



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

**triglav**

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

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



## MANAGEMENT BOARD:

President: Andrej Slapar

Members: Benjamin Jošar

Uroš Ivanc

Tadej Čoroli

Marica Makoter

Ljubljana, August 2016



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

In the reporting period, as expected, the Group operated under challenging market conditions and in record low interest environment on the international financial markets. It achieved solid results in the core insurance business, to which special emphasis was given in line with the strategy. This is also reflected by the combined ratio as a measure of profitability in non-life insurance operations. Both the Triglav Group and Zavarovalnica Triglav as the parent company improved their combined ratio. That of the Group reached 93.4%, whilst the combined ratio of the parent company was 87.6%.

In the first half of 2016, the Triglav Group booked approximately the same amount of gross written premium from insurance and co-insurance contracts as in the same period last year (EUR 507 million). Taking into account the sale of its Czech subsidiary in 2015, the Triglav Group recorded an almost 2% premium growth. Non-life premium, which represented 68% of consolidated premium, remained at approximately the same level as last year in nominal terms. According to expectations, written premium from life insurance contracts saw a decrease of 3%, primarily due to the high payments on the maturity of insurance policies. Written premium in health insurance increased by 3% thanks to successful marketing of supplemental health and other insurance products.

On the Slovene market, where the Triglav Group maintains its leading position with a 37% market share, the parent company earned 1% less premium compared to the first half of 2015. Its other two insurance subsidiaries present in Slovenia, i.e. Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba, recorded a premium growth of 3% and 4% respectively. Premium growth was achieved in all insurance subsidiaries outside Slovenia, with the highest growth rate of 20% recorded in the Serbian market.

This year, the Group experienced some major loss events, the largest one being frost causing damage in Slovenia and Croatia. As expected, low return on financial investments had an even more important impact on the Group's performance and business results as this year Triglav has been operating in record low interest environment on financial markets. In the reporting period, return on investments was 39% lower compared to the previous year (20% in the parent company), primarily as a result of lower net gains on the sale of financial assets.

By consistently implementing its business policy measures, the Triglav Group ended the first six months of 2016 with a net profit of EUR 34 million and generated a profit before tax of EUR 43 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, it is estimated that the annual profit before tax of the Triglav Group will be within the planned range.

As confirmed by high credit ratings assigned by two established credit rating agencies, the Triglav Group maintained its financial stability, high capital adequacy and high profitability. With pleasure we announce that following a periodic review in June 2016 S&P Global Ratings additionally upgraded the Group's credit rating from »A-« to »A« with a stable medium-term outlook.

For the Triglav Group, 2016 is the year when it successfully introduced the complex Solvency II system. Considering the set strategic guidelines, the capital level of the Group exceeds the target risk level underwritten by the Group, ensuring its long-term financial stability and profitability. As at 1 January 2016, the capital adequacy of the Triglav Group was 245%, including the dividend payments for 2015 in the calculation. It is estimated that in the long run the capital adequacy of the Group will remain within the target range.

At this year's General Meeting of Shareholders, the shareholders backed the Management and Supervisory Boards' proposal on the distribution of accumulated profit and other draft resolutions. Once again the Company paid dividends to its shareholders, i.e. EUR 2.50 gross per share. This makes Triglav shares one of the best dividend yielding stocks on the Ljubljana Stock Exchange.

In the reporting period, the ZVTG share price decreased by 5%, partly due to dividend entitlements ending this year. In terms of liquidity, the share was ranked third on the domestic stock exchange with an average daily turnover of approximately EUR 153 thousand, while in terms of market capitalisation at EUR 509 million Zavarovalnica Triglav was one of the largest listed companies in Slovenia.

The Triglav Group will continue to pursue its set objectives, focusing foremost on maintaining high financial stability, profit maximisation and safety of operations.

**Andrej Slapar**

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



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

## 1.1 Performance of the Triglav Group

	in EUR million		
	H1 2016	H1 2015	Index 2016/2015
Gross written premium from insurance and co-insurance contracts	506.6	507.8	100
Net premium income	415.6	418.2	99
Gross claims paid	301.1	298.7	101
Net claims incurred	294.2	295.2	100
Gross operating costs*	117.8	114.4	103
Profit before tax	43.2	65.6	66
Net profit	34.2	53.6	64
Net profit attributable to the controlling company	33.5	53.2	63
	30 June 2016	31 December 2015	Index 2016/2015
Insurance technical provisions as at	2,674.0	2,600.4	103
Equity as at	693.1	704.0	98
Equity attributable to the controlling company as at	681.5	692.9	98
Number of employees as at	5,174	5,379	96

\*Insurance business gross operating costs

## Key performance indicators of the Triglav Group

	H1 2016	H1 2015
ROE annualised	10.1%	16.6%
Claims ratio	63.1%	64.3%
Expense ratio	30.3%	29.3%
Combined ratio	93.4%	93.6%
Ratio between gross operating costs and gross written premium	23.3%	22.5%

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

	in EUR million		
	H1 2016	H1 2015	Index 2016/2015
Gross written premium from insurance and co-insurance contracts	329.9	333.9	99
Net premium income	252.2	261.2	97
Gross claims paid	198.1	195.1	102
Net claims incurred	183.5	186.4	98
Gross operating costs	84.1	80.6	104
Profit before tax	36.8	50.2	73
Net profit	29.6	39.9	74
	30 June 2016	31 December 2015	Index 2016/2015
Insurance technical provisions as at	2,096.5	2,053.9	102
Equity as at	514.1	530.6	97
Number of employees as at	2,368	2,341	101

## Key performance indicators of the Zavarovalnica Triglav

	H1 2016	H1 2015
ROE annualised	11.7%	15.9%
Claims ratio	56.5%	59.6%
Expense ratio	31.1%	29.5%
Combined ratio	87.6%	89.0%
Ratio between gross operating costs and gross written premium	25.5%	24.1%

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

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

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

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



## The Triglav Group as at 30 June 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.
  - Triglav Osiguranje d.d., Sarajevo
    - Autocentar BH d.o.o.
    - Unis automobili i dijelovi d.o.o.
    - Sarajevostan d.d.
  - Lovćen Osiguranje a.d., Podgorica
    - Lovćen životna osiguranja a.d.
    - Lovćen Auto a.d.
  - Triglav Osiguranje a.d.o., Belgrade
    - Pista d.o.o.
  - Triglav Osiguranje a.d., Banja Luka
    - Triglav Auto d.o.o.
  - Triglav Osiguruvanje a.d., Skopje
- Triglav Skladi, družba za upravljanje d.o.o.
  - PROF-IN d.o.o.
- Salnal d.o.o.
- Triglav Svetovanje, zavarovalno zastopanje d.o.o.
  - TRI-PRO BH d.o.o.
  - TRI-LIFE d.o.o.
  - Triglav Savetovanje d.o.o.
- Triglav Avtoservis, družba za storitve in trgovino d.o.o.
- Triglav, Upravljanje nepremičnin d.d.
  - Golf Arboretum d.o.o.
  - Slovenijales trgovina d.o.o.
  - Slovenijales trgovina nepremičnine d.o.o.
- Hotel Grad Podvin d.d.
- Everything Will Be Alright – Institute of Zavarovalnica Triglav for corporate social responsibility (Vse bo v redu, Zavod Zavarovalnice Triglav za družbeno odgovorne aktivnosti)

### Associated companies of the Triglav Group:

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

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

- Following the fulfilment of regulative and other conditions arising from the agreement on sale of 97.31% stake in Avrigo d.o.o., Zavarovalnica Triglav 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, whilst it sold a 100% equity stake in Slovenijales trgovina nepremičnine d.o.o. to Triglav, Upravljanje nepremičnin d.d.
- On 26 January 2016, a capital raise of Lovćen Osiguranje a.d. was entered into the Companies Register. The raising of capital was carried out through the issue of 1,501,081 new shares with a nominal value of EUR 5 each. Triglav INT d.d. paid in 1,500,000 shares in total value of EUR 7.5 million, while the remaining 1,081 shares totalling EUR 5,405 were paid in by the minor shareholders. Following this capital increase, the equity stake of Triglav INT in the said company increased by 1.52 percentage points and stood at 96.47% as at the reporting date.
- By paying in HRK 20,000, Triglav Osiguranje d.d., Zagreb, founded a real property company Triglav upravljanje nekretninama d.o.o. A newly established company was entered into the Companies Register on 5 May 2016 and as of that day it was included in the consolidated financial statements of the Triglav Group.

See *Section 2.7 of the Accounting Report* for more details on changes within the Group.

## 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 Supervisory Board, which entered into effect on 1 January 2016. The Corporate Governance System and Policy of Zavarovalnica Triglav d.d. is available at [www.triglav.eu](http://www.triglav.eu).
- On 9 February 2016, Zavarovalnica Triglav received the Securities Market Agency Decision, establishing that with the issue of the Securities Market Agency Decision of 2 December 2015 the prohibition of exercising its voting rights stated in the Securities Market Agency Decision of 4 March 2013 expired. On this basis, Zavarovalnica Triglav 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, trgovina na drobno, d.o.o. in the total value of EUR 16 million VAT excluded. In accordance with the strategic guidelines of the Triglav Group, the remaining land owned by the Group in this area is also earmarked for development and sale.
- Based on the Order of the Insurance Supervision Agency issued to Zavarovalnica Triglav on 19 February 2016, 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 Worker's Council of Zavarovalnica Triglav in 2015. In line with the issued Decision, the Management Board ensured that the Worker's Council of Zavarovalnica Triglav convened and proposed to recall the above-mentioned members. The Workers Council did not adopt the proposed resolution to recall Ivan Sotošek and Boštjan Molan.

Consequently, Zavarovalnica Triglav submitted a report thereon to the Insurance Supervision Agency in accordance with the Decision.

- 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. See Section 2.4.1 *Supervisory Board* for more details.
- Based on the proposal of the Worker's Council of Zavarovalnica Triglav, the Supervisory Board reappointed Marica Makoter to the Management Board as Employee Representative for a five-year term of office, commencing on 22 December 2016.
- The 41<sup>st</sup> General Meeting of Shareholders of Zavarovalnica Triglav was held on 31 May 2016. 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. as the auditors for 2016, 2017 and 2018;
  - adopted the amendments and supplements to the Articles of Association of Zavarovalnica Triglav;
  - took note of the resignation letter of Matej Runjak as Supervisory Board member and appointed Igor Stebernak a new member of the Supervisory Board;
  - determined the remuneration to members of the Supervisory Board.

See Section 2.2.1 *General Meetings of Shareholders in the first six months of 2016* for more details.

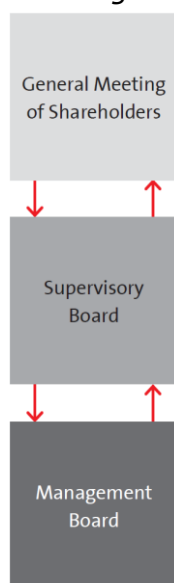
- On 1 July 2016, the S&P Global Ratings upgraded the long-term credit rating and the financial strength rating of Zavarovalnica Triglav together with its subsidiary Pozavarovalnica Triglav Re d.d., and thereby the Triglav Group from »A-« to »A«. Both credit ratings have a stable medium-term outlook. See 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](http://www.triglav.eu).

*Two tier governance of Zavarovalnica Triglav*



### 2.2 General Meeting of Shareholders

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

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

#### 2.2.1 General Meeting of Shareholders in the first half of 2016

The shareholders of Zavarovalnica Triglav had one general meeting in the first six months of 2016. The 41<sup>st</sup> 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. The Supervisory Board may recall a member of the Management Board or its President if it establishes that they have been in serious breach of their obligations stipulated by primary or secondary legislation and in other circumstances set out by law.

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

As at 30 June 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 June 2016:

- Shareholder representatives:
  - Gregor Kastelic, Vice Chairman,
  - Igor Stebernak, Member,
  - 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.

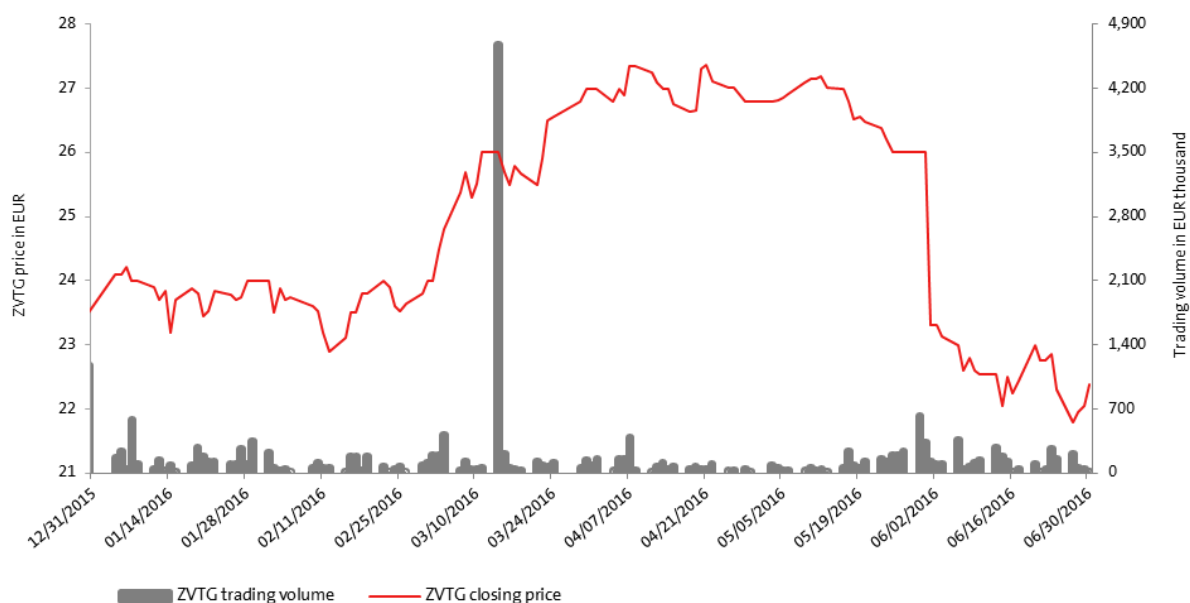
### 3. THE SHARE AND SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV

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

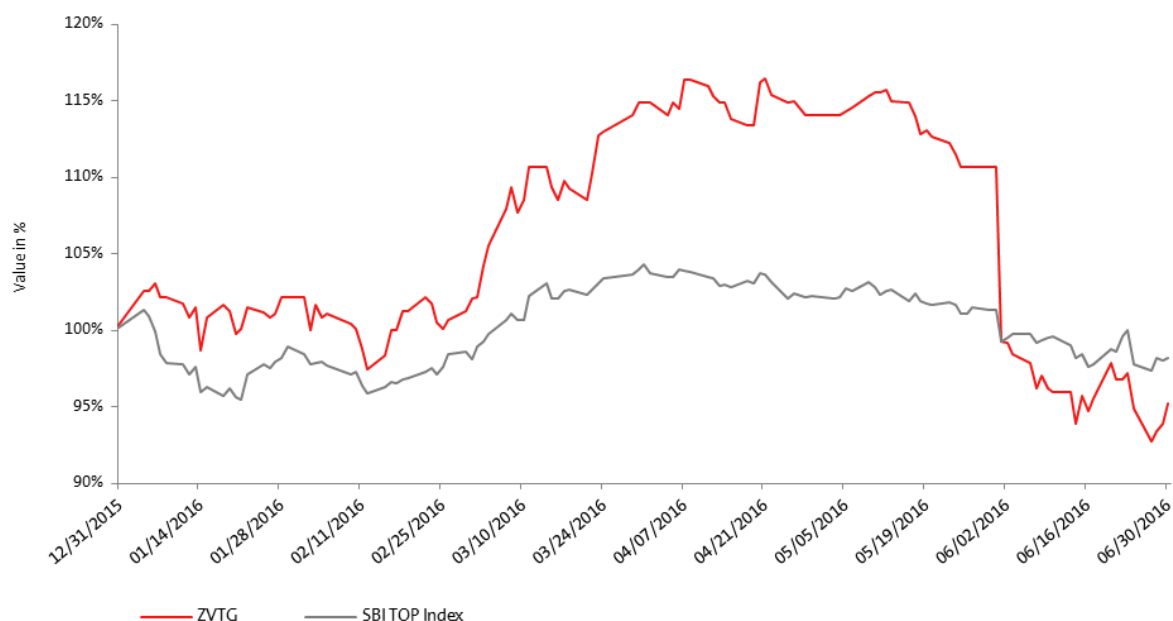
Starting at EUR 23.50 on the first trading day, the ZVTG share (Zavarovalnica Triglav's share) peaked to its highest price of EUR 27.38 on 21 April 2016. The cut-off date for dividend payment of EUR 2.50 per share was 2 June 2016. The day before, i.e. 1 June 2016, when holding the share no longer meant being entitled to a dividend payment, the share price expectedly began to decrease, having dropped to EUR 22.38 as at 30 June 2016, or 4.8% less than its starting price.

In terms of market capitalisation Zavarovalnica Triglav was third largest listed company with EUR 509 million as well as in terms of liquidity. A share of 14% 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 153,113, which was 7% more 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 H1 2016 (starting date 31 December 2015 = 100)**



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

Items	30 June 2016	31 December 2015
Number of shares	22,735,148	22,735,148
Book value per share (consolidated data)* (in EUR)	30.48	30.97
Book value per share (parent company)* (in EUR)	22.61	23.34
Net earnings per share (consolidated data)** (in EUR)	1.50	3.91
Share market value (in EUR) - closing price	22.38	23.50
Market capitalisation (in EUR) - closing price	508,812,612	534,275,978
Traded on	Ljubljana Stock Exchange - LJSE	
Ticker symbol	ZVTG	
ISIN	SI0021111651	
Credit rating	<ul style="list-style-type: none"> <li>■ S&amp;P Global ratings; »A«, stable medium-term outlook</li> <li>■ AM Best; »A-«, positive medium-term outlook</li> </ul>	
Bloomberg	ZVTG SV	
Reuters	ZVTG.LJ	

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

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

**3.2 Equity**

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



### 3.3 Shareholder structure

As at 30 June 2016, Zavarovalnica Triglav had 27,330 shareholders, 2.5% shareholders less compared to the 2015 year-end.

There have been no significant changes in the shareholder structure. With the share of 98.2%, the shareholder structure of Zavarovalnica Triglav was dominated by domestic shareholders, holding 83.0% of all shares. Foreign shareholders accounted for less than 2%, however their share has been constantly increasing over the past years. From 2018 to mid-2016, their share in ZVTG shares grew by over 12 percentage points to 17.1%.

With 98.1%, natural persons accounted for the bulk of all shareholders (vs. 97.8% s at the 2015 year-end). They held 10.3% of the ZVTG shares, which is 0.7 percentage point more over the 2015 year-end.

