



Zavarovalnica Triglav, d.d.  
Miklošičeva cesta 19, 1000 Ljubljana

**triglav**

[www.triglav.eu](http://www.triglav.eu)  
[www.triglav.si](http://www.triglav.si)

# Unaudited Interim Report of the Triglav Group and the Zavarovalnica Triglav d.d. for the period from 1 January 2016 to 31 March 2016



## MANAGEMENT BOARD:

President: Andrej Slapar

Members: Benjamin Jošar

Uroš Ivanc

Tadej Čoroli

Marica Makoter

Ljubljana, May 2016



**Dear shareholders, business partner and colleagues,**

In 2016, the Group has been operating under demanding and highly competitive conditions on its insurance markets, resulting in lower returns on financial investments compared to 2015. As this was foreseen, the Group's performance in the first quarter was as planned.

In Q1 2016, the Triglav Group posted a total of EUR 259 million in consolidated gross insurance and co-insurance premiums or 1% less than in the same period of 2015. Non-life premium, accounting for almost 69% of consolidated premium, remained at approximately the same level as last year. Taking into account the sale of the Czech insurer in 2015, it reached a growth of approximately 3%. As expected, life insurance premium went down by 3%, predominantly as a result of a high sums paid out on the maturity of insurance policies. The growth of written premium in health insurance, which increased by 2%, stemmed from successful marketing of supplemental health insurance products.

A total of 84.2% of consolidated gross written premium was charged in the Slovene insurance market, which was 0.5 percentage point more than in the respective period last year. Compared to the same period of 2015, the premium of the parent company was 1% lower, whereas that of Triglav, Zdravstvena zavarovalnica rose by 2% and premium earned by Skupna pokojninska družba by 9%. Premium growth was recorded by all insurance subsidiaries of the Group outside Slovenia (excluding the insurer in Banja Luka).

Both the Triglav Group and the parent company improved their combined ratio, which shows profitability of operations in non-life insurance. The combined ratio of the Group was 91.4%, whilst that of the parent company stood at 82.3%. Major loss events had no impact on the Group's performance in Q1 2016.

An important impact on the performance and business results of the Group had the expected low financial returns on investments. In the reporting period, return on financial investments was 74% lower compared to the previous year (50% lower return on financial investments of the parent company, primarily as a result of lower net interest income, reduced net effect of revaluation and lower net gains on the sale of financial assets. Taking into account the existing situation and the investment policy, the investment structure of the Company/the Group will remain conservative also in the future, placing emphasis on fixed-rate investments.

With consistent implementation of its business policy measures, the Triglav Group ended the first quarter of 2016 with a net profit of EUR 23 million and generated a profit before tax of EUR

28 million. Lower profit than in the respective period of 2015 is predominantly a result of a lower return on investments, which was expected.

A high level of financial stability is maintained by the Triglav Group, which is reflected in a 4% increase in total equity capital to EUR 735 million and 1% higher insurance technical provisions totalling EUR 2,632 million.

In the first three months of 2016, Zavarovalnica Triglav's shares (the ZVTG ticker symbol) climbed by 15%, which was 11 percentage points above the general growth rate of the Slovene capital market expressed in the Blue-Chip Index SBI TOP of the Ljubljana Stock Exchange. In terms of liquidity, the share was ranked fourth at the domestic stock exchange with an average daily turnover of approximately EUR 192,500.

In line with our strategic guidelines and business plan for 2016, our priority is aimed at maintaining the Group's high financial stability, profitability and safety of operations.

**Andrej Slapar**

**President of the Management Board of Zavarovalnica Triglav**



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# 1. FINANCIAL HIGHLIGHTS OF THE TRIGLAV GROUP IN THE FIRST QUARTER OF 2016

## 1.1 Performance of the Triglav Group

	in EUR million		
	Q1 2016	Q1 2015	Index 2016/2015
Gross written premium from insurance and co-insurance contracts	258.7	260.1	99
Net premium income	201.6	204.6	99
Gross claims paid	147.3	148.8	99
Net claims incurred	139.7	144.0	97
Gross operating costs*	53.5	54.1	99
Profit before tax	28.2	37.2	76
Net profit	22.6	31.1	73
Net profit attributable to the controlling company	22.4	30.9	72
	<b>31 March 2016</b>	<b>31 December 2015</b>	<b>Index 2016/2015</b>
Insurance technical provisions as at	2,632.0	2,600.4	101
Equity as at	734.9	704.0	104
Equity attributable to the controlling company as at	723.8	692.9	104
Number of employees as at	5,171	5,379	96

\*Insurance business gross operating costs

## Key performance indicators of the Triglav Group

	Q1 2016	Q1 2015
ROE annualised	13.2%	18.8%
Claims ratio	61.7%	63.7%
Expense ratio	29.7%	28.7%
Combined ratio	91.4%	92.3%
Ratio between gross operating costs and gross written premium	20.7%	20.8%

## 1.2 Performance of Zavarovalnica Triglav d.d. (hereinafter: Zavarovalnica Triglav)

	in EUR million		
	Q1 2016	Q1 2015	Index 2016/2015
Gross written premium from insurance and co-insurance contracts	172.5	174.6	99
Net premium income	122.6	127.5	96
Gross claims paid	95.7	97.5	98
Net claims incurred	84.8	92.0	92
Gross operating costs	37.9	37.8	100
Profit before tax	26.3	25.5	103
Net profit	21.2	20.2	105
	<b>31 March 2016</b>	<b>31 December 2015</b>	<b>Index 2016/2015</b>
Insurance technical provisions as at	2,073.6	2,053.9	101
Equity as at	560.1	530.6	106
Number of employees as at	2,355	2,341	101

## Key performance indicators of the Zavarovalnica Triglav

	Q1 2016	Q1 2015
ROE annualised	16.5%	15.4%
Claims ratio	52.5%	60.5%
Expense ratio	29.8%	29.1%
Combined ratio	82.3%	89.6%
Ratio between gross operating costs and gross written premium	22.0%	21.6%

### 1.3 Activities, markets and position of the Triglav Group

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

The key business pillars:



The Triglav Group's core business, accounting for the bulk of its operations, is **insurance**, including non-life, life, supplemental voluntary pension, health insurance and reinsurance.

The insurance-oriented part of the Group encompasses:

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

**Asset management** involves investments in securities, real property and other; and is performed by the following companies, members of the Triglav Group: Triglav Skladi d.o.o. and Triglav, Upravljanje nepremičnin.

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

	Insurance	Asset management	Other
<b>Slovenia</b>	<ul style="list-style-type: none"> <li>▪ Zavarovalnica Triglav d.d.</li> <li>▪ Pozavarovalnica Triglav Re d.d.</li> <li>▪ Triglav, Zdravstvena zavarovalnica d.d.</li> <li>▪ Skupna pokojninska družba d.d.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Triglav Skladi d.o.o.</li> <li>▪ Triglav, Upravljanje nepremičnin d.d.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Triglav INT d.d.</li> <li>▪ Triglav Svetovanje d.o.o.</li> <li>▪ Triglav Avtoservis d.o.o.</li> <li>▪ TriglavKo d.o.o.</li> </ul>
<b>Croatia</b>	<ul style="list-style-type: none"> <li>▪ Triglav Osiguranje d.d., Zagreb</li> </ul>		<ul style="list-style-type: none"> <li>▪ TRI-LIFE d.o.o.</li> </ul>
<b>Bosnia and Herzegovina</b>	<ul style="list-style-type: none"> <li>▪ Triglav Osiguranje d.d., Sarajevo</li> <li>▪ Triglav Osiguranje a.d., Banja Luka</li> </ul>	<ul style="list-style-type: none"> <li>▪ PROF-IN d.o.o.</li> </ul>	<ul style="list-style-type: none"> <li>▪ TRI-PRO BH d.o.o.</li> <li>▪ Triglav Auto d.o.o.</li> <li>▪ Autocentar BH d.o.o.</li> <li>▪ Unis automobili i dijelovi d.o.o.</li> </ul>
<b>Serbia</b>	<ul style="list-style-type: none"> <li>▪ Triglav Osiguranje a.d.o., Belgrade</li> </ul>		<ul style="list-style-type: none"> <li>▪ Triglav Savetovanje d.o.o.</li> </ul>
<b>Montenegro</b>	<ul style="list-style-type: none"> <li>▪ Lovćen Osiguranje a.d., Podgorica</li> <li>▪ Lovćen životna osiguranja a.d., Podgorica</li> </ul>		<ul style="list-style-type: none"> <li>▪ Lovćen Auto a.d.</li> </ul>
<b>Macedonia</b>	<ul style="list-style-type: none"> <li>▪ Triglav Osiguruvanje a.d., Skopje</li> </ul>		

#### 1.4 Composition and markets of the Triglav Group



## The Triglav Group as at 31 March 2016:

### Controlling company:

- Zavarovalnica Triglav d.d.

### Subsidiaries of the Triglav Group:

- Pozavarovalnica Triglav Re d.d.
- Triglav, Zdravstvena zavarovalnica d.d.
- Skupna pokojninska družba d.d.
- Triglav INT, holdinška družba d.d.
  - Triglav Osiguranje d.d., Zagreb
  - Triglav Osiguranje d.d., Sarajevo
    - Autocentar BH d.o.o.
    - Unis automobili i dijelovi d.o.o.
    - Sarajevostan d.d.
  - Lovćen Osiguranje a.d., Podgorica
    - Lovćen životna osiguranja a.d.
    - Lovćen Auto a.d.
  - Triglav Osiguranje a.d.o., Belgrade
    - Pista d.o.o.
  - Triglav Osiguranje a.d., Banja Luka
    - Triglav Auto d.o.o.
  - Triglav Osiguruvanje a.d., Skopje
- Triglav Skladi, družba za upravljanje d.o.o.
  - PROF-IN d.o.o.
- Salnal d.o.o.
- Triglav Svetovanje, zavarovalno zastopanje d.o.o.
  - TRI-PRO BH d.o.o.
  - TRI-LIFE d.o.o.
  - Triglav Svetovanje d.o.o.
- Triglav Avtoservis, družba za storitve in trgovino d.o.o.
- Triglav, Upravljanje nepremičnin d.d.
  - Golf Arboretum d.o.o.
  - Slovenijales trgovina d.o.o.
  - Slovenijales trgovina nepremičnine d.o.o.
- Hotel Grad Podvin d.d.
- Everything Will Be Alright – Institute of Zavarovalnica Triglav for corporate social responsibility (Vse bo v redu, Zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti)

### Associated companies of the Triglav Group:

- TriglavKo, zavarovalno zastopniška družba d.o.o.
- Nama trgovsko podjetje d.d.
- IF Prof Plus d.d.

## Changes in the Triglav Group in the first quarter of 2016:

- Zavarovalnica Triglav, following the fulfilment of regulative and other conditions arising from the agreement on sale of 97.31% stake in Avrigo, d.o.o., Nova Gorica, to the buyer Adventura prevozi d.d., completed the sale of the above-mentioned company on 5 February 2016.

- In February 2016, Slovenijales trgovina d.o.o. decreased its share capital by EUR 3.6 million and at the same time sold its 100% stake in Slovenijales trgovina nepremičnine d.o.o. to Triglav, Upravljanje nepremičnin d.d.
- On 26 January 2016, the capital raise of Lovćen Osiguranje, a.d. was entered into the Companies Register. For this capital raise, the company issued 1,501,081 new shares at a nominal value of EUR 5 each. Triglav INT paid in 1,500,000 shares totalling EUR 7.5 million, while the remaining 1,081 shares in total amount of EUR 5,405 shares was paid in by minor shareholders. As a result, the equity stakes of Triglav INT in the said company increased by 1.52 percentage points and stood at 96.47% as at 31 March 2016.

## 1.5 Significant events in the reporting period

Significant events in the reporting period were the following:

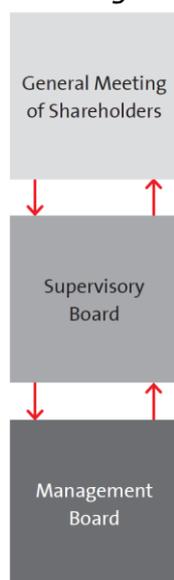
- Zavarovalnica Triglav published the Corporate Governance System and Policy of Zavarovalnica Triglav which includes the amendments adopted by the Management Board and Supervisory Board, which entered into effect on 1 January 2016. The Corporate Governance System and Policy of Zavarovalnica Triglav d.d. is available at [www.triglav.eu](http://www.triglav.eu).
- On 9 February 2016, Zavarovalnica Triglav received the Securities Market Agency Decision, establishing that with the issue of the Securities Market Agency Decision of 2 December 2015 the prohibition of exercising its voting rights stated in the Securities Market Agency Decision of 4 March 2013 expired. On this basis, Zavarovalnica Triglav, hereby re-establishes the voting rights to the following persons: Zavod za pokojninsko in invalidsko zavarovanje, Slovenski državni holding d.d., Telekom Slovenije d.d., Eles d.o.o., PS za avto d.o.o., Savske elektrarne Ljubljana d.o.o., Pošta Slovenije d.o.o., Elektro Celje d.d., ECE d.o.o., Elektro Ljubljana d.d., Elektro Primorska d.d. and the Republic of Slovenia.
- Triglav, Upravljanje nepremičnin, d.d., concluded an agreement on the sale and development of a land plot on the site of BTC in Ljubljana with IKEA Slovenija d.o.o. in the total value of EUR 16 million VAT excluded. In accordance with the strategic guidelines of the Group, the remaining land owned by the Group in the said location is also earmarked for development and sale.
- Based on the Order of the Insurance Supervision Agency on 19 February 2016 issued to Zavarovalnica Triglav, Ivan Sotošek and Boštjan Molan as the Supervisory Board members – Employee Representatives do not meet the legal requirements to serve on the insurer's Supervisory Board as set out in Article 67(1)(1) of the Insurance Act (ZZavar-1), which defines that a person with adequate professional qualifications and knowledge and experience required to supervise the insurance business operations shall be appointed Supervisory Board Member of an insurance company. In line with the Worker Participation in Management Act, both above-mentioned members were elected into the Supervisory Board by the Works Council of Zavarovalnica Triglav in 2015.
- On 3 March 2016, Matej Runjak, Member and Chairman of the Supervisory Board of Zavarovalnica Triglav, submitted his letter of irrevocable resignation to take effect as of the date of the first regular General Meeting of Shareholders of Zavarovalnica Triglav. In accordance with the financial calendar of Zavarovalnica Triglav the Meeting is expected to take place on 31 May 2016.
- Based on the proposal of the Worker's Council of Zavarovalnica Triglav, the Supervisory Board reappointed Marica Makoter (the current Management Board Member – Employee Representative) to the Management Board as Employee Representative for a five-year term of office, commencing on 22 December 2016.

## 2. GOVERNANCE OF THE TRIGLAV GROUP

### 2.1 Governance of Zavarovalnica Triglav d.d.

The Company uses a two-tier management system. The management bodies, i.e. the General Meeting of Shareholders, the Management Board and the Supervisory Board, operate in compliance with primary and secondary legislation, the Articles of Association and their own rules of procedure. The Articles and Memorandum of Association are available on [www.triglav.eu](http://www.triglav.eu).

*Two tier governance of Zavarovalnica Triglav*



### 2.2 General Meeting of Shareholders

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

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

### 2.3 Management Board

Any person fulfilling the requirements stipulated by the Insurance Act, the Companies Act and the applicable documents of the Company may be appointed to the Management Board as its President or member. Thus, the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d., which applies from 1 January 2016, clearly defines the professional competence and adequacy criteria to be met by the members of the Management Board as individuals. Moreover, it precisely defines the professional competence and adequacy assessment for the Management Board members,

which has to be performed before the appointment, periodically, extraordinarily or after the appointment of an individual Management Board member. The Policy also determines the professional competence and adequacy assessment criteria and procedures for the Management Board as a collective body.

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

According to the Articles of Association, the Management Board has no less than three and no more than six members, of whom one is the President. The Management Board is appointed by the Supervisory Board. The number of Management Board members, their competences, the manner of representation and presentation and the transfer of the Management Board's authorities are determined by the Supervisory Board in the Management Board Rules. The term of office of an individual Management Board member is up to five years, with the possibility of reappointment. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

The appointment or recall of all members or an individual member is proposed to the Supervisory Board by the President of the Management Board. The Supervisory Board may recall a member of the Management Board or its President if it establishes that they have been in serious breach of their obligations stipulated by primary or secondary legislation and in other circumstances set out by law.

### **2.3.1 Introducing the Management Board**

As at 31 March 2016 the Management Board of Zavarovalnica Triglav was composed of:

- Andrej Slapar, President,
- Benjamin Jošar, Member,
- Uroš Ivanc, Member,
- Tadej Čoroli, Member,
- Marica Makoter, Member and Employee representative.

### **2.4 Supervisory Board**

The Supervisory Board as a supervisory body supervises the Company's business conduct with full responsibility. It is composed of six representatives of the shareholders and three representatives of employees,

The former are elected by the General Meeting of Shareholders and the latter by the Works Council. Their appointment and recall are made in accordance with the law and the applicable documents of the Company. The Chairman and Vice Chairman of the Supervisory Board are elected from among its members representing shareholders. Members of the Supervisory Board are given a four-year mandate and may be re-elected without limitation. The professional competence and adequacy criteria as set out in the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. also applies to both the Supervisory Board as a collective body and to Supervisory Board members as individuals. Professional competence and adequacy are assessed before the appointment, periodically, extraordinarily or after the appointment of an individual Supervisory Board member.

The General Meeting of Shareholders may recall a Supervisory Board member before the end of their term of office. To substitute for the member deprived of their office, the General Meeting of Shareholders elects a new member with a term of office lasting until the end of the term of office of the Supervisory Board.

#### **2.4.1 Composition of the Supervisory Board**

Composition of the Supervisory Board as at 31 March 2016:

- Shareholder representatives:
  - Matej Runjak, Chairman,
  - Gregor Kastelic, Vice Chairman,
  - Rajko Stanković, Member,
  - Mario Gobbo, Member,
  - Dubravko Štimac, Member,
  - Matija Blažič, Member,
- Employee representatives:
  - Boštjan Molan, Member,
  - Ivan Sotošek, Member,
  - Peter Celar, Member.

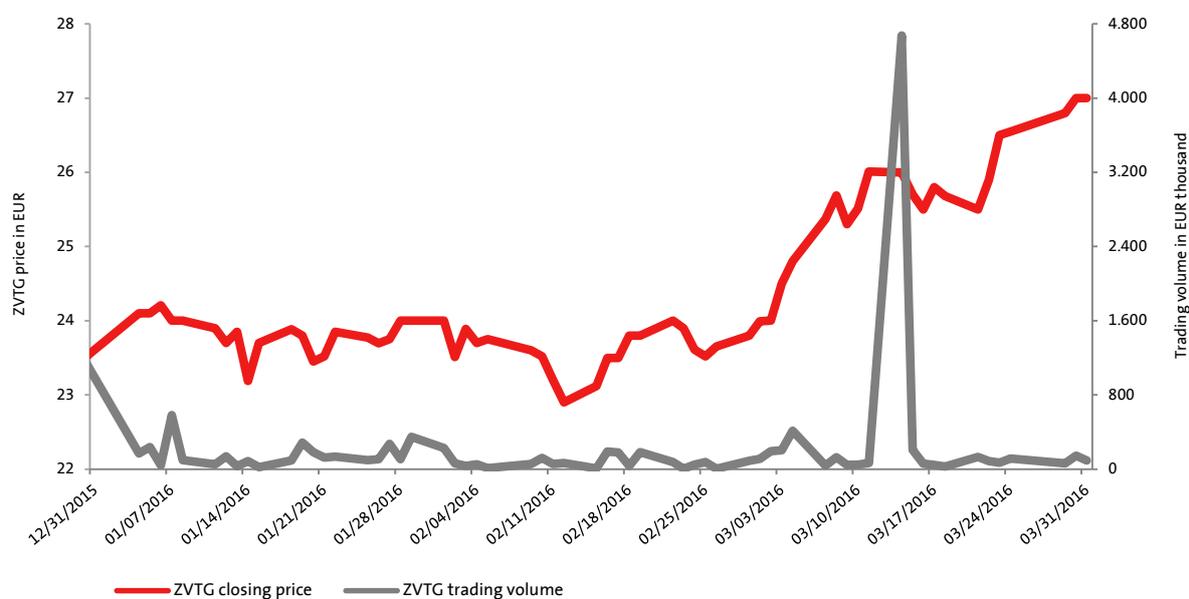
### 3. THE SHARE AND SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV

#### 3.1 Zavarovalnica Triglav's share trading on the Ljubljana Stock Exchange

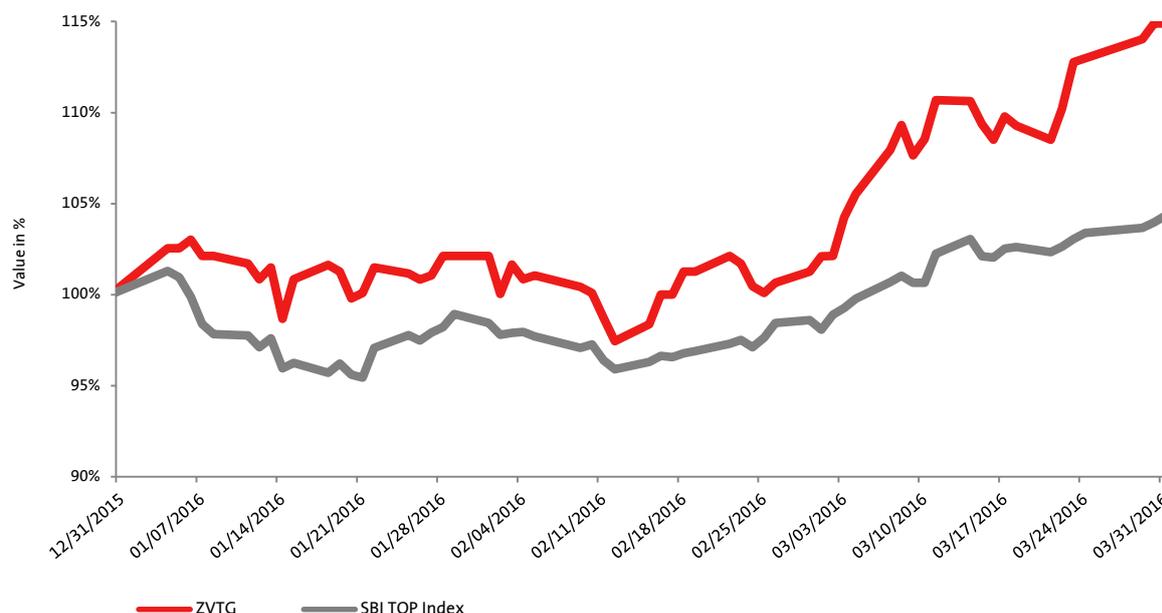
In the first three months of 2016, Zavarovalnica Triglav's shares (the ZVTG symbol ticker) climbed by 15%, which was by 11 percentage points above the general growth rate of the Slovene capital market expressed in the Blue-Chip Index SBI TOP of the Ljubljana Stock Exchange. Starting at EUR 23.50 on the first trading day, the share peaked to its highest price of EUR 27.00 as at the end of March 2016.

In terms of market capitalisation Zavarovalnica Triglav was second largest listed company with EUR 614 million. Almost 16% of turnover in shares was accounted by the ZVTG share (as in the first quarter of 2015), ranking fourth in terms of liquidity. The average daily trading volume of ZVTG shares was EUR 192,483, which was 35% higher than the 2015 average turnover (EUR 142,878) and 1% more than the average in 2015 (EUR 190,481).

*Movements in the price (left axis) and trading volume in EUR (right axis) of the ZVTG share*



**Movements in the ZVTG share price and movements in the value of the SBI TOP Index in Q1 2016 (starting date 31 December 2015 = 100)**



**Key figures for the share of Zavarovalnica Triglav**

Items	31 March 2016	31 December 2015
Number of shares	22,735,148	22,735,148
Book value per share (consolidated data)* (in EUR)	32.32	30.97
Book value per share (parent company)* (in EUR)	24.63	23.34
Net earnings per share (consolidated data)** (in EUR)	1.00	3.91
Share market value (in EUR) - closing price	27.00	23.50
Market capitalisation (in EUR) - closing price	613,848,996	534,275,978
Traded on	Ljubljana Stock Exchange - LJSE	
Ticker symbol	ZVTG	
ISIN	SI0021111651	
Credit rating	<ul style="list-style-type: none"> <li>■ Standard &amp; Poor's; »A-«, positive medium-term outlook</li> <li>■ AM Best; »A-«, positive medium-term outlook</li> </ul>	
Bloomberg	ZVTG SV	
Reuters	ZVTG.LJ	

\*In calculating the book value per share (consolidated data), equity of the Triglav Group and the number of shares as at the reporting date were taken into account, the book value per share (parent company), equity of parent company and the number of shares as at the reporting date were taken into account.

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

**3.2 Equity**

As at the reporting date, the share capital of Zavarovalnica Triglav amounted to EUR 73,701,391.79 and was divided into 22,735,148 ordinary registered par value shares. All the shares of Zavarovalnica Triglav are of the same class, freely transferable and issued in a dematerialised form. Each represents the same stake and a corresponding amount in the share capital. All have been fully paid in.

### 3.3 Shareholder structure

As at 31 March 2016, Zavarovalnica Triglav had 27,959 shareholders, 0.3% shareholders less compared to the 2015 year-end.

There have been no significant changes in the shareholder structure. With the unchanged share of 98.3%, the shareholder structure of Zavarovalnica Triglav was dominated by domestic shareholders, holding 82.8% of all shares. In the first quarter, the upward trend in the number of international shareholders, which came to a halt in 2015, was again observed. Their share increased by 0.1 percentage point over the 2015 year-end, accounting for 17.2% as at the reporting date.

The ratio between natural persons and legal entities in the shareholder structure remained at the level similar to the 2015 year-end level. With 97.8%, natural persons continue to prevail in the shareholder structure of the Company, which increased their share by 0.5 percentage point to 10.1% of total Company shares.

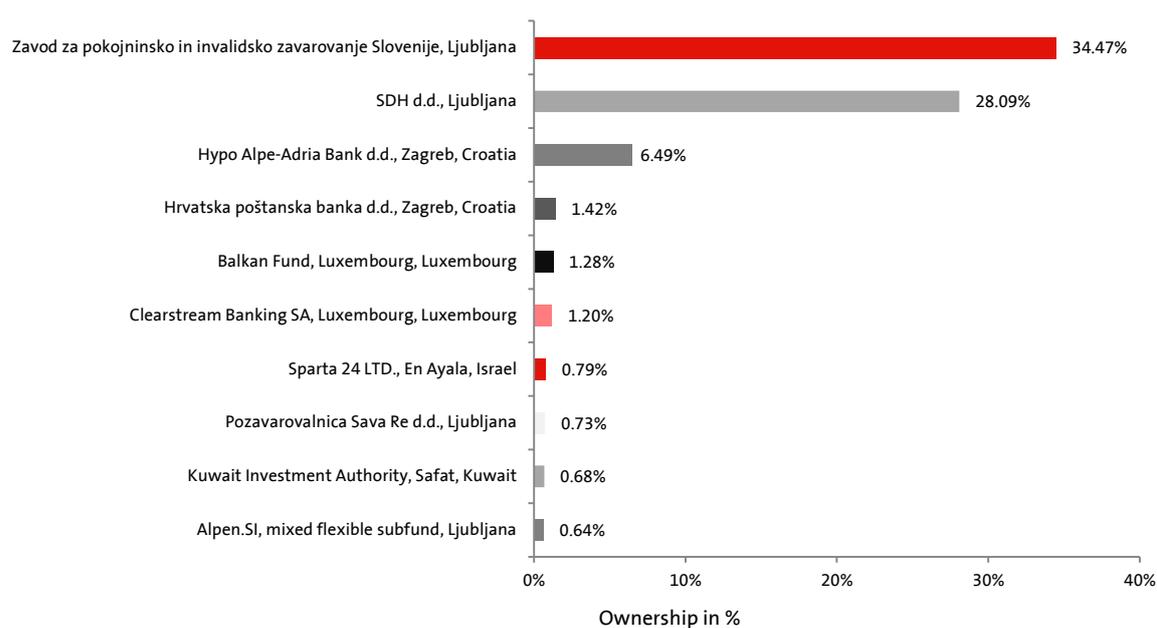
#### *Shareholder structure of Zavarovalnica Triglav as at 31 March 2016*

	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	18,834,837	3,900,311	20,441,973	2,293,175
Number of shareholders	27,959	27,476	483	617	27,342
Number of shares - percentage	100.0%	82.84%	17.16%	89.91%	10.09%
Number of shareholders - percentage	100.0%	98.27%	1.73%	2.21%	97.79%

Total number of shares held by the Management and Supervisory Boards equalled 480 and remained unchanged as at 31 March 2016.

Ownership concentration measured by equity stakes of the top ten shareholders grew by 0.2 percentage point to 75.8% of total shares of the Company. There was a new shareholder among top ten shareholders Sparta 24 of Israel. Hypo Alpe-Adria Bank slightly increased its stake, whilst that of Balkan Fund went down.

#### *Top ten shareholders of Zavarovalnica Triglav as at 31 March 2016*



### **3.4 Credit rating**

A high »A–« credit rating is one of the Group's key strategic objectives, thus consolidating its financial strength, solid performance and efficient strategy implementation. Zavarovalnica Triglav succeeded in achieving the set objective in 2015. Zavarovalnica Triglav was assigned the »A–« (excellent) long-term credit rating and the »A–« (excellent) financial strength rating by established credit rating agencies S&P in A.M. Best. The Company was assigned the positive medium-term outlook by both agencies.

The high credit ratings only confirm the leading market position of the Triglav Group in Slovenia and the Adria region, its highly visible brand and its extensive sales network. Furthermore, the credit ratings take into account the high profitability of the Group's operations, its solid capital adequacy, a high level of liquidity and adequate risk management.

## 4. PERFORMANCE IN THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016

### 4.1 Environmental impact on the performance of Zavarovalnica Triglav and the Triglav Group

Despite the signs of economic recovery, the conditions in insurance markets where the Triglav Group operates remained challenging. The insurance industry is directly linked to the condition and development stage of a given economy; however, its recovery affects the insurance business with a certain delay. The long-lasting economic and financial crisis affected the consumer behaviour of policyholders and curtailed the economic activity, which has reflected in reduced demand for insurance products and lower insurance density. Gross insurance premium was also affected by fierce competition among insurers. Zavarovalnica Triglav and its subsidiaries responded to the demanding market conditions by adapting the marketing and sales policies, launching new products and redesigning the existing ones, and taking various measures to improve the insurance technical result in non-life insurance.

The Group's business results were influenced by the changed situation on capital markets, which no longer resulted in high investment returns due to exceptionally low interest rates.

With respect to mass loss events, the reporting period was favourable. In the first three months of 2016, there were no major loss events that would affect the operating results of the Group.

With consistent implementation of its business policy measures and an adequate portfolio management investment policy, the Triglav Group ended the first quarter of 2016 with a net profit of EUR 22.6 million, while Zavarovalnica Triglav generated a profit of EUR 21.2 million.

### 4.2 The insurance market and the position of the Group members in the first quarter of 2016

There were 14 insurance companies, 4 foreign branch offices and 2 reinsurance companies active in the Slovene insurance market, all members of the Slovenian Insurance Association. In the first three months of 2016, they earned together a gross written premium of EUR 554.2 million, representing an increase of 1.3% compared to the same period of 2015.

**Traditional insurance companies** (17) booked a total of EUR 553.2 million in premiums, of which 76.2% stemmed from non-life insurance and the remainder from life insurance. Non-life insurance premium increased by 2.7%, while life insurance premium recorded a decrease of 2.8%.

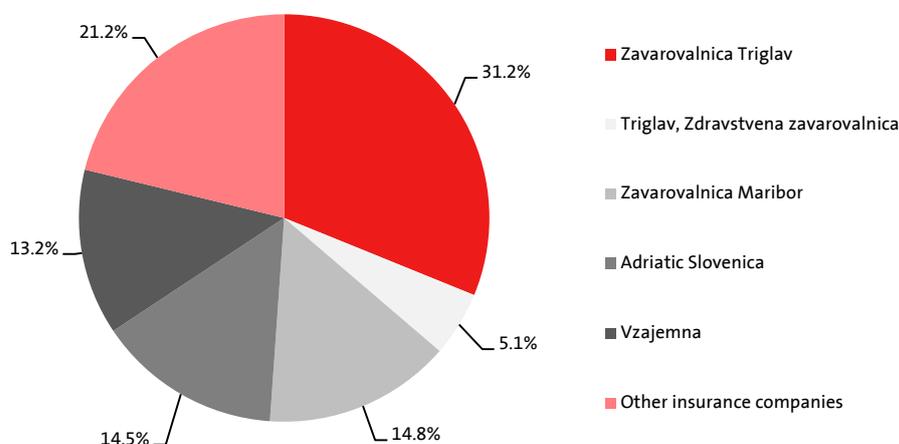
The Slovene insurance market is characterised by a high degree of concentration as the four major insurers controlled 73.7% of the traditional insurance market (2015: 73.9%). **Zavarovalnica Triglav** remained the market leader by holding a 31.2% market share, which decreased by 0.8 percentage point over 2015. The second largest market share was held by Zavarovalnica Maribor, a company 2.1 times smaller. As at the reporting date, Zavarovalnica Triglav and **Triglav, Zdravstvena zavarovalnica** had a combined market share of 36.3%, having fallen by 0.7 percentage point compared to the preceding year.

