

Triglav Insurance AD Skopje

Financial Statements

For the year ended 31 December 2014

With the Report of the Auditors thereon

Dear Shareholders, Business partners and colleagues



One of the most successful business years of Triglav Insurance AD, Skopje is behind us.

A year when we reinforced our leading position with a market share of 17% and we achieved a 6% growth, whilst the local non-life insurance market increased for 4%.

This achievement is an outcome from the successful implementation of the company's strategy, which main focus is the expansion of the own sales network, premium quality of products and services offered, continuous development of employees' expertise, as well as a

proper organization of business processes in general.

This year we also received a strong validation that we are indeed on the right track. Within the independent market research, QUDAL-Quality medal, conducted by the Swiss International Certificate Association, ICERTIAS, the Macedonian public evaluated Triglav as the insurance company which provides absolutely the best quality on the Macedonian insurance market. This is a great satisfaction for all the efforts invested a confirmation of the designed strategy, but also a motivation for us to further improve the overall performance of the Company.

The insurance market

The Macedonian insurance market is very dynamic and concentrated, including 11 non - life insurance companies and 31 brokerage companies, performing in a very competitive environment. However, the largest portion of the market still belongs to the obligatory third party liability insurance and at the same time, the average premium per capita is only 57 euro. These performance indicators inevitably lead to a conclusion that our market has a significant potential for growth and improvement in the voluntary segments.

We strongly believe that the insurance business sector is responsible for the insurance market development, thus we use a variety of communication tools to educate the public about the benefits that the insurance brings, and we constantly work on improvement of the existing products as well as the development of new ones, in line with the market needs. Following the insurance trends, in 2014 we received a license for voluntary health insurance, which gave us an opportunity to develop and offer a new product, which will bring a real, additional value for a safer future to our clients.

Financial highlights

Triglav Insurance AD, Skopje achieved sound business results in 2014. The company obtained a profit before tax of 66 million MKD, which is in line with our expectations. The realized gross written premium in 2014 was 1,144,929 MKD

thousand, which represents 6% increase compared to the previous year and it was achieved mainly due to the intensive development of our own sales network.

The gross claims settled were 661 million MKD, which is another indicator for the financial stability of the company. As a result of the extremely bad weather conditions in 2014, a significant amount of the settled claims belonged to the domain of agriculture.

Our future focus

The Group's mission, to build a safer future is ingrained in our development strategy. On a daily basis, in an ethical and socially responsible manner, we create a safer future for our clients, shareholders, business partners and of course, for our employees.

Our vision to work profitably and safely is a well-planned path. Each employee of Triglav Insurance understands the key strategic guidelines: profitability, client-oriented approach, cost effectiveness of business processes, as well as appropriate organizational structure. We strongly believe that it is not enough just to look upon the stairs, but to confidently and resolutely climb them.

Our goal is Triglav Insurance to be creator and driver of the Macedonian insurance market development. Our Company is a market leader and a stable financial organization, which is a confirmation that we fully apply the corporate standards and Group's values.

We are very much aware that the company's perception and our continuous growth are in the hands of our employees and depend on their values, expertise and willingness to learn. Thus, on a daily basis we try to live the values of the brand, including professionalism, security, corporate social responsibility and simplicity, because we want to deliver benefits and value to everything that we do.



Sanja Tančevska
Executive Officer
Triglav Insurance AD, Skopje

Table of Contents

Independent auditor's report	1
Financial Statements for the year ended 31 December 2013.....	3
General information.....	7
Basis of preparation	9
Significant accounting policies	11
Accounting estimates and judgments	30
Risk management	33
Operational segments	54
Notes to the financial statements	55

Independent auditor's report to the shareholders of Triglav Insurance AD Skopje

We have audited the accompanying financial statements of Triglav Insurance AD Skopje ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Certified Auditors Ltd.

Skopje, __ March 2015

Triglav Insurance AD Skopje
Financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2014	31 December 2013
ASSETS			
Intangible assets	7	105,271	109,738
Property, plant and equipment	8	78,240	79,163
Investment property	9	96,823	103,407
Financial assets		1,224,150	1,139,079
-loans and deposits	10	284,298	257,543
-available for sale	10	939,852	881,536
Reinsurers' share of technical provisions	11	103,785	55,696
Receivables		405,888	360,321
- receivables from direct insurance	12	302,888	294,446
- receivables from re and co-insurance	12	45,955	106
- other receivables	12	57,045	65,769
Other assets		1,674	3,452
Cash and cash equivalents	13	21,945	26,794
TOTAL ASSETS		2,037,776	1,877,650
EQUITY AND LIABILITIES			
Equity		677,973	604,310
- share capital	14	185,223	185,223
- capital reserves	14	41,972	41,972
- legal and statutory reserves	14	281,958	258,939
- fair value reserve	14	29,706	10,956
- retained earnings	14	84,201	38,164
- net profit/loss for the period	14	54,913	69,056
Insurance technical provisions		1,131,794	1,107,935
- unearned premiums	15	486,947	469,472
- claims provisions	15	642,001	636,588
- other insurance technical provisions	15	2,846	1,875
Employee benefits	16	4,060	5,381
Deferred tax liabilities	17	3,122	-
Other financial liabilities	18	6,173	6,156
Operating liabilities		131,872	65,708
- liabilities from direct insurance operations	19	40,696	41,727
- liabilities from re and co-insurance operations	19	83,219	21,716
- current tax liabilities	19	7,957	2,265
Other liabilities	20	82,782	88,160
TOTAL EQUITY AND LIABILITIES		2,037,776	1,877,650

Triglav Insurance AD Skopje
Financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

STATEMENT OF PROFIT OR LOSS

	Note	31 December 2014	31 December 2013
Net premium income	21	940,327	963,023
- gross written premium		1,144,929	1,082,217
- ceded written premium		(516)	(284)
- outward reinsurance and co-insurance premium		(200,518)	(137,205)
- change in provision for unearned premiums		(3,568)	18,295
Income from financial assets	22	114,219	85,940
- interest income		70,064	68,017
- dividends		-	935
- realized gains on disposals		29,613	6,804
- other		14,542	10,184
Other income from insurance operations	23	31,144	22,445
- fees and commission income		15,427	10,745
- other insurance income		15,717	11,700
Other income	24	8,617	5,192
Net claims incurred	25	562,116	535,240
- gross claims settled		661,439	716,060
- income from claimed gross subrogated receivables		(22,619)	(24,604)
- reinsurers' share		(50,939)	(46,646)
- change in claims provisions		(25,765)	(109,570)
Change in other insurance technical provisions	26	971	(435)
Expenses for bonuses and discounts	27	68,485	62,631
Operating expenses	28	314,196	295,313
- acquisition costs		230,696	206,576
- other operating costs		83,500	88,737
Expenses from financial assets and liabilities	29	20,860	13,289
- interest expense		253	20
- impairment losses on financial assets		5,381	518
- realized losses on disposal		405	-
- other		14,821	12,751
Other insurance expenses	30	57,140	83,528
Other expenses	31	4,100	13,797
Profit before tax		66,439	73,237
Other tax expense	32	11,526	4,181
Net profit for the accounting period		54,913	69,056
Earnings per share	36		
Basic, profit for the year attributable to ordinary equity holders		0.912	1.147

The financial statements of Triglav Insurance AD Skopje were approved by the Management Board on 30.03.2015.

Sanja Tančevska
Executive Officer

Triglav Insurance AD Skopje
Financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 December 2014	31 December 2013
I. Net profit for the year after tax	54,913	69,056
II. Other comprehensive income after tax	18,750	(73)
<i>Items which could be transferred into Statement of profit and Loss in the following periods</i>		
1. Net gains/losses from the re-measurement of available-for-sale financial assets	18,750	(73)
Gains/losses recognised in fair value reserve	21,872	(73)
Tax on other comprehensive income	(3,122)	-
III. Comprehensive income for the year after tax	73,663	68,983

STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital reserves	Legal and statutory reserves	FV reserve for long- term assets	FV reserve for short- term assets	Other FV reserve	Net profit brought forward	Net profit for the current year	Total
Opening balance as at January 1, 2013	185,223	41,972	249,713	(1,384)	10,803	1,610	19,711	27,679	535,327
Comprehensive income for the the year after tax	-	-	-	3,689	(3,762)	-	-	69,056	68,983
Transfer to retained earnings	-	-	-	-	-	-	27,679	(27,679)	-
Transfer of net profit to reserves from profit	-	-	9,226	-	-	-	(9,226)	-	-
Closing balance as at December 31, 2013	185,223	41,972	258,939	2,305	7,041	1,610	38,164	69,056	604,310
Opening balance as at January 1, 2014	185,223	41,972	258,939	2,305	7,041	1,610	38,164	69,056	604,310
Comprehensive income for the the year after tax	-	-	-	23,301	(4,551)	-	-	54,913	73,663
Transfer to retained earnings	-	-	-	-	-	-	69,056	(69,056)	-
Transfer of net profit to reserves from profit	-	-	23,019	-	-	-	(23,019)	-	-
Closing balance as at December 31, 2014	185,223	41,972	281,958	25,606	2,490	1,610	84,201	54,913	677,973

Triglav Insurance AD Skopje
Financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

CASH FLOW STATEMENT

	Notes	31 December 2014	31 December 2013
Operating cash flow			
P&L statement items		(16,862)	(92,548)
Net written premium	21	943,895	944,728
Income from investment (less financial income)		44,155	16,988
Other income from operations (except from valuation and without changes in provisions) and financial income from receivables from operations		39,761	26,368
Net settled claims	25	(587,880)	(644,810)
Expenses for bonuses and discounts		(68,485)	(62,631)
Net operating expenses less depreciation	28	(299,423)	(281,266)
Expenses from investments without depreciation and financial expenses		(20,362)	(13,807)
Other expenses from operations without depreciation (except from valuation and without changes in provisions)		(56,997)	(73,937)
Corporate tax and other tax not included in expenses		(11,526)	(4,181)
Change of working capital (insurance receivables, other receivables, other assets, deferred taxes) of operating items of the balance sheet		(71,763)	(27,760)
Movement of receivables from direct insurance operations		(9,203)	81,618
Movement of receivables from reinsurance		(45,849)	2,278
Movement of other receivables from (re)insurance operations		4,185	6,010
Movement of other receivables and assets		(101,361)	(71,690)
Movement of liabilities from direct insurance operations		(1,031)	(13,607)
Movement of liabilities from reinsurance		61,503	(33,837)
Movement of other liabilities from operations		20,897	(2,376)
Movement of other liabilities (less unearned premiums)		(904)	3,844
Net Cash flows used from operating activities		(88,625)	(120,308)
Cash flows from investing activities			
Receipts from interest from investments	10	70,064	68,016
Receipts from dividends from investments	10	-	935
Receipts from disposal of tangible fixed assets	8	1,244	11,295
Receipts from disposal of financial investments	10	861,919	848,536
Payments for purchase of intangible assets	7	(1,507)	(228)
Payments for purchase of tangible fixed assets	8	(8,548)	(6,054)
Payments for financial investments	10	(839,396)	(800,975)
Net cash flows from investing activities		83,776	121,525
Net increase / (decrease) in cash and cash equivalents		(4,849)	1,217
Cash and cash equivalents at beginning of the year		26,794	25,577
Cash and cash equivalents at the end of the year		21,945	26,794

1. General information

1.1 Company profile

Triglav Insurance AD Skopje ("Company") is a joint stock company registered and based in Republic of Macedonia. The Company was initially established in 1968 as part of Zoil Dunav Beograd and in 1994 it was registered as AD Vardar Insurance Skopje with decision no. 09-5278/1 issued by the Ministry of Finance of Republic of Macedonia.

The majority shares of the Company were purchased by Zavarovalnica Triglav d.d. on 15 November 2007 (70.36%).

In 2011, the shares of Zavarovalnica Triglav d.d. were transferred to Triglav Int. d.d and interest was increased to 73.38%.

A change in the Company's designation, and rebranding from AD Vardar Insurance Skopje to Triglav Insurance AD Skopje, took place on 20 September 2011.

As of 31 December 2014, the controlling interest in Triglav Insurance AD Skopje is held by Triglav INT d.d (73.38%). The ultimate holding company is Zavarovalnica Triglav d.d.

The company is licensed to perform 16 classes of non-life insurance. Among the most important insurance activities are accident insurance, land motor vehicles insurance, aircraft insurance, fire, natural forces and other damage to property insurance, motor TPL insurance, and general liability insurance.

The address of the registered Company headquarters is:

bul.8-mi Septemvri 16

Business Center Hyperium

1000 Skopje

Republic of Macedonia

1.2 Management bodies

Triglav Insurance AD Skopje is managed and governed according to the one-pillar management system. The management bodies are:

- The General Assembly of Shareholders; and
- The Management Board.

The management bodies of Triglav Insurance AD Skopje act according to the viable legislation and other acts, the Statute and the internal acts of operation.

The names of the General Managers and the Management Board of the Company serving during the financial year, and to date of this report, are as follows:

- Mr. Urosh Ivanc - President of the Management Board, MSc in Economic;
- Ms. Sanja Tancevska – Executive Member, BSc in Mathematics and Certified Actuary since March 2014. Ms. Tancevska was previously serving as non-executive member from February 2014;
- Ms. Marica Makoter - Non-executive member, BSc law;
- Mr. Andrej Knap - Non-executive member, BSc in mechanical engineering;
- Ms. Maja Gazvoda - Non-executive member, MSc in Finance;
- Mr. Blaz Kmetec- Non-executive member, BSc of Economics-Banking and Finance;
- Mr. Gjorgje Vojnovic - Executive Member, MBA until 30 June 2014;
- Mr. Dejan Kalenikov – Non-executive member, from August until September 2014.

During 2014, the Management Board held thirteen (13) sessions on which the most important issues within the scope of the Company's business activities were considered.

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2014**

(All amounts are in MKD thousand unless otherwise stated)

1. General information (continued)**1.2. Management bodies (continued)**

The Management Board has also reviewed and decided upon other current matters which are in its scope of authorizations.

1.3 Employees

As of 31 December 2014, the Company had 256 employees (2013:232).

The table below shows the structure of employees according to the type of employment.

Type of employment	31 December 2014	31 December 2013	Variation
Internal employees	134	138	(4)
Agents	122	94	28
Total	256	232	24

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board ("IASB").

For all periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). Since 31 December 2012 the company has started to prepare its financial statements in accordance with IFRS standards.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following item:

- Available-for-sale financial assets measured at fair value.

The methods used for measuring fair value are described in note 3.5.

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

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in MKD, which is the Company's functional and presentation currency, rounded to the nearest thousand.

2.4 Use of estimates and judgments

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

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

The most important uncertainty estimates and decisive judgments prepared by the management while applying the accounting principles and having the strongest impact on the figures in the financial statements are given in note 4.

2. Basis of preparation (continued)**2.5 Foreign currency transactions**

Transactions in foreign currency are translated to MKD according to the exchange rates as at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to MKD at the prevailing exchange rate as at that date. The foreign currency gains or losses on monetary items are the difference between amortized cost in MKD at the beginning of the period, adjusted for an effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to MKD at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss, except for the differences arising on translation of available-for sale equity instruments which are recognized directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The foreign currencies the Company deals with are predominantly EUR based.

The exchange rates used for translation at 31 December 2014 and 2013 were as follows:

	31 December 2014	31 December 2013
	MKD	MKD
1 EUR	61.4814	61.5113

3. Significant accounting policies

The accounting policies stated herein have been applied consistently to all periods presented in these financial statements.

3.1 Intangible assets

(i) Recognition and measurement

Items of intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any.

