Triglav Insurance AD Skopje

Financial Statements

For the year ended 31 December 2016

With the Report of the Auditors thereon

Financially Stable, Profitable and Modern Operations

In the course of 2016, Triglav Insurance AD Skopje continued its operations in line with the strategic guidelines of the Company and the Group. The foundation of these guidelines is focused on profitability, security, as well as preserving financial stability.

The Company's gross written premium, compared to 2015, has grown by 3%, amounting to 1.328 million MKD. The gross liquated claims amounted to 568.4 million MKD, while gross operational costs totaled 433.3 million MKD. The achieved combined ratio of 99.1% shows an improvement of 2.6 percentage points in comparison to 2015, while the net profit exceeded the planned amount by 81%, totaling at 54.6 million MKD.

In the third quarter of 2016, Triglav Osiguruvanje has kept its leading position on the Macedonian market of non-life insurance, reaching a market share of 17.5%. The best results in achieved gross written premium, as well as the combined ratio positive trend are a clear indicator of the Company's performance in the core insurance business and they are the most relevant indicators for the financial stability, security and integrity which Triglav relies upon in its daily operations.

Modern and innovative products

Unquestionably, the main priority of Triglav Insurance AD Skopje is client satisfaction and loyalty. This is precisely why, in 2016, the Company focused on developing new innovative products and additional services, complementary to the existing ones, thus providing a high quality offer and added value for its clients. By introducing Triglav Auto Assistance and Triglav Home Assistance, we have also provided support and assistance for our clients at times when they need it most. Furthermore, we have upgraded our products for voluntary private health insurance, hence providing protection and top of the line healthcare service.

We consider the awards Best Buy Award Millennials 2015/2016 and QuDAL 2016/2017 quality medal with great pride, as a recognition of our work, as well as a confirmation for the quality that Triglav offers.

Building a Safe Future

Guided by Triglav's mission of *building a safe future* for our shareholders, employees and clients, Triglav Osiguruvanje is strongly dedicated to responsible and sustainable development in its line of work. Our employees, who are pillars of the implementation of our vision and the strategic objectives, are joined by common values, grounded in Triglav's corporate culture: security, responsibility, expertise, simplicity and modernity.

In 2017 we will continue with equal intensity and enthusiasm in our work, placing special emphasis on developing modern business processes and adjusting to dynamic technological developments. Through our values, mission and strategic objectives, we, at Triglav Insurance AD Skopje strive to be a contemporary, innovative and dynamic insurance company, with a solid grasp of the leading position in Macedonia's insurance market.

Gjorgje Vojnovic
Chief Executive Officer
Triglav Insurance AD, Skopje

Sanja Tancevska
Executive Officer
Triglav Insurance AD, Skopje

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Building a better working world

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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 2016, 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 accepted and published in the Official Gazette no. 79 dated 11 June 2010 of Republic of Macedonia. 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 2016, 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, 30 March 2017

(All amounts are in MKD thousand unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2016	31 December 2015
ASSETS			
Intangible assets	**7**	**120,739**	**115,143**
Property and equipment	**8**	**76,559**	**81,198**
Investment property	**9**	**24,286**	**76,627**
Financial investments	**10**	**1,440,274**	**1,280,115**
Loans and deposits		437,979	303,218
Available for sale		1,002,295	976,897
Reinsurers' share of technical provisions	**11**	**156,614**	**155,387**
Receivables	**12**	**375,697**	**373,894**
Receivables from direct insurance operations		298,820	319,207
Receivables from reinsurance and coinsurance operations		10,603	2,263
Current tax receivables		-	3,342
Deferred tax	**17**	-	1,115
Other receivables		66,274	47,967
Other assets		**1,877**	**1,853**
Cash and cash equivalents	**13**	**31,057**	**27,449**
TOTAL ASSETS		**2,227,103**	**2,111,666**
EQUITY AND LIABILITIES			
Equity	**14**	**750,577**	**658,499**
Share capital		185,223	185,223
Share premium reserves		41,972	41,972
Reserves from profit		312,482	300,262
Fair value reserve		29,091	(8,427)
Retained earnings		127,249	120,810
Net profit for the period		54,560	18,659
Insurance technical provisions	**15**	**1,279,585**	**1,212,721**
Unearned premiums		564,737	550,757
Claims provisions		691,436	659,607
Bonuses and discounts		16,051	2,357
Other insurance technical provisions		7,361	-
Employee benefits	**16**	**4,673**	**4,950**
Deferred tax liabilities	**17**	**3,054**	**-**
Other financial liabilities	**18**	**2,557**	**6,144**
Operating liabilities	**19**	**100,705**	**134,032**
Liabilities from direct insurance operations		21,226	28,080
Liabilities from reinsurance and co-insurance operations		77,076	105,952
Current tax liabilities		2,403	-
Other liabilities	**20**	**85,952**	**95,320**
Total liabilities		**1,476,526**	**1,453,167**
TOTAL EQUITY AND LIABILITIES		**2,227,103**	**2,111,666**

Triglav Insurance AD Skopje
Financial statements for the year ended 31 December 2016
(All amounts are in MKD thousand unless otherwise stated)

STATEMENT OF PROFIT OR LOSS

	Note	31 December 2016	31 December 2015
Net premium income	**21**	**1,091,375**	**1,016,593**
Gross written premium		1,328,137	1,294,416
Ceded written premium		-	(1,937)
Outward reinsurance premium		(223,476)	(242,326)
Change in provision for unearned premiums		(10,752)	(56,711)
Change in provision for unearned premiums (reinsurers' and coinsurers' share)		(2,534)	23,151
Income from financial assets	**22**	**65,027**	**70,090**
Interest income		55,854	54,969
Realised gains on disposals		1,263	391
Other income		7,910	14,730
Other insurance income	**23**	**32,252**	**36,848**
Reinsurance fees and commission income		22,208	20,580
Other income from insurance operations		10,044	16,268
Other Income	**24**	**9,827**	**17,904**
Net claims incurred	**25**	**552,591**	**566,776**
Gross claims settled		586,174	614,764
Income from claimed gross subrogated receivables		(17,803)	(17,068)
Reinsurers' and coinsurers' share		(46,740)	(20,075)
Changes in gross provisions for claims outstanding		31,828	17,606
Changes in provisions for claims outstanding (reinsurers' and coinsurers' share)		(868)	(28,451)
Change in other insurance tehnical provisions	**26**	**7,361**	-
Net expenses for bonuses and discounts	**27**	**107,821**	**85,873**
Operating expenses	**28**	**379,604**	**360,469**
Acquisition costs		288,648	271,408
Other operating costs		90,956	89,061
Expenses from financial assets and liabilities	**29**	**4,439**	**14,506**
Interest expense		-	18
Realised losses on disposals		39	499
Loss on impairment of financial assets		5	145
Other expenses		4,395	13,844
Other insurance expenses	**30**	**66,732**	**57,673**
Other expenses	**31**	**16,210**	**30,519**
Profit before tax		**63,723**	**25,619**
Income tax expense	32	9,163	6,960
Net profit for the accounting period		**54,560**	**18,659**
Earnings per share	36		
Basic, profit for the year attributable to ordinary equity holders		0,907	0,310

The financial statements of Triglav Insurance AD Skopje were approved by the Management Board on 27.03.2017.

Gjorgje Vojnovic
Chief Executive Officer

Sanja Tancevska
Executive Officer

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STATEMENT OF OTHER COMPREHENSIVE INCOME

	31 December 2016	31 December 2015
Net profit for the year after tax	54,560	18,659
Other comprehensive income after tax	37,518	(38,133)
Items which could be transferred into Statement of profit and loss in the following periods		
1. Net gains/losses from the re-measurement of available-for-sale financial assets	37,518	**(38,133)**
1.1 Gains/losses recognised in fair value reserve	41,687	(42,370)
1.2 Tax on other comprehensive income	(4,169)	4,237
Comprehensive income / Loss for the year after tax	**92,078**	**(19,474)**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserves	Legal and statutory reserves	FV reserve for long-term AFS assets	FV reserve for short-term AFS assets	Other FV reserve	Net profit brought forward	Net profit for the current year	Total
As at 31 December 2014	**185,223**	**41,972**	**281,958**	**25,606**	**2,490**	**1,610**	**84,201**	**54,913**	**677,973**
Comprehensive income for the the year after tax	-	-	-	(38,508)	376	-	-	18,659	(19,473)
Transfer to retained earnings	-	-	-	-	-	-	54,913	(54,913)	-
Transfer of net profit to reserves from profit	-	-	18,304	-	-	-	(18,304)	-	-
As at 31 December 2015	**185,223**	**41,972**	**300,262**	**(12,902)**	**2,866**	**1,610**	**120,810**	**18,659**	**658,499**
As at 1 January 2016	**185,223**	**41,972**	**300,262**	**(12,902)**	**2,866**	**1,610**	**120,810**	**18,659**	**658,499**
Comprehensive income for the the year after tax	-	-	-	37,046	472	-	-	54,560	92,078
Transfer to retained earnings	-	-	-	-	-	-	18,659	(18,659)	-
Transfer of net profit to reserves from profit	-	-	12,220	-	-	-	(12,220)	-	-
As at 31 December 2016	**185,223**	**41,972**	**312,482**	**24,144**	**3,338**	**1,610**	**127,249**	**54,560**	**750,577**

CASH FLOW STATEMENT

	Notes	31 December 2016	31 December 2015
Cash flow from operating activities			
Income statement items		**127,985**	**74,521**
Net written premium	21	1,104,662	1,050,153
Income from investment (less financial income)		63,803	70,090
Other income from operations (except from valuation and without changes in provisions) and financial income from receivables from operations		36,226	52,789
Net settled claims	25	(521,630)	(577,621)
Expenses for bonuses and discounts	27	(107,821)	(86,362)
Operating expenses less depreciation	28	(366,241)	(347,674)
Expenses from investments (except from valuation and without changes in provisions), financed from:	29	(4,439)	(14,361)
Other expenses from operations without depreciation (except from valuation and without changes in provisions)		(67,412)	(65,533)
Corporate tax and other tax not included in expenses	32	(9,163)	(6,960)
Change of working capital (insurance receivables, other receivables, other assets, deferred taxes) of operating items of the balance sheet		**(77,800)**	**(2,832)**
Opening less closing balance of receivables from direct insurance operations		9,146	(18,274)
Opening less closing balance of receivables from reinsurance		(8,341)	43,692
Opening less closing balance of other receivables from (re)insurance operations		5,652	5,993
Opening less closing balance of other receivables and assets		(50,132)	(17,229)
Opening less closing balance of deferred tax assets		1,301	(1,301)
Closing less opening balance of liabilities from direct insurance operations		(6,853)	(4,769)
Closing less opening balance of liabilities from reinsurance		(28,876)	22,732
Closing less opening balance of other liabilities from operations		7,622	(34,295)
Closing less opening balance of other liabilities (less unearned premiums)		(10,186)	434
Closing less opening balance of deferred tax liabilities		2,868	186
Net cash flow from operating activities		**50,185**	**71,689**
Cash flow from investing activities			
Receipts from interest from investments	10	59,438	48,065
Receipts from disposal of tangible fixed assets		31,268	630
Receipts from disposal of financial investments	10	425,068	334,054
Payments for purchase of intangible assets	7	(6,731)	(6,339)
Payments for purchase of tangible fixed assets	8	(5,965)	(10,657)
Payments for financial investments	10	(549,654)	(431,938)
Net cash flow from investing activities		**(46,577)**	**(66,185)**
Net increase / (decrease) in cash and cash equivalents		**3,608**	**5,504**
Cash and cash equivalents at beginning of the year		**27,449**	**21,945**
Cash and cash equivalents at the end of the year	**13**	**31,057**	**27,449**

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 2016, 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 18 classes (2015:17) 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

These financial statements have been approved for issue by the Management Board on 27 March 2017.