Zavarovalnica Triglav's non-life insurance market share was 30.8%, which is 0.7 percentage points less compared to the previous year, whilst the life insurance market share stood at 32.4% (1.0 percentage point less than in the respective period of 2015).

A 0.7% premium growth was recorded in health insurance, which is a part of the non-life insurance premium. **Triglav, Zdravstvena zavarovalnica** increased its market share to 22.6%

(compared to 22.3% in the same period of 2015) and was ranked second among the health insurance providers and recorded a 2.2% premium growth.

*The market share of traditional insurance companies in Slovenia as at 31 March 2016*



Source: Slovenian Insurance Association

Along with the parent company, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba, the three insurers of the Triglav Group active on the Slovene market. Skupna pokojninska is the second largest provider of supplemental voluntary pension insurance not yet a member of the Slovenian Insurance Association. Given the data of all the three insurers, the Triglav Group held a 37% market share in the Slovene insurance market. The Triglav Group's market shares by segments were the following:

As at the reporting date, all three insurance companies of the Triglav Group held a 37% market share.

- non-life insurance : 44%;
- life insurance: 36%;
- health insurance: 23%.

Maintaining a leading position remains challenging, as the price competition has become even more aggressive. In a market characterised by a high concentration, the competition targets the existing policyholders. Therefore, maintaining its market position will greatly depend on the Company's speed of responses to market changes.

*Market share trends in the insurance companies of the Triglav Group outside Slovenia*

Market	Market share		Market share trends
	Q1 2016		
Croatia	4.4%	↑	+0.5-percentage point
Bosnia and Herzegovina	8.6%	↓	-0.2-percentage point
- Federation of BiH	10.0%	↑	+0.1-percentage point
- Republic of Srpska	4.7%	↓	-0.7-percentage point
Montenegro	38.8%	↑	+2.9-percentage point
Serbia*	4.2%	↑	+ 0.5-percentage point
Macedonia (non-life insurance)**	18.0%	↑	+1.0-percentage point

\*Data from January to September 2015

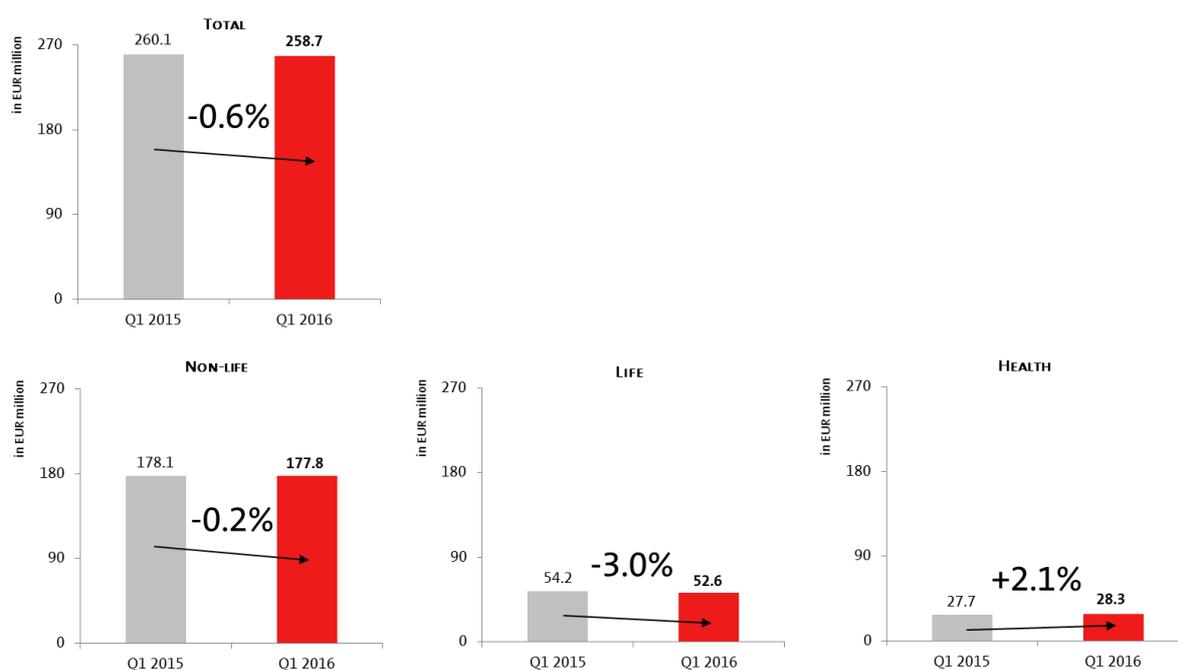
\*\*Data from January to December 2015

### 4.3 Gross written premiums from insurance and co-insurance contracts

In the first quarter of 2016, the Triglav Group posted a total of EUR 258.7 million in consolidated gross insurance and co-insurance premiums or 1% less than in the respective period of 2015. **Non-life insurance** total was EUR 177.8 million (index 100), **life insurance** reached EUR 52.6 million (index 97) and **health insurance** EUR 28.3 million (index 102).

In the first three months of 2016, Zavarovalnica Triglav booked a total of EUR 258.7 million of gross written premiums from insurance and co-insurance contracts.

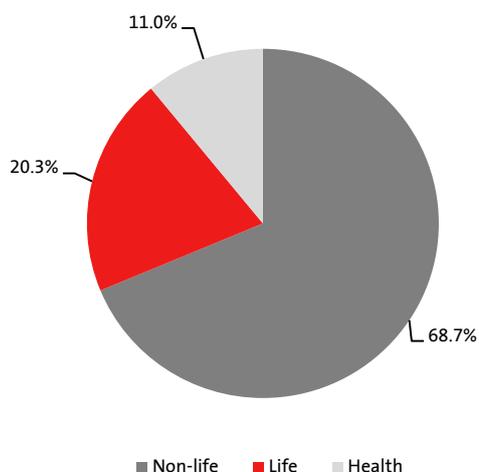
*Gross written premium from insurance and co-insurance contracts in Q1 2016 compared to Q1 2015*



Consolidated written premium had the following structure:

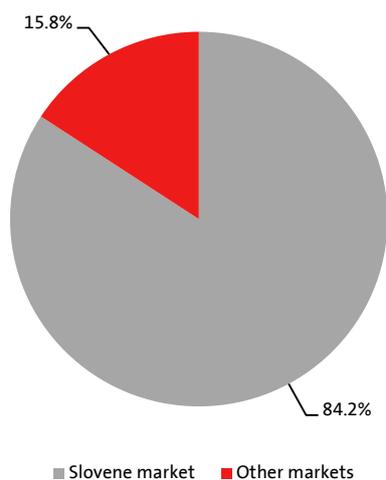
- non-life insurance accounted for 68.7% (Q1 2015: 68.5%);
- life insurance accounted for 20.3% (Q1 2015: 20.8%); and
- health insurance for 11.0% (Q1 2015: 10.7%).

*Gross written premium from insurance and co-insurance contracts of the Triglav Group by segment*



A total of 84.2% of consolidated gross written premium was charged in the Slovene insurance market, which was 0.5 percentage point more than in the respective period of 2015.

*Gross written premium from insurance and co-insurance contracts of the Triglav Group by market*



The Triglav Group insurance companies (excluding Pozavarovalnica Triglav Re) booked EUR 249.0 million in non-consolidated gross insurance and co-insurance premiums, which was 1% less than in the same period last year. For Q1 2016, the premium of the Czech insurer Triglav Pojišt'ovna in the amount of EUR 5.0 million was taken into account. Trends varied depending on subsidiary and market. In Slovenia, the insurance premium of Zavarovalnica Triglav was 1% lower compared to 2015, whilst that of Triglav, Zdravstvena zavarovalnica and that of Skupna pokojninska družba increased by 2% and 9% respectively. In Triglav Osiguranje, Belgrade the premium increased as much as 17%, whilst Triglav Osiguranje, Zagreb saw a 13% premium growth. Premium growth was recorded in Lovćen životna osiguranja (8%), Triglav Osiguranje, Sarajevo (7%), and in Lovćen Osiguranje (6%). Premium of Triglav Osiguruvanje, Skopje remained at approximately the same level as in the previous year (index 100), whilst that of Triglav Osiguranje, Banka Luka dropped by 4%.

Pozavarovalnica Triglav Re booked a total of EUR 41.7 million in gross reinsurance premiums or 1% more than in the same period of 2015. Premium from optional business outside the Triglav Group experienced a growth of 14%, whilst reinsurance premium earned with the Triglav Group

decreased by 4%. The highest growth was recorded by Pozavarovalnica Triglav Re in the largest insurance classes, other damage to property insurance and in fire and natural disaster insurance, resulting primarily from the increase in transactions with ceding companies outside the Group. The reinsurer increased its number of active reinsurance contracts made with cedents, mainly in the South-Asian markets, in China, Hong Kong, in the Czech Republic and in Germany.

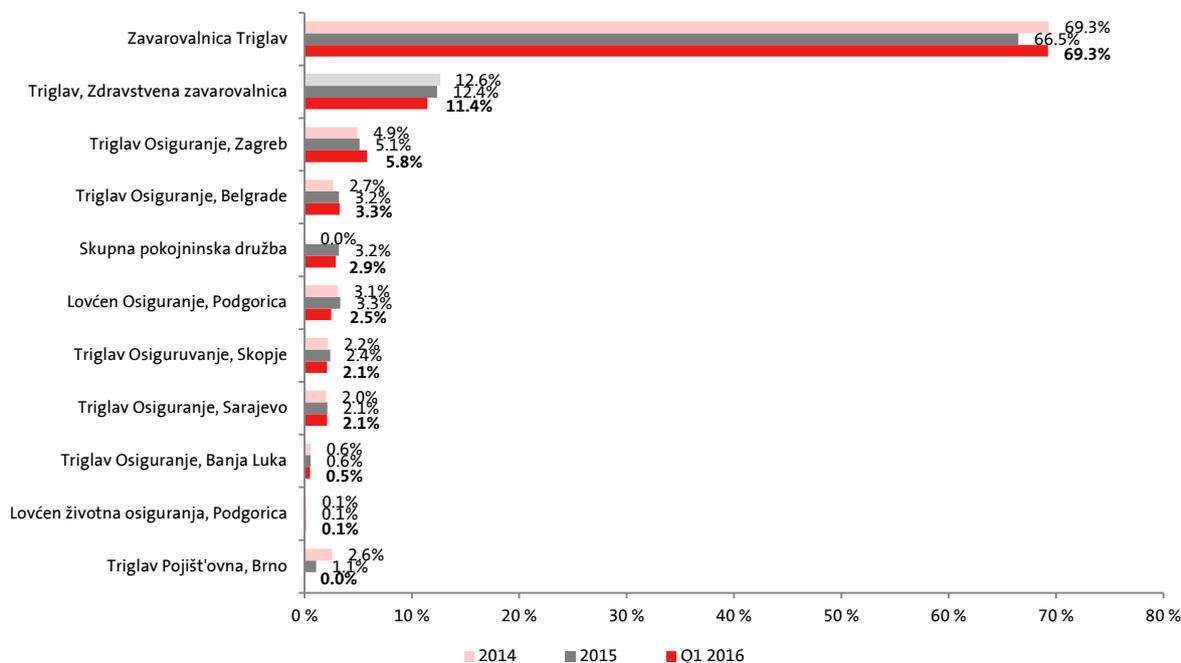
### Gross written premium from insurance and co-insurance contracts in Q1 2016 by insurance company of the Triglav Group

Insurance company	Gross written premium			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	Q1 2016
Zavarovalnica Triglav*	129,775,008	42,692,003	172,467,011	100	94	99	69.3%
Triglav, Zdravstvena zavarovalnica	28,481,693		28,481,693	102	0	102	11.4%
Skupna pokojninska družba		7,261,255	7,261,255	0	109	109	2.9%
Triglav Osiguranje, Zagreb	12,517,724	1,966,281	14,484,005	115	101	113	5.8%
Triglav Osiguranje, Sarajevo	4,004,812	1,196,509	5,201,321	104	117	107	2.1%
Lovćen Osiguranje, Podgorica	6,182,624		6,182,624	106	0	106	2.5%
Triglav Osiguranje, Belgrade	7,925,590	203,182	8,128,772	117	133	117	3.3%
Triglav Osiguranje, Banja Luka	1,265,195		1,265,195	96	0	96	0.5%
Triglav Osiguruvanje, Skopje	5,217,423		5,217,423	100	0	100	2.1%
Lovćen životna osiguranja, Podgorica		323,394	323,394	0	108	108	0.1%
<b>Total</b>	<b>195,370,069</b>	<b>53,642,624</b>	<b>249,012,693</b>	<b>100</b>	<b>97</b>	<b>99</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	41,653,451		41,653,451	101	0	101	
Consolidation eliminations	-30,928,735	-1,083,072	-32,011,807	98	86	98	
<b>Total consolidated</b>	<b>206,094,785</b>	<b>52,559,552</b>	<b>258,654,337</b>	<b>100</b>	<b>97</b>	<b>99</b>	

Note: \* The data already include the pre-consolidation adjustments

\*\* In calculating growth, premium of the Czech insurer Triglav Pojišt'ovna was taken into account.

### Gross written premium in Q1 2016 compared to 2015 and 2014 by insurance company



### 4.3.1 Non-life insurance

In total, Triglav Group insurance companies charged EUR 195.4 million of non-consolidated insurance and co-insurance premiums from non-life insurance contracts, which remained approximately at the same level as in the respective period of the preceding year (index 100).

In total written premium, **motor vehicle insurance**, with a 30.1% share remained the largest insurance class. The Group's insurance companies collected EUR 34.3 million in **comprehensive car insurance** premium, which was 2% more than the year before. Premium growth was recorded by most insurance companies, the largest by Triglav Osiguranje, Zagreb (index 146), Triglav Osiguruvanje, Skopje (index 135), and Triglav Osiguranje, Belgrade (index 130). The parent company, accounting for 87% of the Group's total premiums, saw a 2% growth in written premiums.

**Motor vehicle insurance remained the most important segment, accounting for 30.1% of total premium earned.**

The Group collected EUR 40.7 million in **motor liability insurance** premiums, which was 4% less than in the preceding year. This insurance class continues to play the most important part on the markets outside Slovenia. In motor liability insurance, all insurance companies of the Group experienced premium growth. The highest premium growth was seen in Triglav Osiguranje, Zagreb by 27%, followed in Triglav Osiguranje, Belgrade by 16% and in Triglav in Lovćen Osiguranje by 16%. Good sales results in these markets are a result of effective sales campaigns, higher insurance density and strengthened activities of sales networks.

The parent company, accounting for 65% of the motor vehicle liability insurance premium total, saw a 1% decline in premium. The total premium was mostly impacted by:

- a persisting aggressive price competition among insurance companies;
- increased requirements of policyholders to reduce premiums due to their increasingly higher susceptibility to the cheapest offerings (commercial and other discounts) and subsequently the willingness to change their insurer;
- sales promotion activities ("Vignette" sales campaign organised in cooperation with Mercator, the Sprosti čas ("Free Time") campaign, bonuses acquired by policyholders by using the application "Drajv") and continued inclusion of policyholders in the "Triglav komplet" bonus programme.

In the **real property insurance** class (fire and natural disaster insurance and other damage to property insurance) a premium of EUR 50.8 million was booked, representing a 4% decrease compared to the year before. In fire and natural disaster insurance a drop of 3% was recorded, while other damage to property insurance experienced a 4% premium decrease. High decrease in premium written was observed in Triglav Osiguranje, Banja Luka (index 58) and Triglav Osiguruvanje, Skopje (index 66). In Triglav Osiguranje, Banja Luka, insurance policies of four major policyholders have not yet been renewed, while in Triglav Osiguruvanje, Skopje, the main reason for the premium decrease were non-renewal of the insurance of certain major policyholders and the non-renewal of agricultural insurance policies due to amended insurance terms, conditions and tariffs, which will however be concluded in the following months. The Croatian insurer Triglav Osiguranje, Zagreb recorded an 8% premium decrease foremost resulting from the revised agricultural insurance subsidies, which affected its renewal. The premium in the real property insurance booked by the parent company, accounting for 81% of the Group's total premium was down 2% compared to one year earlier. The largest drop was recorded in fire insurance of civil risks, construction insurance and machinery breakdown insurance due to a different premium charging dynamics compared to the preceding year. The strongest increase in written premium was observed in Triglav Osiguranje, Belgrade (index 116) as a result of attracting new policyholders and increased scope of insurance coverage of some

large policyholders. An increase in claims was recorded in Lovćen Osiguranje (index 105) and Triglav Osiguranje, Sarajevo (index 101).

A growth of 4% was recorded in **health insurance**, where the Triglav Group wrote EUR 29.0 million in premiums. Triglav, Zdravstvena zavarovalnica generated the largest portion of the premium amounting to EUR 28.5 million, which represented a growth of 2%, primarily due to successful marketing of supplemental health insurance products (accounting for the bulk of premium) and of other insurance classes. An increase in premiums was also recorded in Lovćen Osiguranje, Podgorica, Triglav Osiguranje, Belgrade and Triglav Osiguruvanje, Skopje.

In **general liability insurance**, the Triglav Group recorded EUR 14.4 million, having increased by 2% compared to the preceding year, representing 5.8% of total premiums. In general liability insurance, 82% of total is accounted for by the parent company. The Company charged 1% more premium than in 2015, predominantly as the result of the 75% growth in product liability insurance. The parent company achieved premium growth by attracting new policyholders and increasing the scope of insurance coverage with certain existing policyholders. The strongest increase in premiums written was observed in Triglav Osiguruvanje, Skopje (index 142), Triglav Osiguranje, Banja Luka (index 139) and Triglav Osiguranje, Zagreb (index 137) and in Triglav Osiguranje, Belgrade (index 119) due to acquiring new policyholders and increasing the scope of insurance coverage with certain existing policyholders.

**Accident insurance** represented 4.5% of total written premium or EUR 11.3 million in nominal terms. The premium remained at the same level as the year before (index 100). A decrease in premium was posted by Zavarovalnica Triglav and Triglav Osiguranje, Belgrade, whose combined share in total premium from accident insurance represented 70%. The reasons for lower premiums in accident insurance (index 98) in Zavarovalnica Triglav could be ascribed to the situation in the motor vehicle insurance market. Almost half of accident insurance premiums comes from two insurance sub-classes taken out simultaneously with car insurance (driver and passenger accident insurance and the driver's bodily injury insurance or AO-plus insurance), A 1% decrease in group accident insurance premium as the largest insurance subclass of accident insurance class (41%) of the parent company was primarily the consequence of reduced operating expenses of companies and corporate bankruptcies. Premium drop was experienced by Triglav Osiguranje, Belgrade (index 84) mostly due to the revised Insurance Act as it does not allow for taking out the insurance of persons against death due to illness. Other insurance companies of the Group recorded premium growth, the highest in Triglav Osiguranje, Zagreb (index 114).

**Credit insurance** totalled EUR 5.6 million and accounted for 2.2% of total premium, which was 3% higher than the year before. A 3% growth was recorded in parent company, accounting for 99.8% of total premium. Good sales results were achieved in most insurance subclasses, primarily in trade receivables insurance (covering the insolvency risk or the buyers default), insurance in the event of unemployment, disability and death, (sold by banks as an additional product taken out simultaneously with consumer and housing loans), payment card claims insurance and overdraft insurance. The premium of consumer loan insurance, the largest credit insurance subclass (61%), was 1% lower than one year earlier. The consumer loan insurance premium depends on the retail lending volume in banks.

Premium from **other non-life insurance** (accounting for 3.8% of total premium) increased by 9% to EUR 9.3 million. Most of the Group's insurance companies recorded growth, the highest rates in Triglav Osiguranje, Zagreb, Triglav Osiguranje, Banja Luka, Triglav Osiguranje, Sarajevo in Triglav Osiguranje, Belgrade due to acquiring new policyholders and increasing the scope of policies of existing customers. Zavarovalnica Triglav, accounting for 74% of total premium, saw a 12% growth in written premium compared to the preceding year.

A premium growth of 9% was achieved in other non-life insurance.

This rise was primarily generated by business interruption insurance as a part of fire insurance and machinery breakdown insurance (an increased scope of insurance coverage of a large policyholder), railway insurance (different premium charging dynamics) international transport insurance (increased scope of policies of existing customers). A lower premium was booked only by Triglav Osiguruvanje, Skopje (caused by a drop in premium from miscellaneous financial loss insurance resulting from non-renewal of the insurance of certain major policyholders) and Lovćen Osiguranje, Podgorica (drop in premiums from goods in transit insurance resulting from non-renewal of the insurance of a major policyholder and reduced premium of suretyship insurance as in the corresponding period of 2015 the premium of a policyholder was written for the period of 3 years). Among insurance sub-classes high premium growth was seen in miscellaneous financial loss insurance, aircraft insurance, goods in transit insurance and railway insurance.

#### 4.3.2 Life insurance

In total, the Triglav Group insurance companies charged EUR 53.6 million in unconsolidated gross written premium from **life insurance** contracts or 3% less than in the first three months of 2015. This accounted for 21.5% of total gross written premium, which was 0.6 percentage point less than in the corresponding period of 2015.

Life insurance generated 3% less premium than in the same period of 2015.

Premiums from **life insurance** (traditional life insurance, annuity pension insurance, pension insurance and voluntary pension insurance) amounted to EUR 25.0 million or 46.5% of the life insurance class total. Total life insurance premium recorded by the Group decreased by 1% compared to 2015. The parent company recorded a 3% premium decrease (88% share) mainly resulting from reduced premiums paid-in due to maturities and surrenders and lower retained sums paid out on the maturity. Significant growth in premium was achieved by Triglav Osiguranje, Sarajevo (as a result of good sales via agencies and banking sales channels) and Triglav Osiguranje, Belgrade. An increase in premiums was also recorded in Triglav Osiguranje, Zagreb and Lovćen životna osiguranja.

The premiums generated by **unit-linked life insurance** (life insurance linked to the units of investment funds) were down 10% compared to the previous year. With EUR 18.2 million, they represented 33.9% of the total life insurance premium. Unit-linked life insurance are available from Zavarovalnica Triglav (index 90) and Triglav Osiguranje, Zagreb, which booked EUR 0.7 million in written premium or 3% less than a year earlier. The parent company recorded a premium increase predominantly resulting from lower retained sums paid out on the maturity.

**Supplemental voluntary pension insurance** (capital redemption insurance) generated EUR 10.5 million or 19.6% of the total life insurance premium. Compared to the respective period of 2015, premium increased by 5%. Supplemental voluntary pension insurance is sold by Skupna pokojninska družba (index 109) and Zavarovalnica Triglav (index 98). The premium growth of Skupna pokojninska družba was mainly due to renewed contributions for the supplemental pension insurance of employees by certain employers.

*Gross written premium from insurance and co-insurance contracts of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class*

Insurance class	Gross written premium		Index	Structure
	Q1 2016	Q1 2015	Q1 2016/ Q1 2015	Q1 2016
Accident insurance	11,292,881	11,348,829	100	4.5%
Health insurance	29,014,151	28,016,761	104	11.7%
Comprehensive car insurance	34,281,443	33,468,326	102	13.8%
Real property insurance	50,780,327	52,643,193	96	20.4%
Motor liability insurance	40,673,103	42,464,921	96	16.3%
General liability insurance	14,412,832	14,082,546	102	5.8%
Credit insurance	5,569,360	5,411,553	103	2.2%
Other non-life insurance	9,345,972	8,586,366	109	3.8%
<b>Non-life insurance</b>	<b>195,370,069</b>	<b>196,022,495</b>	<b>100</b>	<b>78.5%</b>
Life insurance	24,952,364	25,276,794	99	10.0%
Unit-linked life insurance	18,201,790	20,216,834	90	7.3%
Capital redemption insurance	10,488,470	9,975,755	105	4.2%
<b>Life insurance</b>	<b>53,642,624</b>	<b>55,469,383</b>	<b>97</b>	<b>21.5%</b>
<b>Total</b>	<b>249,012,693</b>	<b>251,491,878</b>	<b>99</b>	<b>100.0%</b>

*Gross written premium from insurance and co-insurance contracts for Zavarovalnica Triglav by insurance class*

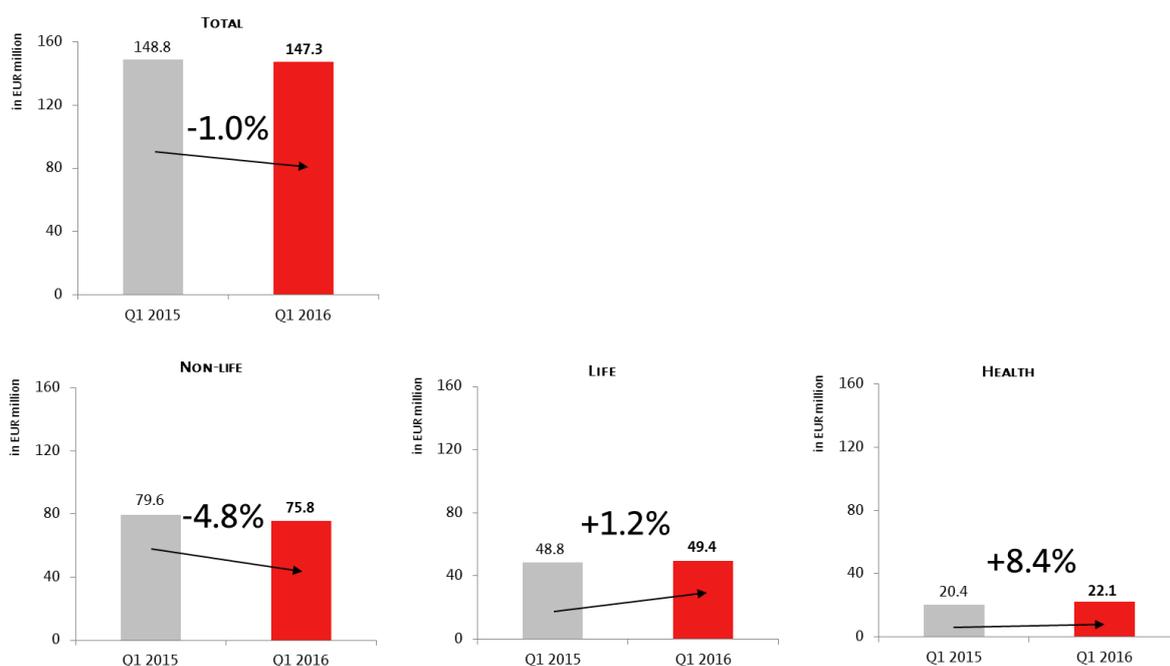
Insurance class	Gross written premium		Index	Structure
	Q1 2016	Q1 2015	Q1 2016/ Q1 2015	Q1 2016
Accident insurance	7,667,539	7,844,020	98	4.4%
Health insurance	61,020	0	0	0.0%
Comprehensive car insurance	29,772,066	29,142,466	102	17.3%
Real property insurance	41,378,951	42,178,793	98	24.0%
Motor liability insurance	26,648,824	26,830,461	99	15.4%
General liability insurance	11,851,726	11,677,360	101	6.9%
Credit insurance	5,559,227	5,391,410	103	3.2%
Other non-life insurance	6,882,730	6,214,331	111	4.0%
<b>Non-life insurance</b>	<b>129,822,083</b>	<b>129,278,841</b>	<b>100</b>	<b>75.3%</b>
Life insurance	21,952,389	22,547,187	97	12.7%
Unit-linked life insurance	17,516,697	19,514,104	90	10.2%
Capital redemption insurance	3,227,215	3,285,106	98	1.9%
<b>Life insurance</b>	<b>42,696,301</b>	<b>45,346,397</b>	<b>94</b>	<b>24.7%</b>
<b>Total</b>	<b>172,518,383</b>	<b>174,625,238</b>	<b>99</b>	<b>100.0%</b>

#### 4.4 Gross claims paid

In the reporting period, the Triglav Group posted a total of EUR 147.3 million in consolidated gross claims (including claim handling costs and subrogation receivables), or 1% less than in the respective period of the previous year. This was mainly due to gross claims paid in **non-life insurance** which went down by 5% and totalled EUR 75.8 million. Gross claims paid in **life insurance** equalled EUR 49.4 million (index 101) and in **health insurance** they totalled EUR 22.1 million (index 108).

Gross claims paid decreased by 1% compared to the year before.

## Gross claims paid in Q1 2016 compared to Q1 2015



Excluding Pozavarovalnica Triglav Re, the insurance subsidiaries of the Triglav Group posted EUR 139.5 million in non-consolidated gross claims, which was 3% less than in the preceding year. Growth rates in gross claims paid were observed in Triglav Osiguranje, Zagreb (index 118), Lovćen Osiguranje (index 109), Triglav, Zdravstvena zavarovalnica and Triglav Osiguranje, Belgrade (index 108), while the highest decrease of 43% in gross claims paid was experienced by Triglav Osiguranje, Sarajevo, followed by 35% by Triglav Osiguranje, Banja Luka. Gross claims paid decreased by 22% in Triglav Osiguruvanje, Skopje by 15%, Skupna pokojninska družba by 5% and in parent company by 2%.

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 12.9 million, or 10% more compared to the previous year. Claims growth was primarily a result of an increase in operations outside the Triglav Group (index 134) due to higher gross claims paid in fire insurance and natural disaster insurance (extensive damage due to an explosion in China and higher claims as a result of a larger portfolio in the Asian market). Gross claims paid in operations in the Triglav Group decreased by 22% were primarily attributable to lower claims from fire and natural disaster insurance, other damage to property insurance and motor vehicle liability insurance.

## Gross claims paid in Q1 2016 by Triglav Group insurance companies

Insurance company	Gross claims paid			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	Q1 2016
Zavarovalnica Triglav*	51,400,515	44,322,809	95,723,324	95	102	98	68.6%
Triglav, Zdravstvena zavarovalnica	22,144,903		22,144,903	108	0	108	15.9%
Skupna pokojninska družba		4,363,491	4,363,491	0	95	95	3.1%
Triglav Osiguranje, Zagreb	5,678,234	1,050,566	6,728,800	123	96	118	4.8%
Triglav Osiguranje, Sarajevo	1,473,316	294,640	1,767,956	60	45	57	1.3%
Lovćen Osiguranje, Podgorica	3,689,891		3,689,891	109	0	109	2.6%
Triglav Osiguranje, Belgrade	2,632,136	129,868	2,762,004	106	239	108	2.0%
Triglav Osiguranje, Banja Luka	277,350		277,350	65	0	65	0.2%
Triglav Osiguruvanje, Skopje	1,921,652		1,921,652	85	0	85	1.4%
Lovćen životna osiguranja, Podgorica		159,070	159,070	0	78	78	0.1%
<b>Total</b>	<b>89,217,997</b>	<b>50,320,444</b>	<b>139,538,441</b>	<b>95</b>	<b>101</b>	<b>97</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	12,922,262		12,922,262	110	0	110	
<b>Consolidation eliminations</b>	<b>-4,215,249</b>	<b>-946,246</b>	<b>-5,161,495</b>	<b>79</b>	<b>86</b>	<b>80</b>	
<b>Total - consolidated</b>	<b>97,925,010</b>	<b>49,374,198</b>	<b>147,299,208</b>	<b>98</b>	<b>101</b>	<b>99</b>	

Note: \* The insurance company data already include the pre-consolidation adjustments.

\*\* In calculating growth, gross claims paid of the Czech insurer Triglav Pojišť'ovna were taken into account.

### 4.4.1 Non-life insurance

Non-consolidated gross claims in **non-life insurance** amounted to EUR 89.2 million, which was 5% less than in the corresponding period of 2015. The comparison of growth rates between claims and insurance premiums in non-life insurance shows that insurance premiums grew at a rate of 5 index points higher than claims.

Gross claims paid in non-life insurance were 5% lower than the year before.

