010,517	9,305,737	7,198,100	5,602,650	621,117,004
Derivatives	2,600,657	0	0	0	2,600,657
Loans and receivables	81,515,335	2,377,376	1,876,911	24,752,255	110,521,877
Reinsurers' share of insurance technical provisions	73,978,633	0	546,611	9,290,332	83,815,576
Total	2,948,190,224	37,409,196	34,918,740	101,384,157	3,121,902,317

The estimated amount of currency risk accounts for 3% of the Group's available capital.

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2.4.6 Interest rate risk

The Group is exposed to interest rate risk in the event of mismatch of asset and liability cash flows. In the financial statements, the interest rate sensitivity of assets is presented, whereas in the Solvency and Financial Condition Report the interest rate sensitivity of assets and liabilities in terms of economic impact is described in greater detail.

In accounting terms, the Group is exposed to interest rate risk on the assets side, specifically debt securities classified as “measured at fair value through profit or loss” and “available-for-sale financial assets” and derivatives. A change in the market interest rate has an impact on the level of insurance technical provisions only in relation to the impact of revaluation adjustment of debt securities classified as “available-for-sale”.

The share of debt securities in the total portfolio is shown in [→ *Section 3.6 of the Accounting Report*]. The carrying amounts of debt securities as the most important interest rate-sensitive financial investments by various types of breakdown for the Triglav Group and Zavarovalnica Triglav are presented in [→ *Section 7.9 of the Business Report*]. The table below additionally includes unit-linked life insurance contract investments.

The asset sensitivity analysis of the change in interest rate and its impact on comprehensive income or profit or loss of the Group showed that a decrease of 100 basis points would have a positive impact on both the equity and profit of the Group in the amount of EUR 64.9 million and EUR 9.8 million, respectively. In contrast, if the interest rate were 100 basis points higher, the equity and profit of the Group would be lower by EUR 60.8 million and EUR 9.9 million, respectively. The positive and negative changes in interest rates have the strongest impact on debt securities issued by governments, which account for the bulk of the Group's or the Company's investments portfolio.

For the actual net effect of changes in interest rates, it would be necessary to reasonably take into account the effects of insurance technical provisions, which are not included in the above analysis. In the event of a drop in current interest rates, the need to increase insurance technical provisions can be determined by performing the LAT, which means that a positive impact of the decline would slightly decrease. In contrast, in the event of a rise in current interest rates, part of the surplus generated by debt securities (classified as “available for sale”) causes additional liabilities from revaluation, thereby increasing insurance technical provisions.

The Company monitors the duration gap¹⁰¹ of interest-sensitive items on the basis of market valuation, excluding unit-linked life insurance contract investments and investments from the supplemental voluntary pension insurance segment. The duration gap of the Company is low and stands at –0.9 year (the duration of assets is 5.6 years and the duration of liabilities is 9.4 years). The duration gap of assets and liabilities for the life insurance portfolio is –1.8 year and 0.5 year for the non-life insurance portfolio.

The estimated amount of interest rate risk accounts for 3% of the Group's available capital.

	Triglav Group				Zavarovalnica Triglav			
	31 Dec. 2018		31 Dec. 2017		31 Dec. 2018		31 Dec. 2017	
	+100 bp	–100 bp	+100 bp	–100 bp	+100 bp	–100 bp	+100 bp	–100 bp
Debt securities issued by countries	-39,666,447	42,312,069	-37,481,679	39,914,410	-26,320,170	28,195,793	-25,229,170	27,030,116
Debt securities issued by financial institutions	-15,926,109	16,824,328	-18,096,971	19,284,015	-14,076,794	14,889,685	-15,950,721	17,027,274
Debt securities issued by companies	-20,810,196	21,982,569	-24,941,285	26,527,927	-17,190,694	18,307,706	-20,878,156	22,378,895
Compound securities	-942,401	982,350	-1,404,774	1,479,613	-942,401	982,350	-1,404,774	1,479,613
Other	5,515,871	-6,111,478	9,632,028	-10,643,994	5,515,871	-6,111,478	9,632,028	-10,643,994
Total	-71,829,282	75,989,838	-72,292,681	76,561,971	-53,014,189	56,264,055	-53,830,793	57,271,905
Impact on comprehensive income	-60,778,196	64,866,298	-65,660,303	70,376,918	-49,798,827	53,102,350	-54,651,033	58,555,833
Impact on profit or loss*	-9,871,145	9,817,540	-6,144,822	5,681,233	-3,215,363	3,161,705	820,240	-1,283,928

* Presented is the impact of changes in assets that does not include the impact of liabilities, which results from an increase in the price of debt securities, classified as “available for sale” due to revaluation adjustment.

¹⁰¹In addition to the duration of assets and liabilities, the duration gap also takes into account the value of assets and liabilities.

2.5 Credit risk

Credit risk of the Company is defined as the risk of loss or of adverse changes in the financial situation of the Company and/or the Group, resulting from fluctuations in the credit position of counterparties and potential debtors, to which an insurance undertaking is exposed in the form of counterparty default risk and concentration risk.

Concentration risk in the context of credit risk is the risk of loss arising from overexposure to an individual counterparty, a group of related parties and parties connected by common risk factors such as credit ratings or a geographical area or regions.

The Company and the Group assume credit risk of:

- investments at which the risk of downgrade or insolvency of counterparties exists; furthermore, the Group monitors at least those exposures to a debtor, country or sector that are large enough to pose a threat to the solvency or financial position of the Group;
- reinsurance contracts where the risk of inability to pay out claims or the risk of downgrade of a reinsurer due to a loss event (it also includes concentration risk, which is a result of exposure to an average credit rating of a reinsurance group); furthermore, the Group monitors at least those exposures that are large enough to pose a threat to the solvency or financial position of the Group;
- receivables from insurance operations, which at the time of their existence represent expected premium payments.

	Exposure of the Group to credit risk by partner type		Exposure of the Company to credit risk by partner type	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Financial investments	81,746,849	111,232,626	59,189,324	90,458,522
Reinsurance	98,238,506	94,183,891	91,140,148	88,760,095
Receivables	36,573,280	30,933,477	15,273,807	10,514,894
Total	216,558,635	236,349,994	165,603,279	189,733,511

Through financial investments, the Company and the Group are exposed to counterparties via cash, short-term deposits and derivatives. The exposure of the Company and the Group to reinsurance is measured by insurance technical provisions ceded to reinsurers, including receivables from reinsurance and co-insurance operations. Exposure to receivables is measured by the Company's receivables from insurance operations and other receivables.

The largest exposures of the Company and the Group arising from financial investments are presented in [→ *Section 5.12 of the Accounting Report*].

Counterparty credit risk arising from the investment policy is managed by performing an expert analysis of the credit quality of these partners and through a sufficient degree of portfolio diversification. Their credit ratings are regularly monitored and exposure to partners without a credit rating is managed.

On the investment side, the Group is most exposed to partners with a credit rating below “BBB” and the Company to partners with a credit rating between “AA” and “BBB”. Compared to 2017, the share of partners without a credit rating significantly decreased, especially on account of partners with the “BB” credit rating. The Company and the Group are most exposed to partners without a credit rating, primarily to Slovene banks and financial institutions.

	Exposure of the Group to financial partners by credit rating		Exposure of the Company to financial partners by credit rating	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
AAA	0.0%	0.0%	0.0%	0.0%
AA to BBB	26.5%	28.1%	36.2%	34.0%
Below BBB	35.5%	30.9%	34.1%	33.1%
Not rated	38.0%	41.0%	29.7%	32.9%

In the context of managing credit risk arising from reinsurance transactions, a diligent assessment of the adequacy of business partners for reinsurance purposes (in terms of credit quality and diversification) and regular monitoring of exposure are of key importance. Exposure to reinsurers is represented by claims provisions and unearned premium ceded to reinsurers.

The Company monitors and manages all reinsurance partners at the Group level with a comprehensive system, in which the rules for designating partners and their basic data are clearly specified. As the most important in this system, the procedure for assigning credit ratings is clearly defined; it enables the Company to assign an appropriate and coordinated second-best credit rating of partners. A system of uniform designating and assigning credit ratings is important not only in terms of credit risk monitoring and management but also in terms of calculating capital requirements for the Company and the Group.

	Exposure of the Group to reinsurance partners by credit rating		Exposure of the Company to reinsurance partners by credit rating	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
AAA	0.4%	0.0%	0.0%	0.0%
AA to BBB	82.2%	91.1%	95.6%	97.9%
Below BBB	5.9%	0.3%	2.6%	0.0%
Not rated	11.5%	8.6%	1.6%	2.1%

The Group is most exposed to reinsurers with the “AA” credit rating. A large share is also accounted for by partners with the “A” credit rating. The share of reinsurance partners without a credit rating at the Group level is 11.5%, while it is considerably lower in the Company, i.e. 1.6%.

All Group receivables arising from insurance business with cos-tomers are shown in [→ *Section 3.8 of the Accounting Report*]. In the context of credit risks, the Company monitors and manages receivables from policyholders, receivables from intermediaries, other receivables from direct insurance operations and other short-term receivables.

In credit risk management, insurance receivables are monitored by maturity of up to 90 days and over 90 days.

Separately from total insurance receivables, the Company also monitors and manages recourse receivables. They represent a credit risk that a person liable to recourse will not settle their obligations. In addition to the payment of recourse receivables, the Company monitors the effectiveness of the collection of credited recourse receivables and the share of recourse receivables in relation to claims settled.

The estimated amount of credit risk accounts for 6% of the Group's available capital.

2.6 Liquidity risk

Liquidity is an important element of the risk appetite. The Group pursues the goal of being able to meet, at any given moment, all of its matured liabilities. For this purpose, the Group maintains a surplus of liquid assets, allowing it to settle its obligations in stress situations.

The liquidity management framework provides a comprehensive overview of liquidity. It takes into account the sources of liquidity (cash flows from investments and premiums) and liquidity needs (e.g. payments of claims) and allows for the analysis of potential impacts of stress situations on both the sources of liquidity and liabilities.

The Group ensures that the established processes enable individual subsidiaries to maintain an appropriate structure of assets in terms of their nature, duration and liquidity. In the event of increased liquidity needs, an adequate liquidity position is ensured by planning actual and potential net cash outflows, having an appropriate level and structure of liquid investments, and monitoring the structure of liabilities and financial assets.

The liquidity position is regularly monitored at various time intervals, under assumed normal and stress situations and by establishing a limit system that adequately limits exposure to liquidity risk.

The guidelines set the liquidity management framework at the Group level. Every subsidiary ensures compliance with both general liquidity requirements and the liquidity requirements set by local regulators.

The Company has sufficient liquidity thanks to regular inflows from premium payments. In order to achieve sufficient liquidity in stress situations, additional safety mechanisms were set up and actions to be taken were planned (credit lines, repurchase agreements, etc.).

Total financial assets exceed total financial liabilities of the Triglav Group. As at the 2018 year-end, the Group had a significantly higher surplus of financial assets over financial liabilities in the maturity buckets of 1–5 years and 5–10 years and undefined maturity, whereas in other buckets the value of assets was below the value of liabilities. The table above shows the contractual maturity of assets and liabilities. The vast majority of the Group's assets is invested in highly liquid investments, therefore the deficits in individual maturity buckets do not represent a liquidity risk. Liquidity of the Group is adequate.

Financial assets and liabilities of the Triglav Group by remaining maturity¹⁰²

The Triglav Group as at 31 Dec. 2018	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
FINANCIAL ASSETS						
Financial investments	531,531,469	282,173,561	1,232,683,953	805,604,603	139,426,471	2,991,420,057
Debt securities	253,583	227,962,104	1,184,777,401	805,548,619	130,526,637	2,349,068,344
Held to maturity	0	22,870,190	78,804,106	119,675,937	39,489,404	260,839,637
At fair value through profit and loss	0	39,830,842	256,048,046	122,771,035	21,759,923	440,409,846
Available for sale	4,668	152,910,415	848,915,560	563,101,647	63,287,208	1,628,219,498
Loans and receivables	248,915	12,350,657	1,009,689	0	5,990,102	19,599,363
Equity securities	516,883,793	0	0	48,531	0	516,932,324
At fair value through profit and loss	406,668,561	0	0	0	0	406,668,561
Available for sale	110,215,232	0	0	48,531	0	110,263,763
Derivatives	19,381	0	1,917,432	0	0	1,936,813
Loans and receivables	14,374,712	54,211,457	45,989,120	7,453	8,899,834	123,482,576
Reinsurers' share of insurance technical provisions	4,442,156	38,280,234	25,641,541	11,054,273	6,502,295	85,920,499
Operating receivables	15,486,498	159,483,278	3,473,317	211,783	2	178,654,878
Cash and cash equivalents	48,172,681	19,428,979	0	0	0	67,601,660
Total	599,632,804	499,366,052	1,261,798,811	816,870,659	145,928,768	3,323,597,094
FINANCIAL LIABILITIES						
Insurance technical provisions	760,396,991	492,689,556	391,104,234	442,109,463	626,800,856	2,713,101,100
Other financial liabilities	86.628	5,212,509	321,753	1	12	5,620,903
Total	760,483,619	497,902,065	391,425,987	442,109,464	626,800,868	2,718,722,003

¹⁰²The mismatch of cash flows in the table above results from the properties of insurance liabilities and the investment policy of the Group as well as the availability of investments of appropriate maturity with respect to the structure of liabilities. Liquidity is ensured not only with short-term investments with the maturity of less than 1 year but also with other highly liquid assets in other maturity buckets (e.g. government bonds of EEA countries and the OECD, shares in ETF funds, etc.).

The Triglav Group as at 31 Dec. 2017	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total
FINANCIAL ASSETS						
Financial investments	640,017,238	193,345,537	1,175,999,872	877,126,274	151,597,820	3,038,086,741
Debt securities	245,149	153,037,652	1,124,588,368	875,995,337	149,980,697	2,303,847,203
Held to maturity	0	28,777,936	69,657,035	82,736,846	40,218,760	221,390,577
At fair value through profit and loss	0	31,300,673	220,735,576	145,128,286	19,313,217	416,477,752
Available for sale	5,905	85,793,484	829,224,555	648,130,205	82,417,932	1,645,572,081
Loans and receivables	239,244	7,165,559	4,971,202	0	8,030,788	20,406,793
Equity securities	620,468,540	0	603,050	45,414	0	621,117,004
At fair value through profit and loss	452,706,246	0	0	0	0	452,706,246
Available for sale	167,762,294	0	603,050	45,414	0	168,410,758
Derivatives	26,261	0	2,574,396	0	0	2,600,657
Loans and receivables	19,277,288	40,307,885	48,234,058	1,085,523	1,617,123	110,521,877
Reinsurers' share of insurance technical provisions	3,374,690	41,153,547	18,219,465	14,189,134	6,878,740	83,815,576
Operating receivables	14,766,819	143,858,996	5,050,674	201,865	0	163,878,354
Cash and cash equivalents	55,934,307	22,483,540	0	0	0	78,417,847
Total	714,093,054	400,841,620	1,199,270,011	891,517,273	158,476,560	3,364,198,518
FINANCIAL LIABILITIES						
Insurance technical provisions	421,041,341	704,107,796	478,300,110	495,127,657	633,668,687	2,732,245,591
Other financial liabilities	1	5,081,769	489,881	17,724	13	5,589,388
Total	421,041,342	709,189,565	478,789,991	495,145,381	633,668,700	2,737,834,979

Financial assets and liabilities of Zavarovalnica Triglav by remaining contractual maturity						
Zavarovalnica Triglav as at 31 Dec. 2018	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total
FINANCIAL ASSETS						
Financial investments	415,631,686	157,284,550	880,459,982	637,616,344	115,708,467	2,206,701,028
Debt securities	0	136,520,581	832,842,252	637,616,344	105,209,778	1,712,188,956
Held to maturity	0	13,510,990	36,635,000	81,699,243	27,618,717	159,463,950
At fair value through profit and loss	0	12,407,182	132,744,984	70,897,029	21,759,923	237,809,118
Available for sale	0	110,602,409	663,052,162	485,020,072	49,841,037	1,308,515,680
Loans and receivables	0	0	410,106	0	5,990,102	6,400,208
Equity securities	402,294,547	0	0	0	0	402,294,547
At fair value through profit and loss	326,954,722	0	0	0	0	326,954,722
Available for sale	75,339,825	0	0	0	0	75,339,825
Derivatives	0	0	1,917,432	0	0	1,917,432
Loans and receivables	13,337,138	20,763,969	45,700,297	0	10,498,688	90,300,093
Reinsurers' share of insurance technical provisions	49,529,019	27,224,261	8,273,186	2,866,840	0	87,893,306
Operating receivables	0	96,472,187	0	0	0	96,472,187
Cash and cash equivalents	17,998,487	0	0	0	0	17,998,487
Total	483,159,192	280,980,998	888,733,168	640,483,184	115,708,467	2,409,065,008
FINANCIAL LIABILITIES						
Insurance technical provisions	753,600,077	226,224,257	315,890,863	351,884,235	413,782,117	2,061,381,550
Other financial liabilities	0	1,579,670	0	0	0	1,579,670
Total	753,600,077	227,803,927	315,890,863	351,884,235	413,782,117	2,062,961,220

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Zavarovalnica Triglav as at 31 Dec. 2017	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Total
FINANCIAL ASSETS						
Financial investments	512,846,045	96,459,883	829,242,356	706,393,895	133,663,936	2,278,606,114
Debt securities	0	85,957,365	768,371,011	706,391,533	132,065,082	1,692,784,992
Held to maturity	0	11,846,503	40,599,376	74,329,168	40,218,760	166,993,807
At fair value through profit and loss	0	18,557,321	127,522,154	76,255,405	19,313,217	241,648,097
Available for sale	0	54,550,557	600,249,481	555,806,961	66,543,370	1,277,150,369
Loans and receivables	0	1,002,984	0	0	5,989,735	6,992,719
Equity securities	494,661,549	0	0	0	0	494,661,549
At fair value through profit and loss	371,158,929	0	0	0	0	371,158,929
Available for sale	123,502,619	0	0	0	0	123,502,619
Derivatives	0	0	2,574,396	0	0	2,574,396
Loans and receivables	18,184,496	10,502,518	58,296,949	2,361	1,598,854	88,585,178
Reinsurers' share of insurance technical provisions	0	47,372,263	26,631,283	8,184,860	3,139,239	85,327,645
Operating receivables	0	87,209,951	0	0	0	87,209,951
Cash and cash equivalents	35,514,745	0	0	0	0	35,514,745
Total	548,360,790	231,042,097	855,873,639	714,578,755	136,803,175	2,486,658,455
FINANCIAL LIABILITIES						
Insurance technical provisions	416,250,767	427,082,723	397,431,494	415,987,854	446,607,195	2,103,360,033
Other financial liabilities	0	1,845,188	0	0	0	1,845,188
Total	416,250,767	428,927,911	397,431,494	415,987,854	446,607,195	2,105,205,221

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2.7 Operational risk

The aim of effective operational risk management of the Group is mainly to effectively remedy the consequences of realised operational loss events, mitigate and prevent future operational losses, and to conduct business in a professional, diligent and ethical manner. To achieve this goal, processes with clearly defined powers and responsibilities were established. In these processes, all seven main operational risk groups are taken into account (internal fraud or unauthorised activity of employees; external fraud or unauthorised activity of third parties; system break-down and the related system disruption; damage of physical assets; inadequate management of human resources and the safety of the work environment; non-compliance with the applicable regulations, improper business or market practice as well as clients and products; inadequate implementation and management of processes and the control environment, including suppliers and business partners).

The methodology is based on three key sets:

- identification and assessment of potential operational risks;
- reporting on the realised operational loss events; and
- key operational risk indicators, which include early warning signals.

The established system enables the Company quality and prompt operational risk identification, measurement or assessment, treatment, monitoring and reporting, i.e. comprehensive operational risk management. The Company regularly upgrades the system based on the identified deficiencies and changes arising from the internal and external environment. This system is incorporated into subsidiaries in accordance with the principles of proportionality and materiality.

The Company established a process register and an internal control register, where the responsible persons (owners and managers) are appointed for each process and control. They both are regularly updated, taking into account any changes in the Company and the business environment. Apart from that, a data quality management (DQM) process was established, a part of which is an inventory of the data and key controls from the input to the end-use.

In operational risk management, the primary focus is on the critical business processes or segments of operational risk. In 2018, a comprehensive identification and assessment of potential exposure of all business processes to operational risks was performed, which also included an inventory of internal controls as one of the key methods of operational risk management. The internal control system mainly focuses on:

- effectiveness and reliability of business process implementation;
- ensuring compliance of the Company's operations with the internal documents and legal regulations;
- accuracy and reliability of financial and accounting reporting;
- protection of property.

The Company uses the reporting application for reporting realised operational risk loss events, which allows the employees to report these events also anonymously. Operational risk loss events are collected in one place which, in addition to monitoring key operational risk indicators and their comparison with the operational risk appetite (as the level of risks or potential losses which the Company is still preparing to accept), enables the Company to take actions fast and effectively should the risk appetite be exceeded.

In the reporting year, the Group identified regulatory risk, external fraud risk and information security risks, especially cyber risk, as key operational risk types.

Extensive reporting requirements in accordance with the existing regulatory requirements (Solvency II), numerous changes in the regulatory environment in recent period (particularly the General Data Protection Regulation (GDPR), the Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs), the Insurance Distribution Directive (IDD), new International Financial Reporting Standards (IFRS 9, IFRS 16 and IFRS 17)) and new, very high fines put **regulatory risks** in the forefront. The Company intensively prepared to ensure compliance with the above European legislation by devoting the necessary resources to that end. It adapted and set up the required processes and internal controls. Furthermore, it continues to monitor legislative changes and actively responds to them.

The new legislative framework increases the requirements relating to the disclosure of information to costumers and other interested public, thereby increasing conduct risk, to which the

Company pays appropriate attention. Even though the Company is mostly exposed to insurance fraud, its fraud prevention, detection and investigation policy encompasses all business lines. Computerisation, digitisation and more sophisticated cyber-attacks continue to increase the importance of **cyber risk**. Although in this respect the Company has not yet suffered any loss, it is aware of the dangers of such risks and the need for additional upgrading of the information security management system and information security stress scenarios. Bearing this in mind, in 2018 an action plan was developed with the aim of upgrading the cyber risk management system. Furthermore, the operational risk indicators related to information security were upgraded in accordance with the development and technological progress of the Company. To improve readiness for such events, in the framework of own risk and solvency assessment (ORSA), the cyber risk events, which represent the greatest vulnerability and are linked to the events that may have an adverse effect on personal data processes and security, were defined and financially assessed. The established risk management of insurance fraud, cyber and operational risk in general are gradually being transferred to other insurance subsidiaries in the Group.

2.7.1 Ensuring business continuity and functioning of material systems for smooth business process implementation

The functioning of information technology, particularly key applications, is important for the operations of the Group. Zavarovalnica Triglav carefully manages information security risk and business disruption and interruption. Based on the risks identified in the use and development of IT applications, appropriate measures for their reduction were taken in 2018. These measures include adjustment of processes, especially the entire change development and management process, drafting of additional recovery plans of insurance subsidiaries of the Group, establishment of more complete and appropriate testing, as well as information and application infrastructure optimisation.

To ensure continuity of key business processes, the business continuity management system was set up. In addition to business continuity plans for critical business processes and disaster recovery plans, it consists of:

- a crisis management team of the Company, who is activated in the case of extraordinary events causing an interruption or disruption in business processes;
- a disaster recovery team for extraordinary events that cause major disruption to IT services;
- recovery teams for the Company's headquarters and regional units, who are activated in the event of interruption to the operation of the Company's headquarters and regional units.

The estimated amount of operational risk accounts for 4% of the Group's available capital.

2.8 Non-financial risks

The Group's operations are exposed to the following non-financial risk types: material strategic risks, capital risk, reputational risk and the Group risk. Non-financial risks are very closely linked to other risks in the Group, especially operational risks, and normally arise from several factors both inside and outside of the Group.

2.8.1 Strategic risk

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

Strategic risks are appropriately managed with the established organisation and processes which ensure that the management of the Company has up-to-date and relevant information when making business decisions. In 2018, a revised Triglav Group Strategy for the 2019–2022 period was adopted. In the context of the Strategy, those strategic indicators were updated which provide the management of the Company an appropriate and up-to-date overview of the implementation of the strategic guidelines and objectives.

A high degree of political uncertainty worldwide and the developments in the financial markets are important factors that may affect the operations of the Group. This may impact the financial markets in particular, as in 2018 increased volatility was observed in some countries, for example in Italy and Turkey. The spreading of such events is a major risk for the European Union. In addition, changes in the insurance industry brought about by

technological development, risks associated with business digitalisation as well as the increasing regulatory and supervisory requirements for financial institutions are also taken into account. An appropriate response to these circumstances is one of the key conditions of the Group's business strategy implementation.

Strategic risks include the risks associated with **staff** recruitment in the future, particularly as a result of better job opportunities, increased dynamics in the labour market and consequently higher salary expectations, and the changed demographic profile of the population. The fact is that the labour force in Slovenia is declining. Approximately 12,000 people per year will retire and because there is no young labour force available to such an extent, there will not be enough suitable staff. The Company has identified this risk and responds to it with different activities aimed at developing and retaining the existing staff, **improving reputation and attractiveness of the employer brand** and pursuing a coordinated staff recruitment policy.

Strategic decisions are made by the management of the Group, who is also responsible for strategic risk management. The strategic risk management system is based on a well-established strategic planning process and related elements, which support in-depth discussions by the relevant decision-making committees, a regular review of strategic priorities and monitoring of their implementation. The powers and responsibilities of the bodies involved in strategic risk management are clearly defined, the implementation of the strategy is appropriately supervised and the achievement of strategic objectives is regularly monitored. The business strategies of individual Group members are aligned with one another and with the strategy of the Group.

2.8.2 Capital risk

Capital risk is the risk of loss due to inadequate capital structure with regard to the business volume and method or problems encountered by the parent company when acquiring fresh capital, especially in the event of adverse business conditions or the need for a rapid capital increase. It also includes the effects on capital adequacy due to regulatory or accounting changes.

Capital risks are regularly monitored in the context of the capital adequacy process. Some uncertainty is caused by the implementation of the new IFRS 17, which due to the closely linked accounting

and market measurement approaches (a basis for determining capital adequacy) may indirectly affect capital adequacy.

2.8.3 Reputational risk

Reputational risk is the risk of potential damage to the Triglav brand and its reputation, which could have an adverse impact on the ability of the Group members to maintain or establish new business relationships. It arises from a negative image held about the Group by its insurers, policyholders, employees, business partners, shareholders, investors, supervisory bodies and other interested stakeholders. It could arise from credit, liquidity, market and operational risks or is related to them. An increased reputational risk is often a result of non-comprehensive management of other non-financial risks (strategic, capital and Group risks).

The basic element of the reputational risk management system is a good corporate governance system, which is monitored and supported with activities and surveys to assess the opinion that external stakeholders have of the Group. An important element of effective reputational risk management is also an efficient internal information flow and employee communication system, which ensures proper knowledge and sufficient understanding of the strategy, business operations, plans and current circumstances by all employees. Also important is to provide balanced, consistent and up-to-date information to the external stakeholders on the business operations and activities of the Group, thereby fostering mutual trust and long-term relationships. The system also includes monitoring and analysing the stakeholders' relationship to the Group.

2.8.4 Group risks

The Group risks arise from the business model of the Company, which is the parent company or a group of related parties. They include risks that might threaten the achievement of strategic objectives due to an inefficient governance system of the Group and insufficient understanding of the business environment in which its interrelated companies operate. The parent company's risk profile can also be influenced by transactions between the associated companies and the high complexity of concentration risk management.

2.9 Emerging risks

An important potential threat is posed by **regulatory risks** due to the constant changes in the regulatory environment and by **human resource risks**. In connection with the process digitisation and automation strategy of the Group, **cyber risk** will increase.

In the foreground are also **climate change risks**, which may be reflected in the increased frequency and severity of weather events, such as hail, storm, flood and frost, which requires a certain degree of prudence when assessing underwriting risks.¹⁰³

The Intergovernmental Panel on Climate Change (IPCC) found that an increase in surface temperature of about 1 degree Celsius in the 1880–2012 period is undeniably proven, as well as the direct consequences of this warming, such as melting glaciers, a global increase in annual precipitation and rising sea levels. It is very likely that the 1983–2012 period was the warmest 30-year period in the last 1400 years on the northern hemisphere. The main reason for this is increased concentrations of anthropogenic greenhouse gases (carbon dioxide, methane and nitrogen oxides) in the second half of the 20th century. On 12 December 2015, the Agreement on Climate Change was adopted in Paris, which is the first universal and legally binding global climate agreement. The Agreement sets out a global action plan according to which the most dangerous consequences of climate change can be prevented by limiting global warming to 1.5 degrees Celsius above pre-industrial levels by 2100.

In the most recent report from 2018, the IPCC points out that, in order to meet the commitments of the Paris Agreement, carbon dioxide emissions should be reduced by 45 percent by 2030. In Europe, climate change risks primarily pose a threat to coastal regions and floodplains, while in the future most climate change-related damage will most likely result from droughts and heat waves.

According to the professional articles of the Environmental Agency of the Republic of Slovenia and the Intergovernmental Panel on Climate Change (IPCC)¹⁰⁴ reports, climate change in Slovenia is even greater than the global average. Over the past 50 years, the air temperature has increased by 0.33 degrees Celsius every 10 years. In successive ten-year intervals, the precipitation index decreased by 2%, snow cover index by 15%, while the duration

of sunlight increased by 2%. The average temperature was the highest in Eastern Slovenia, while the amount of precipitation declined the most in Western Slovenia. Climate forecasts predict a further increase in temperature, especially in summer and winter, in all Slovene regions. The amount of precipitation will fall the most in summer, whereas it will slightly increase in winter.

2.10 Stress tests

The Group regularly conducts stress tests for all material types of risks as well as monitors and assesses the potential impact of stress situations on their risk profile.

Stress testing and scenario analysis are part of the Group's own risk and solvency assessment process. Stress tests are used to determine the effect of a simultaneous change in several parameters, e.g. simultaneous change in different risk categories that influence an insurance transaction and investment values. The analysis of potential effects and exposures takes into account the actual or planned exposure to:

- adverse circumstances that can last for long periods of time;
- sudden and major events;
- combinations of circumstances and events from the first and second indents.

The established framework for performing stress tests enables that the stress tests are prepared on the basis of workshops held with functional areas, at which the scenarios relevant for the current and future operations are assessed.

In 2018, stress testing was performed in the context of own risk and solvency assessment. The Company performed scenario tests to assess the risk sensitivity of the capital adequacy and future solvency requirements. The tests were prepared in such a way so as to reflect the current and potential risks in the environment to the greatest possible extent. The scenarios are an appropriate basis to assess the potential impact on the business operations of the Company as well as to help become familiar with the risks and design appropriate measures. The current relevant scenarios assessed by the Company include a financial scenario (the EIOPA 2018 stress test), an insurance scenario (an earthquake in Ljubljana), a cyber scenario and a non-financial risk scenario (regulatory changes with an impact on the increase of capital requirements).

In the context of the financial scenario, the stability of the Group's solvency was tested in the event of a sudden and significant rise in interest rates in combination with the fall in the market value of investments, mass cancellation of life insurance policies and the increase in non-life claims due to inflation.

In the context of the insurance scenario, the Company tested the effect of a 200-year earthquake, which represents the maximum concentration of exposure for this risk. The scenario also included other operational effects on business and the fall in the value of Slovene debt securities due to the adverse economic situation in Slovenia. The effects of the scenario are presented in [→ *Section 2.3.1 of the Report under Low-frequency and high-severity risks*].

The results of all assessed scenarios confirm that sufficient capital is available to the Group to offset the effect of the stress scenarios used.

2.11 Summary and focus of risk management in the future

Throughout the year, the Company and the Group regularly assessed risk exposure and compared it to the defined risk appetite. It is estimated that both the risk profile and the risk management system are adequate.

To a large extent, the business performance of the Group depends on a number of more or less foreseeable circumstances. The aim of the Group's strategy is to achieve sustainable growth and an adequate return by monitoring, analysing and finding appropriate responses to the present and future challenges.

High risk management standards significantly contribute to the achievement of strategic objectives. The Triglav Group is committed not only to continuous upgrading of the risk management system but also to enhancing its use both in the strategic planning process and when making daily business decisions.

In the coming years, the risk management culture will be further improved at the Group level. The Group will face important challenges in the areas where major changes or increased risks are expected, particularly in relation to cyber risk and the upgrading of the internal control environment, including redesigned processes due to regulatory changes.

¹⁰³ GRI GS 201-2 | ¹⁰⁴ Dr. Klemen Bergant: Podnebje v prihodnosti – koliko vemo o njem? (Climate in the Future – How Much Do We Know About It?) Available at the ARSO website (<http://www.arso.gov.si>); Damjan Dvoršek: Podnebne spremembe v Sloveniji (Climate Change in Slovenia). Available at the ARSO website (<http://www.arso.gov.si>); IPCC: Climate Change 2014 Synthesis Report Summary for Policymakers

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Statement of Management's Responsibilities

The Management Board herewith confirms the financial statements Zavarovalnica Triglav, d.d. and Triglav Group for the year ended 31 December 2018, and the accompanying accounting policies and notes to the accounting policies.

The Management Board is responsible for preparing the Annual Report so that it is true and fair presentation of the Company's and Group's assets and liabilities, financial position and profit for the year ended 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU.

The Management Board additionally confirms that the appropriate accounting policies were consistently used and that the accounting estimates were prepared according to the principles of prudence and good management. The Management Board furthermore confirms that the financial statements, together with the notes are prepared on a going concern basis and that they comply with the applicable legislation and International Financial Reporting Standards as adopted by the EU.

Andrej Slapar,
President of the Management Board

Uroš Ivanc,
Member of the Management Board

Tadej Čoroli,
Member of the Management Board

Barbara Smolnikar,
Member of the Management Board

Marica Makoter,
Member of the Management Board



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

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

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

Ljubljana, 8 March 2019

Independent Auditor's Report



This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zavarovalnica Triglav, d.d.

Opinion

We have audited the separate financial statements of Zavarovalnica Triglav, d.d. ("Triglav" or "the Company") and the consolidated financial statements of Triglav Group ("Triglav Group" or "the Group"), which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2018, the income statement and the consolidated income statement, the statement of other comprehensive income and the consolidated statement of other comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the Zavarovalnica Triglav d.d. and Triglav Group as at 31 December 2018 and separate and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT)

The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities, both in the insurance contract liabilities as reported in the separate and consolidated statement of financial position and in the LAT. We determined this to be a significant item for our audit and a key auditing matter.

We used actuarial specialists to assist us in performing our audit procedures. In particular, our audit focused on the models considered material and more complex and/or requiring significant judgement in the setting of assumptions, particularly long-tail business in non-life operations and LAT cash flows in life products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim reserves calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the



Company's and the Group's modelling approach in the areas considered higher risk as a result of complexity and/or magnitude. We also assessed the Company's and the Group's approach and methodology for the actuarial analyses including estimated versus actual results and experience studies. We assessed the experience analyses performed by the Company's and the Group's in their assumption setting processes. Our assessments included evaluation, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied. We compared applicable industry information considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with International Financial Reporting Standards as adopted by the European Union. Furthermore, we performed audit procedures to evaluate if the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's LAT which is a test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the LAT included assessment of the projected cash flows and of the assumptions adopted in the context of both Company's and the Group's and industry experience and specific product features.

We assessed the adequacy of the disclosures included in note 2.6 Main assumptions and 3.14 Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts of the separate and consolidated financial statements.

Other information

Other information comprises the information included in the Annual Report other than the separate and consolidated financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate and consolidated financial statements is, in all material respects, consistent with the separate and consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company and the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

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Responsibilities of management, audit committee and the supervisory board for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee and the supervisory board are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Company on 6 September 2016 based on our approval by the General Meeting of Shareholders of the Company on 31 May 2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 7 years.

Consistence with Additional Report to Audit Committee


Our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 4 March 2019.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and its controlled undertakings and we remain independent from the Company and its controlled undertakings in conducting the audit.

In addition to statutory audit services and services disclosed in the Annual Report and in the separate and consolidated financial statements, no other services which were provided by us to the Company and its controlled undertakings.

Ljubljana, 8 March 2019


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

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 3


Simon Podvinški
Certified auditor

1. Financial Statements¹⁰⁵

1.1 Statement of financial position

					in EUR
		Triglav Group		Zavarovalnica Triglav	
	Notes	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
ASSETS		3,645,277,487	3,674,676,193	2,730,187,525	2,786,489,540
Intangible assets	3.1	84,060,048	78,840,612	62,162,502	59,786,283
Property, plant and equipment	3.2	113,296,053	111,210,437	67,986,100	67,526,775
Non-current assets held for sale	3.11	2,067,399	2,278,440	0	0
Deferred tax assets	3.17	12,893,732	13,769,115	0	0
Investment property	3.3	89,840,456	94,007,483	45,270,540	48,214,401
Investments in subsidiaries	3.4	0	0	131,938,667	118,167,937
Investments in associates	3.5	14,125,973	6,449,324	16,959,355	10,002,047
– accounted for using the equity method		14,125,973	6,449,324	0	0
– measured at fair value		0	0	16,959,355	10,002,047
Financial investments	3.6	2,588,904,297	2,587,850,704	1,840,036,950	1,860,998,156
– loans and deposits		138,857,972	125,251,487	92,670,309	91,428,595
– held to maturity		196,773,185	221,390,576	159,463,950	166,993,807
– available for sale		1,802,568,767	1,815,323,900	1,383,855,505	1,400,652,988
– recognised at fair value through profit and loss		450,704,373	425,884,741	204,047,186	201,922,766
Unit-linked insurance assets		402,515,770	450,236,044	366,664,078	417,607,959
Reinsurers' share of technical provisions	3.7	85,920,499	83,815,576	87,893,306	85,327,645
Receivables	3.8	178,654,878	163,878,354	89,980,951	81,350,417
– receivables from direct insurance operations		96,601,328	85,722,492	62,635,337	54,731,853
– receivables from reinsurance and coinsurance operations		51,299,903	44,939,702	18,157,611	13,889,792
– current tax receivables		579,645	32,211	0	0
– other receivables		30,174,002	33,183,949	9,188,003	12,728,772
Other assets	3.9	5,396,722	3,922,257	3,296,589	1,993,174
Cash and cash equivalents	3.10	67,601,660	78,417,847	17,998,487	35,514,746
Off balance sheet items		251,429,127	240,363,102	178,359,227	174,448,801

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2018¹⁰⁵Notes on pages from 180 to 281 are part of financial statements.

						in EUR
		Triglav Group		Zavarovalnica Triglav		
	Notes	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	
EQUITY AND LIABILITIES		3,645,277,487	3,674,676,193	2,730,187,525	2,786,489,540	
Equity	3.12	746,862,805	756,645,683	560,120,736	571,412,305	
Controlling interests		744,566,806	749,838,244	560,120,736	571,412,305	
– share capital		73,701,392	73,701,392	73,701,392	73,701,392	
– share premium		50,206,540	50,403,656	53,412,884	53,412,884	
– reserves from profit		334,121,464	333,407,073	318,962,643	318,962,643	
– treasury share reserves		364,680	364,680	0	0	
– treasury shares		-364,680	-364,680	0	0	
– fair value reserve		66,237,889	95,398,236	47,260,189	67,250,264	
– net profit brought forward		142,483,579	160,647,992	1,239,764	25,563,172	
– net profit/loss for the year		80,533,643	39,133,955	65,543,864	32,521,950	
– currency translation differences		-2,717,701	-2,854,060	0	0	
– reserve of disposal group held for sale		0	0	0	0	
Non-controlling interests	2.7	2,295,999	6,807,439	0	0	
Subordinated liabilities	3.13	15,462,711	15,459,132	20,612,951	20,608,180	
Insurance technical provisions	3.14	2,310,503,061	2,282,701,026	1,696,143,475	1,687,109,267	
– unearned premiums		300,166,946	278,112,719	213,919,937	196,528,185	
– mathematical provisions		1,357,233,017	1,333,055,389	1,009,712,605	994,737,498	
– claims provisions		614,943,915	638,473,713	442,560,188	469,230,900	
– other insurance technical provisions		38,159,183	33,059,205	29,950,745	26,612,684	
Insurance technical provisions for unit-linked insurance contracts		402,598,039	449,544,565	365,238,075	416,250,767	
Provisions for employee benefits	3.15	14,804,574	13,979,843	11,167,156	10,700,463	
Other provisions	3.16	1,919,555	3,794,647	758,435	724,961	
Non-current liabilities held for sale and discontinued operations		0	0	0	0	
Deferred tax liabilities	3.17	17,203,576	26,396,579	2,813,736	9,301,053	
Other financial liabilities	3.18	5,620,904	5,589,381	1,587,443	1,845,184	
Operating liabilities	3.19	54,792,055	49,381,602	28,523,572	27,740,050	
– liabilities from direct insurance operations		19,717,929	18,875,323	11,306,835	11,354,265	
– liabilities from reinsurance and co-insurance operations		30,465,655	28,758,158	13,819,946	15,249,797	
– current tax liabilities		4,608,471	1,748,121	3,396,791	1,135,988	
Other liabilities	3.20	75,510,207	71,183,735	43,221,946	40,797,310	
<i>Off balance sheet items</i>		<i>251,429,127</i>	<i>240,363,102</i>	<i>178,359,227</i>	<i>174,448,801</i>	

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1.2 Income statement

						in EUR
		Triglav Group		Zavarovalnica Triglav		
	Notes	2018	2017 restated ¹⁰⁶	2018	2017 restated	
Net premium income	4.1	951,762,862	891,197,369	551,940,868	522,057,353	
– gross written premium		1,068,394,407	999,916,626	660,210,432	621,971,336	
– ceded written premium		-106,624,908	-97,550,733	-101,297,110	-93,522,581	
– change in unearned premium reserve		-10,006,637	-11,168,524	-6,972,454	-6,391,402	
Income from investments in subsidiaries and associates	4.2	1,021,159	224,605	5,305,545	7,106,829	
– profit on equity investments accounted for using the equity method		1,021,159	224,605	0	0	
– other income from investments in subsidiaries and associates		0	0	5,305,545	7,106,829	Business Report
Income from investments	4.2	88,889,077	132,944,438	61,755,135	99,243,902	
– interest income calculated using the effective interest method		55,573,242	58,196,582	36,890,019	38,861,704	
– gains on disposals		23,777,837	29,790,480	18,521,649	25,370,295	
– other income from investments		9,537,998	44,957,376	6,343,467	35,011,903	
Other income from insurance operations	4.6	29,837,981	29,237,231	27,448,384	27,732,584	
– fees and commission income		15,806,181	16,487,470	17,004,132	18,011,729	Risk Management
– other income from insurance operations		14,031,800	12,749,762	10,444,252	9,720,855	
Other income	4.7	36,149,533	34,033,116	12,491,979	10,951,423	
Net claims incurred	4.8	626,560,398	619,958,781	359,941,674	376,292,830	
– gross claims settled		679,600,218	642,162,569	421,002,582	411,305,524	Accounting Report
– reinsurers' share		-39,988,966	-24,573,610	-37,767,613	-24,624,035	
– changes in claims provisions		-19,248,552	-3,915,964	-23,293,295	-10,388,659	
– equalisation scheme expenses for supplementary health insurance		6,197,698	6,285,786	0	0	
Change in other insurance technical provisions (excluding ULI)	4.10	39,860,373	60,281,190	29,499,390	35,366,975	
Change in insurance technical provisions for unit-linked insurance contracts	4.10	-46,889,547	-8,250,712	-50,884,979	-14,678,837	Table of Contents
Expenses for bonuses and discounts	4.11	11,417,685	9,342,891	10,571,287	8,073,088	
Change in financial contract liabilities		0	0	0	0	
Operating expenses	4.12	233,637,425	220,762,633	153,008,918	145,922,909	
– acquisition costs		159,245,093	147,942,412	110,230,112	105,301,136	
– other operating costs		74,392,332	72,820,221	42,778,806	40,621,773	
Expenses from investments in subsidiaries and associates	4.3	137,092	3,126,853	4,759	4,435	
– loss on investments accounted for using the equity method		137,092	1,981,853	0	0	
– other expenses from financial assets and liabilities		0	1,145,000	4,759	4,435	
Expenses from investments	4.3	67,118,486	27,651,058	50,929,727	20,438,978	
– loss on impairment of investments		1,497,483	335,255	1,248,877	200,000	The Triglav Group and Zavarovalnica Triglav d.d. Annual Report 2018
– loss on disposal of investments		13,128,928	11,083,596	12,566,364	10,588,356	
– other expenses from investments		52,492,075	16,232,207	37,114,486	9,650,622	
Other insurance expenses	4.13	33,744,135	28,058,062	11,819,639	6,980,751	
Other expenses	4.14	44,618,763	42,260,921	15,594,244	14,868,646	
– expenses from financing		1,384,361	1,631,023	1,507,022	1,549,066	
– other expenses		43,234,402	40,629,898	14,087,222	13,319,580	
Profit before tax		97,455,802	84,445,082	78,457,252	73,822,316	
Income tax expense	4.15	16,629,557	14,737,130	12,913,388	11,300,366	
NET PROFIT FOR THE PERIOD		80,826,245	69,707,952	65,543,864	62,521,950	
Earnings per share (basic and diluted)		3.56	3.07	-	-	
Net profit/loss attributable to the controlling company		80,662,754	69,256,560	-	-	
Net profit/loss attributable to the non-controlling interest holders	2.7	163,491	451,391	-	-	

¹⁰⁶The data for the previous reference period were reclassified due to a change in the structure of income statement. Details are presented [→ in Chapter 2.4].