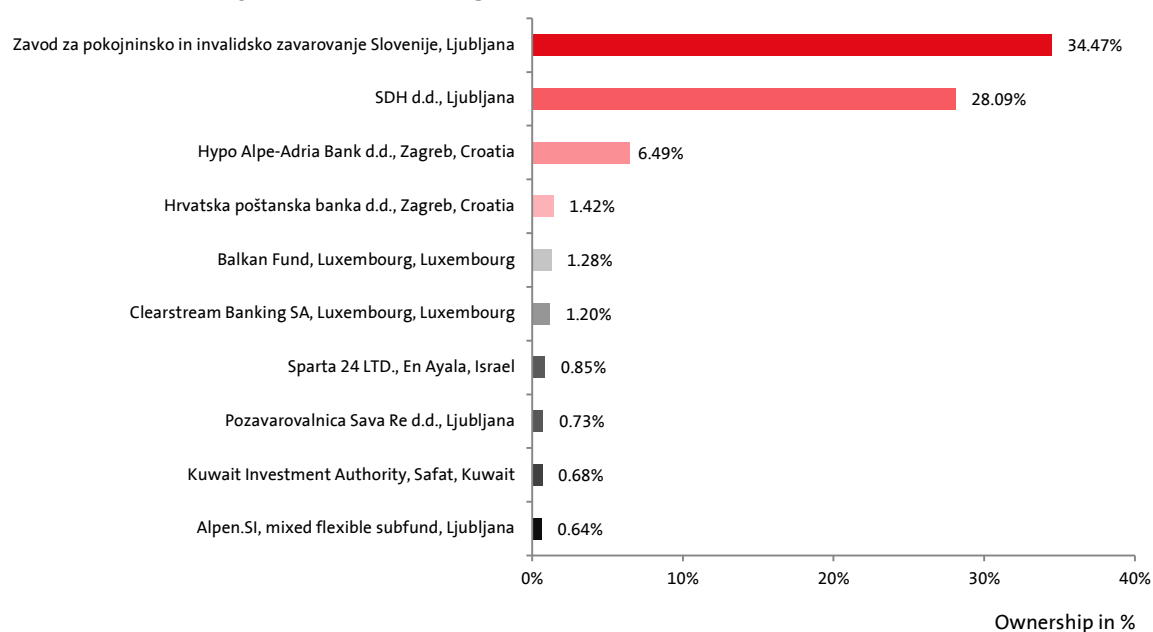
#### Shareholder structure of Zavarovalnica Triglav as at 30 June 2016

	Total	Domestic	Foreign	Legal entities	Natural persons
Number of shares	22,735,148	18,859,929	3,875,219	20,400,592	2,334,556
Number of shareholders	27,330	26,840	490	509	26,821
Number of shares - percentage	100.0%	82.95%	17.05%	89.73%	10.27%
Number of shareholders - percentage	100.0%	98.21%	1.79%	1.86%	98.14%

Total number of shares held by the Management and Supervisory Boards equalled 480 and remained unchanged as at 30 June 2016.

Ownership concentration measured by equity stakes of the top ten shareholders grew by 0.2 percentage point to 75.9% of total shares of the Company. There was a new shareholder among top ten shareholders Sparta 24 of Israel with a 0.85% share. Hypo Alpe-Adria Bank increased its stake by 0.2 percentage point, whilst that of Balkan Fund went down by the same figure.

#### Top ten shareholders of Zavarovalnica Triglav as at 30 June 2016



### 3.4 Credit rating

A high »A« credit rating is one of the Group's key strategic objectives, which enables it an appropriate competitive position on the insurance, reinsurance and financial markets as well as consolidates its financial strength and solid performance. The credit ratings of the Triglav Group – and consequently its parent company Zavarovalnica Triglav d.d. and its subsidiary Pozavarovalnica Triglav Re d.d. – are assigned by two established credit rating agencies: **S&P Global Ratings** (hereinafter: S&PGR) and **A.M. Best**. Both agencies assigned high credit ratings to the Group, which thereby attained its set objectives.

In early June 2016, **the S&P Global Ratings** upgraded the 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.

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

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

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

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

The business results were also affected by mass loss events. At the end of April, frost and several minor local floods across Slovenia caused a damage of around EUR 6.5 million (claims paid amounted to EUR 2.8 million), of which EUR 6.0 million accounted for damage on crops. At the end of April, frost in Croatia resulted in claims of approximately EUR 2.0 million. At the end of June, hail caused claims of around EUR 570 thousand in Croatia, EUR 230 thousand in Serbia and EUR 100 thousand in Montenegro.

### 4.2 The insurance market and the position of the Group members in the first half 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 six months of 2016, they earned together a gross written premium of EUR 1,060.8 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 1,058.8 million in premiums, of which 75.1% stemmed from non-life insurance and the remainder from life insurance. Non-life insurance premium was up by 2.0%, whilst life insurance premium experienced a decrease of 5.5%.

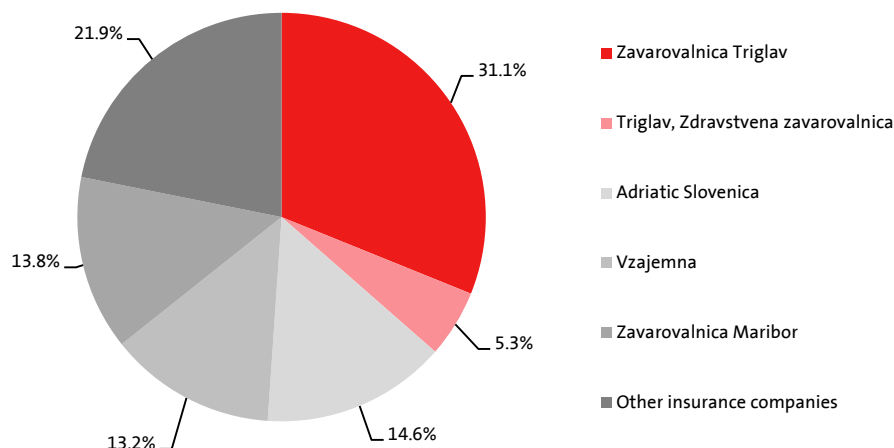
The Slovene insurance market is characterised by a high degree of concentration as the four major insurers controlled 72.8% of the traditional insurance market (vs. 72.7% in 2015). **Zavarovalnica Triglav** remained the market leader by holding a 31.1% market share, which decreased by 0.4 percentage point over 2015. The second largest market share was held by Adriatic Slovenica, a company 2.1 times smaller. As at the reporting date, Zavarovalnica Triglav and **Triglav, Zdravstvena zavarovalnica** had a combined market share of 36.4%, having fallen by 0.3 percentage point compared to the preceding year.

Zavarovalnica Triglav's non-life insurance market share was 30.7%, which is 0.5 percentage points less compared to the previous year, whilst the life insurance market share stood at 32.3% (0.1 percentage point less than in the respective period of 2015).

A 0.9% premium growth was recorded in health insurance (a part of the non-life insurance premium). **Triglav, Zdravstvena zavarovalnica** increased its market share to 23.0% (compared to

22.6% in the same period of 2015) and was ranked second among the health insurance providers and recorded a 2.7% premium growth.

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



Source: Slovenian Insurance Association

Along with the parent company, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba, the three insurers of the Triglav Group active on the Slovene market. Skupna pokojninska družba, which in May became a member of the Slovenian Insurance Association, 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 Jan.–March 2016). Given the data of all the three insurers, the Triglav Group held 37% market share in the Slovene insurance market as at 30 June 2016. 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 June 2016

Market	Market share	Market share trend	
Croatia	4.5%	↑	+0.5-percentage point
Bosnia and Herzegovina	8.4%	↑	+0.1-percentage point
- Federation of BiH	9.7%	↑	+0.4-percentage point
- Republic of Srpska	4.6%	↓	-0.2-percentage point
Montenegro	39.2%	↑	+0.6-percentage point
Serbia*	4.5%	↑	+0.3-percentage point
Macedonia (non-life insurance)	18.0%	↑	+0.4-percentage point

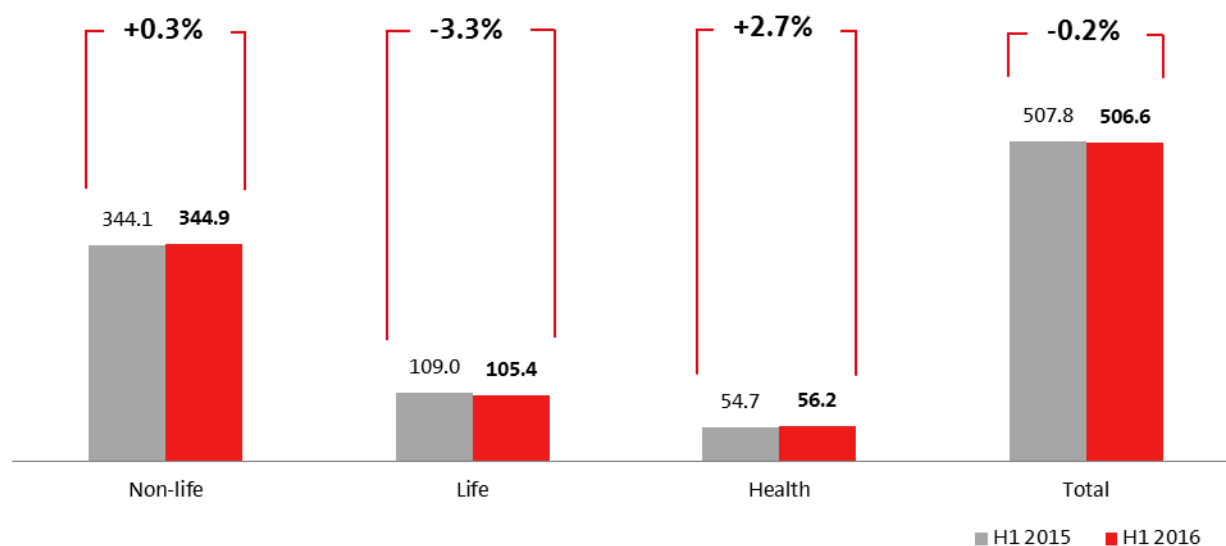
\*Data from January to March 2016.

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

In the reporting period, the Triglav Group posted a total of EUR 506.6 million in consolidated gross insurance and co-insurance premiums, which is approximately the same as in the respective period of 2015 (index 100). **Non-life insurance** total was EUR 344.9 million (index 100), **life insurance** reached EUR 105.4 million (index 97) and **health insurance** EUR 56.2 million (index 103).

In H1 2016, the Group booked a total of EUR 506.6 million of gross insurance and co-insurance premiums, which was approximately at the same level as the year before (index 100).

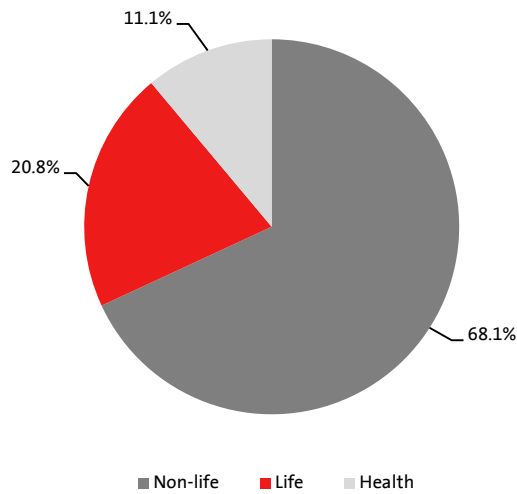
Gross written premium from insurance and co-insurance contracts in H1 2016 compared to H1 2015



Consolidated written premium had the following structure:

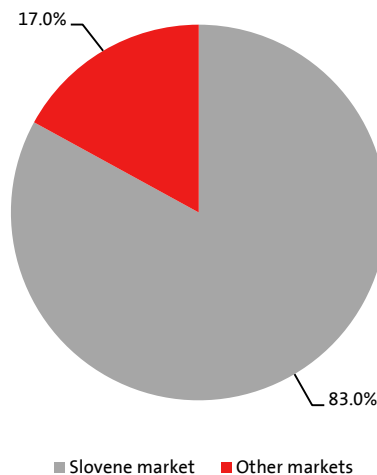
- non-life insurance accounted for 68.1% (H1 2015: 67.8%);
- life insurance accounted for 20.8% (H1 2015: 21.5%); and
- health insurance for 11.1% (H1 2015: 10.8%).

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



A total of 83.0% of consolidated gross written premium was charged in the Slovene insurance market, which was 0.2 percentage point more than in the respective period of 2015.

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



The Triglav Group insurance companies (excluding Pozavarovalnica Triglav Re) booked EUR 487.1 million in non-consolidated gross insurance and co-insurance premiums, which was 1% less than in the same period last year. For H1 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 3% and 4% respectively. Compared to H1 2015, all insurance companies outside Slovenia recorded a rise in the volume of written premium. In Triglav Osiguranje, Belgrade the premium increased as much as 20%, whilst Triglav Osiguranje, Zagreb and Triglav Osiguranje, Sarajevo saw a 12% premium growth. Premium growth was recorded in Lovćen Osiguranje and Lovćen životna osiguranja (6%), Triglav Osiguruvanje, Skopje (5%), and in Triglav Osiguranje, Banka Luka (3%).

Pozavarovalnica Triglav Re booked a total of EUR 69.2 million in gross reinsurance premiums or 1% more than in the same period of 2015. Premium from optional business outside the Triglav

Group experienced a growth of 13%, whilst reinsurance premium earned with the Triglav Group decreased by 5%. The highest growth was recorded by Pozavarovalnica Triglav Re in the largest insurance classes, in fire and natural disaster insurance, resulting primarily from the increase in transactions with ceding companies outside the Group. Aircraft liability insurance, railway insurance and aircraft insurance and goods in transit 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.

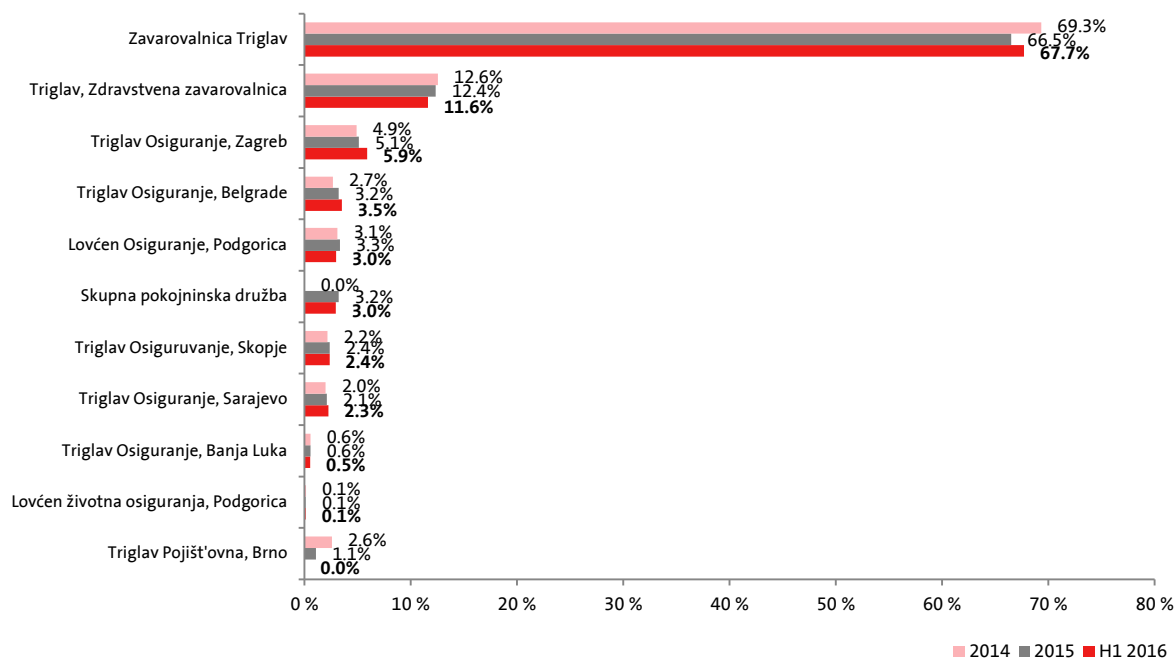
### Gross written premium from insurance and co-insurance contracts in H1 2016 by insurance company of the Triglav Group

Insurance company	Gross written premium			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	H1 2016
Zavarovalnica Triglav*	244,708,155	85,134,758	329,842,913	101	94	99	67.7%
Triglav, Zdravstvena zavarovalnica	56,614,219		56,614,219	103	0	103	11.6%
Skupna pokojninska družba		14,381,845	14,381,845	0	104	104	3.0%
Triglav Osiguranje, Zagreb	24,802,592	3,952,950	28,755,542	114	103	112	5.9%
Triglav Osiguranje, Sarajevo	8,496,956	2,535,288	11,032,244	108	126	112	2.3%
Lovćen Osiguranje, Podgorica	14,534,608		14,534,608	106	0	106	3.0%
Triglav Osiguranje, Belgrade	16,678,020	461,734	17,139,754	120	144	120	3.5%
Triglav Osiguranje, Banja Luka	2,674,683		2,674,683	103	0	103	0.5%
Triglav Osiguruvanje, Skopje	11,502,783		11,502,783	105	0	105	2.4%
Lovćen životna osiguranja, Podgorica		625,980	625,980	0	106	106	0.1%
<b>Total</b>	<b>380,012,016</b>	<b>107,092,555</b>	<b>487,104,571</b>	<b>100</b>	<b>96</b>	<b>99</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	69,155,987		69,155,987	101	0	101	
Consolidation eliminations	-48,033,088	-1,664,811	-49,697,899	99	82	98	
<b>Total consolidated</b>	<b>401,134,915</b>	<b>105,427,744</b>	<b>506,562,659</b>	<b>101</b>	<b>97</b>	<b>100</b>	

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

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

### Structure of gross written premium in H1 2016 compared to 2015 and 2014 by insurance company



### 4.3.1 Non-life insurance

In total, Triglav Group insurance companies charged EUR 380.0 million of non-consolidated insurance and co-insurance premiums from non-life insurance contracts, which remained approximately at the same level as in the respective period of the preceding year (index 100).

In total written premium, **motor vehicle insurance**, with a 30.9% share remained the largest insurance class. The Group's insurance companies collected EUR 66.8 million in **comprehensive car insurance** premium, which was 1% more than the year before. Premium growth was recorded by most insurance companies, the largest by Triglav Osiguranje, Zagreb (index 149), Triglav Osiguruvanje, Skopje and Triglav Osiguranje, Belgrade (index 121). The parent company, accounting for 84% of the Group's total premiums, recorded a 1% growth in written premiums.

**Motor vehicle insurance remained the most important segment, accounting for 30.9% of total premium earned.**

The Group collected EUR 83.8 million in **motor liability insurance** premiums, which was 4% less than in the preceding year. This insurance class continues to play the most important part on the markets outside Slovenia. In motor liability insurance, all insurance companies of the Group experienced premium growth. The highest premium growth was seen in Triglav Osiguranje, Zagreb by 25%, followed in Triglav Osiguranje, Belgrade by 15% and in Lovćen Osiguranje and Triglav Osiguranje, Banja Luka each by 12%. 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 61% of the motor vehicle liability insurance premium total, saw a 3% 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;
- premium loss due to discontinuation of operations of two leasing companies.

In the **real property insurance class** (fire and natural disaster insurance and other damage to property insurance) a premium of EUR 94.5 million was booked, representing a 1% decrease compared to the year before. 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 69) and Triglav Osiguranje, Zagreb (index 89). In Triglav Osiguranje, Banja Luka, insurance policies of four 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 of 5% 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), 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) and construction insurance (loss of the premium of a major policyholder abroad). 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 127) 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. An increase in premiums was recorded in Triglav Osiguranje, Sarajevo (index 105) and Lovćen Osiguranje (index 102).

A growth of 4% was recorded in **health insurance**, where the Triglav Group wrote EUR 57.6 million in premiums. Triglav, Zdravstvena zavarovalnica generated the largest portion of the premium amounting to EUR 56.6 million, which represented a growth of 3%, primarily due to successful marketing of supplemental health insurance products (accounting for the bulk of premium) and of other insurance classes. An increase in premiums was also recorded in Triglav Osiguranje, Skopje, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Belgrade. In 2016, the parent company also started selling a new health insurance product (rehabilitation after a road accident), which booked a premium of EUR 233 in the reporting period.

