

**Report of the Supervisory Board of Zavarovalnica Triglav, d.d. on the review of the Annual Report of Zavarovalnica Triglav, d.d. and the Triglav Group for 2013 and Opinion of the Supervisory Board of Zavarovalnica Triglav, d.d. on the Internal Audit Department's annual report on internal auditing at Zavarovalnica Triglav, d.d. for 2013**

The Supervisory Board actively monitored the company's performance and supervised its management in 2013. It was regularly briefed on various aspects of the company's performance, and took appropriate measures in this connection while monitoring their realisation. Individual issues were discussed within the framework of the Supervisory Board's committees, the Supervisory Board passing resolutions and recommendations on the basis of their findings.

The Supervisory Board carried out its work in keeping with its powers and competences set out by law, the Articles of Association and its own Rules of Procedure.

## **1. INTRODUCTION**

Pursuant to Article 282 of the Companies Act (the ZGD-1; Official Gazette of the Republic of Slovenia, No. 42/06 et seq) and the fourth paragraph of Article 165 of the Insurance Act (the ZZavar; Official Gazette of the Republic of Slovenia, No. 13/00 et seq), the Supervisory Board is hereby issuing its report on the review of the Annual Report of Zavarovalnica Triglav, d.d. and the Triglav Group for 2013 (hereinafter: the Report) and its opinion on the annual report on internal auditing for 2013.

The findings are based on supervision of the performance of Zavarovalnica Triglav, d.d. (hereinafter: the company) in 2013, on a review of the audited annual report of Zavarovalnica Triglav, d.d. for 2013, of which the reports and opinions of qualified actuaries for the non-life insurance category and the life insurance category are an integral part in accordance with Article 76 in connection with Article 159 of the Insurance Act, and on a review of the audited annual report of the Triglav Group for 2013.

The opinion of the Supervisory Board on the work of the Internal Audit Department in 2013 is also an integral part of the Report.

## 2. GENERAL INFORMATION

### Supervisory Board in 2013

The members of the Supervisory Board were as follows in 2013:

- shareholder representatives:
  - between 1 January and 7 April: Igor Mihajlović (chairman), Gregor Kastelic (deputy-chairman), Aljoša Valentinčič, Vladimir Uršič, Adolf Zupan and Jovan Lukovac;
  - between 8 April and 11 June: Mihael Perman (chairman between 16 April and 11 June), Jovan Lukovac (deputy-chairman between 16 April and 11 June), Žiga Andoljšek, Aleš Živkovič, Rok Strašek and Blaž Šlemic;
  - as of 12 June: Matej Runjak (chairman as of 1 July) Gregor Kastelic (deputy-chairman as of 1 July), Mario Gobbo, Dubravko Štimac, Rajko Stanković and Matija Blažič;
- workers' representatives:
  - Branko Gorjan, Peter Celar and Miran Krštinc.

The Supervisory Board convened 13 sessions.

The Supervisory Board had four committees during the year: the Audit Committee, the Appointments and Remuneration Committee, the Strategy Committee and the Nominations Committee.

### Audit Committee

The members of the Audit Committee were as follows in 2013:

- between 1 January and 7 April: Jovan Lukovac (chairman), Aljoša Valentinčič, Branko Gorjan, Vladimir Uršič and Barbara Nose;<sup>1</sup>
- between 16 April and 11 June: Jovan Lukovac (chairman), Žiga Andoljšek, Aleš Živkovič, Branko Gorjan and Barbara Nose (independent expert and member between 26 April and 11 June);
- as of 1 July: Mario Gobbo (chairman), Rajko Stanković, Branko Gorjan and Barbara Nose (independent expert and member as of 22 August).

The members of the committee met at 13 sessions.

The duties and competences of the Audit Committee are set out by the Companies Act, the Rules of Procedure of the Supervisory Board, the Rules of Procedure of the Audit Committee, and Supervisory Board resolutions. The Audit Committee undertook the following:

- it monitored and discussed financial reporting procedures, the functioning of internal controls, the Internal Audit Department's reports and recommendations, risk management systems, and the external auditing of the unconsolidated and consolidated financial statements;

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<sup>1</sup> Barbara Nose was appointed to the aforementioned committee as an independent expert who is not a member of the Supervisory Board.