1.3 Comprehensive income

						in EUR
	Notes	Triglav Group		Zavarovalnica Triglav		
		2018	2017	2018	2017	
Net profit for the year after tax	3.12	80,826,245	69,707,952	65,543,864	62,521,950	
Other comprehensive income after tax		-28,931,958	9,018,012	-19,997,563	2,339,106	
Items which will not be transferred in income statement in future periods		-303,425	391,597	-266,153	350,717	
Actuarial gains/losses on defined benefit pension plans	3.15	-303,550	391,597	-266,153	350,717	
Tax on items which will not be transferred in income statement		125	0	0	0	
Items which could be transferred into income statement in future periods		-28,628,533	8,626,415	-19,731,410	1,988,389	
Fair value gains/losses on available-for-sale financial assets	2	-50,091,501	7,982,377	-39,514,888	2,935,382	
– net gains/losses recognized directly in equity		-32,052,599	32,023,082	-25,811,542	24,405,582	
– transfers from equity to income statement		-18,038,902	-24,040,705	-13,703,346	-21,470,200	
Fair value gains/losses on non-current assets held for sale		0	204,793	0	0	
Fair value gains/losses on cashflow hedges		0	0	0	0	
Share of OCI of entities accounted for using the equity method		-310,367	603,255	0	0	
Liabilities from insurance contracts with DPF		12,510,378	-487,190	12,510,379	-487,190	
Currency translation differences		127,483	1,080,805	0	0	
Tax on other comprehensive income		9,135,474	-757,625	7,273,099	-459,803	
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX		51,894,287	78,725,963	45,546,301	64,861,056	
Controlling interest		51,702,769	78,173,753	-	-	
Non-controlling interest		191,518	552,210	-	-	

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1.4 Statement of changes in equity

in EUR																
Triglav Group	Share capital	Share premium	Reserves from profit						Fair value reserve	Reserve of disposal group held for sale	Net profit brought forward	Net profit/loss	Currency translation differences	TOTAL EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY	Non-controlling interests	TOTAL
			Contingency reserves	Legal and statutory reserves	Treasury share reserves	Treasury shares	Credit risk reserves	Other reserves from profit								
As at 1 January 2017	73,701,392	53,488,690	592,269	20,642,424	364,680	-364,680	764	284,300,000	87,735,128	0	173,192,869	44,216,477	-3,914,499	733,955,514	10,394,233	744,349,747
Comprehensive income for the year after tax	0	0	0	0	0	0	0	0	7,663,108	0	193,644	69,256,560	1,060,439	78,173,753	552,210	78,725,963
a) Net profit	0	0	0	0	0	0	0	0	0	0	0	69,256,560	0	69,256,560	451,391	69,707,952
b) Other comprehensive income	0	0	0	0	0	0	0	0	7,663,108	0	193,644	0	1,060,439	8,917,191	100,819	9,018,010
Transfer to retained earnings	0	0	0	0	0	0	0	0	0	0	44,216,477	-44,216,477	0	0	0	0
Dividend payment	0	0	0	0	0	0	0	0	0	0	-56,777,086	0	0	-56,777,086	-4,312	-56,781,398
Transfer of net profit to reserves from profit	0	0	0	553,416	0	0	0	30,000,000	0	0	-430,811	-30,122,605	0	0	0	0
Offset of loss from previous years	0	0	0	-252,900	0	0	0	0	0	0	252,900	0	0	0	0	0
Change in Group	0	-3,186,028	0	-2,428,901	0	0	0	0	0	0	0	0	0	-5,614,929	-4,134,692	-9,749,621
Other	0	100,994	0	0	0	0	0	0	0	0	0	0	0	100,994	0	100,994
As at 31 December 2017	73,701,392	50,403,656	592,269	18,514,040	364,680	-364,680	764	314,300,000	95,398,236	0	160,647,992	39,133,955	-2,854,060	749,838,244	6,807,439	756,645,683
Comprehensive income for the year after tax	0	0	0	0	0	0	0	0	-29,160,347	0	64,002	80,662,754	136,359	51,702,768	191,518	51,894,287
a) Net profit	0	0	0	0	0	0	0	0	0	0	0	80,662,754	0	80,662,754	163,491	80,826,245
b) Other comprehensive income	0	0	0	0	0	0	0	0	-29,160,347	0	64,002	0	136,359	-28,959,986	28,027	-28,931,959
Repayment of equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-133,062	-133,062
Transfer to retained earnings	0	0	0	0	0	0	0	0	0	0	39,133,955	-39,133,955	0	0	0	0
Dividend payment	0	0	0	0	0	0	0	0	0	0	-56,777,086	0	0	-56,777,086	-102,094	-56,879,180
Transfer of net profit to reserves from profit	0	0	6,819	707,572	0	0	0	0	0	0	-585,282	-129,109	0	0	0	0
Change in Group	0	-197,116	0	0	0	0	0	0	0	0	0	0	0	-197,116	-4,467,802	-4,664,918
As at 31 December 2018	73,701,392	50,206,540	599,088	19,221,612	364,680	-364,680	764	314,300,000	66,237,889	0	142,483,579	80,533,643	-2,717,701	744,566,806	2,295,999	746,862,805

in EUR									
Zavarovalnica Triglav	Share capital	Share premium	Reserves from profit			Fair value reserve	Net profit brought forward	Net profit/loss	TOTAL
			Legal and statutory reserves	Credit risk reserves	Other reserves form profit				
As at 1 January 2017	73,701,392	53,412,884	4,662,643	0	284,300,000	64,890,318	44,688,278	37,733,602	563,389,117
Comprehensive income for the year after tax	0	0	0	0	0	2,359,946	-20,839	62,521,950	64,861,056
a) Net profit	0	0	0	0	0	0	0	62,521,950	62,521,950
b) Other comprehensive income	0	0	0	0	0	2,359,946	-20,839	0	2,339,107
Dividend payment	0	0	0	0	0	0	-56,837,869	0	-56,837,869
Transfer of net profit to other reserves from profit	0	0	0	0	30,000,000	0	0	-30,000,000	0
Transfer to retained earnings	0	0	0	0	0	0	37,733,602	-37,733,602	0
As at 31 December 2017	73,701,392	53,412,884	4,662,643	0	314,300,000	67,250,264	25,563,172	32,521,950	571,412,305
Comprehensive income for the year after tax	0	0	0	0	0	-19,990,075	-7,488	65,543,864	45,546,301
a) Net profit	0	0	0	0	0	0	0	65,543,864	65,543,864
b) Other comprehensive income	0	0	0	0	0	-19,990,075	-7,488	0	-19,997,563
Dividend payment	0	0	0	0	0	0	-56,837,870	0	-56,837,870
Transfer to retained earnings	0	0	0	0	0	0	32,521,950	-32,521,950	0
As at 31 December 2018	73,701,392	53,412,884	4,662,643	0	314,300,000	47,260,189	1,239,764	65,543,864	560,120,736

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1.5 Cash flow statement

		in EUR			
		Triglav Group		Zavarovalnica Triglav	
		2018	2017	2018	2017
Notes					
A.	OPERATING CASH FLOW				
a.	Income statement items	63,558,277	47,763,405	27,298,196	2,402,118
	Net written premium for the period	992,822,784	931,192,941	558,913,322	528,448,755
	Investment income (excluding financial income)	21,545,047	21,583,243	11,916,643	12,038,000
	Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables	39,089,344	34,492,062	10,868,255	10,097,825
	Net claims paid	-658,958,408	-626,345,459	-383,234,969	-386,681,490
	Bonuses and rebates paid	-10,350,140	-9,258,381	-9,374,088	-8,218,663
	Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	-240,531,743	-220,091,770	-129,555,100	-120,912,122
	Investment expenses (excluding depreciation charge and financial expenses)	-11,076,031	-10,115,412	-5,595,378	-7,077,627
	Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	-54,675,615	-59,658,304	-16,773,686	-15,161,832
	Corporate income tax and other taxes excluded from operating expenses	-14,306,961	-14,035,515	-9,866,802	-10,130,728
b.	Changes in net current assets-operating balance sheet items	-19,565,937	1,918,944	-14,036,824	4,592,420
	Movements in receivables from direct insurance operations	-10,439,344	2,408,225	-8,151,580	4,875,196
	Movements in receivables from reinsurance operations	-10,452,845	-8,946,527	-4,267,819	-6,351,696
	Movements in other receivables from (re)insurance operations	2,614,724	-2,058,178	-1,264,031	1,147,648
	Movements in other receivables and assets	-2,998,138	-352,320	-1,302,382	-585,626
	Movements in deferred tax assets	-1,444,446	54,034	0	0
	Movements in inventories	27,655	170,131	-2,973	-24,706
	Movements in debts from direct insurance operations	843,066	2,519,871	-47,430	151,923
	Movements in debts from reinsurance operations	4,012,279	1,738,719	-1,429,852	3,742,212
	Movements in operating debts	5,751,510	1,921,919	-2,718	-494,928
	Movements in other liabilities (excluding unearned premiums)	-6,159,491	2,972,253	2,431,959	2,132,397
	Movements in deferred tax liabilities	-1,320,907	1,490,817	0	0
c.	Net cash from/ (used in) operating activities (a + b)	43,992,340	49,682,349	13,261,372	6,994,538
B.	CASH FLOWS FROM INVESTING ACTIVITIES				
a.	Cash inflows from investing activities	999,778,200	1,295,036,003	796,648,223	1,077,968,813
	Cash inflows from interest from investing activities	53,035,031	56,592,362	36,970,864	39,336,018
	Cash inflows from dividends received and profit sharing	3,828,099	4,900,674	7,557,132	8,868,008
	Cash inflows from the disposal of intangible assets	3,094	0	3,094	0
	Cash inflows from the disposal of property, plant and equipment	8,715,584	2,947,661	8,181,979	952,716
	Cash inflows from the disposal of financial investments	934,196,392	1,230,595,306	743,935,154	1,028,812,072
	- Cash inflows from the disposal of investments in subsidiaries and associates	0	14,505,290	0	14,505,290
	- Other cash inflows from disposal of financial investments	934,196,392	1,216,090,016	743,935,154	1,014,306,782
b.	Cash outflows from investing activities	-996,334,697	-1,271,700,986	-769,343,650	-1,018,983,429
	Cash outflows for the purchase of intangible assets	-6,223,811	-7,013,310	-2,948,864	-5,164,016
	Cash outflows for the purchase of property, plant and equipment	-14,669,708	-11,294,823	-10,003,879	-4,285,331
	Cash outflows for the purchase of financial investments	-975,441,178	-1,253,392,853	-756,390,907	-1,009,534,083
	- Cash outflows for the purchase of investments in subsidiaries and associates	11,617,277	-11,567,163	-17,060,388	-6,124,150
	- Other cash outflows to acquire financial investments	-987,058,455	-1,241,825,690	-739,330,519	-1,003,409,933
c.	Net cash from/ (used in) investing activities (a + b)	3,443,503	23,335,017	27,304,573	58,985,384

		Triglav Group		Zavarovalnica Triglav		in EUR
	Notes	2018	2017	2018	2017	
C.	CASH FLOWS FROM FINANCING ACTIVITIES					
a.	Cash inflows from financing activities	0	0	0	0	
	Cash inflows from paid-in capital	0	0	0	0	
	Cash inflows from long-term loans received and issued	0	0	0	0	
	Cash inflows from short-term loans received	0	0	0	0	
b.	Cash outflows from financing activities	-58,256,189	-60,407,207	-58,082,203	-58,118,823	
	Cash outflows for paid interest	-1,227,366	-1,227,366	-1,227,366	-1,227,366	
	Cash outflows for purchase of treasury shares	0	-2,349,109	0	0	
	Cash outflows for capital repayment	-133,062	0	0	0	
	Cash outflows for payments of long-term financial liabilities	0	0	0	0	
	Cash outflows for payments of short-term financial liabilities	0	0	0	0	
	Cash outflows from dividends paid and profit sharing	-56,895,761	-56,830,732	-56,854,837	-56,891,457	
c.	Net cash from/ (used in) financing activities (a + b)	-58,256,189	-60,407,207	-58,082,203	-58,118,823	
D.	Closing balance of cash and cash equivalents	67,601,660	78,417,847	17,998,487	35,514,746	
E1.	Net cash flow for the period	-10,820,346	12,610,159	-17,516,258	7,861,100	
E2.	Foreign exchange differences	4,159	93,214	0	0	
F.	Opening balance of cash and cash equivalents	78,417,847	65,714,474	35,514,746	27,653,646	

2. General Information

2.1 Profile of Zavarovalnica Triglav and Triglav Group

Zavarovalnica Triglav d.d. (hereinafter: Zavarovalnica Triglav or the controlling company) 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) and the Slovenian Sovereign Holding (Slovenski državni holding), which participate with 34.47% and 28.09% of the share capital, respectively.

Zavarovalnica Triglav offers a broad range of life and non-life insurance, as well as ancillary insurance and pension fund services. In accordance with the Pension and Disability Insurance Act (ZPIZ-2), the Company also provides pension insurance and other ancillary services in relation to insurance and pension funds in the framework of life insurance.

In the life insurance segment, the following funds of assets for supplemental voluntary pension insurance operated in 2018:

- the group of assets, covering technical provisions for supplemental voluntary pension insurance PDPZ (registration no. 5063345032), includes three funds through which the lifecycle investment policy is implemented. All three funds serve to implement pension schemes of group supplemental voluntary pension insurance bearing the codes PN-ZT-01/15-9, PN-ZT-03/15-9, PN-ZT-05/15-9 as well as schemes of individual supplemental voluntary pension insurance bearing the codes PN-ZT-02/15-9, PN-ZT-04/15-9, PN-ZT-06/15-9. The PDPZ group of funds comprises the following three funds of assets, covering technical provisions:
 - fund Triglav PDPZ-zajamčeni (registration number 5063345029);
 - fund Triglav PDPZ-zmerni (registration number 5063345030);
 - fund Triglav PDPZ-drzni (registration number 5063345031);
- fund of assets, covering technical provisions for supplemental voluntary pension insurance during the payout period of pension annuities – rent 1 (registration number 5063345028);

- fund of assets, covering technical provisions for supplemental voluntary pension insurance during the payout period of pension annuities – rent 2 (registration number 5063345033);
- unit-linked life insurance contracts (registration number 5063345023).

Statements of financial position and income statements for funds posted separately are shown [[→ in Section 5.13](#)].

The manager of the Triglav PDPZ-zmerni and Triglav PDPZ-drzni funds is Triglav Skladi d.o.o. Zavarovalnica Triglav manages the other abovementioned funds. The custodian of all PDPZ guarantee funds is Abanka d.d.

Zavarovalnica Triglav is the controlling company of the Triglav Group. The structure of the Triglav Group is presented in detail [[→ in Section 2.7](#)]. The Triglav Group is the leading insurance/financial group in Slovenia and the Adria region and one of the leading groups in South-East Europe. Insurance is the core business of the Group, including asset management support activities and other services.

Both separate and consolidated financial statements are prepared.

2.2 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 2018, the Supervisory Board had the following members:

Name	SB	AC	ACC	SC	Notes
Igor Stebernak	M P		P		since 2 June 2016 since 18 August 2016 since 18 August 2016 until 12 June 2017 and since 21 June 2017
Andrej Andoljšek	M DP			M	since 13 June 2017 since 21 June 2017 since 21 June 2017
Milan Tomaževič	M			P	since 13 June 2017 since 21 June 2017
Žiga Škerjanec	M		M	M	since 13 June 2017 since 21 June 2017 since 21 June 2017
Nataša Damjanovič	M	M	M		since 13 June 2017 since 21 June 2017 since 21 June 2017
Mario Gobbo	M		P		since 12 June 2013 since 1 July 2013 until 12 June 2017 and since 21 June 2017
Peter Celar	M			M	since 30 May 2011 since 1 July 2013 until 12 June 2017 and since 21 June 2017
Boštjan Molan	M		M		since 31 May 2015 since 20 August 2015 until 12 June 2017 and since 21 June 2017
Ivan Sotošek	M		M		since 31 May 2015 since 20 August 2015 until 12 June 2017 and since 21 June 2017
Simon Kolenc		M			since 18 August 2017

Legend:

SB – Supervisory Board

AC – Audit Committee

ACC – Appointments and Compensation Committee

SC – Strategy Committee

P – President

DP – Deputy 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 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 2018, the Management Board had the following composition:

- Andrej Slapar, President,
- Uroš Ivanc, member,
- Tadej Čoroli, member,
- Barbara Smolnikar, member,
- Marica Makoter, member, employee representative.

2.3 Statement of compliance

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

2.4 Reporting basis

The financial statements of Triglav Group and Zavarovalnica Triglav 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,
- financial assets measured at fair value through profit and loss,
- financial assets available-for-sale.

Investments in associates are recognised at fair value in individual financial statements and accounted for using the equity method in the consolidated financial statements.

To disclose more reliable and accurate information, this year the income and expenses items for financial investments have been slightly changed in the income statement. Consequently, the following minor item reclassifications were made: income from other financial assets and net unrealised gains on unlinked life insurance assets are aggregated in income from investments, interest income was reclassified from income from financial assets into other income from insurance operations, while financing costs were reclassified from expenses from financial assets and liabilities into other expenses. The data for the previous reference period are presented in the same way.

The reclassifications for both 2018 and 2017 are shown below:

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Income from financial assets	-6,358,721	-5,793,980	-6,100,508	-5,793,980
Other insurance income	6,358,721	5,793,980	6,100,508	5,793,980
Expenses from financial assets	-1,384,361	-1,631,023	-1,507,022	-1,549,066
Other expenses	1,384,361	1,631,023	1,507,022	1,549,066

in EUR

The methods used for measuring fair value are described [[→ in Section 2.5.13](#)].

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the amount of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge of current events and activities, actual results may differ from these estimates. The estimates and assumptions are regularly reviewed and their corrections are recognised in the period of change. The use of estimates and assumptions is presented in more detail [[→ in Section 2.6](#)].

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

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

Disclosures relating to risks arising from financial instruments are not included in the Accounting Report. They can be found [[→ in the Risk Management chapter on pages from 143 to 167](#)].

The Annual Report is adopted by the Management Board and approved by the Supervisory Board. In the event the Supervisory Board fails to approve the report, it is discussed by the General Meeting of Shareholders.

On 8 March 2019, the Management Board approved the Annual Report, which is available at the headquarters of Zavarovalnica Triglav and on its website.

2.5 Main accounting policies

2.5.1 Foreign currency translation

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 financial statements are presented in euros, which is the presentation currency of the Group. In the financial statements, the amounts and disclosures are rounded to one euro.

Translation of business events and items

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

Foreign exchange differences arising from changes in the amortised cost of monetary items, denominated in foreign 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.

Translation from the functional into the presentation currency

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,
- income, expenses and costs at the average exchange rate for the year,
- capital components are translated at a historical rate,
- all the resulting exchange rate differences are recognised in other comprehensive income.

Goodwill and adjustment of acquired assets of a subsidiary abroad to fair value are recognised in the same way as assets of a subsidiary abroad and translated into the presentation currency at the closing rate.

In the consolidated financial statements, exchange rate differences resulting from the translation of a net investment in a subsidiary abroad are recognised in the statement of comprehensive income. When the Group loses control over a subsidiary abroad, previously recognised exchange rate differences arising from the translation into the presentation currency are reclassified from other comprehensive income into the income statement as part of gain or loss from sale.

2.5.2 Intangible assets

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

Amortisation is calculated using the straight-line amortisation method.

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

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

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

Deferred acquisition costs for non-life insurance contracts are also a part of intangible assets. Decrease or increase in deferred acquisition costs is recognised as a change in unearned premium provision in the income statement, within net premium income.

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

Accounting policies regarding the impairment of intangible assets are described [[→ in Section 2.5.14](#)].

2.5.3 Goodwill

Goodwill can arise from the acquisition of a subsidiary and is recognised in consolidated financial statements as the surplus of

the sum of the paid consideration measured at fair value over the net amount of the acquired assets and liabilities of the subsidiary. If the difference is negative, the profit is recognised in its entirety in the income statement.

Accounting policies and consolidation methods are described [[→ in Section 2.7](#)].

2.5.4 Property, plant and equipment

Property, plant and equipment are accounted for using the cost model. The cost of an item of property, plant and equipment comprises its purchase price and any other costs directly attributable to 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. The depreciation rates given below have been used consistently through the years.

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

The assets acquired in the current year become subject to depreciation on the first day of the month following the month in which they are put into use. Depreciation of an asset being constructed begins when it is available for use. 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 2.5.14](#)].

2.5.5 Investment property

Investment property is property (land and buildings) owned or leased 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.

After initial recognition investment property is measured at historical cost, including costs for the purpose of acquiring the asset. Investment property is accounted for using the cost model. Investment property is depreciated and impaired using the same method as that used for property, plant and equipment described [[→ under Section 2.5.2 in 2.5.4](#)].

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 2.5.14](#)].

2.5.6 Investments in subsidiaries

In separate financial statements, investments in equity instruments of subsidiaries (shares, stakes) are measured at cost. Investments in subsidiaries represent investments in the companies (investees) over which Zavarovalnica Triglav has controlling influence and where the following conditions are met:

- Zavarovalnica Triglav has power over the investee that arises either from the voting rights resulting from capital instruments or from other rights resulting from contractual agreements;
- Zavarovalnica Triglav is exposed to variable returns or has the right to variable returns from its involvement with the investee;
- Zavarovalnica Triglav has the ability to affect those returns through its power over the investee.

Initial recognition follows as soon as the shares or equity interest has been entered into the Court Register.

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

Accounting policies regarding the impairment of investments in subsidiaries are described [[→ in Section 2.5.14](#)].

Subsidiaries are included in the consolidated financial statements under the full consolidation method. The consolidation procedures are presented in detail [[→ in Section 2.7](#)].

2.5.7 Investments in associated companies

Investments in associates represent investments in the companies (investees) over which Zavarovalnica Triglav has significant influence arising from its power to participate in financial and operating policy decisions of an investee, but not joint control or control of those policies. In separate financial statements investments in equity instruments of associated companies (shares, stakes) are measured at fair value.

For associated companies with no quoted price on the stock exchange, internal models of valuating are used (listed comparable companies method, comparable transactions method, discounting of cash flows, contract value). The valuation assumptions applied are presented in greater detail [[→ in Sections 2.6.5](#)]. The effects of the valuation at fair value are disclosed in other comprehensive income.

Associates of the Triglav Group are those companies in which the Company directly or indirectly holds between 20% and 50% of the voting rights and has a significant but not dominant influence. In the consolidated financial statements of the Triglav Group, investments in associates are accounted for using the equity method. The corresponding share of the profit or loss of an associate is recognised in the consolidated profit or loss. The associated effects included in other comprehensive income of an associate are recognised in the consolidated statement of comprehensive income.

Dividends are recognised in income statement once the right to payment is obtained. The dividends of associates are excluded in consolidated financial statements.

Accounting policies regarding the impairment of investments in associated companies are described [[→ in Section 2.5.14](#)].

2.5.8 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 based on their fair value. Initially recognised values are increased by 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 rule does not apply to financial assets classified as assets disclosed at their fair value through profit and loss, where these costs are recognised directly in the income statement at acquisition.

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

Available-for-sale financial assets

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

After initial recognition, financial assets classified as available for sale are measured at their fair value, without deducting transaction costs that may occur in their sale or other disposal. Financial instruments not listed on a stock exchange are measured at fair value on the basis of their prices in the latest transactions (official price offers by stock broking firms or banks for certain securities) or through a valuation model (discounting of expected cash flows). Details on valuation models are described [[→ in Section 5.1.2](#)]. Equity instruments not quoted in an active market and for which the fair value cannot be reliably measured are measured at cost.

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

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

Held-to-maturity financial assets

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

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

Financial assets at fair value through profit and loss

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

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

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

- held in the long-term funds¹⁰⁷ of Zavarovalnica Triglav for the purpose of covering liabilities arising from insurance contracts, relating to a change in the fair value of these assets; such a classification eliminates or reduces any mismatches that might arise from the measurement of assets and liabilities or the recognition of gains and losses arising from various contracts; or
- managed and its performance measured based on fair value in accordance with Zavarovalnica Triglav's investment policy.

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

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

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

Loans and receivables

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

At initial recognition, loans and receivables are measured at cost and later at amortised cost using the effective interest method.

The impairments of loans and receivables are recognised if there is objective evidence that the receivable will not be recovered in accordance with the contractual terms.

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 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.

2.5.9 Receivables from insurance operations

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

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

Accounting policies regarding the impairment of receivables are described [[→ in Section 2.5.14](#)].

2.5.10 Other assets

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

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

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

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

2.5.11 Cash and cash equivalents

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

2.5.12 Non-current assets held for sale

Non-current assets held for sale are those non-financial assets whose value will be recovered through a sale transaction rather than their continued use. The condition for the classification into the category of non-current assets held for sale is fulfilled when the sale is highly probable and the asset is available for immediate sale in its present condition. The management is committed to the sales plan, which must be carried out within a period of one year from the classification of assets into this category.

These assets are measured at the lower of the carrying amount or 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. If an asset is acquired through a business combination it should be measured at fair value less acquisition costs.

2.5.13 Fair value measurement

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.

¹⁰⁷Long-term business funds include the assets of insured persons arising from life insurance, supplementary voluntary pension insurance, voluntary pension insurance during the annuity pay-out period and unit-linked insurance.

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.

All financial assets are measured at fair value, except for loans and held-to-maturity financial assets which are disclosed in financial statements at amortised cost. The fair value of the latter two is disclosed [→ *under Section 3.6*]. The fair value of land and buildings used for insurance operations and of investment property is disclosed [→ *under Sections 3.2 and 3.3*] that of subordinated liabilities [→ *under Section 3.13*].

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.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. In determining the fair value of financial assets, valuation techniques are applied, using the reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants for establishing instrument prices and if such a technique has yielded reliable estimates of prices used in actual market transactions, such a technique is applied. 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 disclosure purposes, a price level hierarchy has been applied for all financial assets measured at fair value. It is determined with regard to the inputs in the valuation technique, which are used to measure fair value.

- Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The quoted prices may be adjusted only exceptionally.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and quoted prices that are observable.
- Level 3 inputs: are prices that do not meet the standards for Level 1 or Level 2. The share of unobservable inputs used in value measurement models is considerable. Unobservable inputs have to use the assumptions that market participants would use when pricing the asset or liability, including risk assumptions.

2.5.14 Impairment

Intangible assets and property, plant and equipment

The value of intangible assets and property, plant and equipment is tested as at the reporting date. It is determined whether there are any objective signs of impairment. If there are, the recoverable amount is assessed, which represents the higher of an asset's fair value less costs to sell and its value in use. 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. If the recoverable amount exceeds the carrying value, the assets are not impaired.

For material assets, impairments are assessed on an individual basis. The impairment of the remaining assets is carried out at the level of cash-generating units.

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.

Goodwill

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 there are objective signs of impairment, the recoverable amount is assessed, which represents the higher of an asset's fair value less costs to sell and its value in use. If the recoverable amount exceeds the carrying value, the goodwill is not impaired.

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.

Investment property

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

Financial investments in subsidiaries and associates

In the stand-alone financial statement, financial investments in associates are accounted for at cost. Signs of the impairment of investments in subsidiaries are reviewed on quarterly basis. Underperformance of a subsidiary may represent a sign of possible impairment.

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

Financial assets

On a quarterly basis or at least at the end of the reporting period, it is assessed whether there is objective evidence that a financial asset or group of financial assets is impaired. When such evidence exists, loss due to impairment needs to be determined.

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.

2.5.15 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). As part of the share premium, the impact of the acquisition of non-controlling shares is also recognised in the consolidated financial statements.

Reserves from profit are legal reserves, statutory and other reserves, treasury share reserves.

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.

2.5.16 Subordinated liabilities

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

2.5.17 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 1.25%. 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.

Additional provisions for incurred but not enough reported claims (IBNER) for annuity insurance are also formed in cases when the policyholder is a minor or a young person and the insurance company can reasonably expect that the policyholder will also submit a claim for loss of income at a certain age.

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. In relation to available-for-sale financial instruments, all revaluation surpluses are accounted for in other comprehensive income upon recognition; on the balance sheet date, the transfer to mathematical provisions is made for the part that will go to the insurer upon realisation in line with the provisions of the insurance contract or internal regulations.

The applied assumptions and other parameters are presented in greater detail [[→ in Section 2.6.1](#)].

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.

2.5.18 Classification of insurance and financial contracts

All products in the portfolios of the Group's subsidiaries are classified as insurance contracts since they all either bear significant insurance risk or their share of the insurance premium in the entire portfolio is insignificant. 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. The abovementioned difference must amount to at least 10 percent of the payment at the beginning of the insurance. Other contracts, including contracts on asset management and lease contracts, are not relevant for disclosure proposes.

2.5.19 Provisions for 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:
 - the discount rate taking account of the yield of sovereign securities at the balance sheet date; and

- 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.

2.5.20 Other financial liabilities

At initial recognition financial liabilities are measured at cost. Subsequently they are decreased by paid amounts and increased by accrued interest. In the financial statement financial liabilities are measured at amortised cost. Interest paid on loans taken is recognised as expense and accordingly accrued over the term of the underlying loan.

2.5.21 Operating liabilities and other liabilities

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

2.5.22 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.

2.5.23 Income from financial assets

Income from financial assets arises from interest income, dividends, changes in fair value, capital gains and other financial income. In the income statement, interest income is 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.

2.5.24 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.

2.5.25 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 and sales income from non-insurance subsidiaries. Other income is recognised in the income statement when an invoice is issued.

2.5.26 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.

2.5.27 Operating expenses

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.

2.5.28 Borrowing expenses

Borrowing expenses include interest expenses and other expenses 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.

2.5.29 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.

2.5.30 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.

2.5.31 Other expenses

Other expenses comprise other expenses not directly arising from insurance operations and operating expenses of non-insurance companies. Other expenses are recognised in the income statement once a service is provided.

2.5.32 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 net value of the lease is recognised as a receivable. During the term of the lease financial income is recognised as a constant periodic return on the net investment in the finance lease.

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.

2.5.33 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 19% tax rate and in other countries where subsidiaries operate at tax rates enacted by local tax laws [*→ as shown in Section 2.7*]. The same applies to the calculation of deferred taxes.

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.

2.6 Main assumptions

2.6.1 Parameters and assumptions in calculating life insurance provisions

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. The relevant liabilities of Zavarovalnica Triglav are valued on the basis of rather conservative Slovenian mortality tables SIA65 from 2010 and an interest rate of 2.9% p.a. for the contracts containing a fixed interest rate guarantee of 3.25% or more.

The guaranteed technical interest rate used for valuation ranges between 0.75% p.a. and 5% 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.

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 0.75% p.a. and 2.85% p.a. For the purpose of valuing its liabilities during the pay-out period of pension annuities bearing an interest rate from 1.0% p.a. to 2.85% p.a. the Company applies Slovenian mortality tables SIA65 from 2010.

Supplementary voluntary pension insurance

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 the purpose of valuing its liabilities the Company applies Slovenian mortality tables SIA from 2010. 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 1.0% to 2.85%.

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 and additional insurance-technical provisions are established to cater for credit risk.

2.6.2 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.

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,
- supplemental voluntary pension insurance during the accumulation period,
- supplemental voluntary pension insurance during the pension annuity pay-out period.

The cash-generating unit or the insurance company are also considered a homogenous group. Any deficit is determined at the level of the individual insurance company. 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.

Parameters and assumptions applied to the LAT test for 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 uses the probability of an early termination of the insurance contract or discontinuation of premium payments determined on the basis of the analysis of early terminations of life insurance contracts in the past years. 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 2018 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 1.04%;

- the yield curve of Croatian sovereign debt securities denominated in euros as at 31 December 2018 was applied to Triglav Osiguranje, Zagreb. The reference value for a period of 10 years is 2.34%;
- the yield curve of Serbian sovereign debt securities denominated in euros was applied for Triglav Osiguranje Belgrade a.d. (the reference value for a period of 10 years is 4.24%) as well as in Serbian dinars (the reference value for a period of 10 years is 4.60%) as at 31 December 2018;
- the yield curve of Macedonian sovereign debt securities denominated in Macedonian dinars as at 31 December 2018 was applied for the purpose of the LAT test for Triglav Osiguranje Život, AD Skopje. The reference value for a period of 10 years is 1.78%.

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 70% of supplemental voluntary pension insurance policyholders and 82% of voluntary pension insurance policyholders will choose to receive a pension annuity, while the rest will opt for a lump-sum payout.

Results of the liability adequacy test for life insurance

Based on the available data of the liability adequacy test the provisioning for life insurance confirms the sufficient amount of provisions formed for all insurance companies in the Group, except for the insurance company Triglav Osiguranje Život, AD Skopje and for the guarantee funds backing supplemental voluntary pension insurance during the period of annuity payments by Zavarovalnica Triglav, d.d.

The guarantee funds backing supplemental voluntary pension insurance during the period of annuity payments by Zavarovalnica Triglav, are showing a deficit of EUR 5,483,840 as at 31 December 2018. The insurance company has set aside sufficient insurance technical provisions to offset this deficit.

As at the reporting date, Triglav Osiguranje Život, AD Skopje recorded a deficit in the total amount of EUR 18,370. Zavarovalnica Triglav set aside sufficient insurance technical provisions to cover the deficit amount.

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%,
- a decrease in lapse rates by 10%,
- an increase in expenses by 10%.

The table below shows how the changes of individual parameters increase the provision deficit.

	in EUR	
Change in provisions due to changed parameters	Zavarovalnica Triglav	Triglav Osiguranje Život, Skopje
An increase in mortality rates by 10%	-1,007,478	967
A decrease in mortality rates by 10%	1,107,154	-970
An increase in lapse rates by 10%	0	-15,666
A decrease in lapse rates by 10%	0	16,684
An increase in expenses by 10%	320,821	14,257

2.6.3 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 1.25%.

2.6.4 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. Additional provisions were not necessary to create.

2.6.5 Parameters and assumptions applied in measuring the value of financial income from other investing activities

Valuation of investments in subsidiaries

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

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

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

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

Indicator tests and impairment tests are carried out by external certified and internal business appraisers applying internal valuation models.

The valuation procedure includes at a minimum:

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

The key assumptions and sources applied in valuation included:

- information on the environment acquired from the European Central Bank, statistical offices, International Monetary Fund (IMF), supervisory bodies and other regulators;

- profit/loss and financial position estimates for 2018 and business plans of individual companies for 2018 as approved by their supervisory bodies as well as strategic plans of individual companies for the 2019-2022 period, if available;
- documentation and information acquired from the management and other key persons for company valuation;
- professional assessments by internal departments of Zavarovalnica Triglav and subsidiaries of Triglav Group.

In 2018, the impairment indications of financial investments in all insurance and non-insurance subsidiaries and Triglav INT d.d., Ljubljana were tested. No impairment indications were identified. The need for impairment of investments in subsidiaries of the Triglav INT, d.d. was not identified.

Valuation of financial income from other investing activities

The valuation methods and the assumptions used for measuring the value of non-tradable financial assets are described [→ *under 5.1.2 below*].

2.7 Consolidation and Triglav Group

Basis for consolidation

In accordance with the requirements of IFRS 10, the consolidated financial statements of the Triglav Group include all companies directly or indirectly controlled by Zavarovalnica Triglav. Zavarovalnica Triglav is deemed to have control over a company, when the following three conditions are met:

- the controlling company has influence over the entity;
- 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.

Subsidiaries have been included in the consolidated financial statements using the full consolidation method, from the date when effective control was transferred to the Group. In the process of full consolidation, the carrying amount of the financial investment by the controlling company in each individual subsidiary and the controlling company's portion of equity of each subsidiary are offset (eliminated). Intragroup assets and liabilities as well as income and expenses relating to transactions between entities of the Triglav Group are also eliminated in full.

Goodwill can arise from the acquisition of a subsidiary and is recognised in the consolidated financial statements as the excess of the aggregate of the consideration transferred, measured at fair value, over the net amounts of the identifiable assets acquired and the liabilities assumed. In case the difference is negative, the profit will be recognised in full in the income statement.

In case Zavarovalnica Triglav disposes of a subsidiary or loses control over it, such a subsidiary is de-consolidated from the date on which control ceases. All gains and losses arising from deconsolidation are recognised as profit or loss in the consolidated income statement.

Financial statements of Zavarovalnica Triglav and its subsidiaries used in the preparation of the consolidated financial statements all refer to the same reporting date.

All companies within the Triglav Group apply uniform accounting policies. In case the accounting policies of a particular subsidiary differ from the policies applied by the Group, appropriate adjustments are made to the financial statements of the subsidiary prior to the compilation of the consolidated financial statements to ensure compliance with the accounting policies of the Triglav Group.

In the consolidated financial statements, the profit/loss and other comprehensive income are attributed also to non-controlling interests. In case the equity stake of non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to the owners of the controlling company.

Members of Triglav Group ¹⁰⁸

NO.	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		VALUE OF EQUITY AS AT 31 DECEMBER (in EUR)	
					2018	2017	2018	2017	2018	2017
1	Pozavarovalnica Triglav RE d.d.	Miklošičeva 19, Ljubljana, Slovenia	19	Reinsurance	100.00	100.00	100.00	100.00	79,455,791	82,010,418
2	Triglav, Zdravstvena zavarovalnica d.d.	Pristaniška 10, Koper, Slovenia	19	Insurance	100.00	100.00	100.00	100.00	31,627,112	30,986,326
3	Triglav Osiguranje d.d., Zagreb	Antuna Heinza 4, Zagreb, Croatia	18	Insurance	100.00	100.00	100.00	100.00	29,945,453	29,014,630
4	Triglav Osiguranje d.d., Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	10	Insurance	97.78	97.78	98.87	98.87	17,272,246	21,454,439
5	Lovćen Osiguranje a.d., Podgorica	Ulica Slobode 13a, Podgorica, Montenegro	9	Insurance	96.59	96.59	96.59	96.59	8,609,819	8,811,540
6	Lovćen životna osiguranja a.d., Podgorica	Ulica Marka Miljanova 29, Podgorica, Montenegro	9	Insurance	96.59	96.59	96.59	96.59	3,209,528	2,644,428
7	Triglav Osiguranje a.d.o., Belgrade	Milutina Milankovića 7a, New Belgrade, Serbia	15	Insurance	99.88	99.88	99.88	99.88	18,358,695	16,200,927
8	Triglav Osiguranje a.d., Banja Luka	Ulica Prvog krajiškog korpusa broj 29, Banja Luka, Bosnia and Herzegovina	10	Insurance	100.00	100.00	100.00	100.00	3,727,010	3,748,175
9	Triglav Osiguruvanje a.d., Skopje	Bulevar 8—mi Septemvri 16, Skopje, North Macedonia	10	Insurance	80.35	79.94	80.35	79.94	14,383,011	13,604,323
10	Triglav Osiguruvanje Život a.d., Skopje	Bulevar sv. Kiril i Metodij 18, Skopje, North Macedonia	10	Insurance	96.07	95.99	96.07	95.99	4,941,556	4,856,501
11	Skupna pokojninska družba d.d.	Dunajska 22, Ljubljana, Slovenia	19	Fund management	100.00	71.87	100.00	71.87	17,070,762	17,546,852
12	Triglav INT d.d.	Dunajska 22, Ljubljana, Slovenia	19	Holding company	100.00	100.00	100.00	100.00	75,071,066	63,578,265
13	Triglav Skladi d.o.o.	Slovenska 54, Ljubljana, Slovenia	19	Fund management	67.50	67.50	100.00	100.00	46,144,535	43,112,426
14	Triglav Avtoservis d.o.o.	Verovškova 60b, Ljubljana, Slovenia	19	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	67,410	64,954
15	Triglav Svetovanje d.o.o.	Ljubljanska 86, Domžale, Slovenia	19	Insurance agency	100.00	100.00	100.00	100.00	578,638	547,383
16	Salnal d.o.o. ¹⁰⁹	Slovenska 54, Ljubljana, Slovenia	19	Real estate management	-	-	-	-	-	-
17	AKM Nepremičnine d.o.o. ¹¹⁰	Dunajska 22, Ljubljana, Slovenia	19	Retail trade	-	100.00	-	100.00	-	3,987,601
18	Golf Arboretum d.o.o.	Volčji potok 43g, Radomlje, Slovenia	19	Sport facilities management	80.73	80.10	80.73	80.10	316,314	379,001
19	Triglav Upravljanje Nepremičnin d.d.	Dunajska 20, Ljubljana, Slovenia	19	Real estate management	100.00	100.00	100.00	100.00	35,397,601	34,552,246
20	Triglav Savjetovanje d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	10	Insurance agency	98.91	98.91	98.91	98.91	94,662	68,153
21	TRI-LIFE d.o.o., Zagreb	Sarajevska 60, Zagreb, Croatia	18	Insurance	100.00	100.00	100.00	100.00	-281,333	-260,976
22	Triglav Savetovanje d.o.o., Belgrade	Zelengorska 1, New Belgrade, Serbia	15	Insurance agency	99.94	99.94	99.94	99.94	8,443	-39,704
23	Autocentar BH d.o.o.	Džemala Bjedića 165b, Sarajevo, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	97.78	97.78	98.87	98.87	1,793,419	1,717,726
24	Unis automobili i dijelovi d.o.o.	Mehmeda ef. Pandze 13, Sarajevo, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	97.78	97.78	98.87	98.87	135,536	133,394
25	Sarajevostan d.o.o.	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	10	Real estate management	90.95	90.95	91.97	91.97	1,531,907	3,302,360
26	Lovćen Auto a.d., Podgorica	Novaka Miloševa 6/2, Podgorica, Montenegro	9	Maintenance and repair of motor vehicle	96.59	96.59	96.59	96.59	1,158,530	897,843
27	Triglav Auto d.o.o.	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicle	100.00	100.00	100.00	100.00	1,023	1,023
28	Triglav upravljanje nekretninama d.o.o., Zagreb	Ivana Lučića 2a, Zagreb, Croatia	18	Real estate management	100.00	100.00	100.00	100.00	3,189,395	3,258,264
29	Triglav upravljanje nekretninama d.o.o., Podgorica	Džordža Vašingtona 44, Podgorica, Montenegro	9	Real estate management	100.00	100.00	100.00	100.00	3,307,275	3,299,284
30	PROF-IN d.o.o.	Mehmed paše Sokolovića 15, Banja Luka, Bosnia and Herzegovina	10	Fund management	62.54	62.54	62.54	62.54	3,604,502	3,442,397
31	Hotel Grad Podvin d.d.	Dunajska 20, Ljubljana, Slovenia	19	Tourism	100.00	100.00	100.00	100.00	546,091	647,225
32	Zavod Vse bo v redu	Miklošičeva 19, Ljubljana, Slovenia	19	Institute for corporate social responsibility	100.00	100.00	100.00	100.00	100,000	100,000

¹⁰⁸ The companies listed under numbers 1 to 32 have been included in the consolidated financial statements using the full consolidation method. The companies listed under numbers 30 to 32 have not been included using the full consolidation method, as they are not of importance to the Group. GRI GS 102-45.

¹⁰⁹ Salnal was in 2017 wound-up through a fast-track procedure without liquidation.

¹¹⁰ In 2018, Triglav, upravljanje nepremičnin, d.d. acquired the company AKM Nepremičnine. The details on this acquisition are described in this Section.

