



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

triglav

www.triglav.eu
www.triglav.si

Unaudited Interim Report of the Triglav Group and Zavarovalnica Triglav d.d. for the period from 1 January 2016 to 30 September 2016



MANAGEMENT BOARD:

President: Andrej Slapar

Members: Benjamin Jošar

Uroš Ivanc

Tadej Čoroli

Marica Makoter

Ljubljana, November 2016



Dear shareholders, business partner and colleagues,

The Triglav Group has consistently maintained its financial stability, high capital adequacy and profitability in 2016. In the reporting period, our business results are in line with our expectations. In 2016, as expected, the Triglav Group operated under challenging market conditions and foremost in a record-low or even zero interest rate environment on international financial markets.

In the first nine months of 2016, the Triglav Group posted a total of EUR 721 million in consolidated gross insurance and co-insurance premiums or EUR 2 million more than in the respective period of 2015. Taking into account the sale of the Czech subsidiary in 2015, the Triglav Group recorded a 2% premium growth. Non-life insurance premium, accounting for 66% of consolidated premium, was up by 1%. Considering the sale of the Czech insurer in 2015, however, it grew by 3%. Written premium from life insurance contracts fell by 2%, primarily due to the high sums paid out on the maturity of insurance policies. Written premium in health insurance increased by 4% mainly as a result of effective marketing of supplemental health and other insurance products.

In Slovenia, the parent company posted 1% less written premium compared to the same period of 2015. The other two insurance subsidiaries operating on the Slovene market, i.e. Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba, recorded a premium growth of 4%. Compared to the respective period of 2015, the average premium growth on markets outside Slovenia was 9%. The highest premium growth of 22% was seen in the Serbian market.

In contrast to 2015, in 2016 the core insurance business has been affected by mass loss events, the largest being the summer storms with hail and the April frost and local flooding in Slovenia. Mass loss events totalled EUR 19 million in the reporting period. Compared to the year before, claims ratio increased and as a consequence combined ratio as well which is primarily the result of the absence of mass loss events in the preceding year. In the first nine months of 2016, the combined ratio was 95.0%, which is in line with the long-term target strategic average value of the combined ratio.

The Group's return on investment was significantly influenced by the situation on financial markets with low and/or zero interest rates and the high volatility on stock markets. The financial markets were influenced by the uncertain conditions, weak global economic growth, low inflationary expectations and additional uncertainty related to the Brexit. Moreover, a rapid improvement of the situation on financial markets and major changes in returns on investments are not expected. The Group's return on financial investments in the reporting

period decreased by 21% over the corresponding period of 2015, primarily as a result of lower net gains on the sale of financial assets. In the reporting period, the Group consistently adapted the individual shares of investment grades, maintaining the investment structure, which primarily consists of prime government bonds, through its investment strategy.

From the beginning of 2016, the Triglav Group has successfully operated in compliance with the Solvency II system. Considering the set strategic guidelines, the capital level of the Group adequately exceeds the target level of the risks underwritten by the Group. In 2016, the Group's strong financial stability, high capital adequacy and high profitability were additionally confirmed by the two established rating agencies S&P Global Ratings and A.M. Best, which both upgraded the Group's ratings from »A-« to »A«. Both ratings have a stable medium-term outlook.

The Triglav Group ended the first nine months of 2016 with a net profit of EUR 54 million and generated a profit before tax of EUR 68 million. A lower profit than in the respective period of 2015 was expected. Taking into account the business conditions anticipated until the end of the year, we estimate that the annual profit before tax of the Triglav Group will be within the planned range.

Andrej Slapar

President of the Management Board of Zavarovalnica Triglav



CONTENTS

1.	FINANCIAL HIGHLIGHTS OF THE TRIGLAV GROUP IN THE FIRST NINE MONTHS OF 2016... 5
2.	GOVERNANCE OF THE TRIGLAV GROUP..... 12
3.	THE SHARE AND SHAREHOLDERS OF ZAVAROVANICA TRIGLAV 16
4.	PERFORMANCE IN THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016 21
5.	FINANCIAL RESULT AND FINANCIAL STANDING 47
6.	RISK MANAGEMENT 57
7.	HUMAN RESOURCE MANAGEMENT IN THE TRIGLAV GROUP 62

1. FINANCIAL HIGHLIGHTS OF THE TRIGLAV GROUP IN THE FIRST NINE MONTHS OF 2016

1.1 Performance of the Triglav Group

	in EUR million		
	Q1-3 2016	Q1-3 2015	Index 2016/2015
Gross written premium from insurance and co-insurance contracts	720.7	718.3	100
Net premium income	630.5	629.6	100
Gross claims paid	445.5	435.1	102
Net claims incurred	442.7	427.4	104
Gross operating costs*	174.6	170.8	102
Profit before tax	67.5	94.9	71
Net profit	53.6	80.9	66
Net profit attributable to the controlling company	52.7	80.2	66
	30 September 2016	31 December 2015	Index 2016/2015
Insurance technical provisions as at	2,694.8	2,600.4	104
Equity as at	730.2	704.0	104
Equity attributable to the controlling company as at	719.2	692.9	104
Number of employees as at	5,052	5,379	94

*Insurance business gross operating costs

Key performance indicators of the Triglav Group

	Q1-3 2016	Q1-3 2015
ROE annualised	10.1%	16.0%
Claims ratio	64.7%	62.5%
Expense ratio	30.3%	29.2%
Combined ratio	95.0%	91.7%
Ratio between gross operating costs and gross written premium	24.2%	23.8%

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

	in EUR million		
	Q1-3 2016	Q1-3 2015	Index 2016/2015
Gross written premium from insurance and co-insurance contracts	460.2	463.2	99
Net premium income	379.6	389.4	98
Gross claims paid	289.7	283.5	102
Net claims incurred	273.6	264.3	104
Gross operating costs	121.4	119.3	102
Profit before tax	60.0	65.9	91
Net profit	48.3	53.8	90
	30 September 2016	31 December 2015	Index 2016/2015
Insurance technical provisions as at	2,109.0	2,053.9	103
Equity as at	546.4	530.6	103
Number of employees as at	2,373	2,341	101

Key performance indicators of the Zavarovalnica Triglav

	Q1-3 2016	Q1-3 2015
ROE annualised	12.1%	13.7%
Claims ratio	59.6%	56.6%
Expense ratio	30.7%	29.1%
Combined ratio	90.4%	85.7%
Ratio between gross operating costs and gross written premium	26.4%	25.7%

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 Group's 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 is performed for the clients who save via the Group's insurance services and for investors who invest in the Group's mutual funds. This activity is performed by the life insurers of the Group, Triglav Skladi d.o.o. and Triglav, Upravljanje nepremičnin d.d.

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

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

1.4 Composition and markets of the Triglav Group



The Triglav Group as at 30 September 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 upravljanje nekretninama d.o.o., 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
 - Triglav Osiguranje a.d., Banja Luka
 - Triglav Auto d.o.o.
 - Triglav Osigurivanje 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., Sarajevo
 - TRI-LIFE d.o.o., Zagreb
 - Triglav Savetovanje d.o.o., Belgrade
- Triglav Avtoservis, družba za storitve in trgovino d.o.o.
- Triglav, Upravljanje nepremičnin d.d.
 - Golf Arboretum d.o.o.
 - AKM nepremičnine d.o.o.
 - Triglav upravljanje nekretninama d.o.o., Podgorica.
 - 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 nine months 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, a 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 each. Triglav INT paid in 1,500,000 shares in the total value of EUR 7.5 million, the remainder of 1,081 shares totalling EUR 5,405 was paid in by minor 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.
- 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 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. On 2 June 2016, Triglav Osiguranje, Zagreb provided additional capital to the said company through the in-kind contribution of real property in the amount of HRK 24,868,200.
- In July 2016, Triglav Osiguranje d.d., Sarajevo acquired an additional stake in its subsidiary Sarajevostan d.d., thus becoming the 92.98% owner of the company.
- On 27 July 2016, Triglav, Upravljanje nepremičnin d.d. sold its 100% stake in its subsidiary Slovenijales trgovina d.o.o.
- Lovćen Osiguranje, Podgorica founded the real property company Triglav upravljanje nekretninama d.o.o., Podgorica, which was entered into the Companies Register on 16 August 2016. The share capital of the company amounts to EUR 3,313,381, of which EUR 5,000.00 were paid in cash by the sole member and EUR 3,308,381 through the in-kind contribution by transferring real properties to the newly-established company. On 22 September 2016, the equity stake was sold to Triglav, Upravljanje nepremičnin d.d.
- Triglav INT acquired a 0.05% equity stake from non-controlling interest holders of Triglav Osiguranje, Zagreb thereby becoming an 99.91% owner of the company.
- The liquidation procedure of Pista d.o.o. started in January 2016. The company was deleted from the Companies Register on 5 September 2016.
- Slovenijales nepremičnine d.o.o. changed its name to AKM NEPREMIČNINE, družba za upravljanje z nepremičninami d.o.o., abbreviated to AKM nepremičnine d.o.o.
- On 12 July 2016, the capital increase of Triglav, Upravljanje Nepremičnin, d.d. was entered into the Companies Register. For this capital raise, the company issued 423,245 new registered no-par value shares at a nominal value of EUR 4.17 each. The capital raise in the total amount of EUR 1,764,934 was made by the sole shareholder Zavarovalnica Triglav with an in-kind contribution, specifically through debt-to-equity swap – by converting the loan given to Hotel Grad Podvin d.d. With the capital increase performed, Zavarovalnica Triglav remains the 100% owner of Triglav, Upravljanje nepremičnin.

Changes in the Triglav Group are discussed in greater detail in *Section 2.7 of the Accounting Report*.

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 d.d., including the amendments adopted by the Management Board

and the 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.

- 9. 2. On 9 February 2016, Zavarovalnica Triglav d.d. 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 d.d. 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 issued to Zavarovalnica Triglav d.d., 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. In line with the issued Order, the Management Board convened the Works Council of Zavarovalnica Triglav and proposed to recall the said members. The Works Council did not accept the proposed decision to recall Ivan Sotošek and Boštjan Molan, therefore Zavarovalnica Triglav submitted a report to the Insurance Supervision Agency in accordance with the Order.
- Based on his letter of resignation, the term of office of Matej Runjak, Member and Chairman of the Supervisory Board of Zavarovalnica Triglav, ended as of 31 May 2016. On 18 August 2016, the Supervisory Board appointed Igor Stebernak its new Chairman. *Composition of the Supervisory Board* is further discussed in *Section 2.4.1*.
- Based on the proposal of the Worker's Council of Zavarovalnica Triglav d.d., 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.
- The 41st General Meeting of Shareholders of Zavarovalnica Triglav was held on 31 May 2015. At the meeting, the shareholders:
 - adopted a resolution on the distribution of accumulated profits for 2015;
 - granted a discharge for the business year 2015 to both the Management and the Supervisory Boards of Zavarovalnica Triglav;
 - appointed the audit firm ERNST & YOUNG revizija, poslovno svetovanje, d.o.o., Ljubljana as the auditors for 2016, 2017 and 2018;
 - adopted the amendments to the Articles of Association of Zavarovalnica Triglav;
 - took note of the resignation letter of Matej Runjak, Member of the Supervisory Board, and appointed Igor Stebernak a new member of the Supervisory Board;
 - adopted the remuneration of the Supervisory Board members.

See *Section 2.2.1 General Meetings of Shareholders in Q3 2016* for more details.

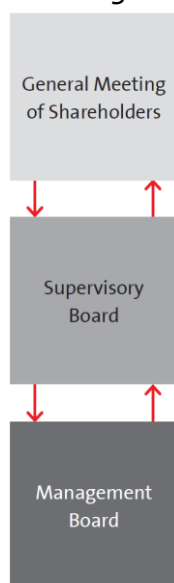
- In early June 2016, the S&P Global Ratings upgraded the long-term credit rating and the financial strength rating of the Triglav Group, and thereby of the parent company and Pozavarovalnica Triglav Re, from »A-« to »A«. Both credit ratings have a stable medium-term outlook. See Section 3.4 *Credit rating* for more details.

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, i.e. 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.

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.

2.2.1 General Meeting of Shareholders in 2016

The shareholders of Zavarovalnica Triglav had one general meeting in the first six months of 2016. The 41st General Meeting of Shareholders was held on 31 May 2016. The total number of shares and voting rights represented at the General Meeting of Shareholders was 17,462,467 or 76.81% of all shares to which voting rights are attached.

- The shareholders took note on: the Annual Report of the Triglav Group and Zavarovalnica Triglav d.d. for 2015 with the accompanying auditors' opinions, the Annual Internal Audit Report for 2015, the Supervisory Board's Report on the Verification of the Annual Report of

the Triglav Group and Zavarovalnica Triglav d.d. for 2015 and the Opinion of the Supervisory Board of Zavarovalnica Triglav d.d. on the Annual Internal Audit Report for 2015 by the Internal Audit Department of Zavarovalnica Triglav d.d.

- The shareholders adopted a resolution on the following distribution of the accumulated profit of EUR 65,028,271.76 as at 31 December 2015:
 - a part of accumulated profit in the amount of EUR 56,837,870.00 shall be allocated for dividend payments. The dividend in the amount of EUR 2.50 gross per share shall be paid to the shareholders appearing in the Share Register two days following the date of the General Meeting of Shareholders. The dividends shall be paid within 25 to 30 days of the date this resolution is passed.
 - The distribution of the remaining accumulated profit of EUR 8,190,401.76 shall be decided in the next few years.
- The Shareholders granted a discharge for the business year 2015 to both the Management Board and the Supervisory Board of Zavarovalnica Triglav.
- The General Meeting of Shareholders appointed the audit company Ernst & Young Revizija, poslovno svetovanje d.o.o., Dunajska cesta 111, 1000 Ljubljana auditors of Zavarovalnica Triglav for the 2016, 2017 and 2018 fiscal years.
- The shareholders adopted the amendments to the Articles of Association of Zavarovalnica Triglav.
- The General Meeting of Shareholders took note of a resignation letter by Matej Runjak, Member of the Supervisory Board and appointed Igor Stebernak a new member of the Supervisory Board (see *Section 2.4.1 Supervisory Board* for more details).
- The shareholders determined the remuneration of the Supervisory Board members.

At the General Meeting of Shareholders no action of voidness was announced.

2.3 Management Board

Any person fulfilling the requirements stipulated by the Insurance Act, the Companies Act, the Articles of Association 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 employee representative as a member of the Management Board is appointed upon the Worker's Council proposal.

The appointment or recall of all members or an individual member is proposed to the Supervisory Board by the President of the Management Board. Any individual member or President of the Management Board may be dismissed by the Supervisory Board if legal grounds for their dismissal have been established.

2.3.1 Introducing the Management Board

As at 30 September 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. Each member of the Supervisory Board may resign from their function as member of the Supervisory Board before the expiration of their term of office by giving a notice. The notice period lasts until the date of the appointment of a new member of the Supervisory Board but for maximum three months from the date the notice was given. The notice period begins as of the date on which the Company receives a resignation letter. The term of office of the Supervisory Board member who submitted a resignation letter, which is the subject of a notice period, will end as of the date a new Supervisory Board member is appointed or upon the expiry of the notice period, whichever is earlier. If there are clearly substantiated and justified reasons for which a member is unable to perform their function, such a member of the Supervisory Board may resign by submitting a resignation letter without a notice period. In the event of resignation due to reasonable grounds, the term of office of such a Supervisory Board member will end as of the date on which the Company receives their resignation letter stating the reasonable grounds.

2.4.1 Composition of the Supervisory Board

Composition of the Supervisory Board as at 30 September 2016:

- Shareholder representatives:
 - Igor Stebernak, 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.

The General Meeting of Shareholders, held on 31 May 2016, was informed that 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 31 May 2016 when his term of office ended. The General Meeting of Shareholders appointed Igor Stebernak a new member of the Supervisory Board, whose term of office commenced on 2 June 2016. At its session on 18 August 2016, the Supervisory Board appointed Igor Stebernak as its Chairman.

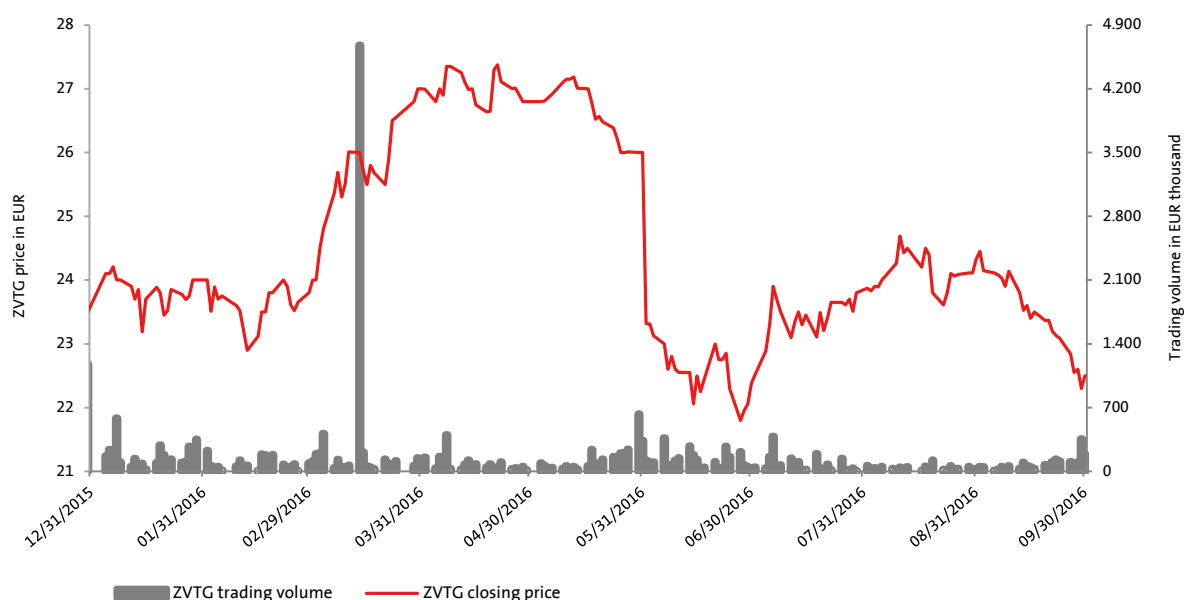
3. THE SHARE AND SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV

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

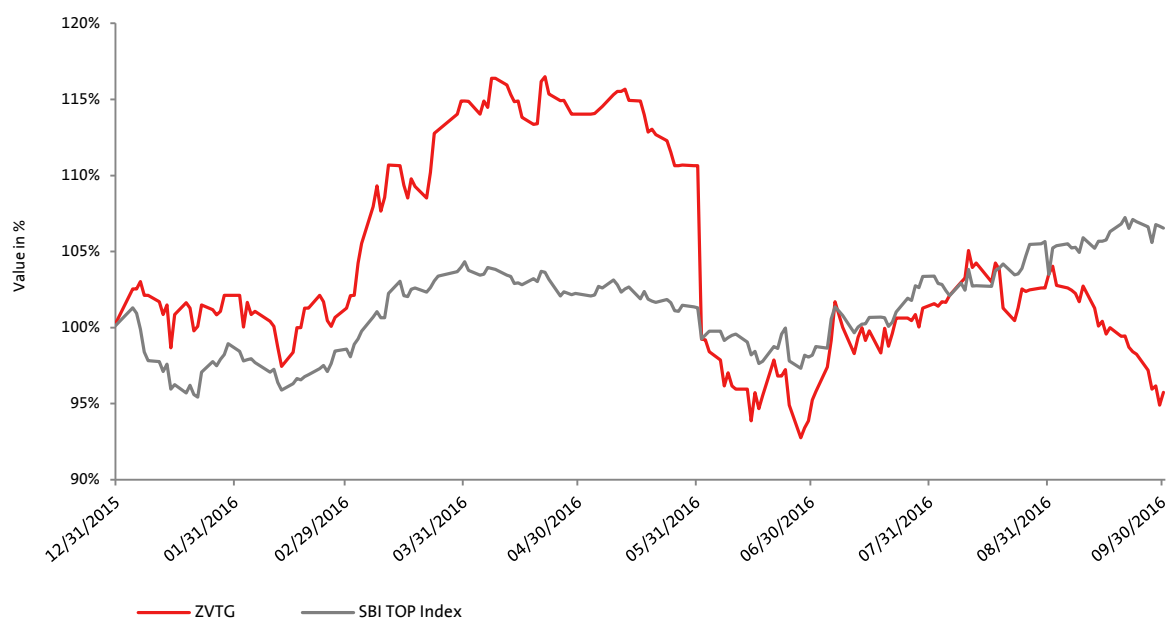
In the reporting period, starting at EUR 23.50 on the first trading day, the ZVTG share (Zavarovalnica Triglav's share) peaked to its highest price of EUR 27.38 on 21 April 2016. The cut-off date for dividend payment of EUR 2.50 per share was 2 June 2016. The day before, i.e. 1 June 2016, when holding the share no longer meant being entitled to a dividend payment, the share price expectedly began to decrease, having dropped to EUR 22.50 as at 30 September 2016, or 4.3% less than its starting price.

In terms of market capitalisation, Zavarovalnica Triglav was third largest listed company with EUR 512 million as well as in terms of liquidity. A share of 11% of the turnover in shares on the Ljubljana Stock Exchange was accounted for by the ZVTG share. The average daily trading volume of ZVTG shares was EUR 122,359, which was 14% less than the 2015 average (EUR 142,878).

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 Q1-3 2016 (starting date 31 December 2015 = 100)



Key figures for the share of Zavarovalnica Triglav

Items	30 September 2016	31 December 2015
Number of shares	22,735,148	22,735,148
Book value per share (consolidated data)* (in EUR)	32.12	30.97
Book value per share (parent company)* (in EUR)	24.03	23.34
Net earnings per share (consolidated data)** (in EUR)	2.36	3.91
Share market value (in EUR) - closing price	22.50	23.50
Market capitalisation (in EUR) - closing price	511,540,830	534,275,978
Traded on	Ljubljana Stock Exchange - LJSE	
Ticker symbol	ZVTG	
ISIN	SI0021111651	
Credit rating	<ul style="list-style-type: none"> ■ S&P Global ratings; »A«, stable medium-term outlook ■ AM Best; »A«, stable medium-term outlook*** 	
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.

***Credit rating assigned in early November 2016 (previous credit rating: »A-« with a stable medium-term outlook.

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

In 2016, the shareholder structure of Zavarovalnica Triglav has been affected by the abolition of free registry accounts kept by KDD, which is taking place in Slovenia due to the process of European integration and implementation of common standards regarding the performance of corporate actions on securities. The natural persons who are the holders of securities on the registry accounts have to transfer their securities to an account held with a KDD member by 1 January 2017. Legal entities were required to do so by 30 September 2016.

In view of the above, in the first nine months of 2016, ownership concentration of the top ten shareholders dropped by 7.8% to 25,835 shareholders as expected. Regardless of the decrease in the total number of shareholders, particularly natural persons, there were no substantial changes in the shareholder structure of the Company.

With the share of 98.1%, the shareholder structure of Zavarovalnica Triglav was dominated by domestic shareholders, holding 82.9% of all shares. Foreign shareholders accounted for less than 2%, however their share has been constantly increasing over the past years. From 2008 to the reporting date, their share in ZVTG shares grew by almost 13 percentage points to the current 17.1%.

With 98.0%, natural persons accounted for the bulk of all shareholders (vs. 97.8% as at the 2015 year-end). They held 10.4% of the ZVTG shares, which is 0.7 percentage point more over the 2015 year-end.

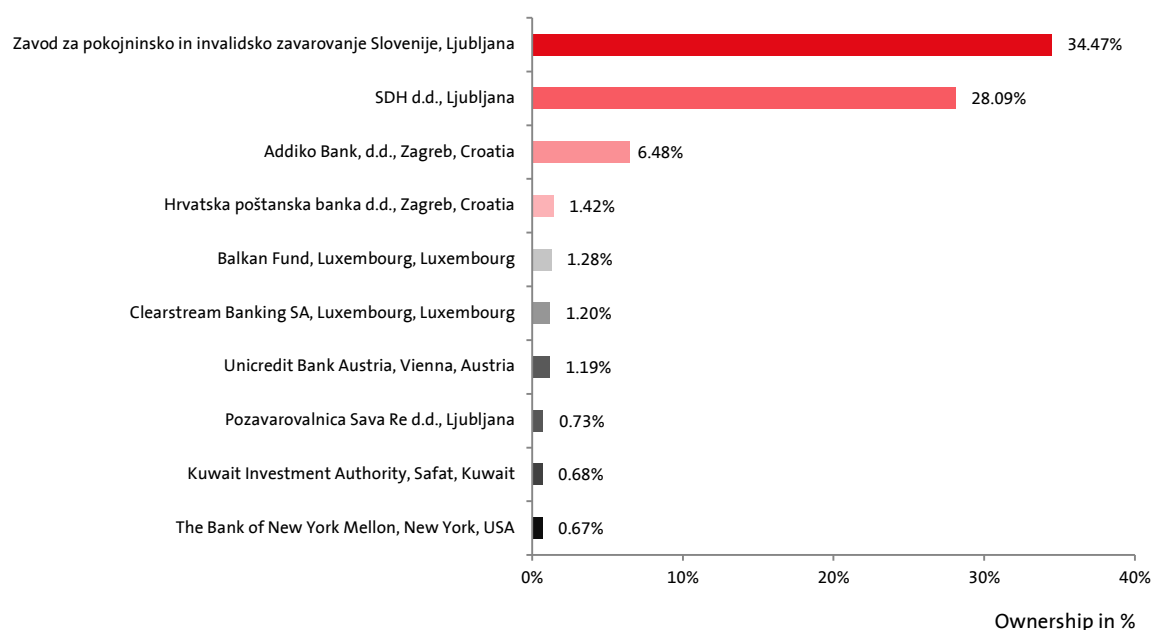
Shareholder structure of Zavarovalnica Triglav as at 30 September 2016

	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	18,852,400	3,882,748	20,382,958	2,352,190
Number of shareholders	25,835	25,355	480	521	25,314
Number of shares - percentage	100.0%	82.92%	17.08%	89.65%	10.35%
Number of shareholders - percentage	100.0%	98.14%	1.86%	2.02%	97.98%

Total number of shares held by the Management and Supervisory Boards equalled 480 and remained unchanged as at the reporting date.

In the first nine months of 2015, ownership concentration measured by equity stakes of the top ten shareholders grew by 0.6 percentage point to 76.2% of total shares of the Company. Addiko bank d.d., – fiduciary account (former Hypo Alpe-Adria Bank) increased its stake by 0.2 percentage point, whilst that of Balkan Fund went down by the same figure. Unicredit bank Austria – fiduciary account and The Bank of New York Mellon – fiduciary account increased their shares as well by 0.8 percentage point and 0.2 percentage point respectively.

Top ten shareholders of Zavarovalnica Triglav as at 30 September 2016



3.4 Credit rating

A high »A« credit rating is one of the Group's key strategic objectives, thus enabling the appropriate competitive position in insurance, reinsurance and financial markets and consolidating its financial strength and solid performance. The credit ratings of the Triglav Group – and consequently its parent company Zavarovalnica Triglav and its subsidiary Pozavarovalnica Triglav Re – are assigned by two established credit rating agencies: **S&P Global Ratings** (hereinafter: S&PGR) and **A.M. Best**. In 2016, both agencies upgraded the standalone credit ratings of »A-« to »A«, all with a stable medium-term outlook.