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. Tedo Djekanovic- President of the Board of Directors, MBA;
- Mr. Gjorgje Vojnovic - Executive Member, MBA;
- Ms. Sanja Tancevska – Executive Member, BSc in Mathematics and Certified Actuary;
- Mr. Matej Ferlan - Non-executive member, MBA;
- Mr. Darko Popovski- Non-executive member, MBA;
- Ms. Maja Gazvoda – Independent non-executive member, MSc in Finance;
- Mr. Blaz Kmetec- Independent non-executive member, BSc of Economics-Banking and Finance;
- Mr. Igor Zibrik- Non-executive member, MA in International economy until 7th April 2016;

1. General information (continued)

1.2 Management bodies (continued)

During 2016, the Management Board held fourteen (14) sessions on which the most important issues within the scope of the Company's business activities were considered.

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

For the purpose of timely and effective functionating of the Management Board, an Audit Commission has been formed which represents supporting body to the Management Board. The commission has been formed in accordance to its Statute and the Law on trade companies. Among other things, the aduit commission is responsible for supervision and control of the intergrity of the financial reporting, internal control system, effectiveness of the internal audit, effectivens of the risk management system, compliance with the applicable laws and regulations etc. The adutit commission reports and provides recommendations to the Management Board. The audit commission, also provides recommendation for the selection of the audit company responsible for auditing of the financial statements of Triglav Insurance AD, Skopje.

The names od the audit commission members are as follows:

- Mr. Darko Popovski- President of the Audit comission, MBA;
- Ms. Mateja Geržina – Member of the Audit commission;
- Ms. Jana Polda – Member of the Audit commission;
- Mr. Branko Flisar – Member of the Audit commission.

During 2016, the Audit comission held seven (7) sessions on which the most important issues within the scope of its responsibilities were considered.

1.3 Employees

As of 31 December 2016, the Company had 256 employees (2015:260).

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

Type of employment	31 December 2016	31 December 2015	Variation
Internal employees	134	135	(1)
Agents	122	125	(3)
Total	**256**	**260**	**(4)**

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.

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.

2.5 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,

2. Basis of preparation (continued)

2.5 Foreign currency transactions (continued)

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 2016 and 2015 were as follows:

	31 December 2016	31 December 2015
	MKD	**MKD**
1 EUR	61.481	61.595

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, 2016 (2015: 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 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 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” or “Other expenses” in the statement of profit or loss.

(v) Impairment

At each reporting date, items of property 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, 2016 (2015: 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 2016 and 2015, 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 via options on the primary market adjusted by the maturity spread.

As of January 1, 2016, as a basis for discounting, the Company started using the yield to maturity of the government bonds quoted on the primary market in R. Macedonia as opposed to the yield to maturity of the Eurobonds issued by the government of R. Macedonia used in the previous periods. The change was made based on several factors among which was the change in the Law on Supervision of Insurance with which the insurance companies in R. Macedonia were forbiden to invest in such instruments. Furthermote, the change was impacted by the different nature and characteristics of the Eurobond as compared to the government bonds issued on the domestic market including the major differences in the yields to maturity even when the instruments had same maturities.

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 non-life 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 unearned premium is an asset arising from reinsurance contracts.

The value of reinsurer's share of technical provisions for claims not settled is measured based on the expected losses in accordance with reinsurance contracts.

3. Significant accounting policies (continued)

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

The value of reinsurer's share for unearned premiums is in accordance with calculation of provision for unearned premium and conditions in reinsurance contracts..

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.

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).

3. Significant accounting policies (continued)

3.10 Impairments (continued)

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

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

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

At each reporting date, Company's management reviews the carrying amount of the investment property. 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.

3. Significant accounting policies (continued)

3.10 Impairments (continued)

(iii) Impairment of financial assets (continued)

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.

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.

(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.

3. Significant accounting policies (continued)

3.11 Equity (continued)

Treasury shares (continued)

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) **Share premium reserves**

The share premium reserves are formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. These reserves relate to the difference between the nominal and sales value of the ordinary shares of the Company.

(iv) 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.

(v) 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. The large movement in the fair value reserve in 2016 is as a result of change in the discount rate used for valuing the available for sale financial assets as disclosed in note 3.5.

(vi) 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.

3. Significant accounting policies (continued)

3.13. Insurance technical provisions (continued)

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%.

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 94% of the gross claims settled are covered.

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

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

Provisions for bonuses and discounts

Provisions for bonuses are formed for managerial insurance for risks that cover death out of illness and/or accident. Provisions for bonuses are also formed for non claim occurrence at specific rate and only if such condition is agreed upon with the policyholder. The provision is created upon the conclusion of the contract, irrelevant of the payment pattern of the client.

Other insurance technical provisions

Provisions for unexpired risk reserves are formed for those lines of business where there is an insufficiency of unearned premium less deferred acquisition costs compared to expected future cash flows from the insurance contracts. The claim ratio and expense ratio are used in assessing the expected future cash flows.

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.

3. Significant accounting policies (continued)

3.15. Employee benefits

(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.

3.16 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 statements, 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.

Deferred acquisition costs

The costs incurred in acquiring non-life 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 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 represent the proportion of the acquisition costs which correspondents to the proportion of gross written premiums which is unearned at the balance sheet date.

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).

3. Significant accounting policies (continued)

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.

3.20 Other insurance income

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 Net 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 Change in other insurance technical provisions

Change in other insurance technical provisions comprise of unexpired risk reserves, which are formed if it is assumed that the amount of unearned premiums decreased by the deferred acquisition costs is not sufficient for covering future insurance contracts liabilities.

3.24 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 3.25), 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 Significant accounting policies (continued)

3.25 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 2016 and 2015, the Company did not have such expenses.

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.

3.26 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.

3.27 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.

3.28 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 and determined in the "Rulebook for the calculation and payment manner of income tax, and prevention from double tax relief or double taxation", 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.

During the year, the Company pays monthly advances which are calculated based on the income tax 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.

3.29 Adoption of new and revised IFRS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of January 1, 2016.

3. Significant accounting policies (continued)

3.29 Adoption of new and revised IFRS (continued)

- ***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. **Management has not made use of this amendment.**

- ***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. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. 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 amortize intangible assets. **Management has not made use of this amendment.**

  - ***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. **The Company had no transactions in scope of this amendment.**

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 February 2015. None of these had an effect on the Company's 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.
- ***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.

3. Significant accounting policies (continued)

3.29 Adoption of new and revised IFRS (continued)

- ***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 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 standards on its financial statements. None of these had an effect on the Company's 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.
- ***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.

Standards issued but not yet effective and not early adopted

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.

IFRS 9: Financial Instruments – Classification and measurement: The standard is applied for annual periods beginning on or after 1 January 2018 with early application permitted. The final version of IFRS 9 Financial Instruments 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 15: Revenue from Contracts with Customers: The standard is effective for annual periods beginning on or after 1 January 2018. 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

3. Significant accounting policies (continued)

3.29 Adoption of new and revised IFRS (continued)

Standards issued but not yet effective and not early adopted (continued)

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. **It is not expected that these amendments would be relevant for the Company.**

IFRS 15: Revenue from Contracts with Customers (Clarifications): The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. **It is not expected that these amendments would be relevant for the Company.**

IFRS 16: Leases: The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. **It is not expected that these amendments would be relevant for the Company.**

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 (Amendments): 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. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. **It is not expected that these amendments would be relevant for the Company.**

IAS 12: Income Taxes – Recognition of Deferred Tax Assets for Unrealised losses (Amendments): The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment **It is not expected that these amendments would be relevant for the Company.**

IAS 7: Disclosure Initiative (Amendments): The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the

3. Significant accounting policies (continued)

3.29 Adoption of new and revised IFRS (continued)

Standards issued but not yet effective and not early adopted (continued)

disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. Management. **It is not expected that these amendments would be relevant for the Company.**

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments): The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. **It is not expected that these amendments would be relevant for the Company.**

IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments): The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. **It is not expected that these amendments would be relevant for the Company.**

IAS 40: Transfers to Investment Property (Amendments): The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. **It is not expected that these amendments would be relevant for the Company.**

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration (Amendments): The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. **It is not expected that these amendments would be relevant for the Company.**

3. Significant accounting policies (continued)

3.29 Adoption of new and revised IFRS (continued)

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures.

Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. None of these had an effect on the Company's financial statements.

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

3.30 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 Management Board 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 (except for the non-life annuities). 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 2016 that had material effect on the financial statements.

4.2 Liability adequacy test (LAT)

Liability adequacy test is performed to prove that all liabilities deriving from insurance contract are adequate.

LAT is consisted of liability adequacy test of claim provisions (run-off for RBNS and IBNR) and liability adequacy test of unearned premium reserves (LAT for UPR).

In the LAT for UPR, the Company performs tests to check the adequacy of the unearned premiums and unexpired risk reserves. Through these tests, the unearned premium reserves less deferred acquisition costs are compared to expected future cash flows from the insurance contracts. If a shortfall is identified the related deferred acquisition costs are written down and, if necessary, an additional provision is established for separate lines of business. The deficiency is recognized in the statement of profit or loss for the year.

Run-off analysis for RBNS and IBNR are performed to verify the appropriatness of the level of claims technical provisions. Potential negative results have only informative character but it also indicates that some inconsistencies might exist, therefore, it is potential indication for reviewing and analyzing of the methodology applied in the estimation process.

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 2016, 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

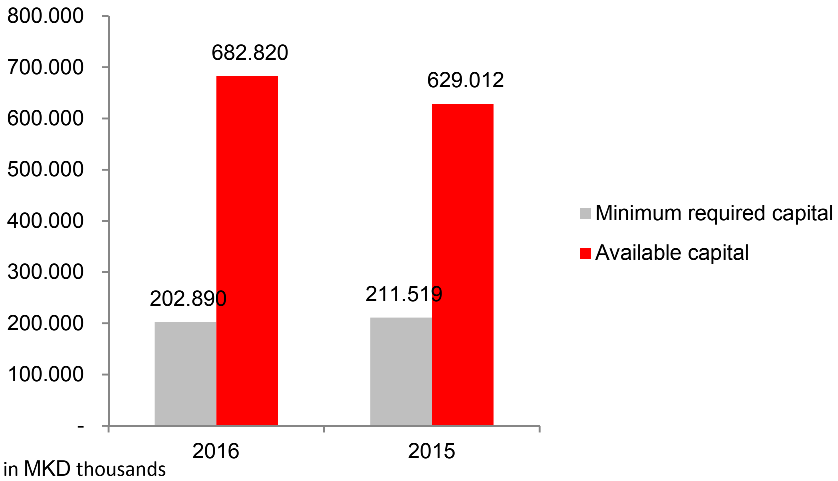
5. Risk management (continued)

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, 2016, the available capital to minimum required capital ratio was 337% (2015: 297%).