Summary financial information on subsidiaries

in EUR

COMPANY	ASSETS		LIABILITIES		EQUITY		INCOME		NET PROFIT/LOSS	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Pozavarovalnica Triglav Re, d.d., Ljubljana	285,485,523	279,644,959	206,029,732	197,634,541	79,455,791	82,010,418	147,093,177	141,477,660	4,532,787	6,347,139
Triglav, Zdravstvena zavarovalnica, d.d., Koper	59,416,391	56,434,979	27,789,279	25,448,653	31,627,112	30,986,326	145,928,444	131,252,617	1,324,192	1,257,492
Triglav Osiguranje, d.d., Zagreb	149,791,109	152,619,957	119,845,656	123,605,327	29,945,453	29,014,630	64,655,378	61,014,413	875,819	107,418
Triglav Osiguranje, d.d., Sarajevo	51,862,677	53,718,177	34,590,431	32,263,738	17,272,246	21,454,439	25,037,266	24,617,992	925,597	919,088
Lovćen Osiguranje, a.d., Podgorica	50,332,908	56,253,110	41,723,089	47,441,570	8,609,819	8,811,540	35,362,033	33,728,246	412,726	130,782
Lovćen životna osiguranja, a.d., Podgorica	7,042,710	6,150,004	3,833,182	3,505,576	3,209,528	2,644,428	2,563,680	1,688,180	417,927	129,580
Triglav Osiguranje a.d.o., Beograd	67,505,358	64,448,280	49,146,663	48,247,353	18,358,695	16,200,927	53,454,959	48,303,613	1,765,910	195,412
Triglav Osiguranje, a.d., Banja Luka	11,717,746	9,501,867	7,990,736	5,753,692	3,727,010	3,748,175	6,205,975	5,827,767	3,225	219,961
Triglav Osiguruvanje, a.d., Skopje	37,658,712	36,755,702	23,275,701	23,151,379	14,383,011	13,604,323	24,755,663	23,211,300	540,769	1,419,813
Triglav Osiguruvanje život, a.d., Skopje	5,157,166	4,999,246	215,610	142,745	4,941,556	4,856,501	435,590	9,007	-149,669	-167,305
Skupna pokojninska družba, d.d., Ljubljana	323,872,026	309,433,327	306,801,264	291,886,475	17,070,762	17,546,852	41,671,530	43,670,266	212,669	926,454
Triglav INT, d.d., Ljubljana	75,381,489	70,039,115	310,423	6,460,850	75,071,066	63,578,265	4,496,760	10,457	2,320,200	-2,182,380
Triglav Skladi, d.o.o., Ljubljana	52,242,331	49,435,746	6,097,796	6,323,320	46,144,535	43,112,426	20,550,198	16,423,389	7,743,528	3,590,116
Triglav Avtoservis, d.o.o., Ljubljana	445,658	418,098	378,248	353,144	67,410	64,954	2,241,741	2,169,360	2,146	3,477
Triglav Svetovanje, d.o.o., Ljubljana	1,440,158	1,453,333	861,520	905,950	578,638	547,383	4,667,756	4,624,641	21,768	35,998
Salnal, d.o.o., Ljubljana	0	0	0	0	0	0	0	509,513	0	503,178
AKM Nepremičnine, d.o.o., Ljubljana	0	4,253,950	0	266,349	0	3,987,601	0	376,101	0	256,908
Golf Arboretum, d.o.o., Ljubljana	1,149,977	1,297,670	833,663	918,669	316,314	379,001	695,674	714,269	-57,721	-77,741
Triglav, Upravljanje nepremičnin, d.d., Ljubljana	43,119,424	44,662,534	7,721,823	10,110,288	35,397,601	34,552,246	4,772,288	3,845,623	870,320	-113,682
Triglav Savjetovanje, d.o.o., Sarajevo	232,418	210,156	137,756	142,003	94,662	68,153	995,145	910,408	26,509	27,791
TRI-LIFE, d.o.o., Zagreb	105,035	53,865	386,368	314,841	-281,333	-260,976	356,917	304,044	-154,177	-101,222
Triglav Savetovanje, d.o.o., Beograd	82,871	75,600	74,428	115,304	8,443	-39,704	379,870	204,649	-36,243	-71,723
Autocentar BH, d.o.o., Sarajevo	2,677,522	2,692,475	884,103	974,749	1,793,419	1,717,726	1,565,719	1,528,673	126,823	143,748
Unis automobili i dijelovi, d.o.o., Sarajevo	188,637	214,209	53,101	80,815	135,536	133,394	201,550	347,901	2,142	-59,906
Sarajevostan, d.d., Sarajevo	4,055,029	3,971,017	2,523,122	668,657	1,531,907	3,302,360	2,443,267	2,421,836	135,887	30,848
Lovćen Auto, a.d., Podgorica	3,915,032	4,256,613	2,756,502	3,358,770	1,158,530	897,843	2,128,939	2,771,134	-889,313	323,402
Triglav Auto, d.o.o., Banja luka	1,023	1,023	0	0	1,023	1,023	0	0	0	0
Triglav Upravljanje nekretninama, d.o.o., Zagreb	3,330,251	3,288,822	140,856	30,558	3,189,395	3,258,264	54,445	236,941	-80,896	-76,425
Triglav Upravljanje nekretninama, d.o.o., Podgorica	3,452,529	3,342,858	145,254	43,574	3,307,275	3,299,284	209,461	124,910	7,991	-18,634
PROF-IN, d.o.o., Banja luka	3,643,170	3,485,854	38,668	37,718	3,604,502	3,442,397	625,681	616,217	162,330	208,870
Hotel Grad Podvin d.d., Ljubljana	2,537,920	2,755,839	1,991,829	2,108,614	546,091	647,225	75,531	294,987	-101,133	-362,989
Zavod Vse bo v redu	143,507	158,586	43,507	58,586	100,000	100,000	55,001	30,000	10,678	8,514

Non-controlling interests in the companies of the Triglav Group

in EUR

NO.	COMPANY	ADDRESS	NON-CONTROLLING INTEREST IN CAPITAL (in %)		VOTING RIGHTS OF NON- CONTROLLING INTERESTS (in %)		NET PROFIT OR LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST HOLDERS		RETAINED EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTEREST HOLDERS	
			2018	2017	2018	2017	2018	2017	2018	2017
1	Triglav Osiguranje, d.d., Sarajevo	Dolina 8, Sarajevo, Bosnia and Herzegovina	2.22	2.22	1.13	1.13	19,418	18,560	240,001	332,329
2	Triglav Osiguranje, a.d.o., Belgrade	Milutina Milankovića 7a, New Belgrade, Serbia	0.12	0.12	0.12	0.12	2,181	305	201,008	198,019
3	Triglav Osiguruvanje, a.d., Skopje	Bulevar 8–mi Septemvri 16, Skopje, North Macedonia	19.65	20.06	19.65	20.06	106,261	284,815	1,650,912	1,540,519
4	Lovćen Osiguranje, a.d., Podgorica	Ulica Slobode 13a, Podgorica, Montenegro	3.41	3.41	3.41	3.41	53,289	4,460	331,073	298,738
5	Lovćen životna osiguranja, a.d., Podgorica	Ulica Marka Miljanova 29, Podgorica, Montenegro	3.41	3.41	3.41	3.41	14,251	4,419	72,024	62,984
6	Golf Arboretum, d.o.o., Volčji Potok	Volčji Potok 43g, Radomlje, Slovenia	19.27	19.90	19.27	19.90	-11,123	-15,470	58,827	73,784
7	Triglav Savjetovanje, d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	1.09	1.09	1.09	1.09	288	302	-16,609	-16,898
8	Unis automobili i dijelovi, d.o.o., Sarajevo	Mehmeda ef. Pandže 13, Sarajevo, Bosnia and Herzegovina	2.22	2.22	1.13	1.13	48	-1,330	-333,323	-333,372
9	Autocentar BH, d.o.o., Sarajevo	Džemala Bjedića 165b, Sarajevo, Bosnia and Herzegovina	2.22	2.22	1.13	1.13	2,816	3,191	163,530	161,281
10	Lovćen Auto, a.d., Podgorica	Novaka Miloševa 6/2, Podgorica, Montenegro	3.41	3.41	3.41	3.41	-30,326	11,028	-367,651	-337,325
11	Triglav Osiguruvanje život, a.d., Skopje	Bulevar sv. Kiril i Metodij 18, Skopje, North Macedonia	0.00	4.01	0.00	4.01	-5,882	-6,712	-2,135	-6,741
12	Sarajevostan, d.o.o., Sarajevo	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	9.05	9.05	8.03	8.03	12,291	2,790	298,480	420,528
13	Triglav Savetovanje, d.o.o., Belgrade	Zelengorska 1g, New Belgrade, Serbia	0.06	0.06	0.06	0.06	-21	-43	-137	-115
14	Skupna pokojninska družba d.d.	Dunajska 22, Ljubljana, Slovenia	0.00	28.13	0.00	28.13	0	145,076	0	4,413,709
TOTAL							163,491	451,391	2,295,999	6,807,439

Changes occurred in the ownership structure of the Triglav Group in 2018*Purchase of shares of Skupna pokojninska družba d.d. from non-controlling interest holders*

In 2018, Zavarovalnica Triglav d.d. acquired a 28.13% equity stake from the non-controlling interest holders of Skupna pokojninska družba d.d., thereby becoming its 100% owner. The purchase price equalled EUR 4,600,000. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as a decrease in share premium of EUR 186,291.

Purchase of shares of Triglav Osiguruvanje a.d., Skopje from non-controlling interest holders

In the reporting period, Triglav INT, d.d., gradually acquired equity stakes from non-controlling interest holders. In total, it acquired a 0.42% equity stake of Triglav Osiguruvanje a.d., Skopje, thereby becoming its 80.35% owner. The acquisition price of the equity stake amounted to BAM 3,695,289 or EUR 59,968. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as a decrease in share premium of EUR 9,688.

Capital increase of Triglav INT

Zavarovalnica Triglav provided additional capital to its subsidiary Triglav INT. The share capital was paid in by the in-cash contribution of EUR 4 million and financed through a debt-to-equity swap transaction of EUR 5,170,729. The total capital increase of EUR 9,170,729 was fully paid in by the sole shareholder, Zavarovalnica Triglav.

Capital increase of Lovćen životna osiguranja

Lovćen Osiguranje increased its equity stake in its subsidiary Lovćen životna osiguranja in the amount of EUR 300,000, thus remaining a 100% owner of the company.

Capital increase of Lovćen Auto d.o.o.

Lovćen Osiguranje a.d. increased its equity stake in its subsidiary Lovćen Auto d.o.o. in the amount of EUR 1,150,000, thus remaining a 100% owner of the said company.

Capital increase of Triglav Savetovanje d.o.o., Belgrade

Triglav Osiguranje a.d., Belgrade and Triglav Svetovanje d.o.o., Domžale increased the capital of their subsidiary Triglav Savetovanje d.o.o., Belgrade in accordance with their proportional stakes. The capital increase was raised by in-cash contributions of RSD 10,000,000. As a result, both companies maintained their stakes in the said company of 49% and 51%, respectively.

Capital increase of Triglav d.o.o.

By paying in EUR 6,832,309, Zavarovalnica Triglav increased the share capital of its associate Triglav d.o.o. and thus maintained its 49.9% equity stake in the said company. Triglav is a 100% owner of equity stakes of three companies: Ljubljana d.o.o., Loma center d.o.o. and KRDU Building d.o.o. All three companies are accounted for by using the equity method in the consolidated financial statements of the Triglav Group.

Merger of AKM Nepremičnine d.o.o.

Triglav, Upravljanje nepremičnin d.d. merged with AKM Nepremičnine, d.o.o. and thus became its legal successor. No merger effects are recognised in the consolidated financial statements.

Establishment of ZTSR d.o.o.

On 25 September 2018, project company ZTSR d.o.o. was established. With the contribution of EUR 125,000, Zavarovalnica Triglav became a 50% owner of ZTSR.

The simplified reduction of the share capital of Golf Arboretum d.o.o. due to a shareholder exclusion

Due to the exclusion of a shareholder, the share capital of Golf Arboretum d.o.o. decreased by EUR 4,966. As a result, other shareholdings increased proportionately. Triglav, Upravljanje nepremičnin d.d. thereby became an 80.73% owner of the said company. This exclusion is recognized in consolidated financial statements as a decrease in share premium, totalling EUR 1,133.

Change of legal form and share capital decrease of Sarajevostan d.o.o.

Sarajevostan d.o.o. changed its legal form from a public limited company (d.d.) to a limited liability company (d.o.o.). In the context of changing its legal form, the company's share capital was reduced by BAM 3,728,477 or EUR 1.9 million. All shareholders were repaid proportionally to their share. Following the share capital decrease, Triglav Osiguranje d.d., Sarajevo remained the 93.02% owner of the said company. In the consolidated financial statements, the effect of the share capital decrease is recognized as a decrease in non-controlling interests in the amount of BAM 259,805 or EUR 133,062.

3.

Notes to the Statement of Financial Position

3.1 Intangible assets

	in EUR				
Triglav Group	Deferred acquisition cost	Long-term deferred items	Licences and software	Intangible assets in course of acquisition	Total
COST					
As at 1 January 2017	40,205,132	1,401,626	65,423,078	4,705,350	111,735,186
– transfer in use	0	0	4,340,461	-4,340,461	0
– purchases	0	0	3,776,886	2,937,072	6,713,958
– disposals	0	0	-2,427,072	-7,006	-2,434,078
– increase (net value)	1,711,610	3,063,293	-26,423	0	4,748,480
– exchange rate difference	204,726	0	195,483	1,649	401,858
As at 31 December 2017	42,121,469	4,464,919	71,282,413	3,296,603	121,165,404
– transfer in use	0	0	2,896,144	-2,896,144	0
– purchases	0	0	4,996,291	2,592,996	7,589,287
– disposals	0	0	-2,927,961	-2,987	-2,930,948
– reclassification	1,206,307	0	-1,206,307	0	0
– increase (net value)	5,947,377	-1,475,430	0	0	4,471,947
– exchange rate difference	4,001	0	19,758	-1,250	22,509
As at 31 December 2018	49,279,154	2,989,489	75,060,338	2,989,220	130,318,201
ACCUMULATED AMORTISATION					
As at 1 January 2017	0	0	-37,911,595	0	-37,911,595
– current year amortisation	0	0	-6,419,854	0	-6,419,854
– disposals	0	0	2,106,711	0	2,106,711
– impairment	0	0	26,423	0	26,423
– exchange rate difference	0	0	-126,475	0	-126,475
As at 31 December 2017	0	0	-42,324,789	0	-42,324,789
– current year amortisation	0	0	-6,837,916	0	-6,837,916
– disposals	0	0	2,917,758	0	2,917,758
– impairment	0	0	0	0	0
– exchange rate difference	0	0	-13,199	0	-13,199
As at 31 December 2018	0	0	-46,258,148	0	-46,258,148
CARRYING AMOUNT					
As at 31 December 2017	42,121,469	4,464,919	28,957,622	3,296,603	78,840,612
As at 31 December 2018	49,279,154	2,989,489	28,802,190	2,989,220	84,060,048

The Group did not pledge any intangible assets as collateral. As at 31 December 2018, trade payables for intangible assets amounted to EUR 6,238,145 (vs. EUR 7,942,679 as at 31 December 2017).

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 4.12].

As at 31 December 2018, 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.

					in EUR
Zavarovalnica Triglav	Deferred acquisition costs	Long-term deferred items	Licenses and software	Intangible assets in course of acquisition	Total
COST					
As at 1 January 2017	29,504,819	1,401,626	46,377,521	3,897,054	81,181,021
– transfer in use	0	0	2,963,410	-2,963,410	0
– purchases	0	0	3,181,716	1,594,706	4,776,422
– disposal	0	0	-2,236,406	0	-2,236,406
– increase (net value)	1,155,153	3,063,293	0	0	4,218,446
As at 31 December 2017	30,659,972	4,464,919	50,286,241	2,528,350	87,939,483
– transfer in use	0	0	1,276,865	-1,276,865	0
– purchases	0	0	4,291,359	132,935	4,424,294
– disposal	0	0	-2,782,408	0	-2,782,408
– increase (net value)	4,476,220	-1,475,430	0	0	3,000,790
As at 31 December 2018	35,136,192	2,989,489	53,072,058	1,384,420	92,582,159
ACCUMULATED AMORTISATION					
As at 1 January 2017	0	0	-25,296,452	0	-25,296,452
– amortisation	0	0	-5,089,004	0	-5,089,004
– disposal	0	0	2,232,258	0	2,232,258
As at 31 December 2017	0	0	-28,153,198	0	-28,153,198
– amortisation	0	0	-5,045,772	0	-5,045,772
– disposal	0	0	2,779,314	0	2,779,314
As at 31 December 2018	0	0	-30,419,656	0	-30,419,656
CARRYING AMOUNT					
As at 31 December 2017	30,659,972	4,464,919	22,133,045	2,528,350	59,786,283
As at 31 December 2018	35,136,192	2,989,489	22,652,403	1,384,420	62,162,502

Zavarovalnica Triglav did not pledge any intangible assets as collateral. As at 31 December 2018, trade payables for intangible assets amounted to EUR 6.113.245 (vs. EUR 7.819.176 as at 31 December 2017).

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 4.12]. Change in deferred acquisition costs is recognised as a change in unearned premium provision in the income stated, as stated [→ in Section 4.1].

As at 31 December 2018, intangible assets with an indefinite useful life amounted to EUR 9,368, the same as in 2017. The amount refers to a licence issued for an indefinite period.

Zavarovalnica Triglav has no individual intangible assets that are material to the financial statements. Gross amount of fully depreciated intangible assets still in use represents 21.41% of the total gross amount of intangible assets.

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3.2 Property, plant and equipment

Triglav Group					in EUR
	Land	Buildings	Equipment	PP&E in course of acquisition	Total
COST					
As at 1 January 2017	11,527,165	120,727,400	61,395,068	2,300,526	195,950,160
– transfer in use	0	1,232,748	1,049,008	-2,281,756	0
– purchases	0	751,121	5,329,862	3,214,641	9,295,624
– disposals	-21,827	0	-4,895,991	0	-4,917,818
– impairment	0	0	-140,362	0	-140,362
– transfer from investment property	199,335	424,072	42,531	0	665,938
– exchange rate differences	69,673	446,756	174,410	688	691,527
As at 31 December 2017	11,774,345	123,582,099	62,954,526	3,234,099	201,545,069
– transfer in use	0	2,511,143	4,564,476	-7,075,620	0
– purchases	2,777	206,016	2,931,406	7,826,487	10,966,686
– disposals	0	-195,820	-8,673,843	-14,135	-8,883,798
– transfer to investment property	0	-1,597,617	0	0	-1,597,617
– impairment	0	-18,892	-141,038	0	-159,930
– exchange rate differences	16,489	59,901	8,080	180	84,650
As at 31 December 2018	11,793,611	124,546,831	61,643,604	3,971,011	201,955,057
ACCUMULATED DEPRECIATION					
As at 1 January 2017	0	-35,805,127	-52,211,605	0	-88,016,732
– depreciation for the current year	0	-2,296,475	-4,320,260	0	-6,616,735
– disposals	0	0	4,429,546	0	4,429,546
– impairment	0	0	144,371	0	144,371
– transfer from investment property	0	-79,108	1,719	0	-77,389
– exchange rate differences	0	-77,489	-120,209	0	-197,698
As at 31 December 2017	0	-38,258,199	-52,076,438	0	-90,334,637
– depreciation for the current year	0	-2,269,813	-5,194,358	0	-7,464,171
– disposals	0	84,369	8,415,541	0	8,499,910
– transfer to investment property	0	481,171	0	0	481,171
– impairment	0	18,892	157,452	0	176,344
– exchange rate differences	0	-11,274	-6,355	0	-17,629
As at 31 December 2018	0	-39,954,853	-48,704,159	0	-88,659,012
CARRYING AMOUNT					
As at 31 December 2017	11,774,345	85,323,900	10,878,088	3,234,099	111,210,437
As at 31 December 2018	11,793,611	84,591,978	12,939,445	3,971,011	113,296,053

As at the reporting period, no property, plant and equipment were pledged as collateral by the Group. Companies within the Group have financial leases on equipment totalling EUR 608 thousand.

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 2.5.27](#)]. For details, see expenses by nature and function [[→ in Section 4.12](#)].

A comparison between the carrying amounts and the fair values of own-account buildings and land is given below.

	in EUR	
	31 Dec. 2018	31 Dec. 2017
Carrying amount	96,385,589	97,098,245
Estimated fair value	95,864,073	96,640,382

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				PP&E in course of acquisition	in EUR
Zavarovalnica Triglav	Land	Buildings	Equipment		Total
COST					
As at 1 January 2017	5,499,662	78,439,561	40,208,628	460,658	124,608,509
– transfer in use	0	952,091	261,763	-1,213,854	0
– purchases	0	156,907	3,455,373	1,110,570	4,722,850
– disposal	0	0	-3,444,724	0	-3,444,724
– transfer from investment property	122,298	421,769	0	0	544,067
As at 31 December 2018	5,621,960	79,970,328	40,481,040	357,374	126,430,702
– transfer in use	0	148,215	3,770,938	-3,919,153	0
– purchases	2,777	58,324	1,920,529	4,472,594	6,454,224
– disposal	0	-171,414	-7,817,509	0	-7,988,923
– transfer to investment property	0	-1,506,337	0	0	-1,506,337
As at 31 December 2018	5,624,737	78,499,116	38,354,998	910,815	123,389,666
ACCUMULATED DEPRECIATION					
As at 1 January 2017	0	-24,040,173	-34,337,879	0	-58,378,052
– depreciation for the current year	0	-1,317,851	-2,445,087	0	-3,762,938
– disposal	0	0	3,237,065	0	3,237,065
As at 31 December 2017	0	-25,358,024	-33,545,901	0	-58,903,925
– depreciation for the current year	0	-1,331,975	-3,312,480	0	-4,644,455
– disposal	0	76,190	7,623,707	0	7,699,897
– transfer to investment property	0	444,920	0	0	444,920
As at 31 December 2018	0	-26,168,889	-29,234,674	0	-55,403,563
CARRYING AMOUNT					
As at 31 December 2017	5,621,960	54,612,304	6,935,139	357,374	67,526,775
As at 31 December 2018	5,624,737	52,330,227	9,120,324	910,815	67,986,100

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

The depreciation for the current year is split between several items of the income statement. For details, see expenses by nature and function [[→ in Section 4.12](#)]. As at 31 December 2018, trade payables for property, plant and equipment amounted to EUR 2.228.906 (vs. EUR 1,933,129 as at 31 December 2017). Gross amount of fully depreciated property, plant and equipment still in use represents 20.92% of the total gross amount of property, plant and equipment.

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

	in EUR	
	31 Dec. 2018	31 Dec. 2017
Carrying amount	57,954,964	60,234,264
Estimated fair value	59,002,099	61,295,538

3.3 Investment property

Triglav Group	Land	Buildings	IP in course of acquisition	in EUR Total
COST				
As at 1 January 2017	23,359,815	73,536,171	16,307,966	113,203,952
– transfer in use	2,409,440	1,330,563	-3,740,003	0
– purchases	34,291	205,704	3,296,771	3,536,766
– disposals	-340,418	-1,944,949	0	-2,285,367
– impairment	0	-34,018	0	-34,018
– transfer to non-current assets held for sale	-651,645	-1,058,341	0	-1,709,986
– transfer to property, plant and equipment	-186,382	-479,556	0	-665,938
– exchange rate difference	23,338	62,262	0	85,600
As at 31 December 2017	24,648,439	71,617,835	15,864,729	112,131,003
– transfer in use	0	1,370,775	-1,370,775	0
– purchases	0	398,619	3,683,798	4,082,417
– disposals	-834,718	-3,793,583	-3,945,000	-8,573,301
– transfer from property, plant and equipment	64,852	1,532,765	0	1,597,617
– increase	0	13,173	0	13,173
– impairment	0	0	0	0
– transfer to non-current assets held for sale	78,837	139,595	0	218,432
– exchange rate difference	2,766	4,069	0	6,835
As at 31 December 2018	23,960,176	71,283,245	14,232,752	109,476,173
ACCUMULATED DEPRECIATION				
As at 1 January 2017	0	-17,361,232	0	-17,361,232
– depreciation for the current year	0	-1,413,250	0	-1,413,250
– disposals	0	718,278	0	718,278
– impairment	0	-147,152	0	-147,152
– transfer to non-current assets held for sale	0	13,229	0	13,229
– transfer to property, plant and equipment	0	77,389	0	77,389
– exchange rate difference	0	-10,785	0	-10,785
As at 31 December 2017	0	-18,123,526	0	-18,123,526
– depreciation for the current year	0	-1,415,409	0	-1,415,409
– disposals	0	860,652	0	860,652
– transfer from property, plant and equipment	0	-481,171	0	-481,171
– impairment	0	-474,484	0	-474,484
– transfer to non-current assets held for sale	0	-1,745	0	-1,745
– exchange rate difference	0	-42	0	-42
As at 31 December 2018	0	-19,635,725	0	-19,635,725
CARRYING AMOUNT				
As at 31 December 2017	24,648,439	53,494,309	15,864,729	94,007,483
As at 31 December 2018	23,960,176	51,647,520	14,232,752	89,840,456

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 4.7]. 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 4.14].

Fair value is disclosed below.

	in EUR	
	31 Dec. 2018	31 Dec. 2017
Carrying amount	89,840,456	94,007,483
Estimated fair value	99,121,781	101,439,216

Zavarovalnica Triglav	Land	Buildings	IP in course of acquisition	in EUR Total
COST				
As at 1 January 2017	4,803,325	37,999,708	15,248,189	58,051,222
– transfer in use	0	480,059	-480,059	0
– purchases	0	28,311	612,751	641,062
– disposal	-36,186	-1,126,922	0	-1,163,108
– transfer to property, plant and equipment	-109,345	-434,722	0	-544,067
As at 31 January 2017	4,657,794	36,946,434	15,380,881	56,985,109
– transfer in use	0	906,144	-906,144	0
– purchases	0	386,505	3,163,151	3,549,656
– disposal	-488,168	-3,074,765	-3,945,000	-7,507,933
– transfer from property, plant and equipment	0	1,506,337	0	1,506,337
As at 31 December 2018	4,169,626	36,670,655	13,692,888	54,533,169
ACCUMULATED DEPRECIATION				
As at 1 January 2017	0	-8,439,802	0	-8,439,802
– depreciation	0	-858,296	0	-858,296
– disposal	0	527,390	0	527,390
– transfer to property, plant and equipment	0	0	0	0
As at 31 December 2017	0	-8,770,708	0	-8,770,708
– depreciation	0	-851,407	0	-851,407
– disposal	0	804,406	0	804,406
– transfer from property, plant and equipment	0	-444,920	0	-444,920
As at 31 December 2018	0	-9,262,629	0	-9,262,629
CARRYING AMOUNT				
As at 31 December 2017	4,657,794	28,175,726	15,380,881	48,214,401
As at 31 December 2018	4,169,626	27,408,026	13,692,888	45,270,540

Zavarovalnica Triglav leases its investment properties, i.e. individual business premises. All leasing agreements, stipulated for an initial period from one to ten years, may be rescinded at any moment. Rents do not include conditional rents. For additional notes on the rental income [→ *see Section 4.7*]. 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 4.14*].

Fair value of investment property is disclosed below.

	in EUR	
	31 Dec. 2018	31 Dec. 2017
Carrying amount	45,270,540	48,214,401
Estimated fair value	52,936,499	56,108,712

3.4 Investments in subsidiaries

Investments in subsidiaries are included in the consolidated financial statements under the full consolidation method. In stand-alone financial statements of Zavarovalnica Triglav, the subsidiaries directly owned by Zavarovalnica Triglav are disclosed at cost. See the tables below for detail.

Zavarovalnica Triglav's shares in subsidiaries

NO.	COMPANY	ADDRESS	TAX RATE (in %)	ACTIVITY	EQUITY STAKE (in %)		SHARE OF VOTING RIGHTS (in %)		BOOK VALUE (in EUR)	
					2018	2017	2018	2017	2018	2017
1	Pozavarovalnica Triglav Re d.d.	Miklošičeva 19, Ljubljana, Slovenia	19	Reinsurance	100.00	100.00	100.00	100.00	9,750,752	9,750,752
2	Triglav, Zdravstvena zavarovalnica d.d.	Pristaniška 10, Koper, Slovenia	19	Insurance	100.00	100.00	100.00	100.00	3,735,886	3,735,886
3	Triglav INT d.d.	Dunajska 22, Ljubljana, Slovenia	19	Holding company	100.00	100.00	100.00	100.00	79,770,730	70,600,000
4	Skupna pokojninska družba d.d.	Dunajska 22, Ljubljana, Slovenia	19	Fund management	100.00	71.87	100.00	71.87	11,631,327	7,031,327
5	Triglav Upravljanje nepremičnin d.d.	Dunajska 22, Ljubljana, Slovenia	19	Real estate management	100.00	100.00	100.00	100.00	24,493,300	24,493,300
6	Triglav Skladi d.o.o.	Slovenska 54, Ljubljana, Slovenia	19	Fund management	67.50	67.50	100.00	100.00	2,076,723	2,076,723
7	Salnal d.o.o. ¹¹¹	Slovenska 54, Ljubljana, Slovenia	19	Real estate management	-	-	-	-	-	-
8	Triglav Avtoservis d.o.o.	Verovškova 60b, Ljubljana, Slovenia	19	Maintenance and repair of motor vehicle	100.00	100.00	100.00	100.00	100,214	100,214
9	Triglav Svetovanje d.o.o.	Ljubljanska 86, Domžale, Slovenia	19	Insurance agency	100.00	100.00	100.00	100.00	279,736	279,736
10	Zavod Vse bo v redu	Miklošičeva 19, Ljubljana, Slovenia	19	Institute for corporate social responsibility	100.00	100.00	100.00	100.00	100,000	100,000
TOTAL									131,938,667	118,167,937

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¹¹¹The company Salnal, d.o.o. was wound-up through a fast-track procedure without liquidation. Details can be found [→ in Section 2.7].

3.5 Investments in associates

In the year 2018, four new associates were included in the Triglav Group. Investments in LOMA CENTER, d.o.o., KRDU Building d.o.o. and Ljubljana, d.o.o. were acquired by Triglav, d.o.o. In addition, Zavarovalnica Triglav, d.d. acquired a 50% share in the company ZTSR, d.o.o. Details on the acquisition of shares are described [→ in Chapter 2.7].

The effects of valuation using the equity method are disclosed [→ as items 4.2 and 4.3 in the income statement]. A summary of financial information for the associates and the stakes of the Triglav Group in these companies are shown in the tables below.¹¹²

COMPANY	ADDRESS	TAX RATE (in%)	ACTIVITY
Nama d.d.	Tomšičeva 1, Ljubljana, Slovenia	19	Retail trade
Triglavko, d.o.o.	Ulica XXX. divizije 23, Nova Gorica, Slovenia	19	Insurance agency
ZIF Prof Plus	Veselina Masleše 1, Banja Luka, Republika Srbska, Bosnia and Herzegovina	10	Investment fund
TRIGAL, upravljanje naložb in svetovanje, d.o.o.	Dunajska cesta 22, Ljubljana, Slovenia	19	Management of financial funds
LOMA CENTER, nepremičnine, d.o.o.	Dunajska cesta 22, Ljubljana, Slovenia	19	Real estate management
KRDU Building d.o.o.	Dunajska cesta 22, Ljubljana, Slovenia	19	Real estate management
Ljubljana, d.o.o.	Dunajska cesta 22, Ljubljana, Slovenia	19	Holding company
Društvo za upravljanje EDPF, a.d., Banja Luka	Kralja Petra i Karađorđevića 109 Banja Luka, Republika Srbska, Bosnia and Herzegovina	10	Fund management
ZTSR, raziskovanje trga, d.o.o.	Dunajska cesta 22, Ljubljana, Slovenia	19	Business services

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COMPANY	Triglav Group						Zavarovalnica Triglav					
	SHARE IN CAPITAL (in %)		VOTING RIGHTS (in %)		VALUE OF INVESTMENT (in EUR)		SHARE IN CAPITAL (in %)		VOTING RIGHTS (in %)		VALUE OF INVESTMENT (in EUR)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Nama, d.d.	39.07	39.07	39.07	39.07	3,956,065	4,034,178	39.07	39.07	39.07	39.07	9,464,548	9,464,548
Triglavko, d.o.o.	38.47	38.47	38.47	38.47	16,586	20,002	38.47	38.47	38.47	38.47	38,499	38,499
ZIF Prof Plus	22.09	21.24	22.09	21.24	2,063,504	1,341,278	0	0	0	0	0	0
TRIGAL, upravljanje naložb in svetovanje, d.o.o.	49.90	49.90	49.90	49.90	7,375,491	345,630	49.90	49.90	49.90	49.90	7,331,308	499,000
LOMA CENTER, nepremičnine, d.o.o.	49.90	-	49.90	-	0	-	49.90	-	49.90	-	0	-
KRDU Building d.o.o.	49.90	-	49.90	-	0	-	49.90	-	49.90	-	0	-
Ljubljana, d.o.o.	49.90	-	49.90	-	0	-	49.90	-	49.90	-	0	-
Društvo za upravljanje EDPF, a.d.	34.00	24.44	34.00	24.44	611,768	708,237	0	0	0	0	0	0
ZTSR, raziskovanje trga, d.o.o.	50.00	-	50.00	-	102,560	-	50.00	50.00	50.00	50.00	125,000	-
TOTAL					14,125,974	6,449,324					16,959,355	10,002,047

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COMPANY	ASSETS		LIABILITIES		EQUITY		REVENUES		PROFIT/LOSS		in EUR
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
Nama, d.d.	12,116,134	12,820,157	2,253,231	2,614,789	9,862,903	10,205,368	15,451,981	16,892,981	147,284	214,287	
Triglavko, d.o.o.	168,926	143,967	76,945	43,108	91,981	100,859	457,560	454,810	-8,879	740	
ZIF Prof Plus	18,772,316	18,361,902	54,786	49,873	18,717,530	18,312,023	661,320	545,902	2,554	-244,961	
TRIGAL, upravljanje naložb in svetovanje, d.o.o.	14,860,505	8,186,682	147,625	149,857	14,712,880	8,036,825	370,592	0	334,055	-4,583	
LOMA CENTER, nepremičnine, d.o.o.	8,300,328	-	6,088,658	-	2,211,670	-	897,341	-	71,981	-	
KRDU Building d.o.o.	5,157,346	-	4,997,601	-	159,745	-	600,602	-	-10,141	-	
Ljubljana, d.o.o.	10,000	-	-	-	10,000	-	-	-	-	-	
Društvo za upravljanje EDPF, a.d.	1,815,513	2,102,029	16,647	19,188	1,798,866	2,082,841	35,171	12,124	-284,007	-166,633	
ZTSR, raziskovanje trga, d.o.o.	220,564	-	15,444	-	205,120	-	7	-	-44,880	-	

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¹¹²Financial data for 2018 are unaudited, whilst the data for 2017 were adjusted if the audited data differed from the data published in the 2017 Annual Report.

3.6 Financial assets¹¹³

	Carrying value		Fair value	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Triglav Group				
Held to maturity	196,773,185	221,390,576	236,599,916	269,669,899
At fair value through profit and loss	450,704,373	425,884,741	450,704,373	425,884,741
– designated	207,266,117	424,014,108	208,659,381	424,014,108
– held for trading	243,438,256	1,870,633	242,044,992	1,870,633
Available for sale	1,802,568,767	1,815,323,900	1,802,568,767	1,815,323,900
Loans and deposits	138,857,972	125,251,487	138,681,009	127,658,663
Unit-linked insurance assets	402,515,770	450,236,044	402,856,839	450,806,041
– at fair value through profit and loss	398,291,798	445,899,916	398,291,798	445,899,916
– loans and deposits	4,223,972	4,336,128	4,565,041	4,906,125
– available for sale	0	0	0	0
TOTAL	2,991,420,067	3,038,086,748	3,031,410,904	3,089,343,244

The table above shows the carrying amount of financial assets (without operating receivables and cash or cash equivalents). The measuring of fair value of other financial assets is shown [[→](#) in Section 5.1.2].

¹¹³ 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

An overview of financial assets by type is disclosed below.

	in EUR					
31 December 2018	HTM	FVTPL – Held for trading	FVTPL - Classified upon acquisition	AFS	L&R	TOTAL
Debt and other fixed-return securities	196,773,185	196,323,245	237,931,576	1,669,947,422	6,400,208	2,307,375,636
Investments in shares, other floating-rate securities and fund coupons	0	45,721,747	349,024,577	132,191,892	0	526,938,212
Financial derivatives	0	19,995,025	0	0	0	19,995,025
Loans and deposits	0	0	0	429,453	130,400,460	130,829,913
– deposits with banks	0	0	0	0	90,589,490	90,589,490
– loans given	0	0	0	0	36,931,220	36,931,220
– other financial investments	0	0	0	429,453	2,879,751	3,309,204
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	6,281,276	6,281,276
TOTAL	196,773,185	262,040,017	586,956,153	1,802,568,767	143,081,944	2,991,420,067

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	in EUR					
31 December 2017	HTM	FVTPL – Held for trading	FVTPL - Classified upon acquisition	AFS	L&R	TOTAL
Debt and other fixed-return securities	221,390,576	0	416,477,753	1,646,350,504	12,796,620	2,297,015,453
Investments in shares, other floating-rate securities and fund coupons	0	0	452,706,247	168,341,950	0	621,048,197
Financial derivatives	0	2,600,657	0	0	0	2,600,657
Loans and deposits	0	0	0	631,446	111,123,382	111,754,828
– deposits with banks	0	0	0	0	78,143,598	78,143,598
– loans given	0	0	0	0	30,119,792	30,119,792
– other financial investments	0	0	0	631,446	2,859,992	3,491,438
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	5,667,613	5,667,613
TOTAL	221,390,576	2,600,657	869,184,000	1,815,323,900	129,587,615	3,038,086,748

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The table below shows the movements of financial assets of Triglav Group in 2017 and 2018.

FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	in EUR
						TOTAL
As at 1 January 2017	231,342,393	396,203,356	1,738,043,072	148,731,640	459,982,822	2,974,303,281
Purchases	0	258,793,123	526,389,635	464,521,592	61,171,097	1,310,875,447
Disposals	0	-191,487,377	-418,156,874	-40,886,598	-72,282,273	-722,813,122
Maturities	-20,768,353	-47,946,339	-114,453,320	-420,891,374	-30,961,642	-635,021,028
Amount removed from equity at disposal	0	0	-17,743,591	0	0	-17,743,591
Realized gains or losses on disposal	0	0	15,249,695	0	0	15,249,695
Valuation trough profit and loss	0	767,045	0	70,253	31,320,216	32,157,514
Valuation trough equity	0	0	26,609,929	0	0	26,609,929
Impairments	0	0	-174,755	0	0	-174,755
Premiums and discounts	4,253,493	0	-5,126,288	311,341	202,338	-359,116
Interest income	6,364,512	9,844,352	36,235,780	3,855,759	662,099	56,962,502
Change in Group	0	0	30,744,255	-30,744,255	0	0
Exchange rate difference	198,532	-289,419	-2,293,638	283,132	141,387	-1,960,006
As at 31 December 2017	221,390,576	425,884,741	1,815,323,900	125,251,487	450,236,044	3,038,086,748
Purchases	0	186,743,567	461,384,166	344,100,205	43,435,175	1,035,663,113
Disposals	0	-103,328,464	-341,190,416	-56,078,096	-52,290,251	-552,887,227
Maturities	-34,257,758	-52,660,947	-124,202,363	-278,449,915	-5,587,254	-495,158,237
Amount removed from equity at disposal	0	0	-1,716,243	0	0	-1,716,243
Valuation trough profit and loss	0	-15,786,757	-3,966,036	-306,143	-34,105,474	-54,164,410
Valuation trough equity	0	0	-32,213,748	0	0	-32,213,748
Impairments	0	0	-1,269,225			-1,269,225
Premiums and discounts	4,329,426	0	-4,726,425	785,401	198,739	587,141
Interest income	5,486,508	9,638,473	35,218,161	3,567,405	756,035	54,666,582
Exchange rate difference	-175,567	213,760	-73,004	-12,372	-127,244	-174,427
As at 31 December 2018	196,773,185	450,704,373	1,802,568,767	138,857,972	402,515,770	2,991,420,067

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The proportion of financial assets classified as subordinated instruments by the issuer was 2.9% as at the reporting date.

	Carrying value		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Zavarovalnica Triglav				
Loans and deposits	92,670,309	91,428,595	91,151,215	91,118,948
Held to maturity	159,463,950	166,993,807	195,583,229	209,763,561
Available for sale	1,383,855,505	1,400,652,988	1,383,855,505	1,400,652,988
At fair value through profit and loss:	204,047,186	201,922,766	204,047,186	201,922,766
– designated	202,653,923	200,052,133	202,653,923	200,052,133
– held for trading	1,393,263	1,870,633	1,393,263	1,870,633
Unit-linked insurance assets:	366,664,078	417,607,959	366,989,905	418,154,032
– at fair value through profit and loss	362,634,086	413,458,656	362,634,086	413,458,656
– receivables	4,029,992	4,149,303	4,355,819	4,695,376
TOTAL	2,206,701,028	2,278,606,115	2,241,627,040	2,321,612,295

An overview of financial assets of Zavarovalnica Triglav by type is disclosed below.

	in EUR					
31 December 2018	HTM	FVTPL - Classified upon acquisition	FVTPL - Held for trading	AFS	L&R	TOTAL
Debt and other fixed-return securities	159,463,950	237,809,118	0	1,308,515,680	6,400,208	1,712,188,956
Investments in shares, other floating-rate securities and fund coupons	0	326,954,722	0	75,339,825	0	402,294,547
Financial derivatives	0	0	1,917,432	0	0	1,917,432
Loans and deposits:	0	0	0	0	90,300,093	90,300,093
– deposits with banks and certificates of deposits	0	0	0	0	42,511,546	42,511,546
– loans given	0	0	0	0	46,099,990	46,099,990
– other financial investments	0	0	0	0	1,688,557	1,688,557
TOTAL	159,463,950	564,763,840	1,917,432	1,383,855,505	96,700,301	2,206,701,028

	in EUR					
31 December 2017	HTM	FVTPL - Classified upon acquisition	FVTPL - Held for trading	AFS	L&R	TOTAL
Debt and other fixed-return securities	166,993,807	241,648,097	0	1,277,150,369	6,992,719	1,692,784,992
Investments in shares, other floating-rate securities and fund coupons	0	371,158,929	0	123,502,619	0	494,661,549
Financial derivatives	0	0	2,574,396	0	0	2,574,396
Loans and deposits:	0	0	0	0	88,585,179	88,585,179
– deposits with banks and certificates of deposits	0	0	0	0	38,123,843	38,123,843
– loans given	0	0	0	0	48,781,121	48,781,121
– other financial investments	0	0	0	0	1,680,215	1,680,215
TOTAL	166,993,807	612,807,026	2,574,396	1,400,652,988	95,577,898	2,278,606,115

The table below shows the movements of financial assets of Zavarovalnica Triglav in 2017 and 2018.

FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	ULI	in EUR
						TOTAL
As at 1 January 2017	168,983,706	195,669,555	1,365,449,446	82,397,894	434,043,269	2,246,543,870
Purchases	0	142,569,245	430,223,298	380,474,529	53,885,958	1,007,153,030
Maturities	-9,826,062	-26,065,768	-83,026,658	-374,002,831	-30,227,173	-523,148,492
Disposal	0	-113,862,880	-350,133,518	-20,022	-70,909,782	-534,926,202
Amount removed from equity	0	0	-15,182,733	0	0	-15,182,733
Realized gains or losses on disposal	0	0	0	0	0	0
Valuation trough profit and loss	0	-614,576	13,951,238	0	30,055,217	43,391,879
Valuation trough equity	0	0	18,118,116	0	0	18,118,116
Premiums and discounts	4,253,493	0	-4,906,821	387,101	202,338	-63,889
Interest income	3,582,670	4,612,072	28,792,718	2,189,718	558,132	39,735,311
Exchange rate difference	0	-384,882	-2,632,098	2,206	0	-3,014,774
As at 31 December 2017	166,993,807	201,922,766	1,400,652,988	91,428,595	417,607,959	2,278,606,115
Purchases	0	112,625,649	362,425,412	252,437,627	33,385,275	760,873,963
Maturities	-15,187,047	-17,884,432	-76,408,064	-254,071,333	-5,368,316	-368,919,192
Disposal	0	-88,806,086	-297,109,630	0	-49,236,954	-435,152,670
Amount removed from equity	0	0	-14,952,222	0	0	-14,952,222
Realized gains or losses on disposal	0	0	0	0	0	0
Valuation trough profit and loss	0	-7,883,265	10,884,732	0	-30,535,596	-27,534,129
Valuation trough equity	0	0	-24,562,665	0	0	-24,562,665
Premiums and discounts	4,329,426	0	-4,579,345	432,356	198,739	381,176
Interest income	3,327,764	3,877,334	26,932,000	2,428,575	612,971	37,178,648
Exchange rate difference	0	195,220	572,299	14,485	0	782,004
As at 31 December 2018	159,463,950	204,047,186	1,383,855,505	92,670,309	366,664,078	2,206,701,028

As at the reporting date, the portfolio of Zavarovalnica Triglav included neither received securities as collateral for loans given, nor any securities pledged as collateral for its liabilities. The proportion of financial assets classified as subordinated instruments by the issuer was 3.4% as at the reporting date.

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3.7 Reinsurers' share of technical provisions

	Triglav Group		Zavarovalnica Triglav	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
NON-LIFE INSURANCE				
Reinsurers' share of unearned premiums	26,263,889	19,815,862	23,516,562	17,573,786
Reinsurers' share of claims	59,632,915	63,894,091	64,366,704	67,721,499
Reinsurers' share of other technical provisions	22,976	104,737	0	0
Total non-life insurance	85,919,780	83,814,690	87,883,266	85,295,285
LIFE INSURANCE				
Reinsurers' share of unearned premiums	719	886	302	0
Reinsurers' share of claims	0	0	9,738	32,360
Reinsurers' share of other mathematical provisions	0	0	0	0
Total life insurance	719	886	10,040	32,360
TOTAL ASSETS FROM REINSURANCE CONTRACTS	85,920,499	83,815,576	87,893,306	85,327,645

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3.8 Receivables

Triglav Group										in EUR
31 December 2018	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	69,249,681	-64,726	69,184,955	25,667,259	-3,048,090	22,619,169	55,526,564	-50,729,360	4,797,204	96,601,328
Receivables from insurers	68,674,946	-55,477	68,619,469	23,513,403	-2,513,520	20,999,883	44,600,293	-42,493,965	2,106,328	91,725,680
Receivables from insurance brokers	209,124	0	209,124	538,874	-450,888	87,986	402,774	-384,423	18,351	315,461
Other receivables from direct insurance operations	365,611	-9,249	356,362	1,614,982	-83,682	1,531,300	10,523,497	-7,850,972	2,672,525	4,560,187
Receivables from co-insurance and reinsurance operations	38,981,896	0	38,981,896	10,211,742	0	10,211,742	4,237,343	-2,131,078	2,106,265	51,299,903
Premium receivable from co-insurance	785,474	0	785,474	79,540	0	79,540	41,678	-3,228	38,450	903,464
Premium receivable from reinsurance	27,716,272	0	27,716,272	6,181,686	0	6,181,686	1,199,329	-96,070	1,103,259	35,001,217
Receivables from co-insurers' share in claims	107,098	0	107,098	10,705	0	10,705	687	0	687	118,490
Receivables from reinsurers' share in claims	8,068,238	0	8,068,238	3,449,419	0	3,449,419	2,986,671	-2,031,780	954,891	12,472,548
Other receivables from co-insurance and reinsurance operation	2,304,814	0	2,304,814	490,392	0	490,392	8,978	0	8,978	2,804,184
Receivables for income tax refund	579,645	0	579,645	0	0	0	0	0	0	579,645
Other receivables	22,136,002	-1,118,907	21,017,095	6,725,779	-950,333	5,775,446	76,883,223	-73,501,762	3,381,461	30,174,002
Other short-term receivables from insurance operations*	7,383,225	0	7,383,225	3,078,825	-850,708	2,228,117	69,982,715	-68,856,084	1,126,631	10,737,973
Short-term receivables from financing	1,701,982	0	1,701,982	813,260	-6,062	807,198	437,200	-420,604	16,596	2,525,776
Other short-term receivables	12,450,935	-1,118,907	11,332,028	2,772,839	-90,239	2,682,600	4,587,942	-4,181,769	406,173	14,420,801
Long-term receivables	599,860	0	599,860	60,855	-3,324	57,531	1,875,366	-43,305	1,832,061	2,489,452
TOTAL	130,947,224	-1,183,633	129,763,591	42,604,780	-3,998,423	38,606,357	136,647,130	-126,362,200	10,284,930	178,654,878

* Note: Subrogated receivables are included in other short-term receivables from insurance operations.