- it discussed the implementation of the external auditor's recommendations;
- it discussed reports by the Fraud Prevention, Detection and Investigation Department;
- it discussed the Compliance Policy;
- it proposed the appointment of an auditor for the company's Annual Report for 2013 to the Supervisory Board, proposed that certified auditors in the proposed auditor's group be appointed auditors at the subsidiary insurance companies, and discussed the contract with the certified auditor for 2013;
- it assessed the compilation of the unconsolidated and consolidated annual reports for 2012;
- it monitored the type and scope of non-auditing services provided by audit firms;
- it undertook special duties in accordance with the Supervisory Board's guidance and requirements; and
- it regularly briefed the Supervisory Board on its work during sessions of the Supervisory Board.

The Audit Committee also conducted a self-assessment of its work with the aim of ensuring quality and constant improvements.

#### **Appointments and Remuneration Committee**

The members of the Appointments and Remuneration Committee were as follows in 2013:

- o between 1 January and 7 April: Igor Mihajlović (chairman), Adolf Zupan, Miran Krštinc and Srečo Jadek;<sup>2</sup>
- o between 16 April and 11 June: Blaž Šlemic (chairman), Mihael Perman, Miran Krštinc and Anton Marolt (independent expert and member between 21 May and 11 June);
- o as of 1 July: Matej Runjak (chairman), Dubravko Štimac and Miran Krštinc.

The committee met in five sessions in 2013.

The duties and competences of the Appointments and Remuneration Committee are set out by the Rules of Procedure of the Supervisory Board and Supervisory Board resolutions. The Appointments and Remuneration Committee undertook the following:

- it discussed the remuneration of employees in managerial positions;
- it discussed arrangements for contracts for work and executive contracts;
- it discussed the calculation of the Triglav Group's performance factor for 2012, on which the performance-related remuneration of the members of the Management Board depends; and
- it regularly briefed the Supervisory Board on its work during sessions of the Supervisory Board.

#### **Strategy Committee**

The members of the Strategy Committee were as follows in 2013:

- o between 1 January and 7 April: Gregor Kastelic (chairman), Igor Mihajlović and Peter Celar;

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<sup>2</sup> Srečo Jadek was appointed to the aforementioned committee as an independent expert who is not a member of the Supervisory Board.

- between 16 April and 11 June: Rok Strašek (chairman), Jovan Lukovac and Peter Celar;
- as of 1 July: Gregor Kastelic (chairman), Mario Gobbo and Peter Celar

The duties and competences of the Strategy Committee are set out by the Rules of Procedure of the Supervisory Board and Supervisory Board resolutions. Its tasks include monitoring of the implementation of the Triglav Group Strategy, putting forward opinions in this connection, drafting resolutions for the Supervisory Board and ensuring their realisation. The Strategy Committee undertook the following:

- it discussed the Triglav Group Strategy for the 2013 to 2017 period, and proposed its adoption to the Supervisory Board;
- it discussed the company's participation in the process of the privatisation of Croatia Osiguranje, d.d.; and
- it briefed the Supervisory Board on its work at sessions of the Supervisory Board.

#### **Nominations Committee**

Given the end of the terms of office of the shareholder representatives on the Supervisory Board on 7 April 2013, and with the aim of carrying out the process of proposing candidates for shareholder representatives on the Supervisory Board and forwarding a proposal for the appointment of the candidates to the Supervisory Board, the Nominations Committee was created as a Supervisory Board committee on 12 December 2012. The committee consisted of Igor Mihajlović (chairman), Branko Gorjan, Matjaž Jauk (external member) and Peter Ješovnik (external member). As a result of the requirement to convene the General Meeting in accordance with Article 295 of the Companies Act and the appointment of new shareholder representatives to the Supervisory Board at the General Meeting of 14 February 2013, the nominations process was not completed by the Nominations Committee. Upon the appointment of the new shareholder representatives to the Supervisory Board, the Nominations Committee ceased its work.

