

# 8. Other Information

## 8.1 Related party transactions

Related party transactions are disclosed separately for transactions with:

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

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

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

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

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

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

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

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

in EUR		
Assets	Associates	Other related entities
Receivables from insurance premium	1,435	0
Other short-term receivables	66,095	0

All loans given to associates are secured with mortgages or pledged securities.

in EUR		
Liabilities	Associates	Other related entities
Liabilities to insureds	5,250	0
Liabilities to agents and brokers	17,801	0
Other short-term liabilities	4,536	0

	in EUR	
Income and expenses	Associates	Other related entities
Gross written premium	1,510,185	0
<b>NET PREMIUM INCOME</b>	<b>1,510,185</b>	<b>0</b>
Interest income	3,266	1,649,649
Other income from investments	0	534,079
<b>TOTAL INCOME</b>	<b>1,513,451</b>	<b>2,183,728</b>
Other costs and expenses	59,766	0
Other expenses from investments	0	63,799
Interest expense	0	43,427
<b>TOTAL EXPENSES</b>	<b>59,766</b>	<b>107,226</b>

## 8.2 Members of the Management and Supervisory Board

In 2011, 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	Benefits		Reimburs-ments	Net pay received
				Insurance premiums**	Other benefits		
Matjaž Rakovec	148,458	9,474	14,793	24,851	7,619	5,515	69,792
Igor Stebernak	143,820	9,000	13,949	22,679	7,477	5,031	71,083
Andrej Slapar	143,829	9,000	13,949	23,455	10,404	2,787	66,295
Vladimir Mišo Čeplak (as of 1 January until 30 September 2011)	118,389	9,000	14,712	18,718	3,999	147	58,114
Marica Makoter	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>554,496</b>	<b>36,474</b>	<b>57,403</b>	<b>89,703</b>	<b>29,499</b>	<b>13,480</b>	<b>265,284</b>

\* Other additional payments include holiday allowances.

\*\* Insurance premiums include premiums for supplementary pension insurance, accident insurance, liability insurance and other types of insurance.

In 2011, members of the Management Board did not receive any payments for their work in subsidiaries.

As at 31 December 2011, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

	in EUR	
MANAGEMENT BOARD	31 December 2011	31 December 2010
RECEIVABLES		
Matjaž Rakovec	206	150
Igor Stebernak	50	0
Andrej Slapar	37	0
Vladimir Mišo Čeplak	0	0
Marica Makoter	0	0
<b>TOTAL RECEIVABLES FROM THE MANAGEMENT BOARD</b>	<b>293</b>	<b>150</b>
LIABILITIES		
Matjaž Rakovec	12,520	5,548
Igor Stebernak	12,536	5,631
Andrej Slapar	12,017	5,267
Vladimir Mišo Čeplak	7,127	0
Marica Makoter	2,047	0
<b>TOTAL PAYABLES TO THE MANAGEMENT BOARD</b>	<b>46,247</b>	<b>21,622</b>

In 2011, the Supervisory Board members were paid the following amounts as compensation for their work:

					in EUR
Supervisory Board	Compensation	Attendance fee	Reimburse-ments	Total gross pay	Total net pay
Borut Jamnik	6,356	6,960	0	13,316	10,320
Uroš Slavinec	8,670	6,297	0	14,967	11,600
Anton Ribnikar	8,383	5,244	1,120	14,747	11,429
Igor Mihajlovič	8,613	6,289	0	14,902	11,549
Aljoša Valentinčič	7,177	6,606	319	14,102	11,001
Vladimir Uršič	6,143	4,263	945	11,351	8,797
Boris Gabor	0	3,744	1,547	5,291	4,101
Branko Gorjan	7,177	6,924	1,488	15,589	12,081
Peter Celar	7,177	4,042	344	11,563	8,962
Miran Krštinc	7,579	2,667	138	10,384	8,048
Barbara Nose	1,212	2,564	0	3,776	2,927
Srečko Jadek	0	2,027	0	2,027	1,571
Eva Boštjančič	0	440	0	440	341
Tomaž Kuntarič	0	440	0	440	341
<b>TOTAL</b>	<b>68,487</b>	<b>58,507</b>	<b>5,901</b>	<b>132,895</b>	<b>103,068</b>