In **general liability insurance**, the Triglav Group recorded EUR 25.5 million, having increased by 6% compared to the preceding year, representing 5.2% of total premiums. In general liability insurance, 81% of total is accounted for by the parent company. The Company charged 5% more premium than in 2015, predominantly as the result of the 21% growth in product liability insurance and 3% 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 179), Triglav Osiguranje, Skopje (index 126) and Triglav Osiguranje, Zagreb (index 115), 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 4.6% of total written premium or EUR 22.3 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 Osiguranje, Skopje, whose combined share in total premium from accident insurance represents 77%. The reasons for lower premiums in accident insurance in Zavarovalnica Triglav (index 98) could be ascribed to the situation in the motor vehicle insurance market. Almost half of accident insurance premiums comes from two insurance sub-classes taken out simultaneously with car insurance (driver and passenger accident insurance and the driver's bodily injury insurance or AO-plus insurance). A 1% decrease in group accident insurance premium as the largest insurance subclass of accident insurance class (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 90) mostly due to the revised Insurance Act as it does not allow for taking out the insurance of persons against death due to illness. Premium drop was experienced by Triglav Osiguranje, Skopje (index 93), owing mostly to the premium non-renewal of two large clients (one of which will however be concluded in the following months). Other insurance companies of the Group recorded premium growth, the highest in Triglav Osiguranje, Zagreb (index 118).

**Credit insurance** totalled EUR 12.3 million and accounted for 2.5% of total premium, which was 1% higher than the year before. A 1% growth was recorded in parent company, accounting for 99.7% of total premium. Good sales results were achieved in most insurance subclasses, primarily in trade receivables insurance (covering the insolvency risk or the buyers default), insurance in the event of unemployment, disability and death, (sold by banks as an additional product taken out simultaneously with consumer and housing loans), payment card claims

insurance and overdraft insurance. The premium of consumer loan insurance, the largest credit insurance subclass (61%), was 5% 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 3.5% of total premium) increased by 7% to EUR 17.1 million. Most of the Group's insurance companies recorded growth, the highest rates in Triglav Osiguranje, Banja Luka, Triglav Osiguranje, Zagreb, Triglav Osiguranje, Sarajevo in Triglav Osiguranje, Belgrade due to acquiring new policyholders and increasing the scope of policies of existing customers. Zavarovalnica Triglav, accounting for 74% of total premium, saw a 7% 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 (drop in premiums from goods in transit insurance resulting from non-renewal of the insurance of a major policyholder and reduced premium of suretyship insurance as in the corresponding period of 2015 the premium of a policyholder was written for the period of 2 years and a half). Among insurance sub-classes high premium growth was seen in miscellaneous financial loss insurance, aircraft insurance, marine insurance and aircraft liability insurance.

A premium growth of 7% was achieved in other non-life insurance.

#### 4.3.2 Life insurance

In total, the Triglav Group insurance companies charged EUR 107.1 million in unconsolidated gross written premium from **life insurance** contracts or 4% less than in the reporting period. This accounted for 22.0% of total gross written premiums, which was 0.7 percentage point less than in the corresponding period of 2015.

Life insurance generated 4% less premium than in the same period of 2015.

Premiums from **life insurance** (traditional life insurance, annuity pension insurance, pension insurance and voluntary pension insurance) amounted to EUR 49.2 million or 45.9% of the life insurance class total. Total life insurance premium recorded by the Group decreased by 1% compared to 2015. The parent company recorded a 3% premium decrease (87% 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 10% compared to the previous year. With EUR 36.9 million they represented 34.5% of the total life insurance premium. Unit-linked life insurance are available from Zavarovalnica Triglav (index 90) and Triglav Osiguranje, Zagreb, which booked EUR 1.4 million in written premium or 2% less than a year earlier. The parent company recorded a premium increase predominantly resulting from lower retained sums paid out on the maturity.

**Supplemental voluntary pension insurance** (capital redemption insurance) generated EUR 21.0 million or 19.6% of total life insurance premium. Compared to the respective period of 2015, premium grew by 3%. Supplemental voluntary pension insurance is sold by Skupna pokojninska družba (index 104) and Zavarovalnica Triglav (index 100). The premium growth of Skupna

pokojninska družba was mainly due to increase in the number of policyholders and increased volume of premiums.

*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
	H1 2016	H1 2015	H1 2016/ H1 2015	H1 2016
Accident insurance	22,331,286	22,536,101	99	4.6%
Health insurance	57,584,631	55,249,019	104	11.8%
Comprehensive car insurance	66,769,185	66,098,535	101	13.7%
Real property insurance	94,530,263	95,063,662	99	19.4%
Motor liability insurance	83,835,596	87,751,009	96	17.2%
General liability insurance	25,486,467	24,029,305	106	5.2%
Credit insurance	12,326,498	12,215,866	101	2.5%
Other non-life insurance	17,148,093	15,994,993	107	3.5%
<b>Non-life insurance</b>	<b>380,012,019</b>	<b>378,938,490</b>	<b>100</b>	<b>78.0%</b>
Life insurance	49,158,132	49,545,196	99	10.1%
Unit-linked life insurance	36,896,387	41,009,610	90	7.6%
Capital redemption insurance	21,038,033	20,440,127	103	4.3%
<b>Life insurance</b>	<b>107,092,552</b>	<b>110,994,933</b>	<b>96</b>	<b>22.0%</b>
<b>Total</b>	<b>487,104,571</b>	<b>489,933,423</b>	<b>99</b>	<b>100.0%</b>

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

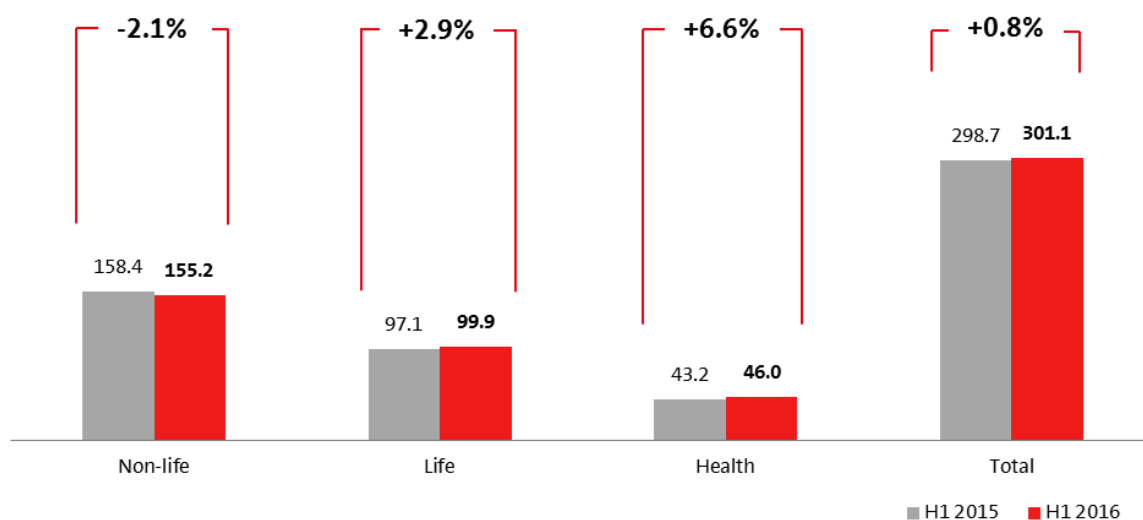
Insurance class	Gross written premium		Index	Structure
	H1 2016	H1 2015	H1 2016/ H1 2015	H1 2016
Accident insurance	15,539,819	15,901,257	98	4.7%
Health insurance	232,757	0	0	0.1%
Comprehensive car insurance	56,351,529	55,572,333	101	17.1%
Real property insurance	75,455,476	75,320,537	100	22.9%
Motor liability insurance	51,479,606	52,828,024	97	15.6%
General liability insurance	20,658,166	19,736,055	105	6.3%
Credit insurance	12,287,186	12,191,491	101	3.7%
Other non-life insurance	12,731,692	11,871,240	107	3.9%
<b>Non-life insurance</b>	<b>244,736,230</b>	<b>243,420,939</b>	<b>101</b>	<b>74.2%</b>
Life insurance	42,962,458	44,180,778	97	13.0%
Unit-linked life insurance	35,519,893	39,600,408	90	10.8%
Capital redemption insurance	6,656,188	6,664,982	100	2.0%
<b>Life insurance</b>	<b>85,138,539</b>	<b>90,446,167</b>	<b>94</b>	<b>25.8%</b>
<b>Total</b>	<b>329,874,768</b>	<b>333,867,106</b>	<b>99</b>	<b>100.0%</b>

#### 4.4 Gross claims paid

In the reporting period, the Triglav Group posted a total of EUR 301.1 million in consolidated gross claims paid (including claim handling costs and income from exercised subrogation receivables), or 1% more than in the respective period of the previous year. Gross claims paid in **non-life insurance** equalled EUR 155.2 million or 2% less, in the **life-insurance** segment they amounted to EUR 99.9 million (index 103) and in **health insurance** they totalled EUR 46.0 million (index 107).

Gross claims paid increased by 1% compared to 2015.

### Gross claims paid in H1 2016 compared to H1 2015



Excluding Pozavarovalnica Triglav Re, the insurance companies of the Triglav Group posted EUR 286.8 million of non-consolidated gross claims, which is approximately the same as in the preceding year (index 100). Growth rates in gross claims paid were observed in Triglav Osiguranje, Zagreb (index 126), Triglav Osiguranje, Belgrade (index 111), Triglav, Zdravstvena zavarovalnica (index 107), Lovćen Osiguranje (index 106) and the parent company (index 102), while the highest decrease of 31% in gross claims paid was experienced by Triglav Osiguranje, Banja Luka, followed by Lovćen životna osiguranja with a 30% decrease. Gross claims paid decreased in Triglav Osiguranje, Sarajevo by 26%, Triglav Osiguruvanje, Skopje and Skupna pokojninska družba by 17% and 9% respectively.

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 24.1 million, or 5% less compared to the previous year. This decrease was primarily a result of a decline in operations within the Triglav Group (index 72) due to a drop in motor vehicle liability insurance and land motor vehicle insurance. Gross claims paid in operations outside the Triglav Group were higher by 14% primarily due to higher gross claims paid in fire insurance and natural disaster insurance (extensive damage due to an explosion in China and higher claims paid arising from a Polish non-life insurance policy).

### Gross claims paid in H1 2016 by insurance company of the Triglav Group

Insurance company	Gross claims paid			Index			Structure
	Non-life	Life	Total	Non-life	Life	Total	H1 2016
Zavarovalnica Triglav*	107,507,726	90,615,345	198,123,071	99	104	102	69.1%
Triglav, Zdravstvena zavarovalnica	45,983,546		45,983,546	107	0	107	16.0%
Skupna pokojninska družba		7,215,514	7,215,514	0	91	91	2.5%
Triglav Osiguranje, Zagreb	11,966,477	2,237,068	14,203,545	133	100	126	5.0%
Triglav Osiguranje, Sarajevo	3,378,436	598,106	3,976,542	79	54	74	1.4%
Lovćen Osiguranje, Podgorica	7,218,636		7,218,636	106	0	106	2.5%
Triglav Osiguranje, Belgrade	5,254,048	245,671	5,499,719	108	227	111	1.9%
Triglav Osiguranje, Banja Luka	550,009		550,009	69	0	69	0.2%
Triglav Osiguruvanje, Skopje	3,609,683		3,609,683	83	0	83	1.3%
Lovćen životna osiguranja, Podgorica		430,258	430,258	0	70	70	0.2%
<b>Total</b>	<b>185,468,561</b>	<b>101,341,962</b>	<b>286,810,523</b>	<b>99</b>	<b>103</b>	<b>100</b>	<b>100.0%</b>
Pozavarovalnica Triglav Re	24,058,043		24,058,043	95	0	95	
<b>Consolidation eliminations</b>	<b>-8,371,025</b>	<b>-1,399,088</b>	<b>-9,770,113</b>	<b>73</b>	<b>82</b>	<b>74</b>	
<b>Total - consolidated</b>	<b>201,155,579</b>	<b>99,942,874</b>	<b>301,098,453</b>	<b>100</b>	<b>103</b>	<b>101</b>	

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

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

#### 4.4.1 Non-life insurance

Non-consolidated gross claims in **non-life insurance** amounted to EUR 185.5 million, which was 1% less than in the corresponding period of 2015. The comparison of growth rates between claims and insurance premiums in non-life insurance shows that insurance premiums grew at a rate of 1.5 index point higher than claims. The profit level in the reporting period was also affected by major loss events, which is described in greater detail in *Section 4.1 Environmental impact on the performance of the Triglav Group and Zavarovalnica Triglav*.

Gross claims paid in non-life insurance were 1% lower than the year before.

In **health insurance** gross claims increased by 7%, accounting for 16.1% of total gross claims paid, and amounted to EUR 46.2 million. The 7% increase in gross claims of Triglav, Zdravstvena zavarovalnica was primarily affected by the growth of the insurance portfolio and more claim settlements compared to the respective period of the preceding year. Equalisation scheme expenses fell by 10% and totalled EUR 3.5 million.

Total claims for the **comprehensive car insurance** class represented 14.8% of total gross claims paid. Total claims paid by the insurance companies of the Triglav Group amounted to EUR 42.5 million, which was 4% more than in the same period of 2015. The highest growth rates in gross claims paid were posted by Triglav Osiguranje, Zagreb (index 184), Triglav Osiguranje, Belgrade (index 172) and Lovćen Osiguranje (index 123). Growth in gross claims of Triglav Osiguranje, Belgrade and Triglav Osiguranje, Zagreb resulted from a larger portfolio and a higher number of reported claims (the Zagreb subsidiary also paid out some substantial individual claims), whereas gross claims of Lovćen Osiguranje increased mainly as a result of several substantial individual claim payments. In Zavarovalnica Triglav, which accounts for almost 84% of total comprehensive car insurance, gross claims paid experienced a 3% growth. A decrease in gross claims paid was recorded by Triglav Osiguranje, Sarajevo (index 99).

A drop of 6% in gross claims paid was recorded in the **motor liability insurance** class. Gross claims paid amounted to EUR 39.6 million, which was 13.8% of all claims settled. In Triglav Osiguranje, Skopje gross claims paid fell by 23% and in Triglav Osiguranje, Banja Luka by 15%. In the respective period of 2015, a large claim, occurred in 2010, was paid out by the Macedonian insurer. In Zavarovalnica Triglav, which accounts for 67% of total gross claims paid, gross claims remained approximately at the same level as the year before (index 100). 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 large claims settled by Triglav Osiguranje, Sarajevo primarily arose from green card coverage.

Gross claims paid in **real property insurance** decreased by as much as 13% compared to the year before, amounting to EUR 28.9 million and representing a 10.1% share in total gross claims paid. In fire and natural disaster insurance, a 24% decrease in gross claims was achieved, along with a 8% drop in other damage to property insurance. A significant drop in gross claims paid was recorded by most insurance companies, the highest by Triglav Osiguranje, Banja Luka and Triglav Osiguranje, Sarajevo, mostly due to some substantial individual claims paid in the respective period of 2015. Zavarovalnica Triglav, holding almost an 83% share of this insurance class, recorded an 8% decrease in claims compared to 2015. The highest decrease was experienced by the parent company in combined non-life insurance and fire insurance of civil risks (two large claim settlements were made in 2015), whereas a high growth in crop insurance was caused by a spring frost. Triglav Osiguranje, Belgrade recorded a 13% increase in claims.

Gross claims from **accident insurance** decreased by 2%, amounting to EUR 11.2 million. The drop in gross claims paid in this insurance class was mostly due to the decrease in gross claims paid

in Lovćen Osiguranje (fewer reported claims from accident insurance for pensioners and occupational accident insurance), Triglav Osiguruvanje, Skopje (which in 2015 recorded large payments of claims in group accident insurance for managers and payments of claims due to traffic accidents) and the parent company. In Zavarovalnica Triglav (representing almost a 58% share of the Group's total claims from accident insurance), a 4% decrease in gross claims paid primarily resulted from a decrease in gross claims paid in the largest insurance subclass of group accident insurance and driver's bodily injury insurance (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 7.2 million or 12% less than the year before. Gross claims paid by the parent company, accounting for the majority of total claims in this insurance class (85%), went down by 13%. The main reason for a decrease in gross claims paid was the payment of several large individual claims in the largest insurance subclass, i.e. general liability insurance (last year Zavarovalnica Triglav paid out some substantial individual claims), and product liability insurance. A high drop was experienced by Triglav Osiguranje, Sarajevo, resulting from large claim settlements to two major policyholders in the preceding year. A decline in gross claims paid was also posted by Triglav Osiguranje, Zagreb and Triglav Osiguranje, Banja Luka.

Gross claims paid in **credit insurance** increased by 34% to EUR 2.2 million. Gross claims paid by the parent company, accounting for the majority of total claims in this insurance class, rose by 34%. This growth was mainly caused by higher claim settlements in the largest insurance subclass, i.e. consumer loan insurance, and export credit insurance.

Gross claims paid from **other non-life insurance** increased by 13% to EUR 7.7 million, mostly due to higher claims paid by Zavarovalnica Triglav and Triglav Osiguranje, Zagreb. The 15% growth in the parent company primarily resulted from higher gross claims paid in business interruption insurance due to machinery breakdown (the payment of a substantial claim from the preceding year), assistance insurance (roadside assistance) and goods in transit insurance. A high growth of 140% in Triglav Osiguranje, Zagreb was mostly due to higher reported claims arising from miscellaneous financial loss insurance, marine insurance and suretyship insurance.

#### 4.4.2 Life insurance

Gross claims paid in **life insurance** equalled EUR 101.3 million and were 3% higher compared to the previous year. Their share in total gross claims paid increased by 0.9 percentage point to 35.3%.

The bulk of all claims paid was accounted for by **life insurance** (traditional life, pension, annuity pension and voluntary pension insurance), which totalled EUR 49.8 million or 5% more than in 2015, primarily due to an increase in sums paid out on maturity by the parent company (index 107) and higher payments in Triglav Osiguranje, Belgrade (index 241). 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 2%, amounting to EUR 39.3 million. The growth in claims paid by the parent company (index 102) mainly resulted from higher sums paid out on maturity. A 26% increase in gross claims paid by Triglav Osiguranje, Zagreb was a result of higher sums paid out on maturity, surrenders and withdrawals.