Deferred acquisition costs for non-life insurance contracts, determined proportionally to unearned premiums, are also a part of intangible assets. Deferred acquisition costs are calculated as a percentage of net written premiums. The percentage is calculated for each insurance class separately and represents the portion of acquisition costs (acquisition costs as part of operating expenses, net cost of preventive activity, fire tax, contribution to cover losses caused by unidentified vehicles, cost of supervisory authority) in gross premium written excluding co-insurance. It is subject to the restriction that the percentage for each insurance class does not exceed the expected (calculative) share in gross written premium, which is provided for operating costs, prevention and fire tax. These costs are recognized in the statement of profit or loss as a change in unearned premium provision.

(ii) Subsequent costs

Subsequent costs are capitalized only if it is probable that future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. All other costs are recognized in the statement of profit or loss as they are incurred.

(iii) Amortization

Amortization is recognized in the statement of profit or loss on a straight-line basis over the estimated useful life of each item of an intangible asset.

Amortization rates, based on the estimated useful lives, for the current and comparative periods are as follows:

	Annual amortization rate (%)
Software and licenses	25%

Amortization method, useful lives and residual values of assets are reviewed at each reporting date. If the expected useful life of an asset differs from previous estimates, the amortization period is adjusted accordingly.

(iv) Impairment

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. Accounting policies regarding the impairment of intangible assets are described in note 3.10. No intangible assets were impaired as at December 31, 2014 (2013: null.).

3. Significant accounting policies (continued)**3.2 Property and equipment****(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any other costs directly attributable to bringing the asset to the location and the conditions necessary for it to be capable of operating.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

After initial recognition, an item of property and equipment is carried at its cost less any accumulated depreciation and accumulated impairment losses, if any.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement profit or loss as they are incurred.

(iii) Depreciation

Depreciation is recognized in the statement of profit or loss and it is calculated on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Depreciation rates, based on the estimated useful lives, for the current and comparative periods are as follows:

	Annual depreciation rate (%)
Buildings	2.5%
Equipment	10% - 25%

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

Depreciation methods, useful life and residual values are reviewed at each reporting date and adjusted in the event expectations differ from previous estimates.

(iv) Derecognition

When a depreciable item of property and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts.

The gain or loss from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognized within "other income" and "other expenses" in the statement of profit or loss.

(v) Impairment

At each reporting date, items of property, plant and equipment are reviewed for indications of impairment or changes in estimated future economic benefits. Accounting policies regarding the impairment of tangible assets are described in note 3.10. No item of property and equipment was impaired as at December 31, 2014 (2013: null).

3. Significant accounting policies (continued)**3.3 Investment Property**

Investment property is property (land or building or part of a building of both together) held by the Company for the purpose of earning rent or to increase capital, or for both. This category does not include property used by the Company for the regular course of business.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of investment property is calculated on straight-line basis using rates determined by means of which acquisition cost of the building should be written off over their estimated useful life.

The useful life of the buildings is estimated at 40 years with an annual depreciation rate of 2.5%.

The annual depreciation rates of the whole investment properties applied are as follows:

	Annual depreciation rate (%)
Buildings	2.5%

Investments in real estate generate cash inflow independently of other assets owned by the Company.

Investment property is derecognized when it will be disposed of, or when the investment will be permanently withdrawn from use and the Company will not expect future economic benefits from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of de-recognition.

Transfers are made to or from investment property only when there is change in use. Since the Company uses the cost model, the transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred nor do they change the cost of that property for measurement or disclosure purposes.

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

All income arising from investment property is rental income and is shown in the statement of profit or loss under "Other income". Expenses arising from investment property consist of the depreciation charges and maintenance costs of the investment property. In the statement of profit or loss they are disclosed under "Other expenses". Accounting policies regarding the impairment of investment property are described in note 3.10.

3. Significant accounting policies (continued)

3.4 Financial assets

(i) Classification

The Company classifies its financial assets into four categories available-for-sale assets, loans and receivables, held-to-maturity investments and financial assets at fair value through profit or loss. The classification is determined by the management at initial recognition and depends on the purpose for which the investment is acquired. During 2014 and 2013, all financial assets were classified as available-for-sale assets and loans and receivables.

(ii) Recognition and measurement

Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of profit or loss.

The trade date is used for the initial recognition of financial assets, except for loans and receivables (*excluding receivables from insurance operations*), for which the settlement date is used (trade date is same as the settlement one in such cases).

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

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.

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 recognized 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 recognized in the statement of profit or loss.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the statement of profit or loss as net realized gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the Company's right to receive payments is established. Both are included in the "Income from financial assets" line in the statement of profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial asset with fixed or determinable payments and fixed maturities that the Company intends and is able to hold them to maturity. Financial assets held to maturity are measured at amortized cost reduced for impairment.

3. Significant accounting policies (continued)

3.4 Financial assets (continued)

(ii) Recognition and measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are represented by two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. Irrespective of the sub-category, they are acquired with principal purpose of selling them in the short-term.

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

Gains and losses arising from a change in fair value are recognized in the statement of profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss as part of the "Income from financial assets" when the Company's right to receive payments is established.

Loans and receivables (excluding receivables from insurance operations)

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

Loans and receivables are initially recognized when cash is advanced to the borrowers and are measured at cost. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method. The impairments of loans and receivables are recognized if there is objective evidence that the receivable will not be recovered in accordance with the contractual terms. The losses arising out of impairment are recognized in the statement of profit or loss.

(iii) Derecognition

Financial assets are derecognized when the right to receive cash flows from them has expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

3.5 Fair value of financial assets

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 participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. These valuation techniques include the use of recent price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, comparison with the current fair value of another instrument with similar key features, discounted cash flow analyses 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,

3. Significant accounting policies (continued)

3.5 Fair value of financial assets (continued)

such a technique is applied by the Company. 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. When 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 as follows:

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

The Company uses discounted cash flows method, for valuation of the government bonds that do not have quoted market price on an active market (Level 2). The Company calculates present value of the investment, or in this case the clean price of the bond, by discounting the scheduled future cash flows. As a basis for discounting, the Company uses the yield to maturity rate of similar bonds issued by the same issuer that do have a quoted market price adjusted by the maturity spread.

3.6 Reinsurer's share of technical provisions (reinsurance assets)

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, incomes and expenses from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognized as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period covered that the reinsurance cover is provided for based on the expected pattern of the reinsured risks (*note 3.18 premium income*).

Reinsurers' share of technical provisions made for claims not settled yet as well as for unreported claims is an asset arising from reinsurance contracts.

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

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognized by the Company in respect of its rights under such contracts. Any difference between the premium due to the reinsurer and the reinsurance assets recognized is included in the statement of profit or loss in the period in which the reinsurance premium is due. The amounts recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

3. Significant accounting policies (continued)

3.6 Reinsurer's share of technical provisions (reinsurance assets) (continued)

Reinsurance assets are assessed for impairment at each balance sheet date. Accounting policies regarding the impairment of reinsurance assets are described in note 3.10.

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

3.7 Insurance receivables and payables

Amounts due to and from policyholders, agents and other receivables are financial instruments and are included in the insurance receivables and payables.

Receivables from insurance operations are recognized when insured persons are charged with 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 recognized when the first installment is paid by the debtor, after a receivable has been tested in court or based on an agreement made with the subrogation debtor. Insurance receivables and payables are short term.

Accounting policies regarding the impairment of insurance receivables are described in note 3.10.

3.8 Other assets

Other assets include deferred expenses and accrued revenue, if any.

Short-term deferred expenses are amounts that will impact profit or loss in the following accounting periods. They are accrued in order to ensure their even impact on profit or loss, or to accrue prepaid expenses not yet incurred. Accrued revenue refers to revenue earned in the current accounting period but that will be collected in a subsequent period.

3.9 Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition. Cash and cash equivalents comprise cash on hand and call deposits. Cash and cash equivalents are carried at amortized cost in the balance sheet.

3.10 Impairments

(i) Impairment of intangible assets and property and equipment

At each reporting date, Company's management reviews the carrying amount of the non-financial assets. If there is an indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

A cash generating unit is the smallest identifiable group of assets that generates cash inflows out of continuous use, which are greatly independent of the cash inflows from other assets or groups of assets. Impairment losses recognized with regard to the cash generating units are proportionally distributed to the assets in the units (a group of units).

An impairment loss is recognized immediately in the statement of profit or loss.

3. Significant accounting policies (continued)

3.10 Impairments (continued)

(i) Impairment of intangible assets and property and equipment (continued)

The previously recognized impairment losses of property 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 recognized. An impairment loss of an asset is derecognized 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 recognized.

(ii) Impairment of 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 recognized in an amount equaling the difference between the two.

(iii) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
 - Adverse changes in the payment status of issuers or debtors in the Company; or
 - National or local economic conditions that correlate with defaults on the assets in the Company.

Financial assets available-for-sale

The impairment loss of an available-for-sale financial asset is calculated on the basis of its current fair value. If there is objective evidence of the impairment of an available-for-sale financial asset, the accumulated loss, previously recognized in other comprehensive income, is transferred to the statement of profit or loss.

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

A reversal of previously recognized impairment of available-for-sale debt instruments is recognized in the statement of profit or loss. Impairment may be reversed if such a reversal can be objectively related to an event occurring after the previous impairment was recognized.

3. Significant accounting policies (continued)

3.10 Impairments (continued)

(iii) Impairment of financial assets (continued)

For equity securities, 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 nine months). For debt securities, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), payment arrears or other significant negative events related to the creditworthiness of the issuer.

Loans and receivables

The impairment loss of a financial asset, measured at amortized 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. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

A reversal of previously recognized impairment of financial assets measured at amortized cost is recognized in the statement of profit or loss. Impairment may be reversed if such a reversal can be objectively related to an event occurring after the previous impairment was recognized.

(iv) Impairment of insurance receivables

The adequacy of the value disclosed is tested for each group of insurance related 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 in "Other insurance expenses".

(v) Impairment of reinsurer's 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 Company from the reinsurer. An impairment loss of assets from reinsurance contracts is recognised in the statement of profit or loss.

3.11 Equity

(i) Share capital

Share capital equals the nominal value of paid-up ordinary shares.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

3. Significant accounting policies (continued)

3.11. Equity (continued)

(ii) Treasury shares

When the Company purchases its own shares, the consideration paid, including the directly attributable incremental costs (net of income taxes), is deducted from equity. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

(iii) Reserves from profit

Under local statutory legislation, the Company is required to set aside 1/3 of its net profit for the year in a statutory reserve (as long as it is not used for covering of losses) until the level of the reserve reaches 50% of the realized average insurance premium in the last two years, whereby the premiums from the previous year are increased by the index of retail price increase, including the year for which realized profit is distributed.

These reserves are meant to cover the liabilities arising out of the insurance contracts which have period of coverage longer than one year.

(iv) Fair value reserves

The fair value reserve represents changes in the fair value of the available-for-sale financial assets. The reserve includes the cumulative net effect until the moment of derecognition or impairment occurring on the financial asset.

(v) Dividends

Dividends are recognized as liability in the year in which they are declared.

3.12 Classification of the insurance contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from another party (the policy holder); by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder.

Underwriting risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

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 and the payment in other cases.

3.13 Insurance technical provisions

Unearned premium provision

The provision for unearned premium comprises the proportion of gross written premiums which is estimated to be earned in the following financial year, calculated separately for individual insurance contracts, using the pro-rata temporis method.

Claims provisions

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

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Triglav Insurance AD Skopje are calculated as a capitalized annuity value based on the Yugoslavian mortality tables of 1980-1982 and an interest rate of 5%.

3. Significant accounting policies (continued)

3.13 Insurance technical provisions (continued)

Provisions for incurred but not reported claims (IBNR) are calculated by means of “triangle” methods (a combination of Chain Ladder and Bornhuetter- Ferguson methods for MTPL line of business and Chain Ladder for other classes of insurance). 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. The IBNRs are formed for 5 classes of insurance with which 99% of the gross claims settled are covered.

Provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on a quarterly basis.

Anticipated reinsurance recoveries, and estimates of subrogation recoveries, are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

Other insurance technical provisions

Provisions for bonuses (managerial insurance) are formed for risks that cover death out of illness and/or accident. The provision is created upon the conclusion of the contract, irrelevant of the payment pattern of the client.

3.14 Other provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, wherever appropriate, the risk specific to the liability.

3.15 Employee benefits

(i) Defined contribution plans

The Company contributes to its employees’ post retirement plans as prescribed by the national legislation and will have no legal or constructive obligation to pay further amounts. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions.

There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of profit or loss when they are due.

(ii) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Other long-term employee benefits

In compliance with the local regulations, the Company pays two average salaries to its employees at the moment of retirement and jubilee awards in accordance with the General collective agreement. The employee benefits are discounted to determine their present value. There is no additional liability in respect of post retirement.

3. Significant accounting policies (continued)

3.16 Other financial liabilities

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

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

3.17 Operating and other liabilities

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

3.18 Net premium income

Gross written premiums reflect business written during the year and exclude any taxes or duties based on premiums.

The earned proportion of premiums is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risk underwritten.

Outward reinsurance premiums are recognized as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business. A portion of outwards reinsurance premiums are treated as expense and reduce the premium income.

Gross written premium is also adjusted by the change in gross provisions for unearned premiums taking into account the reinsurers' share in provision for unearned premium (in details explained in note 3.13).

Deferred acquisition costs

The costs incurred in acquiring general insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisition costs include direct costs such as commission to brokers and other direct costs as well as indirect costs, such as administrative costs.

Deferred acquisition costs are amortized over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For general insurance contracts the deferred acquisition costs represents the proportion of the acquisition costs which corresponds to the proportion of gross written premiums which is unearned at the balance sheet date.

3.19 Income from financial assets

Income from financial assets arises from interest income, dividends, realized gains on disposals of available-for-sale instruments and other financial income.

In the statement of profit or loss, interest income is recognized 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 statement of profit or loss once the right to the payment is obtained.

Gains on disposal arise from the derecognition of available-for-sale financial assets. The difference between the carrying amount of a financial asset and its sales value represents a realised gain.

3. Significant accounting policies (continued)

3.20 Other income from insurance operations

Other income from insurance operations represents fees and commission income from reinsurance as well as other income from insurance operations. It is recognised in the statement of profit or loss once a service has been provided and/or invoiced.

Fee and commission income represents charges recovered from foreign reinsurance companies based on reinsurance contracts concluded with them and from the National Insurance Bureau for paid claims.

3.21 Other income

Other income includes investment property income, income from intangible assets and property and equipment, penalty interest charged, as well as other income.

3.22 Claims incurred

Claims incurred comprise the settlement and handling costs of paid claims arising from events occurring during the financial year 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.

Claims paid are recorded in the moment of processing the claim and are recognized (determined) as the amount to be paid to settle the claim. Claims paid in non-life business are increased by claims handling costs.

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.

3.23 Operating expenses

Gross operating costs are recognized as original expenses by natural type of cost. In the statement of profit or loss these costs are classified by function. Claim handling costs are a constituent part of claims incurred (note 3.22), asset management costs are a constituent part of expenses from financial assets and liabilities (note 3.24), whilst insurance contract acquisition costs and other operating costs are separately disclosed in the statement within operating expenses headline. All operating costs are disclosed by natural type and function.

Operate lease

Payments made under operating leases are recognized in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of profit or loss as an integral part of the total lease expense.

3.24 Expenses from financial assets and liabilities

Expenses from financial assets and liabilities are interest expenses, fair value losses, net realized losses on disposals of financial assets, impairment losses and other financial expenses.