In early June 2016, the **S&PGR** upgraded the Triglav Group's long-term credit rating and financial strength credit rating from at »A-« to »A«. Both credit ratings have a **stable** medium-term outlook.

The S&PGR improved the Group's business risk profile and assessed it strong mainly due to the improved conditions on the Slovene insurance market resulting in lower sovereign risk. Thanks to the Group's investment portfolio, and foremost to its diversification, the Group's financial risk profile was assigned a higher rating and reassessed as very strong. Furthermore, the S&PGR emphasized in its report that the Group has a comprehensive reinsurance protection.

The »A« credit rating on Triglav exclusively reflects the Group's standalone credit profile and does not include any uplift from the insurer's status as a government-related entity. The Triglav Group passed the S&PGR's hypothetical sovereign stress scenario, and could be, in case of sovereign stress, rated higher than the sovereign rating on the Republic of Slovenia.

The stable medium-term outlook from June 2016 reflects the S&PGR's expectations that the Triglav Group will continue to successfully implement its set strategy and sustain very strong capital adequacy and earnings over the next two years.

Following its regular annual revision in November 2016, the **A.M. Best** credit rating agency upgraded the financial strength rating of »A-« to »A« (Excellent) and the issuer credit rating of »a-« to »a« (Excellent) of both Zavarovalnica Triglav and Pozavarovalnica Triglav Re. The ratings

of both companies have a stable medium-term outlook. The credit ratings reflect the Company's consistently excellent performance over the past five years, its leading position on the Slovene market and strong Triglav brand recognition in the region. The Company has established a comprehensive risk management and underwriting system, which is expected to improve even further. A.M. Best raised the credit ratings of the parent company also as a result of strong and risk-adjusted capital level of the Company. It is expected that the Company will maintain its prudent capital management and the adopted dividend policy, which will support the target capital adequacy of the Group.

4. PERFORMANCE IN THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016

4.1 Macroeconomic environment and environmental impact on the performance of the Triglav Group and Zavarovalnica Triglav

The economic growth in the European Union (hereinafter: the EU) is relatively modest; it is based on the increase in demand and investment. The recovery of the EU economies is uneven or very different among the Member States. It strongly depends on the proper implementation of structural reforms, particularly for the Member States of the euro area, which no longer have a national monetary policy. Low inflation or deflation requires the continued highly flexible – expansive monetary policy of the ECB, which at the same time contributes to the competitiveness of exports outside the euro area, with the exception of the United Kingdom where the exchange rate was primarily affected by the Brexit effect.

The expansionary monetary policies of central banks strengthen the period of low or zero interest rates, thereby encouraging further consolidation in the highly competitive business environment of the financial sector. In addition to strategic risks, some legal risks related to the beginning of the global financial and economic crisis in 2008 have emerged.

In Slovenia, the above-average economic recovery primarily driven by export continues (the fourth largest current account surplus in the EU in the second quarter of 2016 – around 7% of GDP), accompanied by the gradual increase in domestic demand, whereas investment further lags behind.

The announcement of Great Britain to exit the EU quite shocked the financial markets at the beginning of the third quarter, with volatility on the stock markets being especially high. The expansive monetary policy of the ECB in parallel with the purchases of prime securities for the first time outside the banking and the government sector reduced the spreads on government and corporate bonds at the beginning of the quarter. Compared to the German bonds, spreads on the Portuguese, Spanish and Italian government bonds again started to increase in the second half of the third quarter of 2016, which reflects the shift of foreign investors to less risky investments due to the poor offering of the growing debt in debt securities. The downward trend of spreads on the Slovene and Irish government bonds continued. Slovenia's international rating was upgraded and assigned a stable outlook.

Finding an appropriate return is the main concern of institutional investors, including insurance companies, which however maintain a similar investment structure, primarily consisting of prime government bonds and a wider maturity gap between assets and liabilities.

Despite the signs of economic recovery, the conditions in insurance markets where the Triglav Group operates remained challenging. 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. Moreover, the reporting year saw several mass loss events in the amount of EUR 19.0 million,

which impacted the Group's performance. At the end of April, frost and several minor local floods across Slovenia caused a damage of around EUR 6.8 million, mostly on crops. Summer storms with hail (4 mass loss events) in Slovenia resulted in claims of EUR 8.9 million, foremost in Eastern Slovenia. At the end of April, frost in Croatia caused damage on crops of approximately EUR 1.9 million. In May in Macedonia, hail caused damage on crops in the amount of EUR 640 thousand, whilst due to the August floods claims totalled approximately EUR 83 thousand. At the end of June, storms with hail caused claims of around EUR 290 thousand in Croatia, EUR 220 thousand in Serbia and EUR 120 thousand in Montenegro (crops, comprehensive motor vehicle insurance and real property).

4.2 The insurance market and the position of the Group members in the first nine months 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 nine months of 2016, they earned together a gross written premium of EUR 1,520.7 million, which is approximately the same as in the respective period of period of 2015 (index 100).

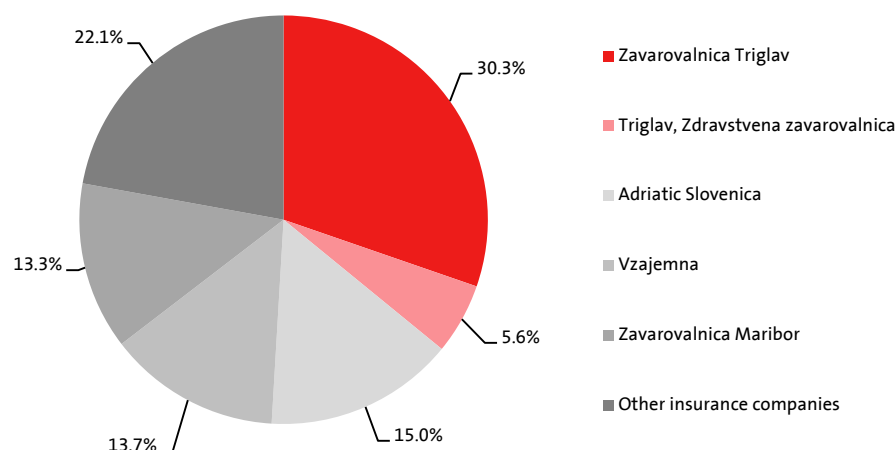
Traditional insurance companies (17) booked a total of EUR 1,517.5 million in premium, of which 74.0% stemmed from non-life insurance and the remainder from life insurance. Non-life insurance premium increased by 2.2%, whilst life insurance premium experienced a drop of 5.0%.

The Slovene insurance market is characterised by a high degree of concentration as the four major insurers controlled 72.2% of the traditional insurance market (vs. 72.1% in 2015). **Zavarovalnica Triglav** remained the market leader by holding a 30.3% market share, which decreased by 0.2 percentage point compared to the previous year. The second largest market share was held by Adriatic Slovenica, a company 2.0 times smaller. As at the reporting date, Zavarovalnica Triglav and **Triglav, Zdravstvena zavarovalnica** had a combined market share of 35.9%, having fallen by 0.1 percentage point compared to the preceding year.

Zavarovalnica Triglav's non-life insurance market share was 29.7% (0.3 percentage point less compared to the previous year), whilst the life insurance market share stood at 32.0%, which was 0.1 percentage point less than in the respective period of 2015.

A 1.0% premium growth was recorded in health insurance (a part of the non-life insurance premium). With a 23.3% market share, **Triglav, Zdravstvena zavarovalnica** (22.6% in the respective period of 2015) was ranked second among the health insurance providers and recorded a 3.8% premium growth.

The market share of traditional insurance companies in Slovenia as at 30 September 2016



Source: Slovenian Insurance Association

Along with the parent company and Triglav, Zdravstvena zavarovalnica, Skupna pokojninska družba, which in May became a member of the Slovenian Insurance Association, operates on the Slovene market. Skupna pokojninska družba ranked first on the supplemental voluntary pension insurance market in terms of accumulated assets and second in terms of the number of policyholders (according to the data for Q1 2016). Given the data of all the three insurers, the Triglav Group held a 37% market share in the Slovene insurance market as at the reporting date. 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 excluding health insurance: 44%;
- life insurance: 36%; and
- 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 as at 30 September 2016

Market	Market share	Market share trend	
Croatia	4.4%	↑	+0.4-percentage point
Bosnia and Herzegovina	8.0%	↓	-0.1-percentage point
- Federation of BiH	9.3%	↑	+0.2-percentage point
- Republic of Srpska*	4.5%	↓	-0.4-percentage point
Montenegro	38.8%	↓	+0.6-percentage point
Serbia**	4.7%	↑	+0.4-percentage point
Macedonia (non-life insurance)**	18.0%	↓	-0.1-percentage point

*The market shares of Triglav Osiguranje, Banja Luka and subsidiary of Triglav Osiguranje, Sarajevo were taken into account.

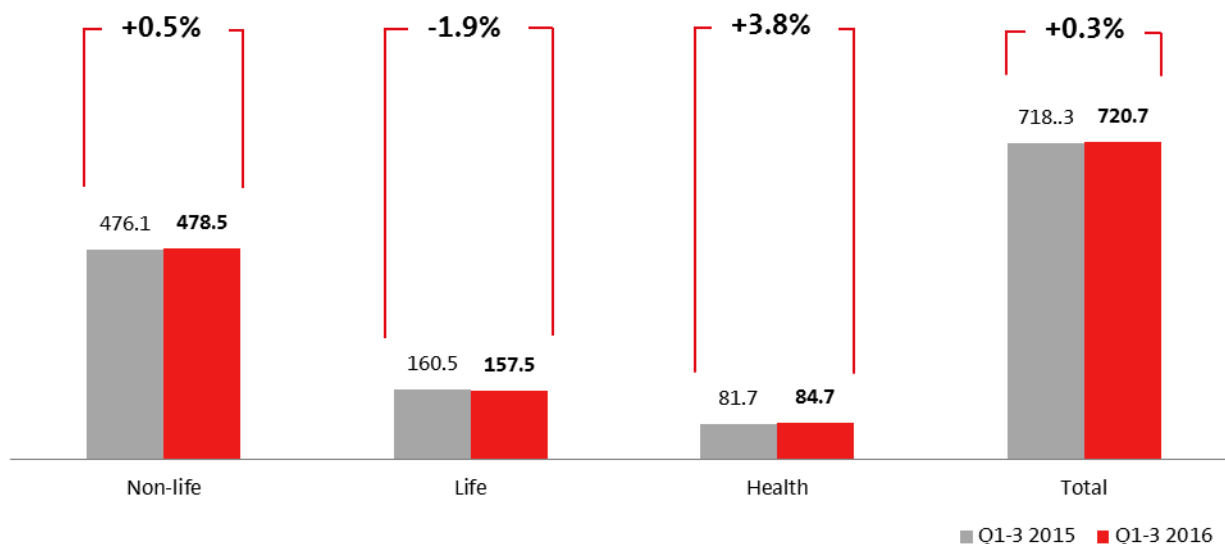
**Data from January to June 2016.

4.3 Gross written premiums from insurance and co-insurance contracts

In the reporting period, the Triglav Group posted a total of EUR 720.7 million in consolidated gross insurance and co-insurance premiums, which is approximately the same as in the respective period of 2015 (index 100). Taking into account the sale of the Czech subsidiary in 2015, the Group recorded a 2% premium growth. **Non-life insurance** total was EUR 478.5 million (index 101), **life insurance** reached EUR 157.5 million (index 98) and **health insurance** EUR 84.7 million (index 104).

In the first nine months of 2016, gross insurance and co-insurance premiums was up 2% if the sale of the Czech subsidiary is taken into account.

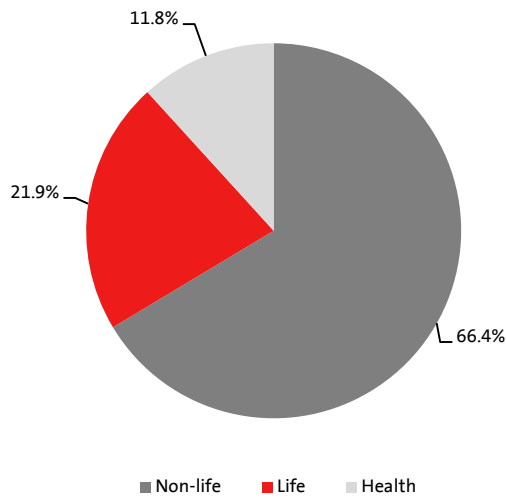
Gross written premium from insurance and co-insurance contracts in Q1-3 2016 compared to Q1-3 2015



Consolidated written premium had the following structure:

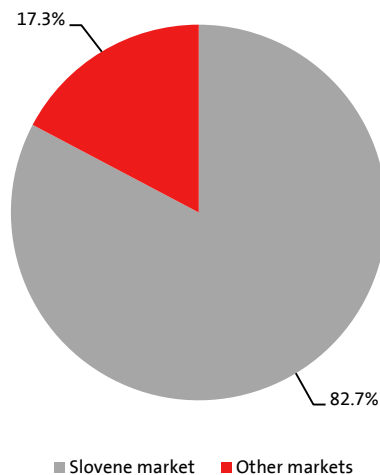
- non-life insurance accounted for 66.4% (Q1-3 2015: 66.3%);
- life insurance accounted for 21.9% (Q1-3 2015: 22.3%); and
- health insurance for 11.8% (Q1-3 2015: 11.4%).

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



A total of 82.7% of consolidated gross written premium was charged in the Slovene insurance market, which was 0.1 percentage point less 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 691.7 million in non-consolidated gross insurance and co-insurance premiums, which was approximately at the same level as in the same period last year (index 100). For Q1-3 2015, the premium of the Czech insurer Triglav Pojišt'ovna in the amount of EUR 9.6 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 4%. In Triglav Osiguranje, Belgrade the premium increased as much as 22%, whilst Triglav Osiguranje, Zagreb saw an 11% premium growth and Triglav Osiguranje, Sarajevo a 10% growth. Lovćen Osiguranje and Lovćen životna osiguranja experienced a 2% premium growth. Lower premium was recorded in Triglav Osiguruvanje, Skopje and Triglav Osiguranje, Banja Luka by 1% and by 3% respectively.

Pozavarovalnica Triglav Re booked a total of EUR 92.5 million in gross reinsurance premiums, which is approximately the same as in the respective period of 2015 (index 100). Premium from

optional business outside the Triglav Group experienced a growth of 9%, whilst reinsurance premium earned with the Triglav Group decreased by 5%. The highest growth was recorded by Pozavarovalnica Triglav Re in other damage to property insurance and goods in transit insurance, resulting primarily from the increase in transactions with ceding companies outside the Group. Aircraft liability insurance, aircraft insurance and suretyship insurance experienced high increases in premiums. 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.

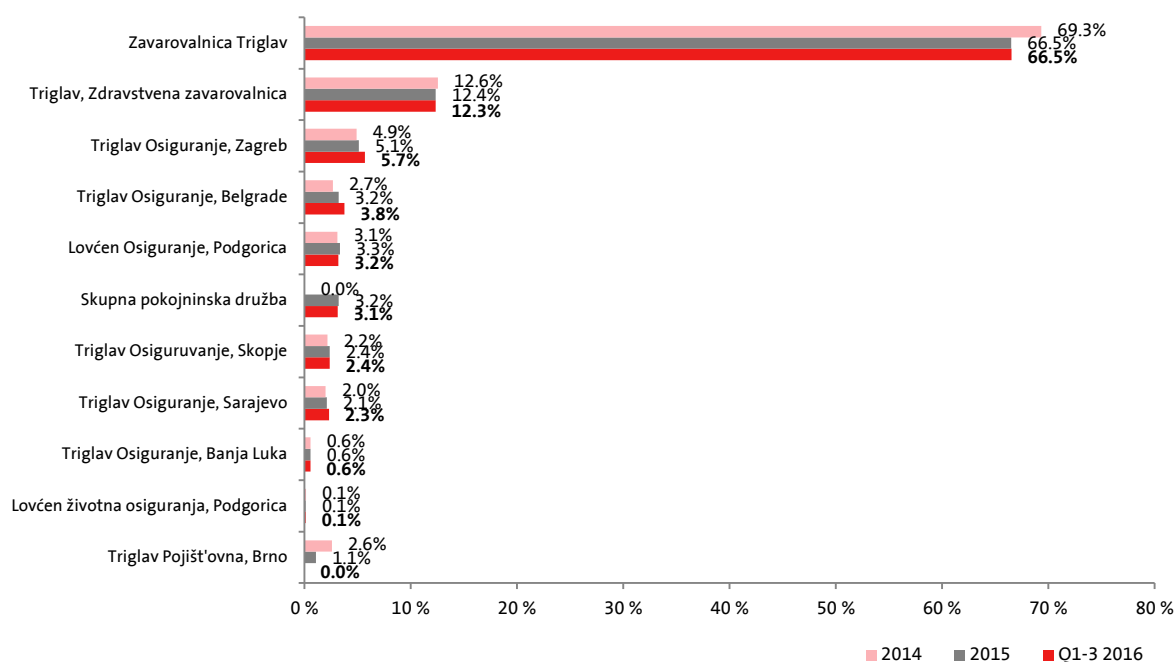
Gross written premium from insurance and co-insurance contracts in Q1-3 2016 by insurance company of the Triglav Group

Insurance company	Gross written premium			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	Q1-3 2016
Zavarovalnica Triglav*	333,910,864	126,306,515	460,217,379	101	95	99	66.5%
Triglav, Zdravstvena zavarovalnica	85,347,885		85,347,885	104	0	104	12.3%
Skupna pokojninska družba		21,577,611	21,577,611	0	104	104	3.1%
Triglav Osiguranje, Zagreb	33,337,866	5,904,625	39,242,491	112	102	111	5.7%
Triglav Osiguranje, Sarajevo	12,180,042	3,758,215	15,938,257	106	126	110	2.3%
Lovćen Osiguranje, Podgorica	22,132,622		22,132,622	102	0	102	3.2%
Triglav Osiguranje, Belgrade	24,653,494	1,338,794	25,992,288	118	280	122	3.8%
Triglav Osiguranje, Banja Luka	3,827,578		3,827,578	97	0	97	0.6%
Triglav Osiguruvanje, Skopje	16,484,781		16,484,781	99	0	99	2.4%
Lovćen životna osiguranja, Podgorica		900,671	900,671	0	102	102	0.1%
Total	531,875,132	159,786,431	691,661,563	101	98	100	100.0%
Pozavarovalnica Triglav Re	92,489,618		92,489,618	100	0	100	
Consolidation eliminations	-61,124,407	-2,281,595	-63,406,002	100	84	99	
Total consolidated	563,240,343	157,504,836	720,745,179	101	98	100	

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

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

Structure of gross written premium in Q1-3 2016 compared to 2015 and 2014 by insurance company



4.3.1 Non-life insurance

In total, Triglav Group insurance companies charged EUR 531.9 million of non-consolidated insurance and co-insurance premiums from non-life insurance contracts, which represented an increase of 1% compared to the same period of 2015.

In total written premium, **motor vehicle insurance**, with a 30.5% share remained the largest insurance class. The Group's insurance companies collected EUR 91.9 million in **comprehensive car insurance** premium, which was 2% more than the year before. Except for Lovćen Osiguranje, Podgorica (loss of the premium of a major policyholder), premium growth was recorded by most insurance companies, the largest by Triglav Osiguranje, Zagreb (index 137), Triglav Osiguranje, Belgrade (index 118) and Triglav Osiguruvanje, Skopje (index 115). The parent company, accounting for 84% of the Group's total premiums, recorded a 2% growth in written premiums.

Motor vehicle insurance remained the most important segment, accounting for 30.5% of total premium earned.

The Group collected EUR 119.2 million in **motor liability insurance** premiums, which was 3% 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 23%, followed in Triglav Osiguranje, Belgrade by 14% and in Lovćen Osiguranje and Triglav Osiguranje, Sarajevo each by 8%. 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 59% of the motor vehicle liability insurance premium total, saw a 2% drop 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), premiums of EUR 124.9 million were booked, which was approximately the same as in the previous year (index 100). In fire and natural disaster insurance, the premium remained approximately at the 2015 level (index 100), while other damage to property insurance experienced a 1% premium decrease. The highest decrease in premium written was observed in Triglav Osiguranje, Banja Luka (index 66), Triglav Osiguruvanje, Skopje (index 85) and in Triglav Osiguranje, Zagreb (index 90). In Triglav Osiguranje, Banja Luka, insurance policies of some major policyholders have not yet been renewed, while in Triglav Osiguranje, Zagreb, the main reason for the premium decrease were the revised agricultural insurance subsidies, which affected its renewal. A premium decrease was recorded by the Macedonian insurer Triglav Osiguruvanje, Skopje primarily due to a premium loss of some of major policyholders. The premium in the real property insurance booked by the parent company, accounting for 80% of the Group's total premium remained at the same level as in 2015 (index 100). The highest premium decrease was seen in fire insurance of civil risks (due to a different premium charging dynamics compared to the preceding year) and fruit and crop insurance (reduced Government's co-financing of insurance premium, fierce competition, reduced purchasing power of farmers

and lower premium rate on certain areas of Slovenia). On contrast, in combined non-life insurance, travel insurance and car warranty insurance grew considerably. The strongest increase in written premium was observed in Triglav Osiguranje, Belgrade (index 132) as a result of attracting new policyholders, increased scope of insurance coverage of some existing policyholders, increased sales volume through insurance brokers and acquired public invitations to tenders. Triglav Osiguranje, Sarajevo recorded high growth in premium (index 106).

A premium growth of 5% was recorded in **health insurance**, where the Triglav Group wrote EUR 86.6 million in premiums. Triglav, Zdravstvena zavarovalnica generated the largest portion of the premium amounting to EUR 85.3 million, which represented a growth of 4%, primarily due to successful marketing of supplemental health insurance products (accounting for the bulk of premium) and of other insurance classes. A high increase in premiums was also recorded in Triglav Osiguruvanje, Skopje, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Belgrade. In the first nine months of 2016, the parent company also started selling health insurance products (rehabilitation after a road accident), which booked a premium of EUR 335 thousand in the reporting period.

In **general liability insurance**, the Triglav Group recorded EUR 33.1 million, having increased by 7% compared to the preceding year, representing 4.8% of total premiums. In general liability insurance, 81% of total is accounted for by the parent company.

A premium growth of 7% was achieved in general liability insurance.

The Company charged 6% more premium than in 2015, predominantly as the result of the 15% growth in product liability insurance and 5% increase in general liability insurance, the largest subclass. 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 Osiguranje, Belgrade (index 149) and Triglav Osiguranje, Zagreb (index 110), due to acquiring new policyholders and increasing the scope of insurance coverage with certain existing policyholders. The Croatian insurer experienced a higher demand in general liability insurance due to Croatia's EU membership.

Accident insurance represented 4.7% of total written premium or EUR 32.4 million in nominal terms, which was 1% lower than in the previous year. The drop in premium was posted by Zavarovalnica Triglav, Triglav Osiguranje, Belgrade and Triglav Osiguruvanje, Skopje and Triglav Osiguranje, Sarajevo whose combined share in total premium from accident insurance represents 81%. 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 2% decrease in group accident insurance premium as the largest insurance subclass of accident insurance class (39%) 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 91) mostly due to the revised Insurance Act as it does not allow for taking out the insurance of persons against death due to illness. In Triglav Osiguruvanje, Skopje and Triglav Osiguranje, Zagreb premium written decreased by 2%. Premium drop was experienced by the Macedonian insurer, owing mostly to the premium non-renewal of two large clients (one of which will however be concluded in the following months), whilst a premium decrease in Triglav Osiguranje, Sarajevo stemmed from the lower premium of some major policyholders in group accident insurance and car accident insurance. Other insurance companies of the Group recorded premium growth, the highest in Triglav Osiguranje, Zagreb (index 117).

Credit insurance totalled EUR 18.3 million and accounted for 2.7% of total premium, which was 1% higher than the year before. A 1% growth was recorded in parent company, accounting for

99.6% of total premium. Good sales results were achieved 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 (64%), was 4% 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 3.7% of total premium) increased by 4% to EUR 25.4 million. Most of the Group's insurance companies recorded growth, the highest rates in Triglav Osiguranje, Zagreb, Triglav Osiguranje, Sarajevo, Triglav Osiguranje, Banja Luka due to acquiring new policyholders and increasing the scope of policies of certain existing customers. Zavarovalnica Triglav, accounting for almost 74% of total premium, saw a 6% growth in written premium compared to the preceding year. 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), aircraft insurance and aircraft liability insurance (premium growth internationally) and assistance insurance (roadside assistance premium growth). A lower premium was booked only by Triglav Osiguranje, 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 (reduced premium of aircraft insurance as the tender of a major policyholder has not yet been realised).

4.3.2 Life insurance

In total, the Triglav Group insurance companies charged EUR 159.8 million in unconsolidated gross written premium from **life insurance** contracts or 2% less than in the first nine months of 2015. This accounted for 23.1% of total gross written premiums, which was 0.6 percentage point less than in the corresponding period of 2015.

Premiums from **life insurance** (traditional life insurance, annuity pension insurance, pension insurance and voluntary pension insurance) went down by 1% to EUR 72.4 million or 45.3% of the life insurance class total. The parent company recorded a 4% premium decrease (86% share) mainly resulting from reduced premiums paid-in 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 (as a result of good sales via internal sales network and banking sales channels). 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 3% compared to the previous year. With EUR 77.0 million they represented 48.2% of the total life insurance premium. Unit-linked life insurance are available from Zavarovalnica Triglav (index 94), Triglav Osiguranje, Zagreb (index 98) and Skupna pokojninska družba (index 104). The parent company recorded a premium increase predominantly resulting from lower retained sums paid out on the maturity and reduced premiums paid-in. The premium growth of Skupna pokojninska družba was mainly due to increased volume of premiums paid-in.

Supplemental voluntary pension insurance (capital redemption insurance) generated EUR 10.4 million or 6.5% of the total life insurance premium. The premium remained approximately at the same level as the year before (index 100), available only from the parent company.

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
	Q1-3 2016	Q1-3 2015	Q1-3 2016/ Q1-3 2015	Q1-3 2016
Accident insurance	32,432,317	32,603,807	99	4.7%
Health insurance	86,556,792	82,409,256	105	12.5%
Comprehensive car insurance	91,891,713	89,958,584	102	13.3%
Real property insurance	124,899,884	125,524,449	100	18.1%
Motor liability insurance	119,206,535	122,418,414	97	17.2%
General liability insurance	33,126,247	31,028,100	107	4.8%
Credit insurance	18,337,413	18,185,549	101	2.7%
Other non-life insurance	25,424,231	24,529,553	104	3.7%
Non-life insurance	531,875,132	526,657,712	101	76.9%
Life insurance	72,424,691	73,385,732	99	10.5%
Unit-linked life insurance*	76,985,616	79,513,814	97	11.1%
Capital redemption insurance	10,376,124	10,347,104	100	1.5%
Life insurance	159,786,431	163,246,650	98	23.1%
Total	691,661,563	689,904,362	100	100.0%

Note: *According to the definition of the Insurance Supervision Agency, premiums of Skupna pokojninska družba are included in unit-linked life insurance.