### **3. FUNCTIONING OF THE SUPERVISORY BOARD AND SCOPE OF MONITORING OF THE COMPANY'S MANAGEMENT IN 2013**

The description of the functioning of the Supervisory Board and the scope of the monitoring of the company's management in 2013 are based on the supervision of the company's performance undertaken by the Supervisory Board in 2013, in accordance with its powers.<sup>3</sup>

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<sup>3</sup> The description of the functioning of the Supervisory Board and the scope of the monitoring of the company's management are partly given on the basis of a review of the minutes of Supervisory Board sessions in 2013, the Supervisory Board having primarily functioned in a modified make-up until 11 June 2013. As a result of the dismissal of six shareholder representatives on the Supervisory Board, new shareholder representatives were

The Supervisory Board's duty is to supervise the management of the company's operations and to undertake other tasks in accordance with the Companies Act (ZDG-1), the Insurance Act (ZZavar), the Articles of Association, the Rules of Procedure of the Supervisory Board, and the 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.

The Supervisory Board has the power to examine securities in safekeeping and the company's cash box, to examine and review the company's books and documentation based on which it avails itself of the facts and circumstances of the company's performance, to approve the Management Board's determination of business policy, the financial plan, the organisation of the system of internal controls and the outline of the annual work programme for internal auditing, and to carry out other duties in accordance with its competences set out on the basis of applicable legislation and the company's aforementioned bylaws.

**a) In connection with its core competences, in 2013 the Supervisory Board:**

- adopted the Triglav Group Strategy for the 2013 to 2107 period;
- adopted the business policy and business plan of the Triglav Group for 2013 and 2014;
- approved the Internal Audit Department's annual work programme for 2014;
- adopted the Internal Audit Department's annual report on internal auditing for 2012;
- adopted the audited annual report of Zavarovalnica Triglav, d.d. for 2012 and the audited annual report of the Triglav Group for 2012, and adopted the report by the Supervisory Board of Zavarovalnica Triglav, d.d. on the review of the Annual Report of Zavarovalnica Triglav, d.d. and the Triglav Group for 2012 and the opinion of the Supervisory Board of Zavarovalnica Triglav, d.d. on the Internal Audit Department's annual report on internal auditing at Zavarovalnica Triglav, d.d. for 2012;
- dismissed Matjaž Rakovec from his position as President of the Management Board of Zavarovalnica Triglav, d.d. on business grounds, and appointed Andrej Slapar in his place;
- proposed an auditor for the 2013 financial year to the General Meeting, proposed to the General Meeting that official approval be conferred upon the Management Board for its work in the 2012 financial year, and approved the General Meeting proposal for the use of the distributable profit as at 31 December 2012;
- adopted amendments to the Management Board Rules;
- adopted amendments to the Rules of Procedure of the Supervisory Board;
- adopted the Compliance Policy; and

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appointed to the Supervisory Board at the 38<sup>th</sup> General Meeting of 11 June 2013, their four-year terms of office beginning on 12 June 2013.

- was briefed on the findings and requirements of the Insurance Supervision Agency, the Securities Market Agency and other supervisory authorities in supervisory procedures, and on procedures related to these findings and requirements.