In the statement of profit or loss, interest expense is recognized using the effective interest method, which does not apply to the financial assets measured at fair value through profit and loss. During 2014 and 2013, the Company did not have such assets.

Losses on disposal arise from the derecognition of available-for-sale financial assets. The difference between the carrying amount of a financial asset and its sales value represents a loss incurred.

3. Significant accounting policies (continued)

3.25 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 disclosed in the statement of profit or loss once a service is provided.

3.26 Other expenses

Other expenses comprise other expenses not directly arising from insurance operations. Other expenses are disclosed in the statement of profit or loss once a service is provided.

3.27 Taxes

Current income tax

With the latest changes in the Macedonian tax legislation published in Official Gazette no.112 from 25 July, 2014, effective from 1 January 2014, the current income tax in Republic of Macedonia is calculated as 10% tax rate on the income before tax representing the tax base. This tax base is further increased by the non-deductible (unrecognized) expenses incurred in that fiscal year, decreased by the amount of tax credits and other tax reliefs. The current income tax is recognized in the statement of profit or loss for the year.

As of the previous year, tax was paid on:

- ***Distributed dividends*** – where the tax base was the paid dividend; and
- ***Tax on non-deductible (unrecognized expenses)*** – where the tax base was the amount of unrecognized expenses determined in the “Rule book for the calculation and payment manner of income tax, and prevention from double tax relief or double taxation”, decreased for the amount of the tax credits. This tax was payable regardless of whether the companies have generated profit or loss in the year.

During the year, the Company pays monthly advances which are calculated based on the tax balance for unrecognized expenses from the previous year. At the end of the reporting period, a final tax calculation is prepared for the current year based on the current year income tax expenses and any difference to the monthly advances paid is recorded as either tax asset or tax liability.

Deferred income tax

According to the latest changes in the Macedonian tax legislation effective from 1 January 2014, 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 recognized under other comprehensive income

3.28 Adoption of new and revised IFRS

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. Namely, the Company adopted the below mentioned new and amended IFRS and IFRIC interpretations effective as of 1 January 2014 which did not have any impact on the accounting policies, financial position or performance of the Company:

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014:

3. Significant accounting policies (continued)

3.28 Adoption of new and revised IFRS (continued)

New and amended standards and interpretations (continued)

- *IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities*
- *IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- *IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets*
- *IFRIC Interpretation 21: Levies*

The adoption of the standards or interpretations is described below:

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment did not have any impact on the Company’s financial position or performance.

IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendment did not have any impact on the Company’s financial position or performance.

IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The amendment did not have any impact on the Company’s financial position or performance

IFRIC Interpretation 21: Levies

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendment did not have any impact on the Company’s financial position or performance.

3. Significant accounting policies (continued)

3.28 Adoption of new and revised IFRS (continued)

Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

IAS 19 Employee benefits (Amended): Employee Contributions

The amendment is effective for annual periods beginning on or after 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Company does not expect that will have material financial impact in future financial statement.

IFRS 9 Financial Instruments – Classification and measurement

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. It is not expected that these amendments would be relevant for the Company.

3. Significant accounting policies (continued)
3.28 Adoption of new and revised IFRS (continued)
Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

IAS 27 Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. It is not expected that these amendments would be relevant for the Company.

Amendment in 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 an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. It is not expected that these amendments would be relevant for the Company.

The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. The Company is in the process of assessing the impact of this standard on its financial statements.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

3. Significant accounting policies (continued)

3.28 Adoption of new and revised IFRS (continued)

Standards issued but not yet effective (continued)

- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is re-valued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is re-valued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The IASB has issued the **Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. The Company is in the process of assessing the impact of this standard on its financial statements.

- **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

The IASB has issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. The Company is in the process of assessing the impact of this standard on its financial statements.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

3. Significant accounting policies (continued)

3.28 Adoption of new and revised IFRS (continued)

Standards issued but not yet effective (continued)

- **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. It is not expected that these amendments would be relevant for the Company.

IAS 1: Disclosure Initiative (Amendment)

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

3.29 Segment reporting

An operating segment is a component of the Company that is part of business activities from which the Company can generate revenue and incur expenses, including revenue and expenses related to transactions with any other Company components whatsoever. The operating results of the operating segments of the Company are regularly reviewed by the Company Board of Directors in order to reach decisions regarding allocation of resources and assessing performance of the operating segments, for which there is confidential financial information. The Company has only one reporting segment.

4. Accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1. Insurance technical provisions

Key sources of estimation uncertainty

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in establishing a provision for outstanding claims, it is likely that the final outcome will prove to be different from the original liability established.

The unearned premium for all insurance policies is calculated pro-rata temporis.

Provision is made at the balance sheet date for the expected ultimate cost of settlement of all claims incurred in respect of events up to date, whether reported or not, together with related claims handling costs, less amounts already paid.

The provision for claims is not discounted for the time value of money. The methods used and estimates made are reviewed at least on a quarterly basis.

The sources of data used as inputs for the assumptions are typically internal to the Company, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable information or other published information.

The Company pays particular attention to current trends.

The estimation of claims incurred but not reported ("IBNR") is generally subject to greater degree of uncertainty than the estimates of claims already reported, where more information is available. IBNR claims may often not be apparent to the Company until several years after the occurrence of the event giving rise to the claim.

Each reported claim is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as when new information arises.

Claims on non-life insurance contract are payable on a claims-occurrence basis. The contracts are concluded for short periods, mostly for one year, the Company being liable for all insured events that occurred during the term of the contract.

The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims, and relatively smaller amount is held as when compared to RBNS.

The provision estimation difficulties differ by class of business due for a number of reasons, including:

- Differences in terms and conditions of the insurance contracts;
- Difference in the complexity of claims;
- The severity of individual claims;
- Differences in the period between the occurrence and reporting of claims.

Significant delays can be experienced in the notification and settlement of certain type of non-life insurance claims, therefore, the ultimate cost of which cannot be known with certainty at the balance sheet date.

4. Accounting estimates and judgments (continued)

4.1 Insurance technical provisions (continued)

The cost of the outstanding claims and the IBNR provisions are estimated using actuarial methods. Such methods extrapolate the development of paid claims, average cost per claims and ultimate claim ratio for each accident year upon observed development of earlier years and expected loss ratios.

The key actuarial method used is the “chain ladder” method, which uses historical data to estimate future liabilities for claims and expenses related to claims.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Economic, legal, political and market trends;
- Changes in the mix of insurance contracts incepted; and
- The impact of large losses.

Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affects the estimates.

No change in assumptions for non-life insurance contracts provision occurred in 2014 that had material effect on the financial statements.

4.2 Liability adequacy test

Liability adequacy test is performed to prove that all liabilities deriving from insurance contract (reduced for deferred acquisition costs) are adequate.

The Company forms reserves for unexpired risks for those lines of business where the expected loss ratio exceeds 100%. Additional reserves for unexpired risks are calculated by line of business 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. At each balance sheet date, an assumption is made that claims development in the remaining term of portfolio at the balance sheet date will be the same as the claims development during the respective year on this portfolio. 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.

If a shortfall is identified the related deferred acquisition costs are written down and, if necessary, an additional provision is established. The deficiency is recognized in the statement of profit or loss for the year.

5. Risk management

5.1 Main characteristics of the risk management system

Objectives of the risk management system

Triglav Insurance AD Skopje operates in accordance with the risk management rules, controls the operating risks and undertakes necessary measures for risk management.

Triglav Insurance AD Skopje continuously identifies, assesses and measures the risks to which it is exposed during the course of its business activities. The risk management policy in place contributes to having planned and systematic approach to identification, assessment and calculation of the risks. During 2014, the Company has been pursuing and directing its risk management policy towards ensuring sustainable maintenance of the risk exposure level to a degree for which it is believed that it will not jeopardize its assets and business activities and which will ensure full protection of the interests of the policyholders, shareholders, damaged persons and other creditors of the Company. This risk management policy conducted by the Company is harmonized with the laws and regulations, as well as the internal rules and procedures.

Effective risk management provides the opportunity to efficiently turn risk into value. It enables the Company to control and adjust its entire risk profile and to limit its amount of exposure to certain risks. The successful and prudent assumption and management of risks gives the Company financial strength and, consequently, the ability to fulfil its obligations to its clients and meet their expectations, at the same time creating sustainable value for its investors. The Company has developed a conservative culture and approach to risks which it controls with modern risk management tools.

Since risk management is one of the most important functions of the Company, it requires adequate resources in terms of organisational structure, strategic orientation, staff training, and regular or continuous risk review. Monitoring and identification of risks constitute the foundation of the risk management system. The Company uses a set of reporting and control procedures, supplemented with various rules and regulations. Common to all these, however, is a transparent sharing of information. Consequently, the operation of the Company is more transparent, stable and secure.

All together, this leads to favourable results and raises the satisfaction of all the participants in the business process. To enable efficient risk taking and risk identification, which form the essence of the Company's risk management system, all business divisions have clearly defined limits and apply an internal control system for monitoring their operations.

The Risk Management Strategy is defined in a clear and precise manner, in line with the Company's business strategy. Its goals are to reinforce the Company's financial stability and strength, to cater to the clients' needs and to fulfil the obligations towards them as well as to increase the value of the Company for its shareholders. Moreover, the Strategy sets out the risk appetite, i.e., the framework and level of risks the Company is willing to assume and manage. The system is designed to allow transparency and efficient communication.

5.2 Capital management and capital adequacy management

The capital adequacy represents insurance against possible capital risks of Company not being able to secure the necessary prescribed capital.

Triglav Insurance AD Skopje measures the amount of the available solvency margin in accordance to the Law on Supervision of Insurance by applying the both methods of premium rate and claims rate. The Company performs calculations of the required capital level on quarterly basis.

According to the applicable local legislation, the Company is required to maintain capital level which is at least equal to the calculated solvency margin in order to maintain its core business and ensure coverage of potential losses. The capital that the Company maintains is in surplus to the calculated solvency margin. Capital surplus offers high coverage of losses due to unexpected adverse events, with regard to the previous and current developments in

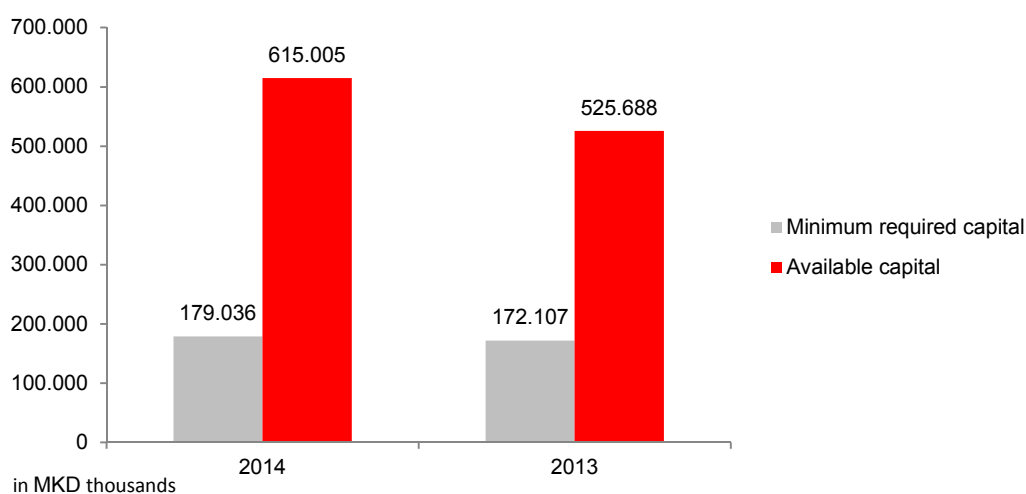
5. Risk management (continued)

5.2 Capital management and capital adequacy management (continued)

the environment of the Company and future expectations. In addition to measuring the current capital adequacy level, the Company monitors the planned capital adequacy level, which enables to monitor the effects of the extended and narrow environment. Furthermore, this enables optimal distribution of the capital.

Furthermore, the capital adequacy ratio of insurance technical provisions is continually monitored for the purpose of assessing the solvency needs of the Company.

As at December 31, 2014, the available capital to minimum required capital ratio was 344% (2013: 305%).



5.3 Financial risk and sensitivity analysis

The Company is exposed to financial risk through all of its financial assets and liabilities, reinsurance assets and insurance receivables and liabilities. More specifically, the main financial risk is that in the long-term its investment proceeds will not be sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are the credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk.

These risks arise from open positions in maturities, interest rate and currency or in equity products, all of which are exposed to general and specific market movements.

The Company manages these positions with an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets and liabilities arising from insurance and investment contracts. The Company has not changed the processes used to manage its risks from previous periods.

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

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss for the Company.

The main credit risk exposures arise from debt and equity securities holdings and insurance operations (reinsurance credit risk and credit risk of default on receivables from insurance operations). In order to control its credit risk exposure, the Company regularly reviews the creditworthiness of the parties to which it is exposed.

The Company's financial assets that may be exposed to credit risk (financial investments, reinsurance assets, receivables from insurance operations and cash and cash equivalents) amounted to 1,750,868 MKD thousand (2013: 1,561,152 MKD thousand) as disclosed below.

	31 December 2014	31 December 2013
Financial investments	1,219,165	1,118,341
- Debt securities	941,735	860,798
- Deposits (term) and GF investments	277,430	257,543
Reinsurers' share of technical provisions	103,785	55,696
Receivables	405,888	360,321
Cash and cash equivalents	21,945	26,794
Total financial assets exposed to credit risk	1,750,783	1,561,152

Credit risk arising from financial investments

In order to manage its exposure to credit risk, the Company uses system of exposure limits, which constitute part of the investment policy for different types of assets. The aim is to achieve optimum diversification of the credit portfolio and to achieve the desired credit rating but at same time to enable achieving the appropriate level of liquidity and return. Exposures to individual issuers and changes in their credit ratings are continually monitored in order to ensure timely and suitable responses to potential adverse developments on the financial markets.

Exposure as per credit rating

As relevant credit rating for the debt securities, the Company is using the second best credit rating issued from Moody's, Standard and Poor's and FitchIBCA. The average portfolio credit rating is calculated in accordance with the methodology issued by the credit agency Moody's (Weighted Average Rating Methodology) in which the investments are weighted according to the value of their carrying amounts. The values used for the calculation of the weighted average rating are not linear and increase with the lowering of the credit rating.

Rating	Rating result	Rating	Rating result
Aaa	1	Ba1	940
Aa1	10	Ba2	1350
Aa2	20	Ba3	1766
Aa3	40	B1	2220
A1	70	B2	2720
A2	120	B3	3490
A3	180	Caa1	4770
Baa1	260	Caa2	6500
Baa2	360	Caa3	8070
Baa3	610		

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Credit risk arising from financial investments (continued)

Following is the credit-rating structure of the debt securities of Triglav Insurance AD Skopje for the years ended 31 December 2014 and 2013.

	31 December 2014	31 December 2013
Credit rating		
AAA	64,923	-
BB	876,812	860,798
Total debt securities	941,735	860,798

Other financial assets - deposits (term), bank account and receivables are classified as "Undetermined" credit quality class.

Exposure as per product type

The Company also tends to achieve optimum diversification of its financial investment portfolio and therefore, it has various limits of exposures put in place.

According to the investment policy, the Company is allowed to invest in financial assets in compliance to the limits as disclosed below:

Type of investment	Limit	Limit
	2014	2013
Debt securities and deposits	100%	Min. 94%
- Debt securities issued by the state	60%	60%
- Corporate debt securities issued by participant in financial sector including deposits in banks	30%	30%
- Corporate debt securities issued by non-financial sector participants	10%	10%
Equity investments	0%	Max. 6%

Maximum allowable deviation for all categories of debt securities is +/- 15%.