Gross claims paid in **supplemental voluntary pension insurance** decreased by 8%. In contrast, Skupna pokojninska družba recorded a 9% drop in gross claims paid because the majority of

policyholders fulfilled the condition of a 10-year inclusion in supplemental voluntary pension insurance already in past years (therefore, funds are withdrawn fewer times). Zavarovalnica Triglav recorded a 5% decrease 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
	H1 2016	H1 2015	H1 2016/ H1 2015	H1 2016
Accident insurance	11,227,162	11,417,938	98	3.9%
Health insurance	46,175,974	43,315,399	107	16.1%
Comprehensive car insurance	42,482,515	40,852,312	104	14.8%
Real property insurance	28,920,072	33,357,140	87	10.1%
Motor liability insurance	39,573,989	42,264,379	94	13.8%
General liability insurance	7,219,804	8,179,983	88	2.5%
Credit insurance	2,206,371	1,644,488	134	0.8%
Other non-life insurance	7,662,674	6,798,136	113	2.7%
<b>Non-life insurance</b>	<b>185,468,561</b>	<b>187,829,775</b>	<b>99</b>	<b>64.7%</b>
Life insurance	49,770,345	47,197,103	105	17.4%
Unit-linked life insurance	39,337,883	38,433,580	102	13.7%
Capital redemption insurance	12,233,734	13,227,186	92	4.3%
<b>Life insurance</b>	<b>101,341,962</b>	<b>98,857,869</b>	<b>103</b>	<b>35.3%</b>
<b>Total</b>	<b>286,810,523</b>	<b>286,687,644</b>	<b>100</b>	<b>100.0%</b>

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

Insurance class	Gross claims paid		Index	Structure
	H1 2016	H1 2015	H1 2016/ H1 2015	H1 2016
Accident insurance	6,482,824	6,728,621	96	3.3%
Health insurance	250	0	0	0.0%
Comprehensive car insurance	35,630,521	34,432,596	103	18.0%
Real property insurance	23,954,524	26,070,305	92	12.1%
Motor liability insurance	26,683,179	26,738,666	100	13.5%
General liability insurance	6,130,352	7,006,118	87	3.1%
Credit insurance	2,223,938	1,661,078	134	1.1%
Other non-life insurance	6,402,891	5,566,913	115	3.2%
<b>Non-life insurance</b>	<b>107,508,479</b>	<b>108,204,295</b>	<b>99</b>	<b>54.3%</b>
Life insurance	46,898,280	43,633,759	107	23.7%
Unit-linked life insurance	38,698,846	37,927,654	102	19.5%
Capital redemption insurance	5,018,220	5,304,481	95	2.5%
<b>Life insurance</b>	<b>90,615,345</b>	<b>86,865,894</b>	<b>104</b>	<b>45.7%</b>
<b>Total</b>	<b>198,123,825</b>	<b>195,070,189</b>	<b>102</b>	<b>100.0%</b>

## 4.5 Gross operating expenses

### 4.5.1 The Triglav Group

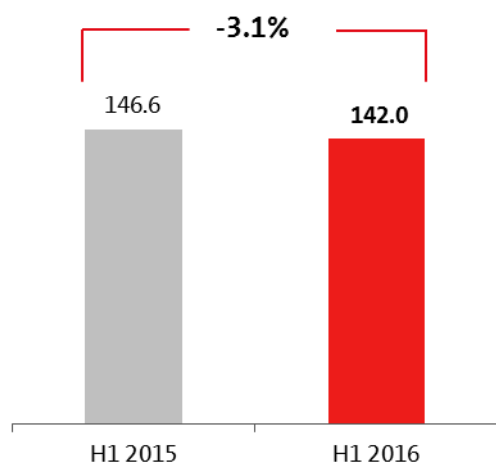
Total consolidated gross operating expenses of the Triglav Group equalled EUR 142.0 million, which was 3% less compared to the preceding year. Expenses of insurance business at EUR 117.8 million were 3% lower than the year before, whilst expenses of non-insurance business at EUR 24.2 million decreased by 25% compared to 2015. Expenses of non-insurance business decreased mainly due to the sale of the

Gross operating expenses decreased by 3% compared to 2015.

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 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).

Operating expenses of insurance business accounted for 23.3% of gross written premiums, which was 0.8 percentage point more than in the respective period one year earlier. Gross operating expenses in **non-life insurance** equalled EUR 94.3 million (index 103), in the **life-insurance** segment they stood at EUR 18.1 million (index 103) and in **health insurance** they amounted to EUR 5.3 million (index 110).

*Gross operating expenses of the Triglav Group in H1 2016 compared to the same period of 2015*



Acquisition costs (fees and commissions) climbed by 1% mostly as higher acquisition costs in the parent company (see *Section 4.5.2* for greater details) and in Triglav Osiguranje, Zagreb, totalling EUR 20.5 million. The costs of the acquisition of goods sold went up by 1% to EUR 8.8 million. A 14% decrease of depreciation costs (in the amount of EUR 6.8 million) was mainly a consequence of lower depreciation costs due to the sale of the Avrigo Group. With 47.9%, labour costs accounted for the largest portion of total expenses, equalling EUR 71.9 million. They increased by 1% mainly as a result of higher labour costs of the parent company (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 59% to EUR 0.5 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 41.5 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, acquisition costs accounted for 58.8% (vs. 58.6% in 2015) and other operating expenses of 28.8% (increase of 0.3 percentage points). Claim handling costs went down, representing an 11.2% share of total expenses (vs. 11.7% in 2015) and asset management costs, with a share of 1.2% (vs. 1.3% in 2015).



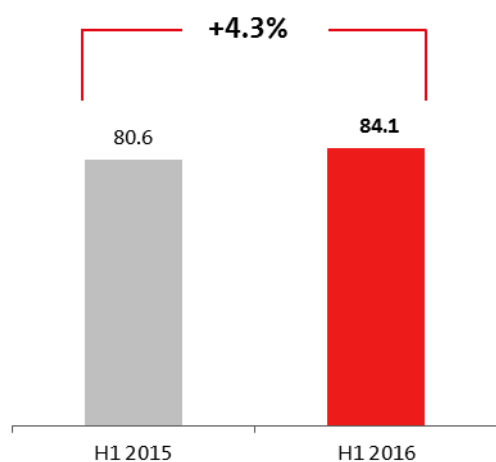
## Gross operating expenses of the Triglav Group by nature in H1 2016

Operating expenses by nature	Gross operating expenses		Index	Structure
	H1 2016	H1 2015	H1 2016/ H1 2015	H1 2016
Acquisition costs (fees and commissions)	20,522,086	20,223,875	101	13.7%
Costs of goods sold	8,812,646	8,736,943	101	5.9%
Depreciation of operating assets	6,811,232	7,905,899	86	4.5%
Labour costs	71,944,226	71,317,447	101	47.9%
- wages and salaries	48,188,076	50,179,489	96	32.1%
- social securities and pension insurance costs	11,331,110	11,344,414	100	7.5%
- other labour costs	12,425,040	9,793,544	127	8.3%
Costs of services provided by natural persons other than SPs together with pertaining taxes	487,247	1,190,478	41	0.3%
Other operating expenses	41,529,197	46,238,892	90	27.7%
- costs of entertainment, advertising, trade shows	8,686,418	7,369,258	118	5.8%
- costs of material and energy	4,244,553	6,459,575	66	2.8%
- maintenance costs	6,551,693	6,113,157	107	4.4%
- travel expenses	2,817,258	2,809,089	100	1.9%
- costs of intellectual and personal services	2,538,851	3,191,144	80	1.7%
- non-income-related costs, excluding insurance	1,912,305	2,055,009	93	1.3%
- costs of transport and communication services	2,373,063	3,505,061	68	1.6%
- costs of insurance premiums	653,047	1,257,395	52	0.4%
- payment transaction costs and banking services	3,539,641	3,646,951	97	2.4%
- rents	3,437,087	3,608,388	95	2.3%
- costs of services of professional training	422,340	372,090	114	0.3%
- other costs of services	4,349,011	5,851,775	74	2.9%
- long-term employee benefits	3,930	0	0	0.0%
<b>Total</b>	<b>150,106,634</b>	<b>155,613,534</b>	<b>96</b>	<b>100.0%</b>
Consolidation eliminations	-8,084,562	-9,015,100	90	
<b>Total consolidated</b>	<b>142,022,072</b>	<b>146,598,434</b>	<b>97</b>	

### 4.5.2 Zavarovalnica Triglav

Gross operating expenses totalled EUR 84.1 million, having increased by 4% compared to the preceding year.

*Gross operating expenses of in H1 2016 compared to the corresponding period of 2015*



Operating expenses accounted for 25.5% of gross written premiums, representing an increase of 1.3 percentage points compared to 2015.

Acquisition costs (fees and charges) increased by 9% to EUR 12.1 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 3% to EUR 4.2 million, mainly as a result of activation of IT software, investments in IT and other equipment and higher depreciation due to acquisition of a commercial building in Ljubljana. With 57.6%, labour costs accounted for the largest portion of total expenses. They amounted to EUR 48.5 million, increasing by as much as 7% 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 95%, mainly due to lower costs related to student work and costs related to work contracts. Other operating expenses of EUR 19.2 million climbed by 1% over the previous year. Among other operating expenses, the highest increase was seen in maintenance costs and other costs of services, whilst costs of insurance premiums and costs of intellectual and personal services decreased.

Gross operating expenses in non-life insurance increased by 4% to EUR 67.0 million. Their share in gross written premiums accounted for 27.4% (vs. 26.4% in 2015). Operating expenses in life insurance were up by 4%, totalling EUR 17.0 million. Their share in gross written premiums accounted for 20.0% (vs. 18.1% in 2015).

In total gross operating expenses broken down by functional group, costs of insurance contract acquisition accounted for 62.6%, representing an increase of 0.4 percentage points, whilst shares of claim handling costs, asset management costs and other operating costs went down. Claim handling costs accounted for 12.5% (vs. 12.6% in 2015), other operating costs for 23.5% (vs. 23.6% in 2015) and asset management costs for 1.4% (vs. 1.5% in H1 2015).

#### *Gross operating expenses in H1 2016 by nature*

	Gross operating costs		Index	Structure
	H1 2016	H1 2015	H1 2016/ H1 2015	H1 2016
<b>Operating costs by nature</b>				
Acquisition costs (fees and charges)	12,135,221	11,170,607	109	14.4%
Depreciation of operating assets	4,197,064	4,069,728	103	5.0%
Labour costs	48,453,768	45,406,276	107	57.6%
- wages and salaries	32,786,848	32,792,745	100	39.0%
- social security and pension insurance costs	5,736,571	5,407,040	106	6.8%
- other labour costs	9,930,349	7,206,492	138	11.8%
Costs of services provided by natural persons other than SPs including related taxes	44,736	832,039	5	0.1%
Other operating expenses	19,224,813	19,099,452	101	22.9%
- costs of entertainment, advertising, trade shows	4,533,065	4,352,912	104	5.4%
- costs of material and energy	1,768,886	1,845,555	96	2.1%
- maintenance costs	4,324,393	3,980,447	109	5.1%
- reimbursement of labour-related costs	1,736,438	1,668,908	104	2.1%
- costs of intellectual and personal services	940,238	1,152,354	82	1.1%
- non-income-related costs, excluding insurance	978,061	897,677	109	1.2%
- costs of transport and communication services	1,336,993	1,496,386	89	1.6%
- costs for insurance premiums	185,789	634,854	29	0.2%
- payment transaction costs and banking services	928,108	911,911	102	1.1%
- rents	1,189,300	1,084,109	110	1.4%
- costs of professional training services	229,936	209,198	110	0.3%
- other costs of services	1,073,606	865,142	124	1.3%
<b>Total</b>	<b>84,055,602</b>	<b>80,578,103</b>	<b>104</b>	<b>100.0%</b>

## 4.6 Reinsurance

### The Triglav Group

In the first six months of 2016, the Triglav Group allocated EUR 50.4 million of reinsurance and coinsurance premiums to external equalisation, which was 8% more than in the respective period of 2015. Reinsurance premiums accounted for 9.9% total gross written insurance and coinsurance premiums. A reinsurers' share of gross claims settled of EUR 7.1 million (index 75) was received from reinsurance.

### Zavarovalnica Triglav

In the reporting period, Zavarovalnica Triglav allocated EUR 49.7 million to external equalisation, which was 14% more than in the respective period of 2015. Reinsurance premium accounted for 15.1% of total gross written premium. The change in gross unearned premium related to reinsurance amounted to EUR 13.3 million, representing an increase of 16% over the previous year. In the reporting period, a reinsurers' and co-insurers' share of gross claims settled of EUR 8.2 million was received from reinsurance and coinsurance (index for the period: 79). The change in gross claims provisions for the reinsurance portion equalled EUR -2.2 million (index 83). The Company also received EUR 8.9 million in reinsurance commissions, representing a growth of 22% 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 June 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 June 2016

	Gross insurance technical provisions		Index
	30 June 2016	31 December 2015	2016/2015
Unearned premiums	315,598,349	252,057,956	125
Mathematical provisions	1,680,390,427	1,676,784,638	100
Claims provisions	645,613,973	642,687,051	100
Provisions for bonuses and discounts	17,441,805	17,382,035	100
Other insurance technical provisions	14,909,320	11,530,442	129
<b>Total</b>	<b>2,673,953,874</b>	<b>2,600,442,122</b>	<b>103</b>

#### 4.7.2 Zavarovalnica Triglav

As at the reporting date, Zavarovalnica Triglav allocated EUR 2,096.5 million to gross insurance technical provisions, which was 2% more over the 2015 year-end. In **non-life insurance**, the amount of gross insurance technical provisions increased by 7%, whereas in **life insurance** it was remained approximately at the 2015 year-end level (index 100).

Gross insurance technical provisions grew by 2% compared to the 2015 year-end.

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

- **Gross provisions for unearned premium** increased by 27% to EUR 229.1 million. Unearned premiums from non-life insurance totalled EUR 228.7 million, representing an increase of 27%, and from life insurance EUR 473 thousand, which increased by 13%.
- **Gross claims provisions** fell by 1% and amounted to EUR 482.0 million. Claims provisions from non-life insurance decreased by 1% to EUR 463.7 million, whilst those from life insurance fell by 5%, reaching EUR 18.3 million.
- **Mathematical provisions** amounted to EUR 1,359.0 million and were at a level approximately equal to the 2015 year-end (index 100). Of the total amount of mathematical provisions, EUR 726.6 million originated from the guarantee fund backing life insurance, EUR 410.6 million from the guarantee fund backing unit-linked life insurance, EUR 187.3 million from the guarantee fund backing SVPI (Zajamčeni, Drzni in Zmerni), and EUR 34.5 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 62% higher than at the 2015 year-end and amounted to EUR 9.6 million. This is mainly the result of provisions of EUR 2.9 million due to a deficit identified by the Liability Adequacy Test (LAT) for the guarantee fund backing supplemental voluntary pension insurance during the annuity payout period. Other insurance technical provisions also included provisions for cancellations in the amount of EUR 757 thousand, which remained at the same level as at the 2015 year-end.

## Gross insurance technical provisions of Zavarovalnica Triglav as at 30 June 2016

	Gross insurance technical provisions		Index
	30 June 2016	31 December 2015	2016/2015
Unearned premiums	229,123,058	180,558,991	127
Mathematical provisions	1,358,985,441	1,364,323,055	100
Claims provisions	482,029,901	486,247,721	99
Provisions for bonuses and discounts	16,817,528	16,817,528	100
Other insurance technical provisions	9,562,282	5,916,991	162
<b>Total</b>	<b>2,096,518,211</b>	<b>2,053,864,286</b>	<b>102</b>

## 4.8 Structure of financial investments

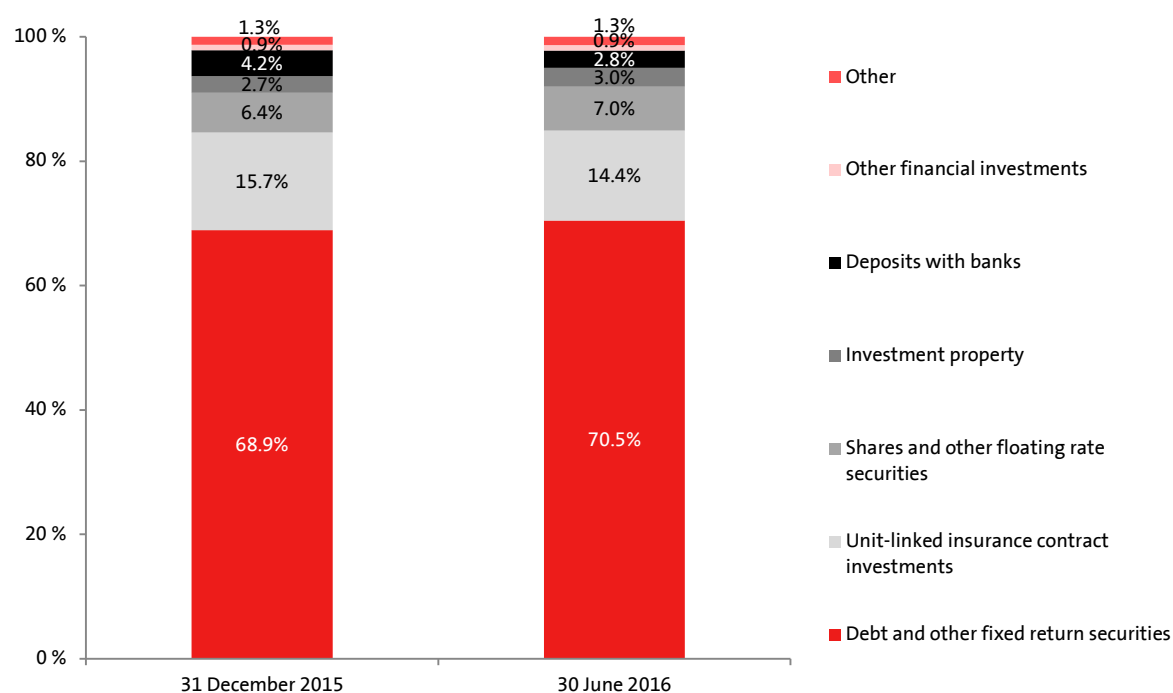
### 4.8.1 The Triglav Group

As at 30 June 2016, financial assets, investments in associates and investment property amounted to EUR 2,975.6 million or 1% more than at the 2015 year-end. Their share in total assets dropped by 0.9 percentage point, reaching 83.8%.

### Financial investments of the Triglav Group as at 30 June 2016

	Financial investments		Index	Structure
	30 June 2016	31 December 2015	2016/2015	30 June 2016
Investment property	90,507,383	79,475,283	114	3.0%
Shares in associates	6,672,481	6,939,700	96	0.2%
Shares and other floating-rate securities	209,480,788	189,095,441	111	7.0%
Debt and other fixed return securities	2,097,501,616	2,039,989,397	103	70.5%
Loans given	27,296,019	26,760,736	102	0.9%
Deposits with banks	82,247,138	122,963,931	67	2.8%
Other financial investments	27,433,174	25,966,525	106	0.9%
Financial investments of reinsurance companies in reinsurance contracts with cedents	4,641,323	3,926,832	118	0.2%
Unit-linked insurance contracts	429,773,207	464,733,921	92	14.4%
<b>Total</b>	<b>2,975,553,129</b>	<b>2,959,851,766</b>	<b>101</b>	<b>100.0%</b>

## Structure of financial investments of the Triglav Group as at 30 June 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 2,097.5 million, which represented a 3% increase compared to the 2015 year-end.

**Unit-linked insurance contract investments** were 8% lower. They amounted to EUR 429.8 million as at the reporting date, accounting for 14.4% of total financial assets.

In line with the investment policy, **investments in shares and other floating rate securities** rose by 11% to EUR 209.5 million. Their share in total financial assets climbed by 0.7 percentage point to 7.0%.

**Investment property** of EUR 90.5 million increased by 14% compared to the 2015 year-end due to a transfer of real property from property, plant and equipment. They accounted for 3.0% of total financial assets.

**Deposits with banks** were down 33% to EUR 82.2 million compared to 2015, accounting for 2.8% of total financial assets as a result of extremely low deposit interest rates in the banking system, resulting in a different liquidity management.

**Other financial investments** stood at EUR 27.4 million, representing a 0.9% share of total financial assets. **Loans given** were up 2% in comparison to the 2015 year-end. In total financial assets, they accounted for 0.9% or EUR 27.3 million in nominal terms. Compared to 31 December 2015, they remained at the same level, as their increase resulted from their reclassification within financial assets due to the changed reporting standards.

**Financial investments in associates** were 4% lower compared to 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 18%, totalling EUR 4.6 million and accounting for only 0.2% of total financial assets.