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

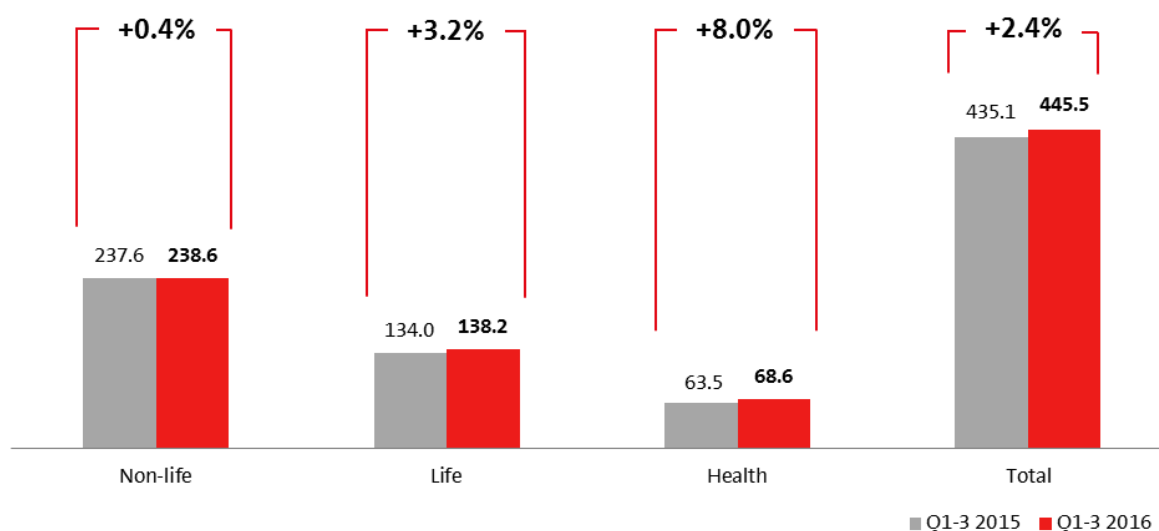
Insurance class	Gross written premium		Index	Structure
	Q1-3 2016	Q1-3 2015	Q1-3 2016/ Q1-3 2015	Q1-3 2016
Accident insurance	22,508,534	22,963,670	98	4.9%
Health insurance	335,414	0	0	0.1%
Comprehensive car insurance	77,231,980	75,378,577	102	16.8%
Real property insurance	99,934,155	99,581,025	100	21.7%
Motor liability insurance	69,984,171	71,701,723	98	15.2%
General liability insurance	26,918,321	25,298,714	106	5.8%
Credit insurance	18,263,720	18,154,065	101	4.0%
Other non-life insurance	18,741,177	17,747,555	106	4.1%
Non-life insurance	333,917,472	330,825,327	101	72.6%
Life insurance	62,592,080	65,384,558	96	13.6%
Unit-linked life insurance	53,341,242	56,655,881	94	11.6%
Capital redemption insurance	10,376,124	10,347,104	100	2.3%
Life insurance	126,309,446	132,387,543	95	27.4%
Total	460,226,918	463,212,871	99	100.0%

4.4 Gross claims paid

In the reporting period, the Triglav Group posted a total of EUR 445.5 million in consolidated gross claims paid (including claim handling costs and income from exercised subrogation receivables), or 2% more than in the respective period of the previous year. Gross claims paid in **non-life insurance** remained at approximately the same level as the year before and equalled EUR 238.6 million (index 100), in the **life-insurance** segment they amounted to EUR 138.2 million (index 103) and in **health insurance** they totalled EUR 68.6 million (index 108).

Gross claims paid increased by 2% compared to 2015.

Gross claims paid in Q1-3 2016 compared to Q1-3 2015



Excluding Pozavarovalnica Triglav Re, the insurance subsidiaries of the Triglav Group posted EUR 424.5 million in non-consolidated gross claims, representing an increase of 2% over the preceding year. The highest growth rates in gross claims paid were posted by Triglav Osiguranje, Banja Luka (index 139), Triglav Osiguranje, Zagreb (index 125) and Triglav Osiguranje, Belgrade (index 122). The highest decrease in gross claims paid was recorded by Triglav Osiguranje, Sarajevo (20%) and Lovćen životna osiguranja (18%).

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 38.6 million, or 1% less compared to the previous year. This decrease was primarily a result of a decline in operations within the Triglav Group (index 91) due to a drop of gross claims in motor vehicle liability insurance, fire and natural disaster insurance. Gross claims paid in operations outside the Triglav Group were higher by 6% primarily due to higher gross claims paid in motor vehicle liability insurance (larger number of claims paid from a Czech policyholder) and other damage to property insurance (extensive damage due to an explosion in China).

Gross claims paid in Q1-3 2016 by insurance company of the Triglav Group

Insurance company	Gross claims paid			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	Q1-3 2016
Zavarovalnica Triglav*	165,637,466	124,058,839	289,696,305	101	104	102	68.2%
Triglav, Zdravstvena zavarovalnica	68,611,735		68,611,735	108	0	108	16.2%
Skupna pokojninska družba		10,840,554	10,840,554	0	101	101	2.6%
Triglav Osiguranje, Zagreb	18,570,688	3,305,380	21,876,068	131	102	125	5.2%
Triglav Osiguranje, Sarajevo	5,205,777	863,056	6,068,833	86	57	80	1.4%
Lovćen Osiguranje, Podgorica	10,371,698		10,371,698	104	0	104	2.4%
Triglav Osiguranje, Belgrade	8,295,035	367,248	8,662,283	119	283	122	2.0%
Triglav Osiguranje, Banja Luka	1,492,961		1,492,961	139	0	139	0.4%
Triglav Osiguruvanje, Skopje	6,233,461		6,233,461	94	0	94	1.5%
Lovćen životna osiguranja, Podgorica		680,852	680,852	0	82	82	0.2%
Total	284,418,821	140,115,929	424,534,750	102	103	102	100.0%
Pozavarovalnica Triglav Re	38,594,416		38,594,416	99	0	99	
Consolidation eliminations	-15,780,526	-1,879,496	-17,660,022	97	83	95	
Total - consolidated	307,232,711	138,236,433	445,469,144	102	103	102	

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 284.4 million, which was 2% more than in the corresponding period of 2015. The comparison of growth rates between claims and insurance premiums in non-life insurance shows that claims grew at a rate of 1.1 index point higher than insurance premiums. The profit level in the reporting period was also affected by major loss events, which is described in greater detail in *Section 4.1 Macroeconomic environment and environmental impact on the performance of the Triglav Group ad Zavarovalnica Triglav*.

Gross claims paid for non-life insurance were higher as a result of mass loss events.

In **health insurance** gross claims increased by 8%, accounting for 16.2% of total gross claims, amounting to EUR 68.9 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 fell by 6% and totalled EUR 5.1 million.

Total claims for the **comprehensive car insurance** class represented 14.7% of total gross claims paid. Total claims paid by the insurance companies of the Triglav Group amounted to EUR 62.5 million, which was 2% more than in the same period of 2015. The highest growth rates in gross claims paid were posted by Triglav Osiguranje, Belgrade (index 180), Triglav Osiguranje, Zagreb (index 157) and Triglav Osiguruvanje, Skopje (index 114). Growth in gross claims of Triglav Osiguranje, Belgrade and Triglav Osiguranje, Zagreb resulted mainly from a larger portfolio and a higher number of reported claims (the Zagreb subsidiary also paid out 7 substantial individual claims), whereas gross claims of the Macedonian insurer increased mainly as a result of several substantial individual claim payments. In Zavarovalnica Triglav, which accounts for 84% of total comprehensive car insurance, gross claims paid experienced a growth of 1%. A decrease in gross claims paid was recorded by Triglav Osiguruvanje, Sarajevo (index 90).

A drop of 5% in gross claims paid was recorded in the **motor liability insurance** class. Gross claims paid amounted to EUR 57.3 million, which was 13.5% of all claims settled. In Triglav Osiguruvanje, Skopje gross claims paid fell by 15% (settlement of a large claim in 2015) and in Triglav Osiguranje, Banja Luka by 6%. In Zavarovalnica Triglav, which accounted for 68% of the total, gross claims settled experienced a 3% decrease compare to the year before. Other insurance companies recorded an increase in gross claims paid resulting from a higher number of reported claims due to larger portfolio. Several substantial non-material claims were paid out by Triglav Osiguranje, Belgrade, whilst five large claims were settled by Lovćen Osiguranje.

Gross claims paid in **property insurance** rose by 3% compared to the year before, amounting to EUR 52.9 million and representing a 12.5% share in total gross claims paid. In fire and natural disaster insurance, a 9% decrease in gross claims was seen, whilst other damage to property insurance experienced a 9% growth in claims. The highest growth rates in gross claims paid were posted by Triglav Osiguranje, Banja Luka (payment of a substantial individual claim), Triglav Osiguranje, Belgrade (payment of a substantial individual claim due to flood and damage on crops and buildings caused by storm with hail) and Triglav Osiguranje, Zagreb (fruit and crop claims caused by spring frost, storm with hail and settlement of some substantial individual claims). Zavarovalnica Triglav (79% share of the Group's total claims) recorded a 5% growth in claims, which was primarily a result of fruit and crop claims caused by spring frost and summer storms with hail.

Gross claims from **accident insurance** decreased by 2%, amounting to EUR 16.3 million. The decrease in claims in this insurance class was due to the drop in gross claims paid in Lovćen Osiguranje (fewer reported claims from accident insurance for pensioners and occupational accident insurance) and in the parent company. In Zavarovalnica Triglav (representing almost a

58% share of the Group's total claims from accident insurance) a 3% 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, Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Belgrade due to a higher number of reported claims and settlement of some substantial individual claims.

Gross claims paid in **general liability insurance** amounted to EUR 10.8 million or 13% less than the year before. Gross claims paid by the parent company, accounting for the majority of total claims in this insurance class (87%), went down by 12%. The main reason for a decrease in gross claims paid was the payment of two substantial claims in the product liability insurance in 2015. A substantial decrease in gross written claims was recorded by Triglav Osiguranje, Sarajevo, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Zagreb due to fewer reported claims.

Gross claims paid in **credit insurance** increased by 23% to EUR 3.0 million. Gross claims paid by the parent company (index 117) accounted for the majority of total claims in this insurance class, which was primarily caused by the settlement in commercial credit insurance.

Gross claims paid from **other non-life insurance** increased by 19% to EUR 12.7 million. A significant growth was recorded in most of the Group's insurance companies, the highest in parent company, Triglav Osiguranje, Zagreb and Triglav Osiguruvanje, Skopje. The 18% growth in the parent company primarily resulted from higher gross claims paid in goods in transit insurance (payment of a substantial claim in international transport insurance) business interruption insurance due to machinery breakdown (the payment of a substantial claim) and assistance insurance (roadside assistance). A high growth of 101% in Triglav Osiguranje, Zagreb was mostly due to higher reported claims arising from miscellaneous financial loss insurance, marine insurance and suretyship insurance. A high increase in claims in Triglav Osiguruvanje, Skopje was a result of settlement of a substantial claim aircraft liability insurance (claim occurred in 2008).

4.4.2 Life insurance

Gross claims paid in **life insurance** equalled EUR 140.1 million and were 3% higher compared to the previous year. Their share in the total rose by 0.2 percentage points to 33.0%.

The bulk of all claims paid was accounted for by **life insurance** (traditional life, pension, annuity pension and voluntary pension insurance), which totalled EUR 68.5 million or 1% more than in 2015, primarily due to an increase in sums paid out on maturity by the parent company (index 102) and higher payments in Triglav Osiguranje, Belgrade (index 328). Other insurance companies of the Group selling this insurance class recorded a decrease in gross claims paid.

Claims paid in **unit-linked life insurance** recorded an increase of 7%, amounting to EUR 65.4 million. The growth in claims paid by the parent company (index 108) and Triglav Osiguranje, Zagreb (index 130) mainly resulted from higher sums paid out on maturity. The volume of claims paid of Skupna pokojninska družba (which recorded a 1% growth) primarily depends on the pace of retirement (withdrawal of assets or purchase of pension annuity) and the transition of members to other insurance providers.

Gross claims paid in **supplemental voluntary pension insurance** decreased by 10%. This decrease in Zavarovalnica Triglav, the only insurer offering this insurance type was primarily due to reduced payments arising from the transfers and withdrawals from insurance contracts.

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

	Gross claims paid		Index	Structure
	Q1-3 2016	Q1-3 2015	Q1-3 2016/ Q1-3 2015	Q1-3 2016
Accident insurance	16,279,420	16,531,359	98	3.8%
Health insurance	68,866,529	63,757,862	108	16.2%
Comprehensive car insurance	62,506,600	61,067,817	102	14.7%
Real property insurance	52,891,087	51,266,785	103	12.5%
Motor liability insurance	57,327,839	60,430,030	95	13.5%
General liability insurance	10,829,203	12,467,443	87	2.6%
Credit insurance	2,991,861	2,441,434	123	0.7%
Other non-life insurance	12,726,283	10,686,918	119	3.0%
Non-life insurance	284,418,822	278,649,648	102	67.0%
Life insurance	68,455,613	67,949,007	101	16.1%
Unit-linked life insurance*	65,368,296	61,311,929	107	15.4%
Capital redemption insurance	6,292,019	6,975,408	90	1.5%
Life insurance	140,115,928	136,236,344	103	33.0%
Total	424,534,750	414,885,992	102	100.0%

Note: * According to the definition of the Insurance Supervision Agency, gross claims paid by Skupna pokojninska družba are included in unit-linked life insurance.

Gross claims paid of Zavarovalnica Triglav in by insurance class

Insurance class	Gross claims paid		Index	Structure
	Q1-3 2016	Q1-3 2015	Q1-3 2016/ Q1-3 2015	Q1-3 2016
Accident insurance	9,439,170	9,709,952	97	3.3%
Health insurance	428	0	0	0.0%
Comprehensive car insurance	52,563,473	51,983,515	101	18.1%
Real property insurance	41,871,811	39,987,607	105	14.5%
Motor liability insurance	38,860,322	39,896,461	97	13.4%
General liability insurance	9,383,796	10,621,868	88	3.2%
Credit insurance	2,918,612	2,504,029	117	1.0%
Other non-life insurance	10,600,162	9,030,358	117	3.7%
Non-life insurance	165,637,774	163,733,790	101	57.2%
Life insurance	64,189,294	62,966,333	102	22.2%
Unit-linked life insurance	53,577,526	49,796,997	108	18.5%
Capital redemption insurance	6,292,019	6,975,408	90	2.2%
Life insurance	124,058,839	119,738,739	104	42.8%
Total	289,696,612	283,472,529	102	100.0%

4.5 Gross operating expenses

4.5.1 The Triglav Group

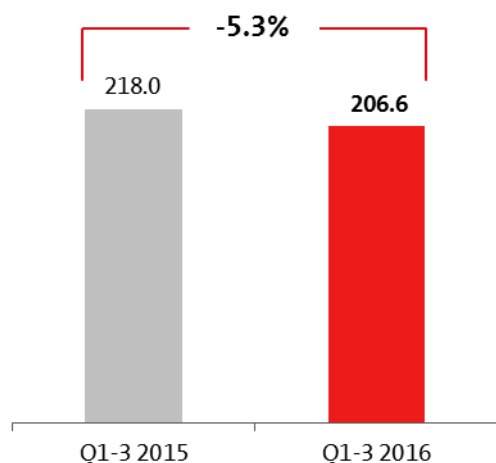
Total consolidated gross operating expenses of the Triglav Group equalled EUR 206.6 million, which was 5% less compared to the preceding year. **Expenses of insurance business** at EUR 174.6 million were 2% higher than the year before, whilst **expenses of non-insurance business** at EUR 31.9 million decreased by 32% compared to 2015. Expenses of non-insurance business decreased mainly due to the sale of the stake of the Avrigo Group as its costs are no more included in the consolidated financial statements of the Triglav Group. Expenses from insurance business grew mainly due to higher expenses of the parent company (see *Section 4.5.2* for greater detail) and those of Triglav Osiguranje, Zagreb (higher

Gross operating expenses decreased by 5% compared to 2015.

acquisition costs due to larger insurance portfolio) and those of Triglav Osiguranje, Belgrade (higher acquisition costs, higher labour costs and costs of entertainment, advertising and trade shows due to strong premium growth).

Insurance business operating expenses accounted for 24.2% of gross written premium, which was 0.5 percentage point more than in the respective period one year earlier. Gross operating expenses in **non-life insurance** equalled EUR 140.5 million (index 102), in the **life-insurance** segment they stood at EUR 26.2 million (index 101) and in **health insurance** they amounted to EUR 7.9 million (index 111).

Gross operating expenses of the Triglav Group in Q1-3 2016 compared to the same period of 2015



Acquisition costs (fees and commissions) climbed by 3% mostly as higher acquisition costs in the parent company (see Section 4.5.2 for greater details) and in Triglav Osiguranje, Zagreb, totalling EUR 31.0 million. The acquisition costs of goods sold were down 21% to EUR 10.3 million. A 16% decrease of depreciation costs (worth EUR 9.9 million) was mainly a consequence of lower depreciation costs due to the sale of the Avrigo Group. With 48.3%, labour costs accounted for the largest portion of total expenses, equalling EUR 105.7 million, having decreased by 1%. Costs of services provided by natural persons other than sole proprietors were down by as much as 57% to EUR 0.8 million, mainly due to lower costs related to student work and costs related to work contracts in the parent company. Other operating expenses represented a decrease of 10%, reaching EUR 61.0 million. Among other operating expenses, the highest decrease was seen in costs of material and energy and costs of transport and communications services, costs of insurance premiums, payment transaction costs and other costs of services.

In total gross operating expenses broken down by functional group, an increase was seen in acquisition costs, accounting for 59.3% (vs. 58.8% in 2015) and in other operating expenses representing 28.5% (an increase of 0.2 percentage point). Claim handling costs went down, representing an 11.1% share of total expenses (vs. 11.3% in 2015) and asset management costs, with a share of 1.1% (vs. 1.6% in 2015).

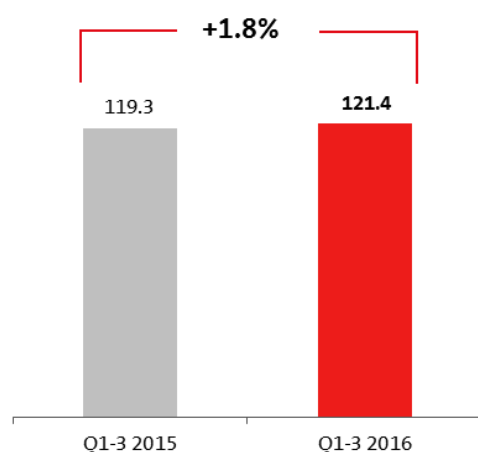
Gross operating expenses of the Triglav Group by nature in Q1-3 2016

Operating expenses by nature	Gross operating expenses		Index	Structure
	Q1-3 2016	Q1-3 2015	Q1-3 2016/ Q1-3 2015	Q1-3 2016
Acquisition costs (fees and commissions)	30,969,002	30,199,930	103	14.2%
Costs of goods sold	10,261,530	13,028,551	79	4.7%
Depreciation of operating assets	9,934,506	11,844,531	84	4.5%
Labour costs	105,739,587	106,485,564	99	48.3%
- wages and salaries	72,570,758	75,861,831	96	33.2%
- social securities and pension insurance costs	16,873,785	16,936,360	100	7.7%
- other labour costs	16,295,044	13,687,373	119	7.4%
Costs of services provided by natural persons other than SPs together with pertaining taxes	792,127	1,840,457	43	0.4%
Other operating expenses	61,034,034	67,925,216	90	27.9%
- costs of entertainment, advertising, trade shows	12,723,090	11,160,774	114	5.8%
- costs of material and energy	6,060,643	9,251,236	66	2.8%
- maintenance costs	9,155,474	9,229,123	99	4.2%
- travel expenses	4,036,235	4,123,947	98	1.8%
- costs of intellectual and personal services	3,811,295	4,372,550	87	1.7%
- non-income-related costs, excluding insurance	2,559,559	2,810,422	91	1.2%
- costs of transport and communication services	3,611,456	4,927,399	73	1.7%
- costs of insurance premiums	928,152	1,953,489	48	0.4%
- payment transaction costs and banking services	5,267,091	5,474,779	96	2.4%
- rents	5,153,805	5,436,121	95	2.4%
- costs of services of professional training	506,905	499,330	102	0.2%
- other costs of services	7,220,329	8,469,086	85	3.3%
- long-term employee benefits	0	216,960	0	0.0%
Total	218,730,786	231,324,249	95	100.0%
Consolidation eliminations	-12,161,079	-13,275,343	92	
Total consolidated	206,569,707	218,048,906	95	

4.5.2 Zavarovalnica Triglav

Gross operating expenses totalled EUR 121.4 million, having increased by 2% compared to the preceding year.

Gross operating expenses of in Q1-3 2016 compared to the corresponding period of 2015



Operating expenses accounted for 26.4% of gross written premiums, representing an increase of 0.6 percentage point compared to 2015.

Acquisition costs (fees and charges) increased by 5% to EUR 17.4 million, primarily as a result of higher underwriting commissions, higher fees and commissions of insurance brokers and fronting operations due to increased sales volume through these sales channels. Increased acquisition costs were caused by higher acquisition costs in indirect insurance operations abroad (Group subsidiaries) due to premium growth. Depreciation costs rose by 2% to EUR 6.2 million, mainly as a result of activation of IT software and higher depreciation due to acquisition of a commercial building in Ljubljana. With 58.3%, labour costs accounted for the largest portion of total expenses. They amounted to EUR 70.8 million, increasing by 5% compared to 2015 as a result of the planned higher pay for annual leave in accordance with the applicable collective agreement. Costs of services provided by natural persons other than sole proprietors were down by as much as 90%, mainly due to lower costs related to student work and costs related to work contracts. Other operating expenses of EUR 26.9 million were down 4% over the previous year. Among other operating expenses, the highest decrease was seen in costs of insurance premiums, costs of intellectual and personal services and costs of transport and communications services.

Gross operating expenses in non-life insurance increased by 2% to EUR 96.7 million. Their share in gross written premiums accounted for 29.0% (vs. 28.7% in 2015). Operating expenses in life insurance were up by 2%, totalling EUR 24.7 million. Their share in gross written premiums accounted for 19.5% (vs. 18.2% in 2015).

In total gross operating expenses broken down by functional group, costs of insurance contract acquisition accounted for 62.5%, representing an increase of 0.7 percentage point, whilst shares of claim handling costs, asset management costs and other operating expenses went down. Other operating expenses accounted for 23.6% (vs. 23.7% in 2015), claim handling costs for 12.6% (vs. 12.5% in 2015), asset management costs for 1.3% (vs. 1.9% in Q1-3 2015).

Gross operating expenses in Q1-3 2016 by nature

	Gross operating costs		Index	Structure
	Q1-3 2016	Q1-3 2015	Q1-3 2016/ Q1-3 2015	Q1-3 2016
Operating costs by nature				
Acquisition costs (fees and charges)	17,357,573	16,525,698	105	14.3%
Depreciation of operating assets	6,216,695	6,072,812	102	5.1%
Labour costs	70,810,857	67,308,153	105	58.3%
- wages and salaries	49,685,859	49,356,408	101	40.9%
- social security and pension insurance costs	8,541,918	8,132,221	105	7.0%
- other labour costs	12,583,079	9,819,525	128	10.4%
Costs of services provided by natural persons other than SPs including related taxes	124,045	1,296,870	10	0.1%
Other operating expenses	26,882,112	28,053,124	96	22.1%
- costs of entertainment, advertising, trade shows	5,925,159	6,326,147	94	4.9%
- costs of material and energy	2,548,404	2,654,990	96	2.1%
- maintenance costs	5,968,192	5,929,783	101	4.9%
- reimbursement of labour-related costs	2,422,386	2,381,864	102	2.0%
- costs of intellectual and personal services	1,464,905	1,621,516	90	1.2%
- non-income-related costs, excluding insurance	1,279,637	1,357,523	94	1.1%
- costs of transport and communication services	2,010,027	2,176,133	92	1.7%
- costs for insurance premiums	260,674	943,856	28	0.2%
- payment transaction costs and banking services	1,330,313	1,319,718	101	1.1%
- rents	1,745,962	1,754,300	100	1.4%
- costs of professional training services	271,327	270,770	100	0.2%
- other costs of services	1,655,127	1,316,524	126	1.4%
Total	121,391,282	119,256,657	102	100.0%

4.6 Reinsurance

The Triglav Group

In the first nine months of 2015, the Triglav Group allocated EUR 64.2 million of reinsurance and coinsurance premiums to external equalisation, representing an increase of 3% over the respective period of 2014. Reinsurance premiums accounted for 8.9% total gross written insurance and coinsurance premiums. A reinsurers' share of gross claims settled of EUR 13.4 million (index 103) was received from reinsurance.

Zavarovalnica Triglav

In the reporting period, Zavarovalnica Triglav allocated EUR 63.3 million to external equalisation, which was 8% more than in the corresponding period of 2015. Reinsurance premium accounted for 13.7% of total gross written premium. The change in gross unearned premium related to reinsurance amounted to EUR 8.6 million, representing an increase of 8% over the previous year. In the reporting period, a reinsurers' and co-insurers' share of gross claims settled of EUR 15.1 million was received from reinsurance and coinsurance (index for the period: 101). The change in gross claims provisions for reinsurers' share in unearned premiums equalled EUR -3.3 million (2015: EUR 1.0 million). The Company also received EUR 11.7 million in reinsurance commissions, representing a growth of 16% 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 Group allocated EUR 2,674.0 million to gross insurance technical provisions, which in total represented an increase of 3% compared to the 2015 year-end. In **non-life insurance**, the amount of gross insurance technical provisions increased by 8%, whilst in **health insurance** it increased by 5% and in **life insurance** remained at a level approximately equal to 2015 (index 100).

The total amount of gross insurance technical provisions increased by 3%.

Provisions by type as at 30 September 2016 compared to the 2015 year-end:

- **Gross provisions for unearned premium** increased by 25% and reached EUR 315.6 million. Gross unearned premium from non-life insurance amounted to EUR 312.5 million (index 125), gross unearned premium from life insurance totalled EUR 497 thousand (index 112) and gross unearned premium from health insurance reached EUR 2.6 million (index 133).
- **Gross claims provisions** remained approximately at the same level as at the 2015 year-end (index 100), amounting to EUR 645.6 million. Claims provisions from non-life insurance totalled EUR 617.4 million (index 101), those from the life-insurance segment stood at EUR 19.2 million (index 96) and those from health insurance amounted to EUR 9.0 million (index 97).
- As at the reporting date, **mathematical provisions** amounted to EUR 1,680.4 million and were at a level approximately equal to the 2015 year-end (index 100). Of the total amount of mathematical provisions, EUR 1,247.4 million originated in the guarantee fund backing life insurance (index 102) and EUR 433.0 million in 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 29% higher than at the 2015 year-end and amounted to EUR 14.9 million. The main reason for the increase was the creation of provisions for the guarantee fund backing SVPI during the annuity payout period in the parent company (see *Section 4.7.2* for more details). A strong increase in insurance technical provisions was observed Triglav Osiguranje, Banja Luka (index 168) due to provisions for unexpired risks.