Maximum allowable deviation for equity securities is +/- 6%.

The allowed investment in equity instruments has been changed in January 2014.

The table below shows the composition of the investment portfolio of the Company as of 31 December 2014 and 2013.

	31 December 2014	%	31 December 2013	%
Debt securities, deposits and GF investments	1,219,165	99.6%	1,118,341	98%
- Debt securities issued by the state	941,735	77%	860,798	76%
- Deposits in banks	251,652	21%	231,231	20%
- Guarantee fund investments	25,778	2%	26,312	2%
Equity investments	4,985	0.4%	20,738	2%
Total financial assets	1,224,150		1,139,079	

As of 31 December 2014 and 2013, all investments are within the limits of the Company's investment policy.

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Credit risk arising from financial investments (continued)

In 2014, the single largest exposure of Triglav Insurance AD Skopje was related to the government bond issued by the Republic of Macedonia in amount of 139,039 MKD thousand with maturity until October 2019.

The single largest exposure in 2013 was related to the Eurobond issued by the Republic of Macedonia in amount of 475,804 MKD thousand with maturity until December 2015.

In July 2014, there was new amendment to the *Law for supervision in insurance* issued under which no investments in Eurobonds was allowed. As a result, the Company disposed its investment realizing capital gain.

Exposure as per single issuer or group of connected issuers

In addition, when making investments, the Company is following the capital model from the Solvency II directive where the investments in one issuer or group of connected issuers should not exceed the following limits:

- Max 6% for investments in single issuer or group of connected issuers with credit rating AAA to AA;
- Max 4.5% for investments in single issuer or group of connected issuers with credit rating A;
- Max 3 % for investments in single issuer or group of connected issuers with credit rating BBB;
- Max 2% for investments in single issuer or group of connected issuers with credit rating BB or lower or in equity instruments.

Exclusion to the above disclosed limits are the debt securities issued by the EEA countries in EEA currency or for the debt securities issued by the domicile country of the Company, i.e. R. Macedonia.

All investments made in financial assets are within the Republic of Macedonia and Germany, i.e. there is no exposure on the global financial markets.

Credit risk arising from insurance and reinsurance activities

The Company is exposed to credit risk in case when the policyholders are unable to fulfill their financial liabilities arising from the insurance contracts. The receivables from the insurance operations are spread over large number of clients and therefore, there is small concentration as per client level which reduces the credit risk. The company manages the credit risk arising from insurance operations through selling insurance policies to clients with good credit history and through assessing the financial position and stability of individual clients. As a result, through constant monitoring of the insurance portfolio, the Company is aiming towards diversification through various sectors and large number of clients.

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

- The maturity structure of receivables from insurance operations (refer below in this section and in note 12 for analysis of receivables by maturities); and
- Re-insurers' credit ratings.

The Company's management regularly estimates the reinsurers' solvency in order to be able to update the reinsurance strategy.

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Additional credit risk disclosures

31 December 2014	Neither past due nor impaired	Past due but not impaired	Impaired placements	Gross exposure	Allowance for impairment	Net exposure
Financial investments	1,219,165	-	163,843	1,383,008	(163,843)	1,219,165
- Debt securities	941,735	-	-	941,735	-	941,735
- Deposits (term), GF investments and loans	277,430	-	163,843	441,273	(163,843)	277,430
Reinsurers' share of technical provisions	103,785	-	-	103,785	-	103,785
Receivables	188,397	86,657	812,304	1,087,358	(681,470)	405,888
Cash and cash equivalents	21,945	-	-	21,945	-	21,945
Total	1,533,292	86,657	976,147	2,596,096	(845,313)	1,750,783

31 December 2013	Neither past due nor impaired	Past due but not impaired	Impaired placements	Gross exposure	Allowance for impairment	Net exposure
Financial investments	1,118,341	-	199,215	1,317,556	(199,215)	1,118,341
- Debt securities	860,798	-	-	860,798	-	860,798
- Deposits (term), GF investments and loans	257,543	-	199,215	456,758	(199,215)	257,543
Reinsurers' share of technical provisions	55,696	-	-	55,696	-	55,696
Receivables	146,397	85,117	786,495	1,018,009	(657,688)	360,321
Cash and cash equivalents	26,794	-	-	26,794	-	26,794
Total	1,347,228	85,117	985,710	2,418,055	(856,903)	1,561,152

- 5. Risk management (continued)
- 5.3 Financial risk and sensitivity analysis (continued)
- 5.3.1. Credit risk (continued)

Additional credit risk disclosures

The composition of the past due but not impaired and impaired receivables is as follows:

	Past due but not impaired			Total
	Up to 30 days	30-180 days	Over 180 days	
2014	38,825	3,084	44,748	86,657
2013	36,145	8,429	40,543	85,117

	Impaired receivables			Total
	Up to 30 days	30-180 days	Over 180 days	
2014	-	95,378	35,456	130,834
2013	-	93,012	35,795	128,807

The impaired portion of category “Deposits (term), GF investments and loans” in amount of 163,843 MKD thousands (2013: 199,215 MKD thousands) relate to loans given in the past which are in delay of more than 365 days and therefore, they are fully impaired.

5. Risk management (continued)**5.3 Financial risk and sensitivity analysis (continued)****5.3.2 Liquidity risk**

Liquidity risk is the risk that the Company would be unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows. Such outflows would deplete available cash resources for operational, and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill policyholder commitments.

The Company's liquidity management process includes day-to-day funding, managed by monitoring actual and future cash flows to ensure that requirements can be met, maintaining a portfolio of highly liquid securities that can easily be liquidated as protection against any unforeseen interruption to cash flow as well as monitoring the liquidity ratios of the balance sheet on a daily basis in compliance with internal and regulatory requirements. Liquidity risk is also a significant consideration when the Company evaluates its overall ALM profile.

The regular liquidity control enables the Company to be prepared in adopting reasonable and appropriate measures for preventing and eliminating the causes of illiquidity.

In 2014 and 2013, the Company did not obtain additional liquidity from credit lines.

The following tables show the contractual maturity structure of the Company's financial assets and liabilities.

31 December 2014	Not defined	Under 1 year	From 1 to 5 years	Above 5 years	Total
Financial assets					
Financial investments	30,763	258,520	854,884	79,983	1,224,150
- Debt securities (AFS)	-	-	854,884	79,983	934,867
- Debt securities (L&R)	-	6,868	-	-	6,868
- Equity investments (AFS)	4,985	-	-	-	4,985
- Deposits (term), and GF investments	25,778	251,652	-	-	277,430
Reinsurers' share of tech. provisions	-	103,785	-	-	103,785
Receivables	-	400,922	4,966	-	405,888
Cash and cash equivalents	-	21,945	-	-	21,945
Other assets	-	1,674	-	-	1,674
Total financial assets	30,763	786,846	859,850	79,983	1,757,442
Financial liabilities (non-interest bearing)					
Insurance technical provisions	-	1,131,794	-	-	1,131,794
Employee benefits	-	20	263	3,777	4,060
Operating liabilities	-	131,872	-	-	131,872
Other liabilities	-	82,782	-	-	82,782
Other financial liabilities	-	6,173	-	-	6,173
Total financial liabilities	-	1,352,641	263	3,777	1,356,767
Maturity gap	30,762	(565,795)	859,987	76,206	400,760

5. Risk management (continued)**5.3 Financial risk and sensitivity analysis (continued)****5.3.2. Liquidity risk (continued)**

31 December 2013	Not defined	Under 1 year	From 1 to 5 years	Above 5 years	Total
Financial assets					
Financial investments	47,050	231,231	860,798	-	1,139,079
- Debt securities (AFS)	-	-	860,798	-	860,798
- Equity investments (AFS)	20,738	-	-	-	20,738
- Deposits (term) and GF investments	26,312	231,231	-	-	257,543
Reinsurers' share of tech. provisions	-	55,696	-	-	55,696
Receivables	-	360,321	-	-	360,321
Cash and cash equivalents	-	26,794	-	-	26,794
Other assets	-	3,452	-	-	3,452
Total financial assets	47,050	677,494	860,798	-	1,585,342
Financial liabilities (non-interest bearing)					
Insurance technical provisions	-	1,107,935	-	-	1,107,935
Employee benefits	-	115	413	4,853	5,381
Operating liabilities	-	65,708	-	-	65,708
Other liabilities	-	88,160	-	-	88,160
Other financial liabilities	-	6,156	-	-	6,156
Total financial liabilities	-	1,268,074	413	4,853	1,273,340
Maturity gap	47,050	(590,580)	860,385	(4,853)	312,002

Due to the fact that the Company's financial investments is in AFS instruments, the debt securities maturing in 1 to 5 years can be sold earlier and thus cover the maturity gap that appears in the section under 1 year, if needed. As a result, it is unlikely that the Company will face any liquidity problems. In the long-term, the Company has positive gap for both, 2014 and 2013. In addition, there is no risk that any of the disclosed amounts payable will differ significantly in amount or will be required to occur significantly earlier than indicated.

5.3.3 Market risk

The Company has an exposure to market risk, which is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates and foreign currencies, which are exposed to general and specific market movements and changes in the level of volatility of market rates and prices. Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risk or in the manner in which it manages and measures the risk.

Foreign currency risk management

The Company is exposed to foreign currency risk inherent in financial investments as well as in assets and liabilities arising out of the reinsurance activities. The Company does not apply any special financial instruments as a hedge against these risks since such instruments are not in common use in the Republic of Macedonia.

The carrying amount of the Company's monetary assets and monetary liabilities denominated in foreign currencies respectively is as follows:

(All amounts are in MKD thousand unless otherwise stated)

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.3 Market risk (continued)

Foreign currency risk management

31 December 2014	EUR	USD	MKD	Total
Financial assets				
Financial investments	542,665	-	681,485	1,224,150
- Debt securities (AFS)	542,665	-	392,202	934,867
- Debt securities (L&R)	-	-	6,868	6,868
- Equity investments (AFS)	-	-	4,985	4,985
- Loans and receivables	-	-	277,430	277,430
Reinsurers' share of tech. provisions	103,785	-	-	103,785
Receivables	47,714	146	358,028	405,888
Cash and cash equivalents	162	-	21,783	21,945
Other assets	-	-	1,674	1,674
Total financial assets	694,326	146	1,062,970	1,757,442
Financial liabilities				
Insurance technical provisions	-	-	1,131,794	1,131,794
Employee benefits	-	-	4,060	4,060
Operating liabilities	80,592	2,840	48,440	131,872
Other liabilities	1,670	-	81,112	82,782
Other financial liabilities	-	-	6,173	6,173
Total financial liabilities	82,262	2,840	1,271,665	1,356,766

31 December 2013	EUR	USD	GBP	MKD	Total
Financial assets					
Financial investments	834,608	-	-	304,471	1,139,079
- Debt securities (AFS)	834,608	-	-	26,190	860,798
- Equity investments (AFS)	-	-	-	20,738	20,738
- Loans and receivables	-	-	-	257,543	257,543
Reinsurers' share of tech. provisions	55,696	-	-	-	55,696
Receivables	3,817	99	-	356,405	360,321
Cash and cash equivalents	3,843	455	-	22,496	26,794
Other assets	-	-	-	3,452	3,452
Total financial assets	897,964	554		686,824	1,585,342
Financial liabilities					
Insurance technical provisions	-	-	-	1,107,935	1,107,935
Employee benefits	-	-	-	5,381	5,381
Operating liabilities	18,413	3,433	83	43,779	65,708
Other liabilities	4,189	-	-	83,971	88,160
Other financial liabilities	-	-	-	6,156	6,156
Total financial liabilities	22,602	3,433	83	1,247,222	1,273,340

5. Risk management (continued)**5.3 Financial risk and sensitivity analysis (continued)****5.3.3 Market risk (continued)*****Foreign currency risk management******Foreign currency sensitivity analysis***

The Company is exposed to EUR fluctuations. The following table provides details on the Company's sensitivity to a 1% increase or decrease of MKD to EUR exchange rate. The sensitivity analysis includes only outstanding foreign currency monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. Due to the fact that the Company's assets denominated in foreign currency are much larger than the liabilities, strengthening of MKD against the EUR (1% decrease of the FX rate) would lead to negative exchange rate differences whereas weakening of MKD against the EUR (1% increase in the FX rate) would lead to equal opposite impact on the profit, i.e. positive exchange rate differences.

	31 December 2014	31 December 2013
1% drop in the FX rate to 60.867 (2013: 60.9)	(6,104)	(8,754)
1% rise in the FX rate to 62.096 (2013: 62.13)	6,104	8,754

Company's sensitivity to foreign currency fluctuations has insignificantly increased as a result of the minor increase in the gap between the financial assets and liabilities denominated in EUR as compared to the previous year.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

Interest rate risk management

The Company is exposed to interest rate fluctuations only through its placements in financial assets with variable interest rates. The Company is not allowed to use instruments of financial hedging to decrease the exposure of the risk of changes in interest rates.

The insurance and reinsurance assets and liabilities are not directly sensitive to the changes in the market interest rates since they are contractually non-interest bearing items.

Joint liability

The Company has a liability towards National Insurance Bureau in respect of the Company's share in MTPL claims arising from unknown or uninsured vehicles. Additionally, the Company, as well as other participants in MTPL business on the market, is liable for a share of unsettled MTPL claims in the event of the liquidation of any insurance company on the market, in accordance with the Insurance Law on supervision. On the investments in the Guarantee Fund, the Company receives interest payments with average interest rate of 4.65% for the year ended December 31, 2013 (2013: 5.24%).

The following table discloses the interest-bearing and non-interest bearing financial assets and liabilities as well as the division between fixed and variable interest items for the interest bearing one.

5. Risk management (continued)
 5.3 Financial risk and sensitivity analysis (continued)
 5.3.3 Market risk (continued)

Interest rate risk management (continued)

	31 December 2014	31 December 2013
Financial assets		
Non-interest bearing		
Equity investments (AFS)	4,985	20,738
Debt instruments (L&R)	6,868	-
Reinsurers' share of tech. provisions	103,785	55,696
Receivables	405,888	360,321
Cash and cash equivalents	21,945	26,794
Other assets	1,674	3,452
	545,145	467,001
Fixed interest bearing		
Debt securities (AFS)	934,867	860,798
Loans and receivables	40,088	70,162
	974,955	930,960
Variable Interest bearing		
Loans and receivables	237,342	187,381
	237,342	187,381
Total financial assets	1,757,442	1,585,342
Financial liabilities		
Non-interest bearing		
Insurance technical provisions	1,131,794	1,107,935
Employee benefits	4,060	5,381
Operating liabilities	131,872	65,708
Other liabilities	82,782	88,160
Deferred tax liabilities	3,122	
Other financial liabilities	6,173	6,156
Total financial liabilities	1,359,803	1,273,340

Interest rate sensitivity analysis

Interest rate sensitivity analysis focuses on the exposure of the Company's financial assets to movements in interest rates at the reporting date. This analysis illustrates how the changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. As for the financial assets with variable interest rate, the analysis is prepared with assumption that the balance as at the year-end did not change during the year. In the preparation of the sensitivity analysis, an increase or decrease of 15% (0.5 percentage point) is applied, which is reasonable management assumption for the possible changes in the interest rate and which is based on historical movements of interest rates in MKD deposits with maturities of up to one year since the Company has variable-interest investments only in deposits with this maturity.

Therefore, in case the interest rates were higher/lower by 15% and all remaining variables remained constant, the profit of the Company for the year ended 31 December 2014 would be higher, i.e lower by 1,281 MKD thousand (2013: 1,192 MKD thousand).