**By issuer sector**, government bonds, representing 52.4%, continued to account for the bulk of total debt securities. Compared to the 2015 year-end, they experienced a 6% drop, while their share in total financial assets decreased by 4.8 percentage points. Approximately two thirds of the decrease was the result of applying the new Solvency II methodology or consequently the requirements regarding the classification of securities by sector and analytical treatment of state guarantees. In accordance with this methodology, debt securities in the amount of over EUR 55 million were moved from the government to the financial sector. Structured bonds decreased by 0.4 percentage points as did their value (index 65). On contrast, the shares of corporate bonds (26.2%) and financial bonds (20.6%) 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 June 2016	31 December 2015	2016/2015	30 June 2016	31 Dec. 2015
Corporate	549,909,652	470,577,303	117	26.2%	23.1%
Financial	432,766,167	377,058,528	115	20.6%	18.5%
Government	1,098,600,310	1,167,256,349	94	52.4%	57.2%
Structured	16,225,486	25,097,218	65	0.8%	1.2%
<b>Total</b>	<b>2,097,501,616</b>	<b>2,039,989,397</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

In total debt securities **by issuer credit rating**, a lower exposure to bonds with the highest credit rating of AAA continued in the reporting period largely due to downgrading the Finland's credit rating to AA. A higher share of bonds in credit rating grades below the BBB-rating (representing a 19.4% 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 June 2016	31 December 2015	2016/2015	30 June 2016	31 Dec. 2015
AAA	216,186,823	270,712,813	80	10.3%	13.3%
AA	113,879,503	79,607,769	143	5.4%	3.9%
A	277,563,978	260,515,926	107	13.2%	12.8%
BBB	1,000,513,954	997,078,824	100	47.7%	48.9%
Below BBB	406,801,424	338,017,756	120	19.4%	16.6%
Not rated	82,555,935	94,056,308	88	3.9%	4.6%
<b>Total</b>	<b>2,097,501,616</b>	<b>2,039,989,397</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

Changes in exposure of **debt securities to individual countries** are a result of price fluctuations and active trading. In H1 2016, most purchases were made in investments of French 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 June 2016	31 December 2015	2016/2015	30 June 2016	31 Dec. 2015
Slovenia	500,415,586	515,076,149	97	23.9%	25.2%
Spain	166,507,055	151,086,175	110	7.9%	7.4%
Germany	156,836,507	164,673,003	95	7.5%	8.1%
Netherlands	156,333,508	158,994,228	98	7.5%	7.8%
France	119,993,066	105,750,984	113	5.7%	5.2%
Italy	119,332,977	137,039,034	87	5.7%	6.7%
Other	878,082,917	807,369,824	109	41.9%	39.6%
<b>Total</b>	<b>2,097,501,616</b>	<b>2,039,989,397</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

In total financial assets, the portion of **shares** (shares and other floating rate securities and investments in associates) rose by 10% which resulted foremost from the purchases of units or shares of target bond funds on developed markets. Compared to the 2015 year-end, exposure to investments in the Balkans remained unchanged, as the increase was the result of reclassification of investments within the geographical regions due to the changed reporting standards.

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

Geographic area	Equity investments		Index	Structure	
	30 June 2016	31 December 2015	2016/2015	30 June 2016	31 Dec. 2015
Slovenia	59,218,177	67,747,852	87	27.4%	34.6%
Developed markets	130,056,403	99,929,844	130	60.2%	51.0%
Developing markets	15,561,746	19,508,920	80	7.2%	10.0%
Balkans	11,316,943	8,848,525	128	5.2%	4.5%
<b>Total</b>	<b>216,153,269</b>	<b>196,035,141</b>	<b>110</b>	<b>100.0%</b>	<b>100.0%</b>

## 4.8.2 Zavarovalnica Triglav

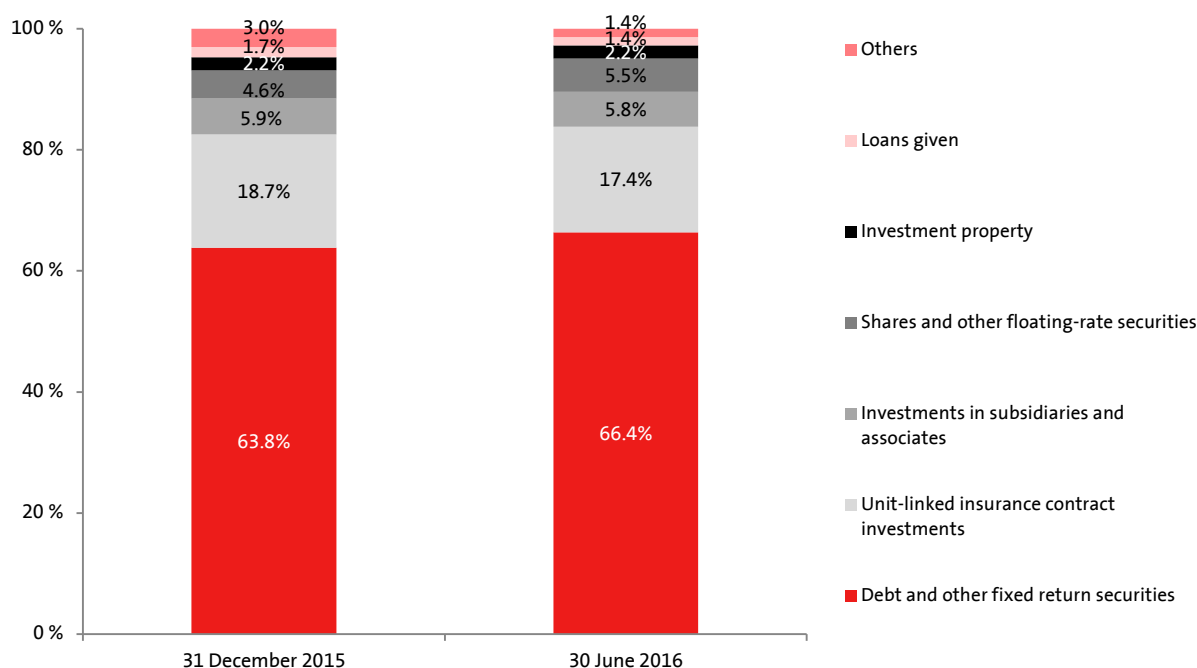
As at 30 June 2016, financial assets, investments in subsidiaries and associates, and investment property amounted to EUR 2,363.2 million or 1% less than at the 2015 year-end. Their share in total assets dropped by 1.9 percentage points, reaching 87.1%.

### Financial investments of Zavarovalnica Triglav as at 30 June 2016

	Financial investments		Index	Structure
	30 June 2016	31 December 2015	2016/2015	30 June 2016
Investment property	51,227,904	52,870,808	97	2.2%
Investments in subsidiaries and associates	136,127,381	141,948,911	96	5.8%
Shares and other floating-rate securities	129,908,072	110,176,657	118	5.5%
Debt and other fixed return securities	1,568,171,812	1,525,459,475	103	66.4%
Loans given	32,948,487	40,038,012	82	1.4%
Deposits with banks	29,617,955	66,846,988	44	1.3%
Other financial investments	1,700,237	2,620,871	65	0.1%
Derivative financial instruments	1,515,817	2,708,914	56	0.1%
Unit-linked insurance contract investments	411,982,691	446,589,561	92	17.4%
<b>Total</b>	<b>2,363,200,355</b>	<b>2,389,260,196</b>	<b>99</b>	<b>100.0%</b>



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



In line with the investment policy, the investment portfolio structure of the Company changed in H1 2016. The largest, 66.4% 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 1,568.2 million, which represented a 3% increase compared to the 2015 year-end.

**Unit-linked life insurance contracts investments** amounted to EUR 412.0 million and were 8% lower. They accounted for 17.4% of total financial assets.

Compared to 31 December 2015, **financial investments in subsidiaries and associates** decreased by 4% to EUR 136.1 million, representing 5.8% 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 18%, reaching EUR 129.9 million. Their share in total assets climbed by 0.9 percentage point to 5.5%.

**Investment property** equalled EUR 51.2 million or 3% less than in 2015. They accounted for 2.2% of total financial assets.

Compared to the preceding year, **loans given** declined by 18% due to the repayment of loans. At EUR 32.9 million, loans given accounted for 1.4% of total financial assets.

**Deposits with banks** decreased by 56% to EUR 29.6 million, as a result of extremely low deposit interest rates in the banking system, resulting in a different liquidity management. They represented 1.3% of total financial assets (vs. 2.8% as at 31 December 2015).

**Other financial investments** stood at EUR 1.7 million (index 65), representing a 0.1% share of total financial assets. **Derivatives** experienced a 44% decrease, amounting to EUR 1.5 million and accounting for only 0.1% of total financial assets.

**By issuer sector**, government bonds, representing 49.6%, continued to account for the bulk of total debt securities. Compared to the 2015 year-end, they dropped by 8%, while their share in total financial assets fell by 6.0 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 (25.2%) and financial bonds (24.2%) 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 June 2016	31 December 2015	2016/2015	30 June 2016	31 Dec. 2015
Corporate	395,121,912	330,059,084	120	25.2%	21.6%
Financial	379,119,329	322,557,140	118	24.2%	21.1%
Government	777,700,072	847,746,971	92	49.6%	55.6%
Structured	16,230,499	25,096,280	65	1.0%	1.6%
<b>Total</b>	<b>1,568,171,812</b>	<b>1,525,459,475</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

In total debt securities **by issuer credit rating**, a lower exposure to bonds with the highest credit rating of AAA continued due to downgrading the Finland's credit rating to AA. The latter is the cause of more than two thirds of the changes within the AAA and AA grades. An increase in exposure was seen in bonds in credit rating grades below the BBB-rating (index 130), 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 June 2016	31 December 2015	2016/2015	30 June 2016	31 Dec. 2015
AAA	178,660,258	228,870,548	78	11.4%	15.0%
AA	104,777,703	74,863,752	140	6.7%	4.9%
A	254,525,836	231,117,017	110	16.2%	15.2%
BBB	821,785,432	810,101,227	101	52.4%	53.1%
Below BBB	163,709,857	126,109,677	130	10.4%	8.3%
Not rated	44,712,727	54,397,254	82	2.9%	3.6%
<b>Total</b>	<b>1,568,171,812</b>	<b>1,525,459,475</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

Changes in the exposure of **debt securities to individual countries** are a result of price fluctuations and active trading. In H1 2016, most purchases were made in investments of French 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 June 2016	31 December 2015	2016/2015	30 June 2016	31 Dec. 2015
Slovenia	360,356,762	356,141,605	101	23.0%	23.3%
Spain	156,980,755	142,750,925	110	10.0%	9.4%
Germany	130,349,003	137,581,785	95	8.3%	9.0%
Netherlands	115,780,857	114,412,956	101	7.4%	7.5%
France	108,510,856	90,931,009	119	6.9%	6.0%
Italy	103,711,149	121,425,167	85	6.6%	8.0%
Other	592,482,429	562,216,028	105	37.8%	36.9%
<b>Total</b>	<b>1,568,171,812</b>	<b>1,525,459,475</b>	<b>103</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Unit-linked insurance contract investments data excluded.

In total financial assets, the portion of **shares** (shares and other floating rate securities and investments in subsidiaries and associates) grew by 6%. 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 June 2016	31 December 2015	2016/2015	30 June 2016	31 Dec. 2015
Slovenia	189,299,672	197,430,305	96	71.2%	78.3%
Developed markets	62,898,541	42,075,285	149	23.6%	16.7%
Developing markets	9,504,432	9,106,584	104	3.6%	3.6%
Balkans	4,332,806	3,513,394	123	1.6%	1.4%
<b>Total</b>	<b>266,035,452</b>	<b>252,125,568</b>	<b>106</b>	<b>100.0%</b>	<b>100.0%</b>

## 5. FINANCIAL RESULT AND FINANCIAL STANDING

### 5.1 Financial result

#### 5.1.1 The Triglav Group

In the first six months of 2016, the Triglav Group posted a **net profit of EUR 34.2 million** or 36% less than in the same period last year. Net profit attributable to the shareholders of controlling company amounted to EUR 33.5 million (index 63), whereas net profit attributable to minority shareholders totalled EUR 683 thousand (index 168). **Profit before tax** amounted to EUR 43.2 million or as 34% less than in 2015. Compared to 2015, **net return on equity** decreased by 6.5 percentage points to 10.1%. A lower net profit resulted largely from lower investment returns as expected.

Despite demanding conditions on the insurance markets, Triglav Group generated a net profit of EUR 34.2 million.

The **combined ratio** in non-life insurance, which shows profitability of operations, was **93.4%**. Any value of this ratio below 100 means that the non-life insurance portfolio as the core business (excluding return on investments) is earning a profit. Compared to the corresponding period of 2015, the ratio improved by 0.2 percentage point.

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

Insurance Group	H1 2016	H1 2015	Change
Zavarovalnica Triglav	87.6%	89.0%	-1.4 p.p.
Triglav, Zdravstvena zavarovalnica	99.1%	98.8%	0.3 p.p.
Pozavarovalnica Triglav Re	99.8%	94.6%	5.2 p.p.
Triglav Osiguranje, Zagreb	115.3%	109.4%	5.8 p.p.
Triglav Osiguranje, Sarajevo	98.2%	100.9%	-2.7 p.p.
Lovćen Osiguranje, Podgorica	100.2%	105.0%	-4.7 p.p.
Triglav Osiguranje, Belgrade	101.3%	106.0%	-4.7 p.p.
Triglav Osiguranje, Banja Luka	98.0%	98.1%	-0.1 p.p.
Triglav Osiguruvanje, Skopje	93.9%	104.5%	-10.6 p.p.
<b>The Triglav Group</b>	<b>93.4%</b>	<b>93.6%</b>	<b>-0.2 p.p.</b>

**Net premium earned** (calculated on the basis of gross written insurance and co-insurance premium, reduced by the reinsurers share and adjusted by the change in gross unearned premium taking into account the reinsurers share in unearned premium) amounted to EUR 415.6 million or 1% less than in the respective period of 2015. Net non-life premium earned remained approximately at the same level as in 2015 (index 100), whilst net life premiums earned decreased 3%. On contrast, net health premiums earned were up 2%. Ceded written premium amounted to EUR 50.4 million and was 8% higher over the preceding year. Net unearned premiums totalled EUR 40.6 million, having decreased by 5% compared to the respective period of 2015.

**Net claims incurred** (gross claims increased by claim handling costs, reduced by the reinsurers' and co-insurers' shares and subrogated receivables, adjusted by the change in gross claims provisions taking into account the reinsurers' and co-insurers' shares in these provisions) amounting to EUR 294.2 million remained at approximately the same level as the year before (index 100). Net claims incurred from non-life insurance decreased by 3%, while those from life insurance and those from health insurance grew by 2% and 3% respectively. The reinsurers' and co-insurers' shares in gross claims decreased by 25% and totalled EUR 7.1 million. The change in net claims provisions was EUR -3.2 million (EUR 2.1 million in the same period of 2015).

Equalisation scheme expenses for supplemental health insurance fell by 10% and totalled EUR 3.5 million.

**Income from financial assets** were down by 61%, reaching EUR 60.3 million, whilst income from financial assets in associates totalled EUR 2.9 million or 14% less than in the preceding year. Income from other financial assets was 42% lower or EUR 56.5 million in nominal terms. Net unrealised gains on unit-linked life insurance assets shrunk, amounting to EUR 0.9 million (vs. EUR 52.6 million in 2015). **Financial expenses** equalled EUR 36.6 million or 46% less than in 2015. Expenses from financial assets in associates totalled EUR 0.1 million (index 14), expenses from other financial assets were down 42% to EUR 26.7 million and net unrealised gains on unit-linked life insurance assets decreased by 53% to EUR 9.7 million. Permanent impairments reached EUR 2.1 million (index 85).

**Return on investment** (excluding unit-linked life insurance contract investments) represents the difference between income and expenses from financial assets. It amounted to EUR 32.6 million, having decreased by 39% compared to 2015, which mainly resulted from lower net gains on the sale of financial assets, whilst a positive effect can be largely attributed to fair value reserves from financial assets. Return on financial investments also impacts the insurance technical provisions and the net profit of the Group. The lower net gains were also affected by the loss arising from derivatives in the amount of EUR 7.6 million, which are used for hedging against the increase of interest rates and the effect of which is recognised directly in the income statement, while the positive surplus from revaluation of hedged items is recognised through equity under revaluation surplus.

Return on financial investments decreased by 39% over 2015, mainly as a result of lower net gains on the sale of financial assets.

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 145) and mathematical provisions (index 101), **changes in other insurance technical provisions** summed up to EUR 21.3 million (index 102). **Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR -24.3 million (vs. EUR 19.0 million in 2015) due to a decrease in price of fund units. **Provisions for bonuses and discounts** were 9% higher and totalled EUR 3.7 million.

**Operating expenses** (acquisition costs and other operating expenses) amounted to EUR 103.2 million and were 4% higher than in the respective period of 2015. Acquisition costs totalled EUR 69.3 million (index 103), whereas other operating expenses amounted to EUR 33.9 million (index 104).

**Other insurance expenses** were down 31%, reaching EUR 3.2 million. **Other income** totalled EUR 32.8 million, having decreased by 16%. **Other insurance expenses** totalled EUR 7.1 million (index 83), whereas **other expenses** amounted to EUR 27.0 million (index 78).