Gross insurance technical provisions of the Triglav Group as at 30 September 2016

	Gross insurance technical provisions		Index
	30 September 2016	31 December 2015	2016/2015
Unearned premiums	293,124,897	252,057,956	116
Mathematical provisions	1,716,152,723	1,676,784,638	102
Claims provisions	655,270,521	642,687,051	102
Provisions for bonuses and discounts	17,945,278	17,382,035	103
Other insurance technical provisions	12,279,585	11,530,442	106
Total	2,694,773,004	2,600,442,122	104

4.7.2 Zavarovalnica Triglav

As at the reporting date, Zavarovalnica Triglav allocated EUR 2,109.0 million to gross insurance technical provisions, which was 3% 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 grew by 1% compared to 2015.

Gross insurance technical provisions grew by 3% compared to the 2015 year-end.

Provisions by type as at 30 September 2016 compared to the 2015 year-end:

- **Gross provisions for unearned premium** increased by 17% to EUR 211.2 million. Unearned premiums from non-life insurance totalled EUR 210.8 million, representing an increase of 17%, and from life insurance EUR 376 thousand, which was 10% less compared to the 2015 year-end.
- **Gross claims provisions** amounted to EUR 488.6 million and were at a level approximately equal to the 2015 year-end (index 100). Claims provisions from non-life insurance increased by 1% to EUR 470.4 million, whilst those from life insurance were 5% lower, reaching EUR 18.2 million.
- **Mathematical provisions** were 2% higher and amounted to EUR 1,385.2 million. Of the total amount of mathematical provisions, EUR 739.2 million originated from the guarantee fund backing life insurance, EUR 419.1 million from the guarantee fund backing unit-linked life insurance, EUR 191.4 million from the guarantee fund backing SVPI (Zajamčeni (*Guaranteed*), Drzni (*Bold*) and Zmerni (*Moderate*)), and EUR 35.5 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), equalling EUR 16.8 million.
- **Other insurance technical provisions** were 21% higher than at the 2015 year-end and amounted to EUR 7.2 million. Higher provisions mainly resulted from an increase in provisions for the guarantee fund backing supplemental voluntary pension insurance during the annuity payout period identified by the Liability Adequacy Test (LAT) in the amount of EUR 957 thousand (these are included under the provisions for unexpired risks). Other insurance technical provisions also included provisions for cancellations in the amount of EUR 759 thousand, which remained at the same level as at the 2015 year-end.

Gross insurance technical provisions of Zavarovalnica Triglav as at 30 September 2016

	Gross insurance technical provisions		Index
	30 September 2016	31 December 2015	2016/2015
Unearned premiums	211,184,128	180,558,991	117
Mathematical provisions	1,385,168,197	1,364,323,055	102
Claims provisions	488,598,784	486,247,721	100
Provisions for bonuses and discounts	16,817,528	16,817,528	100
Other insurance technical provisions	7,186,908	5,916,991	121
Total	2,108,955,545	2,053,864,286	103

4.8 Structure of financial investments

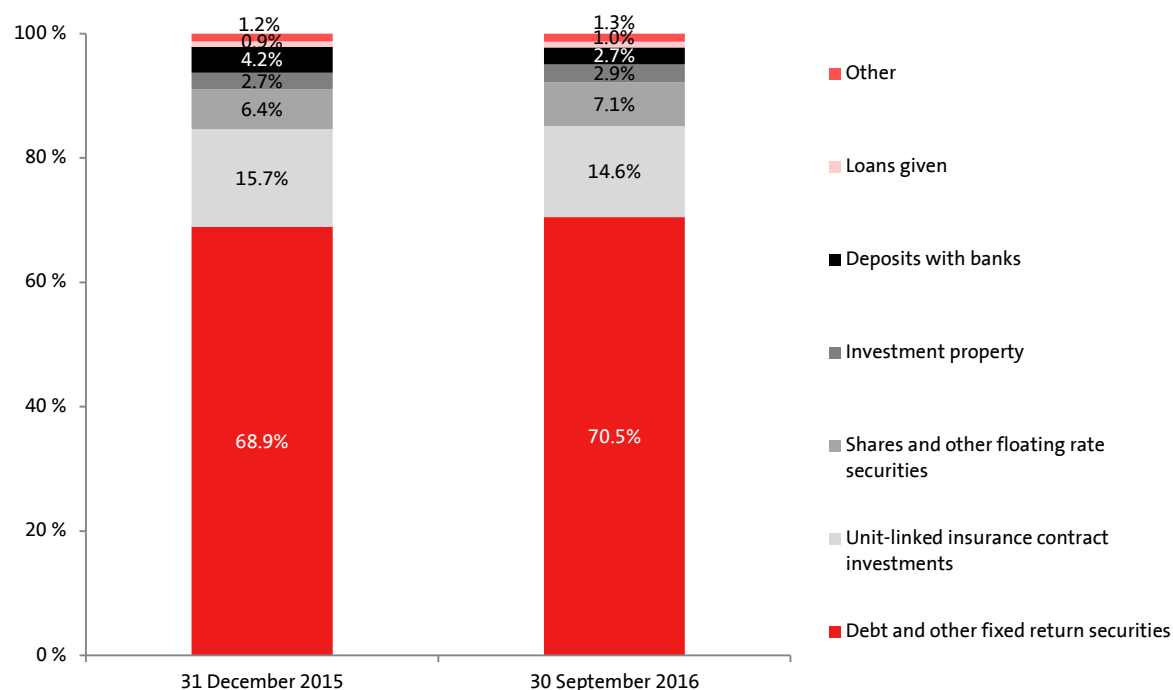
4.8.1 The Triglav Group

As at the reporting period, financial assets, investments in associated companies, and investment property amounted to EUR 3,049.3 million or 3% more than at the 2015 year-end. Their share in total assets grew by 0.1 percentage point, reaching 84.8%.

Financial investments of the Triglav Group as at 30 September 2016

	Financial investments		Index	Structure
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016
Investment property	88,047,748	79,475,283	111	2.9%
Shares in associates	6,708,401	6,939,700	97	0.2%
Shares and other floating-rate securities	215,587,416	189,095,441	114	7.1%
Debt and other fixed return securities	2,149,638,228	2,039,989,397	105	70.5%
Loans given	29,359,622	26,760,736	110	1.0%
Deposits with banks	82,175,534	122,963,931	67	2.7%
Other financial investments	27,459,850	25,966,525	106	0.9%
Financial investments of reinsurance companies in reinsurance contracts with cedents	4,791,403	3,926,832	122	0.2%
Unit-linked insurance contracts	445,539,710	464,733,921	96	14.6%
Total	3,049,307,912	2,959,851,766	103	100.0%

Structure of financial investments of the Triglav Group as at 30 September 2016 and 31 December 2015



In the reporting period, the Group further consistently implemented its strategy of maintaining a high overall credit rating of its investments, adapting the individual shares of investment grades accordingly. The largest, 70.5% share of total financial assets of the Group was maintained by **debt and other fixed-return securities**, which grew by 1.6 percentage points. As at the reporting date, they totalled EUR 2,149.6 million, which represented a 5% increase compared to the 2015 year-end.

Unit-linked insurance contract investments were 4% lower, amounting to EUR 445.5 million as at the reporting date and accounting for 14.6% of total financial assets.

In line with the investment policy, **investments in shares and other floating rate securities** rose by 14% to EUR 215.6 million. Their share in total assets was up 0.7 percentage point to 7.1%.

Investment property of EUR 88.0 million increased by 11% 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 33% to EUR 82.2 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.

Loans given went up by 10% over the 2015 year-end. In total financial assets, they accounted for EUR 29.4 million or 1.0%. **Other financial investments** stood at EUR 27.5 million, representing a 0.9% share of total financial assets.

Financial investments in associates were 3% lower compared to the 2015 year-end (a 0.2% share), amounting to EUR 6.7 million. **Financial investments of reinsurance companies in reinsurance contracts with cedents** increased by 22%, totalling EUR 4.8 million and accounting for only 0.2% of total financial assets.

By issuer sector, government bonds, representing 51.8%, continued to account for the bulk of total debt securities. Compared to the 2015 year-end, they experienced a 5% drop, while their share in total financial assets decreased by 5.4 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 68). On contrast, the shares of corporate bonds (26.5%) and financial bonds (20.9%) in total debt securities grew, however 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	
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016	31 Dec. 2015
Corporate	570,719,567	470,577,303	121	26.5%	23.1%
Financial	448,512,405	377,058,528	119	20.9%	18.5%
Government	1,113,431,346	1,167,256,349	95	51.8%	57.2%
Structured	16,974,910	25,097,218	68	0.8%	1.2%
Total	2,149,638,228	2,039,989,397	105	100.0%	100.0%

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 primarily due to downgrading the Finland's credit rating to AA. An upgrade of the sovereign credit rating of Slovenia in Q3 2016 from BBB to A caused a change in the structure of debt securities in the A-rating grade (index 226). A higher share of bonds in credit rating grades below the BBB-rating (representing a 19.0% 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	
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016	31 Dec. 2015
AAA	214,532,378	270,712,813	79	10.0%	13.3%
AA	121,676,246	79,607,769	153	5.7%	3.9%
A	589,562,240	260,515,926	226	27.4%	12.8%
BBB	729,677,970	997,078,824	73	33.9%	48.9%
Below BBB	409,475,666	338,017,756	121	19.0%	16.6%
Not rated	84,713,728	94,056,308	90	3.9%	4.6%
Total	2,149,638,228	2,039,989,397	105	100.0%	100.0%

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 Q1-3 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	
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016	31 Dec. 2015
Slovenia	506,408,744	515,076,149	98	23.6%	25.2%
Netherlands	170,299,041	158,994,228	107	7.9%	7.8%
Spain	166,500,362	151,086,175	110	7.7%	7.4%
Germany	159,536,919	164,673,003	97	7.4%	8.1%
France	121,757,479	105,750,984	115	5.7%	5.2%
Italy	119,387,346	137,039,034	87	5.6%	6.7%
Other	905,748,336	807,369,824	112	42.1%	39.6%
Total	2,149,638,228	2,039,989,397	105	100.0%	100.0%

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 associates) rose by 13% which resulted foremost from the purchases of units or shares of target bond funds on developed markets.

Equity investments of the Triglav Group by geographic area

Geographic area	Equity investments		Index	Structure	
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016	31 Dec. 2015
Slovenia	60,991,952	67,747,852	90	27.4%	34.6%
Developed markets	144,198,463	99,929,844	144	64.9%	51.0%
Developing markets	9,794,453	19,508,920	50	4.4%	10.0%
Balkans	7,310,949	8,848,525	83	3.3%	4.5%
Total	222,295,817	196,035,141	113	100.0%	100.0%

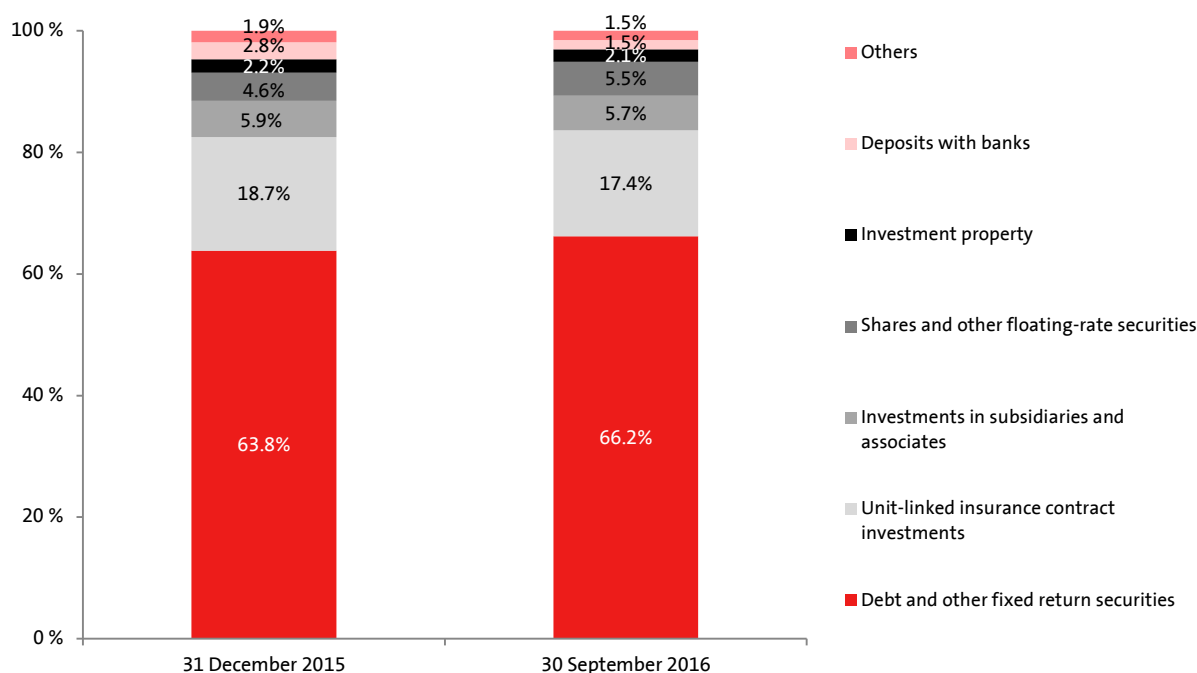
4.8.2 Zavarovalnica Triglav

As at 30 September 2016, financial assets, investments in subsidiaries and associated companies, and investment property amounted to EUR 2,416.4 million or 1% more than at the 2015 year-end. Their share in total assets decreased by 1.2 percentage points, reaching 87.8%.

Financial investments of Zavarovalnica Triglav as at 30 September 2016

	Financial investments		Index	Structure
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016
Investment property	50,475,935	52,870,808	95	2.1%
Investments in subsidiaries and associates	137,892,312	141,948,911	97	5.7%
Shares and other floating-rate securities	133,729,439	110,176,657	121	5.5%
Debt and other fixed return securities	1,599,779,744	1,525,459,475	105	66.2%
Loans given	33,404,958	40,038,012	83	1.4%
Deposits with banks	36,421,917	66,846,988	54	1.5%
Other financial investments	1,700,237	2,620,871	65	0.1%
Derivative financial instruments	1,726,381	2,708,914	64	0.1%
Unit-linked insurance contract investments	421,222,435	446,589,561	94	17.4%
Total	2,416,353,358	2,389,260,196	101	100.0%

Structure of financial investments of Zavarovalnica Triglav as at 30 September 2016 and 31 December 2015



In line with the investment policy, the investment portfolio structure of the Company changed in the reporting period. The largest, 66.2% share of total financial assets of the Company was maintained by **debt and other fixed-return securities**. As at the reporting date, they totalled EUR 1,599.8 million, which represented a 5% increase compared to the 2015 year-end.

Unit-linked life insurance contracts investments amounted to EUR 421.2 million and were 6% lower. They accounted for 17.4% of total financial assets.

Compared to 31 December 2015, **financial investments in subsidiaries and associates** decreased by 3% to EUR 137.9 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 21%, reaching EUR 133.7 million. Their share in total assets climbed by 0.9 percentage point to 5.5%.

Investment property equalled EUR 50.5 million or 5% less than in 2015. They accounted for 2.1% of total financial assets.

Deposits with banks decreased by 46% to EUR 36.4 million, as a result of extremely low deposit interest rates in the banking system, resulting in a different liquidity management. They represented 1.5% of total financial assets (31 December 2015: 2.8%).

Compared to the preceding year, **loans given** declined by 17% due to the repayment of loans. At EUR 33.4 million, loans given accounted for 1.4% of total financial assets.

Other financial investments stood at EUR 1.7 million (index 65), representing a 0.1% share of total financial assets. **Derivatives** experienced a 36% decrease, amounting to EUR 1.7 million and accounting for only 0.1% of total financial assets.

By issuer sector, government bonds, representing 48.3%, 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 7.3 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 (26.0%) and financial bonds (24.6%) 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	
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016	31 Dec. 2015
Corporate	416,326,016	330,059,084	126	26.0%	21.6%
Financial	393,401,551	322,557,140	122	24.6%	21.1%
Government	773,077,266	847,746,971	91	48.3%	55.6%
Structured	16,974,910	25,096,280	68	1.1%	1.6%
Total	1,599,779,744	1,525,459,475	105	100.0%	100.0%

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 upgrade of the sovereign credit rating of Slovenia in Q3 2016 from BBB to A caused a change in the structure of debt securities in the A-rating grade (index 207). An increase in exposure was seen in bonds in credit rating grades below the BBB-rating (index 125), 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	
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016	31 Dec. 2015
AAA	176,893,498	228,870,548	77	11.1%	15.0%
AA	112,495,978	74,863,752	150	7.0%	4.9%
A	478,675,360	231,117,017	207	29.9%	15.2%
BBB	627,316,930	810,101,227	77	39.2%	53.1%
Below BBB	157,379,698	126,109,677	125	9.8%	8.3%
Not rated	47,018,281	54,397,254	86	2.9%	3.6%
Total	1,599,779,744	1,525,459,475	105	100.0%	100.0%

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 Q1-3 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	
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016	31 Dec. 2015
Slovenia	363,323,843	356,141,605	102	22.7%	23.3%
Spain	156,903,680	142,750,925	110	9.8%	9.4%
Germany	132,825,409	137,581,785	97	8.3%	9.0%
Netherlands	128,691,964	114,412,956	112	8.0%	7.5%
France	111,020,911	90,931,009	122	6.9%	6.0%
Italy	101,481,835	121,425,167	84	6.3%	8.0%
Other	605,532,102	562,216,028	108	37.9%	36.9%
Total	1,599,779,744	1,525,459,475	105	100.0%	100.0%

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 8%. Growth predominantly resulted from the purchases of units of share and target bond funds on developed markets.

Equity investments of Zavarovalnica Triglav by geographic area

Geographic area	Equity investments		Index	Structure	
	30 September 2016	31 December 2015	2016/2015	30 Sept. 2016	31 Dec. 2015
Slovenia	191,093,725	197,430,305	97	70.4%	78.3%
Developed markets	67,276,299	42,075,285	160	24.8%	16.7%
Developing markets	9,156,116	9,106,584	101	3.4%	3.6%
Balkans	4,095,611	3,513,394	117	1.5%	1.4%
Total	271,621,751	252,125,568	108	100.0%	100.0%

5. FINANCIAL RESULT AND FINANCIAL STANDING

5.1 Financial result

5.1.1 The Triglav Group

In the first nine months of 2016, the Triglav Group posted a **net profit of EUR 53.6 million** or 34% less than in the same period last year. Net profit attributable to the shareholders of controlling company amounted to EUR 52.7 million (index 66), whereas net profit attributable to minority shareholders totalled EUR 839 thousand (index 129). **Profit before tax** amounted to EUR 67.5 million or 29% less than in 2015. Compared to 2015, **net return on equity** decreased by 5.9 percentage points to 10.1%. A lower net profit resulted largely from larger number and higher volume of mass loss events (see *Section 4.1 Environmental impact on the performance of the Triglav* for more details) and lower investment returns as expected.

Despite demanding conditions on the insurance markets, Triglav Group generated a net profit of EUR 53.6 million.

The **combined ratio** in non-life insurance, which shows profitability of operations, was **95.0%**. 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 3.3 percentage points.

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

Insurance Group	Q1-3 2016	Q1-3 2015	Change
Zavarovalnica Triglav	90.4%	85.7%	4.7 p.p.
Triglav, Zdravstvena zavarovalnica	98.1%	96.0%	2.1 p.p.
Pozavarovalnica Triglav Re	102.4%	99.8%	2.5 p.p.
Triglav Osiguranje, Zagreb	111.5%	111.1%	0.4 p.p.
Triglav Osiguranje, Sarajevo	100.1%	100.1%	0.0 p.p.
Lovćen Osiguranje, Podgorica	97.8%	100.9%	-3.2 p.p.
Triglav Osiguranje, Belgrade	103.4%	103.0%	0.4 p.p.
Triglav Osiguranje, Banja Luka	99.0%	100.3%	-1.3 p.p.
Triglav Osiguruvanje, Skopje	97.4%	100.7%	-3.3 p.p.
The Triglav Group	95.0%	91.7%	3.3 p.p.

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 630.5 million, which was approximately at the same level as the year before (index 100). Net non-life premium earned remained approximately at the same level as in 2015 (index 100), whilst net life premiums earned decreased by 2%. On contrast, net health premiums earned were up 3%. Ceded written premium amounted to EUR 64.2 million and was 3% higher over the preceding year. Net unearned premiums totalled EUR 26.0 million, having decreased by 1% compared to the respective period of 2015.

Net claims incurred (gross claims increased by loss adjustment costs, reduced by the reinsurers' and co-insurers' shares and subrogated receivables, adjusted by the change in gross claims provisions taking into account the reinsurers' and co-insurers' shares in these provisions) increased by 4% and totalled EUR 442.7 million. Net claims incurred from non-life insurance increased by 4%, by 2% from life insurance and by 6% from health insurance. The reinsurers' and co-insurers' shares in gross claims increased by 3% and totalled EUR 13.4 million. The change in net claims provisions was EUR 5.6 million (EUR 32 thousand in the same period of 2015).

Equalisation scheme expenses for supplemental health insurance fell by 6% and totalled EUR 5.1 million.

Income from financial assets were down by 48%, reaching EUR 103.0 million, whilst income from financial assets in associates totalled EUR 3.0 million or 50% less than in the preceding year. Income from other financial assets was 32% lower or EUR 91.7 million in nominal terms. Net unrealised gains on unit-linked life insurance assets shrunk, amounting to EUR 8.4 million (vs. EUR 58.9 million in 2015). **Financial expenses** equalled EUR 37.8 million or 71% less than in 2015. Expenses from financial assets in associates totalled EUR 3.0 million (index 280), expenses from other financial assets were down 50% to EUR 32.3 million and net unrealised gains on unit-linked life insurance assets decreased by 96% to EUR 2.4 million. Permanent impairments reached EUR 2.5 million (index 99).

Return on investment (excluding unit-linked life insurance contract investments) represents the difference between income and expenses from financial assets. Return on financial investments decreased by 21% to EUR 59.3 million over 2015, mainly as the result of lower net gains on the sale of financial assets, whilst the positive effect originated from revaluation of financial assets. Compared to the previous year, not only net interest income was lower but also the overall effect of changes in the fair value through profit or loss and changes in net gains on the sale of financial assets.

Return on financial investments decreased by 21% over 2015, mainly as a result of lower net gains on the sale of financial assets.

Return on financial investments also impacts the insurance technical provisions and the net profit of the Group. See *Table Profit before tax of the Triglav Group* for the impact of return on investments on the profit before tax.

Due to higher other insurance technical provisions for non-life insurance (index 215) and mathematical provisions (index 111), **changes in other insurance technical provisions** summed up to EUR 38.8 million (index 112). **Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR -13.3 million, which was 33% less than the year before due to a decrease in price of fund units. **Provisions for bonuses and discounts** were 17% higher and totalled EUR 5.4 million.

Operating expenses (acquisition costs and other operating expenses) amounted to EUR 153.3 million and were 3% higher. With a 3% growth, acquisition costs amounted to EUR 103.5 million, while other operating expenses experienced the same increase of 3%, totalling to EUR 49.8 million.

Other income from insurance operations were down 50%, reaching EUR 3.8 million. **Other income** totalled EUR 43.1 million, having decreased by 24%. **Other insurance expenses** totalled EUR 12.3 million (index 98), whilst **other expenses** amounted to EUR 35.9 million (index 61).

Individual items in the consolidated income statement of the Triglav Group for Q1-3 2016

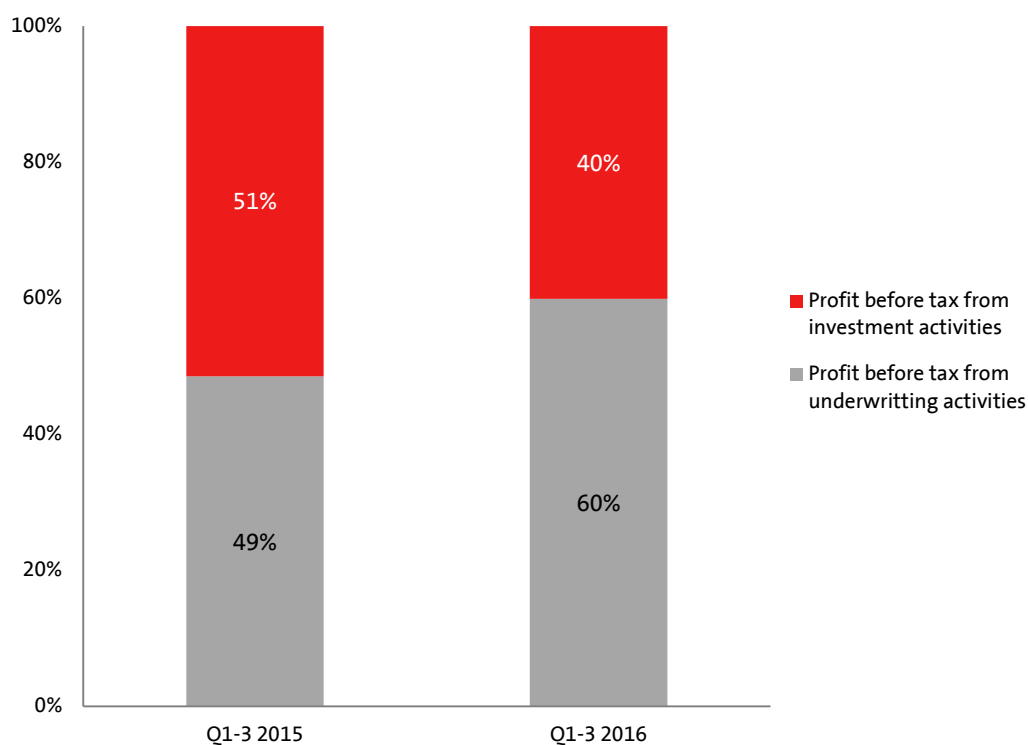
	Q1-3 2016	Q1-3 2015	Index
Net premium earned	630,515,971	629,572,413	100
Income from financial assets	103,007,941	199,436,845	52
Other income from insurance operations	3,781,795	7,519,757	50
Other income	43,097,985	56,600,498	76
Net claims incurred	442,730,159	427,420,595	104
Change in other insurance technical provisions	38,754,365	34,582,515	112
Change in insurance technical provisions for unit-linked insurance contracts	-13,277,040	-19,743,203	67
Expenses for bonuses and discounts	5,351,806	4,591,431	117
Operating expenses	153,331,145	148,751,081	103
Expenses from financial assets and liabilities	37,818,037	131,056,296	29
Other insurance expenses	12,319,972	12,553,610	98
Other expenses	35,852,980	59,007,212	61
Profit/loss before tax	67,522,268	94,909,976	71
Income tax expense	13,953,861	14,054,567	99
Net profit/loss for the accounting period	53,568,406	80,855,407	66

Net profit/loss before tax of the Triglav Group in Q1-3 2016 and Q1-3 2015

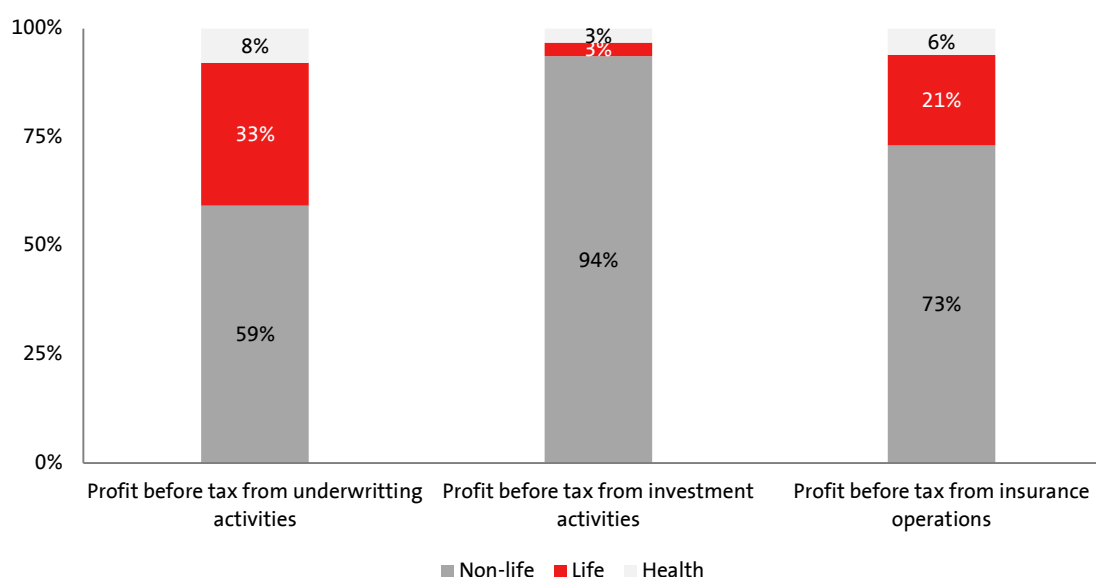
	Q1-3 2016				Q1-3 2015			
	Non-life	Life	Health	Total	Non-life	Life	Health	Total
Profit before tax from underwriting activities	22,522,477	12,468,712	3,007,244	37,998,433	26,921,350	10,628,752	5,213,800	42,763,902
Profit before tax from investment activities	23,823,993	777,493	831,539	25,433,025	29,049,653	14,797,496	1,543,057	45,390,206
Profit before tax from insurance operations	46,346,470	13,246,205	3,838,783	63,431,458	55,971,003	25,426,248	6,756,857	88,154,108
Profit before tax from non-insurance operations				4,090,810				6,755,859
Total profit before tax				67,522,268				94,909,967

*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 Q1-3 2016 and Q1-3 2015



Structure of net profit/loss before tax of the Triglav Group by insurance type in Q1-3 2016



5.1.2 Zavarovalnica Triglav

In the first nine months of 2016, Zavarovalnica Triglav generated a total of EUR 48.3 million of **net profit** or 10% less than in the same period of the year before. The Company's **profit before tax** fell by 9% to EUR 60.0 million. **Net return on equity** stood at 12.1%, having fallen by 1.6 percentage points compared to the same period of the preceding year. A lower return resulted largely from larger number and higher volume of mass loss events.