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in EUR

31 December 2017	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	63,627,483	-5,524	63,621,959	22,432,390	-2,561,023	19,871,367	58,487,386	-56,258,220	2,229,166	85,722,492
Receivables from insurers	61,529,238	-5,524	61,523,714	21,370,747	-2,540,136	18,830,611	48,817,404	-46,919,199	1,898,205	82,252,530
Receivables from insurance brokers	229,627	0	229,627	441,605	-11,956	429,649	825,711	-819,302	6,409	665,685
Other receivables from direct insurance operations	1,868,618	0	1,868,618	620,038	-8,931	611,107	8,844,271	-8,519,719	324,552	2,804,277
Receivables from co-insurance and reinsurance operations	34,571,388	0	34,571,388	7,236,810	0	7,236,810	5,226,245	-2,094,740	3,131,505	44,939,702
Premium receivable from co-insurance	536,403	0	536,403	596,305	0	596,305	14,274	-3,222	11,052	1,143,760
Premium receivable from reinsurance	25,017,631	0	25,017,631	4,436,288	0	4,436,288	1,828,524	-96,070	1,732,454	31,186,373
Receivables from co-insurers' share in claims	106,521	0	106,521	11,344	0	11,344	404	0	404	118,269
Receivables from reinsurers' share in claims	6,542,919	0	6,542,919	2,179,606	0	2,179,606	3,374,445	-1,995,448	1,378,997	10,101,522
Other receivables from co-insurance and reinsurance operation	2,367,914	0	2,367,914	13,267	0	13,267	8,598	0	8,598	2,389,779
Receivables for income tax refund	32,211	0	32,211	0	0	0	0	0	0	32,211
Other receivables	24,270,916	80,089	24,351,005	8,223,383	-1,036,955	7,186,428	82,487,239	-80,840,723	1,646,516	33,183,949
Other short-term receivables from insurance operations *	9,263,057	-656	9,262,401	2,779,072	-875,816	1,903,256	76,964,069	-75,710,329	1,253,740	12,419,397
Short-term receivables from financing	5,197,728	32,889	5,230,617	81,846	-14,145	67,701	639,002	-600,229	38,773	5,337,091
Other short-term receivables	8,820,449	47,856	8,868,305	3,852,230	-146,994	3,705,236	4,838,335	-4,484,332	354,003	12,927,544
Long-term receivables	989,682	0	989,682	1,510,235	0	1,510,235	45,833	-45,833	0	2,499,917
TOTAL	122,501,998	74,565	122,576,563	37,892,583	-3,597,978	34,294,605	146,200,870	-139,193,683	7,007,187	163,878,354

Zavarovalnica Triglav

in EUR

31 December 2018	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	50,709,180	-26,653	50,682,527	10,663,711	-1,548,755	9,114,956	24,270,711	-21,432,857	2,837,854	62,635,337
Receivables from insurers	50,646,861	-26,653	50,620,208	9,460,997	-1,505,104	7,955,893	21,447,079	-21,269,602	177,477	58,753,578
Receivables from insurance brokers	0	0	0	0	0	0	0	0	0	0
Other receivables from direct insurance operations	62,319	0	62,319	1,202,714	-43,651	1,159,063	2,823,632	-163,255	2,660,377	3,881,759
Receivables from co-insurance and reinsurance operations	14,910,769	0	14,910,769	2,040,182	0	2,040,182	1,206,660	0	1,206,660	18,157,611
Premium receivable from co-insurance	522,401	0	522,401	0	0	0	1,058	0	1,058	523,459
Premium receivable from reinsurance	4,319,906	0	4,319,906	1,580,680	0	1,580,680	683,510	0	683,510	6,584,096
Receivables from co-insurers' share in claims	94,169	0	94,169	0	0	0	0	0	0	94,169
Receivables from reinsurers' share in claims	9,974,293	0	9,974,293	459,502	0	459,502	522,092	0	522,092	10,955,887
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	5,867,006	0	5,867,006	3,460,357	-856,911	2,603,446	68,360,379	-67,642,828	717,551	9,188,003
Other short-term receivables from insurance operations*	1,602,831	0	1,602,831	3,020,677	-850,708	2,169,969	68,105,377	-67,430,648	674,729	4,447,529
Short-term receivables from financing	2,455,403	0	2,455,403	71,599	-6,063	65,536	117,783	-104,313	13,470	2,534,409
Other short-term receivables	1,517,565	0	1,517,565	368,081	-140	367,941	137,219	-107,867	29,352	1,914,858
Long-term receivables	291,207	0	291,207	0	0	0	0	0	0	291,207
TOTAL	71,486,955	-26,653	71,460,302	16,164,250	-2,405,666	13,758,584	93,837,750	-89,075,685	4,762,065	89,980,951

Zavarovalnica Triglav

in EUR

31 December 2017	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	46,724,432	-4,483	46,719,949	8,931,348	-1,426,027	7,505,321	24,781,996	-24,275,413	506,583	54,731,853
Receivables from insurers	45,151,521	-4,483	45,147,038	8,923,418	-1,425,380	7,498,038	23,780,187	-23,600,066	180,121	52,825,197
Receivables from insurance brokers	0	0	0	0	0	0	0	0	0	0
Other receivables from direct insurance operations	1,572,911	0	1,572,911	7,930	-647	7,283	1,001,809	-675,347	326,462	1,906,656
Receivables from co-insurance and reinsurance operations	10,457,342	0	10,457,342	1,308,057	0	1,308,057	2,124,393	0	2,124,393	13,889,792
Premium receivable from co-insurance	553,693	0	553,693	0	0	0	11,052	0	11,052	564,745
Premium receivable from reinsurance	2,401,344	0	2,401,344	929,887	0	929,887	1,240,240	0	1,240,240	4,571,471
Receivables from co-insurers' share in claims	98,775	0	98,775	0	0	0	404	0	404	99,179
Receivables from reinsurers' share in claims	7,403,530	0	7,403,530	378,170	0	378,170	872,697	0	872,697	8,654,397
Other receivables from co-insurance and reinsurance operation	0	0	0	0	0	0	0	0	0	0
Other receivables	10,225,782	0	10,225,782	2,685,342	-864,309	1,821,033	74,930,369	-74,248,412	681,957	12,728,772
Other short-term receivables from insurance operations*	1,839,938	0	1,839,938	2,619,932	-853,109	1,766,823	74,594,069	-73,946,402	647,667	4,254,428
Short-term receivables from financing	5,981,909	0	5,981,909	64,731	-11,018	53,713	231,976	-198,088	33,888	6,069,510
Other short-term receivables	2,101,196	0	2,101,196	679	-182	497	104,324	-103,922	402	2,102,095
Long-term receivables	302,739	0	302,739	0	0	0	0	0	0	302,739
TOTAL	67,407,556	-4,483	67,403,073	12,924,747	-2,290,336	10,634,411	101,836,758	-98,523,825	3,312,933	81,350,417

The table below shows changes in impairment allowance for receivables separately for Triglav Group and Zavarovalnica Triglav.

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
in EUR				
VALUE ADJUSTMENT OF RECEIVABLES FROM POLICYHOLDERS				
Impairment allowance for receivables as at 1 January	49,464,861	55,489,511	25,029,929	29,057,796
– Increase of impairment allowance for receivables	4,669,542	4,704,741	2,648,004	2,624,043
– Decrease in impairment allowance for receivables	-4,000,989	-4,823,090	-2,399,878	-3,739,489
– Receivables write-off	-5,062,602	-5,829,142	-2,476,696	-2,912,421
– Acquisition	0	-359,338	0	0
– Exchange rate difference	-7,849	282,179	0	0
Impairment allowance for receivables as at 31 December	45,062,962	49,464,861	22,801,359	25,029,929
IMPAIRMENT ALLOWANCE FOR OTHER SHORT-TERM RECEIVABLES				
Impairment allowance for receivables as at 1 January	76,586,808	85,726,679	74,799,511	84,119,015
– Increase of impairment allowance for receivables	8,787,035	8,016,656	8,564,636	7,670,259
– Decrease in impairment allowance for receivables	-7,824,492	-8,194,953	-7,479,700	-8,028,402
– Receivables write-off	-7,841,513	-8,988,118	-7,603,091	-8,961,361
– Changes in Group	0	-15,566	0	0
– Exchange rate difference	-1,046	42,110	0	0
Impairment allowance for receivables as at 31 December	69,706,792	76,586,808	68,281,356	74,799,511
VALUE ADJUSTMENT OF OTHER RECEIVABLES				
Impairment allowance for receivables as at 1 January	16,665,427	17,388,843	989,204	1,000,142
– Increase of impairment allowance for receivables	3,103,663	1,323,017	268,705	94,072
– Decrease in impairment allowance for receivables	-1,462,895	-501,341	-712,744	-73,342
– Receivables write-off	-1,559,641	-1,212,283	-119,876	-31,668
– Transfer on deferred income	0	0	0	0
– Exchange rate difference	27,559	221,421	0	0
– Changes in Group	388	-557,742	0	0
– Merger	0	3,512	0	0
– Transfer on disposal group held for sale	0	0	0	0
Impairment allowance for receivables as at 31 December	16,774,502	16,665,427	425,289	989,204
TOTAL VALUE ADJUSTMENT OF RECEIVABLES				
As at 1 January	142,717,096	158,605,033	100,818,644	114,176,953
As at 31 December	131,544,256	142,717,096	91,508,004	100,818,644

3.9 Other assets

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Inventories	567,740	577,560	228,244	225,271
Deferred costs	4,315,270	2,851,316	2,666,792	1,401,535
Investments into computer software for the Group	401,553	366,368	401,553	366,368
Other assets	112,159	127,013	0	0
TOTAL	5,396,722	3,922,257	3,296,589	1,993,174

in EUR

3.10 Cash and cash equivalents

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Cash in bank accounts	53,527,430	62,249,749	17,981,629	35,492,579
Deposits redeemable at notice	13,509,500	15,781,500	0	0
Cash on hand and cheques	564,730	386,598	16,858	22,166
Other	0	0	0	0
TOTAL	67,601,660	78,417,847	17,998,487	35,514,746

in EUR

3.11 Non-current assets held for sale

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Land and property of company Triglav Upravljanje nekretninama, Zagreb	1,310,626	1,521,667	0	0
Land and property of company Triglav Upravljanje Nepremičnin, d.d.	756,773	756,773	0	0
TOTAL	2,067,399	2,278,440	0	0

in EUR

3.12 Equity

As at 31 December 2018, 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.

Shareholders of Zavarovalnica Triglav

Shareholders	Number of shares		Percentage of ownership	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	7,836,628	7,836,628	34.47	34.47
SDH, d.d., Ljubljana	6,386,644	6,386,644	28.09	28.09
Addiko Bank d.d., Pension fund 1 - fiduciary account, Zagreb, Croatia	1,488,809	1,453,894	6.55	6.39
Unicredit Bank Austria - fiduciary account, Vienna, Austria	703,410	634,792	3.09	2.79
Citibank - fiduciary account, London, Great Britain	289,498	36,687	1.27	0.16
Hrvatska poštanska banka d.d. - fiduciary account, Zagreb, Croatia	232,189	322,004	1.02	1.42
East Capital - East Capital Balkans, Luxembourg, Luxembourg	188,100	221,700	0.83	0.98
Kuwait Investment Authority, Safat, Kuwait	187,827	193,827	0.83	0.85
Pozavarovalnica Sava Re d.d., Ljubljana	166,678	166,678	0.73	0.73
The Bank of New York Mellon - fiduciary account, New York, USA	109,855	128,576	0.48	0.57
Other shareholders (less than 1%)	5,145,510	5,353,718	22.64	23.55
TOTAL	22,735,148	22,735,148	100.00	100.00

Share price

	in EUR	
	31 December 2018	31 December 2017
Quoted price of the share on the regulated securities market	30.30	28.90
Book value of equity per share	24.64	25.13

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Distribution of accumulated profits of Zavarovalnica Triglav	in EUR	
	2018	2017
Net profit/loss for the year	65,543,864	62,521,950
Net profit brought forward	1,247,252	25,584,011
Increase in retained income	-7,488	-20,839
Reduction in retained net profit to increase share capital	0	0
Decrease in retained income of deferred tax	0	0
Reduction in net profit or loss to create credit risk provisions	0	0
Increase of other reserves from profit based on the decision by the Management and Supervisory Boards	0	-30,000,000
ACCUMULATED PROFITS	66,783,628	58,085,122
Distribution of accumulated profits		
– to shareholders		56,837,870
– allocation to other reserves from profit		0
– transfer to the following year		1,247,252

The distribution of the accumulated profit for 2018 will be proposed by the Management and Supervisory Board and submitted for decision to the General Meeting of Shareholders of Zavarovalnica Triglav.

Dividends	in EUR	
	2018	2017
Dividends to be distributed to shareholders	Not published	56,837,870
Dividend per share	–	2.50

Authorised capital

In accordance with the Company's Articles of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 14,740,278.36 by issuing new shares against contributions in cash within five years as of 2 June 2016. 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 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.

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

The treasury shares include the shares of Zavarovalnica Triglav held by other companies of the Triglav Group, whose financial statements are included in the consolidated financial statements of the Triglav Group. Triglav, Upravljanje nepremičnin d.d. holds 24,312 shares of Zavarovalnica Triglav in the amount of EUR 364,680.

In the consolidated financial statements, treasury shares are measured at their historical cost and are recognized as a deductible item within equity. For these shares, reserves for treasury shares are formed in the same amount, and they are formed from the retained earnings.

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 Section 1.3](#)].

Currency translation adjustment

Currency translation differences arise from foreign exchange differences in consolidation procedures. In 2018, the currency translation adjustment totalled EUR 136.360 (vs. EUR 1,060,439 in 2017).¹¹⁴ The translation differences mostly refer to the change in the value of the Croatian kuna exchange rate.

Notes to the statement of changes in equity

The following changes are shown in the statement of changes in equity for 2018:

- Based on the resolution passed by the General Meeting of Shareholders of Zavarovalnica Triglav on 29 May 2018 on the distribution of the accumulated profit for 2017, EUR 56,837,870 were allocated to dividend payments. In the preparation of consolidated financial statements, the dividends in the amount of EUR 60,780 paid to the company Triglav, Upravljanje nepremičnin, d.d. were excluded.
- Share premium decreased by EUR 197,116 as a result of purchase of minority stakes in Skupna pokojninska družba d.d., Triglav Osiguranje a.d, Skopje, and Golf Arboretum, d.o.o. For a detailed explanation [[→ see Section 2.7](#)].
- Legal and statutory reserves increased by EUR 707,572. The reserves were formed from the retained profit brought forward or net profit for the year.
- As a result of the acquisition of shares of non-controlling interests, equity of non-controlling interests decreased by EUR 4,467,802.
- Due to decrease of share capital of group entity Sarajevostan, d.o.o., the non-controlling interests decreased by EUR 133,062. For a detailed explanation [[→ see Section 2.7](#)].

¹¹⁴The amount does not include translation differences relating to non-controlling interests.

3.13 Subordinated liabilities

in EUR

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Amortised cost	15,462,711	15,459,132	20,612,951	20,608,180
Fair value	16,369,802	17,010,568	21,822,171	22,676,360

As at the balance sheet date the principal of the ZT02 bonds - issued in 2009 as euro-dominated 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. The value of ZT02 bonds held by the companies of the Triglav Group (5,154 lots) was excluded from the consolidated financial statements. In the separate financial statements of the Company, subordinated debt was reduced by purchased bonds outside the Group (9,372 lots). For the calculation of fair values, the last known price on the Ljubljana Stock Exchange is taken into account. As at 31 December 2018, ZT02 price stood at 105.789% (109.93% as at 31 December 2017).

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.

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

	Triglav Group		Zavarovalnica Triglav		in EUR
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	
NON-LIFE INSURANCE					
GROSS PROVISIONS FOR UNEARNED PREMIUMS	296,924,690	275,166,193	213,519,363	196,121,893	
Gross provision for unearned premiums	296,804,667	275,049,051	213,399,340	196,004,752	
Gross provisions for unearned premiums from coinsurance	120,023	117,142	120,023	117,142	
GROSS CLAIMS PROVISIONS	584,519,134	609,068,598	423,416,968	450,789,937	
Gross claims provisions for IBNR and IBNER	302,755,513	309,084,685	213,040,229	226,634,456	
Gross provisions for incurred and reported claims	254,056,778	264,481,317	187,205,588	193,212,385	
Gross claims provisions for co-insurance	911,138	1,125,741	911,138	1,125,741	
Expected subrogation	-9,135,984	-10,525,322	-9,135,984	-10,525,322	
Provisions for claim handling costs	35,931,689	44,902,177	31,395,997	40,342,677	
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	19,833,253	18,943,606	19,547,002	18,349,804	
OTHER GROSS INSURANCE TECHNICAL PROVISIONS	5,445,662	6,573,642	2,201,357	3,025,520	
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	906,722,739	909,752,037	658,684,690	668,287,155	
LIFE INSURANCE					
GROSS UNEARNED PREMIUM PROVISIONS	414,329	426,149	400,574	406,292	
GROSS MATHEMATICAL PROVISIONS	1,357,233,017	1,333,055,389	1,009,712,605	994,737,498	
Gross mathematical provisions covering life insurance	820,799,524	812,582,423	756,226,453	750,484,060	
Gross mathematical provisions covering SVPI	489,469,402	478,653,633	206,522,061	202,434,105	
Gross mathematical provisions covering SVPI during the annuity pay-out period	46,964,091	41,819,333	46,964,091	41,819,333	
GROSS CLAIMS PROVISIONS	20,555,708	19,476,640	19,143,220	18,440,962	
Gross claims provisions for IBNR and IBNER	16,811,783	15,331,280	16,112,014	14,820,072	
Gross provisions for incurred and reported claims	3,379,774	3,854,666	2,724,176	3,373,458	
Gross claims provisions for co-insurance	0	0	0	0	
Expected subrogation	0	0	0	0	
Provisions for claim handling costs	364,151	290,693	307,030	247,432	
OTHER INSURANCE TECHNICAL PROVISIONS	9,605,442	5,270,021	8,202,386	5,237,360	
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	1,387,808,496	1,358,228,199	1,037,458,785	1,018,822,112	
HEALTH INSURANCE					
GROSS PROVISIONS FOR UNEARNED PREMIUMS	2,827,927	2,520,377	0	0	
Gross provision for unearned premiums	2,827,927	2,520,377	0	0	
Gross provisions for unearned premiums from coinsurance	0	0	0	0	
GROSS CLAIMS PROVISIONS	9,869,071	9,928,477	0	0	
Gross claims provisions for IBNR and IBNER	9,012,635	8,763,014	0	0	
Gross provisions for incurred and reported claims	621,457	864,765	0	0	
Gross claims provisions for co-insurance	41,520	30,106	0	0	
Expected subrogation	0	0	0	0	
Provisions for claim handling costs	193,459	270,592	0	0	
OTHER INSURANCE TECHNICAL PROVISIONS	3,274,826	2,271,936	0	0	
TOTAL HEALTH INSURANCE TECHNICAL PROVISIONS	15,971,824	14,720,790	0	0	
TOTAL INSURANCE TECHNICAL PROVISIONS	2,310,503,061	2,282,701,026	1,696,143,475	1,687,109,267	
GROSS MATHEMATICAL PROVISIONS COVERING ULI	402,598,039	449,544,565	365,238,075	416,250,767	

The gross insurance technical provisions, which include gross mathematical provisions for the guarantee fund backing unit-linked insurance, are disclosed in the financial statements under the separate item »Insurance technical provisions for unit-linked insurance«.

Other insurance technical provisions for non-life insurance include provisions for cancellations and provisions for unexpired risks, while other insurance technical provisions for life insurance include additional provisions for credit risks.

Breakdown of gross and net claims provisions				in EUR
	Triglav Group		Zavarovalnica Triglav	
NON-LIFE INSURANCE	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Gross provisions for incurred and unreported claims	291,544,973	293,151,970	201,853,532	213,303,915
Gross claims provisions	302,755,513	309,084,685	213,040,229	226,634,456
Reinsurers' share	-11,210,540	-15,932,715	-11,186,697	-13,330,541
Gross provisions for incurred and reported claims	205,018,987	215,886,669	133,410,165	138,188,156
Gross claims provisions	254,056,778	264,481,317	187,205,589	193,212,385
Reinsurers' and co-insurers' share	-49,037,791	-48,594,648	-53,795,424	-55,024,229
Gross claims provisions for co-insurance	911,138	1,125,741	911,138	1,125,741
Gross claims provisions	911,138	1,125,741	911,138	1,125,741
Reinsurers' share	0	0	0	0
Expected subrogation	-8,520,568	-9,892,051	-8,520,568	-9,892,051
Gross claims provisions	-9,135,984	-10,525,322	-9,135,984	-10,525,322
Reinsurers' share	615,416	633,271	615,416	633,271
Provisions for claim handling costs	35,931,689	44,902,177	31,395,997	40,342,677
Gross claims provisions	35,931,689	44,902,177	31,395,997	40,342,677
Reinsurers' share	0	0	0	0
TOTAL LIFE INSURANCE GROSS CLAIMS PROVISIONS	524,886,219	545,174,506	359,050,264	383,068,438
TOTAL GROSS CLAIMS PROVISIONS	584,519,134	609,068,596	423,416,968	450,789,937
TOTAL REINSURERS' SHARE	-59,632,915	-63,894,091	-64,366,704	-67,721,499

LIFE INSURANCE				
Gross provisions for incurred and unreported claims	16,821,521	15,331,280	16,112,014	14,820,072
Gross claims provisions	16,811,783	15,331,280	16,112,014	14,820,072
Reinsurers' share	9,738	0	0	0
Gross provisions for incurred and reported claims	3,370,036	3,854,666	2,714,438	3,341,098
Gross claims provisions	3,379,774	3,854,666	2,724,176	3,373,458
Reinsurers' share	-9,738	0	-9,738	-32,360
Gross claims provisions for co-insurance	0	0	0	0
Gross claims provisions	0	0	0	0
Reinsurers' share	0	0	0	0
Expected subrogation	0	0	0	0
Gross claims provisions	0	0	0	0
Reinsurers' share	0	0	0	0
Provisions for claim handling costs	364,151	290,693	307,030	247,432
Gross claims provisions	364,151	290,693	307,030	247,432
Reinsurers' share	0	0	0	0
TOTAL LIFE INSURANCE GROSS CLAIMS PROVISIONS	20,555,708	19,476,640	19,133,482	18,408,602
TOTAL GROSS CLAIMS PROVISIONS	20,555,708	19,476,639	19,143,220	18,440,962
TOTAL REINSURERS' SHARE	0	0	-9,738	-32,360

HEALTH INSURANCE				
Gross provisions for incurred and unreported claims	9,012,635	8,763,014	0	0
Gross claims provisions	9,012,635	8,763,014	0	0
Reinsurers' share	0	0	0	0
Gross provisions for incurred and reported claims	621,457	864,765	0	0
Gross claims provisions	621,457	864,765	0	0
Reinsurers' and co-insurers' share	0	0	0	0
Gross claims provisions for co-insurance	41,520	30,106	0	0
Gross claims provisions	41,520	30,106	0	0
Reinsurers' share	0	0	0	0
Expected subrogation	0	0	0	0
Gross claims provisions	0	0	0	0
Reinsurers' share	0	0	0	0
Provisions for claim handling costs	193,459	270,592	0	0
Gross claims provisions	193,459	270,592	0	0
Reinsurers' share	0	0	0	0
TOTAL HEALTH INSURANCE GROSS CLAIMS PROVISIONS	9,869,071	9,928,477	0	0
TOTAL GROSS CLAIMS PROVISIONS	9,869,071	9,928,477	0	0
TOTAL REINSURERS' SHARE	0	0	0	0

Analysis of changes in gross insurance technical provisions for Triglav Group

in EUR

NON-LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2017	260,854,523	607,228,071	19,105,924	6,838,308	0	894,026,826
Increase	203,388,154	185,463,017	12,163,924	4,856,386	0	405,871,481
Use	-190,083,460	-184,741,977	-12,332,044	-5,175,327	0	-392,332,808
Exchange rate difference	1,006,976	1,119,485	5,802	54,275	0	2,186,538
31 December 2017	275,166,193	609,068,596	18,943,606	6,573,642	0	909,752,037
Increase	228,480,533	188,034,474	12,777,715	3,837,937	0	433,130,659
Use	-206,778,357	-212,655,908	-11,886,556	-4,969,307	0	-436,290,128
Exchange rate difference	56,321	71,972	-1,512	3,390	0	130,171
31 December 2018	296,924,690	584,519,134	19,833,253	5,445,662	0	906,722,739

in EUR

LIFE INSURANCE	Gross unearned premium	Gross mathematical provisions	Gross claims provisions	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2017	449,648	1,273,538,608	18,911,899	3,946,905	457,683,091	1,754,530,151
Increase	425,045	155,870,564	11,716,886	1,475,628	76,910,295	246,398,418
Use	-448,869	-97,114,082	-11,164,116	-152,511	-85,356,523	-194,236,101
Exchange rate difference	325	760,299	11,970	0	307,702	1,080,295
31 December 2017	426,149	1,333,055,389	19,476,640	5,270,021	449,544,565	1,807,772,763
Increase	403,589	129,645,897	14,165,394	4,509,651	18,291,860	167,016,391
Use	-415,465	-105,632,762	-13,088,128	-174,230	-65,310,701	-184,621,286
Exchange rate difference	56	164,493	1,804	0	72,315	238,668
31 December 2018	414,329	1,357,233,017	20,555,710	9,605,442	402,598,038	1,790,406,536

in EUR

HEALTH INSURANCE	Gross unearned premium	Gross mathematical provisions	Gross claims provisions	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2017	2,335,449	0	9,100,925	794,964	0	12,231,338
Increase	2,630,206	0	9,361,685	1,537,245	0	13,529,136
Use	-2,445,278	0	-8,534,132	-60,273	0	-11,039,683
Exchange rate difference	0	0	0	0	0	0
31 December 2017	2,520,377	0	9,928,477	2,271,936	0	14,720,790
Increase	2,917,168	0	9,491,994	1,008,309	0	13,417,471
Use	-2,609,617	0	-9,551,399	-5,420	0	-12,166,436
Exchange rate difference	0	0	0	0	0	0
31 December 2018	2,827,927	0	9,869,071	3,274,826	0	15,971,824

Analysis of changes in gross insurance technical provisions for Zavarovalnica Triglav

in EUR

NON-LIFE INSURANCE	Gross unearned premium	Gross claims provisions	Gross provisions for bonuses and discounts	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2017	188,067,543	453,377,312	18,495,379	3,776,436	0	663,716,669
Increase	165,641,630	160,485,906	11,678,477	3,025,520	0	340,831,533
Use	-157,587,280	-163,073,281	-11,824,052	-3,776,436	0	-336,261,049
31 December 2017	196,121,893	450,789,937	18,349,804	3,025,520	0	668,287,154
Increase	179,517,437	149,611,662	12,580,404	2,201,357	0	343,910,860
Use	-162,119,967	-176,984,631	-11,383,206	-3,025,520	0	-353,513,324
31 December 2018	213,519,363	423,416,968	19,547,002	2,201,357	0	658,684,690

in EUR

LIFE INSURANCE	Gross unearned premium	Gross mathematical provisions	Gross claims provisions	Other gross insurance technical provisions	Unit-linked insurance-technical provisions	Total gross insurance technical provisions
1 January 2017	420,333	959,268,937	17,863,463	3,908,408	431,125,308	1,412,586,450
Increase	406,292	110,521,211	11,325,346	1,468,328	67,221,946	190,943,123
Use	-420,333	-75,052,651	-10,747,847	-139,375	-82,096,487	-168,456,693
31 December 2017	406,292	994,737,498	18,440,962	5,237,360	416,250,767	1,435,072,879
Increase	400,574	90,568,446	11,600,287	3,113,895	8,944,966	114,628,168
Use	-406,292	-75,593,339	-10,898,029	-148,869	-59,957,658	-147,004,187
31 December 2018	400,574	1,009,712,605	19,143,220	8,202,386	365,238,075	1,402,696,860

Analysis of the decrease in gross mathematical provisions

in EUR

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Surrenders	25,845,426	23,006,551	11,156,773	11,894,678
Endowments	56,390,693	56,353,099	51,210,505	53,092,261
Deaths	3,081,525	2,727,012	2,367,665	2,157,612
Other	20,315,118	15,027,422	10,858,396	7,908,100
TOTAL	105,632,762	97,114,084	75,593,339	75,052,651

Other releases refer to the payment of annuities, upon cancellation of insurance and releases of additional valuation provisions upon termination of insurance.

Analysis of changes in loss events for non-life insurance for Triglav Group												in EUR
	Year of occurrence											
	Before 2009	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
Cumulative loss assessment												
– at the end of year of occurrence		560,952,881	535,615,958	509,028,152	537,773,397	540,980,548	523,335,884	494,721,974	497,610,909	523,078,938	559,765,704	
– 1 year after year of occurrence		502,868,739	492,902,084	461,311,067	539,573,012	447,917,990	481,304,284	477,337,992	463,199,516	513,384,536		
– 2 years after year of occurrence		492,609,753	473,335,579	474,755,005	500,921,267	463,342,293	466,027,510	463,910,257	456,287,534			
– 3 years after year of occurrence		484,758,847	479,637,277	455,085,444	496,641,454	439,583,068	458,436,319	460,400,102				
– 4 years after year of occurrence		484,136,193	467,602,633	458,416,153	487,381,079	433,339,855	453,418,013					
– 5 years after year of occurrence		479,931,802	467,642,819	450,071,089	481,306,074	431,734,293						
– 6 years after year of occurrence		477,637,233	459,856,973	448,004,684	476,606,548							
– 7 years after year of occurrence		471,160,939	457,000,191	445,950,087								
– 8 years after year of occurrence		468,531,214	455,357,549									
– 9 years after year of occurrence		466,477,224										
– 10 years after year of occurrence	82,360,768											
Cumulative loss assessment		466,477,224	455,357,549	445,950,087	476,606,548	431,734,293	453,418,013	460,400,102	456,287,534	513,384,536	559,765,704	
Cumulative payments until balance sheet date	5,871,296	456,974,441	442,481,004	427,118,689	449,224,429	409,204,748	428,719,399	425,912,722	407,973,970	433,441,486	348,373,790	
Claims provisions balance at the beginning of the period	84,705,507	12,376,119	16,457,670	22,858,222	34,670,418	26,905,387	36,614,276	47,565,736	80,416,662	210,996,005		573,566,002
Settled during the period	5,873,475	819,651	1,939,204	1,972,959	2,589,734	2,771,308	6,899,917	9,571,754	25,200,467	121,403,603	348,503,112	527,545,185
Claim provisions balance	76,489,472	9,502,783	12,876,545	18,831,398	27,382,119	22,529,545	24,757,609	34,569,756	48,428,966	80,134,002	211,896,845	567,399,041

Analysis of changes in loss events for non-life insurance for Zavarovalnica Triglav													in EUR
	Year of occurrence												
	Before 2009	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL	
Cumulative loss assessment													
– at the end of year of occurrence		428,334,819	397,894,156	344,766,188	357,523,991	317,835,549	320,473,605	288,017,455	287,798,336	303,002,462	300,438,023		
– 1 year after year of occurrence		379,229,569	349,567,530	303,201,976	304,864,538	266,546,400	276,286,823	244,620,306	248,557,097	279,993,010			
– 2 years after year of occurrence		365,975,020	333,049,538	288,324,957	296,542,971	256,384,328	265,047,929	236,877,342	244,240,955				
– 3 years after year of occurrence		356,293,810	326,228,216	282,155,740	289,326,478	249,972,030	260,339,640	233,832,537					
– 4 years after year of occurrence		352,427,627	320,837,129	281,692,146	283,750,168	245,898,744	255,549,812						
– 5 years after year of occurrence		347,853,432	317,082,345	278,889,676	279,036,814	243,246,940							
– 6 years after year of occurrence		344,803,291	313,090,207	277,885,732	273,848,769								
– 7 years after year of occurrence		341,842,194	311,355,522	276,372,349									
– 8 years after year of occurrence		340,231,520	309,920,962										
– 9 years after year of occurrence		338,086,207											
– 10 years after year of occurrence	72,500,536												
Cumulative loss assessment		338,086,207	309,920,962	276,372,349	273,848,769	243,246,940	255,549,812	233,832,537	244,240,955	279,993,010	300,438,023		
Cumulative payments until balance sheet date		329,884,739	299,769,193	260,276,139	250,616,288	226,173,273	236,723,934	210,000,132	211,727,752	228,401,268	169,740,249		
Claims provisions balance at the beginning of the period	76,285,634	10,752,149	12,985,166	19,096,284	30,256,104	21,490,896	27,999,658	31,962,075	48,410,195	140,608,680		419,846,841	
Settled during the period	3,560,178	405,369	1,398,838	1,486,690	1,835,577	1,765,426	4,383,952	5,084,864	11,580,850	66,007,485	169,740,249	267,249,479	
Claim provisions balance	68,940,358	8,201,468	10,151,769	16,096,210	23,232,480	17,073,667	18,825,878	23,832,405	32,513,203	51,591,743	130,697,774	401,156,955	

3.15 Provisions for employee benefits

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Provisions for unused leave	4,280,949	4,393,109	3,500,312	3,782,886
Provisions for retirement benefits	8,602,839	7,886,897	6,287,047	5,744,460
Provisions for jubilee payments	1,920,785	1,699,836	1,379,797	1,173,117
TOTAL	14,804,574	13,979,843	11,167,156	10,700,463

The calculation of provisions for pensions and severance pays upon retirement included:

- the expected mortality on the basis of crude mortality tables for the population of Slovenia from 2017 (Statistical Office of the Republic of Slovenia), taking into account a 20% lower mortality than given in those tables; in the subsidiaries outside of Slovenia, mortality tables from individual countries were taken into account;
- the expected annual employee fluctuation depending on age which, on average, stands at 2.9% in Slovenia and 3.2%, on average, in other countries;
- the expected growth of average salaries in Slovenia is 2.2% annually, while in other countries it is 3.0% on average;
- the yield curve of the Slovene government debt securities denominated in EUR as at 31 December 2018. The benchmark for a 10-year period is 1.04%. In the subsidiaries outside of Slovenia, the yield curves of government debt securities between 2.5% and 5.0% were taken into account.

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 latter are recognised in comprehensive income.

Analysis of the movement of employee benefits for the Triglav Group

	in EUR		
	Provisions for unused leave	Provisions for retirement benefits	Provisions for jubilee payments
As at 1 January 2017	4,265,313	7,544,294	1,740,657
Use of provisions in the year	-3,963,993	-242,747	-183,873
Release of provisions in the year	-65,787	-3,145	-8,098
Creation of provisions in the year	4,155,404	576,861	148,394
Exchange rate difference	2,174	11,632	2,755
As at 31 December 2017	4,393,109	7,886,897	1,699,836
Use of provisions in the year	-3,776,470	-139,454	-166,166
Release of provisions in the year	-3,422	-228,635	-10,755
Creation of provisions in the year	3,667,331	1,081,777	397,902
Exchange rate difference	404	2,258	-32
As at 31 December 2018	4,280,949	8,602,839	1,920,785

Analysis of the movement of employee benefits for the Zavarovalnica Triglav

	in EUR		
	Provisions for unused leave	Provisions for retirement benefits	Provisions for jubilee payments
As at 1 January 2017	3,553,625	5,753,856	1,240,033
Use of provisions in the year	-3,553,625	-152,800	-156,403
Creation of provisions in the year	3,782,886	143,404	89,487
As at 31 December 2017	3,782,886	5,744,460	1,173,117
Use of provisions in the year	-3,782,886	-98,149	-139,950
Creation of provisions in the year	3,500,312	640,736	346,630
As at 31 December 2018	3,500,312	6,287,047	1,379,797

Development of provisions for retirement benefits and jubilee payments in Triglav Group			in EUR
	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2017	7,544,294	1,740,657	9,284,950
Current service cost	870,378	157,156	1,027,534
Interest cost	36,874	2,917	39,791
Actuarial gains/losses due to:			
- changes in demographic assumptions	-563,091	-91,181	-654,272
- changes in financial assumptions	-135,686	-11,738	-147,424
- experience adjustments	306,913	35,891	342,804
Past service cost	-3,959	763	-3,196
Benefits paid during the year	-196,462	-179,075	-375,537
Gains/losses upon payment	16,002	41,690	57,692
Exchange rate difference	11,632	2,755	14,387
As at 31 December 2017	7,886,897	1,699,836	9,586,733
Current service cost	716,419	122,747	839,166
Interest cost	56,817	3,519	60,336
Actuarial gains/losses due to:			
- changes in demographic assumptions	124,664	20,219	144,883
- changes in financial assumptions	-71,359	-37,396	-108,755
- experience adjustments	250,264	269,271	519,535
Past service cost	-220,077	-6,635	-226,712
Benefits paid during the year	-110,779	-162,421	-273,200
Gains/losses upon payment	-32,261	11,677	-20,584
Exchange rate difference	2,258	-32	2,226
As at 31 December 2018	8,602,839	1,920,785	10,523,624

Sensitivity analysis of parameter changes for Triglav Group			in EUR
Parameter	Parameter change	2018	2017
Interest rate	shift in the discount curve by +0.25%	-209,526	-216,759
	shift in the discount curve by -0.25%	218,244	225,834
Wage growth	change in annual wage growth by +0.5%	419,885	388,668
	change in annual wage growth by -0.5%	-365,008	-347,888
Mortality rate	constant increase in mortality by +20%	-100,306	-140,409
	constant increase in mortality by -20%	102,302	146,118
Early employment termination	shift in the expense curve by +20%	-233,519	-292,364
	shift in the expense curve by -20%	250,590	308,076

Development of provisions for retirement benefits and jubilee payments in Zavarovalnica Triglav			in EUR
	Provisions for retirement benefits	Provisions for jubilee payments	TOTAL
As at 1 January 2017	5,753,856	1,240,033	6,993,889
Current service cost	472,863	134,082	606,945
Interest expenses	21,258	2,410	23,668
Actuarial gains/loss due to:			
- change in demographic assumptions	-569,745	-91,181	-660,926
- change in financial assumptions	-80,375	-27,368	-107,743
- experience adjustments	299,403	38,746	338,149
Profit/loss upon payment	0	32,799	32,799
Termination payments during the year	-152,800	-156,403	-309,203
As at 31 December 2017	5,744,460	1,173,117	6,917,578
Current service cost	335,242	96,665	431,907
Interest expenses	39,341	3,016	42,357
Actuarial gains/loss due to:			
- change in demographic assumptions	132,185	20,396	152,581
- change in financial assumptions	-105,958	-71,936	-177,894
- experience adjustments	239,926	267,668	507,594
Profit/loss upon payment	0	30,821	30,821
Termination payments during the year	-98,149	-139,950	-238,099
As at 31 December 2018	6,287,047	1,379,797	7,666,844

Sensitivity analysis of parameter changes for Zavarovalnica Triglav			in EUR
Parameter	Parameter change	2018	2017
Interest rate	shift in the discount curve by +0.25%	-154,287	-148,801
	shift in the discount curve by -0.25%	160,474	154,844
Wage growth	change in annual wage growth by +0.5%	304,322	276,279
	change in annual wage growth by -0.5%	-270,534	-244,965
Mortality rate	constant increase in mortality by +20%	-67,316	-84,594
	constant increase in mortality by -20%	68,292	86,318
Early employment termination	shift in the expense curve by +20%	-164,873	-160,776
	shift in the expense curve by -20%	172,926	168,839

3.16 Other provisions

	in EUR	
	Triglav Group	Zavarovalnica Triglav
As at 1 January 2017	3,971,217	689,669
Increase	1,076,646	35,292
Decrease	-758,877	0
Release	-509,734	0
Exchange rate difference	15,395	0
As at 31 December 2017	3,794,647	724,961
Increase	28,040	247,442
Decrease	-260,821	-213,968
Release	-1,643,699	0
Exchange rate difference	1,385	0
As at 31 December 2018	1,919,555	758,435

The maturity of over 90% of other provisions is above 12 months. The largest portion of total provisions is accounted for provisions for legal disputes. The increase in other provisions is shown as »Other income« in the income statement.

3.17 Deferred tax assets and liabilities

	in EUR	
	Triglav Group	Zavarovalnica Triglav
DEFERRED TAX ASSETS		
As at 1 January 2017	15,793,114	14,739,215
– increase	46,303	3,034,123
– decrease	-2,070,302	-4,809,964
– increase due to change in tax rate	0	0
As at 31 December 2017	13,769,115	12,963,374
– increase	2,595,553	2,485,412
– decrease	-3,470,936	-3,271,195
– increase due to change in tax rate	0	0
As at 31 December 2018	12,893,732	12,177,591
DEFERRED TAX LIABILITIES		
As at 1 January 2017	25,400,544	21,804,624
– increase	1,249,870	459,803
– decrease	-253,835	0
– increase due to change in tax rate	0	0
As at 31 December 2017	26,396,579	22,264,427
– increase	81,536	0
– decrease	-9,274,539	-7,273,099
– increase due to change in tax rate	0	0
As at 31 December 2018	17,203,576	14,991,327
NET DEFERRED TAX ASSETS		
As at 31 December 2017	-12,627,464	-9,301,053
As at 31 December 2018	-4,309,844	-2,813,736

Deferred tax assets are recognised for temporary differences arising from the impairment of receivables, financial assets and investment property, formation of post-employment benefits, jubilee benefits, actuarial losses and unused tax losses. Deferred tax assets are not recognized from impairments of investments in subsidiaries and associates disclosed in the stand-alone financial statements.

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. 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 4.15].

3.18 Other financial liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Long-term liabilities for a finance lease	284,056	513,126	0	0
Loans from banks	517,260	455,120	0	0
Financial liabilities for acquired securities	917,137	1,161,877	917,137	1,161,877
Liabilities for dividends	657,846	678,873	657,846	678,873
Other financial liabilities	3,244,605	2,780,384	12,460	4,434
TOTAL	5,620,904	5,589,381	1,587,443	1,845,184

The long-term financial liabilities of the Triglav Group and Zavarovalnica Triglav amount to EUR 329,518 and EUR 7,765 respectively.

3.19 Operating liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
DIRECT INSURANCE LIABILITIES	19,717,929	18,875,323	11,306,835	11,354,265
Liabilities to policyholders	11,408,191	11,854,935	8,345,773	8,351,426
Liabilities to insurance brokers	1,540,170	1,067,486	1,170,587	828,106
Other liabilities from direct insurance operations	6,769,568	5,952,902	1,428,595	1,819,604
Liabilities from direct insurance operations to Group companies	0	0	361,880	355,129
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	30,465,655	28,758,158	13,819,946	15,249,797
Liabilities for re/co-insurance premiums	18,293,707	17,031,209	12,655,925	13,015,790
Liabilities for co-insurers' share of claims	4,363,764	4,425,693	1,164,021	2,234,007
Other re/co-insurance liabilities	7,808,184	7,301,256	0	0
CURRENT TAX LIABILITIES	4,608,471	1,748,121	3,396,791	1,135,988
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	54,792,055	49,381,602	28,523,572	27,740,050

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

3.20 Other liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Short-term liabilities to employees	22,256,505	19,115,336	18,470,071	15,391,703
Trade payables	8,218,320	13,274,496	8,218,320	13,274,496
Other short-term liabilities from insurance operations	13,919,849	13,830,528	5,243,624	5,147,981
Other short-term liabilities	11,882,026	9,792,369	2,389,528	2,055,530
Other long-term liabilities	4,292,179	2,993,063	4,076,309	2,246,976
Accrued interest on issued bonds	958,354	958,354	958,354	958,354
Short-term deferred income from charged interest on arrears	2,154,573	1,010,281	2,154,573	1,010,281
Other accruals	11,828,405	10,209,308	1,711,168	711,989
TOTAL OTHER LIABILITIES	75,510,207	71,183,735	43,221,946	40,797,310

Of the disclosed other liabilities, the long-term liabilities of the Triglav Group and Zavarovalnica Triglav account for EUR 7,937,231 and EUR 4,076,309 respectively.