## Individual items in the consolidated income statement of the Triglav Group for H1 2016

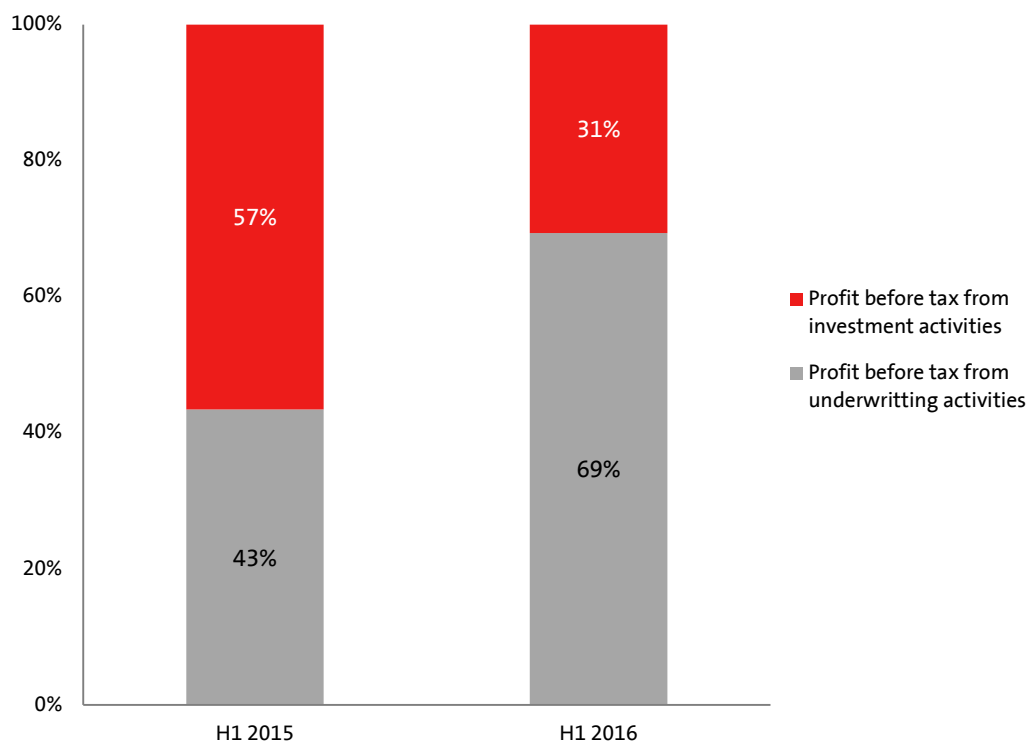
	H1 2016	H1 2015	Index
Net premium earned	415,610,355	418,161,855	99
Income from financial assets	60,330,988	152,944,411	39
Other income from insurance operations	3,184,136	4,599,300	69
Other income	32,816,253	38,983,821	84
Net claims incurred	294,238,774	295,217,590	100
Change in other insurance technical provisions	21,288,655	20,814,579	102
Change in insurance technical provisions for unit-linked insurance contracts	-24,329,574	18,978,766	
Expenses for bonuses and discounts	3,662,454	3,363,256	109
Operating expenses	103,206,298	99,534,455	104
Expenses from financial assets and liabilities	36,559,173	68,261,041	54
Other insurance expenses	7,062,035	8,515,226	83
Other expenses	27,037,752	34,445,631	78
<b>Profit/loss before tax</b>	<b>43,216,165</b>	<b>65,558,843</b>	<b>66</b>
Income tax expense	-9,024,611	-11,977,775	75
<b>Net profit/loss for the accounting period</b>	<b>34,191,554</b>	<b>53,581,068</b>	<b>64</b>

## Net profit/loss before tax of the Triglav Group in H1 2016 and H1 2015

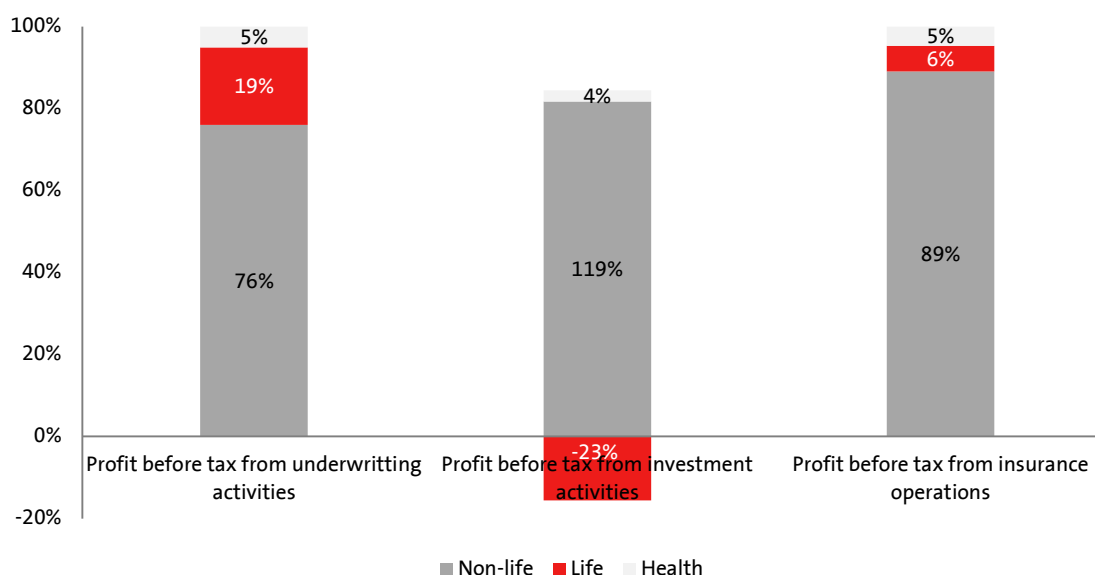
	H1 2016				H1 2015			
	Non-life	Life	Health	Total	Non-life	Life	Health	Total
Profit before tax from underwriting activities	19,663,706	4,890,928	1,309,945	<b>25,864,579</b>	18,158,834	6,032,104	2,053,234	<b>26,244,172</b>
Profit before tax from investment activities	13,556,947	-2,580,065	454,413	<b>11,431,295</b>	19,879,622	13,477,665	789,640	<b>34,146,927</b>
Profit before tax from insurance operations	33,220,653	2,310,863	1,764,358	<b>37,295,874</b>	38,038,456	19,509,769	2,842,874	<b>60,391,099</b>
Profit before tax from non-insurance operations				<b>5,920,291</b>				<b>5,167,743</b>
<b>Total profit before tax</b>				<b>43,216,165</b>				<b>65,558,842</b>

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

## Structure of net profit/loss before tax of the Triglav Group in H1 2016 and H1 2015



### Structure of net profit/loss before tax of the Triglav Group by insurance type in H1 2016



#### 5.1.2 Zavarovalnica Triglav

In the first six months of 2016, Zavarovalnica Triglav generated a total of EUR 29.6 million of **net profit** or 26% less than in the same period of the year before. The Company's **profit before tax** fell by 27% to EUR 36.8 million. **Net return on equity** stood at 11.7%, having fallen by 4.2 percentage points compared to the preceding year. A lower profit resulted largely from lower investment returns.

Zavarovalnica Triglav posted a net profit of EUR 29.6 million or 26% more compared to the corresponding period of 2015.

**Combined ratio in non-life insurance** was 87.6%. Compared to 2015, it improved by 1.4 percentage points.

**Net premiums earned** decreased by 3% to EUR 252.2 million compared to the preceding year. Net premium earned from non-life insurance and those earned from life insurance decreased by 2% and by 6% respectively. Gross written premium from reinsurance and co-insurance operations totalled EUR 49.7 million, representing a 14% growth over 2015. Gross unearned premium amounted to EUR 28.0 million, which was 3% less compared to the previous year.

In the reporting period, **net claims incurred** were disclosed at EUR 183.5 million, which decreased by 2% compared to the preceding year. Net claims incurred from non-life insurance decreased by 7%, but rose by 4% from life insurance. The reinsurers' and co-insurers' shares in gross claims decreased by 21%, totalling EUR 8.2 million. The change in net claims provisions was EUR -6.4 million (vs. EUR 1.8 million in 2015).

**Operating expenses** (acquisition costs and other operating expenses) amounted to EUR 72.4 million and were 5% higher. Acquisition costs totalled EUR 52.6 million (index 105), whereas other operating expenses amounted to EUR 19.8 million (index 104).

**Income from financial assets** were down by 67%, reaching EUR 45.3 million, of which non-life insurance accounted for EUR 23.0 million (index 58) and life insurance for EUR 22.3 million (index 22). Income from financial assets in associates reached EUR 9.6 million, having decreased by 51% predominantly due to extraordinary dividend payment of a subsidiary in the preceding

year. Income from other financial assets decreased by 50% to EUR 34.8 million. Net unrealised gains on unit-linked life insurance assets reached EUR 0.9 million compared to EUR 50.0 million in the respective period of 2015. **Financial expenses** equalled EUR 24.3 million, which was 67% less than in 2015. Expenses from financial assets in associates amounted to EUR 551 thousand compared to EUR 20.5 million as a result of permanent impairments in two subsidiaries. Expenses from other financial assets and liabilities decreased by 54% to EUR 15.3 million, whereas net unrealised gains on unit-linked life insurance assets amounted to EUR 8.4 million, which was 58% less compared to 2015.

**Return on investment** (excluding unit-linked life insurance contract investments) represents the difference between income and expenses from financial assets. It amounted to EUR 28.5 million, having decreased by 20% compared to 2015, which mainly resulted from lower net gains on the sale of financial assets, whilst a positive effect can be largely attributed to revaluation reserves from financial assets. The lower net gains were also affected by the loss arising from derivatives in the amount of EUR 7.6 million, which are used for hedging against the increase of interest rates and the effect of which is recognised directly in the income statement, while the positive surplus from revaluation of hedged items is recognised through equity under revaluation surplus.

Return on financial investments decreased by 20% over 2015, mainly as a result of lower net gains on the sale of financial assets.

**Changes in other insurance technical provisions** summed up to EUR 16.7 million or 53% more than one year earlier, with the change in mathematical provisions amounting to EUR 15.9 million (index 166), while the change in other provisions stood at EUR 708 thousand (index 53). Higher mathematical provisions mainly resulted from an increase in unit-linked insurance funds with a guaranteed return, higher provisions for the guarantee fund backing supplemental voluntary pension insurance during the annuity payout period identified by the Liability Adequacy Test (LAT) and higher provisions for the guarantee fund backing supplemental voluntary pension insurance. **Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR -28.3 million (EUR 16.9 million in H1 2015) due to the decrease in price of fund units. **Provisions for bonuses and discounts** increased by 14% to EUR 2.7 million.

**Other income from insurance operations** increased by 9% and totalled EUR 10.8 million, of which fee and commission income amounted to EUR 8.9 million (index 122). **Other income** of EUR 5.2 million also climbed by 42%. **Other insurance expenses** equalled EUR 3.5 million (index 91), whereas **other expenses** reached EUR 2.1 million (index 226).



## Individual items in the income statement of Zavarovalnica Triglav for H1 2016

	H1 2016	H1 2015	Index
Net premium income	252,192,448	261,182,610	97
Income from financial assets	45,304,423	139,361,868	33
Other income from insurance operations	10,815,784	9,901,397	109
Other income	5,168,423	3,642,649	142
Net claims incurred	183,476,646	186,423,905	98
Change in other insurance technical provisions	16,654,551	10,889,817	153
Change in insurance technical provisions for unit-linked insurance contracts	-28,337,842	16,924,922	
Expenses for bonuses and discounts	2,661,656	2,331,001	114
Operating expenses	72,384,664	69,175,960	105
Expenses from financial assets and liabilities	24,287,180	73,374,073	33
Other insurance expenses	3,472,400	3,796,694	91
Other expenses	2,120,775	937,814	226
<b>Profit/loss before tax</b>	<b>36,761,049</b>	<b>50,234,338</b>	<b>73</b>
Income tax expense	7,157,110	10,382,608	69
<b>Net profit/loss for the accounting period</b>	<b>29,603,939</b>	<b>39,851,730</b>	<b>74</b>

## 5.2 Financial standing

### 5.2.1 The Triglav Group

The total **balance sheet** of the Triglav Group as at 30 June 2016 stood at EUR 3,551.9 million or 2% more compared to the 2015 year-end.

**The total equity capital** as at the reporting date amounted to EUR 693.1 million or 2% less than at the 2015 year-end. The portion of equity in the balance sheet total decreased by 0.6 percentage point, from 20.2% to 19.5%. Equity attributable to the controlling company amounted to EUR 681.5 million, while non-controlling interest holders had EUR 11.6 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 15% and totalled EUR 89.3 million. As at the reporting date, accumulated profit for the period was EUR 200.2 million (index 105), including net profit for the period of EUR 33.5 million (index 39) and net profit brought forward of EUR 166.7 million (index 159). 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 went down by EUR 56.8 million due to dividend payments.

As at the reporting date, total equity capital reached EUR 693.1 million.

**Subordinated liabilities** of the Group reached EUR 17.7 million, after a 6% 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 3% and amounted to EUR 2,674.0 million. In the balance sheet total, their share increased by 0.8 percentage point over the 2015 year-end, from 74.4 as to 75.3%. 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). Gross claims provisions amounted to EUR 645.6 million and remained at a level approximately equal to the 2015 year-end (index 100). Provisions for gross unearned premiums and other insurance

technical provisions were up by 25% and 12% 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 11% compared to the 2015 year-end, amounting to EUR 53.6 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 11% to EUR 18.5 million. With EUR 32.8 million (index 117), liabilities from co-insurance and reinsurance were higher, whereas current tax liabilities, amounting to EUR 2.3 million (index 63) decreased.

**Other provisions** shrunk by 2% to EUR 15.7 million compared to the 2015 year-end (a 0.4% share in total liabilities). **Deferred tax liabilities** amounted to EUR 27.8 million, having increased by 20% compared to the 2015 year-end as a result of unrealised fair value reserve from financial assets. They accounted for 0.8% of the balance sheet total. As at 30 June 2016, **other liabilities** decreased by 1% and stood at EUR 65.7 million, representing a 1.8% share of total liabilities.

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

**Financial assets** accounted for 81.0% of total assets (1.2 percentage points less than at the 2015 year-end) and totalled EUR 2,878.4 million. They remained approximately at the same level as at 31 December 2015 (index 100). Unit-linked insurance assets amounted to EUR 429.8 million (index 92) and financial investments to EUR 2,448.6 million (index 102). In total financial investments, EUR 141.0 million (index 77) was accounted for by deposits and loans, EUR 232.3 million (index 96) by held-to-maturity assets, EUR 1,695.0 million (index 105) by available-for-sale assets and EUR 380.2 million (index 101) 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 4% (a 0.2% share in total assets).

**Investment property** stood at EUR 90.5 million, which grew by 14% compared to 31 December 2015 and represented 2.5% of total assets. Investment property is discussed in greater detail in *Section 4.8.1*.

**Receivables and deferred tax assets** increased by 18% to EUR 214.8 million. They accounted for 6.0% of total assets, of which receivables from direct insurance operations accounted for the bulk, totalling EUR 117.2 million (index 141). Receivables from co-insurance and reinsurance operations reached EUR 41.3 million (index 96), other receivables stood at EUR 40.5 million (index 101) and current tax receivables at EUR 619 thousand (index 206). Deferred tax assets amounted to EUR 15.2 million (index 95).

As at the reporting date, **insurance technical provisions transferred to reinsurance contracts** amounted to EUR 89.0 million, which represented an increase of 29% over one year earlier. Assets from reinsurance contracts from claim provisions were 12% higher and totalled EUR 57.1 million, while those from unearned premiums grew by 80% to EUR 31.9 million.

**Property, plant and equipment** amounted to EUR 114.9 million and accounted for 3.2% of total assets, having decreased by 6% over the 2015 year-end. **Intangible assets** of EUR 79.2 million

increased by 13% mostly as a result of higher deferred acquisition costs, accounting for 2.2% of total assets.

**Cash and cash equivalents** amounted to EUR 68.3 million (index 143), whilst **other assets** totalled EUR 9.1 million (index 112).

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 June 2016*

	30 June 2016	31 December 2015	Index
<b>Assets</b>	<b>3,551,932,308</b>	<b>3,493,456,800</b>	<b>102</b>
Intangible assets	79,187,138	70,132,332	113
Property, plant and equipment	114,924,152	121,810,360	94
Investment property	90,507,383	79,475,283	114
Investment in associates	6,672,481	6,939,700	96
Financial assets	2,878,373,264	2,873,436,783	100
Reinsurers' share of insurance technical provisions	88,977,672	68,724,305	129
Receivables and deferred tax assets	214,832,498	182,437,422	118
Other assets	9,087,856	8,134,762	112
Cash and cash equivalents	68,349,688	47,928,768	143
Non-current assets held for sale	1,020,176	34,437,086	3
<b>Equity and liabilities</b>	<b>3,551,932,308</b>	<b>3,493,456,800</b>	<b>102</b>
Equity	693,062,944	704,044,499	98
Subordinated liabilities	17,705,855	18,752,252	94
Insurance technical provisions	2,240,976,500	2,143,395,211	105
Insurance technical provisions for unit-linked insurance contracts	432,977,374	457,046,912	95
Other provisions	15,727,239	16,079,975	98
Deferred tax liabilities	27,766,423	23,188,796	120
Other financial liabilities	4,413,265	3,784,282	117
Operating liabilities	53,625,605	48,388,725	111
Other liabilities	65,677,103	66,341,973	99
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 30 June 2016 stood at EUR 2,713.6 million or 1% more compared to the 2015 year-end.

The **total equity capital** as at the reporting date amounted to EUR 514.1 million or 3% less than at the 2015 year-end. The portion of equity in the balance sheet total decreased by 0.8 percentage point, totalling 18.9%. 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 6%, amounting to EUR 69.1 million. In addition to EUR 29.6 million (index 51) in net profit for the period, it includes EUR 39.5 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 and went

**The total value of equity reached EUR 514.1 million.**

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, fair value reserves increased by 19% and totalled EUR 66.6 million.

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

On the liabilities side, **gross insurance technical provisions** increased by 2% to EUR 2,096.5 million compared to the 2015 year-end. In the balance sheet total, their share increased by 0.8 percentage point compared to the 2015 year-end, from 76.5% to 77.3%. Gross insurance technical provisions are discussed in greater detail in *Section 4.7.2*.

Compared to 31 December 2015, **other financial liabilities** of EUR 3.4 million experienced a high growth (index 195) 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** as at the reporting date totalled EUR 26.3 million, which was 10% more over the 2015 year-end. They accounted for 1.0% of total balance sheet liabilities (vs. 0.9% as at 31 December 2015). Liabilities from direct insurance operations remained approximately at the same level as at the 2015 year-end (index 100), amounting to EUR 11.0 million. Liabilities from co-insurance and reinsurance operations grew by 27% to EUR 13.0 million. Current tax liabilities equalled EUR 2.2 million (index 84).

**Other provisions** reached EUR 9.9 million, which was 4% more than as at 31 December 2015. **Deferred tax liabilities** (balanced amount with deferred tax assets) amounted to EUR 12.4 million, having increased by 98% over the 2015 year-end. In the reporting period, they grew by EUR 6.1 million due to higher deferred tax in fair value reserves of financial assets and by EUR 2.0 million as a result of lower deferred tax assets. **Other liabilities** decreased by 22% to EUR 29.9 million nominally and accounted for 1.1% 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 June 2016, **financial assets** were down 1% than at the 2015 year-end and amounted to EUR 2,175.8 million. In total assets, their share decreased by 1.5 percentage points and reached 80.2%. Unit-linked insurance assets amounted to EUR 412.0 million and financial investments to EUR 1,763.9 million. In total financial investments, EUR 64.3 million was accounted for by deposits and loans, EUR 169.4 million by investments held to maturity, EUR 1,339.8 million by investments available for sale and EUR 190.4 million by investments recognised at fair value through profit/loss. The structure of financial assets is discussed in greater detail in *Section 4.8.2*.

**Financial investments in subsidiaries and associates** fell by 4%, amounting to EUR 136.1 million and accounting for a 5.0% share. Financial investments in subsidiaries were down 4% to EUR 128.9 million as a result of the sale of Avrigo. Compared to 31 December 2015, financial investments in associates of EUR 7.3 million recorded remained unchanged (index 100).

**Investment property** fell by 3% to EUR 51.2 million. They accounted for 1.9% of total assets. Investment property is discussed in greater detail in *Section 4.8.2*.

**Receivables** increased by 13%, amounting to EUR 108.4 million (a 4.0% share), of which receivables from direct insurance operations accounted for the bulk, totalling EUR 83.0 million (index 143). Receivables from reinsurance and co-insurance operations reached EUR 6.4 million (index 53), whereas other receivables stood at EUR 19.0 million (index 74).

As at the reporting date, **insurance technical provisions transferred to reinsurance contracts** amounted to EUR 85.5 million, which represented an increase of 22% over one year earlier. Assets from reinsurance contracts from claim provisions were 4% higher and totalled EUR 56.8 million, while those from unearned premiums grew by 87% and equalled EUR 28.7 million.

**Property, plant and equipment** amounted to EUR 66.0 million (index 98), accounting for a 2.4% share of total assets. **Intangible assets** of EUR 60.5 million (2.2% share) increased by 14% mostly as a result of higher long-term deferred acquisition costs.

**Cash and cash equivalents** grew to EUR 26.8 million (index 355), whilst **other assets** totalled EUR 3.3 million (index 118).