Zavarovalnica Triglav generated a net profit of EUR 48.3 million.

Combined ratio in non-life insurance was 90.4%. Compared to 2015, it improved by 4.7 percentage points.

Net premiums earned decreased by 2% to EUR 379.6 million compared to the preceding year. Net premium earned from non-life insurance and those earned from life insurance decreased by 1% and by 5% respectively. Gross written premium from reinsurance and co-insurance operations totalled EUR 63.3 million, representing an 8% growth over 2015. Gross unearned premium went up by 13% over 2015 and amounted to EUR 17.3 million.

In the reporting period, **net claims incurred** were disclosed at EUR 273.6 million, which increased by 4% compared to the preceding year. In non-life insurance and in life insurance, net claims incurred increased by 4% and by 3% respectively. The reinsurers' and co-insurers' shares of gross claims increased by 1% to EUR 15.1 million. The change in net claims provisions was EUR -1.0 million (index 23).

Operating expenses (acquisition costs and other operating expenses) amounted to EUR 104.5 million and were 2% higher. Acquisition costs totalled EUR 75.9 million (index 103), whereas other operating expenses amounted to EUR 28.6 million (index 101).

Income from financial assets dropped by 54%, reaching EUR 82.6 million, of which non-life insurance accounted for EUR 35.8 million (index 70) and life insurance for EUR 46.8 million (index 36). Income from financial assets in associates reached EUR 9.7 million, having decreased by 55% predominantly due to extraordinary dividend payment of a subsidiary in the preceding year. Income from other financial assets decreased by 38% to EUR 64.5 million. Net unrealised

gains on unit-linked life insurance assets reached EUR 8.4 million compared to EUR 55.9 million in the respective period of 2015. **Financial expenses** equalled EUR 26.0 million, which was 82% less than in 2015. Expenses from financial assets in associates amounted to EUR 551 thousand compared to EUR 31.2 million in 2015 as a result of permanent impairments in subsidiaries. Expenses from other financial assets and liabilities decreased by 51% to EUR 23.5 million, whereas net unrealised gains on unit-linked life insurance assets amounted to EUR 1.9 million, which was 97% less compared to 2015.

Return on investment (excluding unit-linked life insurance contract investments) represents the difference between income and expenses from financial assets. Compared to the respective period of 2015, it increased by 9% to EUR 50.1 million, predominantly as a result of lower impairments. Compared to the previous year, not only net interest income was lower but also the overall effect of changes in the fair value through profit or loss and changes in net gains on the sale of financial assets.

Return on financial investments increased by 9% over 2015, mainly as a result of higher impairments in subsidiaries in the preceding year.

Changes in other insurance technical provisions summed up to EUR 26.8 million or 13% more than one year earlier, with the change in mathematical provisions amounting to EUR 26.3 million (index 115), while the change in other provisions stood at EUR 513 thousand (index 62). The reason for the increase were higher provisions for the guarantee fund backing supplemental voluntary pension insurance during the annuity payout period in accordance with the liability adequacy test (LAT) calculation. **Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR -19.8 million (index 94) due to a decrease in price of fund units. **Provisions for bonuses and discounts** increased by 25% to EUR 3.9 million.

Other income from insurance operations increased by 5% and totalled EUR 14.6 million, of which fee and commission income amounted to EUR 11.8 million (index 114). **Other income** of EUR 8.1 million also climbed by 25%. **Other insurance expenses** equalled EUR 6.8 million (index 123), whereas **other expenses** reached EUR 3.0 million (index 59).

Individual items in the income statement of Zavarovalnica Triglav for Q1-3 2016

	Q1-3 2016	Q1-3 2015	Index
Net premium income	379,649,265	389,374,792	98
Income from financial assets	82,552,380	180,510,489	46
Other income from insurance operations	14,611,559	13,889,713	105
Other income	8,102,385	6,470,646	125
Net claims incurred	273,610,556	264,269,873	104
Change in other insurance technical provisions	26,841,991	23,757,098	113
Change in insurance technical provisions for unit-linked insurance contracts	-19,804,711	-21,060,813	94
Expenses for bonuses and discounts	3,886,971	3,107,198	125
Operating expenses	104,527,124	102,047,734	102
Expenses from financial assets and liabilities	25,975,829	141,569,706	18
Other insurance expenses	6,825,444	5,557,160	123
Other expenses	3,026,283	5,092,916	59
Profit/loss before tax	60,026,101	65,904,767	91
Income tax expense	11,686,646	12,111,167	96
Net profit/loss for the accounting period	48,339,455	53,793,600	90

5.2 Financial standing

5.2.1 The Triglav Group

The total **balance sheet** of the Triglav Group as at 30 September 2016 stood at EUR 3,597.3 million or 3% more compared to the 2015 year-end.

The total equity capital as at the reporting date amounted to EUR 730.2 million or 4% more than as at the 2015 year-end. The portion of equity in the balance sheet total decreased by 0.1 percentage point, from 20.2% to 20.3%. Equity attributable to the controlling company amounted to EUR 719.2 million, while non-controlling interest holders had EUR 11.0 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 267.8 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, fair value reserves increased by 31% and totalled EUR 101.9 million. As at the reporting date, accumulated profit for the period was EUR 224.6 million (index 118), including net profit for the period of EUR 52.7 million (index 61) and net profit brought forward of EUR 171.9 million (index 164). 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 and by EUR 5.2 million thanks to a release of credit risk equalisation reserves and went down by EUR 56.8 million due to dividend payments.

The total equity capital increased by 4% compared to the 2015 year-end.

Subordinated liabilities of the Group reached EUR 16.9 million, after a 10% 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 4% and amounted to EUR 2,694.8 million. In the balance sheet total their share increased by 0.5 percentage point, from 74.4 as at the 2015 year-end to 74.9%. Mathematical provisions stood at EUR 1,716.2 million or 2% more than at the end of 2015. Gross claims provisions of EUR 655.3 million were up 2% over the 2015 year-end. Provisions for gross unearned premiums and other insurance technical provisions increased by 16% and 5% respectively. Insurance technical provisions are discussed in greater detail under *Section 4.7.1*.

Compared to 31 December 2015, **other financial liabilities** experienced a high growth of 17%, amounting to EUR 4.4 million, foremost as a result of transactions which will be settled after the end of the reporting period and unpaid dividends. They accounted for a 0.1% share of total balance sheet liabilities.

Operating liabilities grew by 8% compared to the 2015 year-end, amounting to EUR 52.2 million and accounting for 1.5% of the balance sheet total (compared to 31 December 2015 0.1 percentage point higher). Liabilities from direct insurance operations went up by 7% to EUR 17.7 million. With EUR 30.1 million, liabilities from co-insurance and reinsurance were higher (index 107), whereas current tax liabilities, amounting to EUR 4.3 million (index 117) decreased.

Other provisions shrunk by 3% to EUR 15.6 million compared to the 2015 year-end (a 0.4% share in total liabilities). **Deferred tax liabilities** amounted to EUR 26.0 million, which was 12% more than at the 2015 year-end, having increased by a good third as the result of higher unrealised capital gains in revaluation reserves from financial assets and decreased by EUR 5.2 million

thanks to the release of credit risk equalisation reserves. They accounted for 0.7% of the balance sheet total. As at the reporting date, **other liabilities** decreased by 14% and stood at EUR 57.2 million, representing a 1.6% 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 82.1% of total assets (0.1 percentage points less than at the 2015 year-end) and totalled EUR 2,954.6 million. They were 3% above the figure reported one year earlier. Unit-linked insurance assets amounted to EUR 445.5 million (index 96) and financial investments to EUR 2,509.0 million (index 104). In total financial investments, EUR 146.7 million (index 80) was accounted for by deposits and loans, EUR 233.3 million (index 96) by held-to-maturity assets, EUR 1,745.5 million (index 109) by available-for-sale assets and EUR 383.6 million (index 102) by assets recognised at a fair value through profit or loss. 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 3% (a 0.2% share in total assets).

Investment property stood at EUR 88.0 million, which grew by 11% 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 4% to EUR 190.2 million. They accounted for 5.3% of total assets, of which receivables from direct insurance operations accounted for the bulk, totalling EUR 101.2 million (index 122). Receivables from co-insurance and reinsurance operations reached EUR 39.8 million (index 93), other receivables stood at EUR 33.8 million (index 84) and current tax receivables at EUR 1.1 million (index 373). Deferred tax assets amounted to EUR 14.3 million (index 89).

As at the reporting date, **insurance technical provisions transferred to reinsurance contracts** amounted to EUR 84.0 million, which represented an increase of 22% over one year earlier. Assets from reinsurance contracts from claim provisions were 13% higher and totalled EUR 57.8 million, while those from unearned premiums grew by 48% to EUR 26.2 million.

Property, plant and equipment amounted to EUR 116.9 million and accounted for 3.3% of total assets, having decreased by 4% over the 2015 year-end. **Intangible assets** of EUR 75.6 million increased by 8% mostly as a result of higher deferred acquisition costs, accounting for 2.1% of total assets.

Cash and cash equivalents amounted to EUR 75.4 million (index 157), whilst **other assets** totalled EUR 4.8 million (index 59).

As at the reporting date, EUR 1.0 million was 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 and the sale of the land plot to Ikea).

Individual items in the consolidated balance sheet of the Triglav Group as at 30 September 2016

	30 September 2016	31 December 2015	Index
Assets	3.597.279.697	3.493.456.800	103
Intangible assets	75,594,660	70,132,332	108
Property, plant and equipment	116,933,188	121,810,360	96
Investment property	88,047,748	79,475,283	111
Investment in associates	6,708,400	6,939,700	97
Financial assets	2,954,551,763	2,873,436,783	103
Reinsurers' share of insurance technical provisions	83,963,379	68,724,305	122
Receivables and deferred tax assets	190,221,352	182,437,422	104
Other assets	4,826,826	8,134,762	59
Cash and cash equivalents	75,412,088	47,928,768	157
Non-current assets held for sale	1,020,293	34,437,086	3
Equity and liabilities	3,597,279,697	3,493,456,800	103
Equity	730,236,059	704,044,499	104
Subordinated liabilities	16,866,650	18,752,252	90
Insurance technical provisions	2,250,723,416	2,143,395,211	105
Insurance technical provisions for unit-linked insurance contracts	444,049,588	457,046,911	97
Other provisions	15,560,516	16,079,975	97
Deferred tax liabilities	25,973,150	23,188,796	112
Other financial liabilities	4,433,772	3,784,282	117
Operating liabilities	52,191,758	48,388,725	108
Other liabilities	57,244,787	66,341,973	86
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 the reporting date stood at EUR 2,751.8 million or 2% more compared to the 2015 year-end.

The total **equity capital** as at the reporting date amounted to EUR 546.4 million or 3% more than at the 2015 year-end. The portion of equity in the balance sheet total increased by 0.1 percentage point, totalling 19.9%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 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 43%, amounting to EUR 93.0 million. In addition to EUR 48.3 million (index 84) in net profit for the period, it includes EUR 44.7 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 59.0 million thanks to the transfer of net profit for the period to 1 January 2016 by EUR 5.2 million thanks to a release of credit risk equalisation reserves and went down by EUR 56.8 million due to dividend payments. As a result of an increase in the value of available-for-sale financial assets, revaluation surplus increased by 34% and totalled EUR 74.9 million.

The total equity capital increased by 3% over the 2015 year-end.

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 3% to EUR 2,109.0 million compared to the 2015 year-end. In the balance sheet total, their share increased by 0.2

percentage point to 76.6% compared to the 2015 year-end. Gross insurance technical provisions are discussed in greater detail in *Section 4.7.2*.

Compared to 31 December 2015, **other financial liabilities** of EUR 3.1 million experienced a high growth (index 179) foremost as a result of transactions which will be settled after the end of the reporting period and unpaid dividends, representing 0.1% of total balance sheet liabilities.

Operating liabilities as at the reporting date totalled EUR 25.3 million, which was 6% more over the 2015 year-end. They accounted for 0.9% of total balance sheet liabilities, the same as at the 2015 year-end. Liabilities from direct insurance operations went up by 5% to EUR 11.5 million. Liabilities from co-insurance and reinsurance operations totalled EUR 9.6 million, having decreased by 6%. Current tax liabilities equalled EUR 4.2 million (index 159).

Other provisions reached EUR 10.1 million, which was 5% more than as at 31 December 2015. **Deferred tax liabilities** (balanced amount with deferred tax assets) amounted to EUR 10.7 million, having increased by 71% over the 2015 year-end. In the reporting period, they grew by EUR 6.8 million due to higher deferred tax in fair value reserves of financial assets and by EUR 2.8 million as a result of lower deferred tax assets. Due to the release of credit risk equalisation reserves, deferred tax liabilities of EUR 5.2 million, which were designated for credit risk equalisation reserves, were transferred to retained earnings. **Other liabilities** decreased by 32% to EUR 26.1 million nominally and accounted for 0.9% of total liabilities. They dropped due to lower liabilities from equity, plant and equipment and intangible assets and a partial payment of the guarantee relating to Triglav Pojišt'ovna.

As at 30 September 2016, **financial assets** were up 2% than at the 2015 year-end and amounted to EUR 2,228.0 million. In total assets, their share decreased by 0.8 percentage points and reached 81.0%. Unit-linked insurance assets amounted to EUR 421.2 million and financial investments to EUR 1,806.8 million. In total financial investments, EUR 71.5 million was accounted for by deposits and loans, EUR 171.1 million by investments held to maturity, EUR 1,376.2 million by investments available for sale and EUR 188.0 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 3%, amounting to EUR 137.9 million and accounting for a 5.0% share. Financial investments in subsidiaries were down 3% to EUR 130.6 million as a result of the sale of Avriĝo. Compared to 31 December 2015, financial investments in associates of EUR 7.3 million recorded remained unchanged (index 100).

Investment property fell by 5% to EUR 50.5 million. They accounted for 1.8% of total assets. Investment property is discussed in greater detail in *Section 4.8.2*.

Receivables decreased by 2%, amounting to EUR 93.5 million (a 3.4% share), of which receivables from direct insurance operations accounted for the bulk, totalling EUR 71.1 million (index 123). Receivables from reinsurance and co-insurance operations reached EUR 8.2 million (index 67), whereas other receivables stood at EUR 14.2 million (index 56).

As at the reporting date, **insurance technical provisions transferred to reinsurance contracts** amounted to EUR 81.9 million, which represented an increase of 17% over the 2015 year-end. Assets from reinsurance contracts from claim provisions were 6% higher and totalled EUR 57.9 million, while those from unearned premiums grew by 56% and equalled EUR 24.0 million.

Property, plant and equipment amounted to EUR 65.3 million (index 97), accounting for a 2.4% share of total assets. **Intangible assets** of EUR 57.5 million (2.1% share) increased by 8% mostly as a result of higher long-term deferred acquisition costs.

Cash and cash equivalents increased to EUR 34.7 million (index 460), whilst **other assets** totalled EUR 2.6 million (index 92).

Individual items in the balance sheet of Zavarovalnica Triglav as at 30 September 2016

	30 September 2016	31 December 2015	Index
Assets	2,751,846,661	2,685,432,591	102
Intangible assets	57,477,488	53,143,644	108
Property, plant and equipment	65,316,986	67,034,994	97
Investment property	50,475,935	52,870,808	95
Investments in subsidiaries and associates	137,892,312	141,948,911	97
Financial assets	2,227,985,110	2,194,440,477	102
Reinsurers' share of insurance technical provisions	81,878,535	69,935,394	117
Receivables and deferred tax assets	93,516,533	95,716,725	98
Other assets	2,569,629	2,791,679	92
Cash and cash equivalents	34,734,131	7,549,958	460
Equity and liabilities	2,751,846,661	2,685,432,591	102
Equity	546,433,439	530,560,272	103
Subordinated liabilities	21,100,040	21,101,278	100
Insurance technical provisions	1,689,840,099	1,614,944,129	105
Insurance technical provisions for unit-linked insurance contracts	419,115,446	438,920,157	95
Other provisions	10,089,586	9,570,800	105
Deferred tax liabilities	10,713,866	6,268,154	171
Other financial liabilities	3,136,743	1,752,990	179
Operating liabilities	25,319,516	23,886,713	106
Other liabilities	26,097,926	38,428,098	68

6. RISK MANAGEMENT

The most important risks that impact the performance of the Triglav Group and Zavarovalnica Triglav include underwriting, market, operational and strategic risks. In the uncertain and rapidly changing environment following the global financial and economic crisis (see *Section 4.1*), market and strategic risks have been at the forefront for some time.

The capital level of the Group remained within the set strategic guidelines and adequately exceeds the target level of the risks underwritten.

6.1 Risk factors in the Triglav Group markets

Slovenia, a small open economy and society part of European integration, is affected by a number of external factors: economic, political, legal, technical/technological, natural and cultural.

The broad external environment, particularly the developments and the situation in the euro area – **the low interest rate environment**, has a strong impact on the business environment in Slovenia. Having implemented the economic policy measures in Slovenia over past years, the transmission of low interest rates has fully affected the business environment in Slovenia. **The pressure on the competition** in the sector is further increased by technical and technological progress, the entry of new institutions and/or ownership consolidation. The latter is also impacted by the market concept of the Solvency II Directive capital requirements, effective as of 1 January 2016.

In contrast, in the post-crisis period, financial stability and confidence are returning to Slovenia, gradually increasing household consumption and reducing the unemployment rate.

The economic recovery is also seen on other insurance markets of the Triglav Group, which are very diverse and specific (different economic policies and the varying level of EU integration). Any negative external influences are detected especially in the transfer of effects of the declining foreign demand. Moreover, **the insurance market development risk** occurs as a material risk on the markets of the Triglav Group outside Slovenia.

6.2 Main risk types

Underwriting risk

The Triglav Group assumes the underwriting risks in all insurance companies when performing the transactions which represent its core business. In the execution of the underwriting process (product development, underwriting, transfer of underwriting risks, claim settlement), particularly premium and provision risks stand out, whereas catastrophe risk remains at the same appropriate level thanks to good reinsurance coverage. Premium risk is linked to the appropriate premium level in relation to insurance liabilities and is affected by high market requirements and the uncertainty of the loss ratio, while provision risk is connected to the appropriate level of planned claims in relation to the actual incurred claims and the level of insurance technical provisions formed.

The price pressure or the risk of the competitive **non-life insurance** environment is managed through planning, monitoring and analysing the claims and expense ratios. In the reporting period, the non-life insurance combined ratio slightly increased compared to the previous period (see *Section 6.1*), but it still remained within the set limits. An increase in the combined ratio was

the result of somewhat higher claims in the second and third quarters in relation to growth in net written premium. In terms of claims, the Group recorded a number of important loss events in the reporting period (see *Section 4.1 Macroeconomic environment and environmental impact on the performance*).

Provision risk is monitored by regularly monitoring the claims experience by individual insurance class, calculating the run-off analysis and promptly adjusting the insurance technical provisions to the new findings based on the analyses performed. The adequacy of the level of provisions is checked through testing (e.g. the triangle test for incurred but not reported (IBNR) claims) and regular monitoring of the realistic estimate of future non-life insurance liabilities.

With regard to the decisions on risk transfer in the Triglav Group, Pozavarovalnica Triglav Re plays an important role as it assumes the underwriting risks based on reinsurance agreements concluded with individual subsidiaries of the Group. Triglav Re concludes outward reinsurance agreements (retrocession agreements) for a portion of the risks it reinsures in order to better control its exposure and to protect its own assets, while indirectly protecting the assets of the Group's insurance subsidiaries.

The **life insurance** portfolio includes traditional, unit-linked and pension insurance policies. Additional insurance can be added to unit-linked and traditional insurance policies. The Company underwrites mortality, longevity and morbidity risks, as well as disability risk, accidental death risk, permanent total incapacity for work risk, critical illness or injury risk, medical expense risk, daily benefit risk, etc. within additional insurance. Life insurance policies are also associated with the risk of policy changes (requested by the policyholder) and with the risk that the actual life insurance expenses will differ from the expected. The reason for the recent increase in the best estimate of insurance technical provisions for life insurance was mainly the changed risk-free interest rate term structure, which reflects strong upward pressures of the low interest rate environment on the formation of life insurance provisions. Insurance products with a guaranteed return are particularly sensitive in the prevailing environment of low interest rates. The resulting risks arise from a potential mismatch of assets backing the described liabilities. Similar risks due to a special guarantee for the return arise from the SVPI policies during the saving period. In its initial phase, the management of these types of risks is linked to the demanding and active investment policy within the acceptable risk level (e.g. transfer to debt instruments of the non-financial sector outside the country with shorter maturities in the initial phase than in benchmark portfolios). This gradually changes both the structure (strategic allocation) and maturity of investments.

Premium risk and the risk of insufficient insurance technical provisions are managed in the context of the actuarial cycle, where deviations of the realised effects compared to the estimated are periodically checked. The adequacy of provisions is regularly tested using the liability adequacy test (LAT) and calculating the best estimate of liabilities for life insurance. Adjustment of life insurance products to the demanding external conditions enables to actively manage these types of risk within the underwriting process itself (the first line of defence in the risk management system).

Prevention activities in risk management are based on the following two approaches: the diversification approach (e.g. investment), which is applied in general, and the decomposition approach (e.g. product). In risk exposure, the limit system is also used. The goal of the asset-liability management process is to ensure an optimal return on investments with respect to the nature of insurance liabilities and the acceptable level of risks. In this respect, concentration risk of insurance business is appropriately managed, either by insurance class, industry, geographic area or other significant dimensions of the insurance business. Particular attention is paid to the events with a low frequency and a high impact, particularly the events related to natural

phenomena. The Company's goal is to act preventively towards its policyholders by using modern IT technology to its advantage (e.g. the *Triglav vreme* (Triglav Weather) application).

Market risk

In assets and liabilities management, Zavarovalnica Triglav is most exposed to interest rate and equity risks on the assets side. To a lesser extent, the Company is also exposed to the regulatory risk of changes in the minimum standard for setting the applicable technical interest rate for the valuation of mathematical provisions of the existing insurance portfolio and to currency risks.

Interest rate risk

As an external environment factor, the change in general interest rates impacts the value of both assets and liabilities, therefore it is reasonable that there is no major manual and qualitative mismatch between them. The latter is also subject to liquidity risks. In general, the declining and low level of interest rates reduces the possibility of high return on future investments, particularly those with short maturities, and increases the present value of liabilities from insurance technical provisions.

The interest rate risk is measured through the sensitivity analysis of investments and mathematical-technical provisions in relation to the change in the interest rate. In terms of return risk, the low interest rate environment is also managed by restructuring the portfolio investment so as to increase return, taking into account the set risk appetite. In this respect, a number of restrictions – limits were set depending on the type of issuer, instrument, etc. The effectiveness of management is measured with benchmark portfolios.

Compared to the previous period, the duration of assets of all guarantee funds prolonged slightly, while the duration of assets of the PDPZ fund increased substantially. This is primarily the consequence of new products and thereto adjusted investment activities (*PDPZ Zajamčeni, Zmerni, Drzni*) in line with the adopted investment policies.

Equity risk

The adopted investment policies and the Risk Appetite Statement limit the exposure of the Company to investments in equity securities in terms of both volume and quality. The sensitivity of the equity securities portfolio to price changes is measured by performing simulation tests or stress tests. Additional risk diversification of these types of investments by activity, geographical diversification, etc. minimises the risks within the acceptable risk level and allows the achievement of an appropriate return on investment.

The Company's total volume of equity securities includes strategic (equity stakes of associates and subsidiaries) and coordinating investments. The Company at all times complies with the limits of exposure to investments in equity securities (less than 10% of the portfolio value), specifically with the exposure limit set for the total volume of investments and for the very low volume of investments in equity securities not listed on a regulated market (less than 3% of the portfolio value).

Real property risk

The Triglav Group is exposed through its very small and stable proportion of investment property (less than 3% of all investments). The fall in real property prices in Slovenia following the global economic and financial crisis ended last year. In the first half of 2016, a gradual

growth in real property prices was observed. As the result of the recovery of economic growth, particularly consumption and investment, the outlook for the Group's markets is stable.