4. Notes to the Income Statement

4.1 Premium income

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
NON-LIFE INSURANCE				
Gross written premium	628,813,312	588,139,280	458,879,616	431,190,372
Assumed re-insurance written premium	71,681,191	62,175,221	26,143,238	16,237,471
Assumed co-insurance written premium	1,722,693	2,035,926	1,073,607	1,067,798
Ceded co-insurance written premium	-2,659,181	-1,870,838	-1,583,712	-1,339,637
Reinsurance written premium	-103,870,707	-95,625,499	-99,275,679	-91,591,642
Changes in gross provisions for unearned premiums	-15,998,370	-11,291,823	-12,921,249	-6,899,198
Changes in reinsurers' share of unearned premiums	6,282,125	284,406	5,942,775	493,754
Net premium income on non-life insurance	585,971,063	543,846,673	378,258,596	349,158,918
LIFE INSURANCE				
Gross written premium	222,162,500	218,279,696	174,113,971	173,475,695
Assumed co-insurance written premium	0	3,008	0	0
Ceded co-insurance written premiums	0	0	-9,820	0
Reinsurance written premium	-95,020	-54,396	-427,898	-591,302
Changes in gross provisions for unearned premiums	12,058	23,933	5,717	14,041
Changes in reinsurers' share of unearned premiums	5,100	-113	302	0
Net premium income on life insurance	222,084,638	218,252,128	173,682,272	172,898,434
HEALTH INSURANCE				
Gross written premium	144,014,711	129,283,495	0	0
Changes in gross provisions for unearned premiums	-307,551	-184,927	0	0
Net premium income on health insurance	143,707,160	129,098,568	0	0
TOTAL NET PREMIUM INCOME	951,762,862	891,197,369	551,940,868	522,057,353

Overview of premium income by insurance class for Triglav Group¹¹⁵

in EUR

2018	Gross written premium ¹¹⁶	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
NON-LIFE INSURANCE					
Accident insurance	40,848,248	70,274	-48,460	-683,132	40,186,930
Health insurance	148,697,953	183,987	-25,055	-363,493	148,493,392
Land motor vehicle insurance	142,002,450	27	-9,198	-9,411,913	132,581,366
Railway insurance	3,181,714	0	0	-1,123,078	2,058,636
Aircraft insurance	1,807,213	0	0	-799,871	1,007,342
Marine Insurance	5,300,424	4	0	-453,152	4,847,276
Cargo insurance	7,774,190	0	-647,213	-1,637,678	5,489,299
Fire and natural forces insurance	96,115,705	1,140,434	-946,360	-32,658,558	63,651,221
Other damage to property insurance	133,418,045	256,108	-365,190	-31,722,516	101,586,447
Motor TPL insurance	165,750,020	13,127	0	-5,915,860	159,847,287
Aircraft liability insurance	1,489,205	0	0	-840,624	648,581
Marine liability insurance	1,231,416	0	-63,478	-184,711	983,227
General liability insurance	46,130,908	58,732	-448,040	-8,839,709	36,901,891
Credit insurance	26,825,201	0	0	-5,021,329	21,803,872
Suretyship insurance	2,749,305	0	0	-577,142	2,172,163
Miscellaneous financial loss insurance	6,171,395	0	-106,187	-3,377,937	2,687,271
Legal expenses insurance	482,824	0	0	-11,554	471,270
Travel assistance insurance	14,532,996	0	0	-248,450	14,284,546
Total non-life insurance	844,509,212	1,722,693	-2,659,181	-103,870,707	739,702,017
LIFE INSURANCE					
Life insurance	93,522,973	0	0	-93,203	93,429,770
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	111,706,354	0	0	0	111,706,354
Tontines	0	0	0	0	0
Capital redemption insurance	16,748,583	0	0	0	16,748,583
Loss of income due to illness	184,592	0	0	-1,817	182,775
Total life insurance	222,162,502	0	0	-95,020	222,067,482
TOTAL	1,066,671,714	1,722,693	-2,659,181	-103,965,727	961,769,499

¹¹⁵Non-life insurance also includes health insurance.
¹¹⁶Gross written premium also includes written reinsurance premiums accepted.

	in EUR				
2017	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
NON-LIFE INSURANCE					
Accident insurance	41,521,924	40,990	-192,590	-618,677	40,751,647
Health insurance	132,135,186	102,821	0	-265,861	131,972,146
Land motor vehicle insurance	127,257,100	564	-8,196	-8,193,807	119,055,661
Railway insurance	3,293,165	0	0	-853,666	2,439,499
Aircraft insurance	2,026,693	0	0	-1,578,658	448,035
Marine Insurance	4,697,325	0	0	-415,184	4,282,141
Cargo insurance	8,030,434	6,489	-526,388	-1,404,198	6,106,337
Fire and natural forces insurance	93,035,217	1,104,580	-535,013	-33,796,144	59,808,640
Other damage to property insurance	114,543,643	805,658	-369,027	-25,621,392	89,358,882
Motor TPL insurance	158,620,966	0	0	-5,680,208	152,940,758
Aircraft liability insurance	1,468,319	0	0	-826,368	641,951
Marine liability insurance	974,752	0	0	-96,880	877,872
General liability insurance	43,760,894	-25,176	-234,741	-8,629,839	34,871,138
Credit insurance	26,593,398	0	0	-3,836,796	22,756,602
Suretyship insurance	2,323,580	0	0	-441,312	1,882,268
Miscellaneous financial loss insurance	5,654,309	0	-4,883	-3,117,328	2,532,098
Legal expenses insurance	418,048	0	0	-12,737	405,311
Travel assistance insurance	13,243,043	0	0	-236,443	13,006,600
Total non-life insurance	779,597,996	2,035,926	-1,870,838	-95,625,498	684,137,586
LIFE INSURANCE					
Life insurance	94,109,927	3,008	0	-53,561	94,059,374
Wedding insurance or birth insurance	0	0	0	0	
Unit-linked life insurance	105,851,192	0	0	0	105,851,192
Tontines	0	0	0	0	
Capital redemption insurance	18,070,394	0	0	0	18,070,394
Loss of income due to illness	248,183	0	0	-836	247,347
Total life insurance	218,279,696	3,008	0	-54,397	218,228,307
TOTAL	997,877,692	2,038,934	-1,870,838	-95,679,895	902,365,893

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Overview of premium income by insurance class for Zavarovalnica Triglav

in EUR

2018	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
NON-LIFE INSURANCE					
Accident insurance	26,173,583	0	-137	-859,071	25,314,375
Health insurance	692,746	0	-263,937	-809	428,000
Land motor vehicle insurance	118,662,443	0	0	-9,423,547	109,238,896
Railway insurance	3,041,772	0	0	-697,135	2,344,637
Aircraft insurance	611,302	0	0	-420,762	190,540
Marine Insurance	333,966	4	0	-67,123	266,847
Cargo insurance	4,952,630	0	-647,200	-1,745,678	2,559,752
Fire and natural forces insurance	54,464,093	995,356	-179,158	-20,869,711	34,410,580
Other damage to property insurance	102,508,202	0	-12,711	-40,355,181	62,140,310
Motor TPL insurance	92,415,938	1,058	0	-6,546,249	85,870,747
Aircraft liability insurance	988,282	0	0	-894,148	94,134
Marine liability insurance	453,104	0	-63,478	-40,410	349,216
General liability insurance	37,594,425	77,189	-417,091	-10,836,827	26,417,696
Credit insurance	25,456,965	0	0	-3,892,223	21,564,742
Suretyship insurance	1,842,317	0	0	-446,035	1,396,282
Miscellaneous financial loss insurance	2,816,203	0	0	-1,580,068	1,236,135
Legal expenses insurance	443,097	0	0	-29,009	414,088
Travel assistance insurance	11,571,786	0	0	-571,693	11,000,093
Total non-life insurance	485,022,854	1,073,607	-1,583,712	-99,275,679	385,237,070
LIFE INSURANCE					
Life insurance	81,164,340	0	-9,820	-427,898	80,726,622
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	76,201,048	0	0	0	76,201,048
Tontines	0	0	0	0	0
Capital redemption insurance	16,748,583	0	0	0	16,748,583
Loss of income due to illness	0	0	0	0	0
Total life insurance	174,113,971	0	-9,820	-427,898	173,676,253
TOTAL	659,136,825	1,073,607	-1,593,532	-99,703,577	558,913,323

	in EUR				
2017	Gross written premium	Co-insurers' share in gross written premium	Ceded co-insurance written premium	Reinsurance written premium	Own share
NON-LIFE INSURANCE					
Accident insurance	27,032,366	0	0	-1,113,944	25,918,422
Health insurance	486,414	0	-282,754	0	203,661
Land motor vehicle insurance	106,632,936	0	0	-8,947,981	97,684,954
Railway insurance	3,142,650	0	0	-653,914	2,488,736
Aircraft insurance	970,750	0	0	-842,888	127,862
Marine Insurance	345,918	0	0	-57,235	288,683
Cargo insurance	5,324,046	0	-526,375	-2,085,500	2,712,170
Fire and natural forces insurance	53,754,842	1,006,231	-174,701	-21,927,034	32,659,338
Other damage to property insurance	84,122,714	0	-248,030	-31,225,699	52,648,985
Motor TPL insurance	87,528,335	0	0	-6,509,296	81,019,038
Aircraft liability insurance	994,150	0	0	-980,308	13,842
Marine liability insurance	335,514	0	0	-38,793	296,721
General liability insurance	35,112,942	61,567	-107,321	-10,829,655	24,237,533
Credit insurance	26,094,676	0	0	-3,615,555	22,479,121
Suretyship insurance	1,601,544	0	0	-382,619	1,218,926
Miscellaneous financial loss insurance	2,821,601	0	-456	-1,764,644	1,056,502
Legal expenses insurance	393,897	0	0	-33,473	360,423
Travel assistance insurance	10,732,548	0	0	-583,105	10,149,444
Total non-life insurance	447,427,843	1,067,798	-1,339,637	-91,591,642	355,564,362
LIFE INSURANCE					
Life insurance	82,276,487	0	0	-591,302	81,685,185
Wedding insurance or birth insurance	0	0	0	0	0
Unit-linked life insurance	73,128,814	0	0	0	73,128,814
Tontines	0	0	0	0	0
Capital redemption insurance	18,070,394	0	0	0	18,070,394
Loss of income due to illness	0	0	0	0	0
Total life insurance	173,475,695	0	0	-591,302	172,884,393
TOTAL	620,903,538	1,067,798	-1,339,637	-92,182,944	528,448,755

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4.2 Total income from financial assets

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
in EUR				
INTEREST INCOME FROM FINANCIAL ASSETS				
– available for sale	31,745,848	34,336,923	22,352,655	23,885,897
– loans and deposits	3,673,878	2,810,704	3,223,478	2,865,277
– held to maturity	9,815,935	10,618,005	7,657,191	7,836,163
– at fair value through profit and loss	10,337,581	10,430,950	4,444,301	5,120,346
Interest income	55,573,242	58,196,582	37,677,625	39,707,684
DIVIDENDS FROM				
– available-for-sale financial assets	3,577,567	5,011,305	2,868,187	2,695,236
– financial assets at fair value through profit and loss	466,275	335,146	209,516	92,338
– subsidiaries and associates	0	0	4,506,342	6,172,954
TOTAL DIVIDENDS	4,043,842	5,346,451	7,584,045	8,960,528
Fair value gains	1,492,063	36,619,731	1,108,893	30,527,723
Realised gains on disposals	23,777,837	29,790,480	18,521,649	25,453,585
Other financial income	4,002,093	2,991,194	2,168,468	1,701,209
Profit on investments accounted for using the equity method	1,021,159	224,605	0	0
TOTAL INVESTMENT INCOME	89,910,236	133,169,043	67,060,680	106,350,731

Fair value gains are described in detail [→ in Section 4.4], and realised gains on disposals [→ in Section 4.5]. Data in the table also include income from financial assets for shareholder-related companies.

4.3 Total expenses from financial assets

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
in EUR				
Fair value losses	45,840,584	4,528,102	33,533,878	1,757,407
Realised loss on disposals	13,128,928	11,083,596	12,566,364	10,588,356
Loss on disposals of subsidiaries	0	1,145,000	0	0
Loss on impairment of financial assets	1,497,483	335,255	1,248,877	200,000
Other finance costs	6,651,494	11,704,106	3,585,367	7,897,651
- Net exchange losses	2,497,447	7,942,171	660,647	4,982,901
- Other expenses from financial assets and liabilities	1,768,614	1,447,262	1,126,190	1,075,438
- Asset management costs	2,385,433	2,314,673	1,798,530	1,839,313
Loss on equity investments in associates accounted for using the equity method	137,092	1,981,853	0	0
TOTAL EXPENSES FROM FINANCIAL ASSETS	67,255,581	30,777,912	50,934,486	20,443,413

Fair value losses are described in detail [→ in Section 4.4], and realised loss on disposals of financial assets [→ in Section 4.5]. Data in the table also include expenses from financial assets for shareholder-related companies.

4.4 Fair value gains and losses

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
in EUR				
Financial assets recognised at fair value through profit/loss	-43,705,592	31,402,827	-31,770,799	28,081,514
– gains	1,429,476	35,930,929	1,057,563	29,838,921
– losses	-45,135,068	-4,528,102	-32,828,362	-1,757,407
Derivative financial instruments	-642,929	688,802	-654,187	688,802
– gains	62,587	688,802	51,330	688,802
– losses	-705,516	0	-705,516	0
NET GAINS FROM CHANGES IN FAIR VALUE	-44,348,521	32,091,629	-32,424,985	28,770,316

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.

4.5 Realised gains and losses

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Financial assets recognised at fair value through profit/loss	-3,325,788	2,155,198	-3,279,198	2,109,274
– realised gains on disposals	696,651	3,493,012	678,530	3,375,768
– realised losses on disposals	-4,022,439	-1,337,814	-3,957,728	-1,266,495
Available-for-sale financial assets	17,014,673	18,028,216	11,925,982	14,232,486
– realised gains on disposals	18,164,581	20,278,752	12,939,619	16,059,101
– realised losses on disposals	-1,149,908	-2,250,536	-1,013,637	-1,826,615
Loans and deposits	-294,753	0	0	0
– realised gains on disposals	13,105	0	0	0
– realised losses on disposals	-307,858	0	0	0
Derivative financial instruments	-2,745,223	-1,409,793	-2,691,500	-1,409,796
– realised gains on disposals	4,903,500	6,018,716	4,903,500	6,018,716
– realised losses on disposals	-7,648,723	-7,428,509	-7,595,000	-7,428,510
Held-to-maturity financial assets	0	0	0	0
– realised gains on disposals	0	0	0	0
– realised losses on disposals	0	0	0	0
Financial liabilities	0	-66,736	0	-66,736
– realised gains on disposals	0	0	0	0
– realised losses on disposals	0	-66,736	0	-66,736
TOTAL REALISED GAINS AND LOSSES	10,648,909	18,706,885	5,955,284	14,865,230

4.6 Other insurance income

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Fees and commission income	15,806,181	16,487,470	17,004,132	18,011,729
– reinsurance commission income	15,750,966	16,399,287	16,948,917	17,923,546
– investment management services	55,215	88,183	55,215	88,183
Other income from insurance operations	14,031,800	12,749,762	10,444,252	9,720,855
– income from sale of green cards for motor vehicles	2,388,333	2,365,643	999,019	970,788
– income from claims settled for other insurance companies	712,579	763,106	455,901	448,300
– income from assistance services	50,398	28,214	37,576	11,817
– other income from insurance operations	4,521,771	3,798,819	2,851,248	2,495,970
– interest from receivables	6,358,721	5,793,980	6,100,508	5,793,980
OTHER INSURANCE INCOME	29,837,981	29,237,232	27,448,384	27,732,584

4.7 Other income

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Income from investment property	6,860,194	6,637,396	5,569,135	5,205,856
Income from disposal of investment property	1,473,740	325,860	1,171,222	77,514
Income from disposal of intangible assets	8,665	39,798	0	0
Income from disposal of property, plant and equipment	170,318	103,381	32,572	431
Income from other services	1,986,091	1,821,079	5,514,416	5,499,648
Income from non-insurance companies in the Group	25,330,425	24,506,898	0	0
Fair value gains	241,939	409,651	165,465	134,548
Claims refund	78,161	189,053	39,169	33,426
TOTAL OTHER INCOME	36,149,533	34,033,116	12,491,979	10,951,423

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4.8 Claims

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
NON-LIFE INSURANCE				
Gross claims settled	374,502,594	332,902,222	273,030,985	250,056,103
Gross claims paid from inward reinsurance	33,701,523	29,745,087	12,719,613	2,751,897
Income from gross subrogated receivables	-16,967,528	-15,335,223	-13,502,708	-12,387,832
Reinsurers' share of gross claims settled	-40,184,452	-24,825,626	-37,927,113	-24,830,340
Co-insurers' share of gross claims settled	195,761	252,466	262,030	465,802
Change in gross claims provisions	-31,600,189	1,497,691	-27,372,969	-2,587,374
Change in gross claims provisions for re/co-insurer's share	11,311,263	-6,801,652	3,354,795	-8,385,490
Net claims incurred on non-life insurance	330,958,972	317,434,965	210,564,633	205,082,765
LIFE INSURANCE				
Gross claims settled	169,247,828	189,454,483	148,754,692	170,885,356
Reinsurers' share in gross claims	-275	-450	-102,530	-259,497
Change in gross claims provisions	1,077,159	553,739	702,258	577,500
Change in reinsurers' share in gross claims provisions	22,621	6,706	22,621	6,706
Net claims incurred on life insurance	170,347,333	190,014,478	149,377,041	171,210,065
HEALTH INSURANCE				
Gross claims settled	119,145,307	105,440,900	0	0
Income from gross exercised subrogation receivables	-29,506	-44,900	0	0
Change in gross claims provisions	-70,820	797,446	0	0
Change in claims provisions for reinsurers' share	11,414	30,106	0	0
Equalisation scheme expenses	6,197,698	6,285,786	0	0
TOTAL net claims incurred on health insurance	125,254,093	112,509,338	0	0
NET CLAIMS INCURRED TOTAL	626,560,398	619,958,781	359,941,674	376,292,830

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Overview of net claims incurred by insurance class				in EUR
Triglav Group 2018	Gross claims ¹¹⁷	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	24,227,816	-10,801	-230,009	23,987,006
Health insurance	121,362,005	-29,523	-122,892	121,209,590
Land motor vehicle insurance	97,815,885	-3,513,921	-3,733,347	90,568,617
Railway insurance	2,583,036	-30	-244,676	2,338,330
Aircraft insurance	659,117	0	-166,071	493,046
Marine Insurance	3,437,920	-8,716	-367,337	3,061,867
Cargo insurance	2,519,395	-199,348	-114,151	2,205,896
Fire and natural forces insurance	52,496,392	-152,359	-13,895,816	38,448,217
Other damage to property insurance	74,508,007	-564,165	-12,359,892	61,583,950
Motor TPL insurance	98,955,254	-3,700,133	-1,686,194	93,568,927
Aircraft liability insurance	285,242	0	-24,169	261,073
Marine liability insurance	270,764	0	-2,501	268,263
General liability insurance	18,947,236	-221,192	-3,056,247	15,669,797
Credit insurance	11,945,067	-8,063,118	-1,396,156	2,485,793
Suretyship insurance	687,953	-506,428	42,206	223,731
Miscellaneous financial loss insurance	4,812,263	0	-2,639,070	2,173,193
Legal expenses insurance	67,104	0	-331	66,773
Travel assistance insurance	11,768,968	-27,300	-187,799	11,553,869
Total non-life insurance	527,349,424	-16,997,034	-40,184,452	470,167,938
LIFE INSURANCE				
Life insurance	92,419,363	0	-275	92,419,088
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	70,889,784	0	0	70,889,784
Tontines	0	0	0	0
Capital redemption insurance	5,885,491	0	0	5,885,491
Loss of income due to illness	53,190	0	0	53,190
Total life insurance	169,247,828	0	-275	169,247,553
TOTAL	696,597,252	-16,997,034	-40,184,727	639,415,491

Overview of net claims incurred by insurance class				in EUR
Triglav Group 2017	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	23,728,233	-29,754	-221,688	23,476,791
Health insurance	106,578,530	-44,900	-106,415	106,427,215
Land motor vehicle insurance	91,410,178	-3,195,556	-2,347,464	85,867,158
Railway insurance	1,502,312	0		1,502,312
Aircraft insurance	343,520	0	-73,018	270,502
Marine Insurance	5,074,829	-67,228	-2,340,979	2,666,622
Cargo insurance	2,279,920	-125,676	-174,013	1,980,231
Fire and natural forces insurance	39,713,867	-393,224	-3,720,669	35,599,974
Other damage to property insurance	65,293,836	-351,141	-11,287,461	53,655,234
Motor TPL insurance	93,228,583	-3,049,463	-2,550,038	87,629,082
Aircraft liability insurance	320,341	-1,005	-56,195	263,141
Marine liability insurance	346,883	0	-6,113	340,770
General liability insurance	15,508,421	-450,292	-726,044	14,332,085
Credit insurance	10,305,007	-7,436,476	-568,355	2,300,176
Suretyship insurance	741,141	-195,003	-59,595	486,543
Miscellaneous financial loss insurance	1,645,767	-30	-497,277	1,148,460
Legal expenses insurance	56,928	0	0	56,928
Travel assistance insurance	10,009,913	-40,375	-90,302	9,879,236
Total non-life insurance	468,088,209	-15,380,123	-24,825,626	427,882,460
LIFE INSURANCE				
Life insurance	91,029,628	0	-450	91,029,178
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	92,969,964	0	0	92,969,964
Tontines	0	0	0	0
Capital redemption insurance	5,365,889	0	0	5,365,889
Loss of income due to illness	89,002	0	0	89,002
Total life insurance	189,454,483	0	-450	189,454,033
TOTAL	657,542,692	-15,380,123	-24,826,076	617,336,493

¹¹⁷Gross claims paid also include gross claims paid from inward reinsurance.

Overview of net claims incurred by insurance class				in EUR
Zavarovalnica Triglav 2018	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	13,903,658	-10,138	-372,369	13,521,151
Health insurance	141,361	0	-5,201	136,160
Land motor vehicle insurance	80,419,568	-2,298,303	-4,747,607	73,373,658
Railway insurance	2,583,036	-30	-182,692	2,400,314
Aircraft insurance	41,849	0	-8,938	32,911
Marine Insurance	402,518	0	-3,805	398,713
Cargo insurance	1,235,612	-147,185	-309,110	779,317
Fire and natural forces insurance	27,662,364	-132,283	-7,172,427	20,357,654
Other damage to property insurance	52,112,313	-547,804	-14,354,973	37,209,536
Motor TPL insurance	63,388,400	-2,123,082	-3,373,416	57,891,902
Aircraft liability insurance	52,187	0	-15,761	36,426
Marine liability insurance	61,938	0	-1,481	60,457
General liability insurance	17,127,665	-212,469	-2,907,026	14,008,169
Credit insurance	11,444,728	-7,742,878	-932,892	2,768,958
Suretyship insurance	244,752	-261,783	58,821	41,790
Miscellaneous financial loss insurance	4,289,396	0	-3,134,366	1,155,030
Legal expenses insurance	63,809	0	-637	63,172
Travel assistance insurance	10,575,444	-26,753	-463,232	10,085,459
Total non-life insurance	285,750,598	-13,502,708	-37,927,113	234,320,777
LIFE INSURANCE				
Life insurance	81,883,672	0	-102,530	81,781,142
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	60,985,529	0	0	60,985,529
Tontines	0	0	0	0
Capital redemption insurance	5,885,491	0	0	5,885,491
Loss of income due to illness	0	0	0	0
Total life insurance	148,754,692	0	-102,530	148,652,162
TOTAL	434,505,290	-13,502,708	-38,029,643	382,972,939

Overview of net claims incurred by insurance class				in EUR
Zavarovalnica Triglav 2017	Gross claims	Income from subrogated receivables	Reinsurers' share	Net claims incurred
NON-LIFE INSURANCE				
Accident insurance	13,065,186	-29,470	-343,233	12,692,483
Health insurance	20,465	0	-2,952	17,513
Land motor vehicle insurance	75,282,043	-2,113,481	-3,584,895	69,583,667
Railway insurance	1,502,245	0	0	1,502,245
Aircraft insurance	115,129	0	-65,530	49,599
Marine Insurance	241,063	-66,074	-6,452	168,537
Cargo insurance	1,341,420	-97,872	-351,243	892,305
Fire and natural forces insurance	22,973,913	-378,671	-2,992,205	19,603,037
Other damage to property insurance	45,645,793	-332,758	-10,453,568	34,859,468
Motor TPL insurance	58,673,179	-1,669,518	-4,647,902	52,355,759
Aircraft liability insurance	58,780	-1,005	-22,718	35,057
Marine liability insurance	78,018	0	-2,323	75,695
General liability insurance	13,592,447	-397,618	-1,158,944	12,035,885
Credit insurance	9,780,693	-7,119,944	-341,993	2,318,755
Suretyship insurance	111,947	-141,097	-1,810	-30,960
Miscellaneous financial loss insurance	950,583	-30	-440,713	509,841
Legal expenses insurance	55,256	0	12	55,268
Travel assistance insurance	9,319,837	-40,293	-413,871	8,865,673
Total non-life insurance	252,808,000	-12,387,832	-24,830,340	215,589,827
LIFE INSURANCE				
Life insurance	82,932,298	0	-259,497	82,672,802
Wedding insurance or birth insurance	0	0	0	0
Unit-linked life insurance	82,587,169	0	0	82,587,169
Tontines	0	0	0	0
Capital redemption insurance	5,365,889	0	0	5,365,889
Loss of income due to illness	0	0	0	0
Total life insurance	170,885,356	0	-259,497	170,625,860
TOTAL	423,693,356	-12,387,832	-25,089,837	386,215,687

4.9 Reinsurance result

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Reinsurance premiums	-103,965,727	-95,679,895	-101,297,110	-93,522,581
Changes in reinsurers' share of unearned premiums	6,287,215	284,293	5,943,077	493,754
Reinsurers' share of claims	40,184,727	24,826,076	38,029,643	25,089,837
Changes in claims provisions for reinsurers' shares	-11,345,298	6,764,840	-3,377,416	8,378,784
Net result from reinsurance operations	-68,839,083	-63,804,686	-60,701,806	-59,560,206
Reinsurance commission	15,750,967	16,382,965	16,948,916	17,923,547
GROSS REINSURANCE RESULT	-53,088,116	-47,421,721	-43,752,889	-41,636,659

4.10 Change in other insurance-technical provisions

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Change in other insurance technical provisions	39,860,373	60,281,190	29,499,390	35,366,975
– changes in gross provisions for cancellations	69,299	53,070	1,593	67,747
– changes in gross provisions for unexpired risks	55,176	875,957	-825,756	-818,663
– changes in gross provisions for other catastrophic risks	-183,598	0	0	0
– changes in gross provisions for life insurance	39,657,720	57,909,518	30,061,777	34,675,246
– changes in gross provisions for bonuses from with-profits life insurance	261,776	1,442,645	261,776	1,442,645
Change in gross provisions for unit-linked insurance contracts	-46,889,547	-8,250,712	-50,884,979	-14,678,837
TOTAL CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-7,029,174	52,030,478	-21,385,589	20,688,138

4.11 Expenses for bonuses and discounts

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Settled bonuses and discounts	10,319,128	9,190,486	9,374,088	8,218,663
Changes in gross provisions for bonuses and discounts	1,098,555	152,405	1,197,198	-145,575
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	11,417,685	9,342,891	10,571,287	8,073,088

4.12 Acquisition costs and other operating expenses

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Acquisition costs	159,245,093	147,942,412	110,230,111	105,301,136
Other operating costs	74,392,332	72,820,221	42,778,807	40,621,773
Claim handling costs*	25,629,551	25,322,704	19,615,402	19,982,533
Costs of asset management**	2,385,433	2,314,673	1,798,530	1,839,313
Operating expenses from non-insurance operations***	27,173,807	25,645,287	0	0
TOTAL	288,826,216	274,045,297	174,422,850	167,744,757

* 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.

4.12.1 Gross operating expenses by nature and business segment

Triglav Group 2018						in EUR
	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
Acquisition costs	32,970,748	9,231,634	3,778,927	45,981,309	0	45,981,309
Cost of goods sold	0	0	0	0	52,904	52,904
Depreciation of operating assets	10,746,299	1,784,980	484,229	13,015,508	1,249,119	14,264,627
Labour costs	107,616,995	19,223,168	4,829,461	131,669,624	14,204,726	145,874,350
Wages and salaries	74,835,746	13,344,670	3,677,805	91,858,221	9,710,045	101,568,266
Social security and pension insurance costs	17,296,601	2,822,743	623,487	20,742,831	2,746,253	23,489,084
Other labour costs	15,484,648	3,055,755	528,169	19,068,572	1,748,428	20,817,000
Costs of services provided by natural persons other than SPs, including related taxes	2,500,098	84,678	172,218	2,756,994	0	2,756,994
Other operating costs	55,323,363	7,386,378	5,519,233	68,228,974	11,667,058	79,896,032
Costs of entertainment, advertising, trade shows	17,507,734	-1,779,107	753,783	16,482,410	691,744	17,174,154
Costs of material and energy	5,174,363	1,020,058	331,282	6,525,703	1,611,346	8,137,049
Maintenance costs	7,264,034	2,253,591	2,164,324	11,681,949	993,988	12,675,937
Reimbursement of labour-related costs	4,084,109	514,639	192,421	4,791,169	690,379	5,481,548
Costs of intellectual and personal services	3,083,908	1,027,325	126,990	4,238,223	824,578	5,062,801
Membership fees and charges	2,032,523	439,940	89,299	2,561,762	922,998	3,484,760
Costs of services - transport and communications	3,419,187	1,066,007	848,368	5,333,562	154,015	5,487,577
Costs for insurance premiums	1,324,876	175,924	2,867	1,503,667	53,797	1,557,464
Payment transaction costs and banking services	1,383,173	654,676	348,692	2,386,541	1,093,494	3,480,035
Rents	4,816,298	669,725	9,087	5,495,110	1,007,809	6,502,919
Costs of professional training services	701,299	157,075	90,875	949,249	184,220	1,133,469
Other costs of services	4,531,859	1,186,525	561,245	6,279,629	3,438,690	9,718,319
TOTAL OPERATING EXPENSES	209,157,503	37,710,838	14,784,068	261,652,409	27,173,807	288,826,216

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						in EUR
Triglav Group 2017	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
Acquisition costs	29,143,920	4,776,143	1,934,970	35,855,033	0	35,855,033
Cost of goods sold	0	0	0	0	230,774	230,774
Depreciation of operating assets	9,471,082	1,958,532	523,766	11,953,380	1,268,876	13,222,256
Labour costs	105,154,889	18,419,295	4,446,763	128,020,947	13,772,241	141,793,188
Wages and salaries	73,250,152	12,846,200	3,377,661	89,474,013	9,406,974	98,880,987
Social security and pension insurance costs	16,894,384	2,674,702	572,606	20,141,692	2,519,614	22,661,306
Other labour costs	15,010,353	2,898,393	496,496	18,405,242	1,845,653	20,250,895
Costs of services provided by natural persons other than SPs, including related taxes	800,448	73,156	146,211	1,019,815	0	1,019,815
Other operating costs	55,060,559	10,946,451	5,543,825	71,550,835	10,373,396	81,924,231
Costs of entertainment, advertising, trade shows	16,991,352	2,502,394	663,419	20,157,165	693,732	20,850,897
Costs of material and energy	4,767,179	951,018	261,796	5,979,993	1,552,051	7,532,044
Maintenance costs	8,357,123	2,116,448	2,045,539	12,519,110	778,405	13,297,515
Reimbursement of labour-related costs	4,068,779	516,836	162,845	4,748,460	645,034	5,393,494
Costs of intellectual and personal services	3,484,199	708,542	473,628	4,666,369	669,591	5,335,960
Membership fees and charges	1,936,144	389,527	85,976	2,411,647	710,368	3,122,015
Costs of services - transport and communications	3,231,418	916,719	853,080	5,001,217	172,918	5,174,135
Costs for insurance premiums	1,152,043	155,051	16,865	1,323,959	56,554	1,380,513
Payment transaction costs and banking services	1,334,870	639,757	313,842	2,288,469	1,029,697	3,318,166
Rents	4,253,550	716,164	11,621	4,981,335	905,088	5,886,423
Costs of professional training services	543,106	115,189	71,124	729,419	149,366	878,785
Other costs of services	4,940,796	1,218,806	584,090	6,743,692	3,010,592	9,754,284
TOTAL OPERATING EXPENSES	199,630,898	36,173,577	12,595,535	248,400,010	25,645,287	274,045,297

	2018			2017			in EUR
Zavarovalnica Triglav	Non-life insurance	Life insurance	TOTAL	Non-life insurance	Life insurance	TOTAL	
Acquisition costs	18,729,044	8,445,942	27,174,986	16,013,168	8,309,539	24,322,707	
Depreciation of operating assets	8,136,900	1,466,135	9,603,035	7,089,004	1,670,764	8,759,768	
Labour costs	81,286,516	15,120,570	96,407,086	79,699,395	14,874,389	94,573,784	
Wages and salaries	57,631,614	10,579,475	68,211,089	56,833,223	10,513,000	67,346,222	
Social security and pension insurance costs	9,889,336	1,841,107	11,730,443	9,669,567	1,807,379	11,476,946	
Other labour costs	13,765,566	2,699,988	16,465,554	13,196,605	2,554,010	15,750,615	
Costs of services provided by natural persons other than SPs, including related taxes	274,040	65,097	339,137	227,587	50,068	277,655	
Other operating costs	31,621,398	9,277,208	40,898,606	31,577,741	8,233,101	39,810,842	
Costs of entertainment, advertising, trade shows	6,940,513	1,771,891	8,712,404	7,171,165	1,645,523	8,816,687	
Costs of material and energy	2,789,901	816,848	3,606,749	2,497,926	739,288	3,237,214	
Maintenance costs	6,708,088	2,161,400	8,869,488	7,330,919	2,027,333	9,358,251	
Reimbursement of labour-related costs	2,903,368	402,927	3,306,295	2,918,310	433,124	3,351,434	
Costs of intellectual and personal services	1,447,154	799,008	2,246,162	1,815,967	464,000	2,279,967	
Membership fees and charges	1,168,667	355,252	1,523,919	1,183,708	326,478	1,510,185	
Costs of services - transport and communications	2,232,851	977,717	3,210,568	2,093,070	802,099	2,895,170	
Costs for insurance premiums	937,893	155,291	1,093,184	752,862	134,007	886,868	
Payment transaction costs and banking services	1,047,188	555,182	1,602,370	1,000,570	540,022	1,540,592	
Rents	2,746,549	557,195	3,303,744	2,298,994	500,538	2,799,533	
Costs of professional training services	489,471	143,016	632,487	351,086	96,655	447,741	
Other costs of services	2,209,755	581,481	2,791,236	2,163,163	524,037	2,687,200	
TOTAL OPERATING EXPENSES	140,047,898	34,374,952	174,422,850	134,606,895	33,137,861	167,744,757	

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In addition to the above-stated amount of EUR 68,211,089 (vs. EUR 67,346,222 in 2017), total wages and salaries include employee bonuses based on performance results in 2018 in the total amount of EUR 8,496,124 (vs. EUR 6,828,596 in 2017). Total costs for wages and salaries in 2017 thus amount to EUR 76,707,213 (vs. EUR 74,174,818 in 2017).

Total costs of Zavarovalnica Triglav for the above-mentioned item, including taxes and other contributions chargeable to the employer, amount to EUR 7,864,000 and are disclosed as other expenses.

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4.12.2 Gross operating expenses by nature and function

Triglav Group 2018						in EUR
	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations	TOTAL
Acquisition costs	45,981,309	0	0	0	0	45,981,309
Cost of goods sold	0	0	0	0	52,904	52,904
Depreciation of operating assets	6,464,125	1,724,817	123,906	4,702,660	1,249,119	14,264,627
Labour costs	68,966,811	18,355,084	1,404,281	42,943,448	14,204,726	145,874,350
Wages and salaries	49,098,833	12,351,548	1,026,916	29,380,924	9,710,045	101,568,266
Social security and pension insurance costs	10,509,211	2,860,813	213,231	7,159,576	2,746,253	23,489,084
Other labour costs	9,358,767	3,142,723	164,134	6,402,948	1,748,428	20,817,000
Costs of services provided by natural persons other than SPs, including related taxes	1,943,097	458,251	2,301	353,345	0	2,756,994
Other operating costs	35,889,751	5,091,399	854,945	26,392,879	11,667,058	79,896,032
Costs of entertainment, advertising, trade shows	13,962,904	50,660	12,726	2,456,120	691,744	17,174,154
Costs of material and energy	3,526,442	858,291	38,430	2,102,540	1,611,346	8,137,049
Maintenance costs	4,221,553	1,176,547	236,140	6,047,709	993,988	12,675,937
Reimbursement of labour-related costs	3,758,919	115,886	31,835	884,529	690,379	5,481,548
Costs of intellectual and personal services	819,409	493,175	264,442	2,661,197	824,578	5,062,801
Membership fees and charges	933,423	148,540	23,564	1,456,235	922,998	3,484,760
Costs of services - transport and communications	2,643,442	505,079	17,950	2,167,091	154,015	5,487,577
Costs for insurance premiums	759,510	200,048	11,029	533,080	53,797	1,557,464
Payment transaction costs and banking services	802,267	7,941	65,163	1,511,170	1,093,494	3,480,035
Rents	2,398,047	521,247	36,678	2,539,138	1,007,809	6,502,919
Costs of professional training services	282,710	79,847	9,247	577,445	184,220	1,133,469
Other costs of services	1,781,125	934,138	107,741	3,456,625	3,438,690	9,718,319
TOTAL OPERATING EXPENSES	159,245,093	25,629,551	2,385,433	74,392,332	27,173,807	288,826,216

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						in EUR
Triglav Group 2017	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations	TOTAL
Acquisition costs	35,855,033	0	0	0	0	35,855,033
Cost of goods sold	0	0	0	0	230,774	230,774
Depreciation of operating assets	5,793,389	1,614,801	116,427	4,428,763	1,268,876	13,222,256
Labour costs	66,487,559	18,097,039	1,373,183	42,063,166	13,772,241	141,793,188
Wages and salaries	47,437,322	12,230,065	1,012,937	28,793,689	9,406,974	98,880,987
Social security and pension insurance costs	10,188,254	2,804,962	202,837	6,945,639	2,519,614	22,661,306
Other labour costs	8,861,983	3,062,012	157,409	6,323,838	1,845,653	20,250,895
Costs of services provided by natural persons other than SPs, including related taxes	300,074	396,993	2,078	320,670	0	1,019,815
Other operating costs	39,506,357	5,213,871	822,985	26,007,622	10,373,396	81,924,231
Costs of entertainment, advertising, trade shows	17,872,787	54,433	8,127	2,221,818	693,732	20,850,897
Costs of material and energy	3,046,893	830,052	41,089	2,061,959	1,552,051	7,532,044
Maintenance costs	4,689,729	1,401,831	213,386	6,214,164	778,405	13,297,515
Reimbursement of labour-related costs	3,734,075	147,210	19,582	847,593	645,034	5,393,494
Costs of intellectual and personal services	895,448	420,456	245,270	3,105,195	669,591	5,335,960
Membership fees and charges	1,023,827	251,496	20,771	1,115,553	710,368	3,122,015
Costs of services - transport and communications	2,513,101	489,169	18,971	1,979,976	172,918	5,174,135
Costs for insurance premiums	658,769	170,899	8,130	486,161	56,554	1,380,513
Payment transaction costs and banking services	789,283	9,319	56,017	1,433,850	1,029,697	3,318,166
Rents	2,153,194	534,123	31,647	2,262,371	905,088	5,886,423
Costs of professional training services	237,040	83,598	7,207	401,574	149,366	878,785
Other costs of services	1,892,211	821,285	152,788	3,877,408	3,010,592	9,754,284
TOTAL OPERATING EXPENSES	147,942,412	25,322,704	2,314,673	72,820,221	25,645,287	274,045,297

					in EUR
Zavarovalnica Triglav 2018	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	TOTAL
Acquisition costs	27,174,986	0	0	0	27,174,986
Depreciation of operating assets	5,438,220	1,486,233	104,925	2,573,657	9,603,035
Labour costs	54,369,024	14,546,113	1,023,137	26,468,812	96,407,086
Wages and salaries	39,291,695	10,002,413	760,734	18,156,247	68,211,089
Social security and pension insurance costs	6,678,803	1,722,700	128,377	3,200,563	11,730,443
Other labour costs	8,398,526	2,821,000	134,026	5,112,002	16,465,554
Costs of services provided by natural persons other than SPs, including related taxes	29,704	273,507	951	34,975	339,137
Other operating costs	23,218,177	3,309,549	669,517	13,701,363	40,898,606
Costs of entertainment, advertising, trade shows	8,369,713	34,175	4,622	303,894	8,712,404
Costs of material and energy	1,858,397	630,913	26,360	1,091,079	3,606,749
Maintenance costs	3,372,299	1,020,337	226,148	4,250,704	8,869,488
Reimbursement of labour-related costs	2,860,342	55,413	17,824	372,716	3,306,295
Costs of intellectual and personal services	547,897	59,728	244,509	1,394,028	2,246,162
Membership fees and charges	745,358	132,577	19,519	626,465	1,523,919
Costs of services - transport and communications	1,874,885	387,405	12,624	935,654	3,210,568
Costs for insurance premiums	535,498	162,096	6,244	389,346	1,093,184
Payment transaction costs and banking services	686,384	767	54,358	860,861	1,602,370
Rents	1,244,227	321,541	20,727	1,717,249	3,303,744
Costs of professional training services	201,627	70,028	8,230	352,602	632,487
Other costs of services	921,550	434,569	28,352	1,406,765	2,791,236
TOTAL OPERATING EXPENSES	110,230,111	19,615,402	1,798,530	42,778,807	174,422,850

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					in EUR
Zavarovalnica Triglav 2017	Cost of contract acquisition	Claim handling costs	Costs of asset management	Other operating expenses	TOTAL
Acquisition costs	24,322,707	0	0	0	24,322,707
Depreciation of operating assets	4,834,281	1,433,949	103,499	2,388,038	8,759,768
Labour costs	52,988,762	14,679,708	1,072,860	25,832,454	94,573,784
Wages and salaries	38,472,290	10,129,717	803,345	17,940,870	67,346,222
Social security and pension insurance costs	6,528,896	1,742,737	135,446	3,069,869	11,476,946
Other labour costs	7,987,576	2,807,254	134,069	4,821,716	15,750,615
Costs of services provided by natural persons other than SPs, including related taxes	23,995	234,576	1,527	17,557	277,655
Other operating costs	23,131,391	3,634,301	661,427	12,383,724	39,810,842
Costs of entertainment, advertising, trade shows	8,533,127	38,892	4,304	240,365	8,816,687
Costs of material and energy	1,604,998	590,670	24,605	1,016,940	3,237,214
Maintenance costs	3,948,459	1,273,710	203,745	3,932,337	9,358,251
Reimbursement of labour-related costs	2,880,088	73,546	12,499	385,301	3,351,434
Costs of intellectual and personal services	544,400	53,369	227,940	1,454,258	2,279,967
Membership fees and charges	891,620	241,321	17,568	359,677	1,510,185
Costs of services - transport and communications	1,675,184	388,710	14,816	816,460	2,895,170
Costs for insurance premiums	417,795	131,996	5,054	332,024	886,868
Payment transaction costs and banking services	644,841	830	43,266	851,655	1,540,592
Rents	1,095,476	339,543	19,006	1,345,508	2,799,533
Costs of professional training services	162,444	66,529	5,494	213,274	447,741
Other costs of services	732,960	435,187	83,128	1,435,925	2,687,200
TOTAL OPERATING EXPENSES	105,301,136	19,982,533	1,839,313	40,621,774	167,744,757

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4.13 Other expenses from insurance operations

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Fee and commission expenses	16,747,703	15,698,735	3,598,300	2,211,487
Expenses from impairment of insurance receivables and write-offs	4,040,324	-439,219	1,511,505	-1,114,709
Fire tax	4,543,801	4,298,380	4,100,129	3,909,295
Expenses of preventive activity	2,197,547	1,934,354	1,498,562	1,218,704
Contributions for claims from uninsured or unidentified vehicles	1,427,306	1,544,342	-90,685	-276,721
Supervisory authority fees	1,534,377	1,605,036	815,368	780,468
Other net insurance expenses	3,253,078	3,416,434	386,460	252,228
OTHER EXPENSES FROM INSURANCE OPERATIONS	33,744,134	28,058,062	11,819,639	6,980,751

4.14 Other expenses

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Financial expenses	1,384,359	1,631,023	1,507,022	1,549,066
Other expenses	43,234,402	40,629,898	14,087,222	13,319,580
Depreciation of investment property	1,415,406	1,413,250	938,600	950,469
Expenses from impairment of investment property	474,484	181,170	0	0
Loss from investment property disposal	27,840	60,266	5,813	60,147
Other investment property expenses	2,649,014	2,158,172	3,070,405	3,077,799
Expenses from disposal of property, plant and equipment	18,189	56,842	14,159	12,484
Expenses from disposal of intangible assets	3,616	518,063	3,093	517,839
Expenses from reversal of impairment of other receivables	522,638	544,930	-210,129	256,312
Operating expenses of non-insurance companies	26,450,272	25,294,103	0	0
Other expenses	11,672,943	10,403,102	10,265,281	8,444,529
TOTAL OTHER EXPENSES	44,618,763	42,260,921	15,594,244	14,868,646

Other expenses relate to bonuses for employees based on business results for 2018 in total amount of EUR 10.9 million (in Zavarovalnica Triglav EUR 9.9 million).