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

	30 June 2016	31 December 2015	Index
<b>Assets</b>	<b>2,713,625,806</b>	<b>2,685,432,591</b>	<b>101</b>
Intangible assets	60,470,343	53,143,644	114
Property, plant and equipment	66,002,343	67,034,994	98
Investment property	51,227,904	52,870,808	97
Investments in subsidiaries and associates	136,127,381	141,948,911	96
Financial assets	2,175,845,071	2,194,440,477	99
Reinsurers' share of insurance technical provisions	85,468,943	69,935,394	122
Receivables and deferred tax assets	108,372,695	95,716,726	113
Other assets	3,303,933	2,791,679	118
Cash and cash equivalents	26,807,194	7,549,958	355
<b>Equity and liabilities</b>	<b>2,713,625,806</b>	<b>2,685,432,591</b>	<b>101</b>
Equity	514,124,948	530,560,272	97
Subordinated liabilities	21,101,607	21,101,278	100
Insurance technical provisions	1,685,935,896	1,614,944,129	104
Insurance technical provisions for unit-linked insurance contracts	410,582,315	438,920,157	94
Other provisions	9,916,065	9,570,800	104
Deferred tax liabilities	12,397,496	6,268,154	198
Other financial liabilities	3,413,327	1,752,990	195
Operating liabilities	26,274,490	23,886,713	110
Other liabilities	29,879,662	38,428,098	78

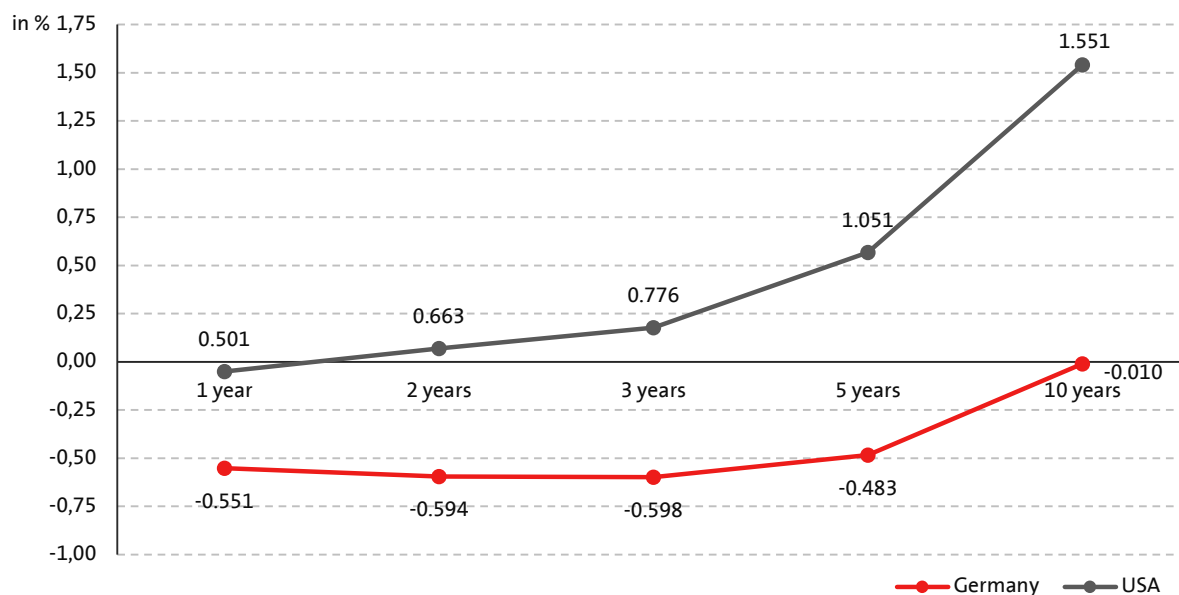
## 6. RISK MANAGEMENT

### 6.1 The business environment analysis in the second quarter of 2016

The macroeconomic situation of Europe or the euro area following the great financial and economic crisis is marked by a modest and uneven economic growth among the EU Member States, accompanied by low domestic demand and deflationary pressures. The single monetary policy of the euro area followed its forward guidance principle with the aim of achieving the target inflation rate of below but close to 2% on an annual level. In the second quarter of 2016 it still did not seem that the general price level would go in the direction of the set target. The growth rate of the annual harmonised index of consumer prices (HICP) for the euro area was 0% in the first quarter, in April -0.2% and only in May -0.1%. Industrial producer prices in the negative growth dynamics seen in April 2016 were falling at a record rate, even by 4.4% at an annual level. Loans to companies continue to experience a very slow growth and vary a lot by maturity (in April 2016 only by 0.9% year-on-year for the euro area). Under these circumstances, the European Central Bank (ECB) started to apply additional non-standard **quantitative easing measures** – the purchase of corporate bonds on the secondary market. In achieving its objective, it is limited by **negative spillover effects** or the cooling of the Chinese and other major emerging markets (Brazil, South Africa), which have an impact on the measured inflation rate through the prices of raw materials, energy products in particular, and which due to a steep decline in oil prices over a short period of time (by more than USD 50 a barrel) are reflected as a negative impact on the growth dynamics of non-energy sectors (IMF, Global Financial Stability Report, April 2016). The forecast of the rise in the ECB's baseline interest rate will therefore not be seen at least until the end of 2017.

Due to the situation in the labour market, the forecast for the rise of the FED's baseline interest rate has been pushed further into the future. At the end of the previous quarter, the ECB further increased the negative interest rate on the marginal deposit facility from -0.3% to -0.4% at an annual level. In June 2016, the financial institutions of the euro area even considered about monetising their deposits as keeping cash could result in fewer losses (Rabobank, Financial Markets Research, 9 June 2016). On 16 June 2016, financial markets recorded a historical phenomenon as the 10-year yield curve of the German government bonds fully entered negative territory for the first time. At the end of the second quarter of 2016, specifically on 23 June 2016, Great Britain voted to leave the European Union in a referendum, shaking financial markets in the short term, particularly the foreign exchange market, and bringing a great deal of uncertainty in the medium term. According to some estimates, at the end of the second quarter of 2016 **the exit of Great Britain from the EU** will have a negative impact on GDP in the EU (as measured in the period without GB) already in 2016 by 0.1 percentage point and in 2017 by 0.3 percentage point (Bloomberg survey of 43 economists conducted between 29 June and 1 July 2016).

*Return on German and US 10-year government bonds as at 16 June 2016 (the annual growth rate)*



Source: Bloomberg

In the current macroeconomic environment, **the insurance business is significantly impacted by the risks arising from the environment of low or negative interest rates**. In combination with increased volatility in returns on equity markets and a gradual growth in credit spreads on bond markets, both investment risk and credit risk have increased. According to the estimates made by the European Securities and Markets Authority (ESMA), the **situation on financial markets** and especially in securities markets has been at **high risk** since the third quarter of 2015 (ESMA, Report on Trends, Risks and Vulnerabilities, No. 1 2016). As assessed by the European Systemic Risk Board (ESRB), the composite indicator of systemic stress shows that the financial market volatility in the second quarter has slightly decreased compared to the first quarter of 2016 (ESRB Risk Dashboard, June 2016), but it has remained at a high level since the second half of 2015.

Following the great crisis, the economic recovery in the EU continued at an annual GDP growth rate of 1.7% in the first quarter of 2016. The problem remains the excess supply of liquidity over demand, even at extremely low interest rates. Despite the functioning of the ECB's transmission mechanism and its impact on the Slovene economy when extremely low lending interest rates of Slovene banks are already observed (for example, in March 2016 only German and Slovene interest rates on long-term corporate loans for investments were below the average of the euro area), the **liquidity trap** situation is still present in the Slovene economy, as well as in many other countries of the euro area, in addition to further extremely adapted or expansive monetary policy of the ECB in 2016. It is a situation in which significantly reduced lending rates of banks contribute only a little to the economic growth via lending and in which a fiscal policy may be more effective than a monetary policy, in particular through the stimulation of investments, such as infrastructure investments. Large and long-term corporate loans with the maturity of over 5 years are still very rare in Slovenia. In March 2016, the volume of new such loans granted by banks to companies amounted only to EUR 36 million, which however is more than last year. In April 2016, the total lending activity of banks with respect to corporate loans was over 10% on an annual basis, which is less than in the EU (ESRB Risk Dashboard, June 2016). Following the slight cooling of the economic growth in the first quarter of 2016 and considering the dynamics of the economic growth in 2015 when Slovenia exited the six-year-long double-dip recession or the economic and financial crisis, an active economic policy that would stimulate investments of the private sector would be more than welcome. In the second quarter of 2016, Slovenia officially eliminated the macroeconomic imbalances related mainly to the public financial

sector. However, in parallel with the recovery of the economy, **excess of savings over investment sharply increased**, i.e. the **gap** between them, particularly in the private sector. The possibility of deleveraging and restructuring of the Slovene economy and consequently increasing the gap between higher savings and relatively low investment stems from significant medium-term trade surplus between Slovenia and other countries. In the past twelve months to April 2016 (Bank of Slovenia, June 2016), Slovenia's current account surplus amounted to EUR 3.1 billion. In this period, trade in goods and trade in services recorded a surplus (EUR 2.0 billion or EUR 2.1 billion), whereas the primary and secondary income accounts recorded a deficit (EUR 0.5 billion each). Encouraging are the facts that in June the inflation rate measured with HICP was positive for the first time after 2014 and that the number of registered unemployed persons fell below 100 thousand for the first time after 2010. In the second quarter of 2016, Slovenia exited the Macroeconomic Imbalance Procedure, which allows a more active and independent economic policy. On 17 June 2016, the rating agency Standard & Poor's upgraded Slovenia's credit rating to »A« with a stable outlook.

Not only the interest margin of banks was under the pressure of the prolonged period of low or negative interest rates but **the prolonged period of negative interest rates and returns** also spread **within the financial sector** as the **contagion effect or contagion risk**, particularly to the largest institutional investors – insurance and pension companies. In such a situation, all financial intermediaries, some research even suggests (ESRB, Report on systemic risks in the EU insurance sector, December 2015) that insurance companies in particular, behave pro-cyclical and seek **alternative investments to achieve the set return** (search for yield behaviour), which raises the **potential risk of financial market shocks due to the fire sale** of financial instruments, which thus far represented reliable guarantee funds for the increasing (the lowering of discount rates) insurance obligations, especially those related to life insurance products with a guaranteed return. On 6 June 2016, the ESMA published the information about duplicate orders on equity markets.

## 6.2 Risk factors in the Triglav Group markets

The Triglav Group generates 83% of its income from insurance and reinsurance operations on the **Slovene** insurance market. The Group is strategically active in the Adria region markets.

According to the national accounts of the Statistical Office of the Republic of Slovenia (published on 31 May 2016), in the first quarter of 2016 Slovenia recorded solid economic growth, as it was **significantly above average compared to the euro area** (0.5% compared to the previous quarter and 2.5% compared to the same quarter of the preceding year). Growth continues to be driven by exports, while domestic demand is increasing gradually. Further deflationary pressures are not directed against the export sector because the conditions of foreign trade have improved over the last three and a half years (Macroeconomic Projections for Slovenia, Bank of Slovenia, June 2016). The bulk of indebted corporates, mainly dependent on the internal market, deleveraged and restructured. According to the Bank of Slovenia, at the end of April 2016 as many as 72 Master Restructuring Agreements were in effect (Financial Stability Review, Bank of Slovenia, June 2016). The problem of debt and deflation in Slovenia is potentially more concentrated on medium-sized, small and micro enterprises, which continued to account for a more important segment of bad loans in the banks' balance sheets. Interest rates for this segment are therefore still at a comparatively higher level. Household consumption is gradually picking up, particularly with respect to durables such as cars, apartments and furniture. The contribution of investment to gross domestic product (GDP) is again very negative. Gross fixed capital formation decreased by 8.2% as a result of the **decrease in investment in building and structures** by 27.2%; the drop was mitigated by investment in machinery and equipment, which



was up by 9.3%. Investments in machinery and equipment primarily included metal constructions and investment in transport equipment.

*The average annual value of the forecast variable for 2016–2021*

	GDP growth (constant prices)	Gross savings	Gross investments	Current account balance	Import of goods and services	Unemployment rate	Inflation rate
	% of growth at annual level	In % GDP	in % GDP	in % GDP	% of growth at annual level	in %	in %
Euro area	1.5	23.7	20.3	3.0	no data	9.4	1.3
<b>Slovenia</b>	<b>1.7</b>	<b>26.6</b>	<b>20.7</b>	<b>5.9</b>	<b>4.4</b>	<b>7.2</b>	<b>1.3</b>
Croatia	2.1	20.9	19.9	1.1	7.0	15.1	1.6
Serbia	3.2	15.5	19.8	-4.3	6.2	18.1	3.4
Macedonia	3.7	30.6	no data	-2.9	7.2	24.1	1.6
Montenegro	3.3	10.5	25.0	-14.5	3.5	no data	1.5
Bosnia and Herzegovina	3.6	14.4	20.0	-5.5	4.8	25.3	1.3
Kosovo	3.9	no data	no data	-8.2	5.5	no data	1.6
Albania	4.0	18.1	30.0	-11.9	4.2	16.2	2.7

Source: IMF, World Economic Outlook, April 2016

According to the IMF forecasts, on the one hand, the economic recovery **in strategic markets of the Triglav Group** will be more visible, but on the other, these markets will continue to experience a high unemployment rate, generally lower shares of savings in GDP, higher current account deficits, seasonal sensitivity to net inflows from abroad and imbalances in external positions. Apart from that, estimates point to increasing investments, growing involvement in international trade and openness of the economies, and a more modest inflation rate. According to official forecasts, in the observed period, trends in strategic markets will be mostly favourable but very gradual. The countries in the strategic markets of the Triglav Group pursue their own economic policies within various legal frameworks, which are being gradually harmonised with the EU. **Medium-term forecasts** for the implementation of the Strategy of the Triglav Group are **relatively favourable** provided that specific risks in individual markets will be adequately managed.

Reservations to invest in the long term or greater prudence in investing also depend on the global situation. A higher **potential increase in risks** was identified due to the **spillover effect**, i.e. the impact of seemingly unrelated factors both globally and regionally (e.g. a lower growth in the EU, Russia, China and transfer to the strategic markets of the Triglav Group).

The insurance markets of the Triglav Group are characterised by **strong price competition**. Following the great financial and economic crisis, in the reporting period a growth trend was seen in the volume of gross written premium, however the period of low general interest rates had a negative impact primarily on the growth trend of gross written premium from life insurance. Insurers face **competition with respect to the quality of services** or insurance products even before the necessary structural changes in the economies and **under the global pressures to converge the following four technologies**: social networks, mobile applications, analytics and cloud computing.

### 6.3 Main risk types

In pursuing the adopted business strategy in line with the defined risk appetite and the Solvency II Directive implemented in practice, the Triglav Group and the parent company identified four main risk types: underwriting, financial, operational and non-financial risks.

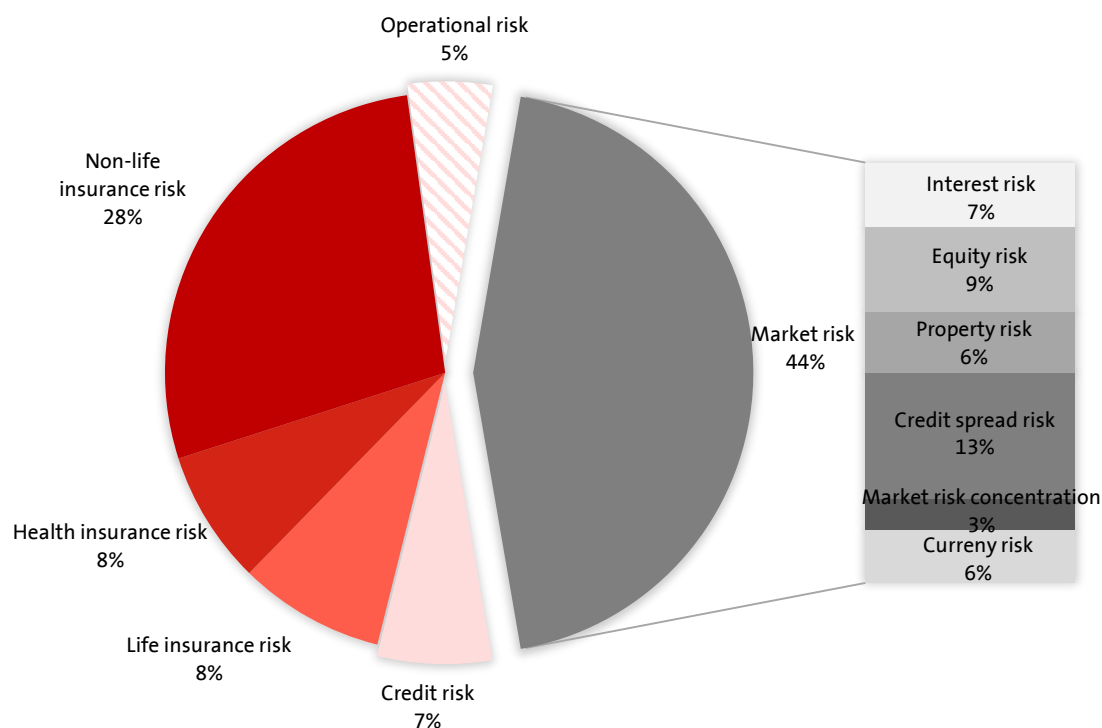
In line with the market valuation concept and considering potential risks in the future of the Solvency II Directive, it is necessary that at any given time the Triglav Group and Zavarovalnica

Triglav have sufficient capital, which allows them to assume a specific, measurable quantity of acceptable risks for the Group or the Company. The Triglav Group successfully introduced the complex Solvency II system (and within it an upgraded proactive risk management system) in all aspects of its operations. Considering the set strategic guidelines, the capital level of the Group adequately exceeds the target level of the risks underwritten by the Group, which ensures its long-term financial stability and profitability. As at 1 January 2016, the capital adequacy of the Triglav Group was 245%, already taking into account the dividend payments for 2015.

Under the previously described macroeconomic conditions and considering the Solvency II concept, underwriting and financial risks, particularly market risk, stand out the most. However, the main types of risks are increasingly interdependent in such circumstances. This is further underlined by diversification effects in the context of the solvency capital requirement calculation under the Solvency II Directive, requiring that an integrated risk management system be introduced in practice, which is a qualitative requirement.

According to the Solvency II methodology, almost half of the solvency capital requirements in the non-diversified gross sum of the capital requirements for the main risks of the Triglav Group arise from underwriting risk and 44% of the solvency capital requirements relate to market risk. Credit risk as a counterparty risk represents 7% of the solvency capital requirements, whilst operational risk accounts for 5% of the solvency capital requirements. The bulk of market risk, as the gross sum of non-diversified capital requirements of total main risks of the Triglav Group, is accounted for by credit spread risk (13%), followed by equity risk (9%), interest rate risk (7%), property risk and currency risk (6%), and market concentration risk representing the smallest share (3%).

*The main risk types of the Triglav Group in the solvency capital requirement as at 31 December 2015*



Source: Zavarovalnica Triglav

Considering the solvency requirement test calculations for 2014 and the described macroeconomic situation or external factors in 2015, the solvency capital requirements for

interest rate risk, credit spread risk, credit risk and equity risk increased the most in the available assets in relative terms. In contrast, the requirement related to concentration risk decreased the most in relative terms.

At the end of Q1 2016, the Group maintained the capital adequacy level and the solvency capital requirement structure as at the 2015 year-end.

### **Underwriting risk**

In the first three months of 2016 the coverage of provisions with financial assets increased in both segments of insurance operations compared to the same period of the previous year.

In comparison with 2015, the combined ratio in non-life insurance fell significantly due to the small number of claims, which is also reflected in a lower claims ratio. The expense ratio, however, slightly increased.