Currency risk

The Triglav Group operates in quite diverse monetary regions and therefore may be exposed to currency risks through its internal transactions. Such risks are established with the VaR analysis of exchange rate changes over time and are managed by setting the limits for long currency positions or through the required matching of assets and liabilities in national currencies outside the euro area. Most internal transactions within the Triglav Group are denominated and/or executed in euros.

The investment policy takes into account the strong exposure in the euro and the very limited (less than 5%) exposure in other currencies.

Liquidity risk

The aim of liquidity risk management is to ensure that at any point in time the Group has sufficient liquid assets available to settle all outstanding obligations in due time. Liquidity risk is managed by maintaining a sufficient volume of highly liquid securities and through regular monitoring of projected and actual cash flows from assets and liabilities.

In the low interest rate environment, liquidity risk is becoming somewhat more important also for the insurance industry as a higher loss of investment return is expected.

Considering the expected major stress events (e.g. major loss events – natural disasters), both short-term liquidity ratios (matured assets and liabilities) and long-term liquidity ratios are within the expected non-risk limits.

Credit risk

The aim of credit risk management is to establish procedures for minimising the likelihood of loss resulting from a debtor's financial difficulties. The Company's goal is to achieve optimum diversification of the credit portfolio and the desired credit rating.

In performing its business/insurance and investment activities, the Triglav Group is exposed to numerous contracting parties throughout all sectors of the economy both in Slovenia and at the strategic and financial markets abroad.

In terms of risk management with regard to investments, the limit system is established for insurance transactions, while for reinsurance transactions regular analyses of the remaining maturity and the reinsurers' and co-insurers' credit ratings are performed.

The ratios calculated to measure credit risk point to the fact that the Company efficiently and effectively manages this type of risk.

Operational risk

For identifying and measuring operational risks (process, technology, environment and human factor risks), the Group designed a software tool which defines their type, underlying reasons, consequences, assessment methods and internal control identification. The quantitative exposure to operational risks is measured with the Solvency II methodology and the qualitative exposure with a process analysis, which focuses on the most critical business processes or segments of operational risks. As feedback information, the process analysis uses the loss event

database for future optimisation of processes. It is important that all employees are informed about operational risks, threats and benefits of regular, daily and timely notification of loss events.

Non-financial risks

The strategic risk is the risk of loss due to adverse business decisions, improper implementation of adopted strategic decisions and insufficient responsiveness to changes in the business environment. The Group companies currently operate in a demanding environment due to major legislative and technological changes, which increases the strategic risk of the Group. Strong competition and the broad range of products and sales channels (technical and technological progress), including the changing socio-economic factors between the generations, **change consumer preferences or policyholder behaviour of insured persons** more rapidly. In order to manage these types of risks, the Company closely monitors and analyses many risk factors and responds to the strategic challenges of the business environment.

In addition, the Group is exposed to strategic risk, political risk and the risk of **changes in legislation**, which is related to significant changes in health legislation in Slovenia. Potential new sales channels, access to a new client segment, and better understanding and servicing of clients by adjusting the products are the new **challenges of digitisation**, which has already commenced in the Triglav Group. Particularly in this respect, the Triglav Drajev application needs to be pointed out, as on 16 September 2016 it received the first prize as the 2016 Web Champion at the WEBSI Day, the Slovene Festival of Digital Communications.

With regard to media and communication, an external service provider regularly (half-yearly) measures specific elements of the Company's reputation. The **reputation** of Zavarovalnica Triglav increased among the insurers, as the Company has the highest number of spontaneous recalls and the highest reputation in the Slovene insurance market. The Brand Strength Index of Zavarovalnica Triglav maintained its high value.

6.3 Internal audit

In the first nine months 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 30 September 2016, there were 5,179 employees in the Triglav Group, which is 327 less than at the 2015 year-end. The number of employees went down foremost due to the sale of the Avrigo Group and the subsidiary Slovenijales trgovina d.o.o.

Number of employees in the Triglav Group as at 30 September 2016

Subsidiaries of the Triglav Group	Number of employees		Difference
	30 September 2016	31 December 2015	2016/2015
Zavarovalnica Triglav d.d., Ljubljana	2,373	2,341	32
Pozavarovalnica Triglav Re d.d., Ljubljana	46	46	0
Triglav, Zdravstvena zavarovalnica d.d., Koper	96	84	12
Skupna pokojninska družba d.d., Ljubljana	20	18	2
Triglav Osiguranje d.d., Zagreb	524	528	-4
Triglav Osiguranje d.d., Sarajevo	251	243	8
Lovćen Osiguranje a.d., Podgorica	256	253	3
Triglav Osiguranje a.d.o., Belgrade	529	511	18
Triglav Osiguranje a.d., Banja Luka	86	83	3
Triglav Osiguruvanje a.d., Skopje	258	260	-2
Lovćen životna osiguranja a.d., Podgorica	18	14	4
Triglav INT d.d., Ljubljana	22	24	-2
Triglav Skladi d.o.o., Ljubljana	42	41	1
Triglav Avtoservis d.o.o., Ljubljana	29	28	1
Triglav Svetovanje d.o.o., Domžale	81	81	0
Triglav, Upravljanje nepremičnin d.d., Ljubljana	28	149	-121
Golf Arboretum d.o.o., Volčji potok	4	11	-7
Triglav upravljanje nekretninama d.o.o., Zagreb	1		1
Triglav upravljanje nekretninama d.o.o., Podgorica	1		1
TRI-LIFE d.o.o., Zagreb	23	26	-3
Triglav Savetovanje d.o.o., Belgrade	19		19
TRI-PRO BH d.o.o., Sarajevo	45	41	4
Unis automobili i dijelovi d.o.o., Sarajevo	24	26	-2
Autocentar BH d.o.o., Sarajevo	43	43	0
Sarajevostan d.d., Sarajevo	129	124	5
Triglav Auto d.o.o., Banja Luka			0
Lovćen Auto a.d., Podgorica	104	107	-3
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
Total	5,052	5,379	-327

7.2 Educational structure of employees

Compared to the 2015 year-end, the educational structure improved. The number of employees with university degree and post-secondary education as well as with masters or doctoral degrees increased, while the number of staff with secondary school education or less decreased.

Employees of the Triglav Group as at 30 September 2016 and 31 December 2015 - structure by education level

Level of education	Employees as at 30 September 2016		Employees as at 31 December 2015	
	Number	Percentage	Number	Percentage
Level I-IV	1,026	20.3%	1,267	23.6%
Level V	1,361	26.9%	1,553	28.9%
Level VI	687	13.6%	622	11.6%
Level VII	1,786	35.4%	1,773	33.0%
Masters and PhD	192	3.8%	164	3.0%
Total	5,052	100.0%	5,379	100.0%

FINANCIAL OVERVIEW

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY	66
1. FINANCIAL STATEMENTS	67
1. SELECTED NOTES TO THE FINANCIAL STATEMENTS	73
1.1 Statement of compliance	73
1.2 Significant accounting policies and estimates	73
1.3 Seasonal operations	73
1.4 Segmental analysis of the Triglav Group operations	74
1.5 Segmental analysis of Zavarovalnica Triglav's operations	83
1.6 Significant items of the statement of financial position	86
1.7 Changes in equity stakes in subsidiaries and business combinations	91
1.8 Related party transactions	93
1.9 Significant events after the reporting date	97

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board herewith confirms the financial statements for the period from 1 January 2016 to 30 September 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 30 September 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 30 September 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, 8 November 2016

8. FINANCIAL STATEMENTS

in EUR

STATEMENT OF FINANCIAL POSITION	Triglav Group		Zavarovalnica Triglav	
	30 Sept 2016	31 Dec 2015	30 Sept 2016	31 Dec 2015
ASSETS	3,597,279,697	3,493,456,800	2,751,846,661	2,685,432,591
Intangible assets	75,594,660	70,132,332	57,477,488	53,143,644
Property, plant and equipment	116,933,188	121,810,360	65,316,986	67,034,994
Deferred tax assets	14,273,444	15,993,688	0	0
Investment property	88,047,748	79,475,283	50,475,936	52,870,808
Investments in subsidiaries	0	0	130,632,437	134,689,036
Investments in associates	6,708,400	6,939,700	7,259,875	7,259,875
Financial assets	2,954,551,763	2,873,436,783	2,227,985,110	2,194,440,477
Financial investments:	2,509,012,053	2,408,702,860	1,806,762,675	1,747,850,916
- loans and deposits	146,656,392	183,872,219	71,527,112	108,581,747
- held to maturity	233,255,532	242,406,400	171,103,004	178,250,255
- available for sale	1,745,480,169	1,607,681,638	1,376,179,568	1,268,278,321
- recognised at fair value through profit and loss	383,619,960	374,742,603	187,952,991	192,740,593
Unit-linked insurance assets	445,539,710	464,733,923	421,222,435	446,589,561
Reinsurers' share of technical provisions	83,963,379	68,724,305	81,878,535	69,935,394
Receivables	175,947,908	166,443,733	93,516,534	95,716,726
- receivables from direct insurance operations	101,215,799	83,249,006	71,107,238	57,959,013
- receivables from reinsurance and co-insurance operations	39,831,629	42,823,668	8,196,009	12,219,198
- current tax receivables	1,122,602	301,273	0	0
- other receivables	33,777,878	40,069,786	14,213,287	25,538,515
Other assets	4,826,826	8,134,762	2,569,629	2,791,679
Cash and cash equivalents	75,412,088	47,928,768	34,734,131	7,549,958
Non-current assets held for sale	1,020,293	34,437,086	0	0
EQUITY AND LIABILITIES	3,597,279,697	3,493,456,800	2,751,846,661	2,685,432,591
Equity	730,236,059	704,044,499	546,433,439	530,560,272
Controlling interests	719,233,206	692,925,865	546,433,439	530,560,272
- share capital	73,701,392	73,701,392	73,701,392	73,701,392
- share premium	54,808,530	54,955,912	53,412,884	53,412,884
- reserves from profit	267,816,179	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	101,873,686	77,567,319	74,918,427	55,751,443
- net profit brought forward	171,863,335	104,503,874	44,698,638	7,210,810
- net profit for the year	52,729,677	85,802,552	48,339,455	57,817,462
- currency translation differences	-3,559,593	-4,510,483	0	0
- reserve of disposal group held for sale	0	-40,167	0	0
Non-controlling interests	11,002,853	11,118,634	0	0
Subordinated liabilities	16,866,650	18,752,252	21,100,040	21,101,278
Insurance technical provisions	2,250,723,416	2,143,395,211	1,689,840,098	1,614,944,129
- unearned premiums	293,124,897	252,057,956	211,184,128	180,558,991
- mathematical provisions	1,272,103,135	1,219,737,727	966,052,751	925,402,898
- claims provisions	655,270,521	642,687,051	488,598,784	486,247,722
- other insurance technical provisions	30,224,863	28,912,477	24,004,435	22,734,518
Insurance technical provisions for unit-linked insurance contracts	444,049,588	457,046,912	419,115,446	438,920,157
Employee benefits	12,192,517	12,225,131	9,558,540	9,189,038
Other provisions	3,367,999	3,854,844	531,047	381,762
Deferred tax liabilities	25,973,150	23,188,796	10,713,866	6,268,154
Other financial liabilities	4,433,772	3,784,282	3,136,743	1,752,990
Operating liabilities	52,191,758	48,388,725	25,319,516	23,886,713
- liabilities from direct insurance operations	17,708,261	16,617,928	11,521,266	10,985,581
- liabilities from reinsurance and co-insurance operations	30,142,587	28,053,630	9,609,690	10,264,596
- current tax liabilities	4,340,910	3,717,167	4,188,560	2,636,536
Other liabilities	57,244,788	66,341,975	26,097,926	38,428,098
Non-current liabilities held for sale and discontinued operations	0	12,434,173	0	0

in EUR

INCOME STATEMENT	Triglav Group		Zavarovalnica Triglav	
	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015
NET PREMIUM INCOME	630,515,971	629,572,413	379,649,264	389,374,792
- gross written premium	720,745,179	718,288,673	460,226,918	463,212,871
- ceded written premium	-64,195,885	-62,508,592	-63,269,173	-58,531,444
- change in unearned premium reserve	-26,033,323	-26,207,668	-17,308,481	-15,306,635
INCOME FROM FINANCIAL ASSETS	103,007,941	199,436,845	82,552,381	180,510,489
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,959,541	5,928,208	9,687,648	21,330,361
- profit on equity investments accounted for using the equity method	31,072	797,742	0	0
- interest income	0	25,200	708,704	1,667,030
- dividends	0	0	62,153	19,318,186
- fair value gains	0	0	0	0
- realised gains on disposals	2,928,469	5,105,266	8,911,599	336,863
- other financial income	0	0	5,192	8,282
INCOME FROM OTHER FINANCIAL ASSETS	91,670,627	134,577,592	64,486,960	103,325,453
- interest income	51,737,369	53,667,627	36,368,160	36,349,431
- dividends	3,306,797	3,095,703	2,325,499	2,363,000
- fair value gains	8,229,509	23,200,376	2,810,955	20,475,814
- realised gains on disposals	26,654,214	46,722,983	22,646,474	40,395,248
- other financial income	1,742,738	7,890,903	335,872	3,741,960
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	8,377,773	58,931,045	8,377,773	55,854,675
OTHER INCOME FROM INSURANCE OPERATIONS	3,781,795	7,519,757	14,611,559	13,889,713
- fees and commission income	344,193	3,797,817	11,759,272	10,341,558
- other income from insurance operations	3,437,602	3,721,940	2,852,287	3,548,155
OTHER INCOME	43,097,985	56,600,498	8,102,386	6,470,646
NET CLAIMS INCURRED	442,730,159	427,420,595	273,610,558	264,269,873
- gross claims settled	445,469,144	435,055,067	289,696,613	283,472,529
- reinsurers' share	-13,445,075	-13,073,277	-15,128,831	-15,048,479
- changes in claims provisions	5,644,600	31,754	-957,224	-4,154,177
- equalisation scheme expenses for supplementary health insurance	5,061,490	5,407,051	0	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)	38,754,365	34,582,515	26,841,991	23,757,098
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	-13,277,040	-19,743,203	-19,804,711	-21,060,813
EXPENSES FOR BONUSES AND DISCOUNTS	5,351,806	4,591,431	3,886,971	3,107,198
OPERATING EXPENSES	153,331,145	148,751,081	104,527,122	102,047,734
- acquisition costs	103,529,927	100,444,754	75,906,455	73,764,238
- other operating costs	49,801,218	48,306,327	28,620,667	28,283,496
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	37,818,037	131,056,296	25,975,830	141,569,707
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	3,032,477	1,084,276	551,318	31,211,358
- loss on investments accounted for using the equity method	106,247	219,123	0	0
- interest expense	0	0	0	0
- fair value losses	0	0	0	0
- realised loss on disposals	2,926,230	865,153	544,414	882,000
- loss on impairment of financial assets	0	0	0	30,271,395
- other expenses from financial assets and liabilities	0	0	6,904	57,963
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	32,339,071	64,567,279	23,540,727	47,591,266
- interest expense	962,797	1,601,240	999,437	1,387,625
- fair value losses	5,665,217	36,345,115	830,162	29,484,012
- realised loss on disposals	16,958,008	9,001,383	15,843,221	8,109,733
- loss on impairment of financial assets	2,470,453	2,485,676	2,434,363	0
- other expenses from financial assets and liabilities	6,282,596	15,133,865	3,433,544	8,609,896
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	2,446,489	65,404,741	1,883,785	62,767,083
OTHER INSURANCE EXPENSES	12,319,972	12,553,610	6,825,444	5,557,160
OTHER EXPENSES	35,852,980	59,007,212	3,026,284	5,092,916
PROFIT BEFORE TAX	67,522,268	94,909,976	60,026,101	65,904,767
Income tax expense	13,953,862	14,054,567	11,686,646	12,111,167
NET PROFIT FOR THE PERIOD	53,568,406	80,855,407	48,339,455	53,793,600
Earnings per share (basic and diluted)	2.36	3.56		
Net profit/loss attributable to the controlling company	52,729,677	80,203,441		
Net profit/loss attributable to the non-controlling interest holders	838,729	651,966		

in EUR

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Triglav Group		Zavarovalnica Triglav	
	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015
Net profit for the period after tax	53,568,406	80,855,407	48,339,455	53,793,600
Other comprehensive income after tax	25,297,171	-24,492,063	19,166,984	-19,898,433
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	25,297,171	-24,492,063	19,166,984	-19,898,433
Fair value gains/losses on available-for-sale financial assets	44,206,516	-47,398,983	41,089,562	-42,476,823
- net gains/losses recognized directly in equity	52,889,635	-26,259,110	47,067,420	-21,313,187
- transfers from equity to income statement	-8,683,119	-21,139,873	-5,977,858	-21,163,636
Fair value gains / losses on non-current assets held for sale	0	-430,356	0	0
Fair value gains/losses on cashflow hedges	0	0	0	0
Share of OCI of entities accounted for using the equity method	347,738	-356,302	0	0
Liabilities from insurance contracts with DPF	-15,082,358	15,611,733	-15,082,358	15,611,733
Currency translation differences	1,019,421	240,177	0	0
Tax on other comprehensive income	-5,194,146	7,841,668	-6,840,220	6,966,657
COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX	78,865,577	56,363,344	67,506,439	33,895,167
Controlling interest	78,048,038	55,970,603	0	0
Non-controlling interest	817,539	392,741	0	0

Triglav Group	Reserves from profit															TOTAL
	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	
As at 31 December 2015	73,701,392	54,955,912	592,269	20,371,784	452,880	-452,880	33,281,411	246,700,001	77,567,319	-40,167	104,503,874	85,802,552	-4,510,483	692,925,865	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	763	246,700,001	77,567,319	-40,167	137,784,522	85,802,552	-4,510,483	692,925,865	11,118,634	704,044,499
Comprehensive income for the period from 1 January 2015 to 30 September 2015	0	0	0	0	0	0	0	0	24,306,367	0	0	52,729,677	1,011,994	78,048,038	817,539	78,865,577
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
Dividend payment	0	0	0	0	0	0	0	0	0	0	-56,776,976	0	0	-56,776,976	0	-56,776,976
Allocation to reserves from profit	0	0	0	151,361	0	0	0	0	0	0	-151,361	0	0	0	0	0
Changes in consolidation area	0	-147,382	0	0	-88,200	88,200	0	0	0	0	0	0	-61,105	-208,487	-938,725	-1,147,212
New share capital subscribed	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,405	5,405
Other	0	0	0	0	0	0	0	0	0	40,167	5,204,598	0	0	5,244,765	0	5,244,765
As at 30 September 2016	73,701,392	54,808,530	592,269	20,523,146	364,680	-364,680	763	246,700,001	101,873,686	0	171,863,335	52,729,677	-3,559,593	719,233,206	11,002,853	730,236,059
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	94,940,028	1,214,258	96,705,983	62,769,801	-4,558,557	681,412,162	6,728,610	688,140,772
Comprehensive income for the period from 1 January 2015 to 30 September 2015	0	0	0	0	0	0	0	0	-24,463,122	0	0	80,203,441	230,282	55,970,602	392,741	56,363,344
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
Dividend payment	0	0	0	0	0	0	0	0	0	0	-56,755,040	0	0	-56,755,040	0	-56,755,040
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	7,791	254,162	0	0	0	0	0	0	-261,934	0	0	19	-19	0
Changes in consolidation area	0	-2,002,461	0	0	0	0	0	0	0	-1,214,258	1,333,695	0	-119,437	-2,002,459	270,892	-1,731,569
External acquisition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,967,281	3,967,281
As at 30 September 2015	73,701,392	54,905,755	592,269	20,269,022	452,880	-452,880	32,558,909	246,700,001	70,476,906	0	103,792,506	80,076,232	-4,447,712	678,625,281	11,359,505	689,984,785

Zavarovalnica Triglav	Reserves form profit						Net profit/loss brought forward	Net profit/loss	TOTAL	in EUR
	Share capital	Share premium	Legal and statutory reserves	Credit risk reserves	Other reserves from profit	Fair value reserve				
As at 31 December 2015	73,701,392	53,412,884	4,662,643	31,303,638	246,700,000	55,751,443	7,210,810	57,817,462	530,560,272	
Calculations for previous periods	0	0	0	-31,303,638	0	0	31,303,638	0	0	
As at 1 January 2016	73,701,392	53,412,884	4,662,643	0	246,700,000	55,751,443	38,514,448	57,817,462	530,560,272	
Comprehensive income for the period from 1 January 2016 to 30 September 2016	0	0	0	0	0	19,166,984	0	48,339,455	67,506,439	
Allocation to net profit/loss brought forward	0	0	0	0	0	0	57,817,462	-57,817,462	0	
Dividend payment	0	0	0	0	0	0	-56,837,870	0	-56,837,870	
Other	0	0	0	0	0	0	5,204,598	0	5,204,598	
As at 30 September 2016	73,701,392	53,412,884	4,662,643	0	246,700,000	74,918,427	44,698,638	48,339,455	546,433,439	
As at 1 January 2015	73,701,392	53,412,884	4,662,643	30,615,282	246,700,000	73,221,229	38,565,461	23,121,576	544,000,467	
Comprehensive income for the period from 1 January 2015 to 30 September 2015	0	0	0	0	0	-19,898,434	0	53,793,600	33,895,166	
Allocation to net profit/loss brought forward	0	0	0	0	0	0	23,121,576	-23,121,576	0	
Change consolidation area	0	0	0	0	0	0	2,386,983	0	2,386,983	
Dividend payment	0	0	0	0	0	0	-56,837,870	0	-56,837,870	
As at 30 September 2015	73,701,392	53,412,884	4,662,643	30,615,282	246,700,000	53,322,795	7,236,150	53,793,600	523,444,746	

in EUR

CASH FLOW	Triglav Group		Zavarovalnica Triglav	
	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015
A. OPERATING CASH FLOW				
Income statement items	57,943,176	63,925,010	31,626,898	32,672,597
Operating income(excluding revaluation) and financial income from operating receivables	726,500,160	759,814,352	412,137,092	415,532,991
Operating expenses excluding depreciation (except for revaluations) and financial expenses for operating liabilities	-658,573,134	-682,935,353	-373,185,661	-374,868,642
Corporate income tax and other taxes excluded from operating expenses	-9,983,850	-12,953,989	-7,324,533	-7,991,752
Changes in net current assets (and deferred items, provisions and deferred tax assets and liabilities) and in operating balance-sheet items	-19,959,826	-15,747,409	-19,398,469	-7,620,930
Movements in receivables and prepayments and accrued income	-3,838,458	-5,501,175	-8,463,310	-1,248,433
Movements in deferred tax assets	-1,710,916	-2,823,457	0	-2,633,747
Movements in inventories	-10,964	324,229	-21,752	-28,400
Movements in operating debts	-10,460,740	-13,569,332	-7,025,645	-7,137,223
Movements in accruals and deferred income and provisions	-6,157,507	7,207,724	-3,887,762	3,426,873
Movements in deferred tax liabilities	2,218,759	-1,385,398	0	0
OPERATING CASH FLOW	37,983,350	48,177,601	12,228,429	25,051,667
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Cash inflows from investing activities	1,102,595,468	1,636,272,515	883,427,142	1,279,934,031
Cash inflows from interest received and profit sharing arising from investing activities	47,127,938	59,528,823	34,557,076	46,371,110
Income from dividends and profit sharing	3,013,242	3,774,325	12,107,071	21,127,184
Cash inflows from the disposal of intangible assets	0	0	0	0
Cash inflows from the disposal of property, plant and equipment	23,024,708	2,625,211	2,189,697	302,988
Cash inflows from the disposal of financial investments	1,013,948,504	1,563,881,856	820,384,584	1,168,994,479
Cash inflows for the acquisition of financial investments in associates	15,481,076	6,462,300	14,188,715	43,138,269
Cash outflows from investing activities	-1,054,709,948	-1,610,132,131	-810,035,744	-1,236,212,032
Cash outflows for the purchase of intangible assets	-3,691,511	-3,394,774	-3,108,224	-2,978,392
Cash outflows for the purchase of property, plant and equipment	-8,764,953	-7,533,146	-1,483,407	-20,703,326
Cash outflows for the purchase of financial investments	-1,041,369,572	-1,590,735,225	-803,679,181	-1,147,609,267
Cash outflows for the acquisition of financial investments in associates	-883,912	-8,468,986	-1,764,932	-64,921,047
CASH FLOWS FROM INVESTING ACTIVITIES	47,885,520	26,140,384	73,391,398	43,721,999
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Cash inflows from financing activities	5,405	1,726,881	0	0
Receipts from issuance of capital	5,405	0	0	0
Cash inflows from long-term loans received	0	1,347,445	0	0
Cash inflows from short-term loans received	0	379,436	0	0
Cash outflows from financing activities	-58,374,875	-57,783,241	-58,435,655	-57,276,935
Interest paid from financing activities	-1,785,000	-1,785,000	-1,785,000	-1,785,000
Cash outflows for payments of financial liabilities	0	-589,136	0	0
Cash outflows from dividends paid and profit sharing	-56,589,875	-55,409,105	-56,650,655	-55,491,935
CASH FLOWS FROM FINANCING ACTIVITIES	-58,369,470	-56,056,360	-58,435,655	-57,276,935
D. Opening balance of cash and cash equivalents	47,928,768	22,858,388	7,549,958	5,650,669
E1. Net cash flow for the period	27,499,400	18,261,625	27,184,172	11,496,731
E2. Mergers and acquisitions	0	15,456,539	0	0
E3. Foreign exchange differences	-16,080	7,063	0	0
F. Closing balance of cash and cash equivalents	75,412,088	56,583,615	34,734,131	17,147,400

1. SELECTED NOTES TO THE FINANCIAL STATEMENTS

1.1 Statement of compliance

The financial statements for the period from 1 January 2016 to 30 September 2016 have been prepared in accordance with IAS 34 - Interim Financial Reporting.

Pursuant to requirements of the national legislation, separate and consolidated financial statements of Zavarovalnica Triglav have been prepared in accordance with IFRS as adopted by the European Union (hereinafter »IFRS«). Entities in which 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 30 September 2016 have not been audited.

1.2 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 period from 1 January 2016 to 30 September 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. In the consolidated financial statements the reversal of credit risk equalization reserves amounted to EUR 33,280,648. 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 period from 1 January 2016 to 30 September 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.

1.3 Seasonal operations

Operations of Zavarovalnica Triglav are not of a seasonal character. In the first nine months 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).