#### Members of Supervisory Board Committees:

- Appointments and Compensation Committee: Borut Jamnik (till 17 October 2011), Anton Ribnikar (since 17 October 2011), Boris Gabor (till 29 May 2011), Miran Krštinc (since 20 June 2011), Srečko Jadek.
- Audit Committee: Uroš Slavinec, Anton Ribnikar (till 17 October 2011), Vladimir Uršič (since 17 October 2011), Aljoša Valentinčič, Branko Gorjan, Barbara Nose.
- Strategic Committee: Borut Jamnik (till 17 October 2011), Anton Ribnikar (since 17 October 2011), Igor Mihajlovič, Peter Celar.
- Nomination Committee (established on 17 October 2011): Uroš Slavinec, Miran Krštinc, Eva Boštjančič, Vanessa Grmek, Tomaž Kuntarič.

As at 31 December 2011 there are no outstanding receivables from members of Supervisory Board and members of Supervisory Board Committees. Liabilities to aforementioned members as at 31 December 2011 are shown in the table below:

		in EUR
Supervisory Board	Liabilities as at 31 December 2011	
Uroš Slavinec		1,556
Anton Ribnikar		2,063
Igor Mihajlovič		1,643
Aljoša Valentinčič		1,263
Vladimir Uršič		1,344
Branko Gorjan		1,344
Peter Celar		1,292
Miran Krštinc		1,643
Barbara Nose		313
Srečko Jadek		170
<b>TOTAL</b>		<b>12,631</b>

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

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

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

### 8.3 Amounts spent on auditors

The Annual Reports of the Group for 2011 and 2010 were audited by KPMG Slovenija d.o.o. The following amounts were paid for the services of the auditors:

	in EUR	
	2011	2010
Auditing of the annual report and other auditing services	648,966	610,571
Advisory services	21,744	123,163
Tax advice	23,918	10,181
<b>TOTAL</b>	<b>694,628</b>	<b>743,915</b>

### 8.4 Profit per share

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

### 8.5 Additional notes to the cash flow statement

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

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

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

The table below shows the reconciliation of operating cash flows.

Reconciliation of operating cash flows		in EUR	
	2011	2010	
PROFIT/ LOSS BEFORE TAX	57,999,615	43,250,266	
Depreciation	11,598,595	11,231,762	
Impairment of receivables	21,981,546	22,113,681	
Change in receivables	-40,745,928	3,143,227	
Change in deferred tax assets	-8,192,753	-7,118,181	
Change in inventory	543,313	875,415	
Change in liabilities	-112,156,870	6,222,023	
Payment of income tax	-24,446,402	-10,331,543	
<b>OPERATING CASH FLOW</b>	<b>-93,418,884</b>	<b>69,386,650</b>	