**a) In connection with the supervision of the management of the company's operations, in 2013 the Supervisory Board:**

- was briefed on and approved reports on the performance of the company and the Triglav Group;
- was briefed on reports on the performance of the company's subsidiaries, on the company's activities and assessments in connection with the subsidiaries, and on the subsidiaries' activities;
- was briefed on assessments of the company's performance indicators in each period.
- was briefed on reports on capital adequacy, matching between assets and liabilities in the technical provisions and mathematical provisions, and assessments of the sensitivity of investments affecting capital adequacy;
- was briefed on the results of measurement of the company's capital adequacy based on S&P models, Solvency II and applicable legislation;
- was briefed on reports on internal auditing by the Internal Audit Department;
- was briefed on the letter to the senior management after the audit of the company and the Triglav Group for 2012;
- was briefed on material for monitoring the macroeconomic environment and systemic risks;
- was briefed on a report on the company's readiness for Solvency II;
- was briefed on the governance policy for Triglav Group subsidiaries;
- was briefed on the guidelines for evaluating the efficiency of supervisory boards / management boards / boards of directors of Triglav Group subsidiaries;
- was briefed on the management of the company's investment in Abanka Vipa d.d.;
- was briefed on the report on the sale of Petrol d.d. shares to Istrabenz d.d.;
- was briefed on a report in connection with the status of the project for the entry of the IFC, a member of the World Bank Group, into the ownership structure of Triglav INT, d.d.;
- was briefed on the status of the process of the privatisation of Croatia Osiguranje, d.d. and Zavarovalnica Triglav, d.d.'s steps in the process;
- was briefed on the progress of proceedings in connection with claims against the subsidiary Slovenijales d.d.;
- was briefed on a report on Zavarovalnica Triglav, d.d.'s exposure to hybrid instruments and subordinated bonds;
- was briefed on a report on arrangements for protecting the dignity of employees, a report on the system of notifications and a report on arrangements for conduct in the event of conflicts of interest;
- was briefed on a report on the performance of the Marketing Department;

- was briefed on a report on contracts concluded for corporate legal advice and in connection with public relations;
- was briefed on a report on procedures undertaken on the basis of the dismissal of Matjaž Rakovec as President of the Management Board;
- was briefed on a report on unresolved labour disputes at Triglav Group companies and a report on non-insurance commercial disputes in the Triglav Group whose value exceeds EUR 50 thousand;
- discussed reports by the Audit Committee, the Strategy Committee, the Appointments and Remuneration Committee, and the Nominations Committee; and
- was briefed on other information in connection with Zavarovalnica Triglav, d.d., the Triglav Group and the subsidiaries.

**c) In connection with the Supervisory Board's power to approve Management Board decisions on the basis of the Rules of Procedure of the Supervisory Board,<sup>4</sup> in 2013 the Supervisory Board approved Triglav INT, d.d.'s participation in the increase of the nominal capital of Triglav osiguranje, a.d.o., Belgrade and the sale of Zavarovalnica Triglav, d.d.'s interest in Helios Domžale, d.d.**

**d) Supervisory Board's other significant acts in 2013:**

- in accordance with the employment contracts concluded with members of the Management Board, it discussed the board members' entitlement to performance-related remuneration and determined the board members' annual performance-related bonus for 2012.

**e) Supervisory Board's requirements, recommendations and admonishments in 2013:**

- a requirement that analysis be drawn up for various scenarios and an alternative strategic solution in connection with Triglav osiguranje, a.d.o., Belgrade, and that regular reports on the performance of the aforementioned company be made to the Supervisory Board;
- a requirement that an ongoing strategy in connection with the investment in Abanka Vipava d.d. be drawn up on the basis of the information obtained, and that corresponding reports be made to the Supervisory Board;
- a call for the Management Board to exercise greater caution and diligence in handling sensitive information when communicating business-related information to the public;

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<sup>4</sup> In accordance with the Rules of Procedure of the Supervisory Board, the Supervisory Board has the power to approve the Management Board's decisions with regard to the establishment of limited companies in Slovenia and in the rest of the world where the capital contribution exceeds EUR 2,500,000, the acquisition or disposal of interests in domestic or foreign companies where the value of the acquisition or disposal of shares or participating interests in an individual company exceeds EUR 2,500,000 within the period of one year, the issue of debt securities and long-term borrowing at domestic and foreign banks in excess of EUR 2,500,000 within the period of one year, and the acquisition or disposal of real estate and investments in real estate where the sale value of the real estate or investment exceeds EUR 2,500,000 within the period of one year.