In **health insurance** gross claims increased by 9%, accounting for 15.9% of total gross claims, amounting to EUR 22.2 million. Claims increase of 8% was primarily affected by the growth of the insurance portfolio in Triglav, Zdravstvena zavarovalnica and more claim settlements compared to the respective period of the preceding year. Equalisation scheme expenses grew by 4% and totalled EUR 1.7 million.

Total claims for the **comprehensive car insurance** class represented 14.8% of total gross claims paid. Total claims paid by the insurance companies of the Triglav Group amounted to EUR 20.6 million, which was 1% more than in the same period of 2015. The highest growth rates in gross claims paid were posted by Triglav Osiguranje, Belgrade (index 204), Triglav Osiguranje, Zagreb (index 188) and Lovćen Osiguranje (index 145). Growth in gross claims by Triglav Osiguranje, Belgrade and Triglav Osiguranje, Zagreb resulted from a larger portfolio and due to higher number of reported claims (a larger claim payment by the Zagreb subsidiary), whereas gross claims by Lovćen Osiguranje increased as a result of some substantial individual claim payments. In Zavarovalnica Triglav, which accounts for almost 83% of total comprehensive car insurance, gross claims settled experienced a 1% decrease. A decrease in gross claims paid was also recorded in Triglav Osiguruvanje, Skopje (index 93).

A decrease of 4% in gross claims paid was recorded in the **motor liability insurance** class. Gross claims paid amounted to EUR 19.7 million, which was 14.1% of all claims settled. Reduction in gross claims by 20% in Triglav Osiguruvanje, Skopje as a result of larger claim payment in 2015, occurred in 2010. In Zavarovalnica Triglav, which accounted for 68% of the total, gross claims settled experienced a 5% growth. Other insurance companies recorded an increase in gross claims paid resulting from a higher number of reported claims due to consequent increase in the portfolio.

Gross claims paid in **property insurance** decreased by as much as 31% compared to the year before, amounting to EUR 12.8 million, representing a 9.2% share in total gross claims paid. In fire and natural disaster insurance, a 36% decrease in gross claims was seen, along with a 27% drop in other damage to property insurance. A significant drop in claims was recorded by most insurance companies, the highest by Triglav Osiguranje, Banja Luka and Triglav Osiguranje, Sarajevo, mostly due to some substantial individual claims paid in the respective period of 2015. Zavarovalnica Triglav holding almost an 83% share of this insurance class recorded a 26% decrease in claims compared to 2015. The highest decrease was recorded by the parent company in the combined non-life insurance (half of 2015 settlements due to floods) and in the fire insurance of civil risks.

Claims from **accident insurance** decreased by 3%, amounting to EUR 5.6 million. The decrease in claims in this insurance class was mostly due to the drop in gross claims paid in Triglav Osiguranje, Skopje (which in 2015 experienced large payments of claims in group insurance for managers and payment of claims due to traffic injuries), in Lovćen Osiguranje (less reported claims in accident insurance for pensioners and accident insurance for children and adolescents) and in the parent company. In Zavarovalnica Triglav (representing a 56% share of the Group's total claims from accident insurance) a 6% decrease in gross claims paid was mainly a result of a decrease in gross claims paid in the largest insurance subclass of group accident insurance, and the driver's bodily injury insurance or AO-plus. In contrast, high growth in gross claims was posted by Triglav Osiguranje, Zagreb and Triglav Osiguranje, Sarajevo due to higher number of reported claims and settlement of some substantial individual claims.

Gross claims paid in **general liability insurance** amounted to EUR 3.3 million or 7% less than the year before. Gross claims paid by the parent company, accounting for the majority of total claims in this insurance class (86%), went down by 4%. The main reason for a decrease in gross claims paid was the payment of six large individual claims in the largest insurance subclass – general liability insurance by Zavarovalnica Triglav. A high decrease was experienced by Triglav Osiguranje, Zagreb, resulting from large claim settlements arising from hunting club liability insurance. A decline in gross claims paid was also posted by Triglav Osiguranje, Skopje and Triglav Osiguranje, Belgrade.

Gross claims paid in **credit insurance** increased by 101%, amounting to EUR 1.0 million. Gross claims paid by the parent company, accounting for the majority of total claims in this insurance class (99%), were 88% higher. This growth was mainly caused by higher claim settlements in the largest insurance subclass – consumer loan insurance.

Gross claims paid from **other non-life insurance** increased by 5% to EUR 3.9 million, mostly due to higher claims paid by Zavarovalnica Triglav and Triglav Osiguranje, Zagreb. Main reason of a high growth of 12% in the parent company lays mainly in higher gross claims paid in business interruption insurance due to machinery breakdown (payment of two larger claims) and assistance insurance (roadside assistance insurance). A high growth in Triglav Osiguranje, Zagreb was mostly due to higher reported claims arising from miscellaneous financial loss insurance and marine insurance.

#### **4.4.2 Life insurance**

Gross claims paid in **life insurance** equalled EUR 50.3 million and were 1% higher compared to the previous year. Their share in the total rose by 1.3 percentage points to 36.1%.

The bulk of all claims paid is accounted for by **life insurance** (traditional life insurance, annuity pension insurance, pension insurance and voluntary pension insurance), totalling EUR 25.2 million and was 6% higher than in 2015, mainly resulting from a larger payment due to larger

sums paid out on the maturity in the parent company (index 109) and a higher payment in Triglav Osiguranje, Belgrade (index 256). Other insurance companies of the Group, selling this insurance class, recorded a decrease in gross claims paid.

Mostly due to lower number of surrenders and withdrawals and lower sums paid out on the maturity in the parent company (index 93) the gross claims paid in **unit-linked life insurance** recorded a decrease of 7% or EUR 17.7 million in nominal terms. A 29% increase in gross claims paid is by Triglav Osiguranje, Zagreb was a result of higher sums paid out on the maturity and surrenders and withdrawals.

Gross claims paid in **supplemental voluntary pension insurance** increased by 3%. Zavarovalnica Triglav recorded a 16% increase mostly due to larger payments arising from the withdrawals from insurance contracts. On contrast, Skupna pokojninska družba recorded a 5% drop in gross claims paid because the majority of policyholders fulfilled the condition of a 10-year inclusion in supplemental voluntary pension insurance already in past years.

*Gross claims paid by the insurance companies of the Triglav Group (excluding Pozavarovalnica Triglav Re) by insurance class*

Insurance class	Gross claims paid		Index	Structure
	Q1 2016	Q1 2015	Q1 2016/ Q1 2015	Q1 2016
Accident insurance	5,626,317	5,819,285	97	4.0%
Health insurance	22,237,427	20,492,627	109	15.9%
Comprehensive car insurance	20,642,906	20,503,233	101	14.8%
Real property insurance	12,839,830	18,542,823	69	9.2%
Motor liability insurance	19,701,017	20,504,189	96	14.1%
General liability insurance	3,311,882	3,567,320	93	2.4%
Credit insurance	993,586	494,979	201	0.7%
Other non-life insurance	3,865,032	3,671,244	105	2.8%
<b>Non-life insurance</b>	<b>89,217,997</b>	<b>93,595,700</b>	<b>95</b>	<b>63.9%</b>
Life insurance	25,219,009	23,722,701	106	18.1%
Unit-linked life insurance	17,711,220	18,968,539	93	12.7%
Capital redemption insurance	7,390,215	7,200,826	103	5.3%
<b>Life insurance</b>	<b>50,320,444</b>	<b>49,892,066</b>	<b>101</b>	<b>36.1%</b>
<b>Total</b>	<b>139,538,441</b>	<b>143,487,766</b>	<b>97</b>	<b>100.0%</b>

*Gross claims paid by Zavarovalnica Triglav in by insurance class*

Insurance class	Gross claims paid		Index	Structure
	Q1 2016	Q1 2015	Q1 2016/ Q1 2015	Q1 2016
Accident insurance	3,163,293	3,367,770	94	3.3%
Health insurance	53	0	0	0.0%
Comprehensive car insurance	17,092,714	17,271,807	99	17.9%
Real property insurance	10,632,915	14,377,174	74	11.1%
Motor liability insurance	13,394,126	12,712,633	105	14.0%
General liability insurance	2,853,224	2,963,122	96	3.0%
Credit insurance	984,630	524,293	188	1.0%
Other non-life insurance	3,279,867	2,929,809	112	3.4%
<b>Non-life insurance</b>	<b>51,400,823</b>	<b>54,146,608</b>	<b>95</b>	<b>53.7%</b>
Life insurance	23,919,676	21,975,265	109	25.0%
Unit-linked life insurance	17,376,409	18,708,952	93	18.2%
Capital redemption insurance	3,026,724	2,620,110	116	3.2%
<b>Life insurance</b>	<b>44,322,809</b>	<b>43,304,327</b>	<b>102</b>	<b>46.3%</b>
<b>Total</b>	<b>95,723,632</b>	<b>97,450,935</b>	<b>98</b>	<b>100.0%</b>

## 4.5 Gross operating expenses

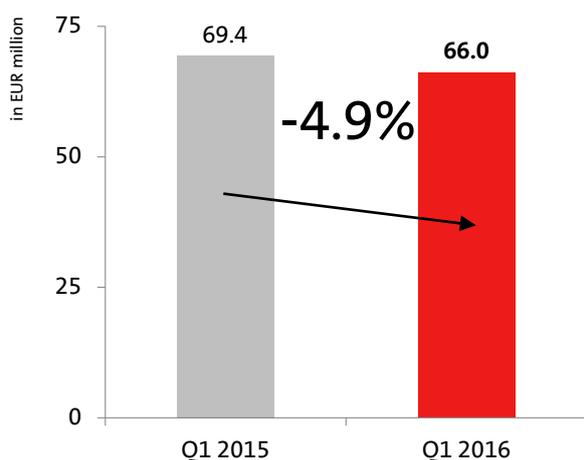
### 4.5.1 The Triglav Group

Total consolidated gross operating expenses of the Triglav Group equalled EUR 66.0 million, which was 5% less compared to the preceding year. In the reporting period. **Expenses of insurance business** at EUR 53.5 million were 1% lower than the year before, whilst **expenses of non-insurance business** at EUR 12.6 million decreased by 18% compared to 2015. The main reason for reduced expenses of non-insurance business lays primarily in the sale of the equity stake in the Avrigo Group. As a consequence, its expenses are not consolidated within the Triglav Group.

Gross operating expenses decreased by 5% compared to 2015.

Operating expenses of insurance business accounted for 20.7% of gross written premiums, which was 0.1 percentage point less than in the respective period one year earlier. Gross operating expenses in **non-life insurance** equalled EUR 42.5 million (index 98), in the **life-insurance** segment they amounted to EUR 8.5 million (index 99) and in **health insurance** they totalled EUR 2.5 million (index 125).

*Gross operating expenses of the Triglav Group in Q1 2016 compared to the same period of 2015*



Acquisition costs (fees and commissions) climbed by 1% mostly as higher acquisition costs, totalling EUR 9.7 million. The costs of the acquisition of goods sold went up by 3% to EUR 4.4 million. A decrease of 11% in depreciation costs (in the amount of EUR 3.5 million) was mainly affected by lower depreciation costs due to the sale of equity stake in the Avrigo Group. With 46.9%, labour costs accounting for the bulk of total expenses, amounted to EUR 32.9 million. They decreased by 5% foremost due to lower expenses of Triglav Osiguranje, Zagreb and the sale of the Avrigo Group. Costs of services provided by natural persons other than sole proprietors totalling EUR 0.4 million were down by as much as 38%, mainly due to lower costs related to student work in the parent company. Other operating expenses represented a decrease of 9%, reaching EUR 19.2 million. Among other operating expenses, the highest decrease was seen in costs of insurance premiums, payment transaction costs and banking services, costs of material and energy and costs of transport and communications services.

In total gross operating expenses, broken down by functional group, acquisition costs and asset management costs remained unchanged, accounting for 58.2% and 1.3% respectively. A share of other operating expenses grew by 1.3 percentage point to 29.9%. Claim handling costs went down, representing a 10.6% share of total expenses (2015: 12.0%).

## Gross operating expenses by nature in Q1 2016

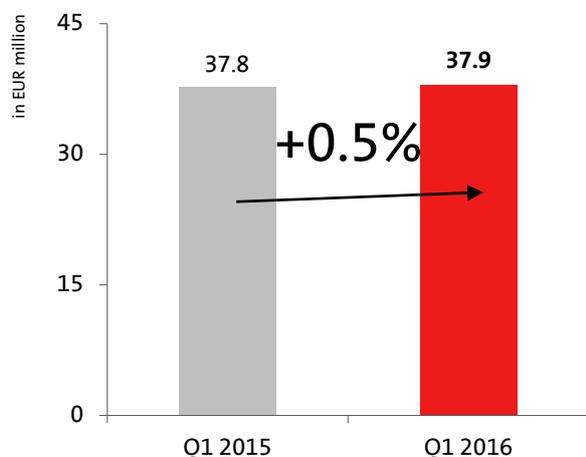
Operating expenses by nature	Gross operating expenses		Index	Structure
	Q1 2016	Q1 2015	Q1 2016/ Q1 2015	Q1 2016
Acquisition costs (fees and commissions)	9,710,039	9,637,775	101	13.9%
Costs of goods sold	4,419,234	4,297,971	103	6.3%
Depreciation of operating assets	3,480,626	3,889,070	89	5.0%
Labour costs	32,878,187	34,522,607	95	46.9%
- wages and salaries	23,634,454	24,869,771	95	33.7%
- social securities and pension insurance costs	5,384,145	5,656,223	95	7.7%
- other labour costs	3,859,588	3,996,613	97	5.5%
Costs of services provided by natural persons other than SPs together with pertaining taxes	362,328	585,923	62	0.5%
Other operating expenses	19,190,728	21,039,478	91	27.4%
- costs of entertainment, advertising, trade shows	3,424,997	3,035,864	113	4.9%
- costs of material and energy	2,331,937	3,278,141	71	3.3%
- maintenance costs	3,297,900	2,874,314	115	4.7%
- reimbursement of labour-related costs	1,320,518	1,288,689	102	1.9%
- costs of intellectual and personal services	1,064,076	1,229,331	87	1.5%
- non-income-related costs, excluding insurance	576,306	726,324	79	0.8%
- costs of transport and communication services	1,249,369	1,706,307	73	1.8%
- costs of insurance premiums	269,704	782,382	34	0.4%
- payment transaction costs and banking services	1,723,560	1,816,088	95	2.5%
- rents	1,731,900	1,635,722	106	2.5%
- costs of services of professional training	146,171	173,251	84	0.2%
- other costs of services	2,054,290	2,468,705	83	2.9%
- long-term employee benefits	0	24,360	0	0.0%
<b>Total</b>	<b>70,041,142</b>	<b>73,972,824</b>	<b>95</b>	<b>100.0%</b>
Consolidation eliminations	-4,004,833	-4,544,527	88	
<b>Total consolidated</b>	<b>66,036,309</b>	<b>69,428,297</b>	<b>95</b>	

### 4.5.2 Zavarovalnica Triglav

Gross operating expenses amounted to EUR 37.9 million and remained at a level approximately equal to the previous year (index 100).

Gross operating expenses remained at approximately the same level as the year before.

Gross operating expenses in Q1 2016 compared to the corresponding period of 2015



Operating expenses accounted for 22.0% of gross written premiums, representing an increase of 0.4 percentage point compared to 2015.

Acquisition costs (fees and charges) increased by 6% to EUR 5.8 million, primarily as a result of higher fees and commissions of insurance brokers and fronting operations due to increased sales volume through these sales channels. Depreciation costs rose by 5% to EUR 2.1 million, mainly as a result of activation of IT software, investments in IT and other equipment and higher depreciation due to acquisition of a commercial building in Ljubljana. With 56.8%, labour costs accounted for the largest portion of total expenses. They amounted to EUR 21.5 million and remained at a level approximately equal to the previous year (index 100). Costs of services provided by natural persons other than sole proprietors dropped by as much as 63%, mainly due to lower costs related to student work, totalling EUR 0.2 million. Other operating expenses reached EUR 8.3 million and remained at approximately the same level as the year before (index 100). Among other operating expenses, the highest increase was seen in maintenance costs, rents and other costs of services, whilst costs of insurance premiums and costs of material and energy were down.

Gross operating expenses in non-life insurance remained at approximately the same level as the year before (index 100), reaching EUR 30.0 million. Their share in gross written premiums was 23.1% (the same as the year before). Operating expenses in life insurance were up by 1% and totalled EUR 8.0 million. Their share in gross written premiums accounted for 18.7% (2015: 17.5%).

In total gross operating expenses broken down by functional group, costs of insurance contract acquisition accounted for 62.0%, representing a drop of 0.1 percentage point. The share of claim handling costs decreased from 12.9% to 12.2% in Q1 2016, whilst shares of other operating expenses and asset management costs increased. Other operating expenses accounted for 24.2% (2015: 23.6%) and asset management costs for 1.6% (Q1 2015: 1.5%).

#### Gross operating expenses in Q1 2016 by nature

Operating expenses by nature	Gross operating expenses		Index	Structure
	Q1 2016	Q1 2015	Q1 2016/ Q1 2015	Q1 2016
Acquisition costs (fees and charges)	5,834,399	5,524,530	106	15.4%
Depreciation of operating assets	2,077,247	1,972,502	105	5.5%
Labour costs	21,546,842	21,561,755	100	56.8%
- wages and salaries	15,945,030	16,169,008	99	42.0%
- social security and pension insurance costs	2,673,586	2,669,097	100	7.0%
- other labour costs	2,928,227	2,723,650	108	7.7%
Costs of services provided by natural persons other than SPs including related taxes	151,205	405,486	37	0.4%
Other operating expenses	8,334,487	8,296,829	100	22.0%
- costs of entertainment, advertising, trade shows	1,667,050	1,657,331	101	4.4%
- costs of material and energy	875,383	1,047,648	84	2.3%
- maintenance costs	2,132,141	1,826,260	117	5.6%
- reimbursement of labour-related costs	818,241	772,127	106	2.2%
- costs of intellectual and personal services	451,982	408,791	111	1.2%
- non-income-related costs, excluding insurance	153,829	183,620	84	0.4%
- costs of transport and communication services	668,427	748,830	89	1.8%
- costs for insurance premiums	22,918	231,642	10	0.1%
- payment transaction costs and banking services	449,529	439,893	102	1.2%
- rents	575,947	489,491	118	1.5%
- costs of professional training services	45,943	68,255	67	0.1%
- other costs of services	473,096	422,940	112	1.2%
<b>Total</b>	<b>37,944,180</b>	<b>37,761,103</b>	<b>100</b>	<b>100.0%</b>

## 4.6 Reinsurance

### The Triglav Group

In the first quarter of 2016, the Triglav Group allocated EUR 31.1 million of reinsurance and coinsurance premiums to external equalisation, which was 9% more than in the respective period of 2015. Reinsurance premiums accounted for 12.1% of total gross written insurance and coinsurance premiums. A reinsurers' share of gross claims settled of EUR 3.2 million (index 63) was received from reinsurance.

### Zavarovalnica Triglav

In the reporting period, Zavarovalnica Triglav allocated EUR 31.4 million to external equalisation, which was 12% more than in the respective period of 2015. Reinsurance premium accounted for 18.2% of total gross written premium. The change in gross unearned premium related to reinsurance amounted to EUR 13.6 million, representing an increase of 13% over the previous year. In the reporting period, a reinsurers' and co-insurers' share of gross claims settled of EUR 4.1 million was received from reinsurance and coinsurance (index for the period: 79). The change in gross claims provisions for the reinsurance portion equalled EUR 227 thousand (2015: EUR 2.3 million). The Company also received EUR 5.1 million in reinsurance commissions, representing a growth of 19% over the previous year.

## 4.7 Insurance technical provisions

### 4.7.1 The Triglav Group

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured persons. As at the reporting date, the Triglav Group allocated EUR 2,632.0 million to gross insurance technical provisions, which in total represented an increase of 1% compared to 31 December 2015.

In **non-life insurance** and **health insurance**, the amount of gross insurance technical provisions increased by 5% respectively, whereas in **life insurance** it was 1% lower.

The total amount of gross insurance technical provisions increased by 1%.

Provisions by type as at 31 March 2016 compared to the 2015 year-end:

- **Gross provisions for unearned premium** increased by 18% and reached EUR 296.3 million. Gross unearned premium from non-life insurance amounted to EUR 293.1 million (index 117), gross unearned premium from life insurance totalled EUR 515 thousand (index 117) and gross unearned premium from health insurance reached EUR 2.7 million (index 139).
- **Gross claims provisions** decreased by 1% and amounted to EUR 638.6 million mainly thanks to favourable development of loss events. Claims provisions from non-life insurance totalled EUR 610.3 million (index 100), those from the life-insurance segment stood at EUR 19.1 million (index 95) and those from health insurance amounted to EUR 9.2 million (index 99).
- **Mathematical provisions** stood at EUR 1,667.3 million or 1% less than at the end of 2015. Of that amount, the largest portion EUR 1,231.6 million arose from the guarantee fund backing life insurance (index 101), and the remaining EUR 435.6 million from the guarantee fund backing unit-linked life insurance (index 95).

- **Provisions for bonuses and discounts** remained approximately at the same level as at the 2015 year-end (index 100), amounting to EUR 17.4 million.
- **Other insurance technical provisions** were 7% higher than at the 2015 year-end, equalling EUR 12.3 million. The strongest increase in insurance technical provisions was observed in Skupna pokojninska družba (index 499), Triglav Osiguranje, Banja Luka (index 168) and Triglav, Zdravstvena zavarovalnica (index 111) due to provisions for unexpired risks.

#### Gross insurance technical provisions as at 31 March 2016

	Gross insurance technical provisions		Index
	31 March 2016	31 December 2015	2016/2015
Unearned premiums	296,341,020	252,057,956	118
Mathematical provisions	1,667,284,871	1,676,784,638	99
Claims provisions	638,639,924	642,687,051	99
Provisions for bonuses and discounts	17,392,685	17,382,035	100
Other insurance technical provisions	12,334,544	11,530,442	107
<b>Total</b>	<b>2,631,993,044</b>	<b>2,600,442,122</b>	<b>101</b>

#### 4.7.2 Zavarovalnica Triglav

As at the reporting date, Zavarovalnica Triglav allocated EUR 2,073.6 million to gross insurance technical provisions, which was 1% more over the 2015 year-end. In **non-life insurance**, the amount of gross insurance technical provisions increased by 5%, whereas in **life insurance** it decreased by 1% compared to 2015.

Gross insurance technical provisions grew by 1% compared to the 2015 year-end.

Provisions by type as at 31 March 2016 compared to the 2015 year-end:

- **Gross provisions for unearned premium** increased by 20% to EUR 217.5 million. Unearned premiums from non-life insurance totalled EUR 217.0 million, representing an increase of 20%, and from life insurance EUR 489 thousand, which increased by 17%.
- **Gross claims provisions** dropped by 1% and amounted to EUR 479.3 million, mainly as a result of favourable development of loss events. Claims provisions from non-life insurance decreased by 1% to EUR 461.1 million, whilst those from life insurance fell by 5%, reaching EUR 18.2 million.
- **Mathematical provisions** amounted to EUR 1,353.7 million, a decrease of 1% compared the preceding year. Of the total amount of mathematical provisions, EUR 718.5 million originated from the guarantee fund backing life insurance, EUR 418.1 million from the guarantee fund backing unit-linked life insurance, EUR 184.0 million from the guarantee fund backing SVPI (Zajamčeni, Drzni in Zmerni), and EUR 33.1 million from the guarantee fund backing SVPI during the annuity payout period.
- Compared to 31 December 2015, **provisions for bonuses and discounts** remained at the same level (index 100) and equalled EUR 16.8 million.
- **Other insurance technical provisions** were 7% higher than at the 2015 year-end, equalling EUR 6.3 million, predominantly due to higher provisions for unexpired risks (index 107) in the amount of EUR 5.5 million. Other insurance technical provisions also included provisions for cancellations, which grew by 2% to EUR 768 thousand over the 2015 year-end.

### Gross insurance technical provisions as at 31 March 2016

	Gross insurance technical provisions		Index
	31 March 2016	31 December 2015	2016/2015
Unearned premiums	217,485,612	180,558,991	120
Mathematical provisions	1,353,707,556	1,364,323,055	99
Claims provisions	479,266,415	486,247,721	99
Provisions for bonuses and discounts	16,817,528	16,817,528	100
Other insurance technical provisions	6,315,512	5,916,991	107
<b>Total</b>	<b>2,073,592,623</b>	<b>2,053,864,286</b>	<b>101</b>

## 4.8 Structure of financial investments

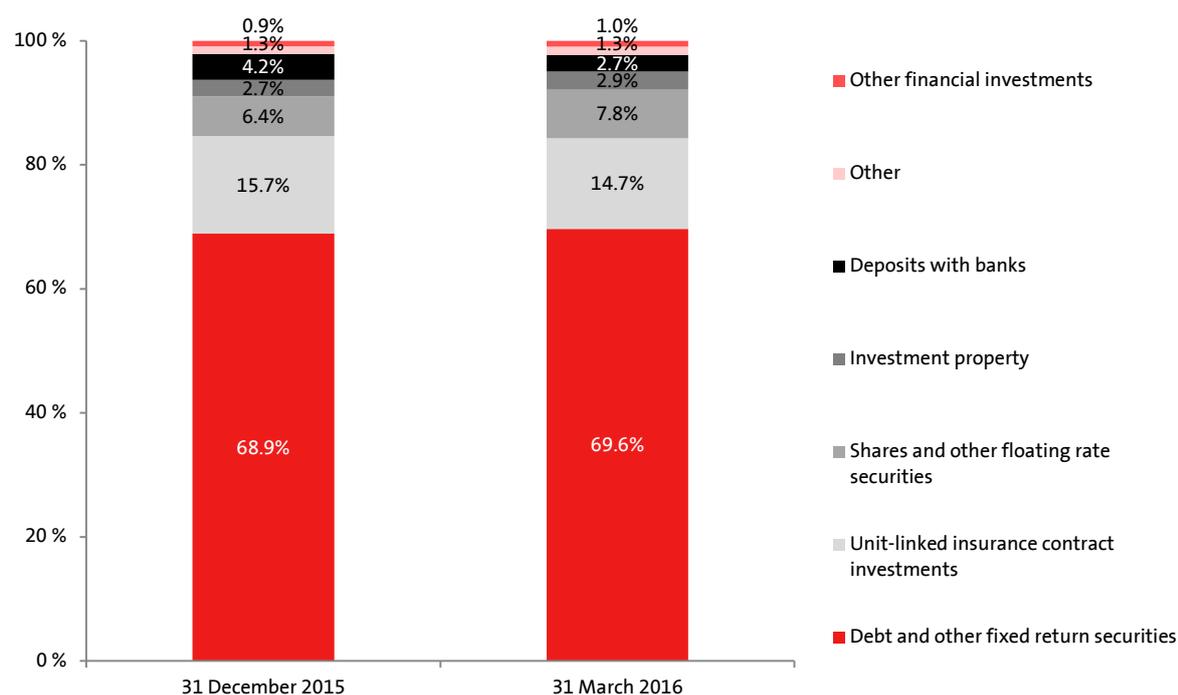
### 4.8.1 The Triglav Group

As at 31 March 2016, financial assets, investments associated companies, and investment property amounted to EUR 2,992.7 million or 1% more than at the 2015 year-end. Their share in total assets dropped by 0.9 percentage point, reaching 83.8%.

#### Financial investments of the Triglav Group as at 31 March 2016 and 31 December 2015

	Financial investments		Index	Structure
	31 March 2016	31 December 2015	2016/2015	31 March 2016
Investment property	87,308,044	79,475,283	110	2.9%
Shares in associates	6,694,178	6,939,700	96	0.2%
Shares and other floating-rate securities	234,227,281	189,095,441	124	7.8%
Debt and other fixed return securities	2,084,299,297	2,039,989,397	102	69.6%
Loans given	28,345,184	26,760,736	106	0.9%
Deposits with banks	80,292,578	122,963,931	65	2.7%
Other financial investments	28,761,283	25,966,525	111	1.0%
Financial investments of reinsurance companies in reinsurance contracts with cedents	4,079,390	3,926,832	104	0.1%
Unit-linked insurance contracts	438,649,833	464,733,921	94	14.7%
<b>Total</b>	<b>2,992,657,068</b>	<b>2,959,851,766</b>	<b>101</b>	<b>100.0%</b>

### Structure of financial investments of the Triglav Group as at 31 March 2016 and 31 December 2015



In the reporting period, the Group consistently implemented its strategy of maintaining a high overall credit rating of its investments, adapting the individual shares of investment grades accordingly. The largest, 69.6% share of total financial assets of the Group was maintained by **debt and other fixed-return securities**, which grew by 0.7 percentage points. As at 31 March 2016, they totalled EUR 2,084.3 million, which represented a 2% increase compared to the 2015 year-end.

**Unit-linked insurance contract investments** declined by 6%. They amounted to EUR 438.6 million as at the reporting date, accounting for 14.7% of total financial assets.

In line with the investment policy, **investments in shares and other floating rate securities** rose by 24% to EUR 234.2 million. Their share in total assets climbed by 1.4 percentage points to 7.8%.

**Investment property** of EUR 87.3 million increased by 10% compared to the 2015 year-end due to a transfer of real property from property, plant and equipment. They accounted for 2.9% of total financial assets.

**Deposits with banks** were down 35% to EUR 80.3 million compared to 2015, accounting for 2.7% of total financial assets as a result of extremely low deposit interest rates in the banking system, resulting in a different liquidity management.

**Other financial investments** stood at EUR 28.8 million, representing a 1.0% share of total financial assets. Loans given went up by 6% in comparison to the 2015 year-end. In total financial assets, they accounted for EUR 28.3 million or 0.9%. Compared to the end of 2015, they remained at the same level, as their increase resulted from their reclassification within financial assets due to the changed reporting standards.

**Financial investments in associates** were 4% lower compared to 31 December 2015 (a 0.2% share), amounting to EUR 6.7 million. **Financial investments of reinsurance companies in**

**reinsurance contracts with cedents** increased by 4%, equalling EUR 4.1 million and accounting for only 0.1% of total financial assets.

**By issuer sector**, government bonds, representing 52.5%, continued to account for the bulk of total debt securities (31 December 2015: 57.2%). Compared to the 2015 year-end, they experienced a 6% drop, while their share in total financial assets decreased by 4.7 percentage points. Approximately two thirds of the decrease was the result of applying the new Solvency II methodology or consequently the requirements regarding the classification of securities by sector and analytical treatment of state guarantees. In accordance with this methodology, debt securities in the amount of over EUR 55 million were moved from the government to the financial sector. Structured bonds decreased by 0.4 percentage points as did their value (index 65). On contrast, the shares of corporate bonds (23.9%) and financial bonds (22.8%) in total debt securities grew, mainly as a result of the above-mentioned changed classification methodology.

#### *Debt securities of the Triglav Group by issuer sector*

Issuer sector	Debt securities		Index	Structure	
	31 March 2016	31 December 2015	2016/2015	31 March 2016	31 Dec. 2015
Corporate	499,155,213	470,577,303	106	23.9%	23.1%
Financial	474,953,067	377,058,528	126	22.8%	18.5%
Government	1,093,899,015	1,167,256,349	94	52.5%	57.2%
Structured	16,292,002	25,097,218	65	0.8%	1.2%
<b>Total</b>	<b>2,084,299,297</b>	<b>2,039,989,397</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

In total debt securities **by issuer credit rating**, a lower exposure to bonds with the highest credit rating continued in the first three months of 2016. The share of AAA-rated bonds decreased foremost due to downgrading the Finland's credit rating to AA. A higher share of bonds in credit rating grades below the BBB-rating (representing an 18.7% share), was mainly attributable to new purchases of non-government bonds.

#### *Debt securities of the Triglav Group by issuer credit rating*

Credit rating	Debt securities		Index	Structure	
	31 March 2016	31 December 2015	2016/2015	31 March 2016	31 Dec. 2015
AAA	228,080,649	270,712,813	84	10.9%	13.3%
AA	128,901,452	79,607,769	162	6.2%	3.9%
A	275,178,881	260,515,926	106	13.2%	12.8%
BBB	977,346,970	997,078,824	98	46.9%	48.9%
Below BBB	390,611,078	338,017,756	116	18.7%	16.6%
Not rated	84,180,267	94,056,308	89	4.0%	4.6%
<b>Total</b>	<b>2,084,299,297</b>	<b>2,039,989,397</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

Changes in exposure of **debt securities to individual countries** are a result of price fluctuations and active trading. In Q1 2016, most purchases were made in investments of French, Dutch and Spanish issuers. A lower exposure to the Republic of Germany resulted from reservations to invest in securities with zero or negative nominal return.