5. Risk management (continued)**5.3 Financial risk and sensitivity analysis (continued)****5.3.3 Market risk (continued)*****Interest rate risk management (continued)****Interest rate sensitivity analysis*

The method used for deriving sensitivity information and significant variables did not change from the previous period.

	31 December 2014	31 December 2013
15% increase in deposit interest rates	1,281	1,192
15% decrease in deposit interest rates	(1,281)	(1,192)

5.3.4 Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of securities within the Company's portfolio that are sensitive to such fluctuations. These risks are managed through investment limits as well as through sectorial diversification. To a large extent, the portfolio consists of debt securities and therefore this diversification causes lower exposure to equity risk. The overall equity portfolio is concentrated in Republic of Macedonia.

The equity portfolio's sensitivity to equity price fluctuations and their impact on the Other Comprehensive Income of the Company is shown in the table below.

	31 December 2014		31 December 2013	
	+ 10%	- 10%	+ 10%	-10%
Equity investments in R. Macedonia	498	(498)	2,074	(2,074)
Total effect	498	(498)	2,074	(2,074)

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the prices of the equities in the portfolio as at 31 December 2014 and 31 December 2013 were 10% above their disclosed values, the comprehensive income of the Company would be 498 MKD thousand and 2,074 MKD thousand higher. In contrast, if the prices of the equities in the portfolio as at 31 December 2014 and 31 December 2013 were 10% lower, the comprehensive income and profit of the Company would be 498 MKD thousand and 2,074 MKD thousand lower.

Due to the established long-term decrease in the fair value of equity securities, the Company, in accordance with International Financial Reporting Standards, impaired certain equity securities in previous years. As a result, the Company changed its Investment Policy in 2014 where further investments in equity instruments are not allowed. As a result, the Company disposed most of its equity investments during the year realizing capital gain of 4,244 MKD thousand.

5.3.5 Sensitivity analyses

Following the past evidence and the run-off analysis for claims it is evident that the prudent recognition an conservative methodology used by Triglav Insurance AD Skopje for recognition of insurance technical reserves results in adequate insurance liabilities. Based on the results of the adequacy test of insurance liabilities the impact of of any change in assumptions or any potential increase, either in the number of claims or the average costs of claims of +/- 10%, will be within an acceptable range and will not result in a material adjustment of the insurance liabilities.

5. Risk management (continued)

5.4 Underwriting risk

Triglav Insurance AD Skopje assumes underwriting risk through the insurance contracts it underwrites. The risks in this category are associated with both insurance perils covered by individual insurance classes and specific work processes related to performing insurance operations. Underwriting risks arise in the process of risk underwriting, i.e. in the assumption of risk, in the development of insurance products and their pricing, as well as in loss development changes, the allocation of insurance technical provisions, changes in policyholders' behavior and general changes in the external economic environment.

Through underwriting activities in any insurance class for which the Company is registered, it is exposed to various uncertainties such as the time of the possible occurrence of the insured event, the frequency and the possible severity arising out of the insurance contracts.

The risk that the Company faces is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical and actuarial techniques.

Divisions in charge of the core business are primarily responsible for active management of the underwriting risk. This type of risk is managed by clearly structured competences and powers, which include suitable delimitation of powers, underwriting limits and an authorization system. To manage risks related to the development of insurance products, Triglav Insurance AD Skopje uses set of actuarial techniques in product pricing and insurance technical provision allocations, as well as by means of regular performance monitoring, optimization of reinsurance schemes and regular supervision of the adequacy of insurance contract provisions.

Underwriting strategy

The Company's strategy for underwriting insurance contracts is focused on achieving as wide as possible dispersion which will ensure balanced insurance portfolio and is based on large portfolio of similar risks over number of years and, as such, reduces the variability of the outcome. More diversified portfolio is less likely to be affected by a change in any subset of the portfolio. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The underwriting strategy is set out and presented along with the annual business plan that established the classes of business to be written, the geographical locations in which the business is to be written as well as the industry sectors in which the Company is prepared to underwrite.

All insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

In addition, the Company is aiming towards making investments in short-term liquid financial assets and thus earning investment income, due to the timing difference between the payments of the premiums by the policyholders and the payments of the claims by the Company, varying between different classes of insurance.

Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to manage and control its exposure to possible losses as well as to protect its capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce its net exposure.

For each financial year a plan of reinsurance is adopted that contains:

- calculated retained lines by individual class of insurance;
- a table of maximum coverage based on retained lines; and

5. Risk management (continued)

5.4 Underwriting risk (continued)

Reinsurance strategy (continued)

- procedures, bases and criteria for establishing the highest probable loss arising from individual risks underwritten.

The Company has centralized system for management of reinsurance.

The reinsurance is made based on the limits set for maximum coverage which varies from one to another insurance class.

In addition, the Company is allowed to buy facultative reinsurance in certain specified circumstances. These contracts are subject to separate individual approval and the total expenditures arising out of these contracts are regularly monitored.

The reinsurance contracts bear certain level of credit risk and, as a result, the reinsurance assets are reported after impairment provisions. The Company regularly monitors the reinsurers' financial position and periodically reviews the contracts in place. The management of the Company determines the criteria for acceptable reinsurance companies and monitors whether this criterion has been diligently respected in concluding the reinsurance contracts. The management of the Company is also responsible for regular monitoring of the efficiency and adequacy of the reinsurance program. The credit risk to which the Company is exposed when concluding reinsurance contracts is explained in note 5.3.1.

Asset-liability harmonization

The Law on insurance supervision applicable in R. Macedonia prescribes certain limits regarding the Company's asset-liability matching and harmonization policy.

The Company actively manages its financial position using an approach that balances quality, diversification, liquidity and investment return, taking into consideration the limits determined by the aforementioned law. The key goal is to match the timing of cash flows from the respective assets and liabilities.

The Company is obliged to invest in assets in an amount which is at least equal to the insurance technical provisions. As at 31 December 2014 the investments of the Company which serve as assets covering the technical provisions amounted to 1,218,665 MKD thousand (2013: 1,139,561 MKD thousand). These investments consist of bank accounts and deposits, shares, government bills and bonds.

Presented below is the asset-liability matching according to the local regulatory requirements, in relation to assets covering the technical provisions:

5. Risk management (continued)**5.4 Underwriting risk (continued)*****Reinsurance strategy (continued)******Asset-liability harmonization (continued)***

	Allowed %	31 December 2014	%	31 December 2013	%
Bank accounts and cash in hand	3%	21,945	1.8%	26,794	2.4%
Bank deposits	60%	250,000	20.5%	231,231	20.3%
Securities issued by R. Macedonia	80%	876,812	71.9%	860,798	75.5%
Shares traded on a regulated market for securities in RM	25%	5	0.0%	15,920	1.4%
Shares that are not traded on the regulated securities market if their issuer is legal entity established in R. Macedonia	5%	3,600	0.3%	3,600	0.3%
Shares issued by investment funds registered in R. Macedonia	20%	1,380	0.1%	1,218	0.1%
Long-term bonds and other long-term securities issued by foreign legal entity from a EU member or OECD member state	20%	64,923	5.3%	-	-
Total investment in assets		1,218,665	100%	1,139,561	100%
Total net technical provisions		1,028,009		1,052,239	
Assets covering the technical provisions		190,656		87,322	

The assets covering the net insurance technical provisions were at surplus in amount of 190,656 MKD thousand as at 31 December 2014 (2013: surplus of 87,322 MKD thousand).

Third party liability insurance***Product features***

The Company writes third party liability insurance. Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury. The timing of claim reporting and settlement is a function of a number of factors, including the nature of the coverage, the policy provisions and the jurisdiction in which the contract is written. The majority of bodily injury claims have a relatively short tail, with most of the claims for a given accident year settled in full within a year. Many liability insurance contracts are not subject to significant lags or claim complexity risks and hence have materially less uncertainty. In general, these contracts result in lower estimation uncertainty.

Management of risk

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet the Company's criteria for profitability are underwritten. For bodily injury liability contracts, the key risk is the trend for courts to award higher levels of compensation. In pricing contracts, the Company makes assumptions that costs will increase in line with the latest available information. The key risks associated with these contracts are those relating to underwriting, competition, claims experience and the potential for policyholders to exaggerate or invent losses.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Property insurance

Product features

The Company writes property insurance in the Republic of Macedonia. Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property.

The return to shareholders under these contracts arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Company.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay (an exception to this is in relation to subsidence claims). Property business is therefore classified as 'short-tailed', meaning that expense deterioration and investment return will be of less importance.

Management of risk

The key risks associated with this product are the underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural disasters). The Company is also exposed to the risk of exaggeration and dishonest action by claimants. This largely explains why economic conditions correlate with the profitability of a property portfolio. Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. The risk on any policy will vary according to many factors such as location, safety measures in place and the age of property. For domestic property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this will not be the case.

Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. The Company reinsures risk by way of proportional type of reinsurance contracts with retention limits varying by product line and territory.

Motor insurance

Product features

The Company writes motor insurance in the Republic of Macedonia. This consists of both property and liability benefits, and includes short tail coverage. The payments that are made quickly indemnify the policyholder against the value of loss on motor physical damage claims and property damage (liability) claims, at the time the incident occurs, subject to any limits or excesses. The payments that take longer to finalize, and are more difficult to estimate, relate to bodily injury claims. These indemnities cover the motor vehicle against compensation payable to third parties for death or personal injury.

Management of risk

In general, claims reporting lags are minor, and claim complexity is relatively low. Overall the claims liabilities for this line of business create a moderate estimations risk. The Company monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeal. The frequency of claims is affected by adverse weather conditions, and the volume of claim is higher in the winter months. In addition, there is a correlation with the price of fuel and economic activity, which affect the amount of traffic activity. The Company reinsures risk by way of excess of loss cover under which the Company's loss on any one event is limited.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Development of losses

The Company have not presented any information on the development of losses i.e. no comparison between paid damages and reserves, primarily because they usually are solved in less than a year.

Concentration of insurance risks

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes. Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography.

(i) Geographic and sectorial concentrations

The risks underwritten by the Company are located in the Republic of Macedonia. The management believes that the Company has no significant concentrations of exposure to any group of policyholders measured by social, professional, age or similar criteria.

(ii) High-severity, low-frequency concentrations

By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the Company because the occurrence of an event, while unlikely in any given accounting period, would have a significantly adverse effect on the Company's cash flows. The Company's key methods in managing these risks are:

- Primarily, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed;
- Secondly, the risk is managed through the use of reinsurance. The Company purchases surplus reinsurance for property business, excess of loss for the third party liability business, and quota share reinsurance for risks of earthquake and green card losses. The Company assesses the costs and benefits associated with the reinsurance program on a regular basis.

5.5 Operational risks

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

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

In the scope of operational risks, insurance companies have a large potential exposure to insurance fraud. To manage this exposure, a special department was established and put in charge of the development and implementation of fraud indicators, research of potential

5. Risk management (continued)

5.5 Operational risks (continued)

fraudulent activity and reporting to the Management Board on the findings and initiated procedures.

The fraud prevention, detection and investigation department, which was formed in 2012 and which is fostering a culture of zero tolerance that is harmonized with the strategy of the parent company and Triglav Group, clearly demonstrates its commitment to the proactive protection of honest, regular and legally based business activities of the Company.

The strategy for fraud prevention is based on three basic pillars such as prevention, detection and investigation of the fraud covering all business processes of the Company. This enables the Company to undertake the appropriate measures in the scope of its overall operations and business activities. In this direction, through SRPR, the Company tends to pursue comprehensive application of the best practices of the international organizations like ACFE (Association of Certified Fraud Examiners) and IAIS (International Association of Insurance Supervisors).

With the establishment of this department, Triglav Insurance AD Skopje has received new defence mechanism that is directed towards the protection of the Company's capital from irregular activities, insurance and other types of frauds as well as from illegal misappropriation of assets.

Another important segment of operational risks are compliance risks which are managed in the framework of the compliance function.

5.6 Strategic risks

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Company's ability to achieve its strategic objectives and thus its value. Strategic risk management is directly and most actively managed by the Management Board of Triglav Insurance AD Skopje.

Strategic risks are addressed upon their creation, i.e. during the strategic planning process. The strategy implementation process is monitored with internal controls, while competences and responsibilities of the above-mentioned body in managing strategic risk are clearly defined. A clear organizational structure of functions provides for an effective strategic risk control as well as the achievement of short-, mid- and long-term goals.

Continuous training for employees as well as the application of state-of-the-art models, tools and good business practices enables the Company to effectively manage strategic risks.

Strategy

The Strategy of the Company is devised in a clear manner with precisely defined goals, tools and implementation processes. The strategy is in line with the trends in the industry, applicable local laws and regulations as well as the micro- and macro-environment of the Company. Good business results achieved despite the economic crisis and effects of unpredictable weather events show that the implementation of the strategy has been successful and efficient.

Business processes

Internal controls set up to monitor operational risks enable employees to adopt and implement more appropriate and correct decisions and enhance the Company's general ability to adapt to the changes in the environment.

Assets and liabilities

Due to the nature of its operations, Triglav Insurance AD Skopje employs ALM system which is designed to allow optimum and efficient management of assets and liabilities. Synergies and information and expertise sharing from the parent company and the overall Group are used to facilitate and improve the Company's operations. The Company effectively manages assets

5. Risk management (continued)**5.6 Strategic risks (continued)**

risks by active monitoring of its liabilities, insurance premium inflow, investments and developments in financial and all other markets, which positively affects its financial results.

5.7 Fair value of financial assets and liabilities

Following is disclosure of the carrying amounts and fair values of the financial assets and liabilities of the Company.

31 December 2014	Carrying amount	Fair Value
Financial assets		
Financial investments	1,224,150	1,224,150
- Debt securities (AFS)	934,867	934,867
- Debt securities (L&R)	6,868	6,868
- Equity investments (AFS)	4,985	4,985
- Loans and receivables	277,430	277,430
Reinsurers' share of tech. provisions	103,785	103,785
Receivables	405,888	405,888
Cash and cash equivalents	21,945	21,945
Other assets	1,674	1,674
Total financial assets	1,757,442	1,757,442
Financial liabilities		
Insurance technical provisions	1,131,794	1,131,794
Employee benefits	4,060	4,060
Operating liabilities	131,872	131,872
Other liabilities	82,782	82,782
Deferred tax liabilities	3,122	3,122
Other financial liabilities	6,173	6,173
Total financial liabilities	1,359,803	1,359,803
31 December 2013		
Financial assets		
Financial investments	1,139,079	1,139,079
- Debt securities (AFS)	860,798	860,798
- Equity investments (AFS)	20,738	20,738
- Loans and receivables	257,543	257,543
Reinsurers' share of tech. provisions	55,696	55,696
Receivables	360,321	360,321
Cash and cash equivalents	26,794	26,794
Other assets	3,452	3,452
Total financial assets	1,585,342	1,585,342
Financial liabilities		
Insurance technical provisions	1,107,935	1,107,935
Employee benefits	5,381	5,381
Operating liabilities	65,708	65,708
Other liabilities	88,160	88,160
Other financial liabilities	6,156	6,156
Total financial liabilities	1,273,340	1,273,340

5. Risk management (continued)

5.7 Fair value of financial assets and liabilities (continued)

The management assessed that cash and cash equivalents, receivables from insurance, technical provisions and their reinsurance share, other assets, operating, other and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. On the maturities of these instruments, please see note 5.3.2

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Debt and equity AFS securities are evaluated by the Company based on price quotations at the reporting date. The fair value of unquoted AFS instruments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Please refer to note 3.5.
- The fair value of loans and receivables is measured using the discounted cash flow model on the basis of the historical effective interest rate.
- The fair value of technical provisions and their re-insurance share as well as the employee benefits is measured through use of various actuarial methods as disclosed in notes 3.6, 3.13 and 3.15.
- The fair value of receivables and other assets, operating, financial and other liabilities is measured through parameters such as specific country risk factors, individual creditworthiness of the customer, experience regarding recoverability of receivables with similar maturities etc. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2014, the carrying amounts of such receivables, net of allowances, were not different from their calculated fair values.