## 8.6 Significant legal disputes

- Zavarovalnica Triglav (plaintiff) versus Istrabenz holdinška družba d.d. (defendant)  
On 28 December 2007 Zavarovalnica Triglav irrevocably and unconditionally accepted a binding offer made by Istrabenz holdinška družba d.d. to buy Petrol d.d. shares for a total price of EUR 19,950,000. As Istrabenz failed to meet its obligations arising from the abovementioned offer, Zavarovalnica Triglav brought legal action against Istrabenz.  
Istrabenz filed a counterclaim against Zavarovalnica Triglav, which challenges the agreement on the sale of Petrol shares. Zavarovalnica Triglav responded by negating all the allegations of Istrabenz. On 9 February 2010, the District Court in Koper rendered a decision rejecting the claim and the counterclaim by Istrabenz holdinška družba d.d. and ordered each party to bear their own costs. Zavarovalnica Triglav appealed against the ruling of the Court regarding its claim and the bearing of costs.  
On 1 April 2011, the Higher Court in Koper issued a decision rejecting Zavarovalnica Triglav's appeal and confirming the judgement of the court of first instance. On 22 April 2011 Zavarovalnica Triglav d.d. requested a judicial review of the issued decision before the Supreme Court in Ljubljana.
- Zavarovalnica Triglav (plaintiff) versus Milan Marolt and Nadežda Klemenčič (defendants)  
Zavarovalnica Triglav filed a suit against Milan Marolt and Nadežda Klemenčič on 12 August 2004, claiming unlawful issuance of decisions and misuse of powers. The defendants claimed erroneous interpretation of the Companies Act and maintained there were no elements of tort as preconditions for liability for damages. The Court accepted their submissions and on 8 November 2006 rendered a decision rejecting the claim. On 29 December 2006 Zavarovalnica Triglav appealed against the ruling of the court of first instance and on 9 January 2009 the Higher Court in Ljubljana ruled in favour of the appellant, reversed the decision and ordered a retrial at the court of first instance. On 11 January 2012 the court of first instance again rejected both claims. On 23 February 2012 Zavarovalnica Triglav appealed against the ruling of the court of first instance.
- Legal action for the nullification of the resolutions of the General Meeting of Shareholders on 13 November 1999 and 20 February 2001 and of the decision of the Management Board on the increase of share capital by the issue of 1,800 new bonds.  
In the legal dispute of the Republic of Slovenia and the Social Attorney of the Republic of Slovenia (plaintiffs) versus Zavarovalnica Triglav, the courts of first and second instance rejected the claim for the nullification of Zavarovalnica Triglav's General Meeting of Shareholders' resolutions of 13 November, 1999 and 20 February, 2001, amending the Articles of Association of Zavarovalnica Triglav and the Management Board's decision on the increase of share capital by the issue of 1,800 new bonds. The plaintiffs claimed judicial review of the decisions issued by the court of first instance and the court of second instance. The Supreme Court of the Republic of Slovenia reversed the decisions of the inferior courts and ordered a retrial in the District Court in Ljubljana. On 27 January 2011 a court settlement was reached, in which the Republic of Slovenia and Social Attorney of the Republic of Slovenia withdrew the claims against Zavarovalnica Triglav, whilst each party accepted to bear their own costs.
- Vegrad d.d. (plaintiff) versus Gradis IPGI d.d. (defendant)  
On 6 November 2007, Gradis IPGI d.d. and Vegrad d.d. signed a Service Agreement which involves over 25% of the total assets of Gradis IPGI d.d. As required by the Companies Act, such an agreement had to be made in the form of a notarial deed and approved by the General Meeting of Shareholders. On 4 February 2008 the General Meeting of Shareholders withheld its approval and as a result the Service Agreement never took effect. Vegrad challenged this decision and brought suit against Gradis IPGI, claiming EUR 15 million. In 2010, the court of first instance issued a decision rejecting Vegrad's claim and ruled that the disputed agreement is null and void. The ruling

was confirmed by the decision of the Higher Court in Ljubljana. The judgement thus became final on 23 November 2010.

With regard to the above mentioned Service Agreement, Vegrad d.d. filed three requests for execution, which were based on an authentic document, against Gradis IPGI d.d. in 2008 (twice for the payment of EUR 521,739 and once for the payment of EUR 1,565,217 with lawful default interest). The requests concern services allegedly provided under the Service Agreement of 6 November 2007. Gradis IPGI d.d. appealed in due time. The Court thus repealed the enforcement notices insofar as they allow enforcement, appointed an enforcement officer and declared that the competent District Court shall decide the case in civil proceedings. Considering the Court's final decision declaring the agreement on which the claims are based as null and void, Vegrad d.d., in bankruptcy proceedings, is not entitled to said payments. At the end of 2011 all three execution procedures ended in court settlements, in which Vegrad d.d., in bankruptcy proceedings, withdrew requests for execution and all three proceedings were concluded with the force of *res judicata*.

- Triglav Zdravstvena zavarovalnica d.d. versus the former presidents and members of the Management Board

Triglav Zdravstvena zavarovalnica d.d. filed a suit against the former presidents and members of the Management Board, Danijel Starman and Gregor Strmčnik, claiming payment of EUR 704,132.63 for breach of obligations and negligence regarding their authorisations to clear and pay invoices. The case is being heard by the District Court in Ljubljana under ref. no. V Pg 2302/2011.

- Triglav Naložbe d.d. versus the former presidents and members of the Management Board  
In 2010 Triglav Naložbe filed a damages claim against Metka Petek, the former president of the Management Board and Robert Čehovin, a former member of the Management Board of Triglav Naložbe d.d., Ljubljana, in which the company claims EUR 547,834.25 in compensation for damages it sustained as a result of the decision of the Management Board to purchase shares of Siteep d.d., against which insolvency proceedings were initiated shortly afterwards. The proceedings are still pending.