### Debt securities of the Triglav Group by issuer's country

Country of issuer	Debt securities		Index	Structure	
	31 March 2016	31 December 2015	2016/2015	31 March 2016	31 Dec. 2015
Slovenia	473,576,140	515,076,149	92	22.7%	25.2%
Netherlands	167,813,700	158,994,228	106	8.1%	7.8%
Spain	160,515,792	151,086,175	106	7.7%	7.4%
Germany	153,761,869	164,673,003	93	7.4%	8.1%
Italy	132,828,200	137,039,034	97	6.4%	6.7%
France	117,894,492	105,750,984	111	5.7%	5.2%
Other	877,909,104	807,369,824	109	42.1%	39.6%
<b>Total</b>	<b>2,084,299,297</b>	<b>2,039,989,397</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

In total financial assets, the portion of shares (shares and other floating rate securities and investments in subsidiaries and associates) grew by 23%. Growth predominantly resulted from the purchases of units or shares of target bond funds on developed markets. Compared to the 2015 year-end, exposure to investments in the Balkans remained unchanged, as the increase was the result of reclassification of investments within the geographical regions due to the changed reporting standards.

### Equity investments of the Triglav Group by geographic area

Geographic area	Equity investments		Index	Structure	
	31 March 2016	31 December 2015	2016/2015	31 March 2016	31 Dec. 2015
Slovenia	61,580,629	67,747,852	91	25.6%	34.6%
Developed markets	158,331,046	99,929,844	158	65.7%	51.0%
Developing markets	10,315,394	19,508,920	53	4.3%	10.0%
Balkans	10,694,389	8,848,525	121	4.4%	4.5%
<b>Total</b>	<b>240,921,459</b>	<b>196,035,141</b>	<b>123</b>	<b>100.0%</b>	<b>100.0%</b>

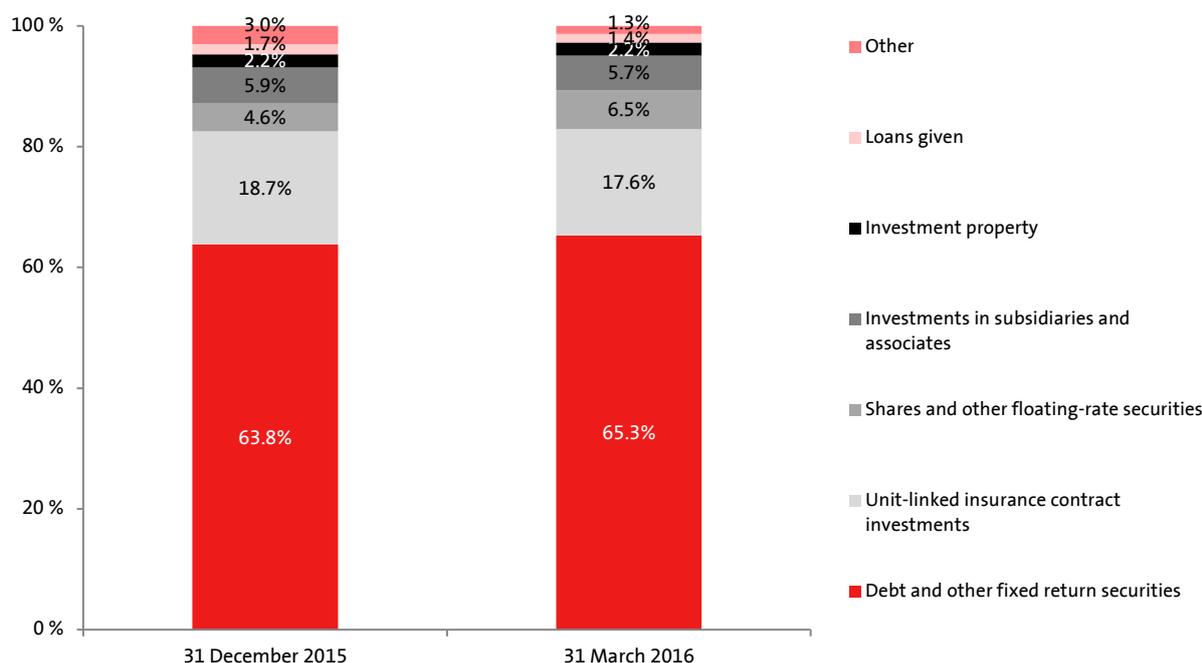
## 4.8.2 Zavarovalnica Triglav

Financial assets, investments in subsidiaries and associates and investment property as at 31 March 2016 stood at EUR 2,391.6 million, which was approximately at the same level as at the 2015 year-end. Their share in total assets went down by 2.0 percentage points and reached 86.9%.

### Financial investments of Zavarovalnica Triglav as at 31 March 2016

	Financial investments		Index	Structure
	31 March 2016	31 December 2015	2016/2015	31 March 2016
Investment property	52,004,323	52,870,808	98	2.2%
Investments in subsidiaries and associates	136,127,381	141,948,911	96	5.7%
Shares and other floating-rate securities	154,849,117	110,176,657	141	6.5%
Debt and other fixed return securities	1,561,921,998	1,525,459,475	102	65.3%
Loans given	34,065,786	40,038,012	85	1.4%
Deposits with banks	27,497,211	66,846,988	41	1.1%
Other financial investments	2,478,052	2,620,871	95	0.1%
Derivative financial instruments	1,781,046	2,708,914	66	0.1%
Unit-linked insurance contract investments	420,913,129	446,589,561	94	17.6%
<b>Total</b>	<b>2,391,638,041</b>	<b>2,389,260,196</b>	<b>100</b>	<b>100.0%</b>

## Structure of financial investments of Zavarovalnica Triglav as at 31 March 2016 and 31 December 2015



In line with the investment policy, the investment portfolio structure of the Company changed in Q1 2016. The largest, 65.3% share of total financial assets of the Company was maintained by **debt and other fixed-return securities**. As at 31 March 2016, they totalled EUR 1,561.9 million, which represented a 2% increase compared to the 2015 year-end.

**Unit-linked life insurance contracts investments** amounted to EUR 420.9 million and were 6% lower. They accounted for 17.6% of total financial assets.

Compared to 31 December 2015, **financial investments in subsidiaries and associates** decreased by 4% to EUR 136.1 million, representing 5.7% of total financial assets. The decrease was attributable to the changes within the Triglav Group (see *Section 5.2.2* for more details).

In line with the investment policy, **investments in shares and other floating rate securities** went up by 41%, reaching EUR 154.8 million. Their share in total assets climbed by 1.9 percentage points to 6.5%.

**Investment property** equalled EUR 52.0 million or 2% less than in 2015. They accounted for 2.2% of total financial assets.

Compared to the preceding year, **loans given** declined by 15% due to the repayment of loans. At EUR 34.1 million, loans given accounted for 1.4% of total financial assets.

**Deposits with banks** decreased by 59% to EUR 27.5 million, as a result of extremely low deposit interest rates in the banking system, resulting in a different liquidity management. They represented 1.1% of total financial assets (31 December 2015: 2.8%).

**Other financial investments** stood at EUR 2.5 million (index 95), representing a 0.1% share of total financial assets. **Derivatives** experienced a 34% decrease, amounting to EUR 1.8 million and accounting for only 0.1% of total financial assets.

**By issuer sector**, government bonds, representing 49.3%, continued to account for the bulk of total debt securities. Compared to the 2015 year-end, they dropped by 9%, while their share in total financial assets fell by 6.3 percentage points. Approximately two thirds of the decrease was the result of applying the new Solvency II methodology or consequently the requirements regarding the classification of securities by sector and analytical treatment of state guarantees. In accordance with this methodology, debt securities in the amount of over EUR 55 million were moved from the government to the financial sector. The shares of corporate bonds (22.8%) and financial bonds (26.8%) in total debt securities grew, mainly as a result of the above-mentioned changed classification methodology.

#### *Debt securities of Zavarovalnica Triglav by issuer sector*

Issuer sector	Debt securities		Index	Structure	
	31 March 2016	31 December 2015	2016/2015	31 March 2016	31 Dec. 2015
Corporate	356,344,445	330,059,084	108	22.8%	21.6%
Financial	418,988,346	322,557,140	130	26.8%	21.1%
Government	770,297,244	847,746,971	91	49.3%	55.6%
Structured	16,291,962	25,096,280	65	1.0%	1.6%
<b>Total</b>	<b>1,561,921,998</b>	<b>1,525,459,475</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

In total debt securities **by issuer credit rating**, a lower exposure to bonds with the highest credit rating of AAA continued due to downgrading the Finland's credit rating to AA. The latter is the cause of more than two thirds of the changes within the AAA and AA grades. An increase in exposure was seen in bonds in credit rating grades below the BBB-rating (index 123), which was the result of new purchases, primarily of non-government bonds.

#### *Debt securities of Zavarovalnica Triglav by issuer credit rating*

Credit rating	Debt securities		Index	Structure	
	31 March 2016	31 December 2015	2016/2015	31 March 2016	31 Dec. 2015
AAA	185,784,949	228,870,548	81	11.9%	15.0%
AA	121,772,521	74,863,752	163	7.8%	4.9%
A	249,274,205	231,117,017	108	16.0%	15.2%
BBB	800,731,100	810,101,227	99	51.3%	53.1%
Below BBB	155,294,298	126,109,677	123	9.9%	8.3%
Not rated	49,064,926	54,397,254	90	3.1%	3.6%
<b>Total</b>	<b>1,561,921,998</b>	<b>1,525,459,475</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

Changes in the exposure of **debt securities to individual countries** are a result of price fluctuations and active trading. In Q1 2016, most purchases were made in investments of French, Dutch and Spanish issuers. A lower exposure to the Republic of Germany resulted from reservations to invest in securities with zero or negative nominal return.

#### *Debt securities of Zavarovalnica Triglav by issuer country*

Country of issuer	Debt securities		Index	Structure	
	31 March 2016	31 December 2015	2016/2015	31 March 2016	31 Dec. 2015
Slovenia	341,560,995	356,141,605	96	21.9%	23.3%
Spain	151,464,363	142,750,925	106	9.7%	9.4%
Germany	125,478,271	137,581,785	91	8.0%	9.0%
Netherlands	124,125,294	114,412,956	108	7.9%	7.5%
Italy	117,175,797	121,425,167	97	7.5%	8.0%
France	101,008,889	90,931,009	111	6.5%	6.0%
Other	601,108,389	562,216,028	107	38.5%	36.9%
<b>Total</b>	<b>1,561,921,998</b>	<b>1,525,459,475</b>	<b>102</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

In total financial assets, the portion of **shares** (shares and other floating rate securities and investments in subsidiaries and associates) grew by 15%. Growth predominantly resulted from the purchases of units or shares of target bond funds on developed markets.

*Equity investments of Zavarovalnica Triglav by geographic area*

Geographic area	Equity investments		Index	Structure	
	31 March 2016	31 December 2015	2016/2015	31 March 2016	31 Dec. 2015
Slovenia	190,850,278	197,430,305	97	65.6%	78.3%
Developed markets	90,348,224	42,075,285	215	31.1%	16.7%
Developing markets	6,198,881	9,106,584	68	2.1%	3.6%
Balkans	3,579,115	3,513,394	102	1.2%	1.4%
<b>Total</b>	<b>290,976,497</b>	<b>252,125,568</b>	<b>115</b>	<b>100.0%</b>	<b>100.0%</b>

## 5. FINANCIAL RESULT AND FINANCIAL STANDING

### 5.1 Financial result

#### 5.1.1 The Triglav Group

In the first three months of 2016, the Triglav Group posted a **net profit of EUR 22.6 million** or 27% less than in the same period last year. Net profit attributable to the shareholders of controlling company amounted to EUR 22.4 million (index 72), whereas net profit attributable to minority shareholders totalled EUR 247 thousand (index 165). **Profit before tax** amounted to EUR 28.2 million or as much as 24% less than in 2015. Compared to 2015, **net annualised return on equity** decreased by 5.6 percentage points to 13.2%. A lower net profit resulted largely from lower investment returns as expected.

Despite the challenging market conditions, the Triglav Group ended the first three months of 2016 with a net profit of 22.6 million.

**The combined ratio** in non-life insurance, which shows profitability of operations, was **91.4%**. Any value of this ratio below 100 means that the non-life insurance portfolio as the core business (excluding return on investments) is earning a profit. Compared to the corresponding period of 2015, the ratio improved by 0.9 percentage point.

*The combined ratios in non-life insurance of the Triglav Group by insurance company*

Insurance company	Q1 2016	Q1 2015	Change
Zavarovalnica Triglav	82.3%	89.6%	-7.3 p.p.
Triglav, Zdravstvena zavarovalnica	96.7%	91.1%	5.6 p.p.
Pozavarovalnica Triglav Re	104.4%	86.2%	18.2 p.p.
Triglav Osiguranje, Zagreb	130.5%	110.3%	20.2 p.p.
Triglav Osiguranje, Sarajevo	97.9%	96.9%	1.0 p.p.
Lovćen Osiguranje, Podgorica	100.3%	109.0%	-8.7 p.p.
Triglav Osiguranje, Belgrade	97.8%	104.7%	-6.9 p.p.
Triglav Osiguranje, Banja Luka	100.6%	95.5%	5.1 p.p.
Triglav Osiguruvanje, Skopje	103.1%	106.4%	-3.3 p.p.
<b>The Triglav Group</b>	<b>91.4%</b>	<b>92.3%</b>	<b>-0.9 p.p.</b>

**Net premium earned** (calculated on the basis of gross written insurance and co-insurance premium, reduced by the reinsurers share and adjusted by the change in gross unearned premium taking into account the reinsurers share in unearned premium) amounted to EUR 201.6 million or 1% less than in the respective period of 2015. Net non-life and net life premiums earned decreased by 1% and 3% respectively. On contrast, net health premiums earned were up 2%. Ceded written premium amounted to EUR 31.3 million and was 9% higher over the preceding year. Net unearned premiums totalled EUR 25.7 million, having decreased by 4% compared to the respective period of 2015.

**Net claims incurred** (gross claims increased by claim handling costs, reduced by the reinsurers' and co-insurers' shares and subrogation receivables, adjusted by the change in gross claims provisions taking into account the reinsurers' and co-insurers' shares in these provisions) decreased by 3% to EUR 139.7 million nominally compared to 2015. Net claims incurred from non-life insurance were down 8% and those from life insurance remained approximately at the same level as in 2015 (index 100), while those from health insurance rose by 6%. The reinsurers' and co-insurers' shares in gross claims decreased by 37% and totalled EUR 3.2 million. The change in net claims provisions was EUR -6.1 million (EUR -1.3 million in the same period of

2015). Equalisation scheme expenses for supplemental health insurance increased by 4% and totalled EUR 1.7 million.

**Income from financial assets** were down by 73%, reaching EUR 30.5 million, whilst income from financial assets in associates totalled EUR 3.0 million or 8% less than in the preceding year. Income from other financial assets was 58% lower or EUR 26.4 million in nominal terms. Net unrealised gains on unit-linked life insurance assets shrunk, amounting to EUR 1.1 million (2015: EUR 47.4 million). Over the reporting period, **financial expenses** increased by 57% to EUR 33.7 million. Expenses from financial assets in associates totalled EUR 0.2 million (index 204), expenses from other financial assets were down 16% to EUR 17.5 million and net unrealised gains on unit-linked life insurance assets reached EUR 16.0 million (2015: EUR 597 thousand). Permanent impairments accounted for EUR 2.0 million, compared to EUR 21 thousand in the first three months of 2015.

**Return on investment** (excluding unit-linked life insurance contract investments) represents the difference between income and expenses from financial assets. It amounted to EUR 11.7 million, having decreased by 74% compared to 2015, mostly as a result of lower net interest income, reduced net gains on financial assets measured at fair value through profit or loss and lower net gains from the sale of financial assets. Return on financial investments also impacts the insurance technical provisions and the net profit of the Group. See *Table Net profit/loss before tax of the Triglav Group* for the impact of return on investments on the profit before tax.

Return on financial investments were 74% lower compared to the previous year, mainly as result of lower interest income, reduced net effect of revaluation and lower net gains from the sale of financial assets.

Primarily due to reduced mathematical provisions, **changes in other insurance technical provisions** summed up to EUR 5.8 million (index 22). **Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR -21.7 million (2015: EUR 40.3 million) due to a decrease in price of fund units. **Provisions for bonuses and discounts** were 7% higher and totalled EUR 2.7 million.

**Operating expenses** (acquisition costs and other operating expenses) remained at approximately the same level as the year before (index 100), reaching EUR 47.1 million. Acquisition costs amounted to EUR 31.1 million (index 99), whereas other operating expenses equalled EUR 16.0 million (index 103).

**Other insurance expenses** were down 40%, reaching EUR 2.1 million. **Other income** totalled EUR 20.0 million, having increased by 6%. **Other insurance expenses** totalled EUR 4.5 million (index 88), whilst **other expenses** amounted to EUR 14.3 million (index 87).

## Individual items in the consolidated income statement of the Triglav Group for Q1 2016

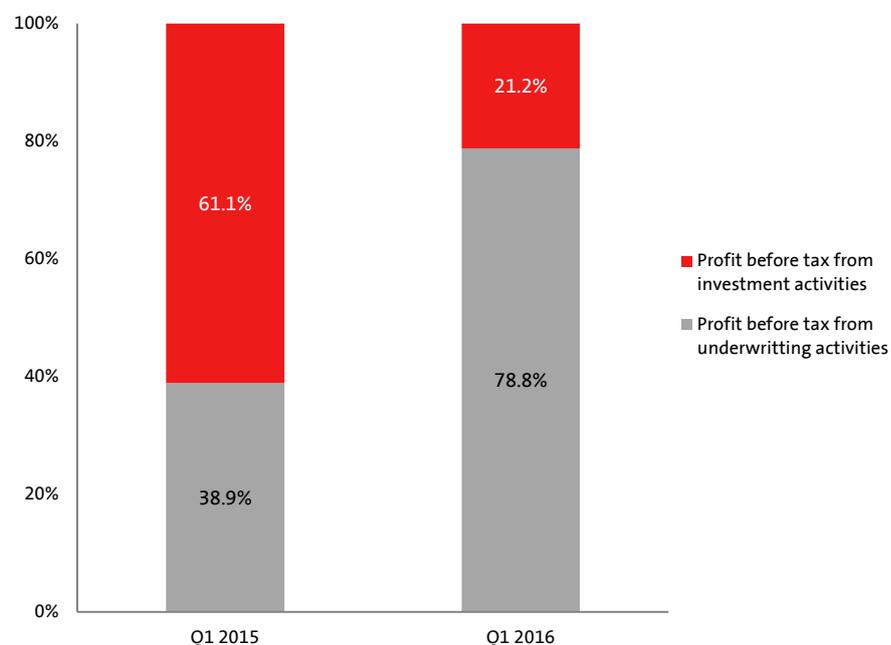
	Q1 2016	Q1 2015	Index
Net premium income	201,612,902	204,589,296	99
Income from financial assets	30,502,949	113,452,609	27
Other income from insurance operations	2,131,016	3,551,920	60
Other income	20,047,867	18,867,746	106
Net claims incurred	139,691,535	144,046,701	97
Change in other insurance technical provisions	5,790,638	26,420,690	22
Change in insurance technical provisions for unit-linked insurance contracts	-21,658,306	40,310,246	
Expenses for bonuses and discounts	2,708,374	2,529,957	107
Operating expenses	47,099,622	46,955,315	100
Expenses from financial assets and liabilities	33,701,519	21,495,729	157
Other insurance expenses	4,480,144	5,081,439	88
Other expenses	14,255,062	16,411,282	87
<b>Profit/loss before tax</b>	<b>28,226,146</b>	<b>37,210,212</b>	<b>76</b>
Income tax expense	-5,581,109	-6,136,774	91
<b>Net profit/loss for the accounting period</b>	<b>22,645,037</b>	<b>31,073,438</b>	<b>73</b>

## Net profit/loss before tax of the Triglav Group in Q1 2016 and Q1 2015\*

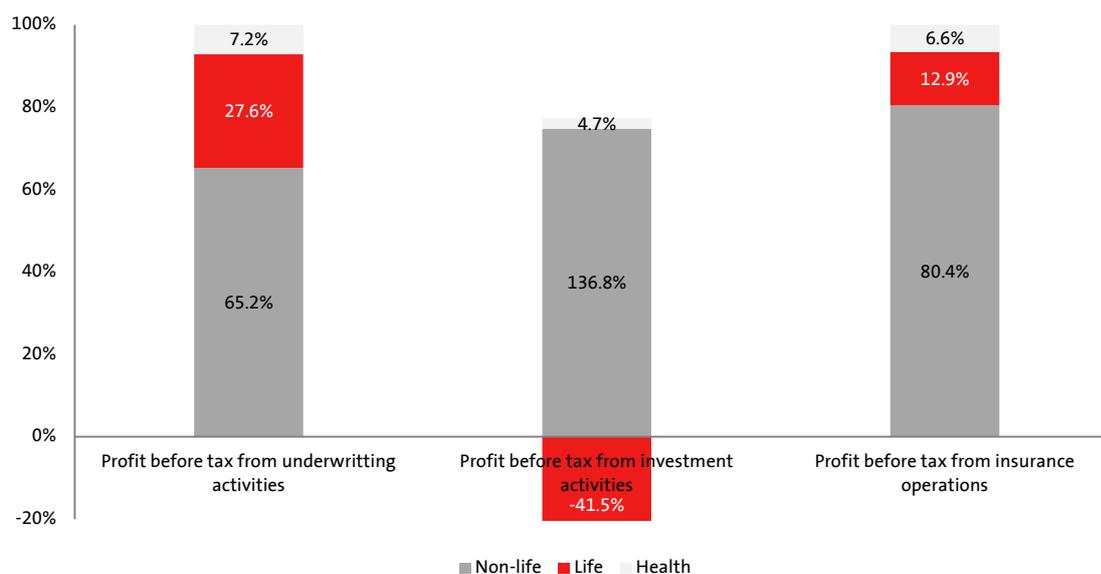
	Q1 2016				Q1 2015			
	Non-life	Life	Health	Total	Non-life	Life	Health	Total
Profit before tax from underwriting activities	11,674,066	4,942,582	1,282,029	<b>17,898,677</b>	8,358,433	1,613,397	3,142,029	<b>13,113,859</b>
Profit before tax from investment activities	6,594,745	-2,001,691	226,156	<b>4,819,210</b>	10,623,387	9,578,162	404,372	<b>20,605,921</b>
Profit before tax from insurance operations	18,268,811	2,940,891	1,508,185	<b>22,717,887</b>	18,981,820	11,191,559	3,546,401	<b>33,719,780</b>
Profit before tax from non-insurance operations				<b>5,508,259</b>				<b>3,490,437</b>
<b>Total profit before tax</b>				<b>28,226,146</b>				<b>37,210,217</b>

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

## Structure of net profit/loss before tax of the Triglav Group in Q1 2016 and Q1 2015



### Structure of net profit/loss before tax of the Triglav Group by insurance type in Q1 2016



#### 5.1.2 Zavarovalnica Triglav

In Q1 2016, Zavarovalnica Triglav performed well. Compared to the same period of the preceding year, the Company's **net profit** grew by 5% and reached EUR 21.2 million. The Company's **profit before tax** rose by 3% to EUR 26.3 million. **Net annualised return on equity** stood at 16.5%, having risen by 1.1 percentage points compared to the preceding year.

Zavarovalnica Triglav posted a net profit of EUR 21.2 million or 5% more compared to the corresponding period of 2015.

**Combined ratio in non-life insurance** was 82.3%. Compared to 2015, it improved by 7.3 percentage points.

**Net premiums earned** decreased by 4% to EUR 122.6 million compared to the preceding year. Net premium earned from non-life insurance and those earned from life insurance decreased by 3% and by 6% respectively. Gross written premium from reinsurance and co-insurance operations totalled EUR 31.4 million, representing a 12% increase over 2015. Net unearned premium amounted to EUR 18.5 million, representing a 3% decrease compared to the previous year.

In the reporting period, **net claims incurred** were disclosed at EUR 84.8 million, which decreased by 8% compared to the preceding year. Net claims incurred from non-life insurance decreased by 15%, but rose by 1% from life insurance. The reinsurers' and co-insurers' shares in gross claims decreased by 21%, totalling EUR 4.1 million. The change in net claims provisions was EUR -6.8 million (2015: EUR -221 thousand).

**Operating expenses** (acquisition costs and other operating expenses) amounted to EUR 32.7 million and were 1% higher than in the respective period of 2015. Acquisition costs of EUR 23.5 million remained approximately at the same level as the year before (index 100), whilst other operating expenses totalled EUR 9.2 million (index 103).

**Income from financial assets** were down by 72%, reaching EUR 25.3 million, of which non-life insurance accounted for EUR 14.5 million (index 132) and life insurance for EUR 10.8 million (index 14). Income from financial assets in associates recorded a high growth (index 864) due to the sale of a stake in Avrigo and reached EUR 8.6 million. Income from other financial assets decreased by 63% and reached EUR 16.1 million. Net unrealised gains on unit-linked life insurance assets reached EUR 0.6 million compared to EUR 45.6 million in the respective period of 2015. **Financial expenses** equalled EUR 24.3 million, which was 54% more than in 2015. Expenses from financial assets in associates reached EUR 3 thousand (index 16). Expenses from other financial assets and liabilities decreased by 37% to EUR 9.6 million, whereas net unrealised gains on unit-linked life insurance assets amounted to EUR 14.7 million (Q1 2015: EUR 579 thousand).

**Return on investment** (excluding unit-linked life insurance contract investments) represents the difference between income and expenses from financial assets. It amounted to EUR 15.1 million, having decreased by 50% compared to 2015, mostly as a result of lower net interest income, reduced net gains on financial assets measured at fair value through profit or loss and lower net gains from the sale of financial assets.

Return on financial investments were 50% lower compared to the previous year, mainly as result of lower interest income, reduced net effect of revaluation and lower net gains from the sale of financial assets.

**Changes in other insurance technical provisions** summed up to EUR 3.5 million or 79% less than one year earlier, with the change in mathematical provisions amounting to EUR 3.1 million (index 19), while the change in other provisions stood at EUR 466 thousand (index 77). **Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR -20.8 million (Q1 2015: EUR 38.2 million) due to the decrease in price of fund units. **Provisions for bonuses and discounts** increased by 11% to EUR 2.2 million.

**Other income from insurance operations** increased by 7% and totalled EUR 6.0 million, of which fee and commission income amounted to EUR 5.1 million (index 119). **Other income** of EUR 2.7 million also climbed by 59%. **Other insurance expenses** equalled EUR 2.3 million (index 92), whereas **other expenses** reached EUR 1.2 million (index 238).

#### *Individual items in the income statement of Zavarovalnica Triglav for Q1 2016*

	Q1 2016	Q1 2015	Index
Net premium income	122,561,673	127,495,679	96
Income from financial assets	25,311,591	90,729,748	28
Other income from insurance operations	5,986,822	5,589,902	107
Other income	2,716,679	1,703,748	159
Net claims incurred	84,841,064	91,993,847	92
Change in other insurance technical provisions	3,527,189	16,688,896	21
Change in insurance technical provisions for unit-linked insurance contracts	-20,821,737	38,173,027	
Expenses for bonuses and discounts	2,180,610	1,961,809	111
Operating expenses	32,699,202	32,338,228	101
Expenses from financial assets and liabilities	24,339,837	15,810,058	154
Other insurance expenses	2,327,121	2,531,757	92
Other expenses	1,183,254	496,173	238
<b>Profit/loss before tax</b>	<b>26,300,224</b>	<b>25,525,281</b>	<b>103</b>
Income tax expense	5,120,463	5,275,654	97
<b>Net profit/loss for the accounting period</b>	<b>21,179,761</b>	<b>20,249,627</b>	<b>105</b>

## 5.2 Financial standing

### 5.2.1 The Triglav Group

The total **balance sheet** of the Triglav Group as at 31 March 2016 stood at EUR 3,570.3 million or 2% more compared to the 2015 year-end.

Compared to 31 December 2015, **total equity capital** increased by 4% or EUR 734.9 million in nominal terms. The share of equity in total liabilities increased by 0.4 percentage point, from 20.2% to 20.6%. Equity attributable to the controlling company amounted to EUR 723.8 million, while non-controlling interest holders had EUR 11.1 million. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary shares. Share premium amounted to EUR 54.8 million and remained at a level approximately equal to the 2015 year-end (index 100). Reserves from profit fell by 11%, amounting to EUR 267.7 million. They decreased due to the transfer of credit risk equalisation reserves to the net profit brought forward of the parent company, which is described in greater detail in *Section 5.2.2*. As a result of an increase in the value of available-for-sale financial assets, revaluation surplus increased by 11% and totalled EUR 86.1 million. As at the reporting date, accumulated profit for the period was EUR 246.0 million (index 129), including net profit for the period of EUR 22.4 million (index 26) and net profit brought forward of EUR 223.6 million (index 214). Due to the above-mentioned transfer of credit risk equalisation, the net profit brought forward rose by EUR 33.3 million and by EUR 85.8 million thanks to the transfer of net profit for the period to 1 January 2016.

As at the reporting date, total equity capital climbed by 4%.

**Subordinated liabilities** of the Group reached EUR 17.8 million, after a 5% decrease from the level reported at the 2015 year-end. They accounted for a 0.5% share in total liabilities.

**Gross insurance technical provisions** grew by 1% and amounted to EUR 2,632.0 million. In the balance sheet total, their share decreased by 0.7 percentage point over the end of 2015, from 74.4% to 73.7%. As at the reporting date, mathematical provisions amounted to EUR 1,667.3 million, which was 1% less, whilst gross claims provisions dropped by 1% as well to EUR 638.6 million. Provisions for gross unearned premiums and other insurance technical provisions increased by 18% and 3% respectively. Insurance technical provisions are discussed in greater detail under *Section 4.7.1*.

Compared to 31 December 2015, **financial liabilities** experienced a high growth of 123%, foremost as a result of transactions which will be settled after the end of the reporting period. They accounted for a 0.2% share of total balance sheet liabilities.

**Operating liabilities** grew by 44% compared to the end of 2015, amounting to EUR 69.9 million and accounting for 2.0% of the balance sheet total (compared to 31 December 2015 0.6 percentage point higher). Liabilities from direct insurance operations went up by 12% to EUR 18.6 million. With EUR 45.2 million (index 161), liabilities from co-insurance and reinsurance were higher as well as current tax liabilities, amounting to EUR 6.1 million (index 164).

**Other provisions** shrunk by 13% to EUR 13.9 million compared to the 2015 year-end (a 0.4% share in total liabilities). **Deferred tax liabilities** amounted to EUR 25.6 million, which was 11% more than at the 2015 year-end, and accounted for 0.7% of the balance sheet total. As at 31 March 2016, **other liabilities** increased by 2% and stood at EUR 67.6 million, representing a 1.9% share of total liabilities.

**Liabilities arising from non-current assets held for sale** were not formed as at the reporting date. As at 31 December 2015, they totalled EUR 12.4 million (liabilities of the Avrigo Group).

**Financial assets** accounted for 81.2% of total assets (1.1 percentage points less than at the 2015 year-end) and totalled EUR 2,898.7 million. They were 1% above the figure reported at the 2015 year-end. Unit-linked insurance assets amounted to EUR 438.6 million (index 94) and financial investments to EUR 2,460.0 million (index 102). In total financial investments, EUR 141.4 million (index 77) was accounted for by deposits and loans, EUR 235.6 million by held-to-maturity investments (index 97), EUR 1,706.4 million by available-for-sale financial assets (index 106) and EUR 376.6 million by assets recognised at a fair value through profit or loss (index 101). The structure of financial assets is discussed in greater detail in *Section 4.8.1*.

**Financial investments in associates of the Triglav Group** amounted to EUR 6.7 million, having decreased by 4% (a 0.2% share in total assets).

**Investment property** stood at EUR 87.3 million, which grew by 10% compared to 31 December 2015 and represented 2.4% of total assets. Investment property is discussed in greater detail in *Section 4.8.1*.

**Receivables and deferred tax assets** increased by 21% to EUR 221.0 million and accounted for 6.2% of total assets, of which receivables from direct insurance operations accounted for the bulk, totalling EUR 112.2 million (index 135). Receivables from co-insurance and reinsurance operations reached EUR 46.1 million (index 108), other receivables stood at EUR 46.5 million (index 116) and current tax receivables at EUR 314 thousand (index 104). Deferred tax assets amounted to EUR 15.9 million (index 99).

As at 31 March 2016, **insurance technical provisions transferred to reinsurance contracts** amounted to EUR 83.9 million, which represented an increase of 22% over one year earlier. Assets from reinsurance contracts from claim provisions were 4% higher and totalled EUR 53.0 million, while those from unearned premiums grew by 75% to EUR 31.0 million.

**Property, plant and equipment** amounted to EUR 114.7 million and accounted for 3.2% of total assets, having decreased by 6% over the 2015 year-end. **Intangible assets** increased by 8% to EUR 75.6 million, accounting for 2.1% of total assets.