- a requirement that the Management Board take a position as to whether relevant changes of circumstance that should be reported have arisen in the case of the agreement with the IFC, and that the public be informed and reports be made to the Supervisory Board as appropriate;
- a finding of inconsistency in the explanations issued to the Supervisory Board with regard to the agreement concluded with the IFC in connection with the method of making announcements and the actual situation;
- a requirement that the comments presented by the Audit Committee be taken into account in the Compliance Policy;
- a requirement that the Management Board issue a report on legal disputes other than insurance disputes in excess of EUR 50 thousand;
- a requirement that when performance is being reviewed the Supervisory Board be briefed on explanations of deviations from plans, the envisaged actions, the persons responsible and the timetable;
- a requirement that a presentation be made on insurance sales, claims liquidation and product development;
- a requirement that the Management Board give a presentation of the position with regard to comparable companies and groups that are competitors; and
- other requirements related to supervision.

The costs of the functioning of the Supervisory Board not covered in the Annual Report for 2013 were primarily related to costs of translations of material for sessions of the Supervisory Board and its committees, interpreting at sessions, and the rental of technical equipment for interpreting. The aforementioned costs amounted to EUR 120 thousand in 2013.

#### **4. ASSESSMENT OF THE SUPERVISORY BOARD'S FUNCTIONING<sup>5</sup>**

The Supervisory Board had four committees in 2013: the Audit Committee, the Appointments and Remuneration Committee, the Strategy Committee and the Nominations Committee. The chairmen of the committees gave regular briefings of their work at sessions of the Supervisory Board. The Supervisory Board discussed the resolutions passed and the recommendations and opinions put forward, and passed appropriate resolutions after due consideration.

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<sup>5</sup> The assessment of the functioning of the Supervisory Board has been given for the period as of 12 June 2013, the Supervisory Board having primarily functioned in a modified make-up until 11 June 2013. As a result of the dismissal of six shareholder representatives on the Supervisory Board, new shareholder representatives were appointed to the Supervisory Board at the 38<sup>th</sup> General Meeting of 11 June 2013, their four-year terms of office beginning on 12 June 2013.



All members were involved in the Supervisory Board's work, their presence at sessions and their active participation in discussions and decision-making contributing to the effective discharge of the Supervisory Board's duties. Actions to be taken in the event of potential conflicts of interest are included in the Rules of Procedure of the Supervisory Board. The members of the Supervisory Board also signed and submitted statements of independence and loyalty in accordance with the Corporate Governance Code, the company publishing them on its website. To avoid conflicts of interest, in 2009 the Supervisory Board adopted the recommendation that its members not sit on the supervisory boards, management boards and boards of directors of other companies in the Triglav Group.

The Supervisory Board is of the opinion that its cooperation with the Management Board was in keeping with the relevant legislation and good practice, and according to its best knowledge it 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 management. The Supervisory Board regularly monitored the realisation of its own resolutions. The Compliance Policy sets out the main guidelines for corporate governance at the company, taking account of the long-term objectives, including the definition of the role and functioning of the Supervisory Board and its committees.

The Supervisory Board conducted a self-assessment of its functioning.

The Supervisory Board is of the opinion that its make-up is appropriate, in terms of the company's size, business activities and objectives, and in terms of the independence of its members in the sense of the Corporate Governance Code. The members of the Supervisory Board have sufficient professional expertise, experience and skills at their disposal for holding office on the board, which allows it to make its decisions with the requisite quality.

**In light of the above, the Supervisory Board is of the opinion that its work and the work of its committees was successful.**

## **5. OPINION OF THE ANNUAL REPORT ON INTERNAL AUDITING FOR 2013**

In accordance with the third paragraph of Article 165 of the Insurance Act (ZZavar), the Supervisory Board received the Internal Audit Department's annual report on internal auditing at Zavarovalnica Triglav, d.d. for 2013, which encompasses a report on the realisation of the Internal Audit Department's annual work programme, a summary of the major findings from the audits conducted, and an assessment of the adequacy of the Internal Audit Department's funding.