- Triglav Naložbe d.d. (plaintiff) versus Informativna TV produkcija d.o.o.  
In 2010 Triglav Naložbe d.d. filed a damages claim against Informativna TV produkcija d.o.o. for payment from a bankruptcy estate. A bankruptcy procedure was initiated upon the proposal of Triglav Naložbe d.d. The claim by Triglav naložbe d.d. totalling EUR 3.9 million was fully recognised and included in the final list of tested receivables. The official receiver found that the bankrupt had EUR 800,000 of receivables, however, the debtors had not been responding. On 16 December 2011 Triglav naložbe d.d. invited the official receiver to realise the bankruptcy estate, which probably arises from acquired bank account statements and protection of the bankrupt's interests.

- Triglav Osiguruvanje a.d., Skopje (plaintiff) versus the former Head of Legal Department, Vesna Spirovska  
In 2010 Triglav Osiguruvanje a.d., Skopje, filed two damages claims against Vesna Spirovska, the former Head of the Legal Department in the Macedonian subsidiary Triglav Osiguruvanje a.d., Skopje. Triglav Osiguruvanje a.d. claimed EUR 830,000 for the damages it sustained as a result of Ms. Spirovska's illegal conduct, which also represented a serious breach of her work obligations. The proceedings before the first instance court were stayed due to the criminal prosecution against Vesna Spirovska for the criminal offence of abuse of authority.

- Jugobanka a.d., Belgrade, in bankruptcy proceedings, and new creditor Municipium S (plaintiff) versus Slovenijales d.d. (defendant)

In three claims, Jugobanka demands that Slovenijales d.d. pay the principal totalling USD 5,545,153 together with default interest for the period starting on 1. December 1994. The claim concerns guarantees allegedly issued by Slovenijales for liabilities of its subsidiaries in

the USA, Canada and Australia. At a public auction Jugobanka's liabilities were acquired by Municipium S, which later sold them to Fincor Invest Anstalt AG; according to information obtained from other judicial records. The defendant has contested their capacity to bring proceedings and the capacity to be sued and has filed a time-barring of claims. The court appointed expert witnesses to determine the amount of the defendant's potential debt. In one of the three claims (USD 765,000 exclusive of accrued interest and other fees & charges) the court issued a decision rejecting the claim in its entirety. The judgement was final, nonetheless, Jugobanka claimed judicial review in October 2011. The Supreme Court in Belgrade has not yet decided on the merits of the review. In the other two cases (USD 238,000 and USD 4,541,000 exclusive of accrued interest and other fees & charges) main hearings have not yet been concluded and no decisions have been rendered.

■ Fincor Invest Anstalt AG versus Slovenijales d.d.

As stated above, by endorsing the bills it acquired at a public auction, Municipium S sold its receivables to Fincor Invest Anstalt.

The proceedings were initiated in 2010 on the proposal for execution based on an authentic document (bills of exchange) and filed by Fincor Invest Anstalt. The court referred the matter to the District Court in Ljubljana, which will decide the case in a civil proceeding.

In these proceedings the plaintiff demands payment of a bill of exchange amounting to EUR 7,295,131, inclusive of default interest for the period starting on 23 September. The defendant contests the required payment and claims the transfer of the bill of exchange from its previous owner to the plaintiff to be null and void. It simultaneously raises an objection regarding the due date of the bills. The main hearing was concluded in December 2011. A decision was issued in which all claims by Fincor Invest Anstalt were rejected. The decision is not final, since the plaintiff has appealed. The said decision rejected the claim by Slovenijales d.d. for an interim injunction to prohibit Fincor Invest Anstalt from disposing the remaining shares in its possession. Slovenijales d.d. appealed against that part of the decision.

In 2010 and 2011 preliminary injunctions with attachment of liquidity, attachment of certain receivables from rents and subscription of mortgage on two real properties held by Slovenijales d.d. were issued, in order to secure the alleged claims of the creditor, Fincor Invest Anstalt. On 16 December 2011 all prior injunctions were fully cancelled by the court.

The decision ordering the securing of a request for the seizure of property benefits issued by the investigating judge in the police procedure on 23 June 2011 for the suspicion of criminal offence of money laundering was reversed by the decision of investigating judge on 26 September 2011.