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 1,998,430 MKD thousand (2015: 1,831,847 MKD thousand) as disclosed below.

	31 December 2016	31 December 2015
Financial investments	1,435,062	1,275,117
AFS	997,083	971,899
Debt instruments	997,083	971,899
Loans and deposits	437,979	303,218
Deposits (term) and GF investments	369,334	293,318
Debt instruments (Treasury Bills)	68,645	9,900
Reinsurance share of technical provisions	156,614	155,387
Receivables	375,697	373,894
Cash and cash equivalents	31,057	27,449
Total financial assets exposed to credit risk	**1,998,430**	**1,831,847**

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 2016 and 2015.

Credit rating	31 December 2016	31 December 2015
AAA	-	64,804
BBB	65,099	-
BB	1,000,629	916,995
Total debt securities	**1,065,728**	**981,799**

Term deposits, GF investments, cash and cash equivaents, receivables and reinsurance share of technical provisions 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 31 December 2016	Limit 31 December 2015
Debt securities and deposits	**100%**	**100%**
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%**	**0%**

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

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

The table below shows the composition of the investment portfolio of the Company as of 31 December 2016 and 2015.

	31 December 2016	%	31 December 2015	%
Debt securities, deposits and GF investments	**1,435,062**	**99.6%**	**1,275,1178**	**99.6%**
Debt securities issued by the state	1,000,629	70%	916,995	72%
Debt securities issued by other states	65,099	5%	-	-
Corporate debt securities and	-	-	64,804	5%
Deposits in banks	342,505	24%	265,828	21%
Gurantee fund investments	26,829	2%	27,491	2%
Equity investments	**5,212**	**0.4%**	**4,997**	**0.4%**
Total financial assets	**1,440,274**		**1,280,115**	

As of 31 December 2016 and 2015, 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 2016, the single largest exposure of Triglav Insurance AD Skopje was related to the government bond issued by the Republic of Macedonia in amount of 205,272 MKD thousand with maturity until January 2018.

The single largest exposure in 2015 was related to the government bond issued by the Republic of Macedonia in amount of 203,914 MKD thousand with maturity until January 2018.

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 Slovenia (2015: 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.

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.1 Credit risk (continued)

Additional credit risk disclosures

31 December 2016	Neither past due nor impaired	Past due but not impaired	Impaired placements	Gross exposure	Allowence for impairement	Net exposure
Financial investments	1,435,062	-	124,737	1,559,799	(124,737)	1,435,062
AFS	997,083	-	-	997,083	-	997,083
Debt insutruments	997,083	-	-	997,083	-	997,083
Loans and deposits	437,979	-	124,737	562,716	(124,737)	437,979
Deposits (term), GF investments and loans	369,334	-	124,737	494,071	(124,737)	369,334
Debt instruments (Treasury Bills)	68,645	-	-	68,645	-	68,645
Reinsurers' share of technical provisions	156,614	-	-	156,614	-	156,614
Receivables	210,979	65,645	701,735	978,329	(602,662)	375,697
Cash and cash equivalents	31,057	-	-	31,057	-	31,057
Total	**1,833,712**	**65,645**	**826,472**	**2,725,829**	**(727,399)**	**1,998,430**

31 December 2015	Neither past due nor impaired	Past due but not impaired	Impaired placements	Gross exposure	Allowence for impairement	Net exposure
Financial investments	1,275,117	-	130,019	1,405,136	(130,019)	1,275,117
AFS	971,899	-	-	971,899	-	971,899
Debt insutruments	971,899	-	-	971,899	-	971,899
Loans and deposits	303,218	-	130,019	433,237	(130,019)	303,218
Deposits (term), GF investments and loans	293,318	-	130,019	423,337	(130,019)	293,318
Debt instruments (Treasury Bills)	9,900	-	-	9,900	-	9,900
Reinsurers' share of technical provisions	155,387	-	-	155,387	-	155,387
Receivables	155,704	74,058	807,977	1,037,739	(663,845)	373,894
Cash and cash equivalents	27,449	-	-	27,449	-	27,449
Total	**1,613,657**	**74,058**	**937,996**	**2,625,711**	**(793,864)**	**1,831,847**

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			
	Up to 30 days	30 - 180 days	Over 180 days	Total
31 December 2016	31,056	184	34,406	65,646
31 December 2015	34,258	6,756	33,044	74,058

	Impaired receivables			
	Up to 30 days	30 - 180 days	Over 180 days	Total
31 December 2016	-	76,448	22,624	99,072
31 December 2015	-	113,110	31,022	144,132

The impaired portion of category “Deposits (term), GF investments and loans” in amount of 124,737 MKD thousands (2015: 130,019 MKD thousands) relate to loans given in the past which are in delay of more than 365 days and therefore, they are fully impaired. During 2016, 5,282 MKD thousands of impairment was released as a result of collected loan receivables.

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 2016 and 2015, the Company did not obtain additional liquidity from credit lines.

The financial assets and liabilities are non interest bearing except for the deposits and AFS debt instruments. The following tables show the contractual maturity structure of the Company's financial assets and liabilities.

31 December 2016	Not defined	Under 1 year	From 1 to 5 years	Above 5 years	Total
Financial assets					
Financial investments	32,041	482,987	726,689	198,557	1,440,274
AFS	5,212	101,920	696,607	198,557	1,002,295
Debt instruments	-	101,920	696,607	198,557	997,083
Equity instruments	5,212	-	-	-	5,212
Loans and deposits	26,829	381,067	30,082	-	437,979
Deposits (term), GF investments and loans	26,829	312,423	30,082	-	369,334
Debt instruments (Treasury Bills)	-	68,644	-	-	68,644
Reinsurers' share of tech. Provisions	-	156,614	-	-	156,614
Receivables	-	375,697	-	-	375,697
Cash and cash equivalents	-	31,057	-	-	31,057
Other assets	-	1,877	-	-	1,877
Total financial assets	**32,041**	**1,048,232**	**726,689**	**198,557**	**2,005,519**
Financial liabilities					
Insurance technical provisions	-	1,279,585	-	-	1,279,585
Employee benefits	-	198	1,299	3,176	4,673
Financial liabilities	-	2,557	-	-	2,557
Operating liabilities	-	100,705	-	-	100,705
Other liabilities	-	85,952	-	-	85,952
Total financial liabilities	**-**	**1,468,997**	**1,299**	**3,176**	**1,473,472**
Maturity gap	**32,041**	**(420,765)**	**725,390**	**195,381**	**532,047**

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.2. Liquidity risk (continued)

31 December 2015	Not defined	Under 1 year	From 1 to 5 years	Above 5 years	Total
Financial assets					
Financial investments	32,488	226,676	931,835	89,116	1,280,115
AFS	4,998	66,028	816,755	89,116	976,897
Debt instruments	-	66,028	816,755	89,116	971,899
Equity instruments	4,998	-	-	-	4,998
Loans and deposits	27,490	160,648	115,080	-	303,218
Deposits (term), GF investments and loans	27,490	150,748	115,080	-	293,318
Debt instruments (Treasury Bills)	-	9,900	-	-	9,900
Reinsurers' share of tech. provisions	-	155,387	-	-	155,387
Receivables	-	373,894	-	-	373,894
Cash and cash equivalents	-	27,449	-	-	27,449
Other assets	-	1,853	-	-	1,853
Total financial assets	**32,488**	**785,259**	**931,835**	**89,116**	**1,838,698**
Financial liabilities					
Insurance technical provisions	-	1,212,721	-	-	1,212,721
Employee benefits	-	380	1,330	3,240	4,950
Financial liabilities	-	6,144	-	-	6,144
Operating liabilities	-	134,032	-	-	134,032
Other liabilities	-	95,320	-	-	95,320
Total financial liabilities	**-**	**1,448,597**	**1,330**	**3,240**	**1,453,167**
Maturity gap	**32,488**	**(663,338)**	**930,505**	**85,876**	**385,531**

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, 2016 and 2015. 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. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

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:

31 December 2016	EUR	USD	Other FC	MKD	Total
Financial assets					
Financial investments	559,002	-	-	881,272	1,440,274
AFS	559,002	-	-	443,293	1,002,295
Debt instruments	559,002			438,081	997,083
Equity instruments	-	-	-	5,212	5,212
Loans and deposits	-	-	-	437,979	437,979
Deposits (term),GF investments and loans	-	-	-	369,334	369,334
Debt instruments (Treasury Bills)	-	-	-	68,645	68,645
Reinsurers' share of tech. provisions	150,328	5,333	953	-	156,614
Receivables	14,776	146	-	360,775	375,697
Cash and cash equivalents	1,276	35	51	29,695	31,057
Other assets	-	-	-	1,877	1,877
Total financial assets	**725,382**	**5,514**	**1,004**	**1,273,619**	**2,005,519**
Financial liabilities					
Insurance technical provisions	230,903	-	19,081	1,029,601	1,279,585
Employee benefits	-	-	-	4,673	4,673
Financial liabilities	-	-	-	2,557	2,557
Operating liabilities	67,873	9,828	1,464	21,540	100,705
Other liabilities	563	-	-	85,389	85,952
Total financial liabilities	**299,339**	**9,828**	**20,545**	**1,143,760**	**1,473,472**

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.3 Market risk (continued)

Foreign currency risk management (continued)

31 December 2015	EUR	USD	Other FC	MKD	Total
Financial assets					
Financial investments	568,485	-	-	711,630	1,280,115
AFS	568,485	-	-	408,412	976,897
Debt instruments	568,485			403,414	971,899
Equity instruments	-	-	-	4,998	4,998
Loans and deposits	-	-	-	303,218	303,218
Deposits (term), GF investments and loans	-	-	-	293,318	293,318
Debt instruments (Treasury Bills)	-	-	-	9,900	9,900
Reinsurers' share of tech. provisions	150,036	4,986	365	-	155,387
Receivables	8,605	146	-	365,143	373,894
Cash and cash equivalents	2,674	704	-	24,071	27,449
Other assets	-	-	-	1,853	1,853
Total financial assets	**729,800**	**5,836**	**365**	**1,102,697**	**1,838,698**
Financial liabilities					
Insurance technical provisions	211,623	-	18,765	982,333	1,212,721
Employee benefits	-	-	-	4,950	4,950
Financial liabilities	-	-	-	6,144	6,144
Operating liabilities	97,147	8,500	518	27,867	134,032
Other liabilities	7,994			87,326	95,320
Total financial liabilities	**316,764**	**8,500**	**19,283**	**1,108,620**	**1,453,167**

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. The effect of foreign currecy sensitivity analyses on profit before income tax is presented below.

	31 December 2016	31 December 2015
1% drop in the FX rate to 60.87 (2015: 60.98)	(4,260)	(4,130)
1% rise in the FX rate to 62.10 (2015: 62.21)	4,260	4,130

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.