**Cash and cash equivalents** equalled EUR 72.8 million (index 152), whilst **other assets** totalled EUR 8.6 million (index 106).

As at the reporting date, EUR 1.0 million were allocated to **non-current assets held for sale** due to the planned sale of specific land plots and buildings. As at the 2015 year-end, they were formed in the amount of EUR 34.4 million mainly due to the planned sale of the Avrigo Group.

## Individual items in the consolidated balance sheet of the Triglav Group as at 31 March 2016

	31 March 2016	31 December 2015	Index
<b>ASSETS</b>	<b>3.570.278.536</b>	<b>3.493.456.801</b>	<b>102</b>
Intangible assets	75,565,467	70,132,332	108
Property, plant and equipment	114,675,495	121,810,360	94
Investment property	87,308,044	79,475,283	110
Investments in associates	6,694,178	6,939,700	96
Financial assets	2,898,654,846	2,873,436,783	101
Reinsurers' share of insurance technical provisions	83,937,639	68,724,305	122
Assets from financial contracts	0	0	0
Receivables and deferred tax receivables	221,030,891	182,437,422	121
Other assets	8,642,863	8,134,762	106
Cash and cash equivalents	72,750,499	47,928,768	152
Non-current assets held for sale	1,018,614	34,437,086	3
<b>EQUITY AND LIABILITIES</b>	<b>3,570,278,536</b>	<b>3,493,456,800</b>	<b>102</b>
Equity	734,883,600	704,044,502	104
Subordinated liabilities	17,821,608	18,752,252	95
Insurance technical provisions	2,196,343,630	2,143,395,211	102
Insurance technical provisions for unit-linked insurance contracts	435,649,414	457,046,911	95
Other provisions	13,942,283	16,079,975	87
Deferred tax liabilities	25,642,220	23,188,796	111
Investment contracts liabilities	0	0	0
Other financial liabilities	8,453,733	3,784,282	223
Operating liabilities	69,903,386	48,388,725	144
Other liabilities	67,638,662	66,341,973	102
Liabilities arising from long-term assets held for sale	0	12,434,173	0

### 5.2.2 Zavarovalnica Triglav

The total **balance sheet** of Zavarovalnica Triglav as at 31 March 2016 stood at EUR 2,750.7 million or 2% more compared to the 2015 year-end.

The total **equity capital** as at the reporting date amounted to EUR 560.1 million or 6% more than at the 2015 year-end. The portion of equity in the balance sheet total increased by 0.6 percentage point, totalling 20.4%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148

The total equity capital increased by 6% compared to the 2015 year-end.

ordinary shares. Share premium remained unchanged and amounted to EUR 53.4 million, reserves from profit decreased by 11% to EUR 251.4 million compared to the 2015 year-end due to the transfer of credit risk equalisation reserves (equalisation reserves) in the amount of EUR 31.3 million to the net profit brought forward. The Insurance Act (ZZavar-1) entered into effect on 1 January 2016, which does not prescribe such reserves any longer. Accumulated profit grew by 81%, amounting to EUR 117.5 million. In addition to EUR 21.2 million (index 37) in net profit for the period, it includes EUR 96.3 million of net profit brought forward (31 December 2015: EUR 7.2 million). Due to the above-mentioned transfer of credit risk equalisation, the net profit brought forward rose by EUR 31.1 million and by EUR 57.8 million thanks to the transfer of net profit for the period to 1 January 2016. As a result of an increase in the value of available-for-sale financial assets, revaluation surplus increased by 15% and totalled EUR 64.1 million.

**Subordinated liabilities** amounted to EUR 21.1 million and remained at a level approximately equal to the 2015 year-end (index 100).

On the liabilities side, **gross insurance technical provisions** increased by 1% to EUR 2,073.6 million compared to the 2015 year-end. In the balance sheet total, their share decreased by 1

percentage point compared to the 2015 year-end, from 76.5% to 75.5%. Gross insurance technical provisions are discussed in greater detail in *Section 4.7.2*.

Compared to 31 December 2015, **other financial liabilities** of EUR 6.7 million experienced a high growth (index 383) foremost as a result of transactions which will be settled after the end of the reporting period. They accounted for a 0.2% share of total balance sheet liabilities.

**Operating liabilities** as at the reporting date totalled EUR 34.8 million, which was 46% more over the 2015 year-end. They accounted for 1.3% of total balance sheet liabilities (31 December 2015: 0.9%). Liabilities from direct insurance operations went up by 6% and amounted to EUR 11.6 million. Liabilities from co-insurance and reinsurance operations rose by 75% to EUR 18.0 million. Current tax liabilities equalled EUR 5.2 million (index 198).

**Other provisions** reached EUR 9.8 million, which was 2% more than as at 31 December 2015. **Deferred tax liabilities** amounted to EUR 9.8 million (index 156). **Other liabilities** decreased by 9% to EUR 34.9 million nominally and accounted for 1.3% of total liabilities.

**Financial assets** amounted to EUR 2,203.5 million and remained at a level approximately equal to the 2015 year-end (index 100). Their share in total assets went down by 1.5 percentage points and reached 80.2%. Unit-linked insurance assets amounted to EUR 420.9 million and financial investments to EUR 1,782.6 million. In total financial investments, EUR 63.3 million was accounted for by deposits and loans, EUR 171.5 million by investments held to maturity, EUR 1,354.0 million by investments available for sale and EUR 193.8 million by investments recognised at fair value through profit/loss. The structure of financial assets is discussed in greater detail in *Section 4.8.2*.

**Financial investments in subsidiaries and associates** fell by 4%, amounting to EUR 136.1 million and accounting for a 4.9% share. Financial investments in subsidiaries were down 4% to EUR 128.9 million as a result of the sale of Avrigo. Financial investments in associates stood at EUR 7.3 million and remained unchanged (index 100).

**Investment property** declined by 2% to EUR 52.0 million. They accounted for 1.9% of total assets. Investment property is discussed in greater detail in *Section 4.8.2*.

**Receivables** increased by 26%, amounting to EUR 120.4 million (a 4.4% share), of which receivables from direct insurance operations accounted for the bulk, totalling EUR 82.9 million (index 143). Receivables from reinsurance and co-insurance operations reached EUR 6.3 million (index 52), whereas other receivables stood at EUR 31.2 million (index 122).

As at 31 March 2016, **insurance technical provisions transferred to reinsurance contracts** amounted to EUR 83.3 million, which represented an increase of 19% over one year earlier. Among them assets from reinsurance contracts from claims provisions totalled EUR 54.3 million, remaining at approximately the same level as at the 2015 year-end (index 100), while those from unearned premiums climbed by 89% to EUR 29.0 million.

**Property, plant and equipment** amounted to EUR 66.5 million (index 99), accounting for a 2.4% share of total assets. **Intangible assets** equalled EUR 57.8 million (index 109), accounting for 2.1% of total assets.

**Cash and cash equivalents** grew to EUR 27.9 million (index 370), whilst **other assets** totalled EUR 3.0 million (index 108).

*Individual items in the balance sheet of Zavarovalnica Triglav as at 31 March 2016*

	31 March 2016	31 December 2015	Index
<b>ASSETS</b>	<b>2,750,718,441</b>	<b>2,685,432,591</b>	<b>102</b>
Intangible assets	57,827,938	53,143,644	109
Property, plant and equipment	66,520,559	67,034,994	99
Investment property	52,004,323	52,870,808	98
Investments in subsidiaries and associates	136,127,381	141,948,911	96
Financial assets	2,203,506,338	2,194,440,477	100
Reinsurers' share of insurance technical provisions	83,343,457	69,935,394	119
Receivables and deferred tax receivables	120,435,293	95,716,725	126
Other assets	3,007,495	2,791,679	108
Cash and cash equivalents	27,945,658	7,549,958	370
<b>EQUITY AND LIABILITIES</b>	<b>2,750,718,441</b>	<b>2,685,432,591</b>	<b>102</b>
Equity	560,063,170	530,560,272	106
Subordinated liabilities	21,102,670	21,101,278	100
Insurance technical provisions	1,655,494,203	1,614,944,129	103
Insurance technical provisions for unit-linked insurance contracts	418,098,420	438,920,157	95
Other provisions	9,752,901	9,570,800	102
Deferred tax liabilities	9,802,754	6,268,154	156
Other financial liabilities	6,713,820	1,752,990	383
Operating liabilities	34,817,037	23,886,713	146
Other liabilities	34,873,465	38,428,098	91

## 6. RISK MANAGEMENT

### 6.1 Introducing of Solvency II

As of 1 January 2016, the new **Solvency II** legislation came into effect, which has introduced a new concept of governance of insurance undertakings and groups, structured into three main areas or pillars:

- The required level of capital must reflect the profile of risks to which an individual insurance undertaking or group is exposed in the course of its business.
- An effective risk management system has to be set up, which is able to identify and assess the impact of business decisions on the risk profile, capital and financial position of the company.
- Detailed reporting to the supervisory agency and the public is prescribed about the risks to which the insurance undertaking is exposed and the assessed capital adequacy.

In 2015, in Zavarovalnica Triglav, the parent company of the Triglav Group, the following planned development activities and the preparations for the entry into force of the amendments to the legislation were completed in the context of the Solvency II project.

In the context of the first set of requirements, Zavarovalnica Triglav and the Group calculate capital adequacy based on the standard formula under the Solvency II Directive. According to the analysis of the transition of capital measurement from Solvency I to Solvency II, a corresponding increase in the available capital was seen in 2014 and in the 2015 at the level of both the Triglav Group and Zavarovalnica Triglav. The added value or the economic value of the capital is generated through appropriate risk management in the core insurance business (capital increase arising from the best estimate of insurance technical provisions and from the higher value of investments).

The new legislation has introduced new approaches, which due to the short period of application are not yet reliable, consequently representing an increased business risk for insurance undertakings. A certain degree of risk is also caused by the incompleteness or a different understanding of legislation, particularly in view of the fact that harmonisation regarding the new implementing regulations specifying the governance and control system was still ongoing in the first quarter. The Solvency II market concept of asset and liability valuation under uncertain macroeconomic circumstances introduces an expected greater volatility in the net value of financial institutions or capital. The Guidelines on reporting for financial stability purposes (EIOPA-BoS-15/107) therefore stress the importance of capital adequacy calculation, especially of the more volatile modules of the Solvency II standard formula, which under the present macroeconomic circumstances highlights market risks. In this respect, below the focus will be on the relevant risk factors in terms of business operations.

### 6.2 Risk factors in the first quarter of 2016

The Triglav Group generates the majority of its income in the Slovene insurance market. In the first quarter of 2016, 84.2% of total gross written insurance and co-insurance premiums was charged in the Slovene insurance market. The Group gradually expands its presence on the insurance markets of the Adria region. Economic and political situation on the markets where the Group operates vary significantly.

## Main macroeconomic indicators for 2015 by insurance market of the Triglav Group

Macroeconomic indicators	Bosnia and					
	Slovenia	Croatia	Herzegovina	Montenegro	Serbia	Macedonia
Population (in million)	2.1	4.2	3.9	0.6	7.1	2.1
GDP growth (estimate in %)	2.9	1.6	2.8	4.1	0.7	3.7
2015 GDP (estimate in USD billion)	42.8	48.9	15.8	4,0	36.5	9.9
2015 GDP per capita (estimate in USD)	20,732	11,573	4,088	6,489	5,120	4,787
2015 inflation rate (estimate in %)	-0.5	-0.5	-1.0	1.6	1.4	-0.2
2015 unemployment rate (estimate in %)	9.1	16.9	27.7	16,5*	18.5	27.3
Curr. acc.-to-GDP-ratio (%)	7.3	4.4	-6.8	-13.2	-4.8	-1.4

Source: IMF, World Economic Outlook, April 2016, IMF estimates (not applicable to Slovenia),\*Agency for Statistics of Montenegro

Slovenia is a member of both the EU and the EMU. Croatia is a member of the EU, while the other countries presenting the strategic markets of the Triglav Group are in the process of adaptation or entering into European integration. The Slovene market is most affected by the economic policies of the EU. Given that the fiscal union is only at a conceptual stage, the single monetary policy should be pointed out.

The macroeconomic situation of the EMU Member States in the time after the great financial and economic crisis is, as a rule, characterised by the liquidity trap. Despite the necessary expansionary monetary policy and the consequent high decline in interest rates, only modest economic recovery can be seen. In such a situation, theoretically an expansionary fiscal policy is more efficient as it stimulates the investment cycle or aggregate demand. However, the post-crisis period requires fiscal adjustment of the EU Member States in line with the Stability and Growth Pact. In accordance with the April 2015 Stability Programme, the EU rules stipulate that this year Slovenia has to improve its structural balance by 0.6% of GDP. The EMU recorded only a 0.2% inflation rate, which represents a significant deviation from the target set out in the monetary policy. Lower demand leads to further deflationary pressures. As at the end of March 2016, deflation of the EMU stood at -0.3% at an annual level (ECB Statistical Data Warehouse).

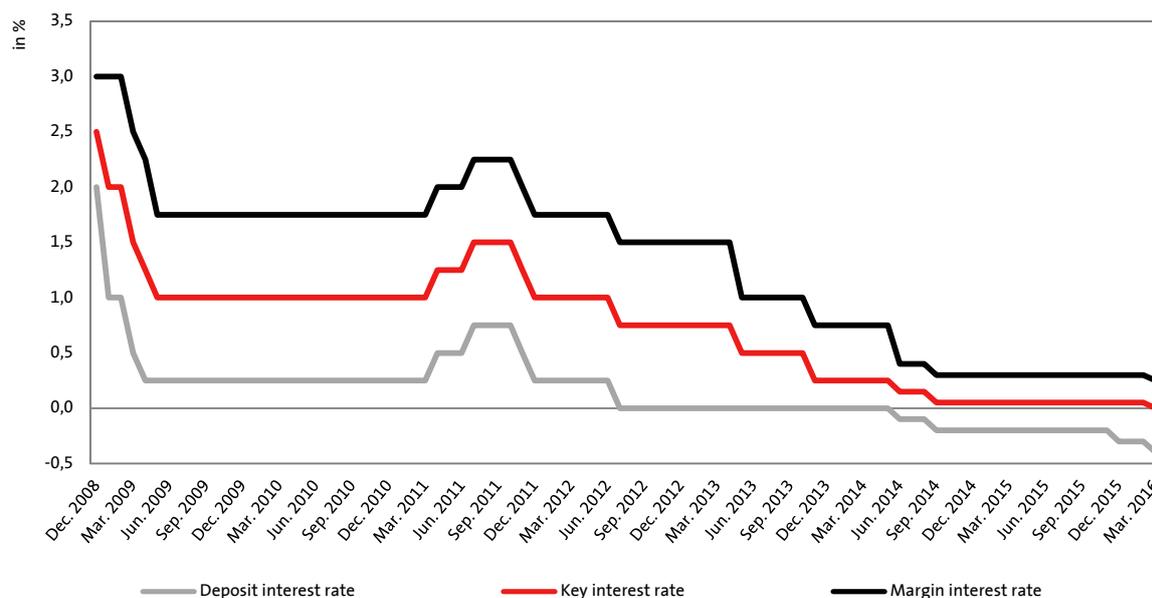
Deflationary pressures on the decline in the sales price of companies were relatively less threatening for the Slovene economy compared to the other EMU economies, which were or still are experiencing difficulties. In view of the recovery, restructuring and deleveraging abroad of the domestic private sector (overindebted banks and companies) in the second wave of the economic and financial crisis with a double dip (BS, Report on Financial Stability, January 2016), the problem of deflation and debt in Slovenia is relatively small. In this period, deleveraging and restructuring of banks and companies also allowed for a more efficient operation of the transmission mechanism of the ECB's monetary policy on the Slovene economy. From the 2014 year-end to the 2015 year-end, the average lending interest rates on loans to companies exceeding EUR 1 million decreased by 1.6 percentage points to the annual average nominal level of 2.2%, thereby coming very close to the EMU average (1.5%). According to the survey of the BS on accessibility to sources of funding for companies conducted in early 2016, this was no longer an important limiting factor for the companies. The process of rapid deleveraging of the Slovene economy abroad has enabled a high current account surplus, which in the years after 2009 has been generated by a healthy and ever more competitive export part of the economy. Last year, the one-year current account surplus of Slovenia reached 7.3% of GDP, while in January 2016 it was close to 8% of GDP due to the increased surplus in trade in goods (BS, Summary of Macroeconomic Developments, April 2016). In the described macroeconomic situation, more attention in monitoring the economic indicators and the financial stability of the countries on the markets where the Triglav Group operates should therefore be paid to the external balance and competitiveness indicators of individual economies.

In 2015, the Slovene economy saw a 2.7% growth and the euro area a 1.6% growth. In early 2016, the Slovene economy continued to record an above-average economic growth compared to the

euro area Member States. In addition to the previously mentioned export sector, domestic demand, particularly of households, has been gradually increasing, which is a promising indicator also for the insurance sector. The favourable macroeconomic conditions are already visible on the insurance market. The non-life insurance premium in the Slovene market increased by 1.67% in January, 0.57% in February and 1.35% in March (Slovenian Insurance Association). The improved economic situation, public debt stabilisation and further steps towards fiscal consolidation are the main reasons that in the beginning of 2015 Moody's raised the credit rating of Slovenia from "Ba1" to "Baa3" with a stable outlook. It additionally commented that the political environment in Slovenia stabilised, which increased the likelihood of implementing future economic and fiscal reforms. Fitch Ratings maintained the credit rating "BBB+" and changed a stable outlook to positive. Slovenia was re-assigned an "A–" credit rating with a positive outlook by S&P (Ministry of Finance, April 2016). Due to the urgent recovery measures, the government became a major owner of the financial sector in Slovenia, which further emphasises the importance of good credit ratings and appropriate further gradual fiscal consolidation in Slovenia. Because of the risk of negative feedback loop resulting from the state ownership in the economy at the time of a major crisis, further privatisation processes are needed so as to lower such public finance exposure.

The ECB's monetary policy in the first quarter of 2016 intensified the already extremely expansionary policy towards the unknown territory – from zero or slightly negative to predominantly negative interest rates in order to reverse the deflationary pressures with the aim to achieve the desired target inflation, i.e. "below but close to 2% percent" at the annual level, thereby stimulating the economic growth. Business operations and performance in the negative interest rate environment bring new risks. It reduces the return on investment for conventional institutional investors, including insurance undertakings, which therefore gradually and to a limited extent move from safe or relatively non-risky investments in investment-grade government bonds to assuming higher risks or to other sectors (corporate bonds) or even equity financial instruments (shares). The latter raises the issue of understanding and management of credit risks and risks of potential exposure concentration of the core insurance business and investment transactions. In its view of implementing the forward guidance related to the expansionary monetary policy, the ECB forecast additional operations and purchases outside the secondary market of government bonds. In March 2016, the Governing Council of the ECB decided to include investment grade euro-denominated bonds issued by non-bank corporations established in the euro area in the list of assets eligible for regular purchases under a new corporate sector purchase programme (CSPP). The same investment policies as well as zero or negative interest rates generate potential new price bubbles, e.g. in the stock market or, as seen in several euro area countries, once again in the real property market (ESRB, Risk Dashboard, March 2016).

### Movements of the ECB key interest rate (in %)



Source: ECB

Up to now the extremely expansionary or accommodative monetary policy under the liquidity trap conditions has brought little result in terms of increasing the economic growth by boosting lending and reducing the unemployment rate. This resulted in the criticism of avoiding the too much needed fiscal consolidation and structural adjustment in several EMU Member States. The future pension system reform is particularly important not only for Slovenia but also for the insurance industry.

The risk factors (BS, Economic and Financial Developments, April 2016) causing a lower global growth and consequently lower growth in the markets where the Triglav Group operates are many: slower growth in fast-growing countries, effective transition to a new economic model in China, lower prices of raw materials, the impact of the normalisation of the US monetary policy (exit from quantitative easing) on the financial markets in developing countries, the geopolitical risks: the Russian-Ukrainian conflict, the instability in Syria and Iraq, the refugee crisis, terrorist attacks in Europe.

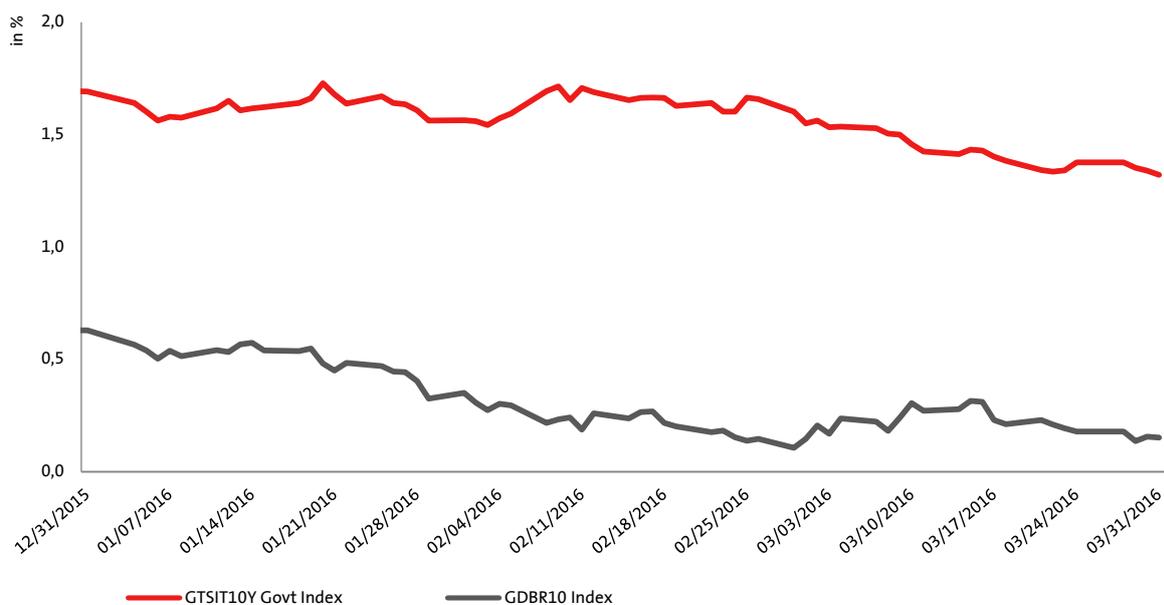
### 6.3 Significant risk types in early 2016

Along the low demand, the financial markets and economies across the globe are currently most affected by the policies of central banks, trying to stimulate a higher economic growth. With its very extensive financial assistance programme, the ECB is among the most active ones in terms of aiming to achieve price stability. One of the key risks to which the Company is exposed is low interest rates. With the onset of the debt crisis in countries (Greece, May 2010), the prices of high-quality bonds rose sharply, consequently lowering the return on such securities, which represent the bulk of the portfolio of insurance companies. Monetary policy instruments of ECB's quantitative easing via the purchase of government securities on the secondary market only further raised the prices of bonds and created additional pressure on the lowering of required returns. Thus, the portfolios of insurance companies initially generated positive capital gains on bonds, but investment return is generated more difficult under these conditions in order for the insurance

The investment activity faces a major challenge of zero or negative interest rates on money markets and negative yield curves on the bond markets in the euro area.

companies to fulfil their obligations to the policyholders in the future. According to forecasts of the ECB, its policy of low interest rates and quantitative easing, the environment of low interest rates is likely to persist for quite some time, which is why the Company already began to adapt its operations to this kind of environment. Following its meeting in March 2016, the Governing Council of the ECB expects the key ECB interest rates to remain at the current or lower level for an even longer period and much longer than the net purchases of securities will last (ECB, Economic Bulletin No. 2/2016).

*Generic indexes of required returns on ten-year Slovene bonds (GTSIT) and German bonds (GDBR) in the period from the 2015 year-end to Q1 2016*



Source: Bloomberg

Being a major investor in the Slovene government debt market, the Triglav Group and Zavarovalnica Triglav in particular are considerably exposed to the financial risks of the Slovene economy despite the lower volume of this portion of the portfolio. In the first half of 2015, exposure to Slovene government bonds showed a positive impact on the return of Triglav's portfolios,

Apart from low interest rates, reinvestment is increasingly impacted by the credit risk (counterparty's default risk) of government, bank and corporate securities, while the credit spread risk is also of great importance. Therefore, the main focus is on credit risk exposure, maintaining adequate credit ratings and an appropriately diversified asset and liability structure from reinsurance. Positive trends of reduced credit risks have been evident for some time now, which is a result of economic growth, a lower unemployment rate and decreased corporate debt. The period of low interest rates also increases the difficulties in asset-liability maturity matching.

In accordance with the investment structure, the currency risk remains low since as a rule euro-denominated investments account for over 95% of all investments.

The Group's assets and liabilities will additionally be affected by the development of the economic environment in Slovenia, which is improving but still remains weak, exposing the Company foremost to the risks of lower demand for some insurance products and consequently general premium reduction, policyholders defaulting on the payment of premiums and the risks related to the selection of underwritten risks.

Disasters (natural or man-made) remain a significant risk for the Company, as they can have negative effects especially on the non-life insurance portfolio. Natural disasters can have a significant adverse impact on the planned combined ratio. In 2015, the occurrence of natural disasters decreased worldwide, whilst the positive trend continued in the first three months of 2016 in all markets where the Triglav Group operates.

The Company further plans to pay particular attention to the management and appropriate matching of assets and liabilities of guarantee funds and assets backing liabilities, capital and capital adequacy management and the adequacy of the reinsurance scheme.

In line with the new ZZavar-1, the selling of lifecycle funds began already in 2015, thereby upgrading the existing arrangement of additional pension insurance. The low interest rate environment and the introduction of the lifecycle funds will significantly affect the investment structure, which was primarily based on debt securities. With the introduction of the lifecycle funds, the option to pursue higher returns not accessible to funds with a guaranteed return is allowed depending on the policyholder's age; in doing so, however, the investment risk is no longer borne by the fund manager but by the policyholder or saver.

#### **6.4 Strengthening of the quantitative and qualitative pillars of the risk management system**

The previously described macroeconomic situation and outlook require regular, at least once a year, capital adequacy calculation under the Solvency II as well as understanding and quantifying the macroeconomic and any other risks in the operations of Company. Zavarovalnica Triglav and the Triglav Group manage the risks based on a defined risk appetite, setting the limits of exposure to significant risks (the Strategy and the Risk Appetite). For the purposes of risk management and reporting, in the past two years the relevant software was already installed for risk monitoring and reporting in compliance with the Solvency II Directive requirements.

The permanent presence of low interest rates and the related volatility in stock markets best describe the current position of the financial sector in the EU. Market risks are therefore the most worrying in the future operations of insurance undertakings. As a result, the European Insurance and Occupational Pensions Authority (EIOPA), together with the European Systemic Risk Board (ESRB), decided to focus the stress testing in 2016 on this segment of risks. In this way, the resistance of insurance undertakings to such shocks will be tested and potential systemic risks assessed. Thus, two scenarios were prepared: i) a very long period of low interest rates and ii) the combined scenario of changes at the level of the yield curves and shocks in financial markets. The stress tests are based on the established risk management system in the framework of Solvency II, but do not substitute own risk assessments in the context of executing the ORSA process. The latter will be performed by the Triglav Group within its regular risk management activities.

Other information with respect to the fulfilment of qualitative Solvency II requirements in terms of management of all types of risks is presented in detail in a separate section of the 2015 Annual Report of the Triglav Group and Zavarovalnica Triglav.

#### **6.5 Internal audit**

In the first quarter of 2016, the Internal Audit Department complied with its annual work programme. It conducted internal audits of various divisions in Zavarovalnica Triglav and audits in some subsidiaries. The findings were reported to the management of the audited divisions and to the Management Board.

The Internal Audit Department also engaged in informal advisory activities, Internal Auditing Quality Improvement activities, monitored the implementation of recommendations made by internal and external auditors as well as reported to the Management Board, the Audit Committee and the Supervisory Board on the work done.

## 7. HUMAN RESOURCE MANAGEMENT IN THE TRIGLAV GROUP

### 7.1 Number of employees

As at 31 March 2016, there were 5,171 employees in the Triglav Group, which is 208 less than at the 2015 year-end. The number of employees went down foremost due to the sale of the Avrigo Group. The highest increase in number of employees was recorded in Triglav Osiguranje, Zagreb and Triglav Osiguranje, Belgrade due to strengthening of the internal sales network.

*Number of employees in the Triglav Group as at 31 March 2016*

Subsidiaries of the Triglav Group	Number of employees		Difference
	31 March 2016	31 December 2015	2016/2015
Zavarovalnica Triglav d.d., Ljubljana	2,355	2,341	14
Pozavarovalnica Triglav Re d.d., Ljubljana	46	46	0
Triglav, Zdravstvena zavarovalnica d.d., Koper	88	84	4
Skupna pokojninska družba d.d., Ljubljana	18	18	0
Triglav Osiguranje d.d., Zagreb	561	528	33
Triglav Osiguranje d.d., Sarajevo	249	243	6
Lovćen Osiguranje a.d., Podgorica	253	253	0
Triglav Osiguranje a.d.o., Belgrade	528	511	17
Triglav Osiguranje a.d., Banja Luka	84	83	1
Triglav Osiguruvanje a.d., Skopje	261	260	1
Lovćen životna osiguranja a.d., Podgorica	15	14	1
Triglav INT d.d., Ljubljana	23	24	-1
Triglav Skladi d.o.o., Ljubljana	41	41	0
Triglav Avtoservis d.o.o., Ljubljana	28	28	0
Triglav Svetovanje d.o.o., Domžale	85	81	4
Triglav, Upravljanje nepremičnin d.d., Ljubljana	148	149	-1
Triglav Naložbe d.d., Ljubljana			0
Slovenijales d.d., Ljubljana			0
Golf Arboretum d.o.o., Volčji potok	9	11	-2
TRI-LIFE d.o.o., Zagreb	27	26	1
Triglav Savetovanje d.o.o., Belgrade	8		8
TRI-PRO BH d.o.o., Sarajevo	43	41	2
Unis automobili i dijelovi d.o.o., Sarajevo	26	26	0
Autocentar BH d.o.o., Sarajevo	42	43	-1
Sarajevostan d.d., Sarajevo	126	124	2
Triglav Auto d.o.o., Banja Luka			0
Lovćen Auto a.d., Podgorica	107	107	0
Avrigo d.o.o., Nova Gorica		205	-205
Integral Notranjska d.o.o., Cerknica		16	-16
Integral Zagorje d.o.o., Zagorje ob Savi		48	-48
Integral Stojna Kočevje d.o.o., Kočevje		28	-28
Alptours d.o.o., Bovec			0
<b>Total</b>	<b>5,171</b>	<b>5,379</b>	<b>-208</b>

### 7.2 Educational structure of employees

Compared to the 2015 year-end, in the educational structure of employees an increase was registered in the number of employees with higher education, with masters or doctoral degrees and secondary school education degrees, while the number of staff with post-secondary education or less decreased.

*Employees of the Triglav Group as at 31 March 2016 and 31 December 2015 - structure by education level*

Level of education	Employees as at 31 March 2016		Employees as at 31 December 2015	
	Number	Percentage	Number	Percentage
Level I-IV	1,098	21.2%	1,267	23.6%
Level V	1,555	30.1%	1,553	28.9%
Level VI	747	14.4%	622	11.6%
Level VII	1,607	31.1%	1,773	33.0%
Masters and PhD	164	3.2%	164	3.0%
<b>Total</b>	<b>5,171</b>	<b>100.0%</b>	<b>5,379</b>	<b>100.0%</b>

# FINANCIAL OVERVIEW

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board herewith confirms the financial statements for the period from 1 January 2016 to 31 March 2016 as well as the applied accounting policies and notes to the financial statements.

The Management Board is responsible for preparing the Interim Report so as to give a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Triglav Group and Zavarovalnica Triglav, d.d. for the period from 1 January 2016 to 31 March 2016 in accordance with IAS 34 – Interim reporting.

The Management Board confirms that the appropriate accounting policies were consistently used and that the accounting estimates were prepared according to the principles of prudence and sound management. The Management Board further confirms that the financial statements and the notes thereto were prepared on a going concern basis for the Triglav Group and Zavarovalnica Triglav, d.d. and in line with the applicable legislation and International Financial Reporting Standards, as adopted by the EU.

The Management Board confirms that the Interim Management Report of the Triglav Group and Zavarovalnica Triglav, d.d. for the period from 1 January 2016 to 31 March 2016 includes a fair review of their business developments, results and financial positions, including a description of the major risks to which Zavarovalnica Triglav as the parent company and its consolidated subsidiaries are exposed to as the Group.

The Management Board is also responsible for appropriate accounting practices, the adoption of appropriate measures for the safeguarding of assets, and for the prevention and detection of fraud and other irregularities or illegal acts.