■ "Sloga", Serbia versus Slovenijales d.d.

The proceedings were initiated in 1991 on the proposal for execution based on an authentic document (principal plus interest as at 2 March 2007 amounted to EUR 623,640). The enforcement notice, issued in 1991, has been repealed in full on the basis of an appeal by Slovenijales. The proceedings continued before the litigation court, i.e. the District Court in Ljubljana, which has not yet fixed the date of the oral hearing. According to the judicial records and the contents of the case file, the outcome of the case is uncertain.

■ Westminster network Ltd. versus Triglav pojišt'ovna a.s., Brno

The claim for EUR 1,585,370 was filed in 2009 and refers to a cooperation agreement concluded between the plaintiff's predecessor as the insurance agent and Triglav pojišt'ovna a.s. Brno as the insurer, on the basis of which the plaintiff's predecessor in law was entitled to a commission. The plaintiff claims the payment of commission for the period from March 2007 to October 2009.

In 2010 the receivables were sold to Barcolanza a.s. Brno, which then continued the suit against Triglav pojišt'ovna. At a hearing on 13 October 2011 the first instance court ruled in favour of the defendant. The ruling was serviced on 12 January 2012. The plaintiff had a 15-day appeal period, which expired on 27 January 2012. There is no information about a potential appeal.

#### Other legal disputes

- Two major claims were filed for damages against Triglav osiguranje d.d., Zagreb, the first one in 1998 in the amount of EUR 1,026,667.00 and the second one in 2004 for EUR 502,509.00.
- Two major claims were filed against Triglav osiguranje d.d., Sarajevo, the first one for damages in 2009 in the amount of EUR 1,918,029.55 and the second one for immaterial damages in 2011 for EUR 502,509.00.
- Two major claims were filed for damages against Triglav osiguranje d.d., Belgrade, the first one in 2007 in the amount of EUR 2,125,000 and the second one in 2008 for EUR 656,000.
- Triglav osiguranje d.d., Sarajevo filed a major claim in 2011 for a loan return in the amount of EUR 1,075,029.70, and in 2011 administrative proceedings were initiated for the income tax refund in the amount of EUR 1,824,963.78.

#### Labour disputes

- As at 31 December 2011 there were 17 labour disputes involving employees or the former employees as plaintiffs. Total claims as at the same date amounted to approximately EUR 470,000. Nine of the above labour suits were concluded with a final decision before 31 December 2011 and the plaintiffs claimed judicial review. As Zavarovalnica Triglav expects to win these disputes, the total amount of claims might be significantly lower than pleaded. In one of the cases, the plaintiff has already received their salary in arrears, as the Supreme Court ruled that the contract termination had been lawful and that the paid amount of EUR 90,000 shall be recovered.
- In 2011, the Company was served only one new lawsuit for wrongful extraordinary termination of an employment contract. The plaintiff is seeking reinstatement. In the reporting year, many disputes were finally resolved, in which liabilities were lower than the funds allocated for that purpose.

## 8.7 Reviews by supervisory bodies

### 8.7.1 Insurance Supervision Agency (ISA)

- Review of risk management with special emphasis on unit-linked life insurance  
From 1 July to 27 October 2008 the ISA reviewed the operations of Zavarovalnica Triglav. The purpose of the review was to check how the company complies with the risk management requirements and other provisions of the Insurance Act and secondary legislation adopted on the basis thereof as well as other laws regulating the insurance industry, with special emphasis on unit-linked life insurance. The ISA produced a report on its findings after the review which Zavarovalnica Triglav received on 19 December 2008. Zavarovalnica Triglav sent its comments to the report on 9 January 2009. As at the date of issuing these financial statements Zavarovalnica Triglav had not received the ISA's final findings. On 29 April 2009, the Insurance Supervision Agency (ISA) informed Zavarovalnica Triglav of its intended order on the remedy of infringement. On 25 May 2009, Zavarovalnica Triglav sent to the ISA a statement regarding the intended ISA measure, explaining that the alleged irregularities did not exist or had already been remedied and suggested the ISA not to issue such an order. Moreover, on 31 July 2009 Zavarovalnica Triglav submitted to the ISA a report on having brought its business operations into compliance with the statement on the intended measure. On 6 March 2012, the ISA sent to Zavarovalnica Triglav a request for a performance audit in which the ISA would once again check facts and evidence in this case. As at the date of issuing the financial statements, Zavarovalnica Triglav had not received the Agency's decision.