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.3 Market risk (continued)

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 2.84% for the year ended December 31, 2016 (2015: 3.42%).

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.

	31 December 2016	31 December 2015
Financial assets		
Non-interest bearing		
AFS - Equity instruments	5,212	4,998
Loans and deposits - Treasury Bills	68,645	9,900
Reinsurers' share of tech. provisions	156,614	155,387
Receivables	375,697	373,894
Cash and cash equivalnts	31,057	27,449
Other assets	1,877	1,853
	639,102	**573,481**
Fixed interest bearing		
Available for sale - Debt instruments	997,083	971,899
Loans and deposits	30,331	40,121
	1,027,414	**1,012,020**
Variable Interest bearing		
Loans and deposits	339,003	253,197
Total variable interest bearing	**339,003**	**253,197**
Total financial assets	**2,005,519**	**1,838,698**
Financial liabilities		
Non-interest bearing		
Insurance technical provisions	1,279,585	1,212,721
Employee benefits	4,673	4,950
Financial liabilities	2,557	6,144
Operating liabilities	100,705	134,032
Other liabilities	85,952	95,320
Total financial liabilities	**1,473,472**	**1,453,167**

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

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 2016 would be higher, i.e lower by 1,037 MKD thousand (2015: 966 MKD thousand).

Interest rate sensitivity analysis

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

	31 December 2016	31 December 2015
15% increase in deposit interest rates	1,037	966
15% decrease in deposit interest rates	(1,037)	(966)

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 2016		31 December 2015	
	+ 10%	**- 10%**	**+ 10%**	**- 10%**
Equity investments in R. Macedonia	521	(521)	500	(500)
Total effect	**521**	**(521)**	**500**	**(500)**

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 2016 and 31 December 2015 were 10% above their disclosed values, the comprehensive income of the Company would be 521 MKD thousand and 500 MKD thousand higher. In contrast, if the prices of the equities in the portfolio as at 31 December 2016 and 31 December 2015 were 10% lower, the comprehensive income and profit of the Company would be 521 MKD thousand and 500 MKD thousand lower.

5. Risk management (continued)

5.3 Financial risk and sensitivity analysis (continued)

5.3.4 Equity risk (continued)

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 ended 31 December 2014.

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 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.

5.4 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.

5. Risk management (continued)

5.4 Underwriting risk (continued)

Underwriting strategy (continued)

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
- 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 2016 the investments of the Company which serve as assets covering the technical provisions amounted to 1,443,996 MKD thousand .

5. Risk management (continued)

5.4 Underwriting risk (continued)

Asset-liability harmonization (continued)

(2015: 1,279,246 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:

	Allowed %	31 December 2016	%	31 December 2015	%
Bank accounts and cash in hand	3%	31,057	2%	27,449	2%
Bank deposits	60%	342,000	24%	265,000	21%
Securities issued by R. Macedonia	80%	1,000,629	69%	916,995	72%
Shares traded on a regulated market for securities in RM	25%	-	0%	5	0%
Shares that are not traded on the regulated securities market if their issuer is legal entity established in R. Macedonia	5%	3,600	0%	3,600	0%
Shares issued by investment funds registered in R. Macedonia	20%	1,612	0%	1,393	0%
Long-term bonds and other long-term securities issued by foreign legal entity from a EU member or OECD member state	20%	65,098	5%	64,804	5%
Total investment in assets		**1,443,996**	**100%**	**1,279,246**	**100%**
Total net technical provisions (technical procision less reinsurance part)		**1,122,971**		**1,057,334**	
Assets covering the technical provisions		**321,025**		**221,912**	

The assets covering the net insurance technical provisions were at surplus in amount of 321,025 MKD thousand as at 31 December 2016 (2015: surplus of 221,912 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 loses

The Company have not presented any information on the development of loses 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 2016		31 December 2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Financial investments	1,440,274	1,440,274	1,280,115	1,280,115
AFS	1,002,295	1,002,295	976,897	976,897
Debt instruments	997,083	997,083	971,899	971,899
Equity instruments	5,212	5,212	4,998	4,998
Loans and deposits	437,979	437,979	303,218	303,218
Deposits (term), GF investments and loans	369,334	369,334	293,318	293,318
Debt instruments (Treasury Bills)	68,645	68,645	9,900	9,900
Reinsurers’ share of tech. provisions	156,614	156,614	155,387	155,387
Receivables	375,697	375,697	373,894	373,894
Cash and cash equivalents	31,057	31,057	27,449	27,449
Other assets	1,877	1,877	1,853	1,853
Total financial assets	**2,005,519**	**2,005,519**	**1,838,698**	**1,838,698**
Financial liabilities				
Insurance technical provisions	1,279,585	1,279,585	1,212,721	1,212,721
Employee benefits	4,673	4,673	4,950	4,950
Financial liabilities	2,557	2,557	6,144	6,144
Operating liabilities	100,706	100,706	134,032	134,032
Other liabilities	85,952	85,952	95,320	95,320
Total financial liabilities	**1,473,472**	**1,473,472**	**1,453,167**	**1,453,167**

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 2016, 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 2016	Republic of Macedonia	Other	Total
Total income	1,191,119	-	1,191,119
Total costs/expenses (incl. taxes)	1,136,559	-	1,136,559
Total assets and liabilities	2,227,103	-	2,227,103

31 December 2015	Republic of Macedonia	Other	Total
Total income	1,141,925	-	1,141,925
Total costs/expenses (incl. taxes)	1,123,267	-	1,123,267
Total assets and liabilities	2,111,666	-	2,111,666

7. Intangible assets

	Software and licenses	Deferred acquisition costs, net	Total intangible assets
Cost			
As at 31 December 2014	**19,586**	**97,216**	**116,802**
- Additions	6,339	-	6,339
- Net Increase in value	-	7,099	7,099
As at 31 December 2015	**25,925**	**104,315**	**130,240**
- Additions	6,731	-	6,731
- Net Increase in value	-	3,227	3,227
As at 31 December 2016	**32,656**	**107,542**	**140,198**
Accumulated amortization			
As at 31 December 2014	**11,530**	**-**	**11,530**
- Current year amortization	3,567	-	3,567
As at 31 December 2015	**15,097**	**-**	**15,097**
- Current year amortization	4,362	-	4,362
As at 31 December 2016	**19,459**	**-**	**19,459**
Carrying amount			
As at 31 December 2015	**10,828**	**104,315**	**115,143**
As at 31 December 2016	**13,197**	**107,542**	**120,739**

No items of intangible assets were pledged as collateral as at 31 December 2016 or 31 December 2015.

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 10,926 MKD thousand and represent 83% from the total value as at 31 December 2016 (2015: 7,666 MKD thousand or 71%).

8. Property and equipment

	Buildings	Equipment	Paintings	Total tangible assets
Cost				
As at 31 December 2014	**78,930**	**98,639**	**626**	**178,195**
- Additions	-	10,657	-	10,657
- Disposals	-	(5,102)	-	(5,102)
- Reclassification	1,852	-	-	1,852
As at 31 December 2015	**80,782**	**104,194**	**626**	**185,602**
- Additions	-	5,965	-	5,965
- Disposals	-	(8,740)	(28)	(8,768)
- Reclassification	-	-	-	-
As at 31 December 2016	**80,782**	**101,419**	**598**	**182,799**
Accumulated depreciation				
As at 31 December 2014	**22,939**	**77,016**	**-**	**99,955**
- Current year depreciation	2,020	7,208	-	9,228
- Disposals	-	(5,102)	-	(5,102)
- Reclassification	323	-	-	323
As at 31 December 2015	**25,282**	**79,122**	**-**	**104,404**
- Current year depreciation	2,021	6,981	-	9,001
- Disposals	-	(7,164)	-	(7,164)
- Reclassification	-	-	-	-
As at 31 December 2016	**27,301**	**78,939**	**-**	**106,240**
Carrying amount				
As at 31 December 2015	**55,500**	**25,072**	**626**	**81,198**
As at 31 December 2016	**53,481**	**22,480**	**598**	**76,559**

The market value of the buildings as at 31 December 2016 was in amount of 85,483 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 and equipment were pledged as collateral as at 31 December 2016 or 31 December 2015.

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 2016 no item of property and equipment was held under finance lease.

9. Investment Property

	Buildings	Total investment property
Cost		
As at 31 December 2014	**139,367**	**139,367**
- Reclassification	(1,852)	(1,852)
As at 31 December 2015	**137,515**	**137,515**
- Disposal	(95,210)	(95,210)
As at 31 December 2016	**42,305**	**42,305**
Accumulated depreciation and impairment		
As at 31 December 2014	**42,544**	**42,544**
- Current year depreciation	3,437	3,437
- Impairment	15,230	15,230
- Reclassification	(323)	(323)
As at 31 December 2015	**60,888**	**60,888**
- Current year depreciation	2,480	2,480
- Disposal	(35,498)	(35,498)
- Impairment on disposed assets	(9,851)	(9,851)
As at 31 December 2016	**18,019**	**18,019**
Carrying amount		
As at 31 December 2015	**76,627**	**76,627**
As at 31 December 2016	**24,286**	**24,286**

In 2016, eight assets of investment property have been sold with cumulative capital gain of 1,698 MKD thousand. The capital gains and losses from an items of investment property are disclosed as part of “Other Income” in note 24 and “Other Expenses” in note 31.

In 2016, impairment loss of 1,349 MKD thousand (2015: 15,230 MKD thousand) was recognized. The impairment loss represented the write-down of certain items of investment property to the recoverable amount as a result of obsolescence. This was recognized in the statement of the profit or loss as “Other Expenses (note 31). The recoverable amount of 24,838 MKD thousand represented the fair value less costs to sell and was based on a valuation of all items performed by certified appraiser CBRE. The cash flows generated from these items of property as a rental income are insignificant and therefore, the value in use was not calculated.

The fair value measurement was made using various valuation technics as disclosed on the next page. The valuations were performed in accordance with the Royal Institution of Chartered Surveyors (RICS) valuation standards.

After impairing these items of property, the market value as at 31 December 2016 was in excess of its carrying amount.

31 December 2016	Opening balance	Increase	Use	Release	Ending balance
Impairment of investment property	15.230	1.349	(11.200)	-	5.379

No item of investment property was pledged as collateral as at 31 December 2016 or 31 December 2015.

The rental income earned from investment property in 2016 was in amount of 1,900 MKD thousand (2015: 2,527 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.