4.15 Income tax expense

4.15.1 Tax expense in the income statement

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Current tax expense	15,560,650	12,746,346	12,127,605	9,524,525
Deferred tax expense	1,068,907	1,990,784	785,783	1,775,841
TOTAL TAX EXPENSE IN THE INCOME STATEMENT	16,629,557	14,737,130	12,913,388	11,300,366

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4.15.2 Tax expense in other comprehensive income

	2018			2017			in EUR
Triglav Group	Before tax	Tax	After tax	Before tax	Tax	After tax	
Profit from increase in fair value of available-for-sale financial assets	-52,468,348	11,453,351	-41,014,997	8,279,736	-735,573	7,544,163	
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	14,887,351	-2,376,972	12,510,379	-579,756	92,566	-487,190	
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	-310,367	58,970	-251,397	603,255	-114,618	488,637	
Actuarial gains/losses	-303,550	125	-303,425	391,597	0	391,597	
Translation differences	127,483	0	127,483	1,080,805	0	1,080,805	
TOTAL OTHER COMPREHENSIVE INCOME	-38,067,431	9,135,474	-28,931,957	9,775,637	-757,625	9,018,012	

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	2018			2017			in EUR
Zavarovalnica Triglav	Before tax	Tax	After tax	Before tax	Tax	After tax	
Profit from increase in fair value of available-for-sale financial assets	-41,891,860	9,650,071	-32,241,789	3,027,949	-552,369	2,475,580	
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	14,887,351	-2,376,972	12,510,379	-579,756	92,566	-487,190	
Actuarial gains/losses	-266,153	0	-266,153	350,717	0	350,717	
TOTAL OTHER COMPREHENSIVE INCOME	-27,270,662	7,273,099	-19,997,563	2,798,909	-459,803	2,339,106	

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4.15.3 Reconciliation between tax expense and accounting profit

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Accounting profit	97,455,802	84,445,082	78,457,252	73,822,316
Income tax rate – tax rate average of several countries	19.73%	20.49%	19%	19%
Accounting profit multiplied by tax rate	19,232,615	17,298,592	14,906,878	14,026,240
Tax effect of income deductible for tax purposes	-1,665,125	-1,900,718	-1,447,934	-1,652,798
Tax effect of income added for tax purposes	129,619	116,657	0	0
Tax effect on the reduction in expenses not deductible for tax purposes	1,436,315	1,147,649	1,120,647	895,013
Tax relief	-2,032,557	-1,722,090	-1,563,505	-1,324,685
Previously unrecognized deferred taxes	-545,267	-287,365	-176,654	-727,809
Changes due to a new accounting method	73,957	84,405	73,957	84,405
TOTAL TAX EXPENSE	16,629,557	14,737,130	12,913,388	11,300,366
Effective tax rate ¹¹⁸	17.06%	17.45%	16.46%	15.31%
Final liabilities for corporate income tax	15,560,650	12,746,346	12,127,605	9,524,525

In accordance with the Corporate Income Tax Act (ZDDPO–2), the applicable tax rate in Slovenia was 19% in 2018, the same as in the previous year.

Unused tax losses of the Group amounted to EUR 22.7 million as at 31 December 2018 (EUR 21.8 million as at 31 December 2017).

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 [\[→ see Section 2.7\]](#).

¹¹⁸In the data of the Triglav Group, the average of all countries was taken into account in the corporate income tax rate.

5. Other Information

5.1. Fair value of assets and liabilities

5.1.1 Fair value hierarchy

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

- Level 1: value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (stock exchange quotations and listings provided by third parties e.g. Bloomberg). The fair value is determined purely on the basis of directly observable data and without using any indirectly observable data, whereby the share of binding listings must be at least 90% and at least three binding listings not older than one day must be available.
- Level 2: value measurement less than entirely based on quoted prices for the asset or liability. Fair value measurements may be based on indirectly observable inputs, i.e. data derived from prices of comparable financial instruments, but only up to a strictly limited percentage (10%).
- Level 3: value measurement based on prices that do not meet the standards for Level 1 or Level 2. The percentage of unobservable inputs used in value measurement models is considerable.

The tables below show financial assets and liabilities carried at fair value, classified according to the fair value hierarchy.

Triglav Group					in EUR
As at 31 December 2018	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 Dec 2018	134,833,210	0	35,999,032	170,832,242
Debt securities	31 Dec 2018	218,669,118	1,862,378,509	0	2,081,047,627
Derivative financial instruments	31 Dec 2018	0	1,393,263	0	1,393,263
Unit-linked insurance assets	31 Dec 2018	346,651,462	51,640,336	0	398,291,798
Investments in associates	31 Dec 2018	0	0	14,125,973	14,125,973
Assets - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2018	0	0	95,864,073	95,864,073
Land and buildings for investment activities	31 Dec 2018	0	0	99,121,781	99,121,781
Debt securities (HTM)	31 Dec 2018	0	89,997,524	0	89,997,524
Deposits with banks	31 Dec 2018	0	47,193,884	0	47,193,884
Loans given	31 Dec 2018	0	6,054,643	0	6,054,643
Debt securities (L&R)	31 Dec 2018	0	89,997,524	0	89,997,524
Liabilities - fair value disclosed					
Subordinated bonds	31 Dec 2018	0	16,369,802	0	16,369,802

Triglav Group					in EUR
As at 31 December 2017	Measurement date	Level 1	Level 2	Level 3	Total
Assets - measured at fair value					
Equity securities	31 Dec 2017	197,120,385	0	37,121,010	234,241,394
Debt securities	31 Dec 2017	250,059,051	1,755,009,165	0	2,005,068,216
Derivative financial instruments	31 Dec 2017	0	1,870,633	0	1,870,633
Unit-linked insurance assets	31 Dec 2017	387,546,784	58,353,132	0	445,899,916
Investments in associates	31 Dec 2017	0	0	6,449,324	6,449,324
Assets - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2017	0	0	98,018,275	98,018,275
Land and buildings for investment activities	31 Dec 2017	0	0	96,935,268	96,935,268
Debt securities (HTM)	31 Dec 2017	14,525,495	255,144,404	0	269,669,899
Deposits with banks	31 Dec 2017	0	79,557,101	0	79,557,101
Loans given	31 Dec 2017	0	31,640,230	0	31,640,230
Debt securities (L&R)	31 Dec 2017	0	12,536,687	0	12,536,687
Liabilities - fair value disclosed					
Subordinated bonds	31 Dec 2017	0	17,010,568	0	17,010,568

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Zavarovalnica Triglav					in EUR
	Measurement date	Level 1	Level 2	Level 3	Total
As at 31 December 2018					
Assets - measured at fair value					
Equity securities	31 Dec 2018	55,390,776	0	30,059,866	85,450,642
Debt securities	31 Dec 2018	187,526,798	1,313,531,987	0	1,501,058,785
Derivative financial instruments	31 Dec 2018	0	1,393,263	0	1,393,263
Unit-linked insurance assets	31 Dec 2018	316,843,905	45,790,181	0	362,634,086
Investments in associates	31 Dec 2018	0	0	16,959,355	16,959,355
Assets - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2018	0	0	59,002,099	59,002,099
Land and buildings for investment activities	31 Dec 2018	0	0	52,936,499	52,936,499
Debt securities (HTM)	31 Dec 2018	2,255,610	193,327,619	0	195,583,229
Deposits with banks	31 Dec 2018	0	42,488,135	0	42,488,135
Loans given	31 Dec 2018	0	46,964,255	0	46,964,255
Debt securities (L&R)	31 Dec 2018	0	6,054,643	0	6,054,643
Liabilities - fair value disclosed					
Subordinated bonds	31 Dec 2018	0	21,822,171	0	21,822,171

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Zavarovalnica Triglav					in EUR
	Measurement date	Level 1	Level 2	Level 3	Total
As at 31 December 2017					
Assets - measured at fair value					
Equity securities	31 Dec 2017	102,967,036	0	32,816,954	135,783,990
Debt securities	31 Dec 2017	203,481,330	1,261,439,801	0	1,464,921,131
Derivative financial instruments	31 Dec 2017	0	1,870,633	0	1,870,633
Unit-linked insurance assets	31 Dec 2017	358,877,558	54,581,098	0	413,458,656
Investments in associates	31 Dec 2017	0	0	10,002,046	10,002,046
Assets - fair value disclosed					
Land and buildings for insurance activities	31 Dec 2017	0	0	61,295,538	61,295,538
Land and buildings for investment activities	31 Dec 2017	0	0	56,108,712	56,108,712
Debt securities (HTM)	31 Dec 2017	14,525,495	195,238,066	0	209,763,561
Deposits with banks	31 Dec 2017	0	39,763,387	0	39,763,387
Loans given	31 Dec 2017	0	47,398,346	0	47,398,346
Debt securities (L&R)	31 Dec 2017	0	6,972,376	0	6,972,376
Liabilities - fair value disclosed					
Subordinated bonds	31 Dec 2017	0	22,676,360	0	22,676,360

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5.1.2 Fair value assessment techniques

Value assessment techniques and inputs used to the development of these techniques are presented below.

Financial investment type	Value assessment method	Material parameters	Parameter weight applied	Fair value
EXTERNAL APPRAISERS (market operator)				
Debt securities – composite	Stochastic model, HW1f and HW2f network models	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, correlation matrix, volatility indices		Level 2
Equity securities – compound with exposure to stock markets	Stochastic model	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, volatility indices		Level 2
Derivatives	Black-Scholes model	Index volatility		Level 2
BLOOMBERG BVAL				
Debt securities – companies, financial institutions and government	Cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, indicative listings		Level 2
INTERNAL APPRAISERS				
Debt securities – government	Cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve	1y: -0.6579 %. 2y: -0.4215 %. 3y: -0.2801 %. 4y: -0.1176 %. 5Y: 0.1926 %. 6y: 0.3927 %. 7Y: 0.5542 %. 8Y: 0.8246 %. 9y: 0.9965 %. 10y: 1.1429 %; credit spreads between 0% and 1.1%	Level 2
Debt securities – companies and financial institutions ¹¹⁹	Cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve, issuer credit spreads	1y: -0.6579 %. 2y: -0.4215 %. 3y: -0.2801 %. 4y: -0.1176 %. 5Y: 0.1926 %. 6y: 0.3927 %. 7Y: 0.5542 %. 8Y: 0.8246 %. 9y: 0.9965 %. 10y: 1.1429 %; credit spreads between 0% and 1.1%	Level 2
Equity securities	Cash flow discounting	g (growth rate during constant growth period)	2%	Level 3
		EBIT margin (constant growth period)	36.00%	
		Discount rate	12.60%	
		Lack of marketability discount	10%-23%	
Equity investment in associates	NAV method	Real property price changes		Level 3
		g (growth rate during constant growth period)	2%	
		Net margin (constant growth period)	3.20%-3.46%	
		Discount rate	8.8%-11.80%	
Real property for own use Investment property	Income approach, market approach, analysis of the most economical use of development land	Lack of marketability discount	3.5%-30.00%	Level 3
		Capitalisation rate, market prices of comparable real property	7.5-9.8% depending on risk/location Market values based on information available	

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¹¹⁸Also applied to valuation of subordinated ZT02 bonds.

5.1.3 Financial assets classified into Level 3

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Value as at 1 January	37,121,010	26,569,975	42,819,002	18,726,749
Purchases	14,552,716	9,659,494	18,383,186	23,755,445
Disposals	-16,195,789	-312,926	-15,426,370	-288,197
Revaluation through profit or loss	-235,267	-210,612	-22,003	-200,000
Revaluation in other comprehensive income	773,189	896,458	1,265,406	825,005
Transfers from/to other levels	-18,472	511,320	0	0
Foreign exchange differentials	1,645	7,300	0	0
Value as at 31 December	35,999,032	37,121,010	47,019,220	42,819,002

In 2018, the sale of financial assets classified to valuation level 3 generated:

- an increase due to capital calls into alternative investment funds. In Triglav Group the total increase in the value of these investments is EUR 13 million;
- a decrease due to the sale of stakes in Geoplin d.o.o., and Plinhold, d.o.o., in the amount of EUR 14.5 million;
- capital increase in the companies Triglav, d.o.o., by EUR 7 million, ABCITI, d.o.o. by EUR 0.4 million and ZTSR, d.o.o., by EUR 0.1 million;
- an increase due to the revaluation of investments in the companies Gorenjska banka, d.d., Elektro Primorska, d.d., Erste d.o.o., the company managing compulsory and voluntary pension funds and the company Prof-in, d.o.o.;
- a decrease due to the revaluation of investments in the companies Hoteli Bernardin, d.d., Bosna Reosiguranja, d.d. and Hotel grad Podvin, d.d.

5.1.4 Sensitivity analysis of non-marketable equity securities

Sensitivity analysis of financial assets, classified in Level 3 is disclosed below. In analysis Zavarovalnica Triglav includes equity investment in associates. 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. The sensitivity analysis considered a median scenario of value appraisals.

	Triglav Group		Zavarovalnica Triglav	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Non-marketable assets (Level 3)	37,767,724	37,121,010	30,059,866	32,816,954
Estimated value deviation +/-	-4,614,313/4,834,273	-1,716,787/+2,732,808	-3,649,235/+3,829,181	-1,470,158/+2,444,736
Equity investment in associates	14,125,975	6,449,324	16,959,355	10,002,047
Estimated value deviation +/-	-1,412,598/5,982,426	-986,755/+241,515	-1,292,529/+749,481	-798,989/53,749

in EUR

In the discounted cash flow method, the assumptions of +/-1% of the cost of capital (WACC) and +/-0.5% of growth rate (g) were taken into account. In non-marketable assets, +/-10% of the change in asset value was taken into account in the calculation of deviation, +/-15% of the change in investment value of alternative investment funds.

5.1.5 Reclassification of financial assets between levels

	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Reclassification from level 1 to level 2	176,158,469	149,304,417	135,990,522	128,173,380
Reclassification from level 2 to level 1	105,798,635	104,823,713	90,557,353	92,900,869

in EUR

In 2018, the method of measuring fair value did not change. Reclassifications between levels were a result of market factors. At the end of 2018, some financial assets showed greater liquidity and depth of the market than at the end of 2017, thus meeting the requirements for classification to level 1. One part of financial assets no longer fulfilled the conditions to be classified to level 1 of the fair value hierarchy and was reclassified to level 2. Reclassification between levels has no impact on fair value.

5.1.6 Reclassification of financial assets between categories

In 2018, a reclassification of financial assets was carried out from the category »Loans and Receivables« into the category »Available-for-sale Financial Assets«.

Reclassifications from L&R to AFS	Triglav Group	Zavarovalnica Triglav
Date of reclassification	31 December 2018	-
Amount of reclassified financial assets (in EUR)	9,947,732	-
Effective interest rate at the date of reclassification	3.0%	-
Carrying amount of reclassified assets as at 31 December	10,512,146	-
Fair value of reclassified assets as at 31 December	10,512,146	-
Impact on comprehensive income if not reclassified	-328,413	-

The table below shows the effects of reclassifications made in previous years.

Reclassifications from AFS to HTM	Triglav Group	Zavarovalnica Triglav
Date of reclassification	1 July 2008	1 July 2008
Amount of reclassified financial assets (in EUR)	73,746,981	73,746,981
Effective interest rate at the date of reclassification	5.8%	5.8%

	in EUR			
Reclassifications from AFS to HTM	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Carrying amount of reclassified assets as at 31 December	16,367,201	40,197,738	-	-
Fair value of reclassified assets as at 31 December	17,678,643	46,674,250	-	-
Impact on comprehensive income if not reclassified	0	4,355,278	-	-
Estimated cash flows	2,401,198	29,162,297	-	-

5.2 Additional notes to the cash flow statement

Cash flows from operating activities are prepared on the basis of the indirect method. Income and expenses in profit or loss are adjusted for the effects of transactions of a non-cash nature (impairments, changes in insurance technical provisions, deferred income and expenses) and for items of income and expenses related to cash flows from investing and financing activities. In the calculation of net cash flows from operating activities, changes in assets and liabilities during the period are taken into account.

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

5.3 Amounts spent on auditors

The audit of separate and consolidated financial statements for 2018 was performed by the auditing company Ernst&Young, Revizija, poslovno svetovanje d.o.o., Ljubljana. The audit of financial statements of individual Group members was also performed by Ernst & Young, except for Triglav Osiguranje, a.d.o., Belgrade (KPMG). The amounts, paid for auditing services were as follows:

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
Auditing of the Annual Report	415,054	398,864	73,139	114,680
Other auditing services	22,838	37,020	0	0
Other assurance services	2,745	610	2,745	610
Other non-auditing services	137,095	61,648	137,095	61,648
TOTAL	577,732	498,142	212,979	176,938

5.4 Related party transaction

Related party transactions are disclosed separately for the Group and Zavarovalnica Triglav:

- Transactions with subsidiaries are disclosed only at the level of Zavarovalnica Triglav and include transactions with entities in which Zavarovalnica Triglav has a dominant influence [*→ presented in Section 3.4*]. At the level of the Triglav Group, these transactions are eliminated in the consolidation processes.
- Associates in whom the Group and Zavarovalnica Triglav have significant influence – these are presented [*→ in Section 3.5*].
- Transactions with shareholders and shareholder-related companies.

The largest shareholders of Zavarovalnica Triglav are Zavod za pokojninsko in invalidsko zavarovanje (ZPIZ), holding an equity stake of 34.47% and Slovenski državni holding (SDH) with a 28.09% shareholding.

The shareholder-related companies are those in which the SDH and the Republic of Slovenia together directly hold at least a 20% stake. As at 31 December 2018, there were 50 of such companies; the list is published on the SDH website (<http://sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

Business with the two largest shareholders and the state-related parties is limited to regular business cooperation. The only material transaction in 2018 was the payment of dividends. In 2018, the Company paid dividends for 2017 in the total amount of EUR 56.8 million, of which the Pension and Disability Insurance Institute of the Republic of Slovenia received EUR 19.5 million and the Slovenian Sovereign Holding EUR 16 million.

In the reporting period, there were no individual significant transactions between the above-stated companies. Total transaction value is shown in the table below.

The services exchanged between Group companies are rendered at prices that are applied to other companies outside the Group. Pricing methods include external comparable, internal comparable and cost contribution arrangement.

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

Transactions with subsidiaries	in EUR	
	31 December 2018	31 December 2017
ASSETS		
Stakes and shares	131,938,667	118,167,937
Debt securities and loans given to members of the Group	14,264,601	24,264,123
Other financial investments	13,835	5,568
Insurance premium receivables from policyholders	0	11,052
Co-insurance receivables	2,561,802	1,914,432
Re-insurance receivables	245	0
Receivables for reinsurer's share in claims	8,499,977	5,257,851
Other short-term receivables from insurance operations	30,972	30,261
Short-term receivables from financing	1,372,945	1,364,716
Other short-term receivables	740,157	804,606
Short-term deferred expenses	30,809	29,851
LIABILITIES		
Liabilities to agents and brokers	350,644	337,061
Liabilities to insurances for co-insurance premium	13,862	12,526
Liabilities for reinsurance premiums	9,022,657	9,284,238
Liabilities for shares in claims from co-insurance	13,712	13,712
Liabilities for shares in claims from re-insurance	684,674	1,039,881
Other short-term liabilities	163,432	247,793
	in EUR	
	2018	2017
INCOME AND EXPENSES		
Gross written premium and active reinsurance premium	17,253,553	13,430,538
Assumed co-insurance written premium	0	0
Outward re-/co-insurance premium	-60,924,424	-61,968,507
Net premium income	-43,670,871	-48,537,969
Reinsurance commission income	12,140,542	13,712,254
Other income from insurance operations	4,778,246	4,856,221
Interest income	787,607	845,980
Other insurance income	1,868,894	1,756,505
Income from land and buildings	787,739	632,641
Income from disposal of financial assets	0	83,290
Other income	305,533	249,195
Dividends	4,442,997	6,001,549
Other income from financial assets	11,597	4,604
TOTAL INCOME	-18,547,716	-20,395,730
Gross claims settled	10,890,698	1,536,426
Re-/co-insurers' share in gross claims	-25,163,434	-21,194,598
Shares in indemnities from assumed co-insurances abroad	4,286	12,000
Net claims	-14,268,450	-19,646,172
Expenses for reinsurance premiums	1,875,885	1,122,823
Loss on disposal from financial assets	0	0
Other financial expenses	4,759	4,435
Other expenses	0	0
TOTAL EXPENSES	-12,387,806	-18,518,914

Transactions with associates	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
ASSETS				
Stakes and shares	14,125,973	6,449,324	16,959,355	10,002,047
Insurance premium receivables from policyholders	618	1,485	182	994
LIABILITIES				
Liabilities to policy holders	27	0	0	0
Liabilities to agents and brokers	11,752	18,443	11,236	18,068
Other liabilities form insurance operations	0	270,103	0	0
Liabilities for re-insurance premiums	0	42,320	0	0
Other short-term liabilities	484	785	0	0
Accrued costs and expenses	702	331	0	0

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
INCOME AND EXPENSES				
Gross written premium	38,854	36,405	35,801	31,172
Income from dividends and stakes	0	0	63,345	171,405
Income from land and buildings	559	0	559	0
TOTAL INCOME	39,413	36,405	99,705	202,577
Gross claims settled	5,030	3,811	5,030	3,811
Acquisition costs	8,245	8,227	0	0
Other operating expenses	0	35	0	0
TOTAL EXPENSES	13,275	12,073	5,030	3,811

Transactions with shareholders and shareholder-related companies	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
ASSETS				
Stakes and shares	9,017,103	16,208,433	16,269,741	17,873,045
Debt securities	80,752,961	82,710,654	65,876,560	59,960,327
Operating receivables	5,747	10,137	10,383	10,137
Re-insurance receivables	0	0	39,386	0
Other assets	4,983,653	3,917,302	0	0
LIABILITIES				
Operating liabilities	2,056,005	1,864,579	1,861,031	1,553,988
Re-insurance liabilities	0	0	33,852	0

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2018	2017	2018	2017
INCOME				
Gross written premium	21,443,107	22,382,462	22,001,648	23,025,954
Financial income	4,368,126	3,848,427	4,149,869	3,151,014
Other income	67,616	183,401	159,864	86,331
EXPENSES				
Gross claims settled	8,517,985	5,940,492	8,732,795	5,970,809
Financial expenses	317,663	354,988	205,043	178,102
Other expenses	10,855,849	9,304,115	10,294,621	8,023,156

5.5 Members of the Management Board and Supervisory Board

In 2018, the Management Board members were paid the following amounts as compensation for their work:

	in EUR						
Management board	Fixed salary (gross)	Other additional payments*	Bonuses	Net pay received	Insurance premiums**	Other benefits***	Reimbursements
Slapar Andrej	171,715	2,054	42,887	78,343	55,564	1,404	2,000
Ivanc Uroš	163,129	1,972	40,743	72,065	38,926	2,046	1,420
Čoroli Tadej	163,129	1,972	40,743	67,505	38,898	10,696	901
Smolnikar Barbara	163,450	1,972	3,857	57,320	30,348	10,855	1,169
Makoter Marica	162,808	1,972	40,743	69,041	38,866	6,846	685
Jošar Benjamin****	0	0	69,776	33,938	0	0	0
TOTAL	824,231	9,942	238,749	378,212	202,602	31,847	6,175

* Other additional payments include holiday allowances and other reimbursements.

** Insurance premiums include premiums for supplementary pension insurance, accident insurance, liability insurance and other types of insurance.

*** Other benefits include company cars.

**** Jošar Benjamin was Management Board member until 2 November, 2017.

In 2018 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
Stebarnak Igor	28,125	3,025	360	31,510	22,917
Andoljšek Andrej	20,250	2,310	486	23,046	16,761
Tomažević Milan	20,625	2,585	503	23,713	17,246
Škerjanec Žiga	22,500	3,685	320	26,505	19,277
Damjanovič Nataša	22,500	4,961	320	27,781	20,205
Gobbo Mario	20,625	3,861	32,811	57,297	37,744
Celar Peter	18,750	2,585	178	21,513	15,647
Molan Boštjan	18,750	3,025	181	21,956	15,969
Sotošek Ivan	18,750	3,861	2,050	24,661	17,936
Kolenc Simon*	7,500	2,420	57	9,977	7,256
TOTAL	198,375	32,318	37,266	267,959	190,958

* External committee members.

All listed remuneration payments made to the members of the Management Board and the Supervisory Board represent remuneration received in Zavarovalnica Triglav. They did not receive any remuneration in the other Group members.

As at 31 December 2018, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

	in EUR	
Management board	Receivables as at 31 December 2018	Liabilities as at 31 December 2018
Slapar Andrej	13	66,584
Ivanc Uroš	19	63,087
Čoroli Tadej	43	63,117
Smolnikar Barbara	27	17,604
Makoter Marica	42	63,092
Jošar Benjamin	0	12,622
TOTAL	144	286,106

As at 31 December 2018, Zavarovalnica Triglav the outstanding payables to the above stated members of the Supervisory Board, its committees and commission were as follows:

	in EUR	
Surname and name	Receivables as at 31 December 2018	Liabilities as at 31 December 2018
Gobbo Mario	0	393
Štimac Dubravko	449	0
TOTAL	449	393

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

A one-off annual bonus for good performance is paid in two parts: the first half within 30 days of the Supervisory Board approving the annual report and adopting a resolution on the bonus amount, or, in the event the annual report is approved at the General Meeting of Shareholders, within 30 days of the General Meeting of Shareholders approving the annual report and the Supervisory Board adopting a resolution on the bonus amount. The remaining 40% of the bonus is paid after two years, and 10% after three years; however, both payments must be proportionate to the period of the office being held in any calendar year.

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

5.6 Contingent assets and contingent liabilities

	Triglav Group		Zavarovalnica Triglav	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Outstanding subrogated receivables	42,672,288	40,350,638	36,281,241	34,130,145
Derivatives - futures	65,416,000	113,176,000	65,416,000	113,176,000
Alternative investments	55,300,980	25,207,345	55,300,980	25,207,345
Bonds, guarantees and other sureties issued	8,198,004	8,182,682	29,000	39,000
Contingent assets	6,779,136	6,382,894	1,896,311	1,896,311
Receivables from option agreements	1,363,886	1,363,886	0	0
Receivables from forward contracts	19,435,695	0	19,435,695	0
Contingent liabilities	2,111,809	0	0	0
Properties under acquisition	139,974	139,456	0	0
Assets under management	50,011,356	45,560,201	0	0
TOTAL OFF-BALANCE SHEET ITEMS	251,429,128	240,363,102	178,359,227	174,448,801

in EUR

5.7 Employees

The table below shows the number and educational structure of employees in the Group and Zavarovalnica Triglav.

	Triglav Group		Zavarovalnica Triglav	
Bologna level	31 December 2018	31 December 2017	31 December 2018	31 December 2017
2-5	2,394	2,438	910	944
6/1	544	517	393	373
6/2	694	703	405	404
7	1,340	1,299	491	473
8/1	174	173	82	81
8/2	20	21	9	10
TOTAL	5,166	5,151	2,290	2,285
Average number of employees	5,144	5,101	2,284	2,302

in EUR

5.8 Major legal and arbitrary disputes

- Matjaž Rakovec as the plaintiff against Zavarovalnica Triglav for determining the annulment of the resolution of the Supervisory Board dated 22 May 2013 referring to the dismissal of Matjaž Rakovec from the office of President of the Management Board and appointment of Andrej Slapar as President of the Management Board, and payment of damages.

On 19 August 2013, Zavarovalnica Triglav received a claim filed by Matjaž Rakovec, in which he requested the annulment of the Supervisory Board's resolution dated 22 May 2013 with respect to the dismissal of Matjaž Rakovec from the office of President of the Management Board and the appointment of Andrej Slapar as temporary President of the Management Board, the annulment of the entry of changes related to the President of the Management Board into the Court Register and the payment of damages amounting to EUR 516,399. Apart from that, the plaintiff requested that the defendant reappointed him President of the Management Board and recognises an uninterrupted performance of function of President of the Zavarovalnica Triglav's Management Board with all the rights arising from the employment contract for the entire duration of unlawful dismissal from the office of President of the Management Board until his reappointment. Zavarovalnica Triglav was served a partial judgement rendered by the District Court in Ljubljana with reference to the dismissal of Matjaž Rakovec as President of the Management Board stating the nullity and voidness of the resolution passed by the Supervisory Board on the ground that the reasons for the dismissal were not sufficiently grounded in accordance with the mandatory provisions of the Companies Act. In addition, the Court rejected the claim for nullity and voidness of the resolution on the appointment of an acting President of the Management Board of Zavarovalnica Triglav d.d., passed by the Supervisory Board on 22 May 2013. The claim by Mr Rakovec for the nullity and voidness of the entry into the Companies Register (of the President of the Management Board) made on 29 May 2013 was also rejected. The Court further rejected the claim by Mr Rakovec for payment of damages as *lis pendens*. The Court has yet to decide on the claimed amount of EUR 80,000 for non-material damage. A judgement of the Higher Court in Ljubljana was served, by which the latter confirmed the partial

judgement rendered by the District Court in Ljubljana and set aside the resolution with respect to the nullity and voidness of the claim of Matjaž Rakovec for the payment of material damage; at the same time, the Court referred this part of the claim to the Labour and Social Court in Ljubljana. Zavarovalnica Triglav filed an application for direct revision against the decision of the Higher Court in Ljubljana, which was rejected by the Supreme Court as inadmissible, as the value of the contested part of the final judgement does not exceed the statutory limit value for the settlement, while the Court dismissed the permitted revision based on the filed application of Zavarovalnica Triglav, d.d., with regard to the nullity and voidness of the Supervisory Board's resolution as an appropriate sanction since the resolution of the Supervisory Board was not based on the conditions for the recall in accordance with the Companies Act.

In the labour law dispute brought against the Company by the plaintiff Matjaž Rakovec, the Labour and Social Court in Ljubljana initially ruled that the employment agreement remained in force, therefore Zavarovalnica Triglav owed the plaintiff compensation for salaries plus interest in the amount of around EUR 430,000. Zavarovalnica Triglav lodged an appeal against the judgement of the court of first instance before the Higher Court in Ljubljana which upheld the appeal by partly modifying and partly setting aside the ruling of the first instance court. The first instance ruling was thus modified in the part relating to the unlawful termination of the employment agreement or the employment relationship by rejecting the plaintiff's claim in this part and setting aside the part of the judgement which reads "including all the resulting rights" and in the parts of the case relating to the claim for compensation for salaries, holiday allowance and legal costs and referred the case back to the first instance court for fresh consideration. The plaintiff lodged an appeal on points of law against the part in which the Higher Court modified the ruling of the first instance court. In the new trial, the court of first instance rejected or dismissed the remaining parts of the claim and the plaintiff once again filed appeals against these rulings of the court. Two appeals are still pending before the Higher Court, while one appeal was already rejected. The plaintiff lodged an application for revision of the latter decision, which is still pending before the Supreme Court.

- Zavarovalnica Triglav d.d. as the plaintiff against Skupna pokojninska družba, d.d., Ljubljana, as the defendant, and the countersuit

On 26 February 2013, Zavarovalnica Triglav d.d. started a new legal action against the company Skupna pokojninska družba d.d., Ljubljana, claiming EUR 750,904.00 in dividend payments which fell due in 2012. Skupna pokojninska družba d.d. in support of its failure to make that dividend payments alleges the existence of an outstanding counterclaim of EUR 926,170, arising from an agreement on making supplementary pension payments under a pension scheme set up in 2000. The defendant responded to the plaintiff's claim and at the same time filed a counterclaim against Zavarovalnica Triglav d.d. for payment of EUR 926,170. Zavarovalnica Triglav d.d. responded to that counterclaim and contested the claim of Skupna pokojninska družba d.d. in its entirety.

On 28 January 2014 Zavarovalnica Triglav d.d. started a new legal action against the company Skupna pokojninska družba d.d., Ljubljana, claiming EUR 360,844.00 in dividend payments which fell due in 2013. The defendant responded to the plaintiff's claim and at the same time filed a counterclaim against Zavarovalnica Triglav d.d. for payment of EUR 642,473 arising from an agreement on making supplementary pension payments under a pension scheme set up in 2000. Zavarovalnica Triglav d.d. responded to that counterclaim and contested the claim of Skupna pokojninska družba d.d. in its entirety.

On 8 January 2019, the parties concluded a court settlement before the District Court in Ljubljana, in which they among other things agreed that the defendant was obliged to pay Zavarovalnica Triglav, d.d., the required amounts of dividends plus the interest rate recognised between related parties, while Zavarovalnica Triglav, d.d., is obliged to enable at least one form of accelerated rent payments, whereby the same technical interest rate will be used in the calculation of insurance premium as was used in determining the pension assessment factors as stated in the pension plan, and to bear the potential cost of coverage for the necessary additional payments. With the conclusion of the court settlement the parties finally settled their disputed relationships.

- The plaintiff Wall Street Systems Sweden AB (hereafter: WSS), against the defendant Zavarovalnica Triglav, d.d., in the arbitration procedure in accordance with the arbitration rules of the ICC (International Chamber of Commerce)

On 5 November 2004, Zavarovalnica Triglav, d.d., concluded a contract with WSS (formerly Trema AB, Stockholm) for the purchase and use of software licenses, which served as information support to the investment process, and a contract for the support and maintenance of the said software. According to Zavarovalnica Triglav, d.d., the support and maintenance contract expired on 31 December 2010, and WSS provided support and maintenance of the software on the basis of additional contracts for the renewal of support, which the parties concluded annually for a one-year period. Since WSS has not provided the services of support and maintenance since 2015, and since no contract for the renewal of support was concluded for the said period, Zavarovalnica Triglav, d.d., refused to pay bills under the contract for the support and maintenance. In addition, Zavarovalnica Triglav also terminated that contract in 2015. The payment of bills under contracts for the purchase and use of three additional licenses amounting to EUR 107,000 was not disputed. Zavarovalnica Triglav d.d., tried to settle the dispute amicably. WSS submitted the dispute to the arbitration tribunal with the ICC and made a claim in the amount of EUR 598,000 with all dues. Zavarovalnica Triglav, d.d., received the request for arbitration on 8 January 2018. The stated amount of EUR 598,000 with all dues also included the undisputed part in the amount of EUR 107,000 which was paid by Zavarovalnica Triglav, d.d. Zavarovalnica Triglav, d.d., responded to the arbitration request within the deadline and in the reply also challenged the validity of the arbitration agreement. On 21 November 2018, WSS and Zavarovalnica Triglav signed a settlement on the basis of which Zavarovalnica Triglav d.d., as full and final payment of all claims that were the subject of the dispute, paid EUR 202,305 to WSS.

- Zavarovalnica Triglav, d.d., and Triglav Skladi, d.o.o., as plaintiffs against the Securities Commission of the Federation of Bosnia and Herzegovina as the defendant

The Securities Commission of the Federation of Bosnia and Herzegovina (hereafter: the Commission) issued in the repeated

procedure of 6 June 2018 a decision by which the companies Zavarovalnica Triglav, d.d., and Triglav Skladi, d.o.o., were ordered to publish a takeover bid for the acquisition of the company Energoinvest Dalekovodizgradnja d.d. (hereafter: the »target company«). The Commission issued the Decision on the basis of the alleged coordinated activities of companies ZIF PROF PLUS d.d., DUF PROF IN, d.o.o., Triglav Naložbe, Zavarovalnica Triglav, d.d., Triglav Skladi, d.o.o., NLB, d.d., and Banka Celje, d.d., which the Commission justifies on the basis ownership and management relationships of the named companies in relation to the target company. Among the reasons why Zavarovalnica Triglav, d.d., should be obliged to publish the takeover bid for the acquisition of the target company, the Commission also highlights the fact that Zavarovalnica Triglav, d.d., is the entity that connects all previously mentioned shareholders of the target company with their owner, the Republic of Slovenia. Against the decision of the Commission, Zavarovalnica Triglav and Triglav Skladi, d.o.o., initiated an administrative dispute, which has not yet been decided.

- D.S.U., d.o.o., Ljubljana, as the plaintiff against Triglav, Upravljanje nepremičnin, d.d., as the defendant, for the payment of EUR 450,000 with all dues (enrichment on the account of purchase money for the sale of property in Zrenjanin) and for the payment of EUR 123.900 with all dues (enrichment on the account of received rentals for letting out properties in Zrenjanin)

The universal legal predecessor of Triglav, Upravljanje nepremičnin d.d., this is Slovenijales d.d. has concluded a sales contract for the sale of real property in Zrenjanin. Previously, the stated property was rented out. The plaintiff claims that the property in question was not taken into account in the opening balance sheet of the universal legal predecessor Slovenijales, d.d., that is LGM Lesnina, d.o.o., and therefore, according to Article 6 of the Act Concluding Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia (ZZLPPO) belongs to the plaintiff as the legal successor of the Development Corporation of Slovenia. At the first instance, the claim was dismissed in its entirety. The plaintiff has appealed against the first instance decision for an incorrect application of substantive law, but the case is still pending.

- Triglav Osiguranje d.d., Sarajevo, versus SCT BBM d.o.o., Sarajevo

Following the failed mediation, Triglav osiguranje d.d., Sarajevo, continued the litigation procedure against the defendants SCT BBM d.o.o., Sarajevo, and JP Ceste Federacije BiH. The issue at stake is the enforcement of damages in the amount of 6,385,104 convertible marks, of which a share in the amount of 2,065,759 convertible marks refers to the company Triglav Osiguranje d.d., Sarajevo. The legal basis is the payment from the performance bond. The case is still pending.

- Triglav Osiguranje a.d.o., Belgrade as the plaintiff against Dunav Re, a.d.o., as the defendant

On 14 April 2014, the company Triglav Osiguranje, a.d.o., Belgrade, applied for execution on the basis of an authentic document for the payment of EUR 1,934,707. The enforcement debtor raised an objection and the court referred the parties to a litigation. The defendant lodged a counterclaim for the annulment of the reinsurance contract. On the basis of the conducted financial analysis in the procedure, Triglav Osiguranje, a.d.o., determined the its request for payment in the amount of 236,690,436 Serbian dinars and interest from 17 March 2013, and proposed the rejection of the counterclaim for the annulment of the reinsurance contract. On 8 September 2017, the Court passed a non-final judgment upholding the claim of Triglav Osiguranja, a.d.o., Belgrade, and ordered the defendant to pay 236,690,436 Serbian dinars with legal default interest from 17 December 2013 onwards. On 27 October 2017, the defendant lodged an appeal, which is still pending.

- Small shareholders of Triglav Osiguruvanje, a.d., Skopje, as the plaintiff against Zavarovalnica Triglav, d.d., and Triglav Osiguruvanje, a.d., Skopje, as the defendants

In May 2013, small shareholders of Triglav Osiguruvanje, a.d., Skopje initiated a lawsuit for compensation of damages on the grounds of a violation of the provisions of put option and call option contract in the amount of just under 2.5 million euros. In October 2013, the company Triglav Osiguruvanje, a.d., Skopje, filed its statement of defence, while Zavarovalnica Triglav, d.d., was served the lawsuit only in January 2016. The latter responded to

the lawsuit within the prescribed time-limit, in which it fully opposed the claim. The Court upheld the objection of Zavarovalnica Triglav, d.d., concerning the lack of competence of the Macedonian court, and dismissed the plaintiff's complaint, thus making the case final. In the procedure against Triglav Osiguruvanje, a.d., Skopje, it has not yet been decided.

- Stojan Klopčevski as the plaintiff versus Triglav Osiguruvanje a.d., Skopje as the defendant

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. The Court upheld the appeal and the case was returned to the court of first instance for reconsideration. The Court adopted a decision rejecting the appeal of the subject matter jurisdiction of the Macedonian court. The plaintiff filed an appeal, but on 4 October 2017, the Higher Court issued a ruling by which the appeal was rejected. On 18 December 2018, the Court issued a judgment rejecting the claim of the plaintiff Stojan Klopčevski.

5.9 Reviews by supervisory bodies

- Insurance Supervision Agency Order relating to two Supervisory Board Members – Employee Representatives

On 11 February 2016, Zavarovalnica Triglav received an Order of the Insurance Supervision Agency (hereinafter: ISA) declaring that Ivan Sotošek and Boštjan Molan as Supervisory Board members – Employee Representatives do not meet the legal requirements to serve on an insurer's Supervisory Board as set out in Article 67(1)(1) of the Insurance Act (ZZavar-1). This provision stipulates that a person with adequate professional qualifications and knowledge and experience required to supervise the insurance business operations shall be appointed Supervisory Board Member of an insurance company. In line with the Worker Participation in Management Act, both above-mentioned members were elected into the Supervisory Board by the Works Council of Zavarovalnica Triglav in 2015. On 19 February 2016,

Zavarovalnica Triglav appealed against the ISA Order (the operative part of the order was partly unenforceable). Based on the appeal, the ISA issued an Order on the objection against the order and upheld the appeal, modifying the contested part of the Order. In accordance with the Order, the Management Board of Zavarovalnica Triglav proposed that the Works Council convene a session and submitted a proposal for the discharge of Supervisory Board Members Ivan Sotošek and Boštjan Molan. The Works Council discussed the proposal of the Management Board on 18 May 2016 and decided not to adopt the proposed resolution on the discharge of Supervisory Board Members Ivan Sotošek and Boštjan Molan. Zavarovalnica Triglav submitted a report on the implementation of the Order to the ISA in accordance with the Order within the set time limit.

On 12 April 2017, Zavarovalnica Triglav received the judgement in the case of Ivan Sotošek vs. the ISA for information from the Administrative Court. According to the judgement, the Court finds that the contested decision of the ISA is correct in terms of the content (i.e. with regard to the assessment of qualifications and suitability of Ivan Sotošek), but it refers to the wrong legal basis, therefore, the Court partially upheld the action and annulled the contested decision in the part referring to the wrong legal basis and replaced it with the correct legal basis (by taking into account the act in force during the appointment of Ivan Sotošek as a Supervisory Board member, i.e. the ZZavar and not ZZavar-1). On the basis of the judgement, the Management Board addressed a letter to the President of the Works Council, in which it proposed to convene a meeting of the Works Council of Zavarovalnica Triglav and to discharge Ivan Sotošek as a member of the Supervisory Board of Zavarovalnica Triglav – employee representative. The Works Council discussed the proposal but it will form an opinion concerning the Management Board's draft decision to recall Ivan Sotošek once all legal remedies available to Ivan Sotošek and the request for a constitutional review of the Insurance Act will have been ruled upon, since the Works Council considers Ivan Sotošek's appointment on 8 April 2015 legal. The handling in relation to the ruling of the Administrative Court in the case Boštjan Molan vs. ISA, which Zavarovalnica Triglav received on 21 June 2017, was, mutatis mutandis, the same. The action filed by Boštjan Molan against the ISA was rejected. Upon request of the ISA, the Management Board informed the ISA

about the abovementioned measures. Ivan Sotošek and Boštjan Molan appealed against the judgment of the Administrative Court of the Republic of Slovenia, and the Supreme Court rejected both appeals as inadmissible by decision of 7 February 2018 and 7 March 2018 respectively. In connection with the abovementioned decisions, Boštjan Molan and Ivan Sotošek lodged a constitutional complaint on the violation of human rights before the Constitutional Court of the Republic of Slovenia, which has not yet decided on the matter.

- Review of operations of Zavarovalnica Triglav d.d. by the Insurance Supervision Agency:
 - In the procedure of the Insurance Supervision Agency regarding the adequacy of the contents of the insurance declarations (presentation of the amount of commission or other payment to the broker) concluded through banks, Zavarovalnica Triglav, d.d., undertook to correct the established violations within the set deadline. On 21 February 2018, the ISA issued a decision to stop the procedure, since the proposal for the amendment of the Insurance Act (ZZavar-1) no longer contained the mentioned obligation and the measure would be disproportionate.
 - In the procedure regarding the adequacy of reporting, which refers to the presentation and treatment of limited funds in the calculation of solvency capital requirements and the capital adequacy of Zavarovalnice Triglav, d.d., the insurance company corrected its reports and reported the to the ISA accordingly; in the Report on financial position and solvency for 2017 the Company also showed the changes in the calculation of the solvency ratio for 2016 which were due to changes in the methodology.
 - On 12 July 2018, Zavarovalnica Triglav, d.d., received a Decision of the Insurance Supervision Agency in which the Agency found that the Company's authorization to carry out insurance business in the insurance class of marriage or birth insurance has expired. In that part, the authorization was terminated on the basis of Article 122 of the Insurance Act (ZZavar-1), since Zavarovalnica Triglav had not conducted insurance activities in that class for more than six months.
 - Triglav, Zdravstvena zavarovalnica, d.d., was issued a measure by the Insurance Supervision Agency in the area

of sale, which referred to the disclosure of the commission fee according to the provision of Article 552 of the ZZavar-1 (bank as the insurance broker), and then, on 21 February 2018, another decision was issued to terminate the supervision procedure due to the announced amendments to the Insurance Act.

- On 17 July 2018, the ISA informed Pozavarovalnica Triglav, RE, d.d., of the issue of a foreseen control measure. In its response, the Reinsurance Company stated that no calculations of capital requirements for risks from life insurance contracts are prepared due to the almost complete retrocession of life reinsurance contracts, immateriality and the principle of proportionality, which, in accordance with the applicable regulations, allows simplifications in the formula for a specific sub-module or risk module. Since the reinsurance of life insurance in Pozavarovalnica Triglav, RE, d.d. does not include any savings component and, therefore, no mathematical provisions are created, it is technically more similar to the assumed risk of non-life insurance and health insurance than to the traditional life insurance, which is why the Company takes this type of life insurance into account within the scope of the non-life insurance. On 15 October 2018, the ISA issued an Order on the elimination of violations, which ordered the Reinsurance Company to calculate the capital requirements for risks arising from life insurance contracts as at 31 December 2018 and to submit a description of the implementation of the calculation. Pozavarovalnica Triglav, RE, d.d., presented the ISA a description of the implementation of the calculation and also submitted it to the ISA in accordance with the set deadline. On 27 December 2018 the ISA then issued a decision in which it found that the Reinsurance Company had eliminated violations.
- In 2018, Skupna pokojninska družba, d.d., was subject to a regular review of its business by the ISA, and on 18 December 2018 a record of the conducted review of business was sent. The Company made comments on the record and undertook to carry out certain activities within the set deadlines. Some of these activities have already been completed.

- Lovćen Osiguranje, a.d., Podgorica
In 2017, the Insurance Supervision Agency started a targeted control of expenditure in the segment of non-life insurance. The company provided the Agency with the breakdown of its operating expenses for the years 2014, 2015 and 2016 as well as the required internal acts. The procedure has not yet been completed. With regard to the review, the Agency issued a measure to prepare a plan with the aim to maintain the technical premium, including the projections of the overhead allowance and the amount of sales costs for the years 2019, 2020 and 2021, and set the deadline for implementation by 31 March 2019.
- Lovćen – životna osiguranja, a.d., Podgorica
The Insurance Supervision Agency from the Republic of Montenegro performed the supervision of the insurance product for borrowers regarding the appropriateness of provisions for participation in profit and the method of profit attribution and the method of calculating the mathematical reserve in life insurance of credit beneficiaries. The Agency imposed three measures that the Company carried out within the set deadlines.
- Triglav Osiguranje, a.d.o., Beograd
 - In 2017, the National Bank of Serbia issued a decision based on the direct and indirect audit of the company carried out between 29 September 2016 and 21 March 2017. The company was ordered to determine the exact insurance acquisition costs, correct the financial reports per insurance classes for the year 2016 and submit the corrected reports to the Serbian Business Registers Agency so that it will amend and correct the business report for 2016 and submit the corrected version to the National Bank of Serbia. The company was also ordered to provide insured persons of collective travel insurance while travelling abroad with all relevant information upon conclusion of the insurance. The company prepared a time line for the implementation of all the required activities and submitted it to the National Bank of Serbia within the set time limit. On 28 June 2018, the National Bank of Serbia found that the Company acted in line with the decision and stopped the procedure.