On the basis of the Internal Audit Department's annual report on internal auditing for 2013, which the Supervisory Board adopted at its session of 8 April 2013, the Supervisory Board finds that the

Internal Audit Department undertook its duties in accordance with its annual work programme for 2013, which was adopted by the Management Board and approved by the Supervisory Board, and in accordance with resolutions on extraordinary internal audits. In 2013 the Internal Audit Department conducted its planned internal audits in areas of the operations of the company and other companies in the Triglav Group, extraordinary internal audits, and other internal auditing activities (informal consultations, follow-up of the implementation of recommendations by internal and external auditors, reporting to the Management Board, the Supervisory Board and the Audit Committee, departmental quality assurance and improvements, etc.). The Internal Audit Department briefed the relevant persons on the findings of individual internal audits, and put forward recommendations for improving the system of internal controls and improving risk management. The Internal Audit Department reports on the realisation of its work programme, its major findings from audits and the implementation of recommendations on a quarterly basis to the Audit Committee and on a half-yearly basis to the Supervisory Board.

In 2013 the Internal Audit Department continued its act to assure and improve the quality of its own functioning and that of other internal audit departments in the Triglav Group. Within this framework it attended to professional training for employees of the Internal Audit Department, it began overhauling its documents and rules of procedure with the aim of defining the company's internal auditing rules more systematically and comprehensively, it formulated process schemes for operational processes in internal auditing, it began developing a system of performance and efficiency indicators for its own functioning, it overhauled the procedures for issuing internal audit reports, and it provided assistance to internal audit departments at other companies in the Triglav Group in the preparation and implementation of measures to implement the recommendations made in the quality assessment of its functioning in 2012, and in the planning of their work for 2014. The Supervisory Board expects the Internal Audit Department to continue such activities in the future, with the aim of continually improving the quality of its work.

**In light of the above, the Supervisory Board is of the opinion that the Internal Audit Department undertook its work in accordance with its annual work programme for 2013, and that its work made an important contribution to the improvement of the system of internal controls and improved risk management at the company and in the Triglav Group.**

## **6. SUPERVISORY BOARD'S FINDINGS REGARDING PERFORMANCE IN 2013**

On the basis of its monitoring and supervision of the company's performance in 2013, and its review and verification of the Annual Report for 2013, the Supervisory Board finds that the company performed well, despite the economic crisis and the adverse macroeconomic situation.

The Triglav Group generated a net profit of EUR 69.9 million, down 5% on the previous year, but up 27% on the forecast in the plan. The parent company's net profit was down 4% on the previous year at EUR 48.3 million. Despite the adverse situation, the Triglav Group recorded a high ROE of 12.0%. The main factor in the good operating result was the good performance in core insurance business, as indicated by the favourable combined ratios of 90.1% for the Triglav Group and 85.3% for the parent company.

Insurance companies in the Triglav Group generated insurance and co-insurance premium of EUR 900.9 million in 2013, of which EUR 605.8 million was generated at the parent company. The economic and financial crisis, the decline in economic activity and the decline in purchasing power saw the company fall short of its sales forecasts, demand for certain insurance products having fallen. Fierce competition, a marketing and sales policy aimed at retaining and cultivating the portfolio, and measures to improve the bad insurance technical results in individual types of insurance all resulted in a further loss of premium.

The Triglav Group recorded gross claims of EUR 627.5 million in 2013, up 2% on the previous year. The increase in gross claims was primarily the result of payments of endowments, redemptions and advances from life insurance, and an increase in the number of health insurance policyholders. Gross claims at the parent company were up 1% at EUR 419.4 million.

The Triglav Group's gross operating costs were up 2% in 2013 at EUR 302.4 million, while the parent company's operating costs were approximately unchanged from the previous year at EUR 161.3 million.

Despite the adverse economic and financial situation in Slovenia and the wider region, the Triglav Group strengthened its capital position in 2013. The Triglav Group's total equity amounted to EUR 590.5 million at the end of 2013, up 3% on a year earlier.

The Supervisory Board also bases its findings on the following:

- a positive opinion from a qualified actuary for the non-life insurance category,
- a positive opinion from a qualified actuary for the life insurance category,
- the Internal Audit Department's annual report on internal auditing for 2013.

The Supervisory Board has no remarks regarding the aforementioned reports.

## **7. ANNUAL REPORT**

The Management Board submitted the audited Annual Report of Zavarovalnica Triglav, d.d. for 2013 and the audited Annual Report for the Triglav Group for 2013 to the Supervisory Board on 20 March 2014.