Andrej Slapar

President of the Management Board

Benjamin Jošar

Member of the Management Board

Uroš Ivanc

Member of the Management Board

Tadej Čoroli

Member of the Management Board

Marica Makoter

Member of the Management Board

Ljubljana, 11 May 2016

# 1. FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
<b>ASSETS</b>	<b>3,570,278,536</b>	<b>3,493,456,800</b>	<b>2,750,718,441</b>	<b>2,685,432,591</b>
Intangible assets	75,565,467	70,132,332	57,827,938	53,143,644
Property, plant and equipment	114,675,495	121,810,360	66,520,559	67,034,994
Deferred tax assets	15,896,771	15,993,688	0	0
Investment property	87,308,044	79,475,283	52,004,323	52,870,808
Investments in subsidiaries	0	0	128,867,506	134,689,036
Investments in associates	6,694,178	6,939,700	7,259,875	7,259,875
Financial assets	2,898,654,846	2,873,436,783	2,203,506,338	2,194,440,477
Financial investments	2,460,005,013	2,408,702,860	1,782,593,209	1,747,850,916
- loans and investments	141,432,306	183,872,219	63,263,234	108,581,747
- held to maturity	235,581,142	242,406,400	171,479,889	178,250,255
- available for sale	1,706,356,256	1,607,681,638	1,354,012,884	1,268,278,321
- recognised at fair value through profit and loss	376,635,309	374,742,603	193,837,202	192,740,593
Unit - linked insurance assets	438,649,833	464,733,923	420,913,129	446,589,561
Reinsurers' share of technical provisions	83,937,639	68,724,305	83,343,457	69,935,394
Receivables	205,134,120	166,443,733	120,435,293	95,716,726
- receivables from direct insurance operations	112,248,855	83,249,006	82,909,308	57,959,013
- receivables from reinsurance and coinsurance operations	46,085,642	42,823,668	6,317,904	12,219,198
- current tax receivables	313,844	301,273	0	0
- other receivables	46,485,779	40,069,786	31,208,081	25,538,515
Other assets	8,642,863	8,134,762	3,007,495	2,791,679
Cash and cash equivalents	72,750,499	47,928,768	27,945,658	7,549,958
Non - current assets held for sale	1,018,614	34,437,086	0	0
<b>EQUITY AND LIABILITIES</b>	<b>3,570,278,536</b>	<b>3,493,456,800</b>	<b>2,750,718,441</b>	<b>2,685,432,591</b>
Equity	734,883,600	704,044,499	560,063,170	530,560,272
Controlling interests	723,766,389	692,925,865	560,063,170	530,560,272
- share capital	73,701,392	73,701,392	73,701,392	73,701,392
- share premium	54,753,518	54,955,912	53,412,884	53,412,884
- reserves from profit	267,664,817	300,945,466	251,362,643	282,666,281
- treasury share reserves	364,680	452,880	0	0
- treasury shares	-364,680	-452,880	0	0
- fair value reserve	86,077,103	77,567,319	64,074,579	55,751,443
- net profit brought forward	223,587,071	104,503,874	96,331,910	7,210,810
- net profit/loss for the year	22,397,957	85,802,552	21,179,761	57,817,462
- currency translation differences	-4,415,469	-4,510,483	0	0
- reserve of disposal group held for sale	0	-40,167	0	0
Non - controlling interests	11,117,211	11,118,634	0	0
Subordinated liabilities	17,821,608	18,752,252	21,102,670	21,101,278
Insurance technical provisions	2,196,343,630	2,143,395,211	1,655,494,203	1,614,944,129
- unearned premiums	296,341,020	252,057,956	217,485,612	180,558,991
- mathematical provisions	1,231,635,457	1,219,737,727	935,609,136	925,402,898
- claims provisions	638,639,924	642,687,051	479,266,415	486,247,722
- other insurance technical provisions	29,727,229	28,912,477	23,133,040	22,734,518
Insurance technical provisions for unit - linked insurance contracts	435,649,414	457,046,912	418,098,420	438,920,157
Employee benefits	12,361,892	12,225,131	9,325,559	9,189,038
Other provisions	1,580,391	3,854,844	427,342	381,762
Deferred tax liabilities	25,642,220	23,188,796	9,802,753	6,268,154
Other financial liabilities	8,453,733	3,784,282	6,713,820	1,752,990
Operating liabilities	69,903,386	48,388,725	34,817,038	23,886,713
- liabilities from direct insurance operations	18,586,558	16,617,928	11,639,050	10,985,581
- liabilities from reinsurance and co - insurance operations	45,210,431	28,053,630	17,959,829	10,264,596
- current tax liabilities	6,106,397	3,717,167	5,218,159	2,636,536
Other liabilities	67,638,662	66,341,975	34,873,466	38,428,098
Non - current liabilities held for sale and discontinued operations	0	12,434,173	0	0

INCOME STATEMENT	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
<b>NET PREMIUM INCOME</b>	<b>201,612,902</b>	<b>204,589,296</b>	<b>122,561,673</b>	<b>127,495,679</b>
- gross written premium	258,654,337	260,094,674	172,518,383	174,625,238
- ceded written premium	-31,304,580	-28,747,170	-31,434,675	-27,989,935
- change in unearned premium reserve	-25,736,855	-26,758,208	-18,522,035	-19,139,624
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>30,502,949</b>	<b>113,452,609</b>	<b>25,311,591</b>	<b>90,729,748</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,990,558	3,265,857	8,560,987	991,178
- profit on equity investments accounted for using the equity method	16,980	744,649	0	0
- interest income	34,859	0	190,160	991,071
- dividends	0	0	0	0
- fair value gains	10,250	67,857	0	0
- realised gains on disposals	2,928,469	2,453,243	8,367,185	0
- other financial income	0	107	3,642	107
INCOME FROM OTHER FINANCIAL ASSETS	26,445,992	62,736,841	16,119,871	44,152,217
- interest income	17,018,532	19,930,243	11,923,912	13,429,255
- dividends	29,885	120,474	3,922	120,474
- fair value gains	3,728,800	22,294,201	1,680,776	13,733,919
- realised gains on disposals	4,912,794	14,884,177	2,476,583	13,848,821
- other financial income	755,981	5,507,746	34,677	3,019,748
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	1,066,399	47,449,911	630,733	45,586,352
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>2,131,016</b>	<b>3,551,920</b>	<b>5,986,822</b>	<b>5,589,902</b>
- fees and commission income	1,031,665	2,269,519	5,101,983	4,290,585
- other income from insurance operations	1,099,351	1,282,401	884,839	1,299,317
<b>OTHER INCOME</b>	<b>20,047,867</b>	<b>18,867,746</b>	<b>2,716,679</b>	<b>1,703,748</b>
<b>NET CLAIMS INCURRED</b>	<b>139,691,535</b>	<b>144,046,701</b>	<b>84,841,064</b>	<b>91,993,847</b>
- gross claims settled	147,299,208	148,826,374	95,723,632	97,450,935
- reinsurers' share	-3,191,222	-5,091,102	-4,127,856	-5,236,404
- changes in claims provisions	-6,074,005	-1,280,530	-6,754,712	-220,683
- equalisation scheme expenses for supplementary health insurance	1,657,554	1,591,959	0	0
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>5,790,638</b>	<b>26,420,690</b>	<b>3,527,189</b>	<b>16,688,896</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>-21,658,306</b>	<b>40,310,246</b>	<b>-20,821,737</b>	<b>38,173,027</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>2,708,374</b>	<b>2,529,957</b>	<b>2,180,610</b>	<b>1,961,809</b>
<b>CHANGE IN FINANCIAL CONTRACT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES</b>	<b>47,099,622</b>	<b>46,955,315</b>	<b>32,699,202</b>	<b>32,338,228</b>
- acquisition costs	31,123,269	31,475,938	23,518,259	23,426,630
- other operating costs	15,976,353	15,479,377	9,180,944	8,911,598
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>33,701,519</b>	<b>21,495,729</b>	<b>24,339,836</b>	<b>15,810,058</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	171,445	84,094	3,396	20,772
- loss on investments accounted for using the equity method	171,445	63,322	0	0
- interest expense	0	0	0	0
- fair value losses	0	0	0	0
- realised loss on disposals	0	0	0	0
- loss on impairment of financial assets	0	0	0	0
- other expenses from financial assets and liabilities	0	20,772	3,396	20,772
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	17,516,318	20,814,781	9,592,907	15,210,276
- interest expense	483,148	494,653	330,941	449,911
- fair value losses	867,697	11,060,734	824,698	9,130,472
- realised loss on disposals	4,814,914	4,247,162	4,356,976	4,104,018
- loss on impairment of financial assets	2,000,507	21,076	2,000,507	0
- other expenses from financial assets and liabilities	9,350,052	4,991,156	2,079,786	1,525,875
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	16,013,756	596,854	14,743,533	579,010
<b>OTHER INSURANCE EXPENSES</b>	<b>4,480,144</b>	<b>5,081,439</b>	<b>2,327,121</b>	<b>2,531,757</b>
<b>OTHER EXPENSES</b>	<b>14,255,062</b>	<b>16,411,284</b>	<b>1,183,254</b>	<b>496,173</b>
<b>PROFIT BEFORE TAX</b>	<b>28,226,146</b>	<b>37,210,210</b>	<b>26,300,224</b>	<b>25,525,281</b>
Income tax expense	5,581,109	6,136,774	5,120,463	5,275,654
<b>NET PROFIT FOR THE PERIOD</b>	<b>22,645,037</b>	<b>31,073,436</b>	<b>21,179,761</b>	<b>20,249,627</b>
Earnings per share (basic and diluted)	1.00	1.37		
Net profit/loss attributable to the controlling company	22,397,957	30,923,307		
Net profit/loss attributable to the non-controlling interest holders	247,080	150,129		

in EUR

STATEMENT OF OTHER COMPREHENSIVE INCOME	Triglav Group		Zavarovalnica Triglav	
	Q 1 2016	Q 1 2015	Q 1 2016	Q 1 2015
<b>Net profit for the period after tax</b>	<b>22,645,037</b>	<b>31,073,436</b>	<b>21,179,761</b>	<b>20,249,627</b>
<b>Other comprehensive income after tax</b>	<b>8,350,336</b>	<b>24,287,819</b>	<b>8,323,137</b>	<b>12,572,169</b>
Items which will not be transferred in P&L in future periods	0	0	0	0
Fair value gains/losses on PP&E and intangible assets	0	0	0	0
Actuarial gains/losses for pension plans	0	0	0	0
Share of OCI of entities accounted for using the equity method	0	0	0	0
Other items which will not be transferred in P&L	0	0	0	0
Tax on items which will not be transferred in P&L	0	0	0	0
Items which could be transferred into P&L in future periods	8,350,336	24,287,819	8,323,137	12,572,169
Fair value gains/losses on available-for-sale financial assets	16,568,060	40,544,224	16,878,276	27,253,145
- net gains/losses recognized directly in equity	18,166,084	45,537,310	16,374,746	31,918,061
- transfers from equity to income statement	-1,598,024	-4,993,086	503,530	-4,664,916
Fair value gains / losses on non-current assets held for sale	0	988,802	0	0
Fair value gains/losses on cashflow hedges	0	0	0	0
Share of OCI of entities accounted for using the equity method	127,484	-57,873	0	0
Liabilities from insurance contracts with DPF	-7,082,149	-10,100,549	-7,082,149	-10,100,549
Currency translation differences	88,318	99,638	0	0
Tax on other comprehensive income	-1,351,377	-6,197,621	-1,472,990	-4,580,429
<b>COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX</b>	<b>30,995,373</b>	<b>55,361,255</b>	<b>29,502,898</b>	<b>32,821,796</b>
Controlling interest	31,002,751	54,856,578	0	0
Non-controlling interest	-7,378	504,675	0	0

STATEMENT OF CHANGES IN EQUITY TRIGLAV GROUP	Reserves from profit														in EUR	
	Share capital	Share premium	Contingency reserves	Legal and statutory reserves	Treasury share reserves	Treasury shares (deductible item)	Credit risk reserves	Other reserves from profit	Fair value reserve	Reserve of disposal group held for sale	Net profit/loss brought forward	Net profit/loss	Translation differences	Total equity attributable to the controlling company	Equity attributable to non-controlling interest holders	TOTAL
As at 31 December 2015	73,701,392	54,955,912	592,269	20,371,784	452,880	-452,880	33,281,412	246,700,001	77,567,319	-40,167	104,503,874	85,802,552	-4,510,483	692,925,864	11,118,634	704,044,499
Calculations for previous periods	0	0	0	0	0	0	-33,280,648	0	0	0	33,280,648	0	0	0	0	0
As at 1 January 2016	73,701,392	54,955,912	592,269	20,371,784	452,880	-452,880	764	246,700,001	77,567,319	-40,167	137,784,522	85,802,552	-4,510,483	692,925,864	11,118,634	704,044,499
Comprehensive income for the period from 1 January 2016 to 31 March 2016	0	0	0	0	0	0	0	0	8,509,784	0	0	22,397,957	95,013	31,002,751	-7,378	30,995,373
Allocation to net profit/loss brought forward	0	0	0	0	0	0	0	0	0	0	85,802,552	-85,802,552	0	0	0	0
Changes in consolidation area	0	-202,393	0	0	-88,200	88,200	0	0	0	40,167	0	0	0	-162,226	5,955	-156,271
As at 31 March 2016	73,701,392	54,753,519	592,269	20,371,784	364,680	-364,680	764	246,700,001	86,077,103	0	223,587,074	22,397,957	-4,415,470	723,766,389	11,117,211	734,883,600
As at 1 January 2015	73,701,392	56,908,216	584,478	20,014,860	452,880	-452,880	32,431,700	246,700,001	94,940,029	1,214,258	96,705,983	62,769,801	-4,558,557	681,412,161	6,728,610	688,140,771
Comprehensive income for the period from 1 January 2015 to 31 March 2015	0	0	0	0	0	0	0	0	23,836,506	0	0	30,923,307	96,766	54,856,577	504,677	55,361,254
Allocation to net profit/loss brought forward	0	0	0	0	0	0	0	0	0	0	62,769,801	-62,769,801	0	0	0	0
Allocation and use of reserves for credit risk	0	0	0	0	0	0	127,209	0	0	0	0	-127,209	0	0	0	0
Allocation to reserves from profit	0	0	0	4,387	0	0	0	0	0	0	-4,387	0	0	0	0	0
Changes in consolidation area	0	122,898	0	0	0	0	0	0	0	0	0	0	0	122,898	-36,044	86,856
External acquisition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,018,765	4,018,764
As at 31 March 2015	73,701,392	57,031,113	584,478	20,019,247	452,880	-452,880	32,558,909	246,700,001	118,776,535	1,214,258	159,471,397	30,796,098	-4,461,791	736,391,637	11,216,007	747,607,644

STATEMENT OF CHANGES IN EQUITY ZAVAROVALNICA TRIGLAV	Reserves from profit							in EUR	
	Share capital	Share premium	Legal and statutory reserves	Credit risk reserves	Other reserves from profit	Fair value reserve	Net profit/loss brought forward	Net profit/loss	TOTAL EQUITY
<b>As at 31 December 2015</b>	<b>73,701,392</b>	<b>53,412,884</b>	<b>4,662,643</b>	<b>31,303,638</b>	<b>246,700,000</b>	<b>55,751,443</b>	<b>7,210,810</b>	<b>57,817,462</b>	<b>530,560,272</b>
Calculations for previous periods	0	0	0	-31,303,638	0	0	31,303,638	0	0
<b>As at 1 January 2016</b>	<b>73,701,392</b>	<b>53,412,884</b>	<b>4,662,643</b>	<b>0</b>	<b>246,700,000</b>	<b>55,751,443</b>	<b>38,514,448</b>	<b>57,817,462</b>	<b>530,560,272</b>
Comprehensive income for the period from 1 January 2016 to 31 March 2016	0	0	0	0	0	8,323,137	0	21,179,761	29,502,898
Allocation to net profit/loss brought forward	0	0	0	0	0	0	57,817,462	-57,817,462	0
<b>As at 31 March 2016</b>	<b>73,701,392</b>	<b>53,412,884</b>	<b>4,662,643</b>	<b>0</b>	<b>246,700,000</b>	<b>64,074,579</b>	<b>96,331,910</b>	<b>21,179,761</b>	<b>560,063,170</b>
<b>As at 1 January 2015</b>	<b>73,701,392</b>	<b>53,412,885</b>	<b>4,662,643</b>	<b>30,615,282</b>	<b>246,700,000</b>	<b>73,221,229</b>	<b>38,565,461</b>	<b>23,121,576</b>	<b>544,000,468</b>
Comprehensive income for the period from 1 January 2015 to 31 March 2015	0	0	0	0	0	12,572,167	0	20,249,629	32,821,796
Allocation to net profit/loss brought forward	0	0	0	0	0	0	23,121,576	-23,121,576	0
Change in consolidation area	0	0	0	0	0	0	2,386,985	0	2,386,985
<b>As at 31 March 2015</b>	<b>73,701,392</b>	<b>53,412,885</b>	<b>4,662,643</b>	<b>30,615,282</b>	<b>246,700,000</b>	<b>85,793,396</b>	<b>64,074,022</b>	<b>20,249,629</b>	<b>579,209,249</b>

## CASH FLOW STATEMENT

in EUR

	Triglav Group		Zavarovalnica Triglav	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
<b>A. OPERATING CASH FLOW</b>				
<b>Income statement items</b>	<b>34,289,006</b>	<b>43,417,017</b>	<b>22,502,386</b>	<b>26,760,949</b>
Operating income(excluding revaluation ) and financial income from operating receivables	259,171,056	269,593,470	145,496,514	151,542,083
Operating expenses excluding depreciation (except for revaluations) and financial expenses for operating liabilities	-222,804,157	-223,196,022	-121,795,368	-122,652,382
Corporate income tax and other taxes excluded from operating expenses	-2,077,893	-2,980,431	-1,198,761	-2,128,752
<b>Changes in net current assets (and deferred items, provisions and deferred tax assets and liabilities) and in operating balance-sheet items</b>	<b>-13,298,165</b>	<b>-31,220,690</b>	<b>-14,636,247</b>	<b>-22,788,060</b>
Movements in receivables and prepayments and accrued income	-30,654,086	-49,486,698	-20,370,023	-26,173,475
Movements in deferred tax assets	-1,845,366	-167,079	0	0
Movements in inventories	-290,427	-189,398	-1,567	-11,743
Movements in operating debts	19,367,718	13,977,266	6,070,561	4,508,746
Movements in accruals and deferred income and provisions	1,594,469	3,459,786	-335,218	-1,111,588
Movements in deferred tax liabilities	-1,470,473	1,185,433	0	0
<b>OPERATING CASH FLOW</b>	<b>20,990,841</b>	<b>12,196,327</b>	<b>7,866,138</b>	<b>3,972,890</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash inflows from investing activities</b>	<b>455,105,100</b>	<b>562,198,506</b>	<b>341,141,665</b>	<b>456,182,395</b>
Cash inflows from interest received and profit sharing arising from investing activities	21,027,636	25,600,119	15,850,158	21,446,252
Income from dividends and profit sharing	26,467	317,057	504	117,056
Cash inflows from the disposal of intangible assets	0	0	0	0
Cash inflows from the disposal of property, plant and equipment	19,441,407	90,280	587,526	26,547
Cash inflows from the disposal of financial investments	400,420,875	536,191,050	310,514,761	434,592,541
Cash inflows for the acquisition of financial investments in associates	14,188,715	0	14,188,715	0
<b>Cash outflows from investing activities</b>	<b>-449,984,696</b>	<b>-572,957,764</b>	<b>-327,346,811</b>	<b>-453,360,936</b>
Cash outflows for the purchase of intangible assets	-1,257,308	-1,038,638	-1,030,979	-816,495
Cash outflows for the purchase of property, plant and equipment	-3,679,830	-2,226,834	-549,405	-536,957
Cash outflows for the purchase of financial investments	-445,047,558	-565,082,348	-325,766,427	-440,202,530
Cash outflows for the acquisition of financial investments in associates	0	-4,609,944	0	-11,804,954
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>5,120,404</b>	<b>-10,759,258</b>	<b>13,794,854</b>	<b>2,821,459</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash inflows from financing activities</b>	<b>5,405</b>	<b>678,550</b>	<b>0</b>	<b>0</b>
Receipts from issuance of capital	5,405	0	0	0
Cash inflows from long-term loans received	0	664,250	0	0
Cash inflows from short-term loans received	0	14,300	0	0
<b>Cash outflows from financing activities</b>	<b>-1,265,293</b>	<b>-2,739,081</b>	<b>-1,265,293</b>	<b>-1,795,293</b>
Interest paid from financing activities	-1,257,116	-1,785,000	-1,257,116	-1,785,000
Cash outflows for payments of financial liabilities	0	-943,788	0	0
Cash outflows from dividends paid and profit sharing	-8,177	-10,293	-8,177	-10,293
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-1,259,888</b>	<b>-2,060,531</b>	<b>-1,265,293</b>	<b>-1,795,293</b>
<b>D. Opening balance of cash and cash equivalents</b>	<b>47,928,768</b>	<b>22,858,388</b>	<b>7,549,958</b>	<b>5,650,669</b>
<b>E1. Net cash flow for the period</b>	<b>24,851,357</b>	<b>-623,462</b>	<b>20,395,699</b>	<b>4,999,056</b>
<b>E2. Mergers and acquisitions</b>	<b>0</b>	<b>15,456,539</b>	<b>0</b>	<b>0</b>
<b>E3. Foreign exchange differences</b>	<b>-29,626</b>	<b>9,283</b>	<b>0</b>	<b>0</b>
<b>E4. Transfer of cash to non-current assets held for sale</b>	<b>0</b>	<b>-203,555</b>	<b>0</b>	<b>0</b>
<b>F. Closing balance of cash and cash equivalents</b>	<b>72,750,499</b>	<b>37,497,193</b>	<b>27,945,658</b>	<b>10,649,725</b>

## **2. SELECTED NOTES TO THE FINANCIAL STATEMENTS**

### **2.1 Statement of compliance**

The financial statements for the period from 1 January 2016 to 31 March 2016 have been prepared in accordance with IAS 34 - Interim Financial Reporting.

Pursuant to requirements of the national legislation, separate financial statements of Zavarovalnica Triglav have been prepared in accordance with IFRS as adopted by the European Union (hereinafter »IFRS«).

In addition to separate financial statements, Zavarovalnica Triglav also prepares consolidated financial statements in line with the IFRS. Entities in which the Zavarovalnica Triglav directly or indirectly holds more than half of the voting rights have been fully consolidated.

To acquire accurate information on the financial position and business results of the entire Triglav Group, separate financial statements of Zavarovalnica Triglav should be considered jointly with the consolidated financial statement.

The financial statements for the period from 1 January 2016 to 31 March 2016 have not been audited.

### **2.2 Significant accounting policies and estimates**

The same accounting policies as for the preparation of the annual financial statements for 2015 were used for the preparation of the financial statements for the first quarter of 2016. As of 1 January 2016, credit risk equalisation reserves recognised under equity were reversed and the total amount of EUR 31,303,638 was transferred to the net profit brought forward. The reason for the reversal of these reserves was the amendment to the Insurance Act (ZZavar-1), under which equalisation reserves for credit insurance were no longer required as of 1 January 2016.

The tax expense calculation for the first quarter of 2016 was made by applying the average effective tax rate of 2015.

In the reporting period, there were no significant changes of accounting estimates for amounts which were reported in the preceding financial year.

### **2.3 Seasonal operations**

Operations of Zavarovalnica Triglav are not of a seasonal character. In the first quarter of 2016, gross written premium in non-life insurance was somewhat higher than in the remaining part of the year, as insurance to corporate clients is sold at the beginning of the year (as policies expire at the beginning of the financial year).

## **2.4 Segmental analysis of the Triglav Group operations**

The management monitors the operations of Triglav Group based on the following segments:

- business segments (non-life insurance, life insurance, health insurance, non-insurance operations);
- geographical segments (separately for Slovenia and other countries).

The consolidated statement of financial position and the consolidated income statement by business segment and geographical area are given below.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
BY SEGMENT**

31 March 2016

	Non-life	Life	Health	Other	TOTAL NON- CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
<b>ASSETS</b>	<b>1,775,121,835</b>	<b>1,885,885,729</b>	<b>52,889,543</b>	<b>189,954,087</b>	<b>3,903,851,194</b>	<b>-333,572,658</b>	<b>3,570,278,536</b>
Intangible assets	69,126,436	1,565,926	714,714	4,158,391	75,565,467	0	75,565,467
Property, plant and equipment	85,394,343	10,609,651	1,394,828	17,276,673	114,675,495	0	114,675,495
Deferred tax assets	12,636,076	1,279,191	468,229	1,513,275	15,896,771	0	15,896,771
Investment property	63,263,740	2,327,360	0	16,352,973	81,944,073	5,363,971	87,308,044
Investments in subsidiaries	127,674,077	11,625,551	0	59,838,588	199,138,216	-199,138,216	0
Investments in associates	0	4,151,679	0	2,542,499	6,694,178	0	6,694,178
Financial assets	1,002,123,821	1,823,099,515	45,194,132	45,665,588	2,916,083,056	-17,428,210	2,898,654,846
Financial investments:	1,002,123,821	1,384,449,682	45,194,132	45,665,588	2,477,433,223	-17,428,210	2,460,005,013
- loans and deposits	85,039,381	59,657,872	3,656,528	5,840,104	154,193,885	-12,761,579	141,432,306
- held to maturity	0	235,581,142	0	0	235,581,142	0	235,581,142
- available for sale	906,875,659	722,284,739	41,537,604	39,825,484	1,710,523,486	-4,167,230	1,706,356,256
- recognised at fair value through profit and loss	10,208,781	366,925,929	0	0	377,134,710	-499,401	376,635,309
Unit-linked insurance assets	0	438,649,833	0	0	438,649,833	0	438,649,833
Reinsurers' share of technical provisions	161,308,308	12,102	29,166	0	161,349,576	-77,411,937	83,937,639
Receivables	221,892,104	11,191,703	4,714,596	11,774,702	249,573,105	-44,438,985	205,134,120
- receivables from direct insurance operations	110,430,600	602,737	3,785,417	0	114,818,754	-2,569,899	112,248,855
- receivables from reinsurance and co-insurance operations	71,445,538	66,955	54,655	0	71,567,148	-25,481,506	46,085,642
- current tax receivables	308,975	154	0	4,715	313,844	0	313,844
- other receivables	39,706,991	10,521,857	874,524	11,769,987	62,873,359	-16,387,580	46,485,779
Other assets	4,753,509	112,068	35,784	4,260,783	9,162,144	-519,281	8,642,863
Cash and cash equivalents	26,949,421	19,910,983	338,094	25,552,001	72,750,499	0	72,750,499
Non-current assets held for sale	0	0	0	1,018,614	1,018,614	0	1,018,614
<b>EQUITY AND LIABILITIES</b>	<b>1,775,121,835</b>	<b>1,885,885,729</b>	<b>52,889,543</b>	<b>189,954,087</b>	<b>3,903,851,194</b>	<b>-333,572,658</b>	<b>3,570,278,536</b>
Equity	578,882,013	158,729,984	29,500,487	161,503,405	928,615,889	-193,732,289	734,883,600
Controlling interests	578,882,013	158,729,984	29,500,487	161,503,405	928,615,889	-204,849,500	723,766,389
- share capital	122,357,952	41,915,113	25,822,144	156,710,786	346,805,995	-273,104,603	73,701,392
- share premium	42,947,231	13,658,827	0	26,428,020	83,034,078	-28,280,560	54,753,518
- reserves from profit	222,733,876	47,036,140	102,761	1,956,708	271,829,485	-4,164,668	267,664,817
- fair value reserve	61,715,640	13,699,228	1,512,331	20,095,661	97,022,860	-10,945,757	86,077,103
- net profit brought forward	112,648,745	40,494,169	951,204	-54,404,600	99,689,518	123,897,553	223,587,071
- net profit for the year	19,114,478	2,959,405	1,112,047	11,483,992	34,669,922	-12,271,965	22,397,957
- currency translation differences	-2,635,909	-1,032,898	0	-767,162	-4,435,969	20,500	-4,415,469
- reserve of disposal group held for sale	0	0	0	0	0	0	0
Non-controlling interests	0	0	0	0	0	11,117,211	11,117,211
Subordinated liabilities	12,438,145	10,029,329	1,500,000	0	23,967,474	-6,145,866	17,821,608
Insurance technical provisions	1,006,101,588	1,254,097,502	13,632,223	0	2,273,831,313	-77,487,683	2,196,343,630
- unearned premiums	319,559,966	515,369	2,765,728	0	322,841,063	-26,500,043	296,341,020
- mathematical provisions	0	1,231,635,457	0	0	1,231,635,457	0	1,231,635,457
- claims provisions	661,186,336	19,124,593	9,216,322	0	689,527,251	-50,887,327	638,639,924
- other insurance technical provisions	25,355,286	2,822,083	1,650,173	0	29,827,542	-100,313	29,727,229
Insurance technical provisions for unit-linked insurance contracts	0	435,649,414	0	0	435,649,414	0	435,649,414
Employee benefits	9,349,039	1,866,361	376,003	770,489	12,361,892	0	12,361,892
Other provisions	1,103,682	-259,378	256,630	479,457	1,580,391	0	1,580,391
Deferred tax liabilities	17,206,986	6,092,585	0	2,342,649	25,642,220	0	25,642,220
Other financial liabilities	5,817,189	3,101,552	24,646	1,549,476	10,492,863	-2,039,130	8,453,733
Operating liabilities	86,088,032	7,963,820	3,775,565	296,888	98,124,305	-28,220,919	69,903,386
- liabilities from direct insurance operations	7,530,797	7,866,584	3,749,321	0	19,146,702	-560,144	18,586,558
- liabilities from reinsurance and co-insurance operations	72,747,726	97,236	26,244	0	72,871,206	-27,660,775	45,210,431
- current tax liabilities	5,809,509	0	0	296,888	6,106,397	0	6,106,397
Other liabilities	58,135,161	8,614,558	3,823,991	23,011,723	93,585,433	-25,946,771	67,638,662
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0	0	0