9. Investment Property (continued)

Description of valuation techniques used and key inputs to valuation of investment properties

31 December 2016 Type of property	No of properties	Valuation approach	Level of vauation	Significant unobservable inputs	Range
Commercial property	2	Combination of income and market approach (Sales comparison approach	Level 2 and Level 3	Estimated rental value per sqm per month (eur) Discount rate Costs of refurbishment per sqm	2 -3 10% - 11% 200
Hotel appartments	1 property (15 appartments)	Market approach (Sales comparison approach)	Level 2 and Level 3	Disposal costs (as % of GDV*) Completion costs ('000 eur) Purchaser's costs (% of PP**) Financing structure Required rate of return Effective interest rate	5% 1,714 1.5% 40% equity 60 % debt 15% 7.5%
Residential property	2	Market approach (Sales comparison approach)	Level 2	n/a	n/a

31 December 2015 Type of property	No of properties	Valuation approach	Level of valuation	Significant unobservable inputs	Range
Residential property	2	Market approach (Sales comparison approach)	Level 1	n/a	n/a
Commercialproperty	2	Combination of income and market approach (Sales comparison approach)	Level 2 and Level 3	Estimated rental value per sqm per month (eur) Discount rate Annual maintenance and tax expenses (%)	4-7 8%-9% 2.5%
Commercial property	6	Income approach	Level 3	Estimated rental value per sqm per month (eur) Discount rate Annual maintenance and tax expenses (%)	2-8.5 10.25%-10.5% 3.2%
Hotel appartments	1 property (16 appartments)	Residual approach	Level 3	Disposal costs (as % of GDV*) Completion costs ('000 eur) Purchaser's costs (% of PP**) Financing structure Required rate of return Effective interest rate	5% 1,714 1.5% 40% equity 60 % debt 15% 7.5%

10. Financial investments

Overview of financial investments by type and investment group

31 December 2016	Available for sale - AFS	Loand and receivables - L&R	Total
Debt and other fixed return securities	997,083	-	997,083
Treasury Bills	-	68,645	68,645
Shares, other floating rate securities and fund	5,212	-	5,212
Guarantee Fund Investments		26,829	26,829
Bank deposits	-	342,505	342,505
Total financial investments	**1,002,295**	**437,979**	**1,440,274**

31 December 2015	Available for sale - AFS	Loand and receivables - L&R	Total
Debt and other fixed return securities	971,899	-	971,899
Treasury Bills	-	9,900	9,900
Shares, other floating rate securities and fund	4,998	-	4,998
Guarantee Fund Investments		27,490	27,490
Bank deposits	-	265,828	265,828
Total financial investments	**976,897**	**303,218**	**1,280,115**

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.

10. Financial investments (continued)

Following is disclosure of the interest rates of all interest bearing financial instruments, for both years ended 31 December, 2016 and 2015.

	31 December 2016	I.R	31 December 2015	I.R
Fixed interest bearing				
Debt securities (AFS)	**997,083**		**971,899**	
MACGB 4.6 10/31/2018	41,649	4.60%	40,579	4.60%
MACGB 5.15 01/24/2018	134,284	5.15%	133,021	5.15%
MACGB 5.4 01/09/2018	205,272	5.40%	203,914	5.40%
MACGB 5.7 09/29/2016	-	-	25,688	5.70%
MACGB 3.65 10/02/2017	91,512	3.65%	90,088	3.65%
MACGB 3.9 10/02/2019	135,036	3.90%	127,880	3.90%
MACGB 3.9 10/16/2019	140,066	3.90%	132,562	3.90%
MACGB 4 5 10/30/2024	86,476	4.50%	72,380	4.50%
MACGB 3 10/30/2016	-	-	40,341	3.00%
MACGB 5.7 08/09/2017	10,408	5.70%	10,462	5.70%
MACGB 3.8 08/27/2025	20,758	3.80%	16,736	3.80%
MACDEN 2 06/01/17	-	-	3,488	2.00%
MACDEN 2 06/01/20	-	-	9,956	2.00%
KFW 11/4 10/17/19	-	-	64,804	1.25%
SLOREP 4 5/8 09/09/24	65,098	4.63%	-	-
MACGB 2.8 10/20/18	40,301	2.80%	-	-
MACGB 3.7 02/11/26	15,652	3.70%	-	-
MACGB 4.3 03/31/31	10,571	4.30%	-	-
Loans and receivables	**30,331**		**40,121**	
Deposit Stopanska Banka Skopje	30,331	1.90%	30,105	2%
Deposit Stopanska Banka Skopje	-	-	10,016	2%
Variable Interest bearing				
Loans and receivables	**339,003**		**253,197**	
Deposit Halk Banka	20,000	3.40%	20,000	3.40%
Deposit Halk Banka	20,000	3.00%	20,000	3.00%
Deposit Halk Banka	20,000	2.30%	20,000	2.30%
Deposit Halk Banka	-	-	30,000	3.70%
Deposit Halk Banka	30,000	2.40%	-	-
Deposit Halk Banka	30,000	2.30%	-	-
Deposit NLB Tutunska Banka	15,023	2.30%	15,023	2.30%
Deposit NLB Tutunska Banka	40,058	2.30%	40,058	2.30%
Deposit NLB Tutunska Banka	20,000	0.03%	-	-
Deposit Stopanska Banka Skopje	-	-	30,348	2.00%
Deposit Ohridska Banka	20,004	1.80%	20,265	1.60%
Deposit Ohridska Banka	30,007	1.80%	30,013	1.60%
Deposit Stopanska Banka Skopje	30,082	2.70%	-	-
Deposit Stopanska Banka Skopje	17,000	0.04%	-	-
Deposit Komercijalna Banka Skopje	20,000	0.05%	-	-
Gurantee Fund investment	26,829	3.42%	27,490	3.42%

10. Financial investments (continued)

Maturity and interest rate on all instruments is provided on pages 39 and 59. Deposits are with maturities of up to two years.

As at the year end, the Company has accrued interest in amount of 23,780 thousand MKD (2015: 23,181 thousand MKD) where 22,315 thousand MKD relates to debt securities, 505 thousand MKD relates to deposits and 960 thousand MKD relates to interest accrued on Guarantee Fund investment.

Movements of financial investments

	Available for sale - AFS	Loand and receivables - L&R	Total
As at 31 December 2014	**939,852**	**284,298**	**1,224,150**
Acquisitions	105,053	326,885	431,938
Disposals	(22,087)	-	(22,087)
Maturities	(3,826)	(308,031)	(311,857)
Interest income inflow	(38,534)	(9,531)	(48,065)
Valuation through profit and loss	-	-	-
Valuation through equity	(42,370)	-	(42,370)
Movement in impairment allowance	-	1,031	1,031
Interest income	37,885	8,567	46,451
Foreign exchange differences	924	-	924
As at 31 December 2015	**976,897**	**303,218**	**1,280,115**
Acquisitions	129,383	420,270	549,654
Disposals	(77,189)	(745)	(77,934)
Maturities	(65,000)	(280,910)	(345,910)
Interest income inflow	(42,631)	(16,807)	(59,438)
Valuation through equity	41,687	-	41,687
Movement in impairment allowance	(5)	5,282	5,277
Interest income	40,143	7,670	47,813
Foreign exchange differences	(990)	-	(990)
As at 31 December 2016	**1,002,295**	**437,975**	**1,440,274**

Financial investments according to valuation levels

	31 December 2016	31 December 2015
Available for sale - AFS		
Level 1	70,310	83,242
Level 2	931,985	893,650
Level 3	-	5
Total available for sale financial investments	**1,002,295**	**976,897**

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 2016 or 2015.

11. Reinsurers' share of technical provisions

	31 December 2016	31 December 2015
Reinsurers' share of unearned premiums	78,372	80,906
Reinsurers' share of claims	75,348	74,481
Reinsurers' share of bonuses and dsicounts	2,893	-
Total reinsurers' share of technical provisions	**156,614**	**155,387**

Fair value is disclosed in note 5.7

12. Receivables

Receivables by maturity

	Receivables by maturity			
31 December 2016	Not overdue	Overdue up to 180 days	Overdue above 180 days	Total
Receivables from direct insurance	**169,122**	**106,992**	**22,706**	**298,820**
Receivables from insurers	160,428	102,449	22,123	285,000
Receivables from insurer brokers	8,508	4,543	500	13,551
Other receivables from direct insurance operations	186	-	83	269
Receivables from coinsurance and reinsurance	**10,457**	**-**	**146**	**10,603**
Receivables from reinsurance share in claims	10,457	-	-	10,457
Other receivables from coinsurance and reinsurance	-	-	146	146
Other receivables	**31,400**	**695**	**34,179**	**66,274**
Other short-term receivables from insurance operations	6,833	126	33,969	40,928
Short term receivables from financing	-	471	32	504
Other short-term receivables	24,567	98	178	24,842
Total receivables	**210,979**	**107,687**	**57,031**	**375,697**

12. Receivables (continued)

Receivables by maturity (continued)

31 December 2015	Receivables by maturity			
	Not overdue	Overdue up to 180 days	Overdue above 180 days	Total
Receivables from direct insurance	**142,084**	**146,424**	**30,699**	**319,207**
Receivables from insurers	135,295	142,606	29,515	307,416
Receivables from insurer brokers	6,720	3,803	1,154	11,677
Other receivables from direct insurance operations	69	15	30	114
Receivables from coinsurance and reinsurance	**-**	**2,116**	**147**	**2,263**
Receivables from re-insurance share in claims	-	1,920	-	1,920
Other receivables from coinsurance and reinsurance	-	196	147	343
Current tax receivables	**3,342**	**-**	**-**	**3,342**
Deferred tax receivables	**1,115**	**-**	**-**	**1,115**
Other receivables	**9,163**	**5,551**	**33,253**	**47,967**
Other short-term receivables from insurance operations	8,597	4,558	31,850	45,005
Short term receivables from financing	-	-	32	32
Other short-term receivables	566	993	1,371	2,930
Total receivables	**155,704**	**154,091**	**64,099**	**373,894**

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

31 December 2016	Gross amount	Impairment	Net amount
Receivables from direct insurance	837,567	(538,747)	298,820
Receivables from coinsurance and reinsurance	10,603	-	10,603
Other receivables	130,189	(63,915)	66,274
Total receivables	**978,359**	**(602,662)**	**375,697**

31 December 2015	Gross amount	Impairment	Net amount
Receivables from direct insurance	911,221	(592,014)	319,207
Receivables from coinsurance and reinsurance	2,263	-	2,263
Other receivables (including current and deferred tax receivables)	124,255	(71,831)	52,424
Total receivables	**1,037,739**	**(663,845)**	**373,894**

12. Receivables (continued)

Movement of bad debt provisions (impairment)

31 December 2016	Opening balance	Increase	Use	Release	Ending balance
Receivables from direct insurance	**592,014**	**46,811**	**(64,261)**	**(35,817)**	**538,747**
Receivables from insurers	571,008	37,547	(64,169)	(32,132)	512,254
Receivables from insurer brokers	16,348	9,264	(92)	(3,436)	22,084
Other receivables from direct insurance operations	4,658	-	-	(249)	4,409
Other receivables	**71,831**	**1,371**	**(6,755)**	**(2,532)**	**63,915**
Other short-term receivables from insurance operations	34,353	371	(522)	(1,945)	32,257
Short term receivables from financing	31,128	-	(50)	(587)	30,491
Other short-term receivables	6,350	1,000	(6,183)	-	1,167
Total bad debt provision	**663,845**	**48,182**	**(71,016)**	**(38,349)**	**602,662**

31 December 2015	Opening balance	Increase	Use	Release	Ending balance
Receivables from direct insurance	**598,503**	**43,308**	**(12,373)**	**(37,424)**	**592,014**
Receivables from insurers	579,743	36,714	(12,178)	(33,271)	571,008
Receivables from insurer brokers	17,278	3,223	-	(4,153)	16,348
Other receivables from direct insurance operations	1,482	3,371	(195)	-	4,658
Other receivables	**82,967**	**381**	**(10,432)**	**(1,085)**	**71,831**
Other short-term receivables from insurance operations	36,088	381	(1,031)	(1,085)	34,353
Short term receivables from financing	40,529	-	(9,401)	-	31,128
Other short-term receivables	6,350	-	-	-	6,350
Total bad debt provision	**681,470**	**43,689**	**(22,805)**	**(38,509)**	**663,845**

13. Cash and cash equivalents

	31 December 2016	31 December 2015
Cash in bank in MKD	29,624	24,025
Cash in bank in EUR	1,273	2,670
Cash in bank in other currencies	86	704
Cash on hand in MKD	71	46
Cash on hand in EUR	2	4
Total cash and cash equivalents	**31,057**	**27,449**

14. Equity

As at 31 December 2016, 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 2016 or 2015.