The best estimate of insurance technical provisions for non-life insurance increased in the first quarter of 2016, primarily as a result of higher liabilities arising from non-life annuities credited to the life insurance segment. Most differences occur due to the changed risk-free interest rate term structure, prescribed by the European Insurance and Occupational Pensions Authority (EIOPA), which reflects the expected prolonged period of low interest rates.

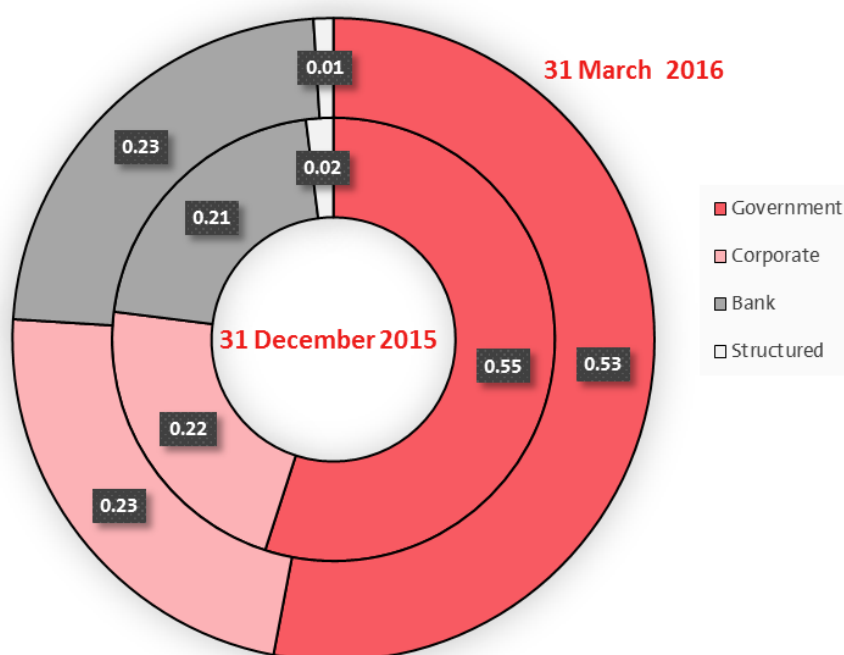
Compared to the end of 2015, in the first quarter of 2016 the underwriting risk management measures were strengthened by transferring the risks to reinsurance, which is reflected in a higher proportion of gross written premium transferred to reinsurance in both segments of the Group's core business.

A small number of natural disasters had a significant impact on the improvement of the combined ratio in non-life insurance. In contrast, the solvency capital requirements for various risks are increasing, in this case due to insurance concentration in the surroundings of Ljubljana, particularly with respect to earthquake insurance.

### **Market risk**

The Triglav Group and Zavarovalnica Triglav actively manage the assets of guarantee funds in the environment of low interest rates and returns. The measures aimed at mitigating interest rate risk also include appropriate derivatives. In the context of the defined risk appetite and limit systems, in the reporting period exposure to issuers of government bonds decreased, whereas exposure to issuers of corporate bonds increased. Financial market risks, which again cause market fragmentation and make the functioning of the transmission mechanism of the monetary policy more difficult, require better information about issuer rating and their ownership ties to other issuers of the same or other types of financial instruments. In this respect it is important to adequately manage credit spread risk.

### Structure of debt securities by issuer sector (excluding VEP)



Source: Zavarovalnica Triglav

Being a major investor in the Slovene government debt market, the Triglav Group and Zavarovalnica Triglav in particular are considerably exposed to the financial risks of the Slovene economy despite the lower volume of this portion of the portfolio.

Therefore, the main focus is on credit risk exposure, maintaining adequate credit ratings and an appropriately diversified asset and liability structure from reinsurance. The period of low interest rates also increases the difficulties in asset-liability maturity matching.

The low interest rate environment and the introduction of the lifecycle funds will significantly affect the investment structure, which was primarily based on debt securities. With the introduction of the lifecycle funds, the option to pursue higher returns not accessible to funds with a guaranteed return is allowed depending on the policyholder's age; in doing so, however, the investment risk is no longer borne by the fund manager but by the policyholder or saver. In the first quarter of 2016, investments in bond index funds and equity securities increased.

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

The existing weak effectiveness of an extremely flexible or expansionary monetary policy of the ECB, permanent presence of low interest rates and the related volatility in financial markets best describe the current position of the financial sector in the EU. After twenty years of low economic growth in Japan, well below its potential growth, the term **secular stagnation**, which defines such a situation, has started to be used to describe the developed economies of the West since 2013. Transmission of shocks between countries through imbalances in trade, export of capital and the consequent drop in interest rates or the **spillover effects between the economies and the contagion effects within them** (deflationary pressures resulting from the expected decline in sales prices decrease or hinder private investment and domestic demand, low interest rates shift income risk within the financial sector) are the external risk factors, which also affect insurance undertakings. Their resilience to extraordinary external shocks in 2016 is checked by

the European Insurance and Occupational Pensions Authority (EIOPA) in the context of the European Systemic Risk Board (ESRB). The banks' resilience to external shocks is checked through stress testing by the European Banking Authority (EBA), while the resilience of financial markets is tested by the European Securities and Markets Authority (ESMA).

In 2016, the EIOPA prepared two stress test scenarios for insurance undertakings:

- **The persistent low interest rate environment scenario**, which is based on secular stagnation.
- **The double-hit scenario**, which in addition to low interest rates anticipates shocks in all financial markets and consequently all investments of an insurance undertaking. The separate scenarios are very extreme (mainly exceeding those from 2014 in terms of severity) by individual financial markets and instruments. A simultaneous effect is expected.

Zavarovalnica Triglav will not only perform an assessment of the impact of stress scenarios on available own funds and the solvency position but will also examine potential actions to be taken and any additional qualitative improvements to the integrated risk management system at the Triglav Group level.

## **6.5 Internal audit**

In the first six 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 June 2016, there were 5,174 employees in the Triglav Group, which is 205 less than at the 2015 year-end. The number of employees went down foremost due to the sale of the Avrigo Group. The highest increase in number of employees was recorded in Triglav Osiguranje, Zagreb and Triglav Osiguranje, Belgrade due to strengthening of the internal sales network.

*Number of employees in the Triglav Group as at 30 June 2016*

Subsidiaries of the Triglav Group	Number of employees		Difference
	30 June 2016	31 December 2015	2016/2015
Zavarovalnica Triglav d.d., Ljubljana	2,368	2,341	27
Pozavarovalnica Triglav Re d.d., Ljubljana	46	46	0
Triglav, Zdravstvena zavarovalnica d.d., Koper	89	84	5
Skupna pokojninska družba d.d., Ljubljana	19	18	1
Triglav Osiguranje d.d., Zagreb	545	528	17
Triglav Osiguranje d.d., Sarajevo	251	243	8
Lovćen Osiguranje a.d., Podgorica	256	253	3
Triglav Osiguranje a.d.o., Belgrade	524	511	13
Triglav Osiguranje a.d., Banja Luka	86	83	3
Triglav Osiguruvanje a.d., Skopje	261	260	1
Lovćen životna osiguranja a.d., Podgorica	15	14	1
Triglav INT d.d., Ljubljana	22	24	-2
Triglav Skladi d.o.o., Ljubljana	41	41	0
Triglav Avtoservis d.o.o., Ljubljana	28	28	0
Triglav Svetovanje d.o.o., Domžale	85	81	4
Triglav, Upravljanje nepremičnin d.d., Ljubljana	155	149	6
Triglav Naložbe d.d., Ljubljana			0
Slovenijales d.d., Ljubljana			0
Golf Arboretum d.o.o., Volčji potok	4	11	-7
TRI-LIFE d.o.o., Zagreb	20	26	-6
Triglav upravljanje nekretninama d.o.o., Zagreb	1		1
Triglav Savetovanje d.o.o., Belgrade	11		11
TRI-PRO BH d.o.o., Sarajevo	51	41	10
Unis automobili i dijelovi d.o.o., Sarajevo	24	26	-2
Autocentar BH d.o.o., Sarajevo	43	43	0
Sarajevostan d.d., Sarajevo	125	124	1
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
<b>Total</b>	<b>5,174</b>	<b>5,379</b>	<b>-205</b>

### 7.2 Educational structure of employees

Compared to the 2015 year-end, the educational structure improved. The number of employees with post-secondary education as well as with masters or doctoral degrees increased, while the number of staff with secondary school education remained unchanged, the number with the primary education in contrast decreased.

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

Level of education	Employees as at 30 June 2016		Employees as at 31 December 2015	
	Number	Percentage	Number	Percentage
Level I-IV	1,085	21.0%	1,267	23.6%
Level V	1,497	28.9%	1,553	28.9%
Level VI	666	12.9%	622	11.6%
Level VII	1,751	33.8%	1,773	33.0%
Masters and PhD	175	3.4%	164	3.0%
<b>Total</b>	<b>5,174</b>	<b>100.0%</b>	<b>5,379</b>	<b>100.0%</b>

# FINANCIAL OVERVIEW



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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board herewith confirms the financial statements for the period from 1 January 2016 to 30 June 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 June 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 June 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, 9 August 2016

# 1. FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
<b>ASSETS</b>	<b>3,551,932,308</b>	<b>3,493,456,800</b>	<b>2,713,625,806</b>	<b>2,685,432,591</b>
Intangible assets	79,187,138	70,132,332	60,470,343	53,143,644
Property, plant and equipment	114,924,152	121,810,360	66,002,343	67,034,994
Deferred tax assets	15,200,861	15,993,688	0	0
Investment property	90,507,383	79,475,283	51,227,903	52,870,808
Investments in subsidiaries	0	0	128,867,506	134,689,036
Investments in associates	6,672,481	6,939,700	7,259,875	7,259,875
Financial assets	2,878,373,264	2,873,436,783	2,175,845,071	2,194,440,477
Financial investments:	2,448,600,058	2,408,702,860	1,763,862,380	1,747,850,916
- loans and deposits	141,039,140	183,872,219	64,266,679	108,581,747
- held to maturity	232,334,180	242,406,400	169,396,538	178,250,255
- available for sale	1,694,988,462	1,607,681,638	1,339,831,811	1,268,278,321
- recognised at fair value through profit and loss	380,238,276	374,742,603	190,367,352	192,740,593
Unit-linked insurance assets	429,773,206	464,733,923	411,982,691	446,589,561
Reinsurers' share of technical provisions	88,977,672	68,724,305	85,468,943	69,935,394
Receivables	199,631,637	166,443,733	108,372,695	95,716,726
- receivables from direct insurance operations	117,211,627	83,249,006	82,966,301	57,959,013
- receivables from reinsurance and co-insurance operations	41,285,797	42,823,668	6,431,793	12,219,198
- current tax receivables	619,187	301,273	0	0
- other receivables	40,515,026	40,069,786	18,974,601	25,538,515
Other assets	9,087,856	8,134,762	3,303,933	2,791,679
Cash and cash equivalents	68,349,688	47,928,768	26,807,194	7,549,958
Non-current assets held for sale	1,020,176	34,437,086	0	0
<b>EQUITY AND LIABILITIES</b>	<b>3,551,932,308</b>	<b>3,493,456,800</b>	<b>2,713,625,806</b>	<b>2,685,432,591</b>
Equity	693,062,944	704,044,499	514,124,948	530,560,272
Controlling interests	681,466,486	692,925,865	514,124,948	530,560,272
- share capital	73,701,392	73,701,392	73,701,392	73,701,392
- share premium	54,753,518	54,955,912	53,412,884	53,412,884
- reserves from profit	267,816,179	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	89,349,288	77,567,319	66,550,050	55,751,443
- net profit brought forward	166,658,620	104,503,874	39,494,040	7,210,810
- net profit for the year	33,508,800	85,802,552	29,603,939	57,817,462
- currency translation differences	-4,321,311	-4,510,483	0	0
- reserve of disposal group held for sale	0	-40,167	0	0
Non-controlling interests	11,596,458	11,118,634	0	0
Subordinated liabilities	17,705,855	18,752,252	21,101,607	21,101,278
Insurance technical provisions	2,240,976,500	2,143,395,211	1,685,935,896	1,614,944,129
- unearned premiums	315,598,349	252,057,956	229,123,059	180,558,991
- mathematical provisions	1,247,413,053	1,219,737,727	948,403,126	925,402,898
- claims provisions	645,613,973	642,687,051	482,029,901	486,247,722
- other insurance technical provisions	32,351,125	28,912,477	26,379,810	22,734,518
Insurance technical provisions for unit-linked insurance contracts	432,977,374	457,046,912	410,582,315	438,920,157
Employee benefits	12,259,247	12,225,131	9,436,474	9,189,038
Other provisions	3,467,992	3,854,844	479,591	381,762
Deferred tax liabilities	27,766,423	23,188,796	12,397,496	6,268,154
Other financial liabilities	4,413,265	3,784,282	3,413,327	1,752,990
Operating liabilities	53,625,605	48,388,725	26,274,490	23,886,713
- liabilities from direct insurance operations	18,451,345	16,617,928	11,015,662	10,985,581
- liabilities from reinsurance and co-insurance operations	32,844,690	28,053,630	13,043,695	10,264,596
- current tax liabilities	2,329,570	3,717,167	2,215,133	2,636,536
Other liabilities	65,677,103	66,341,975	29,879,662	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	
	H1 2016	H1 2015	H1 2016	H1 2015
<b>NET PREMIUM INCOME</b>	<b>415,610,355</b>	<b>418,161,855</b>	<b>252,192,448</b>	<b>261,182,610</b>
- gross written premium	506,562,659	507,788,152	329,874,768	333,867,108
- ceded written premium	-50,351,727	-46,670,279	-49,708,915	-43,709,352
- change in unearned premium reserve	-40,600,577	-42,956,018	-27,973,405	-28,975,146
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>60,330,988</b>	<b>152,944,411</b>	<b>45,304,423</b>	<b>139,361,868</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,946,202	3,441,683	9,560,527	19,359,986
- profit on equity investments accounted for using the equity method	17,733	988,440	0	0
- interest income	0	0	582,545	1,285,442
- dividends	0	0	62,153	18,057,864
- fair value gains	0	0	0	0
- realised gains on disposals	2,928,469	0	8,911,599	15,848
- other financial income	0	2,453,243	4,231	832
INCOME FROM OTHER FINANCIAL ASSETS	56,456,759	96,899,096	34,815,869	69,967,422
- interest income	34,830,158	35,777,878	24,237,547	23,730,614
- dividends	1,359,651	1,289,532	612,182	660,691
- fair value gains	8,704,959	19,935,745	2,702,431	13,627,040
- realised gains on disposals	10,143,349	32,851,678	6,960,523	28,838,579
- other financial income	1,418,642	7,044,263	303,186	3,110,498
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	928,027	52,603,632	928,027	50,034,460
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>3,184,136</b>	<b>4,599,300</b>	<b>10,815,784</b>	<b>9,901,397</b>
- fees and commission income	907,126	2,052,331	8,948,339	7,360,431
- other income from insurance operations	2,277,010	2,546,969	1,867,445	2,540,966
<b>OTHER INCOME</b>	<b>32,816,253</b>	<b>38,983,821</b>	<b>5,168,423</b>	<b>3,642,649</b>
<b>NET CLAIMS INCURRED</b>	<b>294,238,774</b>	<b>295,217,590</b>	<b>183,476,646</b>	<b>186,423,905</b>
- gross claims settled	301,098,453	298,741,375	198,123,825	195,070,188
- reinsurers' share	-7,100,188	-9,483,387	-8,225,329	-10,407,170
- changes in claims provisions	-3,240,268	2,071,529	-6,421,851	1,760,887
- equalisation scheme expenses for supplementary health insurance	3,480,777	3,888,073	0	0
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding UL)</b>	<b>21,288,655</b>	<b>20,814,579</b>	<b>16,654,551</b>	<b>10,889,817</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>-24,329,574</b>	<b>18,978,766</b>	<b>-28,337,842</b>	<b>16,924,922</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>3,662,454</b>	<b>3,363,256</b>	<b>2,661,656</b>	<b>2,331,001</b>
<b>OPERATING EXPENSES</b>	<b>103,206,298</b>	<b>99,534,455</b>	<b>72,384,664</b>	<b>69,175,960</b>
- acquisition costs	69,269,816	66,979,978	52,597,696	50,126,292
- other operating costs	33,936,482	32,554,477	19,786,968	19,049,668
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>36,559,173</b>	<b>68,261,041</b>	<b>24,287,180</b>	<b>73,374,073</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	137,379	1,007,803	550,684	20,504,703
- loss on investments accounted for using the equity method	137,379	142,650	0	0
- interest expense	0	0	0	0
- fair value losses	0	0	0	0
- realised loss on disposals	0	865,153	544,414	0
- loss on impairment of financial assets	0	0	0	20,468,378
- other expenses from financial assets and liabilities	0	0	6,270	36,325
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	26,696,831	46,351,356	15,298,972	32,960,736
- interest expense	812,877	1,080,251	662,387	907,400
- fair value losses	8,700,588	27,282,139	751,141	23,305,943
- realised loss on disposals	10,348,545	6,020,318	9,270,816	4,898,935
- loss on impairment of financial assets	2,105,195	2,463,090	2,103,997	0
- other expenses from financial assets and liabilities	4,729,626	9,505,558	2,510,630	3,848,458
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	9,724,963	20,901,882	8,437,524	19,908,634
<b>OTHER INSURANCE EXPENSES</b>	<b>7,062,035</b>	<b>8,515,226</b>	<b>3,472,400</b>	<b>3,796,694</b>
<b>OTHER EXPENSES</b>	<b>27,037,752</b>	<b>34,445,631</b>	<b>2,120,775</b>	<b>937,814</b>
<b>PROFIT BEFORE TAX</b>	<b>43,216,165</b>	<b>65,558,843</b>	<b>36,761,049</b>	<b>50,234,338</b>
Income tax expense	9,024,611	11,977,775	7,157,110	10,382,608
<b>NET PROFIT FOR THE PERIOD</b>	<b>34,191,554</b>	<b>53,581,068</b>	<b>29,603,939</b>	<b>39,851,730</b>
Earnings per share (basic and diluted)	1.50	2.36		
Net profit/loss attributable to the controlling company	33,508,800	53,175,295		
Net profit/loss attributable to the non-controlling interest holders	682,754	405,772		

in EUR

STATEMENT OF OTHER COMPREHENSIVE INCOME	Triglav Group		Zavarovalnica Triglav	
	H1 2016	H1 2015	H1 2016	H1 2015
<b>Net profit for the period after tax</b>	<b>34,191,554</b>	<b>53,581,068</b>	<b>29,603,939</b>	<b>39,851,730</b>
<b>Other comprehensive income after tax</b>	<b>11,760,253</b>	<b>-21,495,251</b>	<b>10,798,607</b>	<b>-20,838,009</b>
Items which will not be transferred in P&L in future periods	0	0	0	0
Fair value gains/losses on PP&E and intangible assets	0	0	0	0
Actuarial gains/losses for pension plans	0	0	0	0
Share of OCI of entities accounted for using the equity method	0	0	0	0
Other items which will not be transferred in P&L	0	0	0	0
Tax on items which will not be transferred in P&L	0	0	0	0
Items which could be transferred into P&L in future periods	11,760,253	-21,495,251	10,798,607	-20,838,009
Fair value gains/losses on available-for-sale financial assets	25,531,374	-43,569,343	24,911,516	-42,575,839
- net gains/losses recognized directly in equity	28,545,621	-26,834,817	25,644,111	-26,163,270
- transfers from equity to income statement	-3,014,