6. Operational segments***Products, services and major consumers***

The basic activity of the Company is non-life insurance, and the most significant activities of the Company are accident insurance, land motor vehicles insurance, fire, natural forces and other damage to property insurance, aircraft insurance, travel insurance etc. In these areas the Company offers a wide range of products to meet the increasing demand of the insurance market in Macedonia.

The income of the Company is composed of insurance premiums income, investments income and other insurance income including fees and commission from reinsurance.

The Company provides insurance services to some of the biggest local companies in the field of production and distribution of energy, transport and logistics, as well as financial services.

Geographical areas

During the presentation of the information based on the geographic areas, income is presented on the basis of the geographical location of the consumers, and, the incomes are shown based on the geographical location of the assets.

Income from segments

The income from the segments consists of the net premium income from insurance, income from financial assets, income from fees and commissions and other income.

31 December 2014	Republic of Macedonia	Other	Total
Total income	1,094,307	-	1,094,307
Total costs/expenses (incl. taxes)	1,039,394	-	1,039,394
Total assets and liabilities	2,037,861	-	2,037,861

31 December 2013	Republic of Macedonia	Other	Total
Total income	1,076,600	-	1,076,600
Total costs/expenses (incl. taxes)	1,007,544	-	1,007,544
Total assets and liabilities	1,877,650	-	1,877,650

7. Intangible assets

	Software and licenses	Deferred acquisition costs	Total intangible assets
Cost			
As at 31 December 2012	16,926	72,966	89,892
- increase	228	27,204	27,432
As at 31 December 2013	17,154	100,170	117,324
- Increase	2,433	-	2,433
- Decrease	-	(2,955)	(2,955)
As at 31 December 2014	19,587	97,215	116,802
Accumulated amortization			
As at 31 December 2012	3,606	-	3,606
- increase	3,980	-	3,980
As at 31 December 2013	7,586	-	7,586
- Increase	3,945	-	3,945
As at 31 December 2014	11,531	-	11,531
Carrying amount			
As at 31 December 2013	9,568	100,170	109,738
As at 31 December 2014	8,056	97,215	105,271

No items of intangible assets were pledged as collateral as at 31 December 2014 or 31 December 2013.

The amortization for the current year is disclosed in several items of the statement of profit or loss, as gross operating expenses are presented by functional group, as described in note 3.23. For details, see expenses by nature and function in note 28.

The Company does not own intangible assets with indefinite useful life.

The value of the ADInsure software and the related licenses are in amount of 4,218 MKD thousand and represent 52% from the total value as at 31 December 2014 (2013: 6,336 MKD thousand or 66%).

8. Property and equipment

	Buildings	Equipment	Other	Total
Cost				
As at 31 December 2012	78,929	89,579	626	169,134
- increase	-	6,054	-	6,054
- decrease	-	(5,857)	-	(5,857)
As at 31 December 2013	78,929	89,776	626	169,331
- increase	-	8,549	-	8,549
- reclassification from Investment Property		2,602	-	2,602
- decrease	-	(2,287)	-	(2,287)
As at 31 December 2014	78,929	98,640	626	178,195
Accumulated depreciation				
As at 31 December 2012	18,998	66,864	-	85,862
- increase	1,968	8,098	-	10,066
- decrease	-	(5,760)	-	(5,760)
As at 31 December 2013	20,966	69,202	-	90,168
- increase	1,973	8,856	-	10,839
- decrease	-	(1,042)	-	(1,052)
As at 31 December 2014	22,939	77,016	-	99,955
Carrying amount				
As at 31 December 2013	57,963	20,574	626	79,163
As at 31 December 2014	55,990	21,624	626	78,240

The market value of the buildings as at 31 December 2014 was in amount of 84,762 MKD thousand and it is in excess over its carrying amount.

The valuation of the buildings has been performed by certified appraiser.

No items of property, plant and equipment were pledged as collateral as at 31 December 2014 or 31 December 2013.

The depreciation charge for the current year is disclosed in several items of the statement of profit or loss, as gross operating expenses are presented by functional group, as described in note 3.23. For details, see expenses by nature and function in note 28.

As at 31 December 2014 no item of property and equipment was held under finance lease.

9. Investment Property

	Buildings	Total
Cost		
As at 31 December 2012	155,801	155,801
- decrease	(13,334)	(13,334)
As at 31 December 2013	142,467	142,467
- reclassification to PPE	(2,602)	(2,602)
- impairment	(498)	(498)
As at 31 December 2014	139,367	139,367
Accumulated depreciation		
As at 31 December 2012	37,251	37,251
- increase	3,641	3,641
- decrease	(1,832)	(1,832)
As at 31 December 2013	39,060	39,060
- increase	3,484	3,484
As at 31 December 2014	42,544	42,544
Carrying amount		
As at 31 December 2013	103,407	103,407
As at 31 December 2014	96,823	96,823

The market value of the buildings held as investment property as at 31 December 2014 was in amount of 131,753 MKD thousand and it is in excess over its carrying amount.

The valuation of the investment property has been performed by certified appraiser.

The fair value measurement was made using valuation technics for which the lowest level input that is significant to the fair measurement is directly or indirectly observable (level 2).

No item of investment property was pledged as collateral as at 31 December 2014 or 31 December 2013.

The rental income earned from investment property in 2014 was in amount of 2,380 MKD thousand (2013: 2,575 MKD thousand). The rental income earned is disclosed in "Other Income" in note 24.

The depreciation charge from investment property is disclosed in "Other Expenses" in note 31.

10.

Financial Assets

Overview of financial assets by type and investment group

31 December 2014	Available- for-sale (AFS)	Loans and receivables (L&R)	Total financial assets
Debt and other fixed return securities	934,867	6,868	941,735
Shares, other floating rate securities and fund coupons	4,985	-	4,985
Bank deposits	-	251,652	251,652
Guarantee fund	-	25,778	25,778
Total financial assets	939,852	284,298	1,224,150

31 December 2013	Available- for-sale (AFS)	Loans and receivables (L&R)	Total financial assets
Debt and other fixed return securities	860,798	-	860,798
Shares, other floating rate securities and fund coupons	20,738	-	20,738
Bank deposits	-	231,231	231,231
Guarantee fund	-	26,312	26,312
Total financial assets	881,536	257,543	1,139,079

The Deposit in the National Insurance Bureau (Guarantee fund investments) is a deposit for participation in accordance with the Law on insurance supervision in the Republic of Macedonia. The National Bureau for Insurance is non-profit organisation founded by all domestic insurance companies which purpose is to protect the interest of its members in cases of international insurance of motor vehicles and to protect the members in front of the international insurance companies. The deposits of the members are kept on separate account in a bank and the Bureau is obliged not to invest the assets and to return the assets to the members if they stop working with insurance of motor vehicles.

Triglav Insurance AD Skopje
Notes to the financial statements for the year ended 31 December 2014
(All amounts are in MKD thousand unless otherwise stated)
10. Financial Assets (continued)

Following is disclosure of the interest rates of all interest bearing financial instruments, for both years ended 31 December, 2014 and 2013.

	31 December 2014	I.R	31 December 2013	I.R
Financial assets				
Fixed interest bearing				
Debt securities (AFS)	934,867		860,798	
MACEDO 4 5/8 12/08/2015	-	-	475,804	4.63%
MACGB 4.6 10/31/2018	42,333	4.60%	38,205	4.60%
MACGB 5.15 01/24/2018	138,087	5.15%	123,803	5.15%
MACGB 5.4 01/09/2018	211,972	5.40%	196,795	5.40%
MACGB 5.7 09/29/2016	26,621	5.70%	26,191	5.70%
MACGB 3.65 10/02/2017	92,484	3.65%	-	-
MACGB 3.9 10/02/2019	134,058	3.90%	-	-
MACGB 3.9 10/16/2019	139,039	3.90%	-	-
MACGB 4 5 10/30/2024	79,983	4.50%	-	-
MACDEN 2 06/01/17	5,166	2%	-	-
MACDEN 2 06/01/19	201	2%	-	-
KFW 11/4 10/17/19	64,923	1.25%	-	-
Loans and receivables	40,088		70,162	
Deposit NLB Tutunska Banka	40,088	3.50%	40,125	4.75%
Deposit Ohridska Banka	-	-	30,037	4.60%
	974,955		930,960	
Variable Interest bearing				
Loans and receivables	237,342		187,381	
Deposit Halk Banka	20,000	4.30%	20,000	5.00%
Deposit Halk Banka	20,000	4.20%	20,000	4.30%
Deposit Halk Banka	20,000	4.00%	20,000	4.20%
Deposit Komercijalna Banka AD Skopje	-	-	30,047	3.00%
Deposit Stopanska Banka Skopje	30,172	3.20%	30,224	4.00%
Deposit Stopanska Banka Skopje	20,365	3.20%	20,127	4.00%
Deposit Stopanska Banka Skopje	10,023	3.10%	-	-
Deposit Stopanska Banka Skopje	20,047	3.10%	-	-
Deposit Ohridska Banka	20,477	3.20%	20,672	4.60%
Deposit Ohridska Banka	30,026	3.20%	-	-
Deposit Sparkasse Bank Skopje	20,454	3.30%	-	-
Gurantee Fund investment	25,778	4.65%	26,311	5.24%

10. Financial Assets (continued)

Maturity and interest rate on all instruments is provided on page 58. All deposits are with maturities of up to one year.

As at the year end, the Company has accrued interest in amount of 23,535 thousand MKD (2013:20,625 thousand MKD) where 20,673 thousand MKD relates to debt securities, 1,652 thousand MKD relates to deposits and 1,210 relates to interest accrued on Guarantee Fund investment.

Movements of financial assets

	Available-for-sale (AFS)	Loans and receivables (L&R)	Total financial assets
As at 31 December 2012	787,607	330,854	1,118,461
Acquisitions	495,975	305,000	800,975
Disposals	(270,531)	-	(270,531)
Maturity	(179,797)	(398,210)	(578,007)
Valuation through equity	(73)	-	(73)
Movement in impairment allowance	(518)	1,566	1,048
Premiums and discounts	4,457	-	4,457
Interest Income	44,251	18,333	62,584
Foreign exchange differences	165	-	165
As at 31 December 2013	881,536	257,543	1,139,079
Acquisitions	722,610	116,786	839,396
Disposals	(725,352)	(90,419)	(815,771)
Maturity	(35,742)	(10,406)	(46,148)
Valuation through P&L	29,208	-	29,208
Valuation through equity	21,872	-	21,872
Premiums and discounts	79	82	161
Interest Income	45,213	10,712	55,925
Foreign exchange differences	428	-	428
As at 31 December 2014	939,852	284,298	1,224,150

Financial assets according to valuation levels

	31 December 2014	31 December 2013
Available-for-sale (AFS)		
Level 1	75,274	496,542
Level 2	864,578	384,994
Level 3	-	-
Total available-for-sale financial assets	939,852	881,536

The price hierarchy that the Company is using in valuing financial assets at fair value is described in note 3.5

No reclassification of financial assets has been made during 2014 or 2013.

10. Financial Assets (continued)**Financial assets according to valuation levels (continued)**

	31 December 2014	31 December 2013
Loans and receivables (L&R)		
Level 1	-	-
Level 2	284,298	257,543
Level 3	-	-
Total available-for-sale financial assets	284,298	257,543

11. Reinsurers' share of technical provisions

	31 December 2014	31 December 2013
Reinsurers' share of unearned premiums	57,755	40,844
Reinsurers' share of claims	46,030	14,852
Total assets from reinsurance contracts	103,785	55,696

12. Receivables**Receivables by maturity**

31 December 2014	Receivables by maturity			
	Not overdue	Overdue up to 180 days	Overdue above 180 days	Total
Receivables from direct insurance	136,286	131,930	34,672	302,888
Receivables from insurers	136,286	131,887	34,635	302,808
Receivables from insurance brokers	-	-	-	-
Other receivables from direct	-	43	37	80
Receivables from co-insurance and re-insurance	45,809	-	146	45,955
Receivables from re-insurers' share in claims	45,809	-	-	45,809
Other receivables from co-insurance	-	-	146	146
Other receivables	6,302	5,356	45,387	57,045
Other short-term receivables from insurance operations	5,571	5,318	42,920	53,809
Short term receivables from financing	621	-	45	666
Other short-term receivables	110	38	2,422	2,570
Total receivables	188,397	137,287	80,204	405,888

12.

Receivables (continued)

Receivables by maturity (continued)

31 December 2013	Receivables by maturity			Total
	Not overdue	Overdue up to 180 days	Overdue above 180 days	
Receivables from direct insurance	132,353	127,109	34,984	294,446
Receivables from insurers	128,165	121,800	16,095	266,060
Receivables from insurance brokers	4,188	5,309	18,770	28,267
Other receivables from direct	-	-	119	119
Receivables from co-insurance and re-insurance	106	-	-	106
Receivables from re-insurers' share in	(40)	-	-	(40)
Other receivables from co-insurance	146	-	-	146
Other receivables	13,938	10,478	41,353	65,769
Other short-term receivables from	11,916	10,185	35,894	57,995
Short term receivables from financing	-	-	5,126	5,126
Other short-term receivables	2,022	293	333	2,648
Total receivables	146,397	137,587	76,337	360,321

Total gross and net amounts of each group of receivables are disclosed below:

31 December 2014	Gross amount	Impairment	Net amount
Receivables from direct insurance	901,391	(598,503)	302,888
Receivables from co-insurance and re-insurance	45,955	-	45,955
Other receivables	140,012	(82,967)	57,045
Total receivables	1,087,358	(681,470)	405,888

31 December 2013	Gross amount	Impairment	Net amount
Receivables from direct insurance	909,837	(615,391)	294,446
Receivables from co-insurance and re-insurance	106	-	106
Other receivables	108,066	(42,297)	65,769
Total receivables	1,018,009	(657,688)	360,321

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

12. Receivables (continued)

Movement of bad debt provisions (impairment)

31 December 2014	Opening balance	Increase	Use	Release	Reclassification	Ending balance
Receivables from direct insurance	615,391	60,476	(14,636)	(62,753)	25	598,503
Receivables from insurers	613,773	60,447	(14,636)	(62,563)	-	597,021
Other receivables from direct insurance	1,618	29	-	(190)	25	1,482
Other receivables	42,297	6,672	(156)	(477)	34,631	82,967
Other short-term receivables from insurance	35,204	1,361	-	(477)	-	36,088
Short term receivables from financing	1,002	5,052	(156)	-	34,631	40,529
Other short-term receivables	6,091	259	-	-	-	6,350
Total receivables	657,688	67,148	(14,972)	(63,230)	34,656	681,470

31 December 2013	Opening balance	Increase	Use	Release	Reclassification	Ending balance
Receivables from direct insurance	628,865	40,575	(26,003)	(28,046)	-	615,391
Receivables from insurers	628,086	39,736	(26,003)	(28,046)	-	613,773
Other receivables from direct insurance	779	839	-	-	-	1,618
Other receivables	39,211	3,826	-	(740)	-	42,297
Other short-term receivables from insurance	32,118	3,826	-	(740)	-	35,204
Short term receivables from financing	1,002	-	-	-	-	1,002
Other short-term receivables	6,091	-	-	-	-	6,091
Total receivables	668,076	44,401	(26,003)	(28,786)	-	657,688

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2014***(All amounts are in MKD thousand unless otherwise stated)***13. Cash and cash equivalents**

	31 December 2014	31 December 2013
Cash in bank in MKD	21,716	22,430
Cash in bank in EUR	156	3,835
Cash in bank in other currencies	-	455
Cash on hand in MKD	67	66
Cash on hand in EUR	6	8
Total cash and cash equivalents	21,945	26,794

14. Equity

As at 31 December 2014, the share capital of the Triglav Insurance AD Skopje is consisted of 60,184 common shares with total nominal capital of 185,223 MKD thousand. The nominal value per share is 3,078 MKD. The shares are registered and recorded as common shares with the Central Securities Depository of the Republic of Macedonia. To their holders, these shares bear dividend and voting rights for the Shareholders Assembly. One common share entitles to one vote at the Shareholders Assembly. The shares are issued in dematerialized form with ISIN code MKVROS101016. All of the shares are paid in full.