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

31 December 2016	Domestic	Foreign	Legal entities	Physical persons	Total
Number of shares	13,585	46,599	47,492	12,692	60,184
Number of shareholders	70	19	7	82	89
Number of shares - participation	23%	77%	79%	21%	100%
Number of shareholders - participation	79%	21%	8%	92%	100%

31 December 2015	Domestic	Foreign	Legal entities	Physical persons	Total
Number of shares	13,585	46,599	47,492	12,692	60,184
Number of shareholders	70	19	7	82	89
Number of shares - participation	23%	77%	79%	21%	100%
Number of shareholders - participation	79%	21%	8%	92%	100%

14. Equity (continued)

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

Shareholder	31 December 2016	31 December 2015
Triglav Int. Holdinska Druzba d.d Ljubljana	73.38%	73.38%
Stojan Klopcevski	8.74%	8.74%

Dividends

As of the date of preparation of these financial statements there were no dividends declared (2015: none).

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.

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

In 2016, the Company transferred 12,220 MKD thousand from retained earnings to statutory reserves. The amount transferred in 2015 was 18,304 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 2016 the movement in the fair value reserve was positive 41,687 MKD thousand as opposed to the negative effect in 2015 in amount of 42,370 MKD thousand, as it is disclosed in the *"Statement of Comprehensive Income".* Due to change in tax legislation in 2014, the Company has started calculating deferred tax assets/liabilities on the fair value reserves of its AFS instruments. The large difference in the fair value reserve movement is explained in note 3.5.

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

15. Insurance technical provisions

	31 December 2016	31 December 2015
Gross provisions for unearned premium (UPR)	564,737	550,757
Total gross unearned premium provisions	**564,737**	**550,757**
Gross provisions for incurred and reported claims (RBNS)	365,813	343,098
Gross provisions for incurred but not reported and/or not enough reported claims (IBNR)	264,829	258,404
Provisions for claims handling costs (CHC)	60,794	58,105
Total gross claims provisions	**691,436**	**659,607**
Gross provisions for bonuses and discounts	**16,051**	**2,357**
Gross provisions for other insurance technical provisions	**7,361**	**-**
Total gross insurance technical provisions	**1,279,585**	**1,212,721**

Analysis of changes in gross insurance technical provisions

31 December 2016	Opening balance	Formation	Use	Release	Final balance
Gross provisions for unearned premiums	550,757	564,153	-	(550,173)	564,737
Gross provisions for outstanding claims	659,607	630,595	(534,640)	(64,126)	691,436
Gross provisions for bonuses and discounts	2,357	16,051	-	(2,357)	16,051
Gross provisions for other insurance technical provisions	-	7,361	-	-	7,361
Total gross insurance technical provisions	**1,212,721**	**1,218,160**	**(534,640)**	**(616,656)**	**1,279,585**

31 December 2015	Opening balance	Formation	Use	Release	Final balance
Gross provisions for unearned premiums	486,947	546,537	-	(482,727)	550,757
Gross provisions for outstanding claims	642,001	652,564	(560,620)	(74,338)	659,607
Gross provisions for bonuses and discounts	2,846	2,357	-	(2,846)	2,357
Total gross insurance technical provisions	**1,131,794**	**1,201,458**	**(560,620)**	**(559,911)**	**1,212,721**

15. Insurance technical provisions (continued)

Analysis of gross insurance technical provisions by insurance class

31 December 2016	Gross provisions for unearned premiums	Gross provisions for RBNS	Gross provisions for IBNR	Provisions for CHC	Gross provisions for bonuses and discounts	Gross provisions for other insurance technical provisions	Total
Accident insurance	39,012	9,422	22,283	3,056	13,158	-	86,931
Health insurance	5,100	443	-	43	-	-	5,586
Land motor vehicle insurance	113,069	37,560	4,570	4,061	-	7,312	166,572
Aircraft insurance	-	4,700	-	-	-	-	4,700
Marine insurance	184	-	-	453	-	-	637
Cargo insurance	5,266	-	-	-	-	-	5,266
Fire and natural forces insurance	41,054	4,405	5,095	916	2,893	-	54,363
Other damage to property insurance	59,352	6,045	6,992	1,257	-	3	73,649
Motor TPL insurance	268,908	283,993	225,889	49,153	-	-	827,943
Aircraft liability insurance	-	13,756	-	1,326	-	-	15,082
Marine liability insurance	158	-	-	-	-	-	158
General liability insurance	17,796	1,575	-	152	-	46	19,569
Suretyship insurance	63	-	-	-	-	-	63
Miscellaneous financial loss insurance	7,332	-	-	-	-	-	7,332
Travel assistance insurance	7,443	3,914	-	377	-	-	11,734
Total gross insurance technical provisions	**564,737**	**365,813**	**264,829**	**60,794**	**16,051**	**7,361**	**1,279,585**

15. Insurance technical provisions (continued)

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

31 December 2015	Gross provisions for unearned premiums	Gross provisions for RBNS	Gross provisions for IBNR	Provisions for CHC	Gross provisions for B&D	Total
Accident insurance	40,937	3,723	27,502	3,016	2,357	77,535
Health insurance	221	34	-	3	-	258
Land motor vehicle insurance	100,028	27,790	4,837	3,152	-	135,807
Aircraft insurance	-	4,700	-	-	-	4,700
Marine insurance	171	-	-	454	-	625
Cargo insurance	4,614	903	-	87	-	5,604
Fire and natural forces insurance	52,591	7,689	10,481	1,755	-	72,516
Other damage to property insurance	46,938	9,435	12,861	2,154	-	71,388
Motor TPL insurance	271,462	271,728	202,723	45,832	-	791,745
Aircraft liability insurance	-	13,543	-	1,308	-	14,851
Marine liability insurance	158	-	-	-	-	158
General liability insurance	15,917	1,695	-	164	-	17,776
Suretyship insurance	66	-	-	-	-	66
Miscellaneous financial loss insurance	9,451	48	-	5	-	9,504
Travel assistance insurance	8,203	1,810	-	175	-	10,188
Total gross insurance technical provisions	**550,757**	**343,098**	**258,404**	**58,105**	**2,357**	**1,212,721**

15. Insurance technical provisions (continued)

Analysis of changes in loss events for non-life insurance

Analyses of outstanding RBNS and IBNR claims provision balance per years is presented in table below:

	Year of occurrence							
Cumulative loss assessment	**before 2011**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
at the end of year of occurrence	2,367,300	785,670	662,583	603,408	636,467	594,078	539,362	6,188,868
1 year after year of occurrence	2,477,034	723,768	645,758	562,469	592,385	562,648	-	5,564,061
2 year after year of occurrence	2,993,546	706,105	619,682	554,697	591,110	-	-	5,465,140
3 year after year of occurrence	2,814,315	703,287	610,379	540,210	-	-	-	4,668,191
4 year after year of occurrence	2,832,251	702,018	607,765	-	-	-	-	4,142,034
5 year after year of occurrence	2,804,849	707,717	-	-	-	-	-	3,512,566
6 + year after year of occurrence	2,769,052	-	-	-	-	-	-	2,769,052
Cumulative loss assessment	**2,769,052**	**707,717**	**607,765**	**540,210**	**591,110**	**562,648**	**539,362**	**6,317,863**
Cumulative payments until balance sheet date	2,615,720	680,751	567,737	498,689	543,203	477,042	304,079	5,687,221
Claims provisions balance	**153,332**	**26,966**	**40,028**	**41,521**	**47,907**	**85,605**	**235,282**	**630,642**

16. Employee benefits

	31 December 2016	31 December 2015
Provisions for retirement benefits	1,080	1,185
Provisions for jubilee rewards	3,593	3,765
Total provisions for employee benefits	**4,673**	**4,950**

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 2016, based on best management estimate.

On maturity analysis of the employee benefits please see note 5.3.2.

Further is disclosed sensitivity analysis which presents the impact of changes in parameters on the amount of provisions for employee benefits for both years ended 2016 and 2015.

	31 December 2016	31 December 2015
Interest rate		
Parallel shift in the discount rate curve for +0.25%	(109)	(110)
Parallel shift in the discount rate curve for -0.25%	114	115
Expected salary growth		
Change in annual salary growth for +0.50%	23	245
Change in annual salary growth for -0.50%	(23)	(228)
Life expectancy		
Steady increase in mortality for +20%	(64)	(63)
Steady increase in mortality for -20%	65	65

17. Deferred tax assets and liabilities

	31 December 2016	31 December 2015
Deferred tax assets	-	1,115
Total deferred tax assets	**-**	**1,115**

	31 December 2016	31 December 2015
Deferred tax liabilities	3,054	-
Total deferred tax liabilities	**3,054**	**-**

The deferred tax assets and 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 assets and liabilities is disclosed in note 32.

17. Deferred tax assets and liabilities (continued)

The company recognized the deferred tax liability as at the end of 2016 and deferred tax asset as at end of 2015 following a change in the Macedonian tax legislation in 2014. 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. The deferred tax assets in 2015 are disclosed as part of the "Receivables" position in the statement of financial position (note 12).