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
BY SEGMENT**

31 December 2015

	Non-life	Life	Health	Other	TOTAL NON- CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
<b>ASSETS</b>	<b>1,679,001,567</b>	<b>1,889,678,781</b>	<b>50,604,574</b>	<b>210,850,496</b>	<b>3,830,135,418</b>	<b>-336,678,617</b>	<b>3,493,456,801</b>
Intangible assets	63,377,779	1,712,780	719,922	4,428,428	70,238,909	-106,577	70,132,332
Property, plant and equipment	86,951,057	10,775,245	1,441,300	24,002,591	123,170,193	-1,359,833	121,810,360
Deferred tax assets	14,008,148	1,289,370	560,675	511,746	16,369,939	-376,251	15,993,688
Investment property	62,922,320	2,340,472	0	14,260,530	79,523,322	-48,039	79,475,283
Investments in subsidiaries	133,536,347	11,644,151	0	55,021,301	200,201,799	-200,201,799	0
Investments in associates	0	4,206,493	0	5,516,391	9,722,884	-2,783,184	6,939,700
Financial assets	968,653,371	1,835,345,188	43,252,890	53,452,910	2,900,704,359	-27,267,576	2,873,436,783
Financial investments:	968,653,371	1,370,611,265	43,252,890	53,452,910	2,435,970,436	-27,267,576	2,408,702,860
- loans and deposits	99,310,574	91,929,553	3,450,433	12,631,671	207,322,231	-23,450,012	183,872,219
- held to maturity	0	242,406,400	0	0	242,406,400	0	242,406,400
- available for sale	858,642,721	671,189,004	39,802,457	40,821,239	1,610,455,421	-2,773,783	1,607,681,638
- recognised at fair value through profit and loss	10,700,076	365,086,308	0	0	375,786,384	-1,043,781	374,742,603
Unit-linked insurance assets	0	464,733,923	0	0	464,733,923	0	464,733,923
Reinsurers' share of technical provisions	135,405,518	18,982	9,264	0	135,433,764	-66,709,459	68,724,305
Receivables	192,056,461	7,410,928	4,543,950	21,340,783	225,352,122	-58,908,388	166,443,734
- receivables from direct insurance operations	81,032,421	590,747	3,609,052	0	85,232,220	-1,983,214	83,249,006
- receivables from reinsurance and co-insurance operations	73,340,738	31,639	33,225	0	73,405,602	-30,581,934	42,823,668
- current tax receivables	293,547	154	0	7,572	301,273	0	301,273
- other receivables	37,389,755	6,788,388	901,673	21,333,211	66,413,027	-26,343,240	40,069,787
Other assets	4,216,294	95,710	41,536	4,350,746	8,704,286	-569,524	8,134,762
Cash and cash equivalents	17,874,272	14,839,462	35,037	17,073,947	49,822,718	-1,893,950	47,928,768
Non-current assets held for sale	0	0	0	10,891,123	10,891,123	23,545,963	34,437,086
<b>EQUITY AND LIABILITIES</b>	<b>1,679,001,576</b>	<b>1,889,678,772</b>	<b>50,604,574</b>	<b>210,850,496</b>	<b>3,830,135,418</b>	<b>-336,678,618</b>	<b>3,493,456,800</b>
Equity	546,002,254	154,237,055	27,937,085	164,399,854	892,576,248	-188,531,746	704,044,502
Controlling interests	546,002,254	154,237,055	27,937,085	164,399,854	892,576,248	-199,650,380	692,925,868
- share capital	114,852,547	41,915,113	25,822,144	159,318,064	341,907,868	-268,206,472	73,701,396
- share premium	42,947,231	13,658,827	0	29,208,975	85,815,033	-30,859,122	54,955,911
- reserves from profit	256,014,524	47,036,140	102,761	2,780,443	305,933,868	-4,988,403	300,945,465
- fair value reserve	55,437,376	12,282,668	1,060,976	20,795,083	89,576,103	-12,008,784	77,567,319
- net profit brought forward	40,642,684	18,952,322	0	-36,651,961	22,943,045	81,560,829	104,503,874
- net profit for the year	38,725,413	21,541,847	951,204	-10,352,735	50,865,729	34,936,824	85,802,553
- currency translation differences	-2,617,521	-1,149,862	0	-698,015	-4,465,398	-45,085	-4,510,483
- reserve of disposal group held for sale	0	0	0	0	0	-40,167	-40,167
Non-controlling interests	0	0	0	0	0	11,118,634	11,118,634
Subordinated liabilities	12,437,213	10,028,667	1,500,000	0	23,965,880	-5,213,628	18,752,252
Insurance technical provisions	954,328,993	1,243,003,784	12,802,170	0	2,210,134,947	-66,739,736	2,143,395,211
- unearned premiums	264,095,070	437,990	1,967,811	0	266,500,871	-14,442,915	252,057,956
- mathematical provisions	0	1,219,737,727	0	0	1,219,737,727	0	1,219,737,727
- claims provisions	665,542,581	20,097,217	9,344,074	0	694,983,872	-52,296,821	642,687,051
- other insurance technical provisions	24,691,342	2,730,850	1,490,285	0	28,912,477	0	28,912,477
Insurance technical provisions for unit-linked insurance contracts	0	457,046,911	0	0	457,046,911	0	457,046,911
Employee benefits	9,228,780	1,844,498	377,843	1,307,063	12,758,184	-533,053	12,225,131
Other provisions	1,287,507	1,824,621	256,630	3,039,196	6,407,954	-2,553,110	3,854,844
Deferred tax liabilities	15,923,234	5,012,534	0	2,253,028	23,188,796	0	23,188,796
Other financial liabilities	2,123,870	1,111,726	98,854	17,482,923	20,817,373	-17,033,091	3,784,282
Operating liabilities	70,745,189	6,492,542	3,930,080	259,979	81,427,790	-33,039,065	48,388,725
- liabilities from direct insurance operations	7,160,205	6,464,014	3,908,662	0	17,532,881	-914,953	16,617,928
- liabilities from reinsurance and co-insurance operations	60,130,067	22,394	21,418	0	60,173,879	-32,120,249	28,053,630
- current tax liabilities	3,454,917	6,134	0	259,979	3,721,030	-3,863	3,717,167
Other liabilities	66,924,536	9,076,434	3,701,912	22,108,453	101,811,335	-35,469,362	66,341,973
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0	12,434,173	12,434,173

## STATEMENT OF FINANCIAL POSITION BY GEOGRAPHICAL AREA

31 March 2016

	Slovenia	Other	TOTAL NON-CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
<b>ASSETS</b>	<b>3,540,086,625</b>	<b>363,764,569</b>	<b>3,903,851,194</b>	<b>-333,572,658</b>	<b>3,570,278,536</b>
Intangible assets	62,740,979	12,824,488	75,565,467	0	75,565,467
Property, plant and equipment	81,632,272	33,043,223	114,675,495	0	114,675,495
Deferred tax assets	15,259,705	637,066	15,896,771	0	15,896,771
Investment property	63,536,964	18,407,109	81,944,073	5,363,971	87,308,044
Investments in subsidiaries	190,478,207	8,660,009	199,138,216	-199,138,216	0
Investments in associates	6,694,178	0	6,694,178	0	6,694,178
Financial assets	2,710,396,739	205,686,317	2,916,083,056	-17,428,210	2,898,654,846
Financial investments:	2,289,483,610	187,949,613	2,477,433,223	-17,428,210	2,460,005,013
- loans and deposits	93,179,172	61,014,713	154,193,885	-12,761,579	141,432,306
- held to maturity	216,852,760	18,728,382	235,581,142	0	235,581,142
- available for sale	1,606,562,396	103,961,090	1,710,523,486	-4,167,230	1,706,356,256
- recognised at fair value through profit and loss	372,889,282	4,245,428	377,134,710	-499,401	376,635,309
Unit-linked insurance assets	420,913,129	17,736,704	438,649,833	0	438,649,833
Reinsurers' share of technical provisions	137,288,696	24,060,880	161,349,576	-77,411,937	83,937,639
Receivables	202,053,725	47,519,380	249,573,105	-44,438,985	205,134,120
- receivables from direct insurance operations	86,699,387	28,119,367	114,818,754	-2,569,899	112,248,855
- receivables from reinsurance and co-insurance operations	69,732,011	1,835,137	71,567,148	-25,481,506	46,085,642
- current tax receivables	2,793	311,051	313,844	0	313,844
- other receivables	45,619,534	17,253,825	62,873,359	-16,387,580	46,485,779
Other assets	6,808,917	2,353,227	9,162,144	-519,281	8,642,863
Cash and cash equivalents	62,177,629	10,572,870	72,750,499	0	72,750,499
Non-current assets held for sale	1,018,614	0	1,018,614	0	1,018,614
<b>EQUITY AND LIABILITIES</b>	<b>3,540,086,625</b>	<b>363,764,569</b>	<b>3,903,851,194</b>	<b>-333,572,658</b>	<b>3,570,278,536</b>
Equity	834,010,022	94,605,867	928,615,889	-193,732,289	734,883,600
Controlling interests	834,010,022	94,605,867	928,615,889	-204,849,500	723,766,389
- share capital	251,669,197	95,136,798	346,805,995	-273,104,603	73,701,392
- share premium	81,578,529	1,455,549	83,034,078	-28,280,560	54,753,518
- reserves from profit	255,111,471	16,718,014	271,829,485	-4,164,668	267,664,817
- fair value reserve	93,533,108	3,489,752	97,022,860	-10,945,757	86,077,103
- net profit brought forward	116,644,114	-16,954,596	99,689,518	123,897,553	223,587,071
- net profit for the year	35,473,603	-803,681	34,669,922	-12,271,965	22,397,957
- currency translation differences	0	-4,435,969	-4,435,969	20,500	-4,415,469
- reserve of disposal group held for sale	0	0	0	0	0
Non-controlling interests	0	0	0	11,117,211	11,117,211
Subordinated liabilities	22,602,670	1,364,804	23,967,474	-6,145,866	17,821,608
Insurance technical provisions	2,068,003,794	205,827,519	2,273,831,313	-77,487,683	2,196,343,630
- unearned premiums	257,514,201	65,326,862	322,841,063	-26,500,043	296,341,020
- mathematical provisions	1,178,940,691	52,694,766	1,231,635,457	0	1,231,635,457
- claims provisions	606,353,164	83,174,087	689,527,251	-50,887,327	638,639,924
- other insurance technical provisions	25,195,738	4,631,804	29,827,542	-100,313	29,727,229
Insurance technical provisions for unit-linked insurance contracts	418,098,420	17,550,994	435,649,414	0	435,649,414
Employee benefits	10,662,018	1,699,874	12,361,892	0	12,361,892
Other provisions	792,466	787,925	1,580,391	0	1,580,391
Deferred tax liabilities	24,718,407	923,813	25,642,220	0	25,642,220
Other financial liabilities	9,082,893	1,409,970	10,492,863	-2,039,130	8,453,733
Operating liabilities	85,861,642	12,262,663	98,124,305	-28,220,919	69,903,386
- liabilities from direct insurance operations	16,037,756	3,108,946	19,146,702	-560,144	18,586,558
- liabilities from reinsurance and co-insurance operations	63,799,251	9,071,955	72,871,206	-27,660,775	45,210,431
- current tax liabilities	6,024,635	81,762	6,106,397	0	6,106,397
Other liabilities	66,254,293	27,331,140	93,585,433	-25,946,771	67,638,662
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0

## STATEMENT OF FINANCIAL POSITION BY GEOGRAPHICAL AREA

31 December 2015

	Slovenia	Other	TOTAL NON- CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
<b>ASSETS</b>	<b>3,475,955,971</b>	<b>354,179,447</b>	<b>3,830,135,418</b>	<b>-336,678,618</b>	<b>3,493,456,800</b>
Intangible assets	58,308,428	11,930,481	70,238,909	-106,577	70,132,332
Property, plant and equipment	88,915,999	34,254,194	123,170,193	-1,359,833	121,810,360
Deferred tax assets	15,692,464	677,475	16,369,939	-376,251	15,993,688
Investment property	62,223,242	17,300,080	79,523,322	-48,039	79,475,283
Investments in subsidiaries	191,482,451	8,719,348	200,201,799	-200,201,799	0
Investments in associates	9,722,884	0	9,722,884	-2,783,184	6,939,700
Financial assets	2,703,969,214	196,735,145	2,900,704,359	-27,267,576	2,873,436,783
Financial investments:	2,257,379,652	178,590,784	2,435,970,436	-27,267,576	2,408,702,860
- loans and deposits	147,216,758	60,105,473	207,322,231	-23,450,012	183,872,219
- held to maturity	223,562,676	18,843,724	242,406,400	0	242,406,400
- available for sale	1,514,419,654	96,035,767	1,610,455,421	-2,773,783	1,607,681,638
- recognised at fair value through profit and loss	372,180,564	3,605,820	375,786,384	-1,043,781	374,742,603
Unit-linked insurance assets	446,589,562	18,144,361	464,733,923	0	464,733,923
Reinsurers' share of technical provisions	116,118,364	19,315,400	135,433,764	-66,709,459	68,724,305
Receivables	179,223,864	46,128,258	225,352,122	-58,908,389	166,443,733
- receivables from direct insurance operations	61,568,523	23,663,697	85,232,220	-1,983,214	83,249,006
- receivables from reinsurance and co-insurance operations	66,267,315	7,138,287	73,405,602	-30,581,934	42,823,668
- current tax receivables	1,520	299,753	301,273	0	301,273
- other receivables	51,386,506	15,026,521	66,413,027	-26,343,241	40,069,786
Other assets	6,472,963	2,231,323	8,704,286	-569,524	8,134,762
Cash and cash equivalents	32,934,975	16,887,743	49,822,718	-1,893,950	47,928,768
Non-current assets held for sale	10,891,123	0	10,891,123	23,545,963	34,437,086
<b>EQUITY AND LIABILITIES</b>	<b>3,475,955,971</b>	<b>354,179,447</b>	<b>3,830,135,418</b>	<b>-336,678,618</b>	<b>3,493,456,800</b>
Equity	805,360,060	87,216,187	892,576,247	-188,531,748	704,044,499
Controlling interests	805,360,060	87,216,187	892,576,247	-199,650,382	692,925,865
- share capital	254,276,474	87,631,393	341,907,866	-268,206,474	73,701,392
- share premium	84,359,485	1,455,549	85,815,034	-30,859,122	54,955,912
- reserves from profit	289,215,855	16,718,014	305,933,869	-4,988,403	300,945,466
- fair value reserve	86,744,877	2,831,226	89,576,103	-12,008,784	77,567,319
- net profit brought forward	28,608,097	-5,665,052	22,943,045	81,560,829	104,503,874
- net profit for the year	62,155,272	-11,289,544	50,865,728	34,936,824	85,802,552
- currency translation differences	0	-4,465,398	-4,465,398	-45,085	-4,510,483
- reserve of disposal group held for sale	0	0	0	-40,167	-40,167
Non-controlling interests	0	0	0	11,118,634	11,118,634
Subordinated liabilities	22,601,278	1,364,602	23,965,880	-5,213,628	18,752,252
Insurance technical provisions	2,012,095,221	198,039,726	2,210,134,947	-66,739,736	2,143,395,211
- unearned premiums	206,018,138	60,482,733	266,500,871	-14,442,915	252,057,956
- mathematical provisions	1,168,121,665	51,616,062	1,219,737,727	0	1,219,737,727
- claims provisions	613,576,044	81,407,828	694,983,872	-52,296,821	642,687,051
- other insurance technical provisions	24,379,374	4,533,103	28,912,477	0	28,912,477
Insurance technical provisions for unit-linked insurance contracts	438,920,157	18,126,755	457,046,912	0	457,046,912
Employee benefits	11,057,978	1,700,206	12,758,184	-533,053	12,225,131
Other provisions	5,387,726	1,020,228	6,407,954	-2,553,110	3,854,844
Deferred tax liabilities	22,456,661	732,135	23,188,796	0	23,188,796
Other financial liabilities	18,610,929	2,206,444	20,817,373	-17,033,091	3,784,282
Operating liabilities	69,219,963	12,207,827	81,427,790	-33,039,065	48,388,725
- liabilities from direct insurance operations	14,894,693	2,638,188	17,532,881	-914,953	16,617,928
- liabilities from reinsurance and co-insurance operations	50,796,666	9,377,213	60,173,879	-32,120,249	28,053,630
- current tax liabilities	3,528,604	192,426	3,721,030	-3,863	3,717,167
Other liabilities	70,245,998	31,565,337	101,811,335	-35,469,360	66,341,975
Non-current liabilities held for sale and discontinued operations	0	0	0	12,434,173	12,434,173

## CONSOLIDATED INCOME STATEMENT BY SEGMENT

	Q1 2016				TOTAL
	Non-life	Life	Health	Other	
<b>NET PREMIUM INCOME</b>	<b>121,552,271</b>	<b>52,485,368</b>	<b>27,575,263</b>	<b>0</b>	<b>201,612,902</b>
- gross written premium	177,753,785	52,559,552	28,341,000	0	258,654,337
- ceded written premium	-31,303,705	-875	0	0	-31,304,580
- change in unearned premium reserve	-24,897,809	-73,309	-765,737	0	-25,736,855
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>13,713,426</b>	<b>16,469,022</b>	<b>234,455</b>	<b>86,046</b>	<b>30,502,949</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,928,469	45,501	0	16,588	2,990,558
- profit on equity investments accounted for using the equity method	0	392	0	16,588	16,980
- interest income	0	34,859	0	0	34,859
- dividends	0	0	0	0	0
- fair value gains	0	10,250	0	0	10,250
- realised gains on disposals	2,928,469	0	0	0	2,928,469
- other financial income	0	0	0	0	0
INCOME FROM OTHER FINANCIAL ASSETS	10,784,957	15,357,122	234,455	69,458	26,445,992
- interest income	6,630,826	10,182,105	178,102	27,499	17,018,532
- dividends	25,963	3,922	0	0	29,885
- fair value gains	282,953	3,445,754	0	93	3,728,800
- realised gains on disposals	3,432,725	1,423,781	56,288	0	4,912,794
- other financial income	412,490	301,560	65	41,866	755,981
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	1,066,399	0	0	1,066,399
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>2,083,792</b>	<b>36,467</b>	<b>10,757</b>	<b>0</b>	<b>2,131,016</b>
- fees and commission income	998,675	32,990	0	0	1,031,665
- other income from insurance operations	1,085,117	3,477	10,757	0	1,099,351
<b>OTHER INCOME</b>	<b>1,791,207</b>	<b>37,465</b>	<b>11,757</b>	<b>18,207,438</b>	<b>20,047,867</b>
<b>NET CLAIMS INCURRED</b>	<b>67,610,931</b>	<b>48,408,763</b>	<b>23,671,841</b>	<b>0</b>	<b>139,691,535</b>
- gross claims settled	75,782,971	49,374,198	22,142,039	0	147,299,208
- reinsurers' share	-3,191,222	0	0	0	-3,191,222
- changes in claims provisions	-4,980,818	-965,435	-127,752	0	-6,074,005
- equalisation scheme expenses for supplementary health insurance	0	0	1,657,554	0	1,657,554
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>567,019</b>	<b>5,063,732</b>	<b>159,887</b>	<b>0</b>	<b>5,790,638</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>0</b>	<b>-21,658,306</b>	<b>0</b>	<b>0</b>	<b>-21,658,306</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>2,706,792</b>	<b>1,582</b>	<b>0</b>	<b>0</b>	<b>2,708,374</b>
<b>CHANGE IN FINANCIAL CONTRACT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES</b>	<b>36,944,291</b>	<b>7,773,998</b>	<b>2,381,333</b>	<b>0</b>	<b>47,099,622</b>
- acquisition costs	25,839,716	4,561,575	721,978	0	31,123,269
- other operating costs	11,104,575	3,212,423	1,659,355	0	15,976,353
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>7,118,681</b>	<b>26,391,225</b>	<b>8,299</b>	<b>183,314</b>	<b>33,701,519</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	0	55,177	0	116,268	171,445
- loss on investments accounted for using the equity method	0	55,177	0	116,268	171,445
- interest expense	0	0	0	0	0
- fair value losses	0	0	0	0	0
- realised loss on disposals	0	0	0	0	0
- loss on impairment of financial assets	0	0	0	0	0
- other expenses from financial assets and liabilities	0	0	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	7,118,681	10,322,292	8,299	67,046	17,516,318
- interest expense	307,003	145,235	0	30,910	483,148
- fair value losses	259,665	608,032	0	0	867,697
- realised loss on disposals	2,046,032	2,738,045	0	30,837	4,814,914
- loss on impairment of financial assets	2,000,507	0	0	0	2,000,507
- other expenses from financial assets and liabilities	2,505,474	6,830,980	8,299	5,299	9,350,052
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	16,013,756	0	0	16,013,756
<b>OTHER INSURANCE EXPENSES</b>	<b>4,310,078</b>	<b>67,382</b>	<b>102,684</b>	<b>0</b>	<b>4,480,144</b>
<b>OTHER EXPENSES</b>	<b>1,614,093</b>	<b>39,055</b>	<b>0</b>	<b>12,601,911</b>	<b>14,255,062</b>
<b>PROFIT BEFORE TAX</b>	<b>18,268,811</b>	<b>2,940,891</b>	<b>1,508,185</b>	<b>5,508,259</b>	<b>28,226,146</b>
Income tax expense	4,851,499	539,687	0	189,923	5,581,109
<b>NET PROFIT FOR THE PERIOD</b>	<b>13,417,312</b>	<b>2,401,204</b>	<b>1,508,185</b>	<b>5,318,336</b>	<b>22,645,037</b>
Net profit/loss attributable to the controlling company	13,334,140	2,240,689	1,508,185	5,314,943	22,397,957
Net profit/loss attributable to the non-controlling interest holders	83,172	160,515	0	3,393	247,080

## CONSOLIDATED INCOME STATEMENT BY SEGMENT

	Q1 2015				
	Non-life	Life	Health	Other	TOTAL
<b>NET PREMIUM INCOME</b>	<b>123,350,624</b>	<b>54,131,085</b>	<b>27,107,587</b>	<b>0</b>	<b>204,589,296</b>
- gross written premium	178,134,187	54,212,145	27,748,342	0	260,094,674
- ceded written premium	-28,746,484	-686	0	0	-28,747,170
- change in unearned premium reserve	-26,037,079	-80,374	-640,755	0	-26,758,208
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>16,056,958</b>	<b>95,600,570</b>	<b>413,020</b>	<b>1,382,061</b>	<b>113,452,609</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	108	2,521,309	0	744,440	3,265,857
- profit on equity investments accounted for using the equity method	0	209	0	744,440	744,649
- interest income	0	0	0	0	0
- dividends	0	0	0	0	0
- fair value gains	0	67,857	0	0	67,857
- realised gains on disposals	0	2,453,243	0	0	2,453,243
- other financial income	107	0	0	0	107
INCOME FROM OTHER FINANCIAL ASSETS	16,056,850	45,629,350	413,020	637,621	62,736,841
- interest income	8,131,114	11,550,873	212,221	36,035	19,930,243
- dividends	0	120,474	0	0	120,474
- fair value gains	2,218,976	19,492,293	0	582,932	22,294,201
- realised gains on disposals	1,842,972	12,840,406	200,799	0	14,884,177
- other financial income	3,863,788	1,625,304	0	18,654	5,507,746
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	47,449,911	0	0	47,449,911
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>3,499,159</b>	<b>37,983</b>	<b>14,778</b>	<b>0</b>	<b>3,551,920</b>
- fees and commission income	2,235,205	34,314	0	0	2,269,519
- other income from insurance operations	1,263,954	3,669	14,778	0	1,282,401
<b>OTHER INCOME</b>	<b>897,378</b>	<b>53,042</b>	<b>267</b>	<b>17,917,059</b>	<b>18,867,746</b>
<b>NET CLAIMS INCURRED</b>	<b>73,379,956</b>	<b>48,423,383</b>	<b>22,243,362</b>	<b>0</b>	<b>144,046,701</b>
- gross claims settled	79,598,968	48,794,205	20,433,201	0	148,826,374
- reinsurers' share	-5,091,102	0	0	0	-5,091,102
- changes in claims provisions	-1,127,910	-370,822	218,202	0	-1,280,530
- equalisation scheme expenses for supplementary health insurance	0	0	1,591,959	0	1,591,959
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>402,123</b>	<b>26,254,937</b>	<b>-236,370</b>	<b>0</b>	<b>26,420,690</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>0</b>	<b>40,310,246</b>	<b>0</b>	<b>0</b>	<b>40,310,246</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>2,529,330</b>	<b>627</b>	<b>0</b>	<b>0</b>	<b>2,529,957</b>
<b>CHANGE IN FINANCIAL CONTRACT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES</b>	<b>37,240,204</b>	<b>7,822,348</b>	<b>1,892,763</b>	<b>0</b>	<b>46,955,315</b>
- acquisition costs	26,275,443	4,776,626	423,869	0	31,475,938
- other operating costs	10,964,761	3,045,722	1,468,894	0	15,479,377
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>5,433,576</b>	<b>15,666,803</b>	<b>8,648</b>	<b>386,702</b>	<b>21,495,729</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	20,772	40,779	0	22,543	84,094
- loss on investments accounted for using the equity method	0	40,779	0	22,543	63,322
- interest expense	0	0	0	0	0
- fair value losses	0	0	0	0	0
- realised loss on disposals	0	0	0	0	0
- loss on impairment of financial assets	0	0	0	0	0
- other expenses from financial assets and liabilities	20,772	0	0	0	20,772
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	5,412,799	15,029,169	8,648	364,160	20,814,776
- interest expense	259,273	145,364	0	90,016	494,653
- fair value losses	227,459	10,560,203	0	273,072	11,060,734
- realised loss on disposals	1,177,233	3,069,929	0	0	4,247,162
- loss on impairment of financial assets	21,029	47	0	0	21,076
- other expenses from financial assets and liabilities	3,727,805	1,253,626	8,648	1,072	4,991,151
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	596,854	0	0	596,854
<b>OTHER INSURANCE EXPENSES</b>	<b>4,885,589</b>	<b>115,460</b>	<b>80,390</b>	<b>0</b>	<b>5,081,439</b>
<b>OTHER EXPENSES</b>	<b>951,528</b>	<b>37,318</b>	<b>458</b>	<b>15,421,980</b>	<b>16,411,284</b>
<b>PROFIT BEFORE TAX</b>	<b>18,981,813</b>	<b>11,191,558</b>	<b>3,546,401</b>	<b>3,490,438</b>	<b>37,210,210</b>
Income tax expense	5,146,394	903,534	0	86,846	6,136,774
<b>NET PROFIT FOR THE PERIOD</b>	<b>13,835,419</b>	<b>10,288,024</b>	<b>3,546,401</b>	<b>3,403,592</b>	<b>31,073,436</b>
Net profit/loss attributable to the controlling company	13,782,474	10,155,948	3,546,401	3,438,484	30,923,307
Net profit/loss attributable to the non-controlling interest holders	52,945	132,076	0	-34,892	150,129

## CONSOLIDATED INCOME STATEMENT BY GEOGRAPHICAL AREA

	Q1 2016		
	Slovenia	Other	TOTAL
<b>NET PREMIUM INCOME</b>	<b>167,613,052</b>	<b>33,999,850</b>	<b>201,612,902</b>
- gross written premium	217,859,924	40,794,413	258,654,337
- ceded written premium	-27,173,383	-4,131,197	-31,304,580
- change in unearned premium reserve	-23,073,489	-2,663,366	-25,736,855
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>27,170,028</b>	<b>3,332,921</b>	<b>30,502,949</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,990,558	0	2,990,558
- profit on equity investments accounted for using the equity method	16,980	0	16,980
- interest income	34,859	0	34,859
- dividends	0	0	0
- fair value gains	10,250	0	10,250
- realised gains on disposals	2,928,469	0	2,928,469
- other financial income	0	0	0
INCOME FROM OTHER FINANCIAL ASSETS	23,548,737	2,897,255	26,445,992
- interest income	14,896,911	2,121,621	17,018,532
- dividends	3,922	25,963	29,885
- fair value gains	3,601,783	127,017	3,728,800
- realised gains on disposals	4,794,473	118,321	4,912,794
- other financial income	251,648	504,333	755,981
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	630,733	435,666	1,066,399
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>1,391,734</b>	<b>739,282</b>	<b>2,131,016</b>
- fees and commission income	835,994	195,671	1,031,665
- other income from insurance operations	555,740	543,611	1,099,351
<b>OTHER INCOME</b>	<b>18,632,889</b>	<b>1,414,978</b>	<b>20,047,867</b>
<b>NET CLAIMS INCURRED</b>	<b>122,422,155</b>	<b>17,269,380</b>	<b>139,691,535</b>
- gross claims settled	130,025,110	17,274,098	147,299,208
- reinsurers' share	-2,574,142	-617,080	-3,191,222
- changes in claims provisions	-6,686,367	612,362	-6,074,005
- equalisation scheme expenses for supplementary health insurance	1,657,554	0	1,657,554
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>5,158,924</b>	<b>631,714</b>	<b>5,790,638</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>-20,821,737</b>	<b>-836,569</b>	<b>-21,658,306</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>2,179,062</b>	<b>529,312</b>	<b>2,708,374</b>
<b>CHANGE IN FINANCIAL CONTRACT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES</b>	<b>34,944,677</b>	<b>12,154,945</b>	<b>47,099,622</b>
- acquisition costs	23,334,759	7,788,510	31,123,269
- other operating costs	11,609,918	4,366,435	15,976,353
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>30,799,834</b>	<b>2,901,685</b>	<b>33,701,519</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	171,445	0	171,445
- loss on investments accounted for using the equity method	171,445	0	171,445
- interest expense	0	0	0
- fair value losses	0	0	0
- realised loss on disposals	0	0	0
- loss on impairment of financial assets	0	0	0
- other expenses from financial assets and liabilities	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	15,884,856	1,631,462	17,516,318
- interest expense	321,951	161,197	483,148
- fair value losses	824,698	42,999	867,697
- realised loss on disposals	4,810,659	4,255	4,814,914
- loss on impairment of financial assets	2,000,507	0	2,000,507
- other expenses from financial assets and liabilities	7,927,041	1,423,011	9,350,052
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	14,743,533	1,270,223	16,013,756
<b>OTHER INSURANCE EXPENSES</b>	<b>2,462,418</b>	<b>2,017,726</b>	<b>4,480,144</b>
<b>OTHER EXPENSES</b>	<b>12,030,640</b>	<b>2,224,422</b>	<b>14,255,062</b>
<b>PROFIT BEFORE TAX</b>	<b>25,631,730</b>	<b>2,594,416</b>	<b>28,226,146</b>
Income tax expense	5,553,653	27,456	5,581,109
<b>NET PROFIT FOR THE PERIOD</b>	<b>20,078,077</b>	<b>2,566,960</b>	<b>22,645,037</b>
Net profit/loss attributable to the controlling company	19,951,800	2,446,157	22,397,957
Net profit/loss attributable to the non-controlling interest holders	126,277	120,803	247,080

in EUR

## CONSOLIDATED INCOME STATEMENT BY GEOGRAPHICAL AREA

	Q1 2015		
	Slovenia	Other	TOTAL
<b>NET PREMIUM INCOME</b>	<b>170,637,130</b>	<b>33,952,166</b>	<b>204,589,296</b>
- gross written premium	217,805,554	42,289,120	260,094,674
- ceded written premium	-22,966,844	-5,780,326	-28,747,170
- change in unearned premium reserve	-24,201,580	-2,556,628	-26,758,208
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>108,263,839</b>	<b>5,188,770</b>	<b>113,452,609</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	3,265,857	0	3,265,857
- profit on equity investments accounted for using the equity method	744,649	0	744,649
- interest income	0	0	0
- dividends	0	0	0
- fair value gains	67,857	0	67,857
- realised gains on disposals	2,453,243	0	2,453,243
- other financial income	107	0	107
INCOME FROM OTHER FINANCIAL ASSETS	59,411,630	3,325,211	62,736,841
- interest income	17,673,218	2,257,025	19,930,243
- dividends	120,474	0	120,474
- fair value gains	21,947,042	347,159	22,294,201
- realised gains on disposals	14,681,517	202,660	14,884,177
- other financial income	4,989,379	518,367	5,507,746
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	45,586,352	1,863,559	47,449,911
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>2,501,097</b>	<b>1,050,823</b>	<b>3,551,920</b>
- fees and commission income	1,916,026	353,493	2,269,519
- other income from insurance operations	585,071	697,330	1,282,401
<b>OTHER INCOME</b>	<b>17,363,933</b>	<b>1,503,813</b>	<b>18,867,746</b>
<b>NET CLAIMS INCURRED</b>	<b>124,933,405</b>	<b>19,113,296</b>	<b>144,046,701</b>
- gross claims settled	127,818,402	21,007,972	148,826,374
- reinsurers' share	-3,402,646	-1,688,456	-5,091,102
- changes in claims provisions	-1,074,310	-206,220	-1,280,530
- equalisation scheme expenses for supplementary health insurance	1,591,959	0	1,591,959
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>26,138,183</b>	<b>282,507</b>	<b>26,420,690</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>38,173,027</b>	<b>2,137,219</b>	<b>40,310,246</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>1,994,112</b>	<b>535,845</b>	<b>2,529,957</b>
<b>CHANGE IN FINANCIAL CONTRACT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES</b>	<b>34,361,758</b>	<b>12,593,557</b>	<b>46,955,315</b>
- acquisition costs	23,251,510	8,224,428	31,475,938
- other operating costs	11,110,248	4,369,129	15,479,377
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>20,461,370</b>	<b>1,034,359</b>	<b>21,495,729</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	84,094	0	84,094
- loss on investments accounted for using the equity method	63,322	0	63,322
- interest expense	0	0	0
- fair value losses	0	0	0
- realised loss on disposals	0	0	0
- loss on impairment of financial assets	0	0	0
- other expenses from financial assets and liabilities	20,772	0	20,772
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	19,798,266	1,016,515	20,814,781
- interest expense	484,444	10,209	494,653
- fair value losses	10,859,075	201,659	11,060,734
- realised loss on disposals	4,223,454	23,708	4,247,162
- loss on impairment of financial assets	0	21,076	21,076
- other expenses from financial assets and liabilities	4,231,293	759,863	4,991,156
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	579,010	17,844	596,854
<b>OTHER INSURANCE EXPENSES</b>	<b>2,645,776</b>	<b>2,435,663</b>	<b>5,081,439</b>
<b>OTHER EXPENSES</b>	<b>14,184,139</b>	<b>2,227,145</b>	<b>16,411,284</b>
<b>PROFIT BEFORE TAX</b>	<b>35,874,229</b>	<b>1,335,981</b>	<b>37,210,210</b>
Income tax expense	6,136,774	0	6,136,774
<b>NET PROFIT FOR THE PERIOD</b>	<b>29,737,455</b>	<b>1,335,981</b>	<b>31,073,436</b>
Net profit/loss attributable to the controlling company	29,615,411	1,307,896	30,923,307
Net profit/loss attributable to the non-controlling interest holders	122,044	28,085	150,129

## **2.5 Segmental analysis of Zavarovalnica Triglav's operations**

As Zavarovalnica Triglav operates mainly in the territory of the Republic of Slovenia, the management does not review a geographical analysis of operations. The management monitors the operations of Zavarovalnica Triglav according to its business segments, i.e. life and non-life insurance. The statement of financial position and the income statement by business segment are given below.