1.4 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**

30 September 2016

	Non-life	Life	Health	Other	TOTAL NON- CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
ASSETS	1,754,472,557	1,930,329,413	53,639,684	184,039,090	3,922,480,744	-325,201,047	3,597,279,697
Intangible assets	68,584,262	2,350,132	802,694	3,857,572	75,594,660	0	75,594,660
Property, plant and equipment	86,514,601	11,267,573	1,350,899	17,800,115	116,933,188	0	116,933,188
Deferred tax assets	11,224,225	1,247,085	397,565	1,404,569	14,273,444	0	14,273,444
Investment property	54,820,523	2,299,602	0	25,563,652	82,683,777	5,363,971	88,047,748
Investments in subsidiaries	131,530,118	10,578,436	0	63,105,212	205,213,766	-205,213,766	0
Investments in associates	0	4,174,470	0	2,533,930	6,708,400	0	6,708,400
Financial assets	1,025,597,064	1,852,611,633	45,830,805	47,919,792	2,971,959,294	-17,407,531	2,954,551,763
Financial investments:	1,025,597,064	1,407,071,923	45,830,805	47,919,792	2,526,419,584	-17,407,531	2,509,012,053
- loans and deposits	94,153,920	57,003,231	2,182,641	6,490,740	159,830,532	-13,174,140	146,656,392
- held to maturity	0	233,255,532	0	0	233,255,532	0	233,255,532
- available for sale	921,920,843	742,216,163	43,648,164	41,429,052	1,749,214,222	-3,734,053	1,745,480,169
- recognised at fair value through profit and loss	9,522,301	374,596,997	0	0	384,119,298	-499,338	383,619,960
Unit-linked insurance assets	0	445,539,710	0	0	445,539,710	0	445,539,710
Reinsurers' share of technical provisions	162,173,932	72,534	47,418	0	162,293,884	-78,330,505	83,963,379
Receivables	185,545,256	6,826,085	4,192,349	8,753,840	205,317,530	-29,369,622	175,947,908
- receivables from direct insurance operations	99,069,418	653,479	3,808,825	0	103,531,722	-2,315,923	101,215,799
- receivables from reinsurance and co-insurance operations	59,842,649	0	39,349	0	59,881,998	-20,050,369	39,831,629
- current tax receivables	1,106,960	154	0	15,488	1,122,602	0	1,122,602
- other receivables	25,526,229	6,172,452	344,175	8,738,352	40,781,208	-7,003,330	33,777,878
Other assets	3,958,554	89,304	87,999	934,563	5,070,420	-243,594	4,826,826
Cash and cash equivalents	24,524,022	38,812,559	929,955	11,145,552	75,412,088	0	75,412,088
Non-current assets held for sale	0	0	0	1,020,293	1,020,293	0	1,020,293
EQUITY AND LIABILITIES	1,754,472,557	1,930,329,413	53,639,684	184,039,090	3,922,480,744	-325,201,047	3,597,279,697
Equity	578,242,959	154,499,710	31,031,417	166,250,214	930,024,300	-199,788,241	730,236,059
Controlling interests	578,242,959	154,499,710	31,031,417	166,250,214	930,024,300	-210,791,094	719,233,206
- share capital	108,279,716	42,515,113	25,822,144	91,463,162	268,080,135	-194,378,743	73,701,392
- share premium	42,947,231	13,658,827	0	26,428,020	83,034,078	-28,225,548	54,808,530
- reserves from profit	222,938,121	47,036,140	102,761	1,956,708	272,033,730	-4,217,551	267,816,179
- treasury share reserves	0	0	0	0	0	364,680	364,680
- treasury shares	0	0	0	0	0	-364,680	-364,680
- fair value reserve	71,640,267	18,143,105	1,857,339	21,397,887	113,038,598	-11,164,912	101,873,686
- net profit brought forward	91,839,088	22,944,546	951,204	12,324,092	128,058,930	43,804,405	171,863,335
- net profit for the year	43,090,056	11,213,064	2,297,969	12,682,960	69,284,049	-16,554,372	52,729,677
- currency translation differences	-2,491,520	-1,011,085	0	-2,615	-3,505,220	-54,373	-3,559,593
- reserve of disposal group held for sale	0	0	0	0	0	0	0
Non-controlling interests	0	0	0	0	0	11,002,853	11,002,853
Subordinated liabilities	11,071,702	10,028,338	1,500,000	0	22,600,040	-5,733,390	16,866,650
Insurance technical provisions	1,020,791,365	1,295,144,392	13,173,598	0	2,329,109,355	-78,385,939	2,250,723,416
- unearned premiums	311,396,531	401,090	2,553,785	0	314,351,406	-21,226,509	293,124,897
- mathematical provisions	0	1,272,103,135	0	0	1,272,103,135	0	1,272,103,135
- claims provisions	684,060,428	19,192,697	9,058,701	0	712,311,826	-57,041,305	655,270,521
- other insurance technical provisions	25,334,406	3,447,470	1,561,112	0	30,342,988	-118,125	30,224,863
Insurance technical provisions for unit-linked insurance contracts	0	444,049,588	0	0	444,049,588	0	444,049,588
Employee benefits	9,383,841	1,884,104	373,015	551,557	12,192,517	0	12,192,517
Other provisions	1,366,961	1,473,346	177,218	350,474	3,367,999	0	3,367,999
Deferred tax liabilities	14,082,865	9,358,015	0	2,532,270	25,973,150	0	25,973,150
Other financial liabilities	3,291,860	1,710,435	74,208	1,945,848	7,022,351	-2,588,579	4,433,772
Operating liabilities	64,125,040	6,964,047	3,727,288	20,205	74,836,580	-22,644,822	52,191,758
- liabilities from direct insurance operations	7,957,455	6,962,498	3,619,152	0	18,539,105	-830,844	17,708,261
- liabilities from reinsurance and co-insurance operations	51,916,535	1,549	38,481	0	51,956,565	-21,813,978	30,142,587
- current tax liabilities	4,251,050	0	69,655	20,205	4,340,910	0	4,340,910
Other liabilities	52,115,964	5,217,438	3,582,940	12,388,522	73,304,864	-16,060,076	57,244,788
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
ASSETS	1,679,001,567	1,889,678,781	50,604,574	210,850,496	3,830,135,418	-336,678,618	3,493,456,800
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	-58,908,389	166,443,733
- 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	-26,343,241	40,069,786
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
EQUITY AND LIABILITIES	1,679,001,567	1,889,678,781	50,604,574	210,850,496	3,830,135,418	-336,678,618	3,493,456,800
Equity	546,002,252	154,237,056	27,937,085	164,399,854	892,576,247	-188,531,748	704,044,499
Controlling interests	546,002,252	154,237,056	27,937,085	164,399,854	892,576,247	-199,650,382	692,925,865
- share capital	114,852,545	41,915,113	25,822,144	159,318,064	341,907,866	-268,206,474	73,701,392
- share premium	42,947,231	13,658,828	0	29,208,975	85,815,034	-30,859,122	54,955,912
- reserves from profit	256,014,524	47,036,141	102,761	2,780,443	305,933,869	-4,988,403	300,945,466
- 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	21,541,846	951,204	-10,352,735	50,865,728	34,936,824	85,802,552
- 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	457,046,912	0	0	457,046,912	0	457,046,912
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	66,924,529	9,076,441	3,701,912	22,108,453	101,811,335	-35,469,360	66,341,975
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

30 September 2016

	Slovenia	Other	TOTAL NON- CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
ASSETS	3,537,439,244	385,041,500	3,922,480,744	-325,201,047	3,597,279,697
Intangible assets	62,205,235	13,389,425	75,594,660	0	75,594,660
Property, plant and equipment	80,914,943	36,018,245	116,933,188	0	116,933,188
Deferred tax assets	13,719,030	554,414	14,273,444	0	14,273,444
Investment property	67,415,108	15,268,669	82,683,777	5,363,971	88,047,748
Investments in subsidiaries	195,509,764	9,704,002	205,213,766	-205,213,766	0
Investments in associates	6,708,401	0	6,708,401	0	6,708,400
Financial assets	2,753,805,984	218,153,310	2,971,959,294	-17,407,531	2,954,551,763
Financial investments:	2,326,828,988	199,590,596	2,526,419,584	-17,407,531	2,509,012,053
- loans and deposits	93,156,576	66,673,956	159,830,532	-13,174,140	146,656,392
- held to maturity	214,556,369	18,699,163	233,255,532	0	233,255,532
- available for sale	1,638,333,133	110,881,089	1,749,214,222	-3,734,053	1,745,480,169
- recognised at fair value through profit and loss	380,782,910	3,336,388	384,119,298	-499,338	383,619,960
Unit-linked insurance assets	426,976,996	18,562,714	445,539,710	0	445,539,710
Reinsurers' share of technical provisions	135,590,641	26,703,243	162,293,884	-78,330,505	83,963,379
Receivables	156,295,725	49,021,805	205,317,530	-29,369,622	175,947,908
- receivables from direct insurance operations	74,913,858	28,617,864	103,531,722	-2,315,923	101,215,799
- receivables from reinsurance and co-insurance operations	57,963,005	1,918,993	59,881,998	-20,050,369	39,831,629
- current tax receivables	808,805	313,797	1,122,602	0	1,122,602
- other receivables	22,610,057	18,171,151	40,781,208	-7,003,330	33,777,878
Other assets	2,949,105	2,121,315	5,070,420	-243,594	4,826,826
Cash and cash equivalents	61,305,016	14,107,072	75,412,088	0	75,412,088
Non-current assets held for sale	1,020,293	0	1,020,293	0	1,020,293
EQUITY AND LIABILITIES	3,537,439,244	385,041,500	3,922,480,744	-325,201,047	3,597,279,697
Equity	827,348,066	102,676,234	930,024,300	-199,788,241	730,236,059
Controlling interests	827,348,066	102,676,234	930,024,300	-210,791,094	719,233,206
- share capital	183,946,125	84,134,010	268,080,135	-194,378,743	73,701,392
- share premium	81,578,529	1,455,549	83,034,078	-28,225,548	54,808,530
- reserves from profit	255,111,471	16,922,259	272,033,730	-4,217,551	267,816,179
- treasury share reserves	0	0	0	364,680	364,680
- treasury shares	0	0	0	-364,680	-364,680
- fair value reserve	107,216,672	5,821,926	113,038,598	-11,164,912	101,873,686
- net profit brought forward	131,785,884	-3,726,954	128,058,930	43,804,405	171,863,335
- net profit for the year	67,709,385	1,574,664	69,284,049	-16,554,372	52,729,677
- currency translation differences	0	-3,505,220	-3,505,220	-54,373	-3,559,593
- reserve of disposal group held for sale	0	0	0	0	0
Non-controlling interests	0	0	0	11,002,853	11,002,853
Subordinated liabilities	22,600,040	0	22,600,040	-5,733,390	16,866,650
Insurance technical provisions	2,112,598,167	216,511,188	2,329,109,355	-78,385,939	2,250,723,416
- unearned premiums	246,542,509	67,808,897	314,351,406	-21,226,509	293,124,897
- mathematical provisions	1,216,783,891	55,319,244	1,272,103,135	0	1,272,103,135
- claims provisions	623,475,006	88,836,820	712,311,826	-57,041,305	655,270,521
- other insurance technical provisions	25,796,761	4,546,227	30,342,988	-118,125	30,224,863
Insurance technical provisions for unit-linked insurance contracts	425,561,851	18,487,737	444,049,588	0	444,049,588
Employee benefits	10,651,348	1,541,169	12,192,517	0	12,192,517
Other provisions	2,423,921	944,078	3,367,999	0	3,367,999
Deferred tax liabilities	24,682,319	1,290,831	25,973,150	0	25,973,150
Other financial liabilities	5,257,388	1,764,963	7,022,351	-2,588,579	4,433,772
Operating liabilities	64,168,501	10,668,079	74,836,580	-22,644,822	52,191,758
- liabilities from direct insurance operations	15,602,951	2,936,154	18,539,105	-830,844	17,708,261
- liabilities from reinsurance and co-insurance operations	44,293,421	7,663,144	51,956,565	-21,813,978	30,142,587
- current tax liabilities	4,272,129	68,781	4,340,910	0	4,340,910
Other liabilities	42,147,643	31,157,221	73,304,866	-16,060,076	57,244,788
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
ASSETS	3,475,955,971	354,179,447	3,830,135,418	-336,678,618	3,493,456,800
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	-58,908,388	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
EQUITY AND LIABILITIES	3,475,955,971	354,179,447	3,830,135,418	-336,678,618	3,493,456,800
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

	Q1-3 2016				
	Non-life	Life	Health	Other	TOTAL
NET PREMIUM INCOME	388,704,872	157,537,334	84,273,765	0	630,515,971
- gross written premium	478,508,779	157,504,836	84,731,564	0	720,745,179
- ceded written premium	-64,187,096	-8,789	0	0	-64,195,885
- change in unearned premium reserve	-25,616,811	41,287	-457,799	0	-26,033,323
INCOME FROM FINANCIAL ASSETS	40,186,337	61,064,818	864,995	891,791	103,007,941
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,928,469	30,131	0	941	2,959,541
- profit on equity investments accounted for using the equity method	0	30,131	0	941	31,072
- interest income	0	0	0	0	0
- dividends	0	0	0	0	0
- fair value gains	0	0	0	0	0
- 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	37,257,868	52,656,914	864,995	890,850	91,670,627
- interest income	20,529,894	30,589,418	551,502	66,555	51,737,369
- dividends	1,890,807	767,192	0	648,798	3,306,797
- fair value gains	230,073	7,999,436	0	0	8,229,509
- realised gains on disposals	13,336,535	13,004,290	313,389	0	26,654,214
- other financial income	1,270,559	296,578	104	175,497	1,742,738
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	8,377,773	0	0	8,377,773
OTHER INCOME FROM INSURANCE OPERATIONS	3,691,506	58,559	31,730	0	3,781,795
- fees and commission income	291,339	52,854	0	0	344,193
- other income from insurance operations	3,400,167	5,705	31,730	0	3,437,602
OTHER INCOME	5,405,405	77,397	46,436	37,568,747	43,097,985
NET CLAIMS INCURRED	232,066,546	137,278,494	73,385,119	0	442,730,159
- gross claims settled	238,621,189	138,236,433	68,611,522	0	445,469,144
- reinsurers' share	-13,445,075	0	0	0	-13,445,075
- changes in claims provisions	6,890,432	-957,939	-287,893	0	5,644,600
- equalisation scheme expenses for supplementary health insurance	0	0	5,061,490	0	5,061,490
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)	553,368	38,130,171	70,826	0	38,754,365
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0	-13,277,040	0	0	-13,277,040
EXPENSES FOR BONUSES AND DISCOUNTS	5,343,948	7,858	0	0	5,351,806
CHANGE IN FINANCIAL CONTRACT LIABILITIES	0	0	0	0	0
OPERATING EXPENSES	121,739,500	23,995,874	7,595,771	0	153,331,145
- acquisition costs	87,125,615	14,149,615	2,254,697	0	103,529,927
- other operating costs	34,613,885	9,846,259	5,341,074	0	49,801,218
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	16,362,344	19,101,501	33,456	2,320,736	37,818,037
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	738,606	0	0	2,293,871	3,032,477
- loss on investments accounted for using the equity method	0	0	0	106,247	106,247
- interest expense	0	0	0	0	0
- fair value losses	0	0	0	0	0
- realised loss on disposals	738,606	0	0	2,187,624	2,926,230
- 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	15,623,738	16,655,012	33,456	26,865	32,339,071
- interest expense	488,461	435,305	0	39,031	962,797
- fair value losses	158,944	5,506,211	0	62	5,665,217
- realised loss on disposals	8,320,359	8,654,003	7,090	-23,444	16,958,008
- loss on impairment of financial assets	2,435,554	34,899	0	0	2,470,453
- other expenses from financial assets and liabilities	4,220,420	2,024,594	26,366	11,216	6,282,596
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	2,446,489	0	0	2,446,489
OTHER INSURANCE EXPENSES	11,867,744	159,487	292,741	0	12,319,972
OTHER EXPENSES	3,708,200	95,558	230	32,048,992	35,852,980
PROFIT BEFORE TAX	46,346,470	13,246,205	3,838,783	4,090,810	67,522,268
Income tax expense	10,165,163	2,150,984	69,655	1,568,060	13,953,862
NET PROFIT FOR THE PERIOD	36,181,307	11,095,221	3,769,128	2,522,750	53,568,406
Net profit/loss attributable to the controlling company	35,754,683	10,721,992	3,769,128	2,483,874	52,729,677
Net profit/loss attributable to the non-controlling interest holders	426,624	373,229	0	38,876	838,729

CONSOLIDATED INCOME STATEMENT BY SEGMENT

	Q1-3 2015				
	Non-life	Life	Health	Other	TOTAL
NET PREMIUM INCOME	387,552,534	160,544,166	81,475,713	0	629,572,413
- gross written premium	476,105,634	160,518,814	81,664,225	0	718,288,673
- ceded written premium	-62,505,161	-3,431	0	0	-62,508,592
- change in unearned premium reserve	-26,047,939	28,783	-188,512	0	-26,207,668
INCOME FROM FINANCIAL ASSETS	47,976,994	147,681,874	1,716,829	2,061,148	199,436,845
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,460,610	2,478,443	0	989,155	5,928,208
- profit on equity investments accounted for using the equity method	0	0	0	797,742	797,742
- interest income	0	25,200	0	0	25,200
- dividends	0	0	0	0	0
- fair value gains	0	0	0	0	0
- realised gains on disposals	2,460,610	2,453,243	0	191,413	5,105,266
- other financial income	0	0	0	0	0
INCOME FROM OTHER FINANCIAL ASSETS	45,516,384	86,272,386	1,716,829	1,071,993	134,577,592
- interest income	22,887,592	30,059,701	618,286	102,048	53,667,627
- dividends	1,574,386	953,691	0	567,626	3,095,703
- fair value gains	2,718,704	20,481,535	0	137	23,200,376
- realised gains on disposals	12,397,699	32,996,736	1,098,538	230,010	46,722,983
- other financial income	5,938,003	1,780,723	5	172,172	7,890,903
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	58,931,045	0	0	58,931,045
OTHER INCOME FROM INSURANCE OPERATIONS	5,028,708	2,447,092	43,957	0	7,519,757
- fees and commission income	1,385,085	2,412,732	0	0	3,797,817
- other income from insurance operations	3,643,623	34,360	43,957	0	3,721,940
OTHER INCOME	3,866,037	110,392	26,235	52,597,834	56,600,498
NET CLAIMS INCURRED	223,765,440	134,392,738	69,262,417	0	427,420,595
- gross claims settled	237,562,145	133,962,426	63,530,496	0	435,055,067
- reinsurers' share	-13,073,277	0	0	0	-13,073,277
- changes in claims provisions	-723,428	430,312	324,870	0	31,754
- equalisation scheme expenses for supplementary health insurance	0	0	5,407,051	0	5,407,051
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)	257,572	34,379,132	-54,189	0	34,582,515
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0	-19,743,203	0	0	-19,743,203
EXPENSES FOR BONUSES AND DISCOUNTS	4,588,939	2,492	0	0	4,591,431
CHANGE IN FINANCIAL CONTRACT LIABILITIES	0	0	0	0	0
OPERATING EXPENSES	118,089,273	23,787,972	6,873,836	0	148,751,081
- acquisition costs	84,397,012	14,118,336	1,929,406	0	100,444,754
- other operating costs	33,692,261	9,669,636	4,944,430	0	48,306,327
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	18,927,341	111,538,459	173,772	416,733	131,056,296
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	882,000	90,241	0	112,035	1,084,276
- loss on investments accounted for using the equity method	0	90,241	0	128,882	219,123
- interest expense	0	0	0	0	0
- fair value losses	0	0	0	0	0
- realised loss on disposals	882,000	0	0	-16,847	865,153
- 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	18,045,341	46,043,477	173,772	304,698	64,567,279
- interest expense	813,554	504,831	0	282,855	1,601,240
- fair value losses	1,565,916	34,779,199	0	0	36,345,115
- realised loss on disposals	2,457,132	6,398,763	145,488	0	9,001,383
- loss on impairment of financial assets	2,483,295	2,381	0	0	2,485,676
- other expenses from financial assets and liabilities	10,725,444	4,358,303	28,284	21,843	15,133,865
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	65,404,741	0	0	65,404,741
OTHER INSURANCE EXPENSES	12,027,975	275,799	249,836	0	12,553,610
OTHER EXPENSES	10,796,730	723,887	205	47,486,390	59,007,212
PROFIT BEFORE TAX	55,971,003	25,426,248	6,756,857	6,755,859	94,909,967
Income tax expense	10,950,173	2,332,872	119,089	652,433	14,054,567
NET PROFIT FOR THE PERIOD	45,020,830	23,093,376	6,637,768	6,103,426	80,855,407
Net profit/loss attributable to the controlling company	44,723,640	22,758,599	6,637,768	6,083,425	80,203,441
Net profit/loss attributable to the non-controlling interest holders	297,188	334,777	0	20,001	651,966

CONSOLIDATED INCOME STATEMENT BY GEOGRAPHICAL AREA

	Q1-3 2016		
	Slovenia	Other	TOTAL
NET PREMIUM INCOME	521,549,170	108,966,801	630,515,971
- gross written premium	596,252,593	124,492,586	720,745,179
- ceded written premium	-53,958,200	-10,237,685	-64,195,885
- change in unearned premium reserve	-20,745,223	-5,288,100	-26,033,323
INCOME FROM FINANCIAL ASSETS	96,074,883	6,933,058	103,007,941
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,959,542	0	2,959,541
- profit on equity investments accounted for using the equity method	31,072	0	31,072
- interest income	0	0	0
- dividends	0	0	0
- fair value gains	0	0	0
- realised gains on disposals	2,928,469	0	2,928,469
- other financial income	0	0	0
INCOME FROM OTHER FINANCIAL ASSETS	84,737,568	6,933,059	91,670,627
- interest income	45,776,387	5,960,982	51,737,369
- dividends	3,178,386	128,411	3,306,797
- fair value gains	8,033,894	195,615	8,229,509
- realised gains on disposals	26,497,979	156,235	26,654,214
- other financial income	1,250,922	491,816	1,742,738
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	8,377,773	0	8,377,773
OTHER INCOME FROM INSURANCE OPERATIONS	1,343,821	2,437,974	3,781,795
- fees and commission income	-321,311	665,504	344,193
- other income from insurance operations	1,665,132	1,772,470	3,437,602
OTHER INCOME	38,149,965	4,948,020	43,097,985
NET CLAIMS INCURRED	385,028,921	57,701,238	442,730,159
- gross claims settled	390,180,902	55,288,242	445,469,144
- reinsurers' share	-11,103,199	-2,341,876	-13,445,075
- changes in claims provisions	889,728	4,754,872	5,644,600
- equalisation scheme expenses for supplementary health insurance	5,061,490	0	5,061,490
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)	35,585,143	3,169,222	38,754,365
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	-13,358,306	81,266	-13,277,040
EXPENSES FOR BONUSES AND DISCOUNTS	3,885,408	1,466,398	5,351,806
CHANGE IN FINANCIAL CONTRACT LIABILITIES	0	0	0
OPERATING EXPENSES	111,843,162	41,487,983	153,331,145
- acquisition costs	75,666,583	27,863,344	103,529,927
- other operating costs	36,176,579	13,624,639	49,801,218
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	35,871,319	1,946,718	37,818,037
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	3,265,054	-232,577	3,032,477
- loss on investments accounted for using the equity method	106,247	0	106,247
- interest expense	0	0	0
- fair value losses	0	0	0
- realised loss on disposals	3,158,807	-232,577	2,926,230
- 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	30,722,480	1,616,591	32,339,071
- interest expense	917,719	45,078	962,797
- fair value losses	5,600,533	64,684	5,665,217
- realised loss on disposals	16,877,548	80,460	16,958,008
- loss on impairment of financial assets	2,435,474	34,979	2,470,453
- other expenses from financial assets and liabilities	4,891,206	1,391,390	6,282,596
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	1,883,785	562,704	2,446,489
OTHER INSURANCE EXPENSES	7,211,772	5,108,200	12,319,972
OTHER EXPENSES	29,235,410	6,617,570	35,852,980
PROFIT BEFORE TAX	61,815,010	5,707,258	67,522,268
Income tax expense	13,779,397	174,465	13,953,862
NET PROFIT FOR THE PERIOD	48,035,613	5,532,793	53,568,406
Net profit/loss attributable to the controlling company	47,722,903	5,006,774	52,729,677
Net profit/loss attributable to the non-controlling interest holders	312,710	526,019	838,729

CONSOLIDATED INCOME STATEMENT BY GEOGRAPHICAL AREA

	Q1-3 2015		
	Slovenia	Other	TOTAL
NET PREMIUM INCOME	525,726,497	103,845,916	629,572,413
- gross written premium	594,409,627	123,879,046	718,288,673
- ceded written premium	-49,001,736	-13,506,856	-62,508,592
- change in unearned premium reserve	-19,681,394	-6,526,274	-26,207,668
INCOME FROM FINANCIAL ASSETS	187,235,563	12,201,282	199,436,845
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	5,928,208	0	5,928,208
- profit on equity investments accounted for using the equity method	797,742	0	797,742
- interest income	25,200	0	25,200
- dividends	0	0	0
- fair value gains	0	0	0
- realised gains on disposals	5,105,266	0	5,105,266
- other financial income	0	0	0
INCOME FROM OTHER FINANCIAL ASSETS	125,452,680	9,124,912	134,577,592
- interest income	47,043,900	6,623,727	53,667,627
- dividends	3,059,913	35,790	3,095,703
- fair value gains	22,492,127	708,249	23,200,376
- realised gains on disposals	45,475,772	1,247,211	46,722,983
- other financial income	7,380,968	509,935	7,890,903
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	55,854,675	3,076,370	58,931,045
OTHER INCOME FROM INSURANCE OPERATIONS	4,674,088	2,845,669	7,519,757
- fees and commission income	2,895,424	902,393	3,797,817
- other income from insurance operations	1,778,664	1,943,276	3,721,940
OTHER INCOME	51,751,322	4,849,176	56,600,498
NET CLAIMS INCURRED	370,945,288	56,475,307	427,420,595
- gross claims settled	378,039,721	57,015,346	435,055,067
- reinsurers' share	-9,603,478	-3,469,799	-13,073,277
- changes in claims provisions	-2,898,006	2,929,760	31,754
- equalisation scheme expenses for supplementary health insurance	5,407,051	0	5,407,051
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)	33,505,023	1,077,492	34,582,515
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	-21,060,813	1,317,610	-19,743,203
EXPENSES FOR BONUSES AND DISCOUNTS	3,209,513	1,381,918	4,591,431
CHANGE IN FINANCIAL CONTRACT LIABILITIES	0	0	0
OPERATING EXPENSES	109,243,528	39,507,553	148,751,081
- acquisition costs	73,781,219	26,663,535	100,444,754
- other operating costs	35,462,309	12,844,018	48,306,327
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	126,152,805	4,903,491	131,056,296
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	1,084,276	0	1,084,276
- loss on investments accounted for using the equity method	219,123	0	219,123
- interest expense	0	0	0
- fair value losses	0	0	0
- realised loss on disposals	865,153	0	865,153
- 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	62,301,446	2,265,833	64,567,279
- interest expense	1,481,404	119,836	1,601,240
- fair value losses	35,732,007	613,108	36,345,115
- realised loss on disposals	8,518,824	482,559	9,001,383
- loss on impairment of financial assets	2,410,514	75,162	2,485,676
- other expenses from financial assets and liabilities	14,158,697	975,168	15,133,865
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	62,767,083	2,637,658	65,404,741
OTHER INSURANCE EXPENSES	5,895,368	6,658,242	12,553,610
OTHER EXPENSES	52,365,259	6,641,953	59,007,212
PROFIT BEFORE TAX	89,131,499	5,778,477	94,909,976
Income tax expense	14,020,055	34,512	14,054,567
NET PROFIT FOR THE PERIOD	75,111,444	5,743,965	80,855,409
Net profit/loss attributable to the controlling company	74,801,325	5,402,116	80,203,441
Net profit/loss attributable to the non-controlling interest holders	310,119	341,847	651,966

1.5 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.