- **Regularity review of the 2008 consolidated annual report of the Triglav Group**  
From 8 July to 30 December 2009 the ISA carried out a regularity review of the consolidated annual report of the Triglav Group for 2008. On 2 November 2010 the ISA issued an order to remedy the violations listed in the said notification. Zavarovalnica Triglav is obliged to implement the additional measures stipulated in the order. Zavarovalnica Triglav carried out all the additional measures required by the order and on 16 August 2011 the ISA issued a declaratory decision on the remedy of the aforementioned violations.
- **Claims challenging the validity of ISA decisions**  
On 18 February 2011 Zavarovalnica Triglav d.d. brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the ISA order of 4 February 2011, by which the defendant refused the plaintiff's challenge of the ISA order to remedy violations of 7 December 2009. In this order the ISA found that Zavarovalnica Triglav had violated Article 16 of the Insurance Act, as its share capital as at 30 June 2010 was below the minimum guarantee fund. The ISA found that Zavarovalnica Triglav's share capital in non-life insurance was EUR 10,430,555 and the share capital in life insurance was EUR 7,705,724 below the minimum guarantee fund and ordered Triglav to remedy violations by no later than 31 August 2011 and report thereon to the ISA. The Supreme Court rejected Zavarovalnica Triglav's action. The 35th General Meeting of Shareholders of Zavarovalnica Triglav passed a resolution on a share capital increase of EUR 50,000,000 (the increase in share capital was entered into the Court Register on 28 June 2011). The level of share capital was thus brought in line with the order of the ISA, which lead to the ISA's issuing of a declaratory decision on the remedy of the aforementioned violation.
- **Reviews of subsidiaries by local regulators**  
Subsidiaries of Zavarovalnica Triglav were subject to several reviews by local regulatory authorities (Triglav Osiguranje Zagreb, Lovćen Osiguranje and Triglav Osiguranje, Banja Luka). These were regular reviews that did not reveal any significant deficiencies or irregularities in the operations of these companies.

### 8.7.2 Securities Market Agency

- **Legal proceedings against the Securities Market Agency – Abanka Vip**  
On 13 January 2011 the Securities Market Agency (hereinafter: the SMA) issued a decision prohibiting Zavarovalnica Triglav, Slovenska odškodninska družba, Mobitel and Hit from exercising their voting rights in the offeree company Abanka Vip (hereinafter: Abanka) and prohibiting Abanka from exercising its voting rights until such time as those companies and Luka Koper either make a take-over bid for Abanka's shares or dispose of them, so that neither one individual company nor several nor all companies as a whole exceed the takeover threshold. In its decision the SMA found that after the Takeover Act entered into force on 11 June 2006, the persons acting in concert (Zavarovalnica Triglav, Slovenska odškodninska družba, Hit, Mobitel and Luka Koper) at Abanka increased their share of voting rights on 22 March 2010, when Luka Koper acquired 28 shares of Abanka. According to Article 75 of the Takeover Act, these companies were therefore required to make a takeover bid. The companies accused of acting in concert challenged the SMA's decision and Zavarovalnica Triglav initiated legal proceedings before the Supreme Court of the Republic of Slovenia challenging the SMA's aforementioned decision and requesting a stay of execution, while also proposing the issue of a temporary injunction and requesting the Court to treat the case as a priority.
- **Orders issued by the Securities Market Agency**  
On similar grounds as in the case of the investment in Abanka Vip described above, the SMA also initiated procedures to suspend voting rights in several other cases of offeree companies

in which Zavarovalnica Triglav is a minor shareholder, such as Krka, Petrol, Sava Re, Aerodrom Ljubljana and Telekom. In the case of the investment in Petrol, the SMA issued a decision on 22 March 2011 prohibiting Zavarovalnica Triglav and other persons it considered to be acting in concert from exercising their voting rights arising from shares of Petrol. Zavarovalnica Triglav objected to the SMA's decision and has initiated legal proceedings before the Supreme Court of the Republic of Slovenia challenging the SMA's decision. Zavarovalnica Triglav was successful in its challenge and the SMA's decision was annulled. In the other cases listed above, the SMA has not yet issued any decision on the suspension of voting rights.