18. Other financial liabilities

	31 December 2016	31 December 2015
Liabilities for dividends from previous years	2,557	6,126
Other liabilities	-	18
Total other financial liabilities	**2,557**	**6,144**

19. Operating liabilities

	31 December 2016	31 December 2015
Liabilities towards policyholders	16,301	23,745
Liabilities towards brokers	4,512	3,298
Liabilities towards agents	372	754
Other liabilities from direct insurance operations	41	283
Total liabilities from direct insurance	**21,226**	**28,080**
Liabilities from reinsurance premiums	75,607	103,304
Liabilities from coinsurance premiums	1,469	2,648
Total liabilities from coinsurance and reinsurance	**77,076**	**105,952**
Current tax liabilities	2,403	-
Total opreting liabilities	**100,705**	**134,032**

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

20. Other liabilities

	31 December 2016	31 December 2015
Liabilities towards Gurantee Fund (GF)	31,181	35,564
Liabilities from subrogation	-	1,037
Liabilities for legal contributions related to the insurance	4,655	4,374
Other short-term liabilities from insurance operations	2,139	3,473
Total other short-term liabililities from insurance operations	**37,975**	**44,448**
Liabilities for salaries and contribution and taxes on salaries	15,035	14,248
Total short-term liabililities towards employees	**15,035**	**14,248**
Liabilities for taxes	5,079	2,373
Liabilities towards suppliers	10,299	19,037
Liabilities from legal cases	372	7,903
Other short-term liabilities	17,192	7,311
Total other short-term liabilities	**32,942**	**36,624**
Total other liabilities	**85,952**	**95,320**

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

21. Net premium income

	31 December 2016	31 December 2015
Gross written premium	1,328,137	1,294,416
Ceded coinsurance written premium	-	(1,937)
Outward reinsurance written premium	(223,476)	(242,326)
Changes in gross provisions for unearned premium	(13,979)	(63,810)
Change in deferred acqusition costs	3,227	7,099
Change in provisions for the unearned premium (reinsurers and coinsurance share)	(2,534)	23,151
Net premium income	**1,091,375**	**1,016,593**

21. Net premium income (continued)

Overview of net premium written by insurance class

31 December 2016	Gross written premium	Ceded coinsurance	Reinsurer's share	Net written premium
Accident insurance	111,986	-	(377)	111,609
Health insurance	25,753	-	(7,685)	18,068
Land motor vehicle insurance	216,831	-	(2,625)	214,206
Marine insurance	373	-	-	373
Cargo insurance	18,584	-	(16,299)	2,285
Fire and natural forces insurance	94,379	-	(48,757)	45,622
Other damage to property insurance	211,272	-	(66,647)	144,625
Motor TPL insurance	551,045	-	(24,513)	526,532
Marine liability insurance	298	-	-	298
General liability insurance	42,902	-	(34,800)	8,102
Suretyship insurance	103	-	(24)	79
Miscellaneous financial loss insurance	24,799	-	(21,749)	3,050
Travel assistance insurance	29,812	-	-	29,812
Total	**1,328,137**	**-**	**(223,476)**	**1,104,661**

21. Net premium income (continued)

Overview of net premium written by insurance class

31 December 2015	Gross written premium	Ceded coinsurance	Reinsurer's share	Net written premium
Accident insurance	114,109	-	(11,440)	102,669
Health insurance	317	-	-	317
Land motor vehicle insurance	189,875	(1,095)	-	188,780
Marine insurance	329	-	-	329
Cargo insurance	16,662	-	(14,294)	2,368
Fire and natural forces insurance	113,973	-	(55,805)	58,168
Other damage to property insurance	206,473	-	(71,103)	135,370
Motor TPL insurance	540,103	-	(18,158)	521,945
Marine liability insurance	287	-	-	287
General liability insurance	38,061	(818)	(32,142)	5,101
Suretyship insurance	121	(24)	-	97
Miscellaneous financial loss insurance	36,131	-	(32,835)	3,296
Travel assistance insurance	37,975	-	(6,549)	31,426
Total	**1,294,416**	**(1,937)**	**(242,326)**	**1,050,153**

22. Income from financial assets

	31 December 2016	31 December 2015
Interest income		
- AFS	40,143	37,885
- Deposits	6,240	7,502
- Investment in Gurantee fund	960	875
- Treasury Bills	474	194
- Interest on late payments of insurance receivables	8,037	8,513
Total interest income	**55,854**	**54,969**
Realised gains on disposals	1,263	391
Other financial income	7,910	14,730
Total income from financial assets	**65,027**	**70,090**

In 2016, other financial income is consists of FX differences in the amount of 1,039 MKD thousand, release of bad debt provision in amount of 6,284 MKD thousand and other small items of income in the amount of 587 MKD thousand. In 2015, other financial income is consists of FX differences in the amount of 13,315 MKD thousand, release of bad debt provision in amount of 1,031 MKD thousand and other small items of income in the amount of 384 MKD thousand.

	31 December 2016	31 December 2015
Foreign exchange differences	1,039	13,315
Release of impairment of L&R and other receivables not related to insurance premium	6,284	1,031
Other	587	384
Total other financial income	**7,910**	**14,730**

23. Other insurance income

	31 December 2016	31 December 2015
Reinsurance commission income and participation in profit	22,208	20,580
Total fees and commission income	**22,208**	**20,580**
Compensation received from Gurantee fund	6,756	10,180
Other income from insurance operations from previous years	1,254	4,017
Other	2,034	2,071
Total other income	**10,044**	**16,268**
Total other insurance income	**32,252**	**36,848**

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

24. Other income

	31 December 2016	31 December 2015
Write off of liabilities	3,046	1,964
Gains from sale of Investment Property	2,628	-
Compensations received from legal cases	1,920	9,797
Investment property rental income	1,900	2,527
Gain from sale of non-current assets	178	629
Refunds	155	2,987
Total other income	**9,827**	**17,904**

Compensation received from legal cases in the year ended 31 December 2015 contains a compensation from legal case with a physical person in which the Company was in capacity of plaintiff. The total amount of the compensation received from this legal case was 9,102 MKD thousand and comprises of 6,561 MKD thousand indemnification of material damage and 2,541 MKD thousand penalty interests.

25. Net claims incurred

	31 December 2016	31 December 2015
Gross claims settled	586,174	614,764
Income from claimed subrogated receivables	(17,803)	(17,068)
Reinsurers' and coinsurer's share	(46,740)	(20,075)
Changes in gross provisions for claims outstanding	31,828	17,606
Changes in provisions for claims outstanding (reinsurers and coinsurance share)	(868)	(28,451)
Net claims incurred	**552,591**	**566,776**

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

Reinsurance and coinsurance result

	31 December 2016	31 December 2015
Outward reinsurance and ceded coinsurance premium	(223,476)	(244,263)
Change in provisions for the unearned premium (reinsurers and coinsurance share)	(2,534)	23,151
Reinsurers' and Coinsurers' share in claims settled	46,740	20,075
Changes in provisions for claims outstanding (reinsurers and coinsurance share)	868	28,451
Net result from reinsurance and coinsurance operations	**(178,402)**	**(172,586)**
Reinsurance and coinsurance commission	22,208	20,580
Gross reinsurance and coinsurance result	**(156,194)**	**(152,006)**

25. Net claims incurred (continued)

Overview of net claims incurred by insurance class

31 December 2016	Gross claims settled	Subrogated claims	Reinsurer's and coinsurance share	Net claims incurred
Accident insurance	68,015	-	(407)	67,608
Health insurance	1,199	-	-	1,199
Land motor vehicle insurance	100,065	-	(28)	100,037
Aircraft insurance	1	-	(125)	(124)
Marine insurance	119	-	-	119
Cargo insurance	1,507	-	(71)	1,436
Fire and natural forces insurance	15,685	-	(1,365)	14,320
Other damage to property insurance	82,967	-	(513)	82,454
Motor TPL insurance	285,928	(17,803)	(23,770)	244,355
Aircraft liability insurance	19,647	-	(19,453)	194
Marine liability insurance	4	-	-	4
General liability insurance	3,854	-	(1,008)	2,846
Suretyship insurance	2	-	-	2
Miscellaneous financial loss insurance	500	-	-	500
Travel assistance insurance	6,681	-	-	6,681
Total	**586,174**	**(17,803)**	**(46,740)**	**521,631**

25. Claims (continued)

Overview of net claims incurred by insurance class (continued)

31 December 2015	Gross claims settled	Subrogated claims	Reinsurer's and coinsurance share	Net claims incurred
Accident insurance	68,282	-	-	68,282
Land motor vehicle insurance	92,550	-	-	92,550
Aircraft insurance	1	-	(426)	(425)
Marine insurance	110	-	-	110
Cargo insurance	625	-	(26)	599
Fire and natural forces insurance	13,046	-	(212)	12,834
Other damage to property insurance	161,076	-	(16,890)	144,186
Motor TPL insurance	271,704	(17,068)	(1,919)	252,717
Aircraft liability insurance	426	-	-	426
Marine liability insurance	3	-	-	3
General liability insurance	2,782	-	(602)	2,180
Suretyship insurance	1	-	-	1
Miscellaneous financial loss insurance	384	-	-	384
Travel assistance insurance	3,774	-	-	3,774
Total	**614,764**	**(17,068)**	**(20,075)**	**577,621**

26. Change in other insurance technical provisions

	31 December 2016	31 December 2015
Unexpired risk reserve (URR)	7,361	-
Total change in other insurance technical provisions	**7,361**	**-**

The calculations of the unexpired risk reserve as of Decembar 31, 2016 is made based on expected future gross claims and future expenses, which are compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs. The calculation of URR is performed for each separate class of insurance and additional reserve has been booked only for 3 classes of insurance.

27. Net expenses for bonuses and discounts

	31 December 2016	31 December 2015
Expenses for bonuses and discounts (financial	95,753	86,362
Expenses for non claim bonuses	1,267	-
Change in provisions for bonuses and discounts	10,801	(489)
Total net expenses for bonuses and discounts	**107,821**	**85,873**

Change in provisions for bonuses and discounts relate to provisions for managerial insurance and non claim bonuses.

28. Operating expenses

	31 December 2016	31 December 2015
Acquisition costs	288,648	271,408
Claims handling costs - CHC*	51,533	54,143
Costs of asset management**	2,165	1,897
Other operating expenses	90,956	89,061
Total net operating expenses	**433,302**	**416,509**
Total net operating expenses less CHC and asset management costs	**379,604**	**360,469**

* 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 2016	Acquisition costs	Claims handling costs	Asset management costs	Other operating costs	Total
Acquisition costs – commission fee	77,771	-	-	-	77,771
Depreciation and amortisation of assets	9,580	1,485	46	2,252	13,363
Labour costs	101,765	28,298	1,409	55,783	187,255
- wages and salaries	64,645	17,720	902	36,900	120,167
- social security and pension insurance costs	31,749	8,828	457	16,383	57,417
- other insurance costs	5,371	1,750	50	2,500	9,671
Costs of services provided by outsourced natural persons	654	129	4	190	977
Other operating expenses	98,878	21,621	706	32,731	153,936
- advertisement, fairs, representation	47,771	-	-	-	47,771
- cost of materials and energy	8,079	3,703	122	5,689	17,593
- maintenance costs	6,420	1,248	41	1,723	9,432
- travel expenses	1,869	903	104	2,482	5,358
- costs of intelectual serviceñ	13,590	5,677	68	3,930	23,265
- taxes, not dependant on profit	1,279	207	8	345	1,839
- transportation costs	3,096	1,018	36	1,656	5,806
- insurance premium costs	1,122	412	15	686	2,235
- bank charges	870	17	8	1,988	2,883
- rental expenses	13,708	7,935	291	13,326	35,260
- training expenses	223	174	3	206	606
- other services	851	327	10	700	1,888
Total gross operating expenses	**288,648**	**51,533**	**2,165**	**90,956**	**433,302**

28. Operating expenses (continued)

Overview of operating expense by nature and function (continued)