The Supervisory Board finds that the annual reports were compiled by legal deadline and were submitted to the chosen auditor. The Annual Report of Zavarovalnica Triglav, d.d. for 2013 was audited by the audit firm Ernst & Young, Revizija, poslovno svetovanje, d.o.o., Ljubljana, which on 18 March 2014 issued a positive opinion of the Annual Report of Zavarovalnica Triglav, d.d. for 2013 and the Annual Report of the Triglav Group for 2013, and an opinion that the annual reports were in compliance with the audited financial statements.

Discussions of agenda items relating to the annual reports during sessions of the Supervisory Board and the Audit Committee were attended by the signatory certified auditor, who provided additional clarifications to the Supervisory Board and the Audit Committee. The Audit Committee discussed the letter to the senior management after the preliminary audit, and on the basis of the certified auditors' report established that the letter to the senior management after the audit would not contain material disclosures that could affect the submitted audited financial statements for the 2013 financial year.

The certified auditors find that in all material aspects the financial statements for 2013 and the disclosures in the accounts were compiled in accordance with the requirements of applicable accounting standards and the legislation of the individual countries where the subsidiaries operate, appropriate adjustments having been made to comply with the International Financial Reporting Standards. A major factor in the audit of the financial statements for 2013 was the continuing impairment of the investments in banks and subsidiaries. There were no mergers or acquisitions in the Triglav Group.

On the basis of a detailed review, the Supervisory Board found that the Annual Report of Zavarovalnica Triglav, d.d. for 2013 and the Annual Report of the Triglav Group for 2013 drawn up by the Management Board and audited by the certified auditor were compiled clearly and transparently to present a true and fair picture of the assets, liabilities, financial position and profit or loss of Zavarovalnica Triglav, d.d. and the Triglav Group.

In accordance with the aforementioned findings, the Supervisory Board has no remarks on the positive opinion of the certified audit firm Ernst & Young, Revizija, poslovno svetovanje, d.o.o., Ljubljana, which finds that the financial statements present fairly, in all material respects, the financial position of Zavarovalnica Triglav, d.d. as at 31 December 2013, and its profit or loss and cash flows for the year then ending, in accordance with the International Financial Reporting Standards as

approved by the EU and the requirements of the Companies Act relating to the compilation of financial statements.

The Supervisory Board also has no remarks on the positive opinion of the certified audit firm Ernst & Young, Revizija, poslovno svetovanje, d.o.o., Ljubljana, which finds that the financial statements present fairly, in all material respects, the financial position of the Triglav Group as at 31 December 2013, and its profit or loss and cash flows for the year then ending, in accordance with the International Financial Reporting Standards as approved by the EU and the requirements of the Companies Act relating to the compilation of financial statements.

**In light of the above, the Supervisory Board approves the audited annual report of Zavarovalnica Triglav, d.d. for the financial year ending 31 December 2013 and the audited annual report of the Triglav Group for the financial year ending 31 December 2013.**

## **8. PROPOSAL FOR THE USE OF DISTRIBUTABLE PROFIT**

The Supervisory Board also reviewed the Management Board's proposal for the use of the distributable profit as at 31 December 2013, a final decision on which is to be made by the General Meeting, and approves the Management Board's proposal that the General Meeting pass the following resolution on the use of the distributable profit:

"The company's distributable profit, which amounted to EUR 77.826.169,51 as at 31 December 2013, is to be used as follows:

- part of the distributable profit in the amount of EUR 25.008.662,80 is to be used for dividend payments. The gross dividend per share is EUR 1,10 and is to be paid to shareholders entered in the share registry two days after the day of the General Meeting. The dividends are to be paid within 30 days of this resolution being passed;
- the use of the remaining distributable profit in the amount of EUR 52.817.506,71 is to be decided on in subsequent years."

The Supervisory Board proposes to the General Meeting that official approval be conferred upon the Management Board for its work in 2013.

Matej Runjak  
Chairman of the Supervisory Board

Ljubljana, 8 April 2014