in EUR

## STATEMENT OF FINANCIAL POSITION

	31 March 2016			31 December 2015		
	Non-life	Life	TOTAL	Non-life	Life	TOTAL
<b>ASSETS</b>	<b>1,242,295,065</b>	<b>1,529,159,434</b>	<b>2,771,454,499</b>	<b>1,174,656,551</b>	<b>1,533,101,808</b>	<b>2,707,758,359</b>
Intangible assets	56,299,880	1,528,058	57,827,938	51,469,624	1,674,020	53,143,644
Property, plant and equipment	57,092,422	9,428,137	66,520,558	57,485,007	9,549,987	67,034,994
Deferred tax assets	12,147,267	1,239,640	13,386,907	13,476,586	1,250,401	14,726,987
Investment property	50,715,328	1,288,995	52,004,323	51,575,234	1,295,574	52,870,808
Investments in subsidiaries	120,321,507	8,545,998	128,867,506	126,143,038	8,545,998	134,689,036
Investments in associates	0	7,259,875	7,259,875	0	7,259,875	7,259,875
Financial assets	723,998,764	1,479,507,574	2,203,506,338	699,630,730	1,494,809,747	2,194,440,477
Financial investments:	723,998,764	1,058,594,445	1,782,593,209	699,630,730	1,048,220,186	1,747,850,916
- loans and deposits	27,931,363	35,331,871	63,263,234	40,234,999	68,346,748	108,581,747
- held to maturity	0	171,479,888	171,479,888	0	178,250,255	178,250,255
- available for sale	688,186,553	665,826,332	1,354,012,884	651,006,775	617,271,546	1,268,278,321
- recognised at fair value through profit and loss	7,880,848	185,956,354	193,837,202	8,388,956	184,351,637	192,740,593
Unit-linked insurance assets	0	420,913,129	420,913,129	0	446,589,561	446,589,561
Reinsurers' share of technical provisions	83,337,685	5,773	83,343,457	69,916,901	18,493	69,935,394
Receivables	116,925,677	10,858,766	127,784,444	98,253,231	5,062,276	103,315,507
- receivables from direct insurance operations	82,445,481	463,826	82,909,308	57,484,337	474,676	57,959,013
- receivables from reinsurance and co-insurance operations	6,250,950	66,955	6,317,904	12,204,759	14,439	12,219,198
- current tax receivables	0	0	0	0	0	0
- other receivables	28,229,246	10,327,985	38,557,232	28,564,135	4,573,161	33,137,296
Other assets	3,007,495	0	3,007,495	2,784,635	7,044	2,791,679
Cash and cash equivalents	18,449,040	9,496,618	27,945,658	3,921,565	3,628,393	7,549,958
Non-current assets held for sale	0	0	0	0	0	0
<b>EQUITY AND LIABILITIES</b>	<b>1,242,295,065</b>	<b>1,529,159,434</b>	<b>2,771,454,499</b>	<b>1,174,656,551</b>	<b>1,533,101,808</b>	<b>2,707,758,359</b>
Equity	441,845,326	118,217,845	560,063,170	416,857,921	113,702,351	530,560,272
Controlling interests	441,845,326	118,217,845	560,063,170	416,857,921	113,702,351	530,560,272
- share capital	51,340,540	22,360,852	73,701,392	51,340,540	22,360,852	73,701,392
- share premium	40,344,978	13,067,907	53,412,884	40,344,978	13,067,907	53,412,884
- reserves from profit	205,848,752	45,513,891	251,362,643	237,152,390	45,513,891	282,666,281
- fair value reserve	49,587,063	14,487,517	64,074,580	43,547,114	12,204,329	55,751,443
- net profit brought forward	75,776,538	20,555,372	96,331,910	4,828,190	2,382,620	7,210,810
- net profit for the year	18,947,455	2,232,305	21,179,761	39,644,710	18,172,752	57,817,462
- currency translation differences	0	0	0	0	0	0
- reserve of disposal group held for sale	0	0	0	0	0	0
Non-controlling interests	0	0	0	0	0	0
Subordinated liabilities	11,073,341	10,029,329	21,102,670	11,072,611	10,028,667	21,101,278
Insurance technical provisions	698,609,507	956,884,696	1,655,494,203	667,217,986	947,726,143	1,614,944,129
- unearned premiums	216,996,132	489,480	217,485,612	180,141,569	417,422	180,558,991
- mathematical provisions	0	935,609,136	935,609,136	0	925,402,898	925,402,898
- claims provisions	461,103,311	18,163,104	479,266,415	467,032,829	19,214,892	486,247,722
- other insurance technical provisions	20,510,064	2,622,976	23,133,040	20,043,588	2,690,931	22,734,518
Insurance technical provisions for unit-linked insurance contracts	0	418,098,420	418,098,420	0	438,920,157	438,920,157
Employee benefits	7,672,679	1,652,880	9,325,559	7,559,612	1,629,426	9,189,038
Other provisions	427,342	0	427,342	381,762	0	381,762
Deferred tax liabilities	15,416,475	7,773,185	23,189,660	14,179,377	6,815,763	20,995,140
Other financial liabilities	4,724,055	1,989,765	6,713,820	1,752,990	0	1,752,990
Operating liabilities	28,290,118	6,526,919	34,817,037	18,165,801	5,720,912	23,886,713
- liabilities from direct insurance operations	5,208,606	6,430,444	11,639,050	5,270,069	5,715,512	10,985,581
- liabilities from reinsurance and co-insurance operations	17,863,353	96,476	17,959,829	10,259,196	5,400	10,264,596
- current tax liabilities	5,218,159	0	5,218,159	2,636,536	0	2,636,536
Other liabilities	34,236,222	7,986,394	42,222,616	37,468,491	8,558,389	46,026,880
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0	0

## INCOME STATEMENT

	Q1 2016			Q1 2015		
	Non-life	Life	TOTAL	Non-life	Life	TOTAL
<b>NET PREMIUM INCOME</b>	<b>80,143,051</b>	<b>42,418,622</b>	<b>122,561,673</b>	<b>82,345,639</b>	<b>45,150,040</b>	<b>127,495,679</b>
- gross written premium	129,822,083	42,696,301	172,518,384	129,278,841	45,346,397	174,625,238
- ceded written premium	-31,229,055	-205,620	-31,434,675	-27,875,680	-114,255	-27,989,935
- change in unearned premium reserve	-18,449,976	-72,059	-18,522,035	-19,057,522	-82,102	-19,139,624
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>14,529,389</b>	<b>10,782,202</b>	<b>25,311,591</b>	<b>10,976,090</b>	<b>79,753,658</b>	<b>90,729,748</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	8,560,987	0	8,560,987	991,178	0	991,178
- profit on equity investments accounted for using the equity method	0	0	0	0	0	0
- interest income	190,160	0	190,160	991,071	0	991,071
- dividends	0	0	0	0	0	0
- fair value gains	0	0	0	0	0	0
- realised gains on disposals	8,367,185	0	8,367,185	0	0	0
- other financial income	3,642	0	3,642	107	0	107
INCOME FROM OTHER FINANCIAL ASSETS	5,968,402	10,151,469	16,119,871	9,984,912	34,167,305	44,152,217
- interest income	4,541,584	7,382,328	11,923,912	5,200,531	8,228,724	13,429,255
- dividends	0	3,922	3,922	0	120,474	120,474
- fair value gains	178,977	1,501,799	1,680,776	1,766,734	11,967,185	13,733,919
- realised gains on disposals	1,220,205	1,256,378	2,476,583	1,261,580	12,587,241	13,848,821
- other financial income	27,635	7,042	34,677	1,756,067	1,263,681	3,019,748
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	630,733	630,733	0	45,586,352	45,586,352
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>5,940,820</b>	<b>46,002</b>	<b>5,986,822</b>	<b>5,549,642</b>	<b>40,260</b>	<b>5,589,902</b>
- fees and commission income	5,055,981	46,002	5,101,983	4,250,325	40,260	4,290,585
- other income from insurance operations	884,839	0	884,839	1,299,317	0	1,299,317
<b>OTHER INCOME</b>	<b>1,844,058</b>	<b>872,621</b>	<b>2,716,679</b>	<b>725,507</b>	<b>978,241</b>	<b>1,703,748</b>
<b>NET CLAIMS INCURRED</b>	<b>41,627,516</b>	<b>43,213,548</b>	<b>84,841,064</b>	<b>49,214,021</b>	<b>42,779,824</b>	<b>91,993,847</b>
- gross claims settled	51,400,823	44,322,809	95,723,632	54,146,608	43,304,327	97,450,935
- reinsurers' share	-4,057,663	-70,193	-4,127,856	-5,094,188	-142,216	-5,236,404
- changes in claims provisions	-5,715,644	-1,039,068	-6,754,712	161,603	-382,287	-220,683
- equalisation scheme expenses for supplementary health insurance	0	0	0	0	0	0
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>466,476</b>	<b>3,060,713</b>	<b>3,527,189</b>	<b>609,303</b>	<b>16,079,593</b>	<b>16,688,896</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>0</b>	<b>-20,821,737</b>	<b>-20,821,737</b>	<b>0</b>	<b>38,173,027</b>	<b>38,173,027</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>2,180,610</b>	<b>0</b>	<b>2,180,610</b>	<b>1,961,809</b>	<b>0</b>	<b>1,961,809</b>
<b>CHANGE IN FINANCIAL CONTRACT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES</b>	<b>25,362,719</b>	<b>7,336,483</b>	<b>32,699,202</b>	<b>25,091,763</b>	<b>7,246,465</b>	<b>32,338,229</b>
- acquisition costs	18,519,967	4,998,292	23,518,259	18,375,558	5,051,072	23,426,630
- other operating costs	6,842,753	2,338,191	9,180,944	6,716,205	2,195,393	8,911,598
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>5,862,987</b>	<b>18,476,849</b>	<b>24,339,836</b>	<b>2,434,896</b>	<b>13,375,162</b>	<b>15,810,057</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	3,396	0	3,396	20,772	0	20,772
- loss on investments accounted for using the equity method	0	0	0	0	0	0
- interest expense	0	0	0	0	0	0
- fair value losses	0	0	0	0	0	0
- realised loss on disposals	0	0	0	0	0	0
- loss on impairment of financial assets	0	0	0	0	0	0
- other expenses from financial assets and liabilities	3,396	0	3,396	20,772	0	20,772
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	5,859,591	3,733,316	9,592,907	2,414,123	12,796,153	15,210,275
- interest expense	180,283	150,658	330,941	273,909	176,001	449,911
- fair value losses	226,696	598,002	824,698	25,800	9,104,672	9,130,472
- realised loss on disposals	2,023,717	2,333,259	4,356,976	1,050,982	3,053,036	4,104,018
- loss on impairment of financial assets	2,000,507	0	2,000,507	0	0	0
- other expenses from financial assets and liabilities	1,428,387	651,397	2,079,785	1,063,432	462,443	1,525,875
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	14,743,533	14,743,533	0	579,010	579,010
<b>OTHER INSURANCE EXPENSES</b>	<b>2,274,970</b>	<b>52,151</b>	<b>2,327,122</b>	<b>2,468,237</b>	<b>63,520</b>	<b>2,531,757</b>
<b>OTHER EXPENSES</b>	<b>1,153,806</b>	<b>29,448</b>	<b>1,183,254</b>	<b>469,280</b>	<b>26,893</b>	<b>496,173</b>
<b>PROFIT BEFORE TAX</b>	<b>23,528,232</b>	<b>2,771,992</b>	<b>26,300,224</b>	<b>17,347,566</b>	<b>8,177,715</b>	<b>25,525,281</b>
Income tax expense	4,580,776	539,687	5,120,463	4,372,120	903,534	5,275,654
<b>NET PROFIT FOR THE PERIOD</b>	<b>18,947,456</b>	<b>2,232,305</b>	<b>21,179,761</b>	<b>12,975,446</b>	<b>7,274,181</b>	<b>20,249,627</b>

## **2.6 Significant items of the statement of financial position**

### **Intangible assets**

In the reporting period, the carrying amount of intangible assets of the Triglav Group increased by EUR 5.4 million, mainly as the result of the increase in the long-term deferred acquisition costs amounting to EUR 5.7 million. In the reporting period, new purchases of intangible assets equalled EUR 1.3 million. In the first three months of 2016, accumulated amortisation reached EUR 1.6 million.

In the reporting period, the carrying amount of intangible assets of Zavarovalnica Triglav increased by EUR 4.7 million. Even in the separate financial statements, the change mainly refers to the increase in long-term deferred acquisition costs. New purchases of other intangible assets in the amount of EUR 1 million primarily relate to the purchase of licences and software. In the first quarter of 2016, amortisation of intangible assets of Zavarovalnica Triglav amounted to EUR 1.1 million.

### **Property, plant and equipment**

In the first three months of 2016, the carrying amount of property, plant and equipment of the Triglav Group decreased by EUR 7.1 million due to the transfer of real property to investment property (primarily contributed by the land plot in BTC site, Ljubljana) in the amount of EUR 9.5 million. The increase in value due to the acquisition of property, plant and equipment amounted to EUR 3.9 million, whereas the decrease resulted from depreciation of EUR 1.7 million.

The carrying amount of investment property increased by EUR 7.8 million, mainly due to the above-mentioned transfer of real property from property, plant and equipment. Divestment of real property amounted to EUR 1.4 million, whilst the decrease due to depreciation equalled EUR 357 thousand.

In the reporting period, the carrying amount of property, plant and equipment of Zavarovalnica Triglav decreased by EUR 514 thousand, as did that of investment property by EUR 866 thousand. At the Company level, depreciation of property, plant and equipment and investment property totalled EUR 1.2 million in the reporting period.

### **Non-current assets held for sale**

At the end of 2015, Triglav, Upravljanje nepremičnin d.d. concluded an agreement on the sale of a land plot on the site of BTC, Ljubljana with IKEA Slovenija d.o.o. As at the balance sheet date of 31 December 2015, these assets were recognised under non-current assets held for sale. The agreement was realised in January 2016. The effects of the sale were recognised in the consolidated financial statements in the amount of EUR 4.7 million under other income.

## Financial assets

The tables below show the carrying amount and fair value of financial assets.

Values as at 31 March 2016	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and deposits	141,432,306	141,432,306	63,263,234	63,263,234
Held to maturity	235,581,142	288,545,661	171,479,889	218,053,868
Available for sale	1,706,356,256	1,706,356,256	1,354,012,884	1,354,012,884
Investments recognised at fair value	376,635,309	376,635,309	193,837,202	193,837,202
Unit-linked insurance assets	438,649,833	438,649,833	420,913,129	420,913,129
<b>TOTAL</b>	<b>2,898,654,846</b>	<b>2,951,619,365</b>	<b>2,203,506,338</b>	<b>2,250,080,319</b>

Values as at 31 December 2015	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and deposits	183,872,219	183,872,219	108,581,747	108,581,747
Held to maturity	242,406,400	292,533,348	178,250,255	222,266,331
Available for sale	1,607,681,638	1,607,681,638	1,268,278,321	1,268,278,321
Investments recognised at fair value	374,742,603	374,742,603	192,740,593	192,740,593
Unit-linked insurance assets	464,733,923	464,733,923	446,589,561	446,589,561
<b>TOTAL</b>	<b>2,873,436,783</b>	<b>2,923,563,731</b>	<b>2,194,440,477</b>	<b>2,238,456,553</b>

Tables below show financial assets of Zavarovalnica Triglav and Triglav Group by different groups of financial assets.

### Triglav Group

Values as at 31 March 2016	in EUR				
	L&R	HTM	AFS	FVTPL	Total
	Equity instruments	0	0	188,169,626	61,803,551
Debt instruments	25,857,693	235,581,142	1,518,165,887	313,050,713	2,092,655,435
Derivative financial instruments	0	0	0	1,781,046	1,781,046
Unit-linked financial assets	4,788,764	0	427,417	433,433,651	438,649,832
Loans	115,574,613	0	20,743	0	115,595,356
<b>Total</b>	<b>146,221,070</b>	<b>235,581,142</b>	<b>1,706,783,673</b>	<b>810,068,961</b>	<b>2,898,654,846</b>

Values as at 31 December 2015	in EUR				
	L&R	HTM	AFS	FVTPL	Total
	Equity instruments	0	0	163,096,108	41,732,598
Debt instruments	26,085,118	242,406,400	1,444,564,404	330,301,091	2,043,357,013
Derivative financial instruments	0	0	0	2,708,914	2,708,914
Unit-linked financial assets	8,126,347	0	428,560	456,179,015	464,733,922
Loans	157,787,102	0	21,126	0	157,808,228
<b>Total</b>	<b>191,998,567</b>	<b>242,406,400</b>	<b>1,608,110,198</b>	<b>830,921,618</b>	<b>2,873,436,783</b>

## Zavarovalnica Triglav

in EUR					
Values as at 31 March 2016	L&R	HTM	AFS	FVTPL	Total
Equity instruments	0	0	134,596,197	20,252,919	154,849,117
Debt instruments	0	171,479,888	1,218,638,872	171,803,237	1,561,921,997
Derivative financial instruments	0	0	0	1,781,046	1,781,046
Unit-linked financial assets	4,617,597	0	0	416,295,532	420,913,129
Loans	63,263,235	0	777,815	0	64,041,050
<b>Total</b>	<b>67,880,832</b>	<b>171,479,888</b>	<b>1,354,012,884</b>	<b>610,132,734</b>	<b>2,203,506,338</b>

in EUR					
Values as at 31 December 2015	L&R	HTM	AFS	FVTPL	Total
Equity instruments	0	0	110,176,657	0	110,176,657
Debt instruments	0	178,250,255	1,157,177,539	190,031,679	1,525,459,474
Derivative financial instruments	0	0	0	2,708,914	2,708,914
Unit-linked financial assets	7,957,653	0	0	438,631,908	446,589,561
Loans	108,581,747	0	924,125	0	109,505,872
<b>Total</b>	<b>116,539,401</b>	<b>178,250,255</b>	<b>1,268,278,321</b>	<b>631,372,501</b>	<b>2,194,440,477</b>

### Legend:

- L&R: Loans and receivables
- HTM: Held to maturity
- AFS: Available for sale
- FVTPL: Fair value through profit or loss

## Overview of financial assets according to valuation levels

Tables below show financial assets of Triglav Group and Zavarovalnica Triglav, measured at fair value (i.e. financial assets available for sale and financial assets, measured at fair value through profit and loss). In valuing these financial assets the following price hierarchy is applied:

- Level 1: value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (stock exchange quotations and listings provided by third parties), which are entirely based on observable market data (the share of binding listings has to be minimum 90% and there have to be at least three binding listings not older than one day);
- Level 2: value measurement less than entirely based on quoted prices for the asset or liability. Fair value measurements may be based on indirectly observable inputs, i.e. data derived from prices of comparable financial instruments, but only up to a strictly limited percentage;
- Level 3: value measurement based on prices that do not meet the standards for Level 1 or Level 2. The percentage of unobservable inputs used in value measurement models is considerable.

## Triglav Group

				in EUR
<b>As at 31 March 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	222,028,237	0	27,944,941	249,973,177
Debt securities	468,941,378	1,362,275,221	0	1,831,216,600
Derivative financial instruments	1,781,046	0	0	1,781,046
Unit-linked financial assets	337,163,184	96,697,884	0	433,861,068
<b>Total</b>	<b>1,029,913,845</b>	<b>1,458,973,105</b>	<b>27,944,941</b>	<b>2,516,831,891</b>

				in EUR
<b>As at 31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	177,134,043	0	27,715,791	204,849,834
Debt securities	421,029,312	1,353,836,183	0	1,774,865,495
Derivative financial instruments	1,101,100	1,607,814	0	2,708,914
Unit-linked financial assets	353,025,835	103,581,740	0	456,607,575
<b>Total</b>	<b>952,290,290</b>	<b>1,459,025,737</b>	<b>27,715,791</b>	<b>2,439,031,818</b>

## Zavarovalnica Triglav

				in EUR
<b>As at 31 March 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	144,965,812	0	9,883,305	154,849,117
Debt securities	262,468,630	1,127,973,479	0	1,390,442,109
Derivative financial instruments	1,781,046	0	0	1,781,046
Unit-linked financial assets	320,025,064	96,270,467	0	416,295,531
<b>Total</b>	<b>729,240,552</b>	<b>1,224,243,946</b>	<b>9,883,305</b>	<b>1,963,367,803</b>

				in EUR
<b>As at 31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	100,553,534	0	9,623,123	110,176,657
Debt securities	232,252,553	1,114,956,666	0	1,347,209,218
Derivative financial instruments	1,101,100	1,607,814	0	2,708,914
Unit-linked financial assets	335,500,199	103,131,709	0	438,631,908
<b>Total</b>	<b>669,407,386</b>	<b>1,219,696,189</b>	<b>9,623,123</b>	<b>1,898,726,697</b>

## Value assessment techniques and inputs used for measurement purposes

Financial investment type	Value assessment method	Material parameters	Parameter weight applied	Fair value
<b>EXTERNAL APPRAISERS (market operator)</b>				
Debt securities - composite	stochastic model, HW1f and HW2f network models	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, correlation matrix, volatility indices		level 2
Equity securities	stochastic model	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, volatility indices		level 2
Derivatives	Black-Scholes model	index volatility		level 2
<b>BLOOMBERG BVAL</b>				
<b>Debt securities</b>				
Debt securities - government	cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, indicative listings		level 2
Debt securities - companies and finan. institutions	cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, indicative listings		level 2
<b>INTERNAL APPRAISERS</b>				
<b>Debt securities</b>				
Debt securities - government	cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve	1y: 0.1452%, 2y: 0.1231%, 3y: 0.3628%, 4y: 0.5781%, 5y: 0.819%, 6y: 1.0959%, 7y: 1.3421%, 8y: 1.5538%, 9y: 1.7651%, 10y: 1.8975%; credit spreads between 0% and 1%	level 2
Debt securities - companies and finan. institutions	cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve, issuer credit spreads	1y: 0.1452%, 2y: 0.1231%, 3y: 0.3628%, 4y: 0.5781%, 5y: 0.819%, 6y: 1.0959%, 7y: 1.3421%, 8y: 1.5538%, 9y: 1.7651%, 10y: 1.8975%; credit spreads between 0% and 1%	level 2
Equity securities	cash flow discounting	g (growth rate during constant growth period) EBIT margin (constant growth period) discount rate lack of marketability discount	2.0% 3,070.0% 1,340.0% 10.0%	level 3

### Changes of Level 3 financial assets

	in EUR	
	Triglav Group	Zavarovalnica Triglav
<b>As at 1 January 2016</b>	<b>27,715,791</b>	<b>9,623,123</b>
Purchases	616,100	616,100
Revaluations through Equity	-346,625	-355,919
Transfers from Level 1 and Level 2	-47,539	0
Exchange rate difference	7,214	0
<b>As at 31 March 2016</b>	<b>27,944,941</b>	<b>9,883,305</b>

In the first quarter of 2016, there were no reclassified assets from Level 1 to Level 2 and vice versa. This applies to the entire Triglav Group.

## **Impairment**

In Triglav Group, a loss arising from impairment of financial assets amounting to EUR 2.0 million was recognised in the reporting period. These impairments were recognised in full by Zavarovalnica Triglav.

## **Subordinated debt instruments**

In the reporting period, Zavarovalnica Triglav did not issue, buy back or redeem any debt securities.

## **Contingent liabilities**

In the first quarter of 2016, neither Zavarovalnica Triglav nor any other subsidiaries of the Group recognised any contingent liabilities in the form of a guarantee given. In the off-balance-sheet assets, Zavarovalnica Triglav increased assets under futures contracts in the amount of EUR 23.8 million.

## **Distribution of accumulated profits**

As at 31 December 2015, accumulated profit for the year amounted to EUR 65,028,271.76. At the session of the Supervisory Board held on 5 April 2016, the Management and Supervisory Boards submitted a proposal on the distribution of the accumulated profit. According to this proposal, a part of the accumulated profit amounting to EUR 56,837,870.00 would be allocated for dividend payments, i.e. EUR 2.50 per share. The distribution of the remaining part of accumulated profit shall be decided on in the following years. The General Meeting of Shareholders of Zavarovalnica Triglav will decide on the distribution of accumulated profit on 31 May 2016.

## **2.7 Changes in equity stakes in subsidiaries and business combinations**

### **The sale of Avrigo d.o.o.**

On 5 February 2016, Zavarovalnica Triglav sold its 97.31% equity stake in Avrigo d.o.o. In the stand-alone financial statements, the profit from sale of EUR 8.3 million was generated. Due to the past effects of consolidation of Avrigo and its subsidiaries, a lower profit totalling EUR 2.9 million was generated in the consolidated financial statements.

Following the sale of Avrigo, the Group lost a significant stake in Izletnik Celje d.d. As a result, the latter is no longer considered an associate of the Triglav Group.

### **The capital increase of Lovćen Osiguranje a.d., Montenegro**

On 26 January 2016, the capital increase of Lovćen Osiguranje a.d. was entered into the Companies Register. For this capital raise, the company issued 1,501,081 new shares at a nominal value of EUR 5 per share. Triglav INT d.d. paid in 1,500,000 shares totalling EUR 7.5 million, whilst the remaining 1,081 shares in the total amount of EUR 5,405 was paid in by minority shareholders. Following the capital raise, the equity stake of Triglav INT in the said company increased by 1.52 percentage point and stood at 96.47% as at 31 March 2016.

### **The reduction of the share capital of Slovenijales Trgovina d.d. and the transfer of the equity stake of Slovenijales Trgovina Nepremičnine d.o.o.**

On 10 February 2016, the share capital of Slovenijales Trgovina, d.d. was decreased by EUR 3.6 million. Its obligation to the sole shareholder Triglav, Upravljanje nepremičnin d.d. was settled through the transfer of the equity stake in Slovenijales Trgovina Nepremičnine d.o.o. The decrease of the share capital and the transfer of the equity stake did not have any impact on the consolidated financial statements of the Triglav Group.

## 2.8 Related party transactions

### Revenues of the Management and Supervisory Board

In the first three months of 2016, the Management Board members were paid the following amounts as compensation for their work:

							in EUR	
Surname and name	Fixed salaries (gross)	Other additional payments*	Bonuses	Net pay received	Insurance premiums**	Other benefits***	Reimbursements	
Slapar Andrej	38,593	0	0	13,243	12,314	984	641	
Makoter Marica	36,663	0	0	12,210	7,919	996	129	
Jošar Benjamin	36,663	0	0	12,004	7,717	1,539	232	
Ivanc Uroš	36,663	0	0	12,614	7,931	324	524	
Čoroli Tadej	36,663	0	0	12,737	7,887	168	336	
<b>TOTAL</b>	<b>185,245</b>	<b>0</b>	<b>0</b>	<b>62,808</b>	<b>43,768</b>	<b>4,011</b>	<b>1,862</b>	

\* Other additional payments include holiday allowances.

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

\*\*\* Other benefits include company cars.

In the first three months of 2016, members of the Management Board did not receive any payments for their work in subsidiaries.

As at 31 March 2016, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

			in EUR
Surname and name	Receivables as at 31 March 2016	Liabilities as at 31 March 2016	
Slapar Andrej	0		19,146
Makoter Marica	16		18,081
Jošar Benjamin	0		18,067
Ivanc Uroš	5,117		8,223
Čoroli Tadej	29		7,720
<b>TOTAL</b>	<b>5,162</b>		<b>71,237</b>

In the first three-months of 2016, the Supervisory Board members and members of Committees were paid the following amounts as compensation for their work:

in EUR					
Surname and name	Compensation	Attendance fee	Reimbursements	Total gross pay	Total net pay
Blažič Matija	2,167	0	0	2,167	1,576
Celar Peter	2,708	0	0	2,708	1,970
Gobbo Mario	3,250	0	3,786	7,036	4,634
Kastelic Gregor	3,467	0	717	4,184	3,242
Molan Boštjan	2,708	176	0	2,884	2,098
Nose Barbara*	1,083	0	0	1,083	788
Runjak Matej	4,063	176	0	4,239	3,083
Sotošek Ivan	2,708	0	195	2,903	2,112
Stankovič Rajko	2,708	0	0	2,708	1,970
<b>Total</b>	<b>24,862</b>	<b>352</b>	<b>4,698</b>	<b>29,912</b>	<b>21,473</b>

\* External committee member.

As at 31 March 2016, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

in EUR		
Surname and name	Receivables as at 31 March 2016	Liabilities as at 31 March 2016
Blažič Matija	0	1,233
Celar Peter	0	1,505
Gobbo Mario	0	3,185
Kastelic Gregor	0	2,770
Molan Boštjan	0	1,562
Nose Barbara*	0	594
Runjak Matej	0	1,997
Sotošek Ivan	0	1,378
Stankovič Rajko	0	1,505
Svoljšak Mitja	0	299
Štimac Dubravko	157	0
<b>TOTAL</b>	<b>157</b>	<b>16,028</b>

\*External committee member.

## Transactions with subsidiaries

In daily business operations, many insurance transactions are carried out with subsidiaries of Zavarovalnica Triglav. These transactions are performed at arm's length and at market prices. Their volume is shown below.

	in EUR	
	31 March 2016	31 December 2015
<b>ASSETS</b>		
Shares	128,867,505	134,689,036
Debt securities and loans	11,858,817	18,223,726
Other financial investments	777,815	924,125
Receivables from insurers	2,800,637	1,914,689
Premium receivable from co-insurance	22,812	22,812
Receivables from re-insurers' share in claim	5,152,680	10,147,257
Other short-term receivables from insurance operation	13,519	18,060
Short term receivables from financing	13,556,468	13,656,652
Other short-term receivables	776,038	810,511
<b>LIABILITIES</b>		
Liabilities to policy holders	166,512	344,344
Liabilities to agents and brokers	307,388	294,961
Liabilities for co-insurance premiums	35,455	0
Liabilities for re-insurance premiums	12,957,381	9,028,603
Liabilities for co-insurers' share in claim	1,263	1,110
Other short-term liabilities	150,083	189,390

	in EUR	
	Q1 2016	Q1 2015
<b>INCOME AND EXPENSES</b>		
Gross written premium	4,535,296	3,611,221
Assumed co-insurance written premium	2,843	3,711
Ceded co-insurance written premium	-42,720	0
Outward re-insurance premium (-)	-24,395,009	-25,272,224
Income from re-insurance commissions	4,112,267	3,818,845
Income from reinsurance commissions	1,088,485	1,121,007
Interest income	190,160	991,071
Income from land and buildings	118,568	38,777
Realised gains on disposals from financial assets	8,367,185	0
Other insurance income	334,857	729,024
Other income	47,607	48,053
<b>TOTAL INCOME</b>	<b>-5,640,461</b>	<b>-14,910,515</b>
Gross claims settled	177,832	335,023
Re-insurers' share	-3,700,942	-4,045,803
Co-insurers' share	153	1,205
Other expenses	0	16,878
<b>TOTAL EXPENSES</b>	<b>-3,522,957</b>	<b>-3,692,697</b>

## Transactions with associates

In daily business operations, many insurance transactions are carried out with associated companies of Zavarovalnica Triglav. These transactions are performed at arm's length and at market prices. Their volume is shown below, separately for Zavarovalnica Triglav and for the Triglav Group.

	Triglav Group		Zavarovalnica Triglav	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
<b>ASSETS</b>				
Shares	6,694,178	6,939,700	7,259,875	7,259,875
Receivables from insurers	498	987	280	769
<b>LIABILITIES</b>				
Other provisions	58,688	0	0	0
Liabilities to agents and brokers	22,072	19,681	22,072	18,480
Other short - term liabilities	429	553	0	0
Accrued expenses	1,522	116	0	0

	Triglav Group		Zavarovalnica Triglav	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
<b>INCOME AND EXPENSES</b>				
Gross written premium	19,289	17,383	18,687	16,796
Interest income	34,859	0	0	0
<b>TOTAL INCOME</b>	<b>54,148</b>	<b>17,383</b>	<b>18,687</b>	<b>16,796</b>
Gross claims settled	18,493	5,386	18,493	5,386
Acquisition costs	4,510	5,852	0	0
<b>TOTAL EXPENSES</b>	<b>23,003</b>	<b>11,238</b>	<b>18,493</b>	<b>5,386</b>

in EUR

## **2.9 Significant events after the reporting date**

No events occurring after the reporting date were material to the consolidated financial statements for the first three months of 2016.

Triglav Osiguranje d.d., Zagreb established a new real property company – Triglav upravljanje nekretninama d.o.o. Its share capital of HRK 20,000 was paid in full by Triglav Osiguranje d.d., Zagreb. As of 5 May 2016, the newly established company is entered into the Companies Register and included into the consolidated financial statements of the Triglav Group.