31 December 2015	Acquisition costs	Claims handling costs	Asset management costs	Other operating costs	Total
Acquisition costs	71,406	-	-	-	71,406
Depreciation and amortisation of assets	8,695	1,672	42	2,385	12,794
Labour costs	96,685	29,650	1,240	54,556	182,131
- wages and salaries	61,543	18,176	801	35,311	115,831
- social security and pension insurance costs	29,553	9,037	406	16,330	55,326
- other insurance costs	5,589	2,437	33	2,915	10,974
Costs of services provided by outsourced natural persons	602	145	4	202	953
Other operating expenses	94,020	22,676	611	31,918	149,225
- advertisement, fairs, representation	46,050	-	-	-	46,050
- cost of materials and energy	8,468	4,376	113	6,437	19,394
- maintenance costs	7,700	865	16	1,029	9,610
- travel expenses	1,515	1,177	35	1,795	4,522
- costs of intelectual services	13,278	5,722	108	3,983	23,091
- taxes, not dependant on profit	-	97	3	798	898
- transportation costs	3,209	1,019	28	1,506	5,762
- insurance premium costs	1,277	329	9	495	2,110
- bank charges	582	13	44	2,187	2,826
- rental expenses	11,098	8,340	243	12,860	32,541
- training expenses	465	395	6	389	1,255
- other services	378	343	6	439	1,166
Total gross operating expenses	**271,408**	**54,143**	**1,897**	**89,061**	**416,509**

29. Expenses from financial assets and liabilities

	31 December 2016	31 December 2015
Foreign exchange differences	2,229	11,947
Realized losses on disposal of investments	39	499
Impairment losses on L&R and other receivables not related to insurance premium	-	145
Interest expenses	-	18
Other financial expenses	2,171	1,897
Total expenses from financial assets and liabilities	**4,439**	**14,506**

30. Other insurance expenses

	31 December 2016	31 December 2015
Expenses for preventive activity	21,196	20,950
Contributions for claims on uninsured or unidentified vehicles	16,380	15,245
Membership fees	14,585	13,646
Impairment on receivables for insurance premium	11,242	2,513
Expenses for travel assistance	2,301	2,834
Other insurance expenses from previous years	1,031	2,227
Impairment on receivables from recourses	(1,574)	(703)
Other insurance expenses	1,571	961
Total other insurance expenses	**66,732**	**57,673**

31. Other expenses

	31 December 2016	31 December 2015
Compensations paid for legal cases	8,463	7,903
Depreciation of assets not used in operations	2,480	3,438
Impairment losses on investment property	1,349	15,230
Impairment losses on other receivables	1,000	3,370
Expenses for penalties	1,004	411
Realized losses on disposal of investment property	930	-
Extraordinary expenses	881	163
Realized losses on disposal of tangible assets	103	-
Other	-	4
Total other expenses	**16,210**	**30,519**

During 2016 and 2015, the Company booked impairment losses on investment property which represented write-down of certain items of investment property to the recoverable amount. The recoverable amount of the investment property was the fair value less costs to sell and was based on a valuation performed by certified appraisers. On details of the valuation techniques and assumptions taken please see “Investment Property” in note 9.

31. Other expenses (continued)

Compensation paid for legal cases in the year ended 31 December 2016 relates to a compensation from legal case with a former employee in which the Company was in capacity of defendant. The total amount of the compensation paid consists of of 4,560 MKD thousand indemnification of material damage and 3,649 MKD thousand penalty interests and 253 MKD thousand for court and other fees.

Compensation paid for legal cases in the year ended 31 December 2015 relates to a compensation from legal case with a physical person in which the Company was in capacity of defendant. The total amount of the compensation paid consists of of 4,829 MKD thousand indemnification of material damage and 2,423 MKD thousand penalty interests and 651 MKD thousand for court and other fees.

32. Income Tax expenses

a) Current tax year charge

	31 December 2016	31 December 2015
Current year income tax assessment	9,163	6,960
Total income tax, recognised in profit or loss statement	**9,163**	**6,960**

Recapitulation of the Income tax expense

	31 December 2016	31 December 2015
Accounting profit	63,723	25,619
Legal tax rate - %	10	10
Income tax by use of legal tax rate	**6,372**	**2,562**
Non-deductable expenses	3,976	5,902
Tax credit used	(1,185)	(1,504)
Total income tax, recognised in profit or loss statement	**9,163**	**6,960**

b) Tax recorded in other comprehensive income (note 17)

	31 December 2016	31 December 2015
Deferred tax asset/(liability)	(4,169)	4,237
Total tax charge to other comprehensive income	**(4,169)**	**4,237**

The movement in deferred income tax assets and liabilities during the year is as follows:

As at 31 December 2014	**(3,122)**
Charged /(credited) to the income statement	-
Charged /(credited) to other comprehensive income	4,237
As at 31 December 2015	**1,115**
Charged /(credited) to the income statement	-
Charged /(credited) to other comprehensive income	(4,169)
As at 31 December 2016	**(3,054)**

33. Related party transactions

The services provided and received from the relates 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 2016	Zavarovalnica Triglav	Triglav RE Ljubljana	Triglav Zagreb	Triglav Osiguranje Beograd	Total
Income	**(109,742)**	**(57,058)**	**-**	**44**	**(166,755)**
Outward reinsurance and ceded coinsurance premium	(117,607)	(74,731)	-	-	(192,337)
Other income from insurance operations	7,865	11,763	-	44	19,672
Change in provisions for the unearned premium (reinsurers and coinsurance share)	-	5,910	-	-	5,910
Expenses	**(2,431)**	**49,076**	**(371)**	**-**	**46,274**
Gross claims settled	(38)	-	(216)	-	(254)
Reinsurers' share of claims	1,520	44,898	-	-	46,418
Change in gross provisions for claims outstanding	(43)	-	-	-	(43)
Change in provisions for reinsurers' share of claims	(3,452)	4,178	-	-	726
Operating expenses	(417)	-	(155)	-	(573)
Assets	**102**	**105,892**	**-**	**-**	**105,994**
Reinsurers' share of technical provisions for unearned premium	-	20,018	-	-	20,018
Reinsurers' share of technical provisions for outstanding claims	94	75,363	-	-	75,457
Receivables from reinsurers		10,511	-	-	10,511
Short-term receivables from insurance operations	8	-	-	-	8
Liabilities	**28,001**	**10,383**	**156**	**-**	**38,539**
Gross insurance technical provisions	43	-	-	-	43
Liabilities from reinsurance operations	27,922	10,383	-	-	38,305
Other short-term liabilities	35	-	156	-	191

(All amounts are in MKD thousand unless otherwise stated)

33. Related party transactions (continued)

31 December 2015	Zavarovalnica Triglav	Triglav RE Ljubljana	Triglav Zagreb	Triglav international	Total
Income	**(107,907)**	**(46,904)**	**12**	**-**	**(154,799)**
Outward reinsurance and ceded coinsurance premium	(114,405)	(64,706)	-	-	(179,111)
Other income from insurance operations	6,498	9,604	12	-	16,114
Change in provisions for the unearned premium (reinsurers and coinsurance share)	-	8,198	-	-	8,198
Expenses	**20,670**	**28,332**	**(171)**	**-**	**48,831**
Gross claims settled	(24)	-	(151)	-	(175)
Reinsurers' share of claims	17,563	541	-	-	18,104
Change in gross provisions for claims outstanding	3,541	27,791	-	-	31,332
Operating expenses	(410)	-	(20)	-	(430)
Assets	**3,740**	**84,923**	**-**	**-**	**88,663**
Reinsurers' share of technical provisions for unearned premium	-	14,033	-	-	14,033
Reinsurers' share of technical provisions for outstanding claims	3,543	70,890	-	-	74,433
Short-term receivables from insurance operations	197	-	-	-	197
Liabilities	**42,983**	**18,850**	**-**	**34**	**61,867**
Liabilities from reinsurance operations	42,074	18,850	-	-	60,924
Other short-term liabilities	909	-	-	34	943

34. Members of the Management Board

In 2016, the executive members of the Management Board were paid amount of 11,180 MKD thousand as compensation for their work (2015: 6,388 MKD thousand).

The executive members of the Management Board were also paid out managerial insurance in amount of 235 MKD thousand. The managerial insurance paid out for the year ended 31 December 2015 was in amount of 636 MKD thousand.

The non-executive members of the Management Board were paid out by the Company an amount of 1,060 MKD thousand (2015: 998 MKD thousand) as compensation for their work including reimbursement of travel expenses and personal income taxes.

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 2016	31 December 2015
Statutory audit and other auditing services	1,381	1,383
	1,381	**1,383**

36. Earnings per share

The calculation of the basic/diluted earnings by share (EPS) for the years ended 31 December 2016 and 31 December 2015 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 2016	31 December 2015
Net profit attributable to shareholders of the Company	54,560	18,659
Number of shares	60,184	60,184
Earnings per share	**0.907**	**0.310**

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. On the hearing held on the 08 March 2016 the court decided that it`s necessary, additionally and with a separate formal decision to give an answer to the company objection on subject matter jurisdiction (that the court is not competent to act upon the complaint of Mr. Stojan Klopcevski), regarding the fact that in the contract for sale of shares with purchase option, jurisdiction is agreed to

37. Significant legal disputes (continued)

international arbitration in Vienna in case of a dispute. The Company objection on the subject matter jurisdiction was declined by the court and the company submited an appeal. A decision regarding the appeal is still waiting on resolution by the Court. The hearing which was scheduled for 12 September 2016 was postponed until 4 April 2017.

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.

- 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 first preparatory hearing was scheduled by the Court on 6 June 2016 however it was postponed until 28 September 2016. With special formal decision the Court ruled on the objection of Zavarovalnica Triglav dd Ljubljana for lack of jurisdiction of the Macedonian court to act on the plaintiffs' claim against Zavarovalnica Triglav dd Ljubljana in a way that the court adopted the objection of Zavarovalnica Triglav dd Ljubljana and rejected the appeal of plaintiffs against Zavarovalnica Triglav dd Ljubljana. After the validity of the decision, the procedure will proceed accordingly.

  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 2014. 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 (2015: 2,090 MKD thousand).

Income tax liabilities

The Company’s books and records for the fiscal years from 2011 to 2016 have not been audited by the tax authorities. Therefore, the Company’s tax liabilities may not be considered finalized i.e. a provision for additional taxes and penalties, if any, that may be levied in event of a tax audit cannot, at this stage, be determined with any reasonable accuracy.

39. Reviews by Supervision bodies

On field supervision was performed by the Insurance Supervision Agency in the period 14 March 2016 – 1 April 2016 covering the Company's performance in the period 1 January 2015 – 31 December 2015. Report on findings was issued in July 2016 which was consisted of 22 notes on which the Company has answered within the deadline. After review of the Agency for Supervision of Insurance a Final Report and an Order was issued and the Company was obliged to eliminate all the illegalities. In accordance with the deadlines, the Company has submitted two Reports (dated 4 October 2016 and 30 December 2016) which were supported by evidence and Opinion by an authorized auditor.

Additionally, the Company was obliged to pay a fine for 2 misdemeanors. The payment was made in October in the full amount of 979 MKD thousand).

As of the date of these financial statements, the Company is reconciled with all issues identified during this supervision.

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.