- In 2017, the company received a decision issued by the Tax Administration of the Republic of Serbia on the basis of an on-the-spot review of the company's operations in the period between 25 July 2016 and 22 May 2017. The area subject to scrutiny was the charging and payment of corporate income tax, withholding taxes and contributions – global tax payments for the period from 1 January 2011 until 31 December 2015. The tax administration ordered the payment of EUR 557,902 in taxes for the period in question. The company settled its obligation in full. On 14 July 2017, the Company appealed the decision that was rejected, whereby the proceedings were closed.
- Triglav Osiguranje, d.d., Zagreb
On 18 December 2018, the Croatian Financial Services Supervisory Agency began to carry out supervision, which refers to the issue of certificates on the paid premium for insuring crops and fruit and animals. The procedure has not yet been completed.
- Triglav Osiguranje, a.d., Banja Luka
 - The Insurance Agency of the Republic of Srpska conducted a procedure regarding the setting of tariffs or premiums according to the price list for insurance of motor liability and compliance with applicable legislation. In the record, the Agency found certain irregularities in determining the premium class, offers related to the payment of claims and payment of damages within the prescribed deadlines. The Agency adopted certain observations made on the record and in the final opinion ordered the Company to eliminate the identified irregularities.
 - In 2018, the Insurance Agency of the Republic of Srpska started to conduct regular supervision of the company and made some conclusions in the opinion on the basis of a sample of policies relating to irregular calculation or premium rates and some irregularities in reinsurance and co-insurances. The company did not comment, but rather clarified the findings. The procedure has not yet been completed.

- Triglav Osiguranje, d.d., Sarajevo
 - The Insurance Supervision Agency of the Federation of Bosnia and Herzegovina carried out a regular review in the life insurance business from the point of view of respecting the law on the prevention of money laundering and terrorist financing. All the findings of the agency were carried out by the company, the process was completed.
 - The Insurance Supervision Agency of the Federation of Bosnia and Herzegovina has reviewed the implementation of the instructions on the valuation of balance sheet items and off balance sheet positions in the part of the matching of costs with the calculated overhead allowance. The procedure was completed with instructions that the company should coordinate the costs with the maximum rates of the overhead allowance. The Company already reported to the Agency on the execution of the obligations imposed.
 - In September 2018, The Insurance Supervision Agency of the Federation of Bosnia and Herzegovina carried out a regular supervision. A complaint was made on the Agency's report which the agency has not yet decided on.
 - In the affiliated company Sarajevostan, d.o.o. Sarajevo, the Tax Administration of the Federation of Bosnia and Herzegovina carried out an inspection of the calculation, reporting and payment of public revenues in the period from 1 January 2013 to 28 February 2018. The company received a record, which established an additional tax liability of 2.119.159 convertible marks. The Tax Administration did not observe the objections to the minutes and issued a decision ordering the company to pay 2,333,435 convertible marks. The company appealed against the decision, the appeal has not yet been decided.
- Triglav Osiguranje a.d., Skopje
 - After reviewing the submitted quarterly reports for the period from 1 January 2017 to 30 September 2017, the Insurance Supervision Agency of the Republic of North Macedonia found some violations of the provisions of the Insurance Supervision Act. The Agency did not pronounce any measures, while the company sent comments on the received report and corrected the prescribed form with the correct state of data.
 - The Insurance Supervision Agency of the Republic of North Macedonia carried out a review of the business that covered certain segments of the company's operations in the period from 1 January 2017 to 30 September 2018 in order to determine whether the company operated in line with the applicable legislation. The procedure is still underway.
- Triglav Osiguranje Život a.d., Skopje
 - After having conducted the inspection, the Insurance Supervision Agency of the Republic of North Macedonia found that on 31 March 2018 the company had investments in bonds and other securities issued or insured by the Republic of North Macedonia on the domestic market with a total value of 14,184. 621 of Macedonian dinar, or in the amount of 100% covering technical provisions for an entity other than a bank. In this way, the company exceeded the 80% threshold by 20%, which is contrary to the provisions of the Insurance Supervision Act. The procedure ended without any measures taken by the Agency. In the second quarter of 2018, the Company changed the structure of its investments in accordance with regulations.
 - The Insurance Supervision Agency of the Republic of North Macedonia carried out a review of the entire business of the company since its establishment. The procedure is still underway.

5.10 Subsequent events

In the period from the end of the reporting period and the date of approval of the financial statements, no adjusting events occurred that would affect the prepared consolidated and separate financial statements of Zavarovalnica Triglav for 2018, as well as no material corrective events. Business events in the said period may also have no impact on the financial statements for the year 2018.

In 2019, some new International Financial Reporting Standards entered into force, which will influence the valuation of individual balance sheet items. [→ *Additional detailed informations are presented in the next section*].

No events occurring after the reporting date were material to the financial statements for 2018.

5.11 New and amended standards with interpretations

The accounting policies used in the preparation of the consolidated and separate financial statements are consistent with those of the consolidated and separate financial statements of Zavarovalnica Triglav for the year ended 31 December 2017, except for the new and amended standards effective as of 1 January 2017 or later and presented below.

IFRS 9 Financial Instruments

The final version of “IFRS 9 Financial Instruments” includes all individual phases of the project to revise IFRS 9 and replaces “IAS 39 Financial Instruments: Recognition and Measurement” as well as all previous versions of IFRS 9. The standard introduces new requirements for classification, measurement and impairment of financial assets and general hedge accounting. Zavarovalnica Triglav decided to temporarily postpone the application of IFRS 9. Details are presented later in this Section.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a five-step model to be applied to income recognition from contracts with customers (with limited exceptions), irrespective of the nature of transactions generating income or

the industry. The requirements of the standard also apply to the recognition and measurement of gains and losses on the sale of certain non-financial assets that are not an output of an entity’s ordinary activities (e.g. sale of property, plant and equipment or intangible assets). The standard requires extensive disclosures, including disaggregation of total income, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard does not have an impact on consolidated and separate financial statements of Zavarovalnica Triglav.

IFRS 15 Revenue from Contracts with Customers (Clarifications)

The purpose of clarifications is to clarify what the IASB aimed to achieve in adopting the requirements of “IFRS 15 Revenue from Contracts with Customers”, particularly in terms of accounting for liabilities from contracts with customers, which modify the identification of separate performance obligations, principal versus agent considerations, including an assessment whether an entity acts as a principal or as an agent, and the application of the principle of control and licensing, which provides additional guidance on accounting for intellectual property and royalties. Furthermore, the clarifications introduce additional practical expedients for the entities electing to apply IFRS 15 to prior periods either by using a full retrospective approach or a modified retrospective approach. The clarification does not have an impact on consolidated and separate financial statements of Zavarovalnica Triglav.

IFRS 2: Classification and Measurement of Share-based Payment Transactions (amendments)

The amendments introduce the requirements regarding the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments do not have an impact on consolidated and separate financial statements of Zavarovalnica Triglav.

IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address the concerns arising from the application of the new “IFRS 9 Financial Instruments” before implementing the new standard, which is currently under preparation and which deals with insurance contracts; the new standard will replace IFRS 4. The amendments allow insurance entities to use two approaches in insurance contracts accounting: a temporary exemption from IFRS 9 and the overlay approach, which allows the entities issuing insurance contracts falling within the scope of IFRS 4 to reclassify certain income or expenses arising from certain financial assets from profit or loss to other comprehensive income.

Due to the adoption of the new standard for insurance contracts – IFRS 17, the insurance entities may begin to apply the standard as of 1 January 2022. The condition for the deferral is that the carrying amount of liabilities connected with insurance relative to the total carrying amount of all its liabilities is at least 90%. The conditions were checked on 31 December 2015. The calculation is shown in the table below. There have been no changes since 31 December 2015, which would have a significantly affect on the fulfilment of the conditions.

	in EUR	
	Triglav Group 31 December 2015	Zavarovalnica Triglav 31 December 2015
Insurance technical provisions	2,600,442,123	2,053,864,286
All liabilities	2,789,412,299	2,154,872,319
Ratio of insurance liabilities to total liabilities	93%	95%

The table below presents an analysis of the fair value of classes of financial assets as at the end of the reporting period, as well as the corresponding change in fair value during the reporting period. The financial assets are divided into assets for which their contractual cash flows represent solely payments of principal and interest (hereinafter: 'SPPI'), excluding any financial assets held for trading, and all other financial assets.

in EUR

Triglav Group	Assets whose cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding			Other financial assets		
	Fair value as at 1 January 2018	Changes in fair value	Fair value as at 31 December 2018	Fair value as at 1 January 2018	Changes in fair value	Fair value as at 31 December 2018
Debt securities	1,869,765,150	2,642,841	1,872,407,991	414,449,974	32,884,403	447,334,376
Equity securities	0	0	0	215,946,668	-49,533,478	166,413,190
Financial derivatives	0	0	0	1,870,633	-477,370	1,393,263
Loans and deposits	105,871,731	16,594,308	122,466,039	0	0	0
Cash and cash equivalents	78,417,877	-10,816,181	67,601,696	0	0	0
Total	2,054,054,758	8,420,967	2,062,475,725	632,267,274	-17,126,445	615,140,830

in EUR

Zavarovalnica Triglav	Assets whose cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding			Other financial assets		
	Fair value as at 1 January 2018	Changes in fair value	Fair value as at 31 December 2018	Fair value as at 1 January 2018	Changes in fair value	Fair value as at 31 December 2018
Debt securities	1,450,282,202	12,943,079	1,463,225,281	231,374,850	8,096,526	239,471,377
Equity securities	0	0	0	135,916,577	-50,333,349	85,583,228
Financial derivatives	0	0	0	1,870,633	-477,370	1,393,263
Loans and deposits	82,466,358	941,657	83,408,015	0	0	0
Cash and cash equivalents	35,514,745	-17,516,258	17,998,487	0	0	0
Total	1,568,263,305	-3,631,522	1,564,631,783	369,162,060	-42,714,192	326,447,868

The following table shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades. The carrying amount is measured in accordance with IAS 39 prior to any impairment allowance for those measured at amortised cost.

						in EUR
Credit rating of assets whose cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding						
Triglav Group	Unrated	AAA	AA/A	BBB	BB/B	Total
Debt securities	78,170,706	198,131,887	649,258,904	658,355,858	250,249,795	1,834,167,150
Loans and deposits	86,930,548	0	20,760,486	0	15,010,230	122,701,264
Cash and cash equivalents	21,711,485	0	2,014,717	268,486	43,607,008	67,601,696
Total	186,812,739	198,131,887	672,034,107	658,624,344	308,867,034	2,024,470,110

						in EUR
Credit rating of assets whose cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding						
Zavarovalnica Triglav	Unrated	AAA	AA/A	BBB	BB/B	Total
Debt securities	55,462,505	158,375,854	566,526,723	577,934,796	70,402,699	1,428,702,567
Loans and deposits	54,412,569	0	20,760,486		9,408,484	84,581,539
Cash and cash equivalents	78,136	0	2,014,717	62,934	15,842,701	17,998,487
Total	109,953,210	158,375,854	589,301,926	577,997,719	95,653,884	1,531,282,593

The following table provides information on the fair value and carrying amount under IAS 39 for those SPPI assets which the Group has determined do not have a low credit risk. The carrying amount is measured in accordance with IAS 39 prior to any impairment allowance for those measured at amortised cost.

			in EUR
Assets whose cash flows are solely payments of principal and interest (SPPI) and do not have a low credit rating			
Triglav Group	Fair value	Carrying amount	
Debt securities	330,239,122	328,420,501	
Loans and deposits	101,217,266	101,940,778	
Cash and cash equivalents	65,318,493	65,318,493	
Total	496,774,881	495,679,773	

			in EUR
Assets whose cash flows are solely payments of principal and interest (SPPI) and do not have a low credit rating			
Zavarovalnica Triglav	Fair value	Carrying amount	
Debt securities	125,519,640	125,865,204	
Loans and deposits	62,159,241	63,821,053	
Cash and cash equivalents	15,920,837	15,920,837	
Total	203,599,718	205,607,094	

IAS 40: Transfers of Investment Property (amendments)

The amendments clarify when an entity is required to reclassify a property, including a property under construction or development, to, or from, investment property. Moreover, the amendments clarify that a change in use occurs when a property meets or ceases to meet the definition of investment property and there is evidence of a change in use. A change in the management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments do not have an impact on consolidated and separate financial statements of Zavarovalnica Triglav.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The interpretation does not have an impact on consolidated and separate financial statements of Zavarovalnica Triglav.

Annual Improvements to IFRS Standards 2014–2016 Cycle

The International Accounting Standards Board (IASB) issued the annual improvements to IFRS 2014–2016 cycle. The improvement does not have an impact on consolidated and separate financial statements.

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

The amendment removes the short-term exemptions for disclosures relating to financial instruments, employee benefits and investment entities, which otherwise apply to the first-time adoption of IFRS.

IAS 28: Investments in Associates and Joint Ventures

The amendments clarify that each investment in an associate or joint venture held by a venture capital organisation or other qualified entity may be measured at fair value through profit or loss at initial recognition.

Standards not yet in force and not early adopted by the Company*IFRS 16: Leases*

The new standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 provides the guidelines for the recognition, measurement, presentation and disclosure of leases of both contracting parties: the lessee and the lessor. The new standard provides a single lessee accounting model, requiring lessees to recognise most leases in their financial statements. With some exceptions, lessees will be able to apply a single accounting model for all leases. There are no significant changes in the lessor's calculation of lease. The Standard will have an impact on the increase in value of the underlying assets and liabilities of the lease, both in consolidated and separate financial statements of Zavarovalnica Triglav. The Standard will also affect the reclassification of lease costs into depreciation and financing expenses. However, the Standard will have no significant impact on the operation results of the Triglav Group and Zavarovalnica Triglav. When the Standard became effective, that is on 1 January 2019, long-term lease liabilities and the right to use the leased assets in a total amount of EUR 12.1 millions were recognised in the consolidated financial statements. Likewise, on 1 January 2019, long-term lease liabilities and the right to use the leased assets were recognised in the separate financial statements of Zavarovalnica Triglav in the amount of EUR 4.5 millions.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2022 or later, with earlier application permitted provided that an entity also reports in accordance with "IFRS 15 Revenue from Contracts with Customers" and "IFRS 9 Financial Instruments". IFRS 17 provides the guidelines for the recognition, measurement, presentation and disclosure of insurance contracts concluded by an insurance entity. Furthermore, the

standard requires that similar principles be applied to reinsurance contracts and investment contracts with discretionary participation features. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The standard has not yet been endorsed by the EU. The management is still assessing the impact of the new standard on consolidated and separate financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict identified between the requirements of IFRS 10 and IAS 28 in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that the entity is obliged to recognise the entire amount of the gain or loss in case that the transaction involves a business (regardless of whether the business is housed in a subsidiary or not). In case of transactions with assets that an entity does not use in its operation activities, the entity only recognises a partial gain or loss even in case that the assets are housed in a subsidiary. The International Accounting Standards Board postponed the effective date of the Standard for an indefinite period of time expecting the findings of the research project on assets accounting using the equity method. The amendments to the standard have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated financial statements.

IFRS 9: Prepayment Features with Negative Compensation (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments allow financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the

asset there may be "negative compensation"), to be measured at amortised cost or at fair value through other comprehensive income. The amendments not have an impact on consolidated and separate financial statements of Zavarovalnica Triglav.

IAS 28: Long-term Interests in Associates and Joint Ventures (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments address the issue whether the measurement of long-term interests (particularly in terms of impairment requirements regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture) falls within the scope of IFRS 9, IAS 28 or a combination of both. Furthermore, the amendments clarify that an entity is required to apply "IFRS 9 Financial Instruments" in the recognition of long-term interests not measured using the equity method before applying IAS 28. When applying IFRS 9, the entity shall not take into account any adjustments to the carrying amount of long-term interests under IAS 28. The amendments have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated and separate financial statements.

Interpretation of IFRIC 23: Uncertainty over Income Tax Treatments

The interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of "IAS 12 Income Taxes". The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The management is still assessing the impact of the interpretation on consolidated and separate financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The amendments apply to annual periods beginning on or after 1 January 2019. Earlier application of amendments is permitted. The amendments of the accounting standard require entities to

determine the current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement of employee benefits on the basis of updated actuarial assumptions. At the same time, the amendments clarify the impact of calculating the plan amendment, curtailment or settlement on the required limit values of assets. The amendments have not yet been endorsed by the EU. The amendments do not have an impact on consolidated and separate financial statements of Zavarovalnica Triglav.

IFRS Conceptual Framework

On 29 March 2018, the International Accounting Standards Board (IASB) published the revised Conceptual Framework for Financial Reporting. The Conceptual Framework sets out the fundamental concepts of financial reporting, setting of standards, guidelines for designers of consistent accounting policies and for easier understanding and interpretation of standards. The IASB also published a separate accompanying document "Amendments to References to the Conceptual Framework in IFRS Standards", which are a presentation of the amendments to the Standards and serve as updated references to the revised Conceptual Framework. The aim of the Board is to provide support in the transition to the revised Conceptual Framework to the entities that adopt their accounting policies on the basis of the conceptual framework guidelines in cases where no IFRS deals with specific transactions. All those who adopt their accounting policies on the basis of the conceptual framework shall apply the revised Conceptual Framework for annual periods, beginning on or after 1 January 2020.

IFRS 3: Business Combinations (Amendments)

The IASB published Definition of a Business (Amendments to IFRS 3), aimed at resolving uncertainty in determining whether an entity has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and for the acquisition of assets on or after the beginning of that period. Earlier application is permitted. The amendments have not yet been endorsed by the EU. The management is still assessing the

impact of the amendments on consolidated and separate financial statements of Zavarovalnica Triglav.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "Material" (Amendments)

The amendments apply to annual period beginning on or after 1 January 2020. Earlier application is permitted. The amendments clarify the definition of the term materiality and the way of its use. In compliance with the new definition "information is material if omitting, misstating or obscuring it could reasonably be expected to influence general decisions that the primary users of financial statements make on the basis of those financial statements, which provide financial information about a specific entity". In addition, the Board clearly explained the clarifications accompanying the definition. At the same time, the amendments provide the assurance that the definition of "material" is brought in accord with all IFRSs. The amendments have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated and separate financial statements of Zavarovalnica Triglav.

Annual Improvements to IFRS Standards 2015–2017 Cycle

The International Accounting Standards Board (IASB) published the annual improvements to IFRS 2015–2017 cycle which provides a collection of amendments to IFRSs. The amendments apply to annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments have not yet been endorsed by the EU. The management is still assessing the impact of the amendments on consolidated and separate financial statements of Zavarovalnica Triglav.

IFRS 3 Business Combinations and IFRS 11 Joint Agreements

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it shall remeasure all the previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains control of a business that is a joint operation, it need not remeasure the previously held interests in that business.

IAS12 Income Taxes

The amendments clarify that the income tax consequences arising from payments of financial instruments classified in equity have to be recognised under the same item as the previous transactions or events that generated distributable profits.

IAS 23 Borrowing Costs

The amendments to the accounting standard clarify Section 14 of the Standard stating that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that the entity has borrowed generally.

5.12 Segment reporting

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

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

The distribution of income and expenses between segments for reporting purposes is described below.

Reconciliation of total assets

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

	in EUR	
	31 December 2018	31 December 2017
Balance sheet total (without offsetting)	2,748,856,353	2,805,312,446
Mutual receivables and liabilities	-6,491,237	-5,859,532
Deferred tax assets and liabilities	-12,177,591	-12,963,374
Offset balance	2,730,187,525	2,786,489,540

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

Distribution of income and expenses between business 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. Income from investments of assets backing liabilities, guarantee funds and investments not financed from insurance technical provisions are posted separately. The latter are also accounted for separately by insurance group.

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

All income is also accounted for separately according to geographical segmentation – 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 that is the same as that used for distributing other operating costs.

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

Investment expenses are posted separately by insurance groups. Within individual insurance groups, expenses from investments are disclosed separately for assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions. The latter are also accounted for separately by insurance group.

Other net insurance expenses are accounted for separately by insurance group, the same as other expenses from insurance operations and other expenses. 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 of Triglav Group and Zavarovalnica Triglav

Depreciation and amortisation charges by business segment are disclosed under operating expenses [→ in Section 4.12].

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

					in EUR
Triglav Group 2018	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	4,188,537	2,903,592	446,164	50,994	7,589,287
Investments in property, plant and equipment	10,294,540	106,068	201,401	364,678	10,966,687
Investments in investment property	3,567,161	0	0	515,255	4,082,416

					in EUR
Triglav Group 2017	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	4,385,290	1,603,363	612,802	112,503	6,713,958
Investments in property, plant and equipment	7,822,535	288,238	241,349	943,502	9,295,624
Investments in investment property	884,535	0	0	2,652,231	3,536,766

The highest exposure of Triglav Group to individual financial institutions is:

- in non-life insurance, exposure to SBERBANK, d.d. of EUR 20,796,540;
- in life insurance, exposure to AGATE ASSETS SA of EUR 27,822,762;
- in health insurance, exposure to N.V.Bank Nederlandse Gemeenten of EUR 805,697;
- in non-insurance, exposure to Abanka, d.d. of EUR 17,312,698.

			in EUR
Zavarovalnica Triglav 2018	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	1,568,480	2,855,814	4,424,294
Investments in property, plant and equipment	6,416,064	38,160	6,454,224
Investments in investment property	3,549,655	0	3,549,655
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-9,047,736	-1,493,898	-10,541,634
Expenses from the impairment of premium and subrogation receivables	-11,366,213	0	-11,366,213
Income from reversal of impairment of receivables	10,145,070	1,773	10,146,843
Expenses from impairment of investment property	0	0	0
Expenses from impairment of other receivables	-83,662	-31,616	-115,278
Income from reversal of impairment of other receivables	318,031	7,376	325,407

			in EUR
Zavarovalnica Triglav 2017	Non-life	Life	TOTAL
ADDITIONAL DISCLOSURES FROM THE STATEMENT OF FINANCIAL POSITION			
Investments in intangible assets	3,277,367	1,499,055	4,776,422
Investments in property, plant and equipment	4,622,596	100,254	4,722,850
Investments in investment property	641,062	0	641,062
ADDITIONAL DISCLOSURES FROM THE INCOME STATEMENT			
Depreciation charge for the current year	-8,010,844	-1,699,393	-9,710,237
Expenses from the impairment of premium and subrogation receivables	-10,278,414	0	-10,278,414
Income from reversal of impairment of receivables	11,714,391	25,982	11,740,373
Expenses from impairment of property, plant and equipment	0	0	0
Expenses from impairment of other receivables	-343,143	-14,029	-357,173
Income from reversal of impairment of other receivables	84,886	15,974	100,860

Maximum individual exposure of Zavarovalnica Triglav to financial institutions is:

- for non-life insurance: SBERBANK, d.d.: EUR 19,572,908 and
- for life insurance: AGATE ASSETS SA: EUR 27,822,762.

in EUR										
2018					2017					
Triglav Group										
Comprehensive income by business segments	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
NET PROFIT FOR THE YEAR AFTER TAX	62,862,390	12,486,107	3,108,231	2,369,517	80,826,245	52,559,577	15,189,798	3,181,924	-1,223,348	69,707,951
OTHER COMPREHENSIVE INCOME AFTER TAX	-18,027,432	-5,534,695	-683,406	-4,686,425	-28,931,958	6,633,580	-79,867	136,246	2,328,053	9,018,012
Items which will not be transferred in P&L in future periods	-243,770	-41,662	-13,613	-4,380	-303,425	288,286	55,133	32,279	15,899	391,597
Net actuarial gains/losses for pension plans	-243,770	-41,662	-13,613	-4,505	-303,550	288,286	55,133	32,279	15,899	391,597
Tax on items which will not be transferred in P&L	0	0	0	125	125	0	0	0	0	0
Items which could be transferred into P&L in future periods	-17,783,662	-5,493,033	-669,793	-4,682,045	-28,628,533	6,345,294	-135,000	103,967	2,312,154	8,626,415
Fair value gains/losses on available-for-sale financial assets	-22,207,016	-21,643,500	-826,905	-5,414,080	-50,091,501	7,700,015	-1,957,041	128,354	2,111,049	7,982,377
– net gains/losses recognized directly in equity	-12,938,575	-16,334,830	-981,222	-1,797,972	-32,052,599	15,130,886	14,565,468	263,548	2,063,180	32,023,082
– transfers from equity to income statement	-9,268,441	-5,308,670	154,317	-3,616,108	-18,038,902	-7,430,871	-16,522,509	-135,194	47,869	-24,040,705
Fair value gains/losses on non-current assets held for sale	0	0	0	0	0	33,622	171,171	0	0	204,793
Share of OCI of entities accounted for using the equity method	0	0	0	-310,367	-310,367	-513	0	0	603,768	603,255
Liabilities from insurance contracts with DPF	0	12,510,378	0	0	12,510,378	0	-487,190	0		-487,190
Currency translation differences	57,124	57,100	0	13,259	127,483	610,001	435,032	0	35,772	1,080,805
Tax on other comprehensive income	4,366,230	3,582,989	157,112	1,029,143	9,135,474	-1,997,831	1,703,028	-24,387	-438,435	-757,625
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX	44,834,958	6,951,412	2,424,825	-2,316,908	51,894,287	59,193,157	15,109,931	3,318,170	1,104,705	78,725,963
Controlling interest	44,606,567	6,962,392	2,424,825	-2,291,015	51,702,769	58,852,131	14,899,208	3,318,170	1,104,244	78,173,753
Non-controlling interest	228,391	-10,980	0	-25,893	191,518	341,026	210,723	0	461	552,210

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2018					2017					
Zavarovalnica Triglav										
Comprehensive income by business segments	NON-LIFE	LIFE	TOTAL		NON-LIFE	LIFE	TOTAL			
Net profit for the year after tax	58,259,539	7,284,325	65,543,864		51,329,746	11,192,204	62,521,950			
Other comprehensive income after tax	-15,894,778	-4,102,785	-19,997,563		9,571,762	-7,232,656	2,339,106			
Items which will not be transferred in P&L in future periods	-224,491	-41,662	-266,153		295,584	55,133	350,717			
Actuarial gains and losses related to post-employment benefits on retirement	-224,491	-41,662	-266,153		295,584	55,133	350,717			
Tax on items which will not be transferred in P&L	0	0	0		0	0	0			
Items which could be transferred into P&L in future periods	-15,670,287	-4,061,123	-19,731,410		9,276,178	-7,287,789	1,988,389			
Fair value gains/losses on available-for-sale financial assets	-19,346,033	-20,168,855	-39,514,888		11,452,072	-8,516,690	2,935,382			
– net gains/losses recognized directly in equity	-10,991,664	-14,819,878	-25,811,542		16,512,410	7,893,172	24,405,582			
– transfers from equity to income statement	-8,354,369	-5,348,977	-13,703,346		-5,060,338	-16,409,862	-21,470,200			
Liabilities from insurance contracts with DPF	0	12,510,379	12,510,379		0	-487,190	-487,190			
Tax on other comprehensive income	3,675,746	3,597,353	7,273,099		-2,175,894	1,716,091	-459,803			
COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX	42,364,761	3,181,540	45,546,301		60,901,508	3,959,548	64,861,056			

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5.12.1 Reporting by business segment for Triglav Group

The statement of financial position and 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, business combinations, the disposal of controlling interests in subsidiaries and the elimination of investment impairments in subsidiaries. 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.

	31 December 2018				in EUR		
Statement of financial position	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	1.760.375.116	1.975.276.808	59.416.391	191.819.384	3.986.887.699	-341.610.212	3.645.277.487
Intangible assets	75.096.273	4.708.358	1.586.002	2.669.415	84.060.048	0	84.060.048
Property, plant and equipment	93,567,305	10,132,292	1,415,752	8,180,704	113,296,053	0	113,296,053
Deferred tax assets	12,360,640	261,140	56,415	215,537	12,893,732	0	12,893,732
Investment property	47,702,415	2,302,311	0	34,471,759	84,476,485	5,363,971	89,840,456
Investments in subsidiaries	124,407,877	15,104,174	0	75,550,601	215,062,652	-215,062,652	0
Investments in associates	11,450,701	611,768	0	2,063,504	14,125,973	0	14,125,973
Financial assets	1,021,305,282	1,905,654,933	48,839,718	38,188,070	3,013,988,003	-22,567,936	2,991,420,067
Financial investments	1,021,305,282	1,503,139,163	48,839,718	38,188,070	2,611,472,233	-22,567,936	2,588,904,297
– loans and deposits	86,843,593	55,853,397	86,107	13,492,572	156,275,669	-17,417,697	138,857,972
– held to maturity	0	196,773,185	0	0	196,773,185	0	196,773,185
– available for sale	929,110,722	804,659,540	48,753,611	24,695,498	1,807,219,371	-4,650,604	1,802,568,767
– recognised at fair value through profit and loss	5,350,967	445,853,041	0	0	451,204,008	-499,635	450,704,373
Unit-linked insurance assets	0	402,515,770	0	0	402,515,770	0	402,515,770
Reinsurers' share of technical provisions	159,627,897	10,457	1,551,881	0	161,190,235	-75,269,736	85,920,499
Receivables	194,823,677	4,599,971	5,408,784	7,790,707	212,623,139	-33,968,261	178,654,878
– receivables from direct insurance operations	91,221,915	628,631	4,884,391	40,778	96,775,715	-174,387	96,601,328
– receivables from reinsurance and coinsurance operations	80,340,602	8,525	122,142	0	80,471,269	-29,171,366	51,299,903
– current tax receivables	561,791	0	0	17,854	579,645	0	579,645
– other receivables	22,699,369	3,962,815	402,251	7,732,075	34,796,510	-4,622,508	30,174,002
Other assets	4,747,186	84,188	114,694	556,252	5,502,320	-105,598	5,396,722
Cash and cash equivalents	15,285,863	31,807,216	443,145	20,065,436	67,601,660	0	67,601,660
Non-current assets held for sale	0	0	0	2,067,399	2,067,399	0	2,067,399
EQUITY AND LIABILITIES	1,760,375,116	1,975,276,808	59,416,391	191,819,384	3,986,887,699	-341,610,212	3,645,277,487
Equity	604,805,626	150,637,960	31,627,112	168,514,421	955,585,119	-208,722,314	746,862,805
Controlling interests	604,805,626	150,637,960	31,627,112	168,514,421	955,585,119	-211,018,313	744,566,806
– share capital	114,718,513	48,091,866	25,822,144	100,639,031	289,271,554	-215,570,162	73,701,392
– share premium	43,048,225	13,658,827	0	20,674,547	77,381,599	-27,175,059	50,206,540
– reserves from profit	283,812,741	47,163,414	473,752	1,744,009	333,193,916	927,548	334,121,464
– treasury share reserves	0	0	0	0	0	364,680	364,680
– treasury shares	0	0	0	0	0	-364,680	-364,680
– fair value reserve	47,853,573	8,989,544	945,975	10,080,974	67,870,066	-1,632,177	66,237,889
– net profit brought forward	51,019,235	24,525,399	3,190,158	25,363,275	104,098,067	38,385,512	142,483,579
– net profit for the year	66,373,248	8,815,568	1,195,083	10,038,964	86,422,863	-5,889,220	80,533,643
– currency translation differences	-2,019,909	-606,658	0	-26,379	-2,652,946	-64,755	-2,717,701
Non-controlling interests	0	0	0	0	0	2,295,999	2,295,999
Subordinated liabilities	10,777,635	9,835,316	1,500,000	0	22,112,951	-6,650,240	15,462,711
Insurance technical provisions	981,911,505	1,387,821,429	16,081,286	0	2,385,814,220	-75,311,159	2,310,503,061
– unearned premiums	311,580,455	427,260	2,932,489	0	314,940,204	-14,773,258	300,166,946
– mathematical provisions	0	1,357,233,017	0	0	1,357,233,017	0	1,357,233,017
– claims provisions	643,677,440	20,555,710	9,873,971	0	674,107,121	-59,163,206	614,943,915
– other insurance technical provisions	26,653,610	9,605,442	3,274,826	0	39,533,878	-1,374,695	38,159,183
Insurance technical provisions for unit-linked insurance contracts	0	402,598,039	0	0	402,598,039	0	402,598,039
Employee benefits	11,403,102	2,122,168	550,996	728,308	14,804,574	0	14,804,574
Other provisions	1,068,693	366,467	116,263	368,132	1,919,555	0	1,919,555
Deferred tax liabilities	11,148,486	3,658,070	0	2,397,020	17,203,576	0	17,203,576
Other financial liabilities	5,172,050	25,655	73,938	4,273,413	9,545,056	-3,924,152	5,620,904
Operating liabilities	69,814,814	8,716,199	5,331,438	798,734	84,661,185	-29,869,130	54,792,055
– liabilities from direct insurance operations	6,613,572	8,637,360	5,166,012	0	20,416,944	-699,015	19,717,929
– liabilities from reinsurance and co-insurance operations	59,430,560	39,784	165,426	0	59,635,770	-29,170,115	30,465,655
– current tax liabilities	3,770,682	39,055	0	798,734	4,608,471	0	4,608,471
Other liabilities	64,273,205	9,495,505	4,135,358	14,739,356	92,643,424	-17,133,217	75,510,207

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	31 December 2017				in EUR		
Statement of financial position	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	1,771,644,611	2,003,539,158	56,434,979	185,413,134	4,017,031,882	-342,355,689	3,674,676,193
Intangible assets	71,318,618	3,025,618	1,288,099	3,208,277	78,840,612	0	78,840,612
Property, plant and equipment	90,742,267	10,567,978	1,427,685	8,472,507	111,210,437	0	111,210,437
Deferred tax assets	12,994,783	380,255	64,932	329,145	13,769,115	0	13,769,115
Investment property	51,244,024	2,401,488	0	34,998,000	88,643,512	5,363,971	94,007,483
Investments in subsidiaries	116,711,634	10,504,174	0	75,677,210	202,893,018	-202,893,018	0
Investments in associates	4,399,809	708,237	0	1,341,278	6,449,324	0	6,449,324
Financial assets	1,058,188,425	1,923,532,925	47,398,481	41,536,723	3,070,656,554	-32,569,806	3,038,086,748
Financial investments	1,058,188,425	1,473,296,881	47,398,481	41,536,723	2,620,420,510	-32,569,806	2,587,850,704
– loans and deposits	74,294,351	68,428,166	389,713	9,560,016	152,672,246	-27,420,759	125,251,487
– held to maturity	0	221,390,576	0	0	221,390,576	0	221,390,576
– available for sale	978,443,512	762,544,440	47,008,768	31,976,707	1,819,973,427	-4,649,527	1,815,323,900
– recognised at fair value through profit and loss	5,450,562	420,933,699	0	0	426,384,261	-499,520	425,884,741
Unit-linked insurance assets	0	450,236,044	0	0	450,236,044	0	450,236,044
Reinsurers' share of technical provisions	164,982,800	33,246	86,064	0	165,102,110	-81,286,534	83,815,576
Receivables	175,081,175	6,250,245	4,630,440	8,765,717	194,727,577	-30,849,223	163,878,354
– receivables from direct insurance operations	80,936,921	526,028	4,384,052	25,485	85,872,486	-149,994	85,722,492
– receivables from reinsurance and coinsurance operations	70,564,407	107,320	44,261	0	70,715,988	-25,776,286	44,939,702
– current tax receivables	21,706	154	0	10,351	32,211	0	32,211
– other receivables	23,558,141	5,616,743	202,127	8,729,881	38,106,892	-4,922,943	33,183,949
Other assets	3,258,596	72,269	93,026	619,445	4,043,336	-121,079	3,922,257
Cash and cash equivalents	22,722,480	46,062,723	1,446,252	8,186,392	78,417,847	0	78,417,847
Non-current assets held for sale	0	0	0	2,278,440	2,278,440	0	2,278,440
EQUITY AND LIABILITIES	1,771,644,611	2,003,539,158	56,434,979	185,413,134	4,017,031,882	-342,355,689	3,674,676,193
Equity	610,210,587	159,335,731	30,986,326	154,611,642	955,144,286	-198,498,603	756,645,683
Controlling interests	610,210,587	159,335,731	30,986,326	154,611,642	955,144,286	-205,306,042	749,838,244
– share capital	114,718,513	47,691,579	25,822,144	92,083,600	280,315,836	-206,614,444	73,701,392
– share premium	43,048,225	13,658,827	0	20,762,996	77,470,048	-27,066,392	50,403,656
– reserves from profit	283,095,556	47,156,595	344,643	1,709,241	332,306,035	1,101,038	333,407,073
– fair value reserve	65,931,902	14,646,079	1,629,381	14,853,773	97,061,135	-1,662,899	95,398,236
– net profit brought forward	76,985,684	22,765,346	2,055,271	23,281,671	125,087,972	35,560,020	160,647,992
– net profit/loss for the year	28,420,908	14,075,019	1,134,887	1,956,845	45,587,659	-6,453,704	39,133,955
– currency translation differences	-1,990,201	-657,714	0	-36,484	-2,684,399	-169,661	-2,854,060
Non-controlling interests	0	0	0	0	0	6,807,439	6,807,439
Subordinated liabilities	10,775,525	9,832,655	1,500,000	0	22,108,180	-6,649,048	15,459,132
Insurance technical provisions	990,706,110	1,356,384,332	14,831,179	0	2,361,921,621	-79,220,595	2,282,701,026
– unearned premiums	289,866,512	439,263	2,630,206	0	292,935,981	-14,823,262	278,112,719
– mathematical provisions	0	1,331,198,408	0	0	1,331,198,408	1,856,981	1,333,055,389
– claims provisions	675,322,350	19,476,640	9,929,037	0	704,728,027	-66,254,314	638,473,713
– other insurance technical provisions	25,517,248	5,270,021	2,271,936	0	33,059,205	0	33,059,205
Insurance technical provisions for unit-linked insurance contracts	0	449,544,564	0	0	449,544,564	0	449,544,565
Employee benefits	10,860,025	2,022,147	486,037	611,634	13,979,843	0	13,979,843
Other provisions	1,869,081	1,372,200	161,611	391,755	3,794,647	0	3,794,647
Deferred tax liabilities	15,511,778	7,331,797	0	3,553,004	26,396,579	0	26,396,579
Other financial liabilities	5,549,056	1,112,471	98,854	8,664,123	15,424,504	-9,835,123	5,589,381
Operating liabilities	63,014,034	8,501,117	4,126,075	301,889	75,943,115	-26,561,513	49,381,602
– liabilities from direct insurance operations	7,156,311	8,336,100	4,003,137	0	19,495,548	-620,225	18,875,323
– liabilities from reinsurance and co-insurance operations	54,516,389	146,850	36,207	0	54,699,446	-25,941,288	28,758,158
– current tax liabilities	1,341,334	18,167	86,731	301,889	1,748,121	0	1,748,121
Other liabilities	63,148,415	8,102,144	4,244,897	17,279,087	92,774,543	-21,590,808	71,183,735
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0	0	0

Income statement	2018					2017 restated ¹²⁰					in EUR
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	
Net premium income	585,971,063	222,084,638	143,707,161	0	951,762,862	543,846,673	218,252,128	129,098,568	0	891,197,369	
– gross written premium	702,217,196	222,162,500	144,014,711	0	1,068,394,407	652,350,427	218,282,704	129,283,495	0	999,916,626	
– ceded written premium	-106,529,888	-95,020	0	0	-106,624,908	-97,496,337	-54,396	0	0	-97,550,733	
– change in unearned premium reserve	-9,716,245	17,158	-307,550	0	-10,006,637	-11,007,417	23,820	-184,927	0	-11,168,524	
Income from investments in subsidiaries and associates	197,552	0	0	823,607	1,021,159	78,249	0	0	146,356	224,605	
– profit on equity investments accounted for using the equity method	197,552	0	0	823,607	1,021,159	78,249	0	0	146,356	224,605	
– other income from investments in subsidiaries and associates	0	0	0	0	0	0	0	0	0	0	
Income from investments	34,632,804	49,788,938	770,319	3,697,016	88,889,077	39,185,741	92,251,637	951,172	555,888	132,944,438	
– interest income calculated using the effective interest method	17,301,940	37,548,168	662,032	61,102	55,573,242	19,452,120	38,029,463	689,859	25,140	58,196,582	
– gains on disposals	11,976,273	8,082,627	102,829	3,616,108	23,777,837	12,669,570	16,849,824	260,910	10,176	29,790,480	
– other income from investments	5,354,591	4,158,143	5,458	19,806	9,537,998	7,064,051	37,372,350	403	520,572	44,957,376	
Other income from insurance operations	29,682,258	117,141	38,582	0	29,837,981	29,046,905	147,226	43,100	0	29,237,231	
– fees and commission income	15,731,478	74,703	0	0	15,806,181	16,382,532	104,937	0	0	16,487,469	
– other income from insurance operations	13,950,780	42,438	38,582	0	14,031,800	12,664,373	42,289	43,100	0	12,749,762	
Other income	8,416,445	81,218	73,197	27,578,673	36,149,533	6,672,954	108,231	141,144	27,110,787	34,033,116	
Net claims incurred	330,958,972	170,347,333	125,254,093	0	626,560,398	317,434,966	190,014,478	112,509,338	0	619,958,782	
– gross claims settled	391,236,589	169,247,828	119,115,801	0	679,600,218	347,312,086	189,454,483	105,396,000	0	642,162,569	
– reinsurers' share	-39,988,691	-275	0	0	-39,988,966	-24,573,159	-450	0	0	-24,573,609	
– changes in claims provisions	-20,288,926	1,099,780	-59,406	0	-19,248,552	-5,303,961	560,445	827,552	0	-3,915,964	
– equalisation scheme expenses for supplementary health insurance	0	0	6,197,698	0	6,197,698	0	0	6,285,786	0	6,285,786	
Change in other insurance technical provisions (excluding ULI)	-1,062,012	39,919,496	1,002,889	0	39,860,373	-547,945	59,352,163	1,476,972	0	60,281,190	
Change in insurance technical provisions for unit-linked insurance contracts	0	-46,889,547	0	0	-46,889,547	0	-8,250,712	0	0	-8,250,712	
Expenses for bonuses and discounts	11,363,385	54,300	0	0	11,417,685	9,327,585	15,306	0	0	9,342,891	
Operating expenses	184,623,966	34,712,670	14,300,789	0	233,637,425	175,190,559	33,380,150	12,191,924	0	220,762,633	
– acquisition costs	134,064,349	19,835,483	5,345,261	0	159,245,093	124,928,446	19,450,872	3,563,094	0	147,942,412	
– other operating costs	50,559,617	14,877,187	8,955,528	0	74,392,332	50,262,113	13,929,278	8,628,830	0	72,820,221	
Expenses from investments in subsidiaries and associates	40,624	96,468	0	0	137,092	1,298,370	56,656	0	1,771,827	3,126,853	
– loss on investments accounted for using the equity method	40,624	96,468	0	0	137,092	153,370	56,656	0	1,771,827	1,981,853	
– other expenses from financial assets and liabilities	0	0	0	0	0	1,145,000	0	0	0	1,145,000	
Expenses from investments	10,255,409	56,558,933	46,677	257,467	67,118,486	13,010,608	14,424,339	98,109	118,002	27,651,058	
– loss on impairment of investments	962,748	334,735	0	200,000	1,497,483	310,527	24,728	0	0	335,255	
– loss on disposal of investments	4,385,692	8,681,959	7,554	53,723	13,128,928	4,731,298	6,179,208	65,616	107,474	11,083,596	
– other expenses from investments	4,906,969	47,542,239	39,123	3,744	52,492,075	7,968,783	8,220,403	32,493	10,528	16,232,207	
Other insurance expenses	32,784,314	367,369	592,452	0	33,744,134	27,319,309	324,489	414,264	0	28,058,062	
Other expenses	14,234,004	2,784,219	29,867	27,570,673	44,618,763	13,626,908	2,542,194	82,669	26,009,150	42,260,921	
– expenses from financing	777,130	604,356	0	2,875	1,384,361	1,030,266	597,776	0	2,981	1,631,023	
– other expenses	13,456,874	2,179,863	29,867	27,567,798	43,234,402	12,596,642	1,944,418	82,669	26,006,169	40,629,898	
Profit before tax	75,701,460	14,120,694	3,362,492	4,271,156	97,455,802	62,170,162	18,900,159	3,460,708	-85,948	84,445,081	
Income tax expense	12,839,070	1,634,587	254,261	1,901,639	16,629,557	9,610,584	3,710,362	278,784	1,137,400	14,737,130	
NET PROFIT FOR THE PERIOD	62,862,390	12,486,107	3,108,231	2,369,517	80,826,245	52,559,578	15,189,797	3,181,924	-1,223,348	69,707,951	
Net profit/loss attributable to the controlling company	62,683,418	12,475,561	3,108,231	2,395,544	80,662,753	52,253,418	15,045,033	3,181,924	-1,223,816	69,256,559	
Net profit/loss attributable to the non-controlling interest holders	178,972	10,546	0	-26,027	163,491	306,159	144,764	0	468	451,391	

¹²⁰The data for the previous reference period were reclassified due to a change in the structure of income statement. Details are presented [[→](#) in Chapter 2.4].