### 8.7.3 Tax matters

- On 4 February 2011 the Special Tax Office of the Tax Administration of the Republic of Slovenia started with a tax audit in Zavarovalnica Triglav with reference to the tax on insurance services (TIS) charged in the period from 1 January to 31 December 2010. The audit revealed irregularities in the charging and payment of TIS for health insurance with medical assistance abroad and travel assistance insurance amounting to EUR 14,407.66. Zavarovalnica Triglav received the minutes of the audit on 5 May 2011 and a decision enumerating the discovered irregularities in TIS payment was issued on 22 June 2011. On the basis of this decision, Zavarovalnica Triglav paid the outstanding amount with interest by the requested due date. Because Zavarovalnica Triglav did not appeal the decision, the tax procedure in question has been concluded.
- The tax procedure with reference to the audit of the regularity and lawfulness of levying taxes and contributions concluded in Zavarovalnica Triglav for 1995 and 1996 was also concluded in 2011. The key issue under scrutiny was the levied income tax amounting to EUR 799,940 referring to the expenses for the formation of equalisation provisions in 1995 and 1996. On 17 August 2011, Zavarovalnica Triglav received a judgement from the Supreme Court of the Republic of Slovenia which ruled that the review of the judgement of the Administrative Court of the Republic of Slovenia of 22 September 2009 was refused. The aforementioned tax procedure has therefore been concluded.
- In 2007, the Tax Authority carried out an audit of Triglav BH Osiguranje d.d., Sarajevo for a period from 2002 to 2007. The findings of the audit determined misapplication of the Corporate Income Tax Act regarding the tax write-off for foreign capital investments and the resulting unpaid tax liability in the amount of BAM 3,478,265 (EUR 1,778,410). The outstanding amount was paid in August 2010. Triglav BH Osiguranje lodged an appeal with the court of jurisdiction. In 2011, the decision of the Ministry of Finance was repealed. Due adjustments were made in the consolidated financial statements for 2010, reducing net profit brought forward from previous years by the relevant amount.

In 2010 another inspection of all taxes was carried out for the period from 2002 to 30 September 2007. Irregularities in the corporate income tax levied amounting to BAM 3,107,263 (EUR 1,588,718) were discovered. In March 2011, the Federal Ministry of Finance reversed its decision and ordered a review by the body of first instance - the Tax Authority. In the consolidated financial statements no provisions were formed for the corporate income tax owed according to that decision.

## 8.8 Subsequent events

No events occurring after the reporting date were material to the financial statements for 2011.

Events after the reporting date material to the operations in 2012 are the following:

- In the court action of Zavarovalnica Triglav against Milan Marolt and Nadežda Klemenčič, described in detail in Section 8.6, Zavarovalnica Triglav was served a decision by the court of first instance on 9 February 2012. The court had refused Zavarovalnica Triglav's claims. The Company lodged an appeal against this decision of the court of first instance on 23 February 2012.
- In the review procedure by the Insurance Supervision Agency (ISA) pertaining to risk management, with a special emphasis on unit-linked life insurance, which is described in detail in Section 8.7.1. Reviews by supervisory bodies, the Insurance Supervision Agency, the ISA issued Zavarovalnica Triglav with a request for an audit with which the ISA would review the facts and evidence in this case and in the course of which a review of the operations related to the subsidiary company Vardar Osiguruvanje (Triglav Osiguruvanje A.D.) would also be conducted.
- On 15 March 2012, the Supervisory Board appointed the previous Executive Director of the Property Insurance Claims Department, Stanislav Vrtunski as the new member of the Management Board for a period of five years. As Member of the Management Board, he will be in charge of life, health and accident insurance marketing, excluding key accounts. The decision on his appointment as a new member of the Management Board shall take effect as soon as the Insurance Supervision Agency issues him the authorisation to serve as a management board member.
- On 26 March 2012, the Supervisory Board of Zavarovalnica Triglav gave approval to the continuation of procedures related to introducing a strategic partner (International Finance Corporation – IFC) into the ownership structure of the holding company Triglav INT.
- On 26 March 2012, Zavarovalnica Triglav's Supervisory Board approved the termination of the term of office and of the employment contract of Management Board Member, Igor Stebernak. His term of office as Management Board Member shall expire by no later than 30 June 2012.