There was no increase in the share capital during 2014 or 2013.

The shareholders structure of Triglav Insurance AD Skopje is presented below.

31 December 2014			Legal	Physical	Total
	Domestic	Foreign	entities	persons	
Number of shares	13,549	46,635	47,528	12,656	60,184
Number of shareholders	69	19	7	81	88
Number of shares - percentage	22.51%	77.49%	78.97%	21.03%	100%
Number of shareholders – percentage	78.41%	21.59%	7.95%	92.05%	100%

31 December 2013			Legal	Physical	Total
	Domestic	Foreign	entities	persons	
Number of shares	13,224	46,960	47,545	12,639	60,184
Number of shareholders	70	19	8	81	89
Number of shares - percentage	21.97%	78.03%	79.00%	21.00%	100%
Number of shareholders – percentage	78.65%	21.35%	8.99%	91.01%	100%

14. Equity (continued)

The shareholders that have more than 5% shareholding are disclosed below.

Shareholder	31 December 2014	31 December 2013
Triglav Int. Holdinska Druzba d.d Ljubljana	73.38%	73.38%
Stojan Klopceovski	8.74%	8.19%

Dividends

As of the date of preparation of these financial statements there were no dividends declared (2013: none).

Reserves

Under local statutory legislation, the Company is required to set aside 1/3 of its net profit for the year in a statutory reserve (as long as it is not used for covering of losses) until the level of the reserve reaches 50% of the realized average insurance premium in the last two years, whereby the premiums from the previous year are increased by the index of retail price increase, including the year for which realized profit is distributed.

Safety reserves are meant to cover the liabilities arising out of the insurance contracts which have period of coverage longer than one year.

In 2014, the Company transferred 23,019 MKD thousand from retained earnings to statutory reserves. The amount transferred in 2013 was 9,226 MKD thousand.

Fair value reserves

The fair value reserve represents changes in the fair value available-for-sale financial assets. The reserve includes the cumulative net effect until the moment of derecognition or impairment of the financial asset.

In 2014 the movement in the fair value reserve was positive 21,872 MKD thousand as opposed to the negative effect in 2013 in amount of 73 MKD thousand, as it is disclosed in the *“Statement of Comprehensive Income”*. Due to change in tax legislation in 2014, the Company calculated deferred tax liabilities on the fair value reserves of its AFS instruments.

The movements in the equity are specified in more detail in the *“Statement of Changes in Equity”* and *“Other Comprehensive Income”*.

15. Gross Insurance technical provisions

	31 December 2014	31 December 2013
Gross provisions for unearned premium	486,947	469,472
Total gross provisions for unearned premium	486,947	469,472
Gross provisions for incurred and reported claims (RBNS)	327,939	263,469
Gross provisions for incurred but not reported and/or not enough reported claims (IBNR/IBNER)	259,759	312,629
Provisions for claims handling costs (CHC)	54,303	60,490
Total gross claims provisions	642,001	636,588
Gross provisions for bonuses and discounts	2,846	1,875
Total gross insurance technical provisions	1,131,794	1,107,935

Analysis of changes in gross insurance technical provisions

31 December 2014	Opening balance	Formation	Release	Ending Balance
Gross provisions for unearned premium	469,472	189,732	(172,257)	486,947
Gross claims provisions	636,588	288,808	(283,395)	642,001
Gross provisions for bonuses and discounts	1,875	8,673	(7,702)	2,846
Total insurance technical provisions	1,107,935	487,212	(463,354)	1,131,794

31 December 2013	Opening balance	Formation	Release	Ending Balance
Gross provisions for unearned premium	485,776	152,424	(168,728)	469,472
Gross claims provisions	830,890	197,352	(391,654)	636,588
Gross provisions for bonuses and discounts	2,310	7,085	(7,520)	1,875
Total insurance technical provisions	1,318,976	356,861	(567,902)	1,107,935

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

15. Gross insurance technical provisions (continued)

Analysis of gross insurance technical provisions by insurance class

31 December 2014	Accident	Health	Land motor vehicle	Aircraft and marine	Cargo	Property	Motor TPL	Aircraft and marine liability	General liability	Surety ship	Fin. loss	Travel	Total
Gross provisions for unearned premium	31,698	4	87,814	79	2,293	96,827	238,099	95	18,116	48	4,479	7,395	486,947
Gross claims provisions for RBNS	5,600	-	23,027	4,700	1,900	19,325	257,463	13,543	1,239	-	-	1,142	327,939
Gross claims provisions for IBNR and IBNER	22,065	-	7,029	-	-	36,136	194,529	-	-	-	-	-	259,759
Provisions for claims handling costs	2,556	-	2,777	434	176	5,125	41,764	1,251	114	-	-	106	54,303
Gross provisions for bonuses and discounts	2,846	-	-	-	-	-	-	-	-	-	-	-	2,846
	64,766	4	120,647	5,213	4,369	157,413	731,855	14,889	19,469	48	4,479	8,643	1,131,794

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

15. Gross insurance technical provisions (continued)

Analysis of gross insurance technical provisions by insurance class (continued)

31 December 2013	Accident	Land motor vehicle	Aircraft and marine	Cargo	Property	Motor TPL	Aircraft and marine liability	General liability	Surety ship	Fin. loss	Travel	Total
Gross provisions for unearned premium	27,839	93,656	61	998	83,596	233,266	79	16,435	33	7,633	5,876	469,472
Gross claims provisions for RBNS	3,582	26,940	4,700	101	11,879	203,853	10,544	101	-	-	1,769	263,469
Gross claims provisions for IBNR and IBNER	32,016	12,700	-	-	34,611	233,302	-	-	-	-	-	312,629
Provisions for claims handling costs	3,737	4,162	494	11	4,881	45,901	1,107	11	-	-	186	60,490
Gross provisions for bonuses and discounts	1,875	-	-	-	-	-	-	-	-	-	-	1,875
Total gross insurance technical provisions	69,049	137,458	5,255	1,110	134,967	716,322	11,730	16,547	33	7,633	7,831	1,107,935

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

15. Gross insurance technical provisions (continued)

Analysis of changes in loss events for non-life insurance

Cumulative loss assessment	Year of occurrence						Total
	2009	2010	2011	2012	2013	2014	
at the end of year of occurrence	799,740	766,079	785,671	662,583	603,408	636,467	4,253,948
1 year after year of occurrence	774,330	825,540	723,768	645,758	562,469	-	3,531,865
2 year after year of occurrence	755,317	820,102	706,105	619,682	-	-	2,901,206
3 year after year of occurrence	745,806	751,385	703,287	-	-	-	2,200,478
4 year after year of occurrence	743,128	787,168	-	-	-	-	1,530,296
5 year after year of occurrence	739,051	-	-	-	-	-	739,051
Cumulative loss assessment	739,051	787,168	703,287	619,682	562,469	636,467	4,048,124
Cumulative payments until balance sheet date	722,467	723,413	663,756	552,352	463,496	404,465	3,529,949
CLAIMS PROVISIONS BALANCE	16,584	63,755	39,531	67,330	98,973	232,002	518,175

16. Employee benefits

	31 December 2014	31 December 2013
Provision for retirement benefits	1,063	1,521
Provisions for jubilee rewards	2,997	3,860
Total provisions for employee benefits	4,060	5,381

The change in the provisions for jubilee rewards is disclosed under "Other labor costs" in operating expenses in note 28.

Health, pension and social insurance contributions from gross wages and salaries are being paid by the Company during the year to the national institutions at the statutory rates. Such contributions represent defined contribution plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans.

In accordance with the statutory requirements, the Company is obliged to pay to its employees a termination pay upon retirement equal to two monthly average net salaries.

The Company has provided for the employees' accrued entitlement to severance pay on retirement and jubilee rewards as at the end of 2014, based on best management estimate.

On maturity analysis of the employee benefits please see note 5.3.2

17. Deferred tax liabilities

	31 December 2014	31 December 2013
Deferred tax liabilities	3,122	-
Total deferred tax liabilities	3,122	-

The deferred tax liabilities arise from the valuation of the AFS financial instruments through equity and as a result it is recognized in Other comprehensive income and not as an expense in the profit or loss account. Movement on deferred tax liabilities is disclosed in note 32.

The company recognized the deferred tax liability following a change in the Macedonian tax legislation this year. Until this change the tax rate for undistributed profits was effectively reduced to zero, as tax was only payable when profits are distributed only to foreign legal entities. According to IAS 12.52A and SIC 25, deferred tax assets and liabilities should be measured using the undistributed rate. This resulted in no deferred tax assets or liabilities in 2013.

18. Other financial liabilities

	31 December 2014	31 December 2013
Liabilities for dividends from previous years	6,126	6,126
Other liabilities	47	30
Total other financial liabilities	6,173	6,156

19. Operating liabilities

	31 December 2014	31 December 2013
Liabilities towards policyholders	26,273	16,110
Liabilities towards brokers	4,193	11,584
Liabilities towards agents	90	207
Advances received	223	473
Liabilities for legal contributions related to insurance	4,119	2,790
Other liabilities from direct insurance operations	5,798	10,563
Total liabilities from direct insurance operations	40,696	41,727
Liabilities from re-insurance premiums	78,153	20,921
Liabilities from co-insurance premiums	5,066	795
Total liabilities from co-insurance and re-insurance	83,219	21,716
Current tax liabilities	7,957	2,265
Total operating liabilities	131,872	65,708

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

20. Other liabilities

	31 December 2014	31 December 2013
Liabilities towards Guarantee Fund (GF)	48,490	49,797
Liabilities for salaries and contribution and taxes on salaries	13,486	14,511
Liabilities towards suppliers	12,370	9,991
Liabilities for taxes	1,128	1,057
Other short-term liabilities	7,308	12,804
Total other liabilities	82,782	88,160

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

21. Premium income

	31 December 2014	31 December 2013
Gross written premium	1,144,929	1,082,217
Ceded co-insurance written premium	(516)	(284)
Reinsurance written premium	(200,518)	(137,205)
Change in gross provisions for unearned premium	(20,430)	43,508
Change in reinsurers' share of unearned premium	16,862	(25,213)
Net premium income	940,327	963,023

21. Premium income (continued)

Overview of premium income by insurance class

31 December 2014	Gross written premium	Ceded co-insurance	Reinsurer's share	Net written premium
Accident insurance	97,951	-	-	97,951
Health insurance	5	-	-	5
Land motor vehicle insurance	169,596	-	-	169,596
Aircraft and marine insurance	149	-	-	149
Cargo insurance	10,926	-	(6,940)	3,986
Fire, natural forces and other property insurance	289,495	-	(112,048)	177,447
Motor TPL insurance	478,335	-	(20,299)	458,036
Aircraft and marine liability insurance	176	-	-	176
General liability insurance	36,231	(516)	(28,444)	7,271
Surety ship insurance	125	-	-	125
Financial loss insurance	31,059	-	(26,361)	4,698
Travel insurance	30,881	-	(6,426)	24,455
Total	1,144,929	(516)	(200,518)	943,895

31 December 2013	Gross written premium	Ceded co-insurance	Reinsurer's share	Net written premium
Accident insurance	86,857	-	-	86,857
Land motor vehicle insurance	198,111	-	-	198,111
Aircraft and marine insurance	137	-	-	137
Cargo insurance	19,070	-	(1,704)	17,366
Fire, natural forces and other property insurance	240,357	-	(78,743)	161,614
Motor TPL insurance	463,430	-	(11,509)	451,921
Aircraft and marine liability insurance	57	-	-	57
General liability insurance	34,912	(284)	(28,253)	6,375
Surety ship insurance	46	-	-	46
Financial loss insurance	14,576	-	(12,048)	2,528
Travel insurance	24,664	-	(4,948)	19,716
Total	1,082,217	(284)	(137,205)	944,728

22. Income from financial assets

	31 December 2014	31 December 2013
Interest income		
- AFS	45,213	44,251
- Deposits	9,512	17,008
- Interest on late payments of insurance receivables	14,048	5,419
- Investment in Guarantee fund	1,210	1,325
- Interest income from other investments	81	14
Total interest income	70,064	68,017
Dividends		
- AFS	-	935
Total dividend income	-	935
Realized gains on disposals	29,613	6,804
Other financial income	14,542	10,184
Total income from financial assets	114,219	85,940

The realized gains on disposals relate to:

- Disposal of equity instruments in amount of 4,244 MKD thousand; and
- Disposal of debt instruments in amount of 25,369 MKD thousand

In 2014, other financial income is consists of FX differences in the amount of 13,069 MKD thousand, release of bad debt provision in amount of 1,275 MKD thousand and other small items of income in the amount of 198 MKD thousand. In 2013, other financial income is consisted of FX differences in amount of 8,420 MKD thousand, release of bad debt provisions for receivables other than insurance premium in amount of 1,621 thousand and other small items of income in amount of 143 MKD thousand.

	31 December 2014	31 December 2013
Foreign exchange differences	13,069	8,420
Release of impairment of L&R and other receivables not related to insurance premium	1,275	1,621
Other	198	143
Total other financial income	14,542	10,184

23. Other income from insurance operations

	31 December 2014	31 December 2013
Fees and commission income		
- Reinsurance commission income and participation in profit	15,427	10,745
Total fees and commission income	15,427	10,745
Other income from insurance operations		
- Compensation received from Guarantee fund	8,127	7,464
- Other income from insurance operations from previous years	5,677	2,219
- Other	1,913	2,017
Total other income	15,717	11,700
Total other income from insurance operations	31,144	22,445

Other insurance income refers mostly to the reimbursement of costs arising from subrogation and the settlements of claims.

24. Other income

	31 December 2014	31 December 2013
Investment property rental income	2,380	2,575
Gain from sale of non-current assets held for sale	260	1,270
Penalty interest charged	250	1,000
Write-off of liabilities	5,148	347
Compensation received for legal case won	125	-
Refunds	454	-
Total other income	8,617	5,192

25. Claims

	31 December 2014	31 December 2013
Gross claims settled	661,439	716,060
Income from claimed gross subrogated receivables	(22,619)	(24,604)
Reinsurers' share	(50,939)	(46,646)
Changes in gross provisions for claims outstanding	5,413	(194,301)
Changes in provisions for claims outstanding, re-insurers share	(31,178)	84,731
Net claims incurred	562,116	535,240

Gross claims include gross claims settled and claims handling costs, not reduced by subrogation receivables (see note 28).