Income statement	2018			2017 restated ¹²¹			in EUR
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL	
Net premium income	378,258,596	173,682,272	551,940,868	349,158,918	172,898,435	522,057,353	
– gross written premium	486,096,461	174,113,971	660,210,432	448,495,641	173,475,695	621,971,336	
– ceded written premium	-100,859,391	-437,719	-101,297,110	-92,931,279	-591,302	-93,522,581	
– change in unearned premium reserve	-6,978,474	6,020	-6,972,454	-6,405,444	14,042	-6,391,402	
Income from investments in subsidiaries and associates	5,231,767	73,778	5,305,545	7,106,829	0	7,106,829	
– profit on equity investments accounted for using the equity method	0	0	0	0	0	0	
– other income from investments in subsidiaries and associates	5,231,767	73,778	5,305,545	7,106,829	0	7,106,829	
Income from investments	24,439,758	37,315,377	61,755,135	25,569,081	73,674,821	99,243,902	
– interest income calculated using the effective interest method	9,974,613	26,915,406	36,890,019	11,330,031	27,531,673	38,861,704	
– gains on disposals	10,575,678	7,945,971	18,521,649	9,760,162	15,610,133	25,370,295	
– other income from investments	3,889,467	2,454,000	6,343,467	4,478,888	30,533,015	35,011,903	
Other income from insurance operations	27,303,374	145,010	27,448,384	27,581,724	150,860	27,732,584	
– fees and commission income	16,885,011	119,121	17,004,132	17,888,693	123,036	18,011,729	
– other income from insurance operations	10,418,363	25,889	10,444,252	9,693,031	27,824	9,720,855	
Other income	8,468,264	4,023,715	12,491,979	6,876,459	4,074,964	10,951,423	
Net claims incurred	210,564,633	149,377,041	359,941,674	205,082,765	171,210,065	376,292,830	
– gross claims settled	272,247,890	148,754,692	421,002,582	240,420,167	170,885,357	411,305,524	
– reinsurers' share	-37,665,083	-102,530	-37,767,613	-24,364,538	-259,497	-24,624,035	
– changes in claims provisions	-24,018,174	724,879	-23,293,295	-10,972,864	584,205	-10,388,659	
Change in other insurance technical provisions (excluding ULI)	-824,163	30,323,553	29,499,390	-750,916	36,117,891	35,366,975	
Change in insurance technical provisions for unit-linked insurance contracts	0	-50,884,979	-50,884,979	0	-14,678,837	-14,678,837	
Expenses for bonuses and discounts	10,571,287	0	10,571,287	8,073,088	0	8,073,088	
Operating expenses	121,357,937	31,650,981	153,008,918	115,408,436	30,514,473	145,922,909	
– acquisition costs	89,212,605	21,017,507	110,230,112	84,391,272	20,909,864	105,301,136	
– other operating costs	32,145,332	10,633,474	42,778,806	31,017,164	9,604,609	40,621,773	
Expenses from investments in subsidiaries and associates	4,759	0	4,759	4,435	0	4,435	
– loss on investments accounted for using the equity method	0	0	0	0	0	0	
– other expenses from financial assets and liabilities	4,759	0	4,759	4,435	0	4,435	
Expenses from investments	8,100,760	42,828,967	50,929,727	10,321,309	10,117,669	20,438,978	
– loss on impairment of investments	942,865	306,012	1,248,877	200,000	0	200,000	
– loss on disposal of investments	4,015,614	8,550,750	12,566,364	4,564,995	6,023,361	10,588,356	
– other expenses from investments	3,142,281	33,972,205	37,114,486	5,556,314	4,094,308	9,650,622	
Other insurance expenses	11,481,635	338,004	11,819,639	6,724,795	255,956	6,980,751	
Other expenses	12,852,347	2,741,897	15,594,244	12,486,347	2,382,299	14,868,646	
– expenses from financing	874,476	632,546	1,507,022	939,714	609,352	1,549,066	
– other expenses	11,977,871	2,109,351	14,087,222	11,546,633	1,772,947	13,319,580	
Profit before tax	69,592,564	8,864,688	78,457,252	58,942,752	14,879,564	73,822,316	
Income tax expense	11,333,025	1,580,363	12,913,388	7,613,006	3,687,360	11,300,366	
NET PROFIT FOR THE PERIOD	58,259,539	7,284,325	65,543,864	51,329,746	11,192,204	62,521,950	

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2018¹²¹The data for the previous reference period were reclassified due to a change in the structure of income statement. Details are presented [→ in Chapter 2.4].

5.12.3 Reporting by geographical area for Triglav Group

Statement of financial position			in EUR		
			31 December 2018		
	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	3,587,778,966	399,108,733	3,986,887,699	-341,610,212	3,645,277,487
Intangible assets	67,838,193	16,221,855	84,060,048	0	84,060,048
Property, plant and equipment	73,862,701	39,433,352	113,296,053	0	113,296,053
Deferred tax assets	12,449,543	444,189	12,893,732	0	12,893,732
Investment property	73,403,971	11,072,514	84,476,485	5,363,971	89,840,456
Investments in subsidiaries	209,261,359	5,801,293	215,062,652	-215,062,652	0
Investments in associates	14,125,973	0	14,125,973	0	14,125,973
Financial assets	2,774,056,046	239,931,957	3,013,988,003	-22,567,936	2,991,420,067
Financial investments	2,389,333,756	222,138,477	2,611,472,233	-22,567,936	2,588,904,297
– loans and deposits	121,499,643	34,776,026	156,275,669	-17,417,697	138,857,972
– held to maturity	180,405,984	16,367,201	196,773,185	0	196,773,185
– available for sale	1,640,836,316	166,383,055	1,807,219,371	-4,650,604	1,802,568,767
– recognised at fair value through profit and loss	446,591,813	4,612,195	451,204,008	-499,635	450,704,373
Unit-linked insurance assets	384,722,290	17,793,480	402,515,770	0	402,515,770
Reinsurers' share of technical provisions	141,403,785	19,786,450	161,190,235	-75,269,736	85,920,499
Receivables	162,717,347	49,905,792	212,623,139	-33,968,261	178,654,878
– receivables from direct insurance operations	67,526,174	29,249,541	96,775,715	-174,387	96,601,328
– receivables from reinsurance and coinsurance operations	74,531,636	5,939,633	80,471,269	-29,171,366	51,299,903
– current tax receivables	393,705	185,940	579,645	0	579,645
– other receivables	20,265,832	14,530,678	34,796,510	-4,622,508	30,174,002
Other assets	3,631,703	1,870,617	5,502,320	-105,598	5,396,722
Cash and cash equivalents	54,271,572	13,330,088	67,601,660	0	67,601,660
Non-current assets held for sale	756,773	1,310,626	2,067,399	0	2,067,399
EQUITY AND LIABILITIES	3,587,778,966	399,108,733	3,986,887,699	-341,610,212	3,645,277,487
Equity	844,198,944	111,386,175	955,585,119	-208,722,314	746,862,805
Controlling interests	844,198,944	111,386,175	955,585,119	-211,018,313	744,566,806
– share capital	193,083,889	96,187,665	289,271,554	-215,570,162	73,701,392
– share premium	75,825,056	1,556,543	77,381,599	-27,175,059	50,206,540
– reserves from profit	323,113,430	10,080,486	333,193,916	927,548	334,121,464
– treasury share reserves	0	0	0	364,680	364,680
– treasury shares	0	0	0	-364,680	-364,680
– fair value reserve	59,516,559	8,353,507	67,870,066	-1,632,177	66,237,889
– net profit brought forward	110,168,173	-6,070,106	104,098,067	38,385,512	142,483,579
– net profit/loss for the year	82,491,837	3,931,026	86,422,863	-5,889,220	80,533,643
– currency translation differences	0	-2,652,946	-2,652,946	-64,755	-2,717,701
– reserve of disposal group held for sale	0	0	0	0	0
Non-controlling interests	0	0	0	2,295,999	2,295,999
Subordinated liabilities	22,112,951	0	22,112,951	-6,650,240	15,462,711
Insurance technical provisions	2,162,896,237	222,917,983	2,385,814,220	-75,311,159	2,310,503,061
– unearned premiums	242,089,186	72,851,018	314,940,204	-14,773,258	300,166,946
– mathematical provisions	1,292,659,946	64,573,071	1,357,233,017	0	1,357,233,017
– claims provisions	592,072,952	82,034,169	674,107,121	-59,163,206	614,943,915
– other insurance technical provisions	36,074,153	3,459,725	39,533,878	-1,374,695	38,159,183
Insurance technical provisions for unit-linked insurance contracts	385,091,524	17,506,515	402,598,039	0	402,598,039
Employee benefits	12,471,275	2,333,299	14,804,574	0	14,804,574
Other provisions	1,332,752	586,803	1,919,555	0	1,919,555
Deferred tax liabilities	15,847,476	1,356,100	17,203,576	0	17,203,576
Other financial liabilities	2,466,852	7,078,204	9,545,056	-3,924,152	5,620,904
Operating liabilities	72,847,518	11,813,667	84,661,185	-29,869,130	54,792,055
– liabilities from direct insurance operations	16,952,626	3,464,318	20,416,944	-699,015	19,717,929
– liabilities from reinsurance and co-insurance operations	51,715,802	7,919,968	59,635,770	-29,170,115	30,465,655
– current tax liabilities	4,179,090	429,381	4,608,471	0	4,608,471
Other liabilities	68,513,437	24,129,987	92,643,424	-17,133,217	75,510,207
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0

Statement of financial position

in EUR

	SLOVENIA	OTHER	31 December 2017 TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	3,614,478,901	402,552,981	4,017,031,882	-342,355,689	3,674,676,193
Intangible assets	64,429,076	14,411,536	78,840,612	0	78,840,612
Property, plant and equipment	73,583,739	37,626,698	111,210,437	0	111,210,437
Deferred tax assets	13,357,451	411,664	13,769,115	0	13,769,115
Investment property	76,402,270	12,241,242	88,643,512	5,363,971	94,007,483
Investments in subsidiaries	195,617,238	7,275,780	202,893,018	-202,893,018	0
Investments in associates	6,449,324	0	6,449,324	0	6,449,324
Financial assets	2,830,737,860	239,918,694	3,070,656,554	-32,569,806	3,038,086,748
Financial investments	2,399,932,370	220,488,140	2,620,420,510	-32,569,806	2,587,850,704
– loans and deposits	111,821,768	40,850,478	152,672,246	-27,420,759	125,251,487
– held to maturity	203,560,517	17,830,059	221,390,576	0	221,390,576
– available for sale	1,663,292,719	156,680,708	1,819,973,427	-4,649,527	1,815,323,900
– recognised at fair value through profit and loss	421,257,366	5,126,895	426,384,261	-499,520	425,884,741
Unit-linked insurance assets	430,805,490	19,430,554	450,236,044	0	450,236,044
Reinsurers' share of technical provisions	141,119,147	23,982,963	165,102,110	-81,286,534	83,815,576
Receivables	145,898,870	48,828,707	194,727,577	-30,849,223	163,878,354
– receivables from direct insurance operations	59,122,562	26,749,924	85,872,486	-149,994	85,722,492
– receivables from reinsurance and coinsurance operations	62,936,521	7,779,467	70,715,988	-25,776,286	44,939,702
– current tax receivables	4,457	27,754	32,211	0	32,211
– other receivables	23,835,330	14,271,562	38,106,892	-4,922,943	33,183,949
Other assets	2,245,426	1,797,910	4,043,336	-121,079	3,922,257
Cash and cash equivalents	63,881,727	14,536,120	78,417,847	0	78,417,847
Non–current assets held for sale	756,773	1,521,667	2,278,440	0	2,278,440
EQUITY AND LIABILITIES	3,614,478,901	402,552,981	4,017,031,882	-342,355,689	3,674,676,193
Equity	842,431,956	112,712,330	955,144,286	-198,498,603	756,645,683
Controlling interests	842,431,956	112,712,330	955,144,286	-205,306,042	749,838,244
– share capital	183,918,127	96,397,709	280,315,836	-206,614,444	73,701,392
– share premium	75,913,505	1,556,543	77,470,048	-27,066,392	50,403,656
– reserves from profit	322,949,553	9,356,482	332,306,035	1,101,038	333,407,073
– fair value reserve	88,222,900	8,838,235	97,061,135	-1,662,899	95,398,236
– net profit brought forward	128,992,839	-3,904,867	125,087,972	35,560,020	160,647,992
– net profit/loss for the year	42,435,032	3,152,627	45,587,659	-6,453,704	39,133,955
– currency translation differences	0	-2,684,399	-2,684,399	-169,661	-2,854,060
Subordinated liabilities	0	0	0	6,807,439	6,807,439
Insurance technical provisions	22,108,180	0	22,108,180	-6,649,048	15,459,132
– unearned premiums	2,139,794,923	222,126,698	2,361,921,621	-79,220,595	2,282,701,026
– mathematical provisions	223,888,442	69,047,539	292,935,981	-14,823,262	278,112,719
– claims provisions	1,269,100,045	62,098,363	1,331,198,408	1,856,981	1,333,055,389
– other insurance technical provisions	617,489,746	87,238,281	704,728,027	-66,254,314	638,473,713
Insurance technical provisions for unit-linked insurance contracts	29,316,690	3,742,515	33,059,205	0	33,059,205
Employee benefits	430,052,242	19,492,322	449,544,564	0	449,544,565
Other provisions	11,920,963	2,058,880	13,979,843	0	13,979,843
Deferred tax liabilities	2,351,028	1,443,619	3,794,647	0	3,794,647
Other financial liabilities	24,957,195	1,439,384	26,396,579	0	26,396,579
Operating liabilities	10,009,188	5,415,316	15,424,504	-9,835,123	5,589,381
– liabilities from direct insurance operations	64,669,856	11,273,259	75,943,115	-26,561,513	49,381,602
– liabilities from reinsurance and co–insurance operations	15,840,323	3,655,225	19,495,548	-620,225	18,875,323
– current tax liabilities	47,201,500	7,497,946	54,699,446	-25,941,288	28,758,158
Other liabilities	1,628,033	120,088	1,748,121	0	1,748,121
Non–current liabilities held for sale and discontinued operations	66,183,370	26,591,173	92,774,543	-21,590,808	71,183,735

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Income statement	2018			2017 restated ¹²²			in EUR
	SLOVENIA	OTHER	TOTAL	SLOVENIA	OTHER	TOTAL	
Net premium income	779,269,087	172,493,775	951,762,862	734,661,208	156,536,161	891,197,369	
– gross written premium	877,185,838	191,208,569	1,068,394,407	822,832,394	177,084,232	999,916,626	
– ceded written premium	-89,697,015	-16,927,893	-106,624,908	-80,612,495	-16,938,238	-97,550,733	
– change in unearned premium reserve	-8,219,736	-1,786,901	-10,006,637	-7,558,691	-3,609,833	-11,168,524	
Income from investments in subsidiaries and associates	1,021,159	0	1,021,159	224,605	0	224,605	
– profit on equity investments accounted for using the equity method	1,021,159	0	1,021,159	224,605	0	224,605	
– other income from investments in subsidiaries and associates	0	0	0	0	0	0	
Income from investments	79,460,683	9,428,394	88,889,077	121,556,727	11,387,711	132,944,438	
– interest income calculated using the effective interest method	47,848,810	7,724,432	55,573,242	49,934,502	8,262,080	58,196,582	
– gains on disposals	23,219,606	558,231	23,777,837	28,739,643	1,050,837	29,790,480	
– other income from investments	8,392,267	1,145,731	9,537,998	42,882,582	2,074,794	44,957,376	
Other income from insurance operations	24,411,526	5,426,455	29,837,981	23,769,551	5,467,680	29,237,231	
– fees and commission income	14,757,683	1,048,498	15,806,181	14,910,284	1,577,185	16,487,469	
– other income from insurance operations	9,653,843	4,377,957	14,031,800	8,859,267	3,890,495	12,749,762	
Other income	28,874,202	7,275,331	36,149,533	26,925,437	7,107,679	34,033,116	
Net claims incurred	523,119,553	103,440,845	626,560,398	529,190,451	90,768,331	619,958,782	
– gross claims settled	569,323,507	110,276,711	679,600,218	551,469,877	90,692,692	642,162,569	
– reinsurers' share	-34,216,954	-5,772,012	-39,988,966	-18,968,468	-5,605,141	-24,573,609	
– changes in claims provisions	-18,184,698	-1,063,854	-19,248,552	-9,596,744	5,680,780	-3,915,964	
– equalisation scheme expenses for supplementary health insurance	6,197,698	0	6,197,698	6,285,786	0	6,285,786	
Change in other insurance technical provisions (excluding ULI)	37,683,950	2,176,423	39,860,373	55,383,283	4,897,907	60,281,190	
Change in insurance technical provisions for unit-linked insurance contracts	-44,833,006	-2,056,541	-46,889,547	-8,309,768	59,056	-8,250,712	
Expenses for bonuses and discounts	10,346,687	1,070,998	11,417,685	8,287,867	1,055,024	9,342,891	
Operating expenses	167,445,429	66,191,996	233,637,425	158,814,013	61,948,620	220,762,633	
– acquisition costs	112,892,556	46,352,537	159,245,093	106,001,753	41,940,659	147,942,412	
– other operating costs	54,552,873	19,839,459	74,392,332	52,812,260	20,007,961	72,820,221	
Expenses from investments in subsidiaries and associates	137,092	0	137,092	3,126,853	0	3,126,853	
– loss on investments accounted for using the equity method	137,092	0	137,092	1,981,853	0	1,981,853	
– other expenses from financial assets and liabilities	0	0	0	1,145,000	0	1,145,000	
Expenses from investments	63,012,641	4,105,845	67,118,486	26,056,157	1,594,901	27,651,058	
– loss on impairment of investments	1,448,876	48,607	1,497,483	200,000	135,255	335,255	
– loss on disposal of investments	12,821,070	307,858	13,128,928	11,083,421	175	11,083,596	
– other expenses from investments	48,742,695	3,749,380	52,492,075	14,772,736	1,459,471	16,232,207	
Other insurance expenses	26,638,755	7,105,380	33,744,134	22,090,097	5,967,965	28,058,062	
Other expenses	34,305,265	10,313,498	44,618,763	32,067,210	10,193,711	42,260,921	
– expenses from financing	1,324,643	59,718	1,384,361	1,368,553	262,470	1,631,023	
– other expenses	32,980,622	10,253,780	43,234,402	30,698,657	9,931,241	40,629,898	
Profit before tax	95,180,291	2,275,511	97,455,802	80,431,365	4,013,716	84,445,081	
Income tax expense	15,960,473	669,084	16,629,557	14,146,726	590,404	14,737,130	
NET PROFIT FOR THE PERIOD	79,219,818	1,606,427	80,826,245	66,284,639	3,423,312	69,707,951	
Net profit/loss attributable to the controlling company	79,230,941	1,431,813	80,662,753	66,155,033	3,101,526	69,256,559	
Net profit/loss attributable to the non-controlling interest holders	-11,123	174,614	163,491	129,606	321,785	451,391	

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2018¹²²The data for the previous reference period were reclassified due to a change in the structure of income statement. Details are presented [→ in Chapter 2.4].

5.12.4 Reporting by geographical area for Zavarovalnica Triglav

Zavarovalnica Triglav operates mainly in the territory of the Republic of Slovenia. As more than 94% of premium income is generated by the sale of insurance to the domestic insureds, the Company does not report by geographical area.

5.13 Reporting by guarantee funds posted separately for Zavarovalnica Triglav

5.13.1 Assets and liabilities of pension funds formed as a guarantee fund

	31 December 2018				31 December 2017				in EUR
Statement of financial position for PDPZ funds	PDPZ skupina	PDPZ zajamčeni	PDPZ zmerni	PDPZ drzni	PDPZ skupina	PDPZ zajamčeni	PDPZ zmerni	PDPZ drzni	
ASSETS	207,106,565	192,764,055	8,947,445	5,851,602	203,039,603	191,176,247	7,626,681	4,446,537	
Investment property and other real property rights	0	0	0	0	0	0	0	0	
Investment property	0	0	0	0	0	0	0	0	
Other real property rights	0	0	0	0	0	0	0	0	
Financial investments	202,653,923	188,967,366	8,435,560	5,250,997	197,647,674	186,837,285	6,918,129	3,892,260	
Measured at amortised cost, of which:	0	0	0	0	3,000,009	3,000,009	0	0	
- debt securities	0	0	0	0	3,000,009	3,000,009	0	0	
- equity securities	0	0	0	0	0	0	0	0	
Measured at fair value through other comprehensive income, of which:	0	0	0	0	0	0	0	0	
- debt securities	0	0	0	0	0	0	0	0	
- equity securities	0	0	0	0	0	0	0	0	
Measured at fair value through through profit or loss, of which:	202,653,923	188,967,366	8,435,560	5,250,997	194,647,665	183,837,276	6,918,129	3,892,260	
- debt securities	192,543,106	188,967,366	3,575,740	0	182,366,293	179,858,912	2,507,381	0	
- equity securities	10,110,817	0	4,859,820	5,250,997	12,281,372	3,978,364	4,410,748	3,892,260	
Receivables	194,973	2,432,172	322,001	390,271	191,063	2,187,268	386,986	400,016	
Receivables from fund manager up to guaranteed return	0	0	0	0	0	0	0	0	
Other receivables	194,973	2,432,172	322,001	390,271	191,063	2,187,268	386,986	400,016	
Cash and cash equivalents	4,257,669	1,364,517	189,884	210,334	5,200,866	2,151,694	321,566	154,261	
Other assets	0	0	0	0	0	0	0	0	
Off-balance-sheet assets	0	0	0	0	0	0	0	0	
Financial derivatives	0	0	0	0	0	0	0	0	
Other off-balance-sheet assets	0	0	0	0	0	0	0	0	
LIABILITIES	207,106,565	192,764,055	8,947,445	5,851,602	203,039,603	191,176,247	7,626,681	4,446,537	
Insurance technical provisions	206,522,062	192,206,083	8,897,217	5,418,762	202,434,105	190,518,071	7,600,336	4,315,698	
Mathematical provisions for net paid-in premiums	163,705,596	149,000,891	9,068,192	5,636,513	154,598,302	143,211,613	7,350,079	4,036,610	
Mathematical provisions for capital gain on the guarantee fund	43,205,192	43,205,192	0	0	47,306,458	47,306,458	0	0	
- fair value reserve	0	0	0	0	0	0	0	0	
Insurance provisions for business funds backing unit-linked insurance, of which:	-388,726	0	-170,975	-217,751	529,345	0	250,257	279,088	
- fair value reserve	0	0	0	0	311	0	303	8	
Financial liabilities	0	0	0	0	0	0	0	0	
Operating liabilities	583,051	557,003	12,826	11,962	603,479	567,141	26,104	10,017	
Liabilities from acquired securities and other financial instruments	0	0	0	0	0	0	0	0	
Guarantee fund manager liabilities	226,491	202,216	12,826	11,449	225,205	203,439	11,749	10,017	
Cash surrender value payments to guarantee fund members	355,300	354,787	0	513	378,057	363,702	14,355	0	
Other operating liabilities	1,260	0	0	0	217	0	0	0	
Other liabilities	1,452	969	37,402	420,878	2,019	91,035	241	120,822	
Financial derivatives	0	0	0	0	0	0	0	0	
Guarantees given	0	0	0	0	0	0	0	0	
Other off-balance-sheet assets	0	0	0	0	0	0	0	0	
Financial derivatives	0	0	0	0	0	0	0	0	

5.13.2 Statement of financial position for funds posted separately

	31 December 2018		31 December 2017		in EUR
Statement of financial position for funds posted separately	Renta 1	Renta 2	Renta 1	Renta 2	
ASSETS	37,156,896	10,445,014	35,867,987	6,593,743	
Investment property and financial investments	36,181,097	10,046,928	35,043,153	5,820,774	
Investment property	0	0	0	0	
Financial investments in subsidiaries and associates	0	0	0	0	
Investments in subsidiaries	0	0	0	0	
Investments in associates	0	0	0	0	
Other financial investments	36,181,097	10,046,928	35,043,153	5,820,774	Business Report
Shares and other floating rate securities and fund coupons	0	0	0	0	
Debt and other fixed return securities	36,181,097	10,046,928	35,043,153	5,820,774	
Investment fund shares	0	0	0	0	
Mortgage loans	0	0	0	0	
Other loans	0	0	0	0	Risk Management
Deposits with banks	0	0	0	0	
Other financial investments	0	0	0	0	
Reinsurers' share of technical provisions	0	0	0	0	
– from unearned premium	0	0	0	0	
– from mathematical provision	0	0	0	0	
– from outstanding claims	0	0	0	0	Accounting Report
– from bonuses and discounts	0	0	0	0	
– from technical provisions for life insurance policy holders who bear investment risk	0	0	0	0	
Receivables	234,921	37,548	340,396	72,319	
Receivables from direct insurance	0	0	0	0	Table of Contents
– receivables from insurers	0	0	0	0	
– receivables from insurance brokers	0	0	0	0	
– other receivables from direct insurance operations	0	0	0	0	
Receivables from re-insurance operations	0	0	0	0	
Other receivables	234,921	37,548	340,396	72,319	
Other assets	740,878	360,538	484,438	700,650	
Cash and cash equivalents	740,878	360,538	484,438	700,650	
Other assets	0	0	0	0	
Short-term deferred assets	0	0	0	0	
Accrued income from interest and rent	0	0	0	0	The Triglav Group and Zavarovalnica Triglav d.d. Annual Report 2018
Short-term deferred expenses	0	0	0	0	
Other short-term deferred items	0	0	0	0	
LIABILITIES	37,156,896	10,445,014	35,867,987	6,593,743	
Fair value reserves	0	0	0	0	
Gross insurance technical provisions	36,863,008	10,101,083	35,740,183	6,079,150	
– gross provisions for unearned premiums	0	0	0	0	
– gross mathematical provisions	36,863,008	10,101,083	35,740,183	6,079,150	
– gross claim provisions	0	0	0	0	
– gross provisions for bonuses and discounts	0	0	0	0	
Gross insurance technical provisions for unit-linked insurance contracts	0	0	0	0	
Liabilities from reinsurers' investments in reinsurance contracts	0	0	0	0	
Other liabilities	293,888	343,931	127,804	514,593	
Liabilities from direct insurance operations	250,957	311,230	87,815	498,454	
– liabilities to policy holders	12,478	2,003	5,718	0	
– liabilities to agents and brokers	0	0	0	0	
– other liabilities from direct insurance operations	238,479	309,227	82,097	498,454	
Liabilities from co-insurance and re-insurance operations	0	0	0	0	
Other liabilities	42,931	32,701	39,989	16,139	
Accruals	0	0	0	0	

	in EUR	
Statement of financial position for guarantee fund backing unit-linked life insurance	31 December 2018	31 December 2017
ASSETS	369,602,435	425,759,811
Investment property and financial investments	366,664,078	417,607,959
Investment property	0	0
Financial investments in subsidiaries and associates	0	0
Investments in subsidiaries	0	0
Investments in associates	0	0
Other financial investments	366,664,078	417,607,959
Shares and other floating rate securities and fund coupons	316,843,905	358,877,558
Debt and other fixed return securities	45,790,181	54,581,098
Investment fund shares	0	0
Mortgage loans	0	0
Other loans	0	0
Deposits with banks	4,029,992	4,149,303
Other financial investments	0	0
Reinsurers' share of technical provisions	0	0
– from unearned premium	0	0
– from mathematical provision	0	0
– from outstanding claims	0	0
– from bonuses and discounts	0	0
– from technical provisions for life insurance policy holders who bear investment risk	0	0
Receivables	4,218	7,345
Receivables from direct insurance	1,625	1,499
– receivables from insurers	0	0
– receivables from insurance brokers	0	0
– other receivables from direct insurance operations	1,625	1,499
Receivables from re-insurance operations	0	0
Other receivables	2,593	5,846
Other assets	2,934,139	8,144,507
Cash and cash equivalents	2,934,139	8,144,507
Other assets	0	0
Short-term deferred assets	0	0
Accrued income from interest and rent	0	0
Short-term deferred expenses	0	0
Other short-term deferred items	0	0
LIABILITIES	369,602,435	425,759,811
Fair value reserves	0	0
Gross insurance technical provisions	0	0
– gross provisions for unearned premiums	0	0
– gross mathematical provisions	0	0
– gross claim provisions	0	0
– gross provisions for bonuses and discounts	0	0
Gross insurance technical provisions for unit-linked insurance contracts	365,238,075	416,250,767
Liabilities from reinsurers' investments in reinsurance contracts	0	0
Other liabilities	4,364,360	9,509,044
Liabilities from direct insurance operations	35,990	13,719
– liabilities to policy holders	0	0
– liabilities to agents and brokers	0	0
– other liabilities from direct insurance operations	35,990	13,719
Liabilities from co-insurance and re-insurance operations	0	0
Other liabilities	4,328,370	9,495,325
Accruals	0	0

5.13.3 Income statement of pension funds formed as a guarantee fund

	2018				2017				in EUR
Income statement for PDPZ funds	PDPZ skupina	PDPZ zajamčeni	PDPZ zmerni	PDPZ drzni	PDPZ skupina	PDPZ zajamčeni	PDPZ zmerni	PDPZ drzni	
Financial income	5,265,973	4,565,400	379,548	321,025	7,172,431	6,356,631	354,849	460,951	
Income from dividends and profit sharing	208,074	42,760	81,222	84,092	92,243	15,911	36,616	39,716	
Interest income	3,840,785	3,773,690	67,093	2	4,278,575	4,244,406	34,167	2	
Gains on disposal of financial investments	371,567	346,305	25,242	20	606,125	413,263	91,278	101,584	
Net income from changes in the fair value of investments which are recognised at fair value through profit or loss	617,329	402,473	101,060	113,796	2,167,783	1,676,705	186,591	304,487	
Other financial income	228,218	172	104,931	123,115	27,705	6,346	6,197	15,162	
Income from investment property	0	0	0	0	0	0	0	0	
Rental income from investment property	0	0	0	0	0	0	0	0	
Gains on disposal of investment property	0	0	0	0	0	0	0	0	
Net income from changes in the fair value of investments, which are recognised at fair value through profit or loss	0	0	0	0	0	0	0	0	
Financial expenses	5,701,233	4,276,930	668,545	755,758	3,133,105	2,683,320	180,680	269,105	
Interest expenses	0	0	0	0	0	0	0	0	
Losses from disposal of financial investments	791,077	773,132	9,533	8,412	1,142,414	1,126,387	2,986	13,041	
Revaluation operating expenses arising from a change in the fair value of financial investment through profit and loss	4,885,448	3,503,754	647,551	734,143	1,612,433	1,525,822	36,994	49,617	
Other financial expenses	24,708	44	11,461	13,203	378,258	31,111	140,700	206,447	
Expenses from investment property	0	0	0	0	0	0	0	0	
Expenses from management and rental of investment property	0	0	0	0	0	0	0	0	
Losses from disposal of investment property	0	0	0	0	0	0	0	0	
Revaluation operating expenses arising from a change in the fair value of investment property through profit and loss	0	0	0	0	0	0	0	0	
Result of investment activities	-435,260	288,470	-288,997	-434,733	4,039,326	3,673,311	174,169	191,846	
Income from payments by investment manager for not achieving the guaranteed return	0	0	0	0	0	0	0	0	
Other income	0	0	0	0	0	0	0	0	
Other expenses directly charged to the guarantee fund in line with the fund management rules	2,056,071	1,901,055	95,231	59,785	1,978,577	1,883,252	59,023	36,302	
Management commission	2,035,385	1,901,055	83,141	51,189	1,963,462	1,883,252	50,795	29,415	
Custodian bank fees	5,373	0	3,326	2,047	3,208	0	2,032	1,176	
Auditing expenses	3,812	0	1,906	1,906	3,050	0	1,525	1,525	
Information expenses relating to guarantee fund members	0	0	0	0	0	0	0	0	
Brokerage expenses for the purchase and sale of securities	0	0	0	0	0	0	0	0	
Other expenses (which, according to the management rules, are) directly charged to the guarantee fund	11,501	0	6,858	4,643	8,857	0	4,671	4,186	
Other expenses	2	0	1	1	1	0	0	1	
Net profit intended for the insured	-2,491,333	-1,612,585	-384,229	-494,519	2,060,748	1,790,059	115,146	155,543	

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5.13.4 Income statement for funds posted separately

	2018		2017		in EUR
Income statement of the guarantee fund backing additional pension insurance during the annuity payout period	Renta 1	Renta 2	Renta 1	Renta 2	
Transfer of funds from the pension scheme of additional pension insurance	3,608,382	5,215,651	4,071,895	4,170,609	
This legal entity	3,305,260	760,294	3,394,676	824,595	
Other insurance company	0	0	0	0	
Other pension companies	303,122	4,455,357	677,219	3,346,014	
Mutual pension fund	0	0	0	0	
Income from investments	1,433,512	119,039	1,085,859	100,770	
Income from dividends	0	0	0	0	
Income from other investments	843,424	108,805	950,608	98,013	
Income from land and buildings	0	0	0	0	
Interest income	608,554	71,257	610,263	25,694	
Other investment income	234,870	37,548	340,345	72,319	
Income from asset value adjustments	0	0	0	0	
Profit on disposal of investments	590,088	10,234	135,251	2,757	
Claims incurred	3,541,029	1,102,574	3,590,566	590,950	
Gross claims settled	3,541,029	1,102,574	3,590,566	590,950	
Change in gross provisions for claims outstanding	0	0	0	0	
Change in other net technical provisions (+/-)	1,013,338	4,018,142	1,085,521	3,525,984	
Change of mathematical provisions (+/-)	1,013,338	4,018,142	1,085,521	3,525,984	
Change of other net technical provisions (+/-)	0	0	0	0	
Expenses included in policies	487,527	200,613	481,571	148,819	
Initial expenses	10,703	156,470	20,317	125,118	
Collection, administrative expenses	364,944	0	347,982	0	
Costs of claim settlement	111,880	44,143	113,272	23,701	
Net operating expenses	109,356	94,043	91,949	67,656	
Acquisition costs	0	64,563	0	51,315	
Change of deferred acquisition costs (+/-)	0	0	0	0	
Other operating expenses	109,356	29,480	91,949	16,341	
Depreciation of assets used in insurance business	5,578	1,501	5,387	962	
Labour costs	58,664	15,790	53,180	9,500	
- wages and salaries	40,922	11,015	37,504	6,700	
- social security and pension insurance costs	7,207	1,940	6,462	1,154	
- other labour costs	10,535	2,835	9,214	1,646	
Costs of services provided by natural persons other than sole proprietors (costs under work contracts, service contracts and other relationships), together with duties and charges borne by the company	100	27	33	6	
Other operating expenses	45,014	12,162	33,349	5,873	
Income from reinsurance commissions and from participation in the positive technical result from reinsurance contract (-)	0	0	0	0	
Expenses from investments	0	13,361	96	5,626	
Depreciation and amortization of assets not used in operations	0	0	0	0	
Expenses arising from asset management, interest expenses and other financial expenses	0	9,538	0	5,626	
Revaluation financial expenses	0	0	0	0	
Loss on disposal of investments	0	3,823	96	0	
Profit or loss of the guarantee fund, taking into account expenses included in policies	0	0	0	0	
Profit or loss of the guarantee fund, taking into account net operating expenses	378,171	106,570	389,622	81,163	

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	in EUR	
	2018	2017
Income statement for guarantee fund backing unit-linked life insurance		
Gross written premium	46,834,564	44,005,246
Income from investments	1,560,287	31,113,126
Income from dividends	1,442	94
Income from other investments	1,252,017	28,520,955
Income from land and buildings	0	0
Interest income	811,771	760,518
Other investment income	440,246	27,760,437
– financial income from revaluation	440,246	27,760,437
– other financial income	0	0
Income from asset value adjustments	0	0
Profit on disposal of investments	306,828	2,592,077
Expenses from cash surrender value	59,839,416	81,504,295
Ordinary termination	40,103,123	63,983,459
Extraordinary termination	19,736,293	17,520,836
– withdrawal from insurance contract	18,221,987	16,323,264
– cancellation of insurance contract	0	0
– death of the insured person	1,514,306	1,197,572
Change in other net technical provisions (+/-)	-50,884,979	-14,678,837
Change of mathematical provisions (+/-)	-50,884,979	-14,678,837
Change of other net technical provisions (+/-)	0	0
Fund management costs	8,157,745	7,995,618
Entry fees	1,170,538	1,867,083
Exit costs	0	0
Management commission	6,987,207	6,128,535
Expenses from investments	31,282,669	297,296
Depreciation and amortization of assets not used in operations	0	0
Expenses arising from asset management, interest expenses and other financial expenses	0	73
Revaluation financial expenses	28,122,518	142,893
Loss on disposal of investments	3,160,151	154,330
Net profit for the period	0	0

GRI Content Index according to GRI Global Standards

GRI Content Index according to GRI Global Standards- Core option "This report has been prepared in accordance with the GRI Standards: Core option."

GENERAL STANDARD DISCLOSURES

GRI Standard and Disclosure	Disclosure	Section/Page number(s)	Remarks/Omissions
GRI 101: Foundation 2016			
GRI 102: General Disclosures			
Organisational profile 2016			
102-1	Name of the organization	2.3/P. 12	
102-2	Activities, brands, products, and services	2.6/P. 15	
102-3	Location of headquarters	2.3/P. 12	
102-4	Location of operations	2.6/P. 15, 6.5/P. 46, 7.3/P. 49, 7.4/P. 50	
102-5	Ownership and legal form	6.3/P. 44	
102-6	Markets served (geographic location, sectors served and types of customers and beneficiaries)	2.6/P. 15, 7.3/P. 49, 7.4/P. 50	
102-7	Scale of the organization	2.1/P. 11, 2.2/P. 11, 4.4/P. 30, 12.4.1.1/P. 98	
102-8	Information on employees and other workers by employment contract, region and age	12.4.1.1/P. 98, 99	
102-9	Supply chain	12.3/P. 97	Number of suppliers is not reported.
102-10	Significant changes to the organization's size, structure, ownership, or supply chain	2.6.4./P. 18, 5.4/P. 39, 6.3/P. 44, 12.3/P. 97	
102-11	Precautionary Principle or approach	Risk Management Section 143–167	
102-12	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	5.2/P. 32, 12.1/P. 93	
102-13	Membership of associations	12.1/P. 93	
Strategy and analysis			
102-14	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy for addressing sustainability	1/P. 8–10	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour and the Code of Ethics	12.5/P. 108	
Governance			
102-18	Governance structure of the organization, including committees of the highest governance body	5.3/P. 32–38, 5.4/P. 39	

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GRI Content Index according to GRI Global Standards- Core option “This report has been prepared in accordance with the GRI Standards: Core option.”

GENERAL STANDARD DISCLOSURES

GRI Standard and Disclosure	Disclosure	Section/Page number(s)	Remarks/Omissions
Stakeholder engagement			
102-40	A list of stakeholder groups engaged by the organization	12.2/P. 94–95	
102-41	Percentage of total employees covered by collective agreement	12.4.1.1/P. 99	
102-42	The basis for identifying and selecting stakeholders with whom to engage	6.5/P. 46, 12.2/P. 94–95	
102-43	The organization's approach to stakeholder engagement, including frequency of engagement by stakeholder group	6.5/P. 46, 12.2/P. 94–95, 12.4.2.1/P. 101	
102-44	Key topics and concerns that have been raised through stakeholder engagement, including how the organization has responded to those key topics and concerns, including through its reporting	12.2/P. 94–95, 12.4.2.1/P. 101, 12.5/P. 108	
Reporting practice			
102-45	Entities included in the consolidated financial statements	Accounting Report 2.7/P. 195	
102-46	Defining report content and topic Boundaries	P. 91	
102-47	List of material topics	12.1/P. 92, GRI Content Index/P. 288	The essential topics recognised by the Triglav Group are stated in this GRI Content Index. Nonessential topics are not reported.
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	P. 91	
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries	P. 91	Compared to the previous reports, the volume of reported topics did not significantly change.
102-50	Reporting period	P. 91	
102-51	Date of most recent report		The most recent Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2017 was published on 31 March 2018.
102-52	Reporting cycle (annually, quarterly)	P. 91	
102-53	Contact point for questions regarding the report	2.3/P. 12	
102-54	Claims of reporting in accordance with the GRI Standards	GRI Content Index/P. 288	
102-55	GRI Content Index	P. 288	
102-56	External assurance		The Company has not yet decided to have the GRI standards externally assured.

TOPIC-SPECIFIC DISCLOSURES			
The management approach and its components	Material topic	Page number(s)	Reason for Omission/Notes
ECONOMIC IMPACT			
GRI 201: Economic Performance			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	4.2/P. 27, 4.3/P. 29, 12.3/P. 96	
201-1	Direct economic value generated and distributed	2.3/P. 12, 12.3/P. 96	
201-2	Financial implications and other risks and opportunities due to climate change	7.3/P. 49	
201-3	Defined benefit plan obligations and other retirement plans	12.4.4/P. 104	
201-4	Pomembnejše prejete državne pomoči, subvencije	12.3/str. 97	
GRI 202: Labour/management relations 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	4.3/P. 29	
202-2	Proportion of senior management hired from the local community	12.4.1.1/P. 99	
GRI 203: Indirect economic impacts 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3/P. 96, 12.6.1/P. 109, 12.6.2/P. 112	
203-1	Extent of development of significant infrastructure investments and services supported	12.6.1/P. 110, 12.6.2/P. 112	
GRI 204: Procurement practices 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3/P. 97	
204-1	Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation	12.3/P. 97	Share is not reported.
GRI 205: Anti-corruption 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 108	
205-1	Total number and percentage of operations assessed for risks related to corruption	12.5/P. 108	
205-3	Total number and percentage of operations assessed for risks related to corruption, confirmed incidents of corruption and actions taken	12.5/P. 108	
GRI 206: Anti-competitive behaviour			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.3/P. 97	
206-1	Number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation	12.3/P. 97	
ENVIRONMENTAL IMPACT			
GRI 302: Energy 2016			
103-1,103-2,103-3,	Explanation of the material topic and its Boundary	12.7/P. 116	
302-1	Energy consumption within the organization	12.7/P. 116	
GRI 305: Emissions 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.7/P. 115	
305-1	Direct (Scope 1) GHG emissions	12.7/P. 115	
305-2	Energy indirect (Scope 2) GHG emissions	12.7/P. 115	
305-3	Other indirect (Scope 3) GHG emissions	12.7/P. 115	
GRI 306: Effluents and waste 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.7/P. 116	
306-2	Total weight of waste, with a breakdown by the disposal methods	12.7/P. 116	Quantitative data on disposal methods are not included.

TOPIC-SPECIFIC DISCLOSURES			
The management approach and its components	Material topic	Page number(s)	Reason for Omission/Notes
SOCIAL IMPACT			
GRI 401: Employment 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.1/P. 98, 12.4.4/P. 103	
401-1	New employee hires and employee turnover	12.4.1/P. 99	
401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation.	12.4.1.1/P. 99, 12.4.4/P. 104	
401-3	Total number of employees that returned to work in the reporting period after parental leave ended, by gender	12.4.4/P. 104	
GRI 402: Labour/management relations 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.4/P. 104	
402-1	Minimum notice periods regarding operational changes, including the information whether the notice period and provisions for consultation and negotiation are specified in collective agreements	12.4.4/P. 104	
GRI 403: Occupational health and safety 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.3/P. 102	
403-1	Occupational health and safety management system	12.4.3/P. 102	
403-2	Hazard identification, risk assessment, and incident investigation	12.4.3/P. 102	
403-3	Occupational health services	12.4.3/P. 102	
403-4	Worker participation, consultation, and communication on occupational health and safety	12.4.3/P. 103	
403-5	Worker training on occupational health and safety	12.4.3/P. 102	
403-6	Promotion of worker health	12.4.3/P. 102	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	12.4.3/P. 102	
403-8	Workers covered by an occupational health and safety management system	12.4.3/P. 102	
403-9	Work-related injuries	12.4.3/P. 103	
403-10	Work-related ill health	12.4.3/P. 103	
GRI 404: Training and education 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.2/P. 100	
404-1	Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category	12.4.2/P. 100	Data capture does not include classification by employee category
404-3	Percentage of employees receiving regular performance and career development reviews by gender	12.4.2/P. 100	
GRI: 405: Diversity and equal opportunity 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.1/P. 98	
405-1	Diversity of governance bodies and employees (gender, age group, representatives of minorities, other indicators of diversity)	5.3.2.2/P. 35, 5.3.3.2/P. 37, 12.4.1.1/P. 99	
405-2	Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation	12.4.1.1/P. 99	
GRI 412: Human rights assessment 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.1/P. 98	
412-2	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations and percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations	12.4.2/P. 100, 12.5/P. 108	

TOPIC-SPECIFIC DISCLOSURES			
The management approach and its components	Material topic	Page number(s)	Reason for Omission/Notes
GRI 406: Non-discrimination 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.4.4/P. 105	
406-1	Total number of incidents of discrimination during the reporting period and actions taken	12.4.4/P. 105	
GRI 413: Local communities 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.6.1/P. 110	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs	12.6.1/P. 110	
GRI 415: Public policy 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 108	
415-1	Political contributions	12.5/P. 108	
GRI 418 Customer privacy 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 108	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	12.5/P. 108	
GRI 419: Socioeconomic compliance 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 108	
419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	12.5/P. 108	
GRI 417: Marketing and labelling 2016			
103-1, 103-2, 103-3	Explanation of the material topic and its Boundary	12.5/P. 106	
417-1	Requirements for product and service information and labelling	12.5/P. 108	
417-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling	12.5/P. 106	
417-3	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorships by incidents of non-compliance with regulations resulting in a fine, penalty or warning	11.6/P. 89	
Financial Services Sector Disclosures - GRI G4			
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit	12.5/P. 106, 107	The data monitoring system does not yet allow a precise calculation.
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit	12.5/P. 106, 107	The data monitoring system does not yet allow a precise calculation.
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	11.1/P. 84	Quantitative data on access points are not recorded in this way.
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	11.1/P. 84, 12.5/P. 106, 107	

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