STATEMENT OF FINANCIAL POSITION BY SEGMENT

	30 September 2016			30 September 2015		
	Non-life	Life	TOTAL	Non-life	Life	TOTAL
ASSETS	1,216,629,695	1,550,946,997	2,767,576,692	1,174,656,551	1,533,101,808	2,707,758,359
Intangible assets	55,160,219	2,317,269	57,477,488	51,469,624	1,674,020	53,143,644
Property, plant and equipment	56,141,222	9,175,764	65,316,986	57,485,007	9,549,987	67,034,994
Deferred tax assets	10,709,381	1,207,515	11,916,896	13,476,586	1,250,401	14,726,987
Investment property	49,202,992	1,272,944	50,475,936	51,575,234	1,295,574	52,870,808
Investments in subsidiaries	122,086,439	8,545,998	130,632,437	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	731,808,425	1,496,176,685	2,227,985,110	699,630,730	1,494,809,747	2,194,440,477
Financial investments:	731,808,425	1,074,954,250	1,806,762,675	699,630,730	1,048,220,186	1,747,850,916
- loans and deposits	29,894,840	41,632,272	71,527,112	40,234,999	68,346,748	108,581,747
- held to maturity	0	171,103,004	171,103,004	0	178,250,255	178,250,255
- available for sale	694,072,341	682,107,227	1,376,179,568	651,006,775	617,271,546	1,268,278,321
- recognised at fair value through profit and loss	7,841,244	180,111,747	187,952,991	8,388,956	184,351,637	192,740,593
Unit-linked insurance assets	0	421,222,435	421,222,435	0	446,589,561	446,589,561
Reinsurers' share of technical provisions	81,812,642	65,894	81,878,535	69,916,901	18,493	69,935,394
Receivables	92,995,907	4,333,761	97,329,668	98,253,231	5,062,276	103,315,507
- receivables from direct insurance operations	70,630,779	476,459	71,107,238	57,484,337	474,676	57,959,013
- receivables from reinsurance and co-insurance operations	8,196,009	0	8,196,009	12,204,759	14,439	12,219,198
- current tax receivables	0	0	0	0	0	0
- other receivables	14,169,119	3,857,302	18,026,421	28,564,135	4,573,161	33,137,296
Other assets	2,566,585	3,044	2,569,629	2,784,635	7,044	2,791,679
Cash and cash equivalents	14,145,883	20,588,248	34,734,131	3,921,565	3,628,393	7,549,958
EQUITY AND LIABILITIES	1,216,629,695	1,550,946,997	2,767,576,692	1,174,656,551	1,533,101,808	2,707,758,359
Equity	436,083,651	110,349,788	546,433,439	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	57,719,277	17,199,150	74,918,427	43,547,114	12,204,329	55,751,443
- net profit brought forward	41,387,761	3,310,877	44,698,638	4,828,190	2,382,620	7,210,810
- net profit for the year	39,442,344	8,897,111	48,339,455	39,644,710	18,172,752	57,817,462
Subordinated liabilities	11,071,702	10,028,338	21,100,040	11,072,611	10,028,667	21,101,278
Insurance technical provisions	701,747,465	988,092,634	1,689,840,098	667,217,986	947,726,143	1,614,944,129
- unearned premiums	210,808,240	375,888	211,184,128	180,141,569	417,422	180,558,991
- mathematical provisions	0	966,052,751	966,052,751	0	925,402,898	925,402,898
- claims provisions	470,382,259	18,216,525	488,598,784	467,032,829	19,214,892	486,247,722
- other insurance technical provisions	20,556,966	3,447,470	24,004,435	20,043,588	2,690,931	22,734,518
Insurance technical provisions for unit-linked insurance contracts	0	419,115,446	419,115,446	0	438,920,157	438,920,157
Employee benefits	7,866,332	1,692,208	9,558,540	7,559,612	1,629,426	9,189,038
Other provisions	531,047	0	531,047	381,762	0	381,762
Deferred tax liabilities	11,877,512	10,753,250	22,630,762	14,179,377	6,815,763	20,995,140
Other financial liabilities	2,543,409	593,334	3,136,743	1,752,990	0	1,752,990
Operating liabilities	19,626,339	5,693,177	25,319,516	18,165,801	5,720,912	23,886,713
- liabilities from direct insurance operations	5,828,089	5,693,177	11,521,266	5,270,069	5,715,512	10,985,581
- liabilities from reinsurance and co-insurance operations	9,609,690	0	9,609,690	10,259,196	5,400	10,264,596
- current tax liabilities	4,188,560	0	4,188,560	2,636,536	0	2,636,536
Other liabilities	25,282,238	4,628,822	29,911,060	37,468,491	8,558,389	46,026,880

in EUR

INCOME STATEMENT BY SEGMENT

	Q1-3 2016			Q1-3 2015		
	Non-life	Life	TOTAL	Non-life	Life	TOTAL
NET PREMIUM INCOME	253,615,780	126,033,484	379,649,264	257,251,343	132,123,449	389,374,792
- gross written premium	333,917,472	126,309,446	460,226,918	330,825,328	132,387,543	463,212,871
- ceded written premium	-62,951,678	-317,495	-63,269,173	-58,231,061	-300,383	-58,531,444
- change in unearned premium reserve	-17,350,014	41,533	-17,308,481	-15,342,924	36,289	-15,306,635
INCOME FROM FINANCIAL ASSETS	35,779,594	46,772,787	82,552,381	50,950,884	129,559,606	180,510,490
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	9,625,495	62,153	9,687,648	21,188,809	141,552	21,330,361
- interest income	708,704	0	708,704	1,667,031	0	1,667,031
- dividends	0	62,153	62,153	19,176,634	141,552	19,318,186
- fair value gains	0	0	0	0	0	0
- realised gains on disposals	8,911,599	0	8,911,599	336,862	0	336,862
- other financial income	5,192	0	5,192	8,282	0	8,282
INCOME FROM OTHER FINANCIAL ASSETS	26,154,099	38,332,861	64,486,960	29,762,075	73,563,379	103,325,454
- interest income	14,111,219	22,256,941	36,368,160	15,251,576	21,097,856	36,349,432
- dividends	1,736,041	589,458	2,325,499	1,494,085	868,915	2,363,000
- fair value gains	138,023	2,672,932	2,810,955	2,390,654	18,085,160	20,475,814
- realised gains on disposals	9,866,746	12,779,728	22,646,474	8,399,414	31,995,834	40,395,248
- other financial income	302,070	33,802	335,872	2,226,346	1,515,614	3,741,960
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	8,377,773	8,377,773	0	55,854,675	55,854,675
OTHER INCOME FROM INSURANCE OPERATIONS	14,539,778	71,781	14,611,559	13,594,907	294,806	13,889,713
- fees and commission income	11,687,558	71,714	11,759,272	10,046,752	294,806	10,341,558
- other income from insurance operations	2,852,220	67	2,852,287	3,548,155	0	3,548,155
OTHER INCOME	5,391,958	2,710,428	8,102,386	3,428,602	3,042,044	6,470,646
NET CLAIMS INCURRED	150,715,526	122,895,032	273,610,558	144,730,462	119,539,409	264,269,871
- gross claims settled	165,637,774	124,058,839	289,696,613	163,733,790	119,738,739	283,472,529
- reinsurers' share	-15,010,792	-118,039	-15,128,831	-14,438,279	-610,201	-15,048,480
- changes in claims provisions	88,544	-1,045,768	-957,224	-4,565,049	410,871	-4,154,178
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)	513,378	26,328,613	26,841,991	832,866	22,924,232	23,757,098
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0	-19,804,711	-19,804,711	0	-21,060,813	-21,060,813
EXPENSES FOR BONUSES AND DISCOUNTS	3,886,971	0	3,886,971	3,107,198	0	3,107,198
OPERATING EXPENSES	81,924,257	22,602,865	104,527,122	79,932,746	22,114,989	102,047,735
- acquisition costs	60,587,176	15,319,279	75,906,455	58,609,393	15,154,845	73,764,238
- other operating costs	21,337,081	7,283,586	28,620,667	21,323,353	6,960,144	28,283,497
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	13,695,761	12,280,069	25,975,830	42,830,190	98,739,516	141,569,706
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	551,318	0	551,318	31,211,358	0	31,211,358
- interest expense	0	0	0	0	0	0
- fair value losses	0	0	0	0	0	0
- realised loss on disposals	544,414	0	544,414	882,000	0	882,000
- loss on impairment of financial assets	0	0	0	30,271,395	0	30,271,395
- other expenses from financial assets and liabilities	6,904	0	6,904	57,963	0	57,963
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	13,144,443	10,396,284	23,540,727	11,618,832	35,972,433	47,591,265
- interest expense	542,507	456,930	999,437	854,622	533,002	1,387,624
- fair value losses	94,260	735,902	830,162	1,462,600	28,021,413	29,484,013
- realised loss on disposals	7,621,781	8,221,440	15,843,221	2,247,830	5,861,904	8,109,734
- loss on impairment of financial assets	2,434,363	0	2,434,363	0	0	0
- other expenses from financial assets and liabilities	2,451,532	982,012	3,433,544	7,053,780	1,556,114	8,609,894
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	1,883,785	1,883,785	0	62,767,083	62,767,083
OTHER INSURANCE EXPENSES	6,655,756	169,688	6,825,444	5,379,196	177,964	5,557,160
OTHER EXPENSES	2,957,454	68,830	3,026,284	4,412,777	680,141	5,092,918
PROFIT BEFORE TAX	48,978,007	11,048,094	60,026,101	44,000,301	21,904,467	65,904,768
Income tax expense	9,535,663	2,150,983	11,686,646	9,778,294	2,332,872	12,111,166
NET PROFIT FOR THE PERIOD	39,442,344	8,897,111	48,339,455	34,222,007	19,571,595	53,793,602

1.6 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 5.5 million, mainly as the result of the increase in the long-term deferred acquisition costs amounting to EUR 6.5 million. In the reporting period, new purchases of intangible assets equalled EUR 3.7 million. In the first nine months of 2016, amortisation reached EUR 4.7 million.

In the reporting period, the carrying amount of intangible assets of Zavarovalnica Triglav increased by EUR 4.4 million. In the separate financial statements, the change as well mainly refers to the increase in long-term deferred acquisition costs. New purchases of other intangible assets in the amount of EUR 3.1 million primarily relate to the purchase of licences and software. In the first nine months of 2016, amortisation of intangible assets of Zavarovalnica Triglav amounted to EUR 3.4 million.

Property, plant, equipment and investment property

In the first nine months of 2016, the carrying amount of property, plant and equipment of the Triglav Group decreased by EUR 4.8 million due to the transfer of real property to investment property. Depreciation of property, plant and equipment of Triglav Group for the reporting period amounted to EUR 4.9 million.

The carrying amount of investment property increased by EUR 8.6 million. In addition to the above-mentioned transfer of real property, the value of investment property also increased due to investments in Slovenijales business center. Depreciation of investment property of Triglav Group for the reporting period equalled EUR 1 million.

In the reporting period, the carrying amount of property, plant and equipment of Zavarovalnica Triglav decreased by EUR 1.7 million, as did that of investment property by EUR 2.3 million. At the Company level, depreciation of property, plant and equipment amounted to EUR 2.8 million, whilst the depreciation of investment property equalled EUR 647 thousand.

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 30 September 2016	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and deposits	146,656,392	146,656,392	71,527,112	71,527,112
Held to maturity	233,255,532	294,026,445	171,103,004	225,555,870
Available for sale	1,745,480,169	1,745,480,169	1,376,179,569	1,376,179,569
Investments recognised at fair value	383,619,960	383,619,960	187,952,991	187,952,991
Unit-linked insurance assets	445,539,710	445,539,710	421,222,435	421,222,435
TOTAL	2,954,551,763	3,015,322,676	2,227,985,110	2,282,437,976

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
Total	2,873,436,783	2,923,563,731	2,194,440,477	2,238,456,553

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

Triglav Group

Values as at 30 September 2016	in EUR				
	L&R	HTM	AFS	FVTPL	Total
	Equity instruments	0	0	187,638,312	44,041,809
Debt instruments	27,249,966	233,255,532	1,557,821,033	337,851,771	2,156,178,302
Derivative financial instruments	0	0	0	1,726,381	1,726,381
Unit-linked financial assets	4,363,073	0	424,425	440,752,211	445,539,709
Loans	119,406,426	0	20,824	0	119,427,250
Total	151,019,465	233,255,532	1,745,904,594	824,372,172	2,954,551,763

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
Total	191,998,567	242,406,400	1,608,110,198	830,921,618	2,873,436,783

Zavarovalnica Triglav

	in EUR				
Values as at 30 September 2016	L&R	HTM	AFS	FVTPL	Total
Equity instruments	0	0	132,500,419	1,229,020	133,729,439
Debt instruments	0	171,103,004	1,243,679,149	184,997,590	1,599,779,743
Derivative financial instruments	0	0	0	1,726,381	1,726,381
Unit-linked financial assets	4,189,314	0	0	417,033,121	421,222,435
Loans	71,527,112	0	0	0	71,527,112
Total	75,716,426	171,103,004	1,376,179,568	604,986,112	2,227,985,110

	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	1,525,459,473
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
Total	116,539,400	178,250,255	1,268,278,321	631,372,501	2,194,440,477

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				
As at 30 September 2016	Level 1	Level 2	Level 3	Total
Equity securities	204,457,035	40820	27,182,266	231,680,121
Debt securities	393,347,625	1,502,325,179	0	1,895,672,804
Derivative financial instruments	0	1,726,381	0	1,726,381
Unit-linked financial assets	358,538,481	82,638,155	0	441,176,636
Total	956,343,141	1,586,730,535	27,182,266	2,570,255,942

in EUR				
As at 31 December 2015	Level 1	Level 2	Level 3	Total
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
Total	952,290,290	1,459,025,737	27,715,791	2,439,031,818

Zavarovalnica Triglav

in EUR				
As at 30 September 2016	Level 1	Level 2	Level 3	Total
Equity securities	124,313,572	0	9,415,867	133,729,439
Debt securities	192,414,550	1,236,262,189	0	1,428,676,739
Derivative financial instruments	0	1,726,381	0	1,726,381
Unit-linked financial assets	334,819,391	82,213,730	0	417,033,121
Total	651,547,513	1,320,202,300	9,415,867	1,981,165,680

in EUR				
As at 31 December 2015	Level 1	Level 2	Level 3	Total
Equity securities	100,553,534	0	9,623,123	110,176,657
Debt securities	232,252,553	1,114,956,665	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
Total	669,407,386	1,219,696,188	9,623,123	1,898,726,697

Value assessment techniques and inputs used for measurement purposes

Financial investment type	Value assessment method	Material parameters	Parameter weight applied	Fair value
EXTERNAL APPRAISERS (market operator)				
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
BLOOMBERG BVAL				
Debt securities				
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
INTERNAL APPRAISERS				
Debt securities				
Debt securities - government	cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve	1y: -0,4561%, 2y: -0,4267%, 3y: -0,2101%, 4y: -0,0166%, 5Y: -0,0090%, 6y: 0,0802%, 7Y: 0,2425%, 8Y: 0,3711%, 9y: 0,5859%, 10y: 0,7627%; credit spreads 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: -0,4561%, 2y: -0,4267%, 3y: -0,2101%, 4y: -0,0166%, 5Y: -0,0090%, 6y: 0,0802%, 7Y: 0,2425%, 8Y: 0,3711%, 9y: 0,5859%, 10y: 0,7627%; credit spreads between 1% and 2,45%	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% 30.7% 13.4% 10.0%	level 3

Changes of Level 3 financial assets

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
As at 1 January	27,715,791	25,213,933	9,623,123	3,633,127
Purchases	963,467	589,249	963,467	540,586
Disposals	-584,519	-271,949	-551,740	-93,889
Revaluations through income statement	-326,820	-478,673	-326,740	0
Revaluations through Equity	-530,649	-104,325	-292,243	43,924
Transfers from Level 1 and Level 2	-62,866	-485,631	0	0
External acquisition	0	0	0	0
Changes in consolidation area	0	-2,963,092	0	0
Merger	0	5,806,632	0	5,806,632
Ex. rate difference CONS	7,862	4,452	0	0
As at 30 September	27,182,266	27,310,596	9,415,867	9,930,381

In the first nine months 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 2.5 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 nine months of 2016, neither Zavarovalnica Triglav nor any other subsidiaries of the Group recognised any contingent liabilities in the form of a guarantee given. In off-balance-sheet assets, Zavarovalnica Triglav increased assets under futures contracts by EUR 119.8 million, assets for alternative investments by EUR 15.9 million and assets under option contracts by EUR 8.8 million.

Distribution of accumulated profits

On 31 May 2016, the General Meeting of Shareholders of Zavarovalnica Triglav decided on the distribution of accumulated profits, totalling EUR 65,028,271.76 as at 31 December 2015. A part of accumulated profit in the amount of EUR 56,837,870.00 was allocated for dividend payments, EUR 2.50 per share. The dividends were paid on 27 June 2016. The distribution of the remaining part of accumulated profit will be decided on in future years.

1.7 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 30 September 2016.

Establishment of Triglav Upravljanje Nekretninama d.o.o., Zagreb

In July 2016, Lovćen Osiguranje a.d. established the real property company Triglav Upravljanje Nekretninama d.o.o., Podgorica. Its share capital was paid in by the in-cash contribution of EUR 5,000 and by the in-kind contribution of EUR 3,308,381. In September 2016, the 100% equity stake in Triglav Upravljanje Nekretninama d.o.o., Podgorica was transferred to Triglav,

Upravljanje nepremičnin d.d., Ljubljana. Through the ownership transfer, Lovćen Osiguranje generated a loss of EUR 54,281. The transfer of the equity stake had no effect on the consolidated financial statements of the Triglav Group. The company was included in the consolidated financial statements of the Triglav Group for the period from 1 January to 30 September 2016.

Purchase of shares of Sarajevostan d.d. from non-controlling interest holders

Triglav Osiguranje d.d., Sarajevo acquired a 29.71% equity stake in Sarajevostan d.d. from non-controlling interest holders, thereby becoming its 92.98% owner. The acquisition price was BAM 1,714,066. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as an increase in share premium of EUR 49,876.

Purchase of shares of Triglav Osiguranje d.d., Zagreb from non-controlling interest holders

Triglav INT d.d. acquired a 0.05% equity stake from the non-controlling interest holders of Triglav Osiguranje d.d., Zagreb, thereby becoming its 99.91% owner. The acquisition price was HRK 56,596. The acquisition of the non-controlling interest stake was recognised in the consolidated financial statements as an increase in share premium of EUR 5,135.

Disposal of Slovenijales Trgovina d.d.

Triglav, Upravljanje nepremičnin d.d. sold its 100% equity stake in Slovenijales Trgovina d.d., thereby losing the control over the company as of 29 July 2016. The selling price was EUR 1,231,466. In the consolidated financial statements, all assets and liabilities of the said company were derecognised as at the date of losing the control over the company, while loss in the amount of EUR 2,187,624 was recognised in profit or loss.

Capital increase of Triglav, Upravljanje nepremičnin d.d.

On 12 July 2016, the capital increase of Triglav, Upravljanje nepremičnin d.d. was entered into the Companies Register. For this capital raise, the company issued 423,245 new registered no-par value shares at the nominal value of EUR 4.17 each. The capital raise in the total amount of EUR 1,764,934 was made by the sole shareholder Zavarovalnica Triglav with an in-kind contribution, specifically through debt-to-equity swap – by converting the loan given to Hotel Grad Podvin d.d. Following the capital increase, Zavarovalnica Triglav remains the 100% owner of Triglav, Upravljanje nepremičnin.

Liquidation of Pista d.o.o., Belgrade

On 6 January 2016, the liquidation procedure of Pista d.o.o., Belgrade was initiated. After the settlement of all receivables, the liquidation estate of RSD 423,614,634 or EUR 3,443,741 was established in the liquidation procedure, which belongs to the sole owner of the company – Triglav Osiguranje a.d.o., Belgrade. The company was struck off the Companies Register as at 5 September 2016.

In the consolidated financial statements, all assets and liabilities of the said company were eliminated as at the strike-off date, while the difference in the amount of EUR 738,606 was recognised as loss in profit or loss.

1.8 Related party transactions

Revenues of the Management and Supervisory Board

In the first nine 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	114,973	1,936	37,601	56,609	34,700	2,670	1,648
Makoter Marica	109,224	2,457	36,402	52,346	23,484	2,850	346
Jošar Benjamin	109,224	2,395	36,402	51,237	22,871	4,617	742
Ivanc Uroš	109,224	1,837	21,998	47,336	23,520	824	855
Čoroli Tadej	109,224	1,837	21,998	47,553	23,485	503	1,759
TOTAL	551,869	10,462	154,401	255,081	128,060	11,464	5,350

* 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 nine months of 2016, members of the Management Board did not receive any payments for their work in subsidiaries.

As at 30 September 2016, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

in EUR		
Surname and name	Receivables as at 30 September 2016	Liabilities as at 30 September 2016
Slapar Andrej	0	22,337
Makoter Marica	16	21,098
Jošar Benjamin	0	21,036
Ivanc Uroš	6	16,931
Čoroli Tadej	30	16,330
TOTAL	52	97,732

In the first nine 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	9,172	1,595	959	11,726	8,528
Celar Peter	11,465	2,475	192	14,132	10,278
Gobbo Mario	13,758	3,575	18,257	35,590	23,445
Kastelic Gregor	14,675	2,200	7,960	24,835	19,247
Molan Boštjan	11,465	2,783	714	14,962	10,882
Nose Barbara*	4,583	2,200	0	6,783	4,934
Runjak Matej	10,166	2,453	166	12,785	9,298
Sotošek Ivan	11,465	3,080	855	15,400	11,201
Stankovič Rajko	4,202	275	0	4,477	3,256
Stebernak Igor	732	660	0	1,392	1,012
Svoljšak Mitja*	732	660	0	1,392	1,012
Total	103,148	24,651	29,269	157,068	112,980

* External committee member.

As at 30 September 2016, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

			in EUR
Surname and name	Receivables as at 30 September 2016	Liabilities as at 30 September 2016	
Blažič Matija	0	909	
Celar Peter	0	1,136	
Gobbo Mario	0	1,235	
Kastelic Gregor	0	1,550	
Molan Boštjan	0	1,136	
Nose Barbara*	0	455	
Sotošek Ivan	0	1,136	
Stankovič Rajko	0	1,136	
Stebernak Igor	0	1,705	
Štimac Dubravko	157	0	
TOTAL	157	10,398	

* 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	
	30 September 2016	31 December 2015
Shares	130,632,438	134,689,036
Debt securities and loans	11,704,757	18,223,726
Other financial investments	0	924,125
Receivables from insurers	2,228,820	1,914,689
Premium receivable from co-insurance	13,612	22,812
Receivables from re-insurers' share in claim	7,054,819	10,147,257
Other short-term receivables from insurance operation	27,547	18,060
Short term receivables from financing	1,155,338	13,656,652
Other short-term receivables	826,718	810,511
Liabilities to policy holders	435,068	344,344
Liabilities to agents and brokers	302,373	294,961
Liabilities for co-insurance premiums	19,149	0
Liabilities for re-insurance premiums	6,891,655	9,028,603
Liabilities for co-insurers' share in claim	1,263	1,110
Other short-term liabilities	84,903	189,390

	in EUR	
	Q1-3 2016	Q1-3 2015
Gross written premium	8,626,896	7,711,069
Assumed co-insurance written premium	10,364	28,599
Ceded co-insurance written premium	-234,821	0
Outward re-insurance premium	-48,142,185	-49,106,405
Income from re-insurance commissions	9,380,781	8,570,550
Other income from insurance	3,416,066	3,520,478
Interest income	708,704	1,667,031
Income from land and buildings	389,332	185,564
Income from dividends	0	19,172,864
Other insurance income	1,218,885	1,813,954
Other income	147,524	149,110
TOTAL INCOME	-24,478,454	-6,287,186
Gross claims settled	547,809	1,006,695
Re-insurers' share	-13,088,170	-13,023,714
Co-insurers' share	153	1,205
Other expenses	0	16,878
TOTAL EXPENSES	-12,540,208	-11,998,936

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.

	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Shares	6,708,400	6,939,700	7,259,875	7,259,875
Receivables from insurers	1,582	987	1,146	769
Short-term receivables from financing	62,153	0	62,153	0
Liabilities to policy holders	4,990	0	4,990	0
Liabilities to agents and brokers	19,870	19,681	19,870	18,480
Othre short - term liabilities	1,879	553	0	0
Accrued expenses	1,327	116	0	0

	Triglav Group		Zavarovalnica Triglav	
	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015
Gross written premium	28,305	95,004	26,497	93,244
Interest income	0	25,200	0	0
Income from dividends	0	0	62,153	145,322
TOTAL INCOME	28,305	120,204	88,650	238,566
Gross claims settled	19,903	17,097	19,903	17,097
Acquisition costs	12,390	27,040	0	0
TOTAL EXPENSES	32,293	44,137	19,903	17,097

Transactions with shareholders and shareholder-related companies

The largest shareholders of Zavarovalnica Triglav are the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije – ZPIZ) and Slovenian Sovereign Holding (Slovenski državni holding – SDH), which hold a 34.47% and a 28.09% stake, respectively.

The shareholder-related companies are those in which SDH and the Republic of Slovenia together directly hold at least a 20% stake. As at 30 September 2016, there were 51 of such companies; the list is published on the SDH website (<http://sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

Business with the two largest shareholders and the state-related parties is limited to regular business cooperation.

	in EUR	
	Triglav Group	Zavarovalnica Triglav
	30 September 2016	30 September 2016
ASSETS		
Shares	8,106,064	8,106,064
Debt securities	146,427,203	95,253,544
Receivables from operations	92,345	55,069
Other assets	49,476,561	40,161,888
LIABILITIES		
Liabilities from operations	1,481,692	495,876
	Triglav Group	Zavarovalnica Triglav
	Q1-3 2016	Q1-3 2016
INCOME		
Gross written premium	19,856,693	19,398,406
Financial income	5,337,700	4,100,621
Other income	78,083	71,304
EXPENSES		
Gross claims settled	5,453,490	53,395,203
Financial expenses	153,712	3,277
Other expenses and costs	6,304,811	4,921,032

1.9 Significant events after the reporting date

In the period from the end of the reporting period and the date of approval of the financial statements, no adjusting events occurred that would affect the prepared financial statements of Zavarovalnica Triglav nor the consolidated financial statements of Triglav Group for the first nine months of 2016, as well as no material non-adjusting events.

Following its regular annual revision, the A.M. Best credit rating agency upgraded the financial strength rating of “A–” to “A” (Excellent) and the issuer credit rating of “A–” to “A” (Excellent) of both Zavarovalnica Triglav and Pozavarovalnica Triglav Re. The ratings of both companies have a stable medium-term outlook.