25. Claims (continued)

Overview of net claims incurred by insurance class

31 December 2014	Gross claims settled	Subrogated claims	Reinsurers' share	Net claims incurred
Accident insurance	61,155	-	-	61,155
Land motor vehicle insurance	102,151	-	-	102,151
Aircraft and marine insurance	126	-	-	126
Cargo insurance	548	-	-	548
Fire, natural forces and other property insurance	228,409	-	(50,939)	177,470
Motor TPL insurance	262,801	(22,619)	-	240,182
Aircraft and marine liability insurance	104	-	-	104
General liability insurance	1,009	-	-	1,009
Financial loss	319	-	-	319
Travel insurance	4,817	-	-	4,817
Total	661,439	(22,619)	(50,939)	587,881

31 December 2013	Gross claims settled	Subrogated claims	Reinsurers' share	Net claims incurred
Accident insurance	77,081	-	-	77,081
Land motor vehicle insurance	122,239	-	-	122,239
Railway insurance	12	-	-	12
Aircraft and marine insurance	893	-	-	893
Cargo insurance	5,854	-	-	5,854
Fire, natural forces and other property insurance	183,681	-	(46,646)	137,035
Motor TPL insurance	316,395	(24,604)	-	291,791
Aircraft and marine liability insurance	138	-	-	138
General liability insurance	2,139	-	-	2,139
Financial loss	153	-	-	153
Travel insurance	7,475	-	-	7,475
Total	716,060	(24,604)	(46,646)	644,810

25. Claims (continued)**Reinsurance and co-insurance result**

	31 December 2014	31 December 2013
Reinsurance and co-insurance premiums	(201,034)	(137,489)
Change in provisions for the unearned premium	16,861	(25,213)
Reinsurers' share	50,939	46,646
Changes in provisions for claims outstanding, re-insurers share	31,178	(84,731)
Net result from reinsurance operations	(102,056)	(200,787)
Reinsurance commission	15,427	10,745
Gross reinsurance result	(86,629)	(190,042)

26. Change in other insurance technical provisions

	31 December 2014	31 December 2013
Bonuses for managerial insurance	971	(435)
Total change in other insurance technical provisions	971	(435)

27. Expenses for bonuses and discounts

	31 December 2014	31 December 2013
Expenses for bonuses and discounts (financial discounts)	68,485	62,631
Total expenses for bonuses and discounts	68,485	62,631

28. Operating expenses

	31 December 2014	31 December 2013
Acquisition costs	230,696	206,576
Other operating expenses	83,500	88,737
Claims handling costs – CHC*	56,030	68,031
Asset management costs**	1,944	3,222
Total operating expenses	372,170	366,566
Total operating expenses less CHC and asset management costs	314,196	295,313

* Claims handling costs are disclosed as part of gross claims incurred.

**Asset management costs are disclosed as financial expenses.

28. Operating expenses (continued)

Overview of operating expense by nature and function

31 December 2014	Acquisition costs	Claim handling costs	Asset management costs	Other operating costs	Total
Acquisition costs	50,951	-	-	-	50,951
Depreciation and amortization of assets used in operations	10,915	1,721	33	2,104	14,773
Labor costs	83,414	28,926	1,243	46,483	160,066
- wages and salaries	54,302	18,657	832	31,152	104,943
- social security and pension insurance costs	26,143	9,219	404	13,697	49,463
- other labor costs	2,969	1,050	7	1,634	5,660
Costs of services provided by outsourced natural persons	861	415	11	590	1,877
Other operating expenses	84,555	24,968	657	34,323	144,503
- advertisement, fairs, representation	36,503	-	-	-	36,503
- cost of materials, energy and maintenance	8,421	4,958	135	7,378	20,892
- maintenance costs	5,259	975	22	1,279	7,535
- travel expenses	864	981	27	1,669	3,541
- costs of intellectual services	16,893	7,511	56	5,171	29,631
- taxes, not dependent on profit	1,212	124	79	184	1,599
- transportation costs	2,340	1,346	38	2,048	5,772
- insurance premium costs	1,748	314	7	415	2,484
- bank charges	667	14	44	2,481	3,206
- rental expenses	9,394	8,023	233	12,738	30,388
- training expenses	265	406	10	591	1,272
- other services	989	316	6	369	1,680
Total	230,696	56,030	1,944	83,500	372,170

28. Operating expenses (continued)

Overview of operating expense by nature and function (continued)

31 December 2013	Acquisition costs	Claim handling costs	Asset management costs	Other operating costs	Total
Acquisition costs	53,513	-	-	-	53,513
Depreciation and amortization of assets used in operations	9,668	1,961	42	2,376	14,047
Labor costs	67,102	32,719	1,340	47,699	148,860
- wages and salaries	43,053	20,833	869	29,559	94,314
- social security and pension insurance costs	20,942	10,298	438	13,649	45,327
- other labor costs	3,107	1,588	33	4,491	9,219
Costs of services provided by outsourced natural persons	1,098	492	16	664	2,270
Other operating expenses	75,195	32,859	1,824	36,630	142,827
- advertisement, fairs, representation	35,452	-	-	-	35,452
- cost of materials, energy and maintenance	8,697	5,773	162	7,129	21,761
- maintenance costs	2,453	1,095	32	1,520	5,100
- travel expenses	1,528	1,597	50	2,053	5,228
- costs of intellectual services	10,985	10,096	794	7,114	28,989
- taxes, not dependent on profit	874	83	3	128	1,088
- transportation costs	2,407	1,781	53	2,286	6,527
- insurance premium costs	791	317	10	408	1,526
- bank charges	633	303	290	2,296	3,522
- rental expenses	9,851	10,149	314	13,182	33,496
- training expenses	292	473	84	463	1,312
- other services	1,232	1,192	32	1,419	3,875
Total	206,576	68,031	3,222	88,737	366,566

29. Expenses from financial assets and liabilities

	31 December 2014	31 December 2013
Foreign exchange differences	12,860	9,512
Impairment losses on equity AFS securities	-	359
Impairment losses on investments in Investment funds - AFS	-	159
Interest expenses	253	20
Other financial expenses	1,961	3,239
Impairment losses on L&R and other receivables not related to insurance premium	5,381	-
Realized losses on disposal of investments	405	-
Total expenses from financial assets and liabilities	20,860	13,289

30. Other insurance expenses

	31 December 2014	31 December 2013
Expenses for preventive activity	18,398	18,567
Other insurance expenses from previous years	4,352	16,366
Contributions for claims on uninsured or unidentified vehicles	17,203	15,822
Membership fees	14,124	13,926
Impairment and direct write off on receivables for insurance premium*	(759)	13,633
Impairment on receivables other than for insurance premium	885	3,085
Expenses for travel assistance	2,501	2,030
Other insurance expenses	436	99
Total other insurance expenses	57,140	83,528

* The position "Impairment and direct write off on receivables for insurance premium" in 2014 in amount of positive 759 thousand MKD contains direct write offs of 1,354 thousand MKD (2013: direct write offs of 1,104 thousand MKD). This position is positive due to the high releases of impairment made during the year.

31. Other expenses

	31 December 2014	31 December 2013
Extraordinary expenses	245	6,069
Depreciation on assets not used in operations	3,484	3,641
Realized losses on disposal of tangible assets not used in operations	-	1,573
Impairment on other receivables	279	1,456
Expenses for penalties	53	1,023
Other	39	35
Total other expenses	4,100	13,797

Extraordinary expenses in 2013 in amount of 6,069 MKD thousand relate to returned funds to one client for received premium in earlier years based on decision from the Supreme Court.

32. Income Tax expenses**a) Current tax year charge**

	31 December 2014	31 December 2013
Income Tax expense	11,526	4,181
Total Income tax expenses	11,526	4,181

Recapitulation of the Income tax expense

	31 December 2014	31 December 2013
Tax base (10% on profit)*	6,644	-
Unrecognized expenses (tax on non-deductible expenses)	6,929	5,438
Tax credit used	(2,047)	(1,257)
Total Income tax expenses	11,526	4,181

In July 2014, the tax legislation was changed whereby again the current income tax is calculated as 10% tax rate on the income before tax representing the tax base. This tax base is further increased by the non-deductible (unrecognized) expenses incurred in that fiscal year, decreased by the amount of tax credits and other tax reliefs as opposed to the previous year where tax was calculated on unrecognized expenses.

32. Tax expenses (continued)**b) Tax recorded in other comprehensive income (note 17)**

	31 December 2014	31 December 2013
Current tax	-	-
Deferred tax	3,122	-
Total tax charge to other comprehensive income	3,122	-

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

As at 31 December 2012	-
Charged /(credited) to the income statement	-
Charged /(credited) to other comprehensive income	-
As at 31 December 2013	-
Charged /(credited) to the income statement	-
Charged /(credited) to other comprehensive income	3,122
As at 31 December 2014	3,122

Triglav Insurance AD Skopje**Notes to the financial statements for the year ended 31 December 2014***(All amounts are in MKD thousand unless otherwise stated)***33. Related party transactions**

The services provided and received from the related parties are rendered at arm's length prices.

Outstanding balances towards and from the related parties as at the reporting date as well as income and expenses during the period are presented below.

31 December 2014	Zavarovalnica Triglav	Triglav RE Ljubljana	Triglav Zagreb	Triglav Beograd	Triglav Saraevo	Lovcen Osiguranje Podgorica	Total
Income	(77,279)	(38,640)	-	36	18	33	(115,832)
Outward reinsurance premium	(82,490)	(48,608)	-	-	-	-	(131,098)
Change in provisions for reinsurers' share of unearned premium	-	3,389	-	-	-	-	3,389
Other insurance income	5,211	6,579	-	36	18	33	11,877
Expenses	(162)	80,257	(439)	-	-	-	79,656
Gross claims settled	(100)	-	(61)	-	-	-	(161)
Reinsurers' share of claims	61	50,879	-	-	-	-	50,940
Change in claims provisions	-	29,378	-	-	-	-	29,378
Operating expenses	(123)	-	(378)	-	-	-	(501)
Assets	264	96,503	-	-	-	-	96,767
Reinsurers' share of technical provisions for unearned premium	-	7,678	-	-	-	-	7,678
Reinsurers' share of technical provisions for outstanding claims	-	43,025	-	-	-	-	43,025
Receivables from reinsurers	-	45,800	-	-	-	-	45,800
Short-term receivables from insurance operations	264	-	-	-	-	-	264
Liabilities	38,240	4,777	42	-	-	-	43,059
Liabilities from reinsurance operations	37,587	4,777	-	-	-	-	42,364
Other short-term liabilities	653	-	42	-	-	-	695

Triglav Insurance AD Skopje

Notes to the financial statements for the year ended 31 December 2014

(All amounts are in MKD thousand unless otherwise stated)

33. Related party transactions (continued)

31 December 2013	Zavarovalnica Triglav	Triglav RE Ljubljana	Triglav Zagreb	Triglav Beograd	Triglav Saraevo	Triglav Nepremicnine	Total
Income	(62,365)	(31,247)	-	49	50	-	(93,513)
Outward reinsurance premium	(65,939)	(33,033)	-	-	-	-	(98,972)
Change in provisions for reinsurers' share of unearned premium	-	(1,179)	-	-	-	-	(1,179)
Other insurance income	3,574	2,965	-	49	50	-	6,638
Expenses	41,347	(12,046)	(391)	-	-	(17)	28,893
Gross claims settled	(53)	-	(92)	-	-	-	(145)
Reinsurers' share of claims	45,753	-	-	-	-	-	45,753
Change in claims provisions	-	(12,046)	-	-	-	-	(12,046)
Operating expenses	(4,353)	-	(299)	-	-	(17)	(4,669)
Assets	457	19,143	-	70	-	-	19,670
Reinsurers' share of technical provisions for unearned premium	-	4,291	-	-	-	-	4,291
Reinsurers' share of technical provisions for outstanding claims	-	14,852	-	-	-	-	14,852
Short-term receivables from insurance operations	457	-	-	70	-	-	527
Liabilities	13,024	4,943	83	-	-	-	18,050
Insurance technical provisions	-	-	24	-	-	-	24
Liabilities from reinsurance operations	11,234	4,943	-	-	-	-	16,177
Other short-term liabilities	1,790	-	59	-	-	-	1,849

34. Members of the Management Board

In 2014, the Members of the Management Board were paid amount of 7,399 MKD thousand as compensation for their work (2013: 6,616 MKD thousand).

35. Amounts paid to auditors

The IFRS financial statements were audited by Ernst & Young Skopje.

The following amounts were charged for the services:

	31 December 2014	31 December 2013
Statutory audit and other auditing services	1,383	1,107
	1,383	1,107

36. Earnings per share

The calculation of the basic/diluted earnings by share (EPS) for the years ended 31 December 2014 and 31 December 2013 is based on the net profit for the year attributable to shareholders of Triglav Insurance AD Skopje. The number of shares is calculated as weighted average number of ordinary shares during the year.

	31 December 2014	31 December 2013
Net profit attributable to shareholders of the Company	54,913	69,056
Number of shares	60,184	60,184
Earnings per share	0.912	1.147

Diluted earnings per share are not calculated since the Company has not issued any dilutive financial instruments.

37. Significant legal disputes

The Company operates in the insurance industry and therefore, it is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final result of all pending or threatened legal proceedings, the management does not believe that such proceedings (including litigations) will have material adverse effect on its results and financial position.

The Company is also involved in legal proceedings beyond its normal course of business.

- The Company is involved in case for compensation of damages, submitted on 4 April 2012 by physical person. Preparatory hearing was held where the plaintiff was obliged by the Court to admit additional evidence. The court has ruled out the claim as cluttered on 5 March 2013, on which the plaintiff has submitted an appeal. After acceptance of the appeal by the Court, the case was returned for retrial where additional evidence was submitted, on which Triglav Insurance Skopje has submitted its expertise and opinion. In November 2014, the plaintiff submitted his opinion in relation to Triglav's expertise. As a result, the proceeding is still waiting on resolution by the Court.

The amount of the case is 154,664 MKD thousand. According to the latest developments, there is 40% likelihood that the plaintiff will lose the case, i.e. 60% likelihood that the decision will be in favor of the Company.

37. Significant legal disputes (continued)

Case for compensation of damages, submitted on 28 May 2013 by several shareholders of Triglav Insurance Skopje against the Company and Zavarovalnica Triglav, d.d. The Company has submitted an answer to the claim and currently the first hearing to be scheduled by the Court is in anticipation. The assessed amount of the case is 151.840 MKD thousand. According to the latest developments, there is 49% likelihood that the plaintiff will lose the case, i.e. 51% likelihood that the decision will be in favor of the Company.

38. Contingent Liabilities

The Company has concluded rental contract for renting business premises in the business center Hyperium for 5 years starting from 17 January 2011, which was extended until 31 January 2019 during the current year. As a result, the contract is non-cancelable for three years from signing of the Annex (i.e non-cancelable until 31 January 2017), and notice period of 6 months is required for cancelations made afterwards. The monthly rent that the Company is paying for the business premises is in amount of 2,090 MKD thousand (2013: 2,474 MKD thousand MKD). The rent was decreased with the aforementioned annex.

39. Reviews by Supervision bodies

Field supervision was carried out by the Insurance Supervision Agency in September and October 2014 covering the period from 1 January 2013 to 30 June 2014 with complete scope over the operations of the Company, including compliance with laws and regulations, secondary legislative acts and rulebooks as well as internal controls.

The final report issued by the Insurance Supervision Agency was received in February 2015, according to which there are several issues identified for which the Company has obligation to reconcile until the end of 2015. In relation to the compliance with the relevant laws and bylaws, the Company also received fine in amount of 307 thousand MKD.

In addition, off-field supervision was carried out also by the Insurance Supervision Agency covering the period from 1 July 2014 to 30 September 2014.

During 2013 no reviews were performed by any supervision bodies.

40. Events after the reporting period

No material events subsequent to the date of the statement of financial position have occurred which require disclosure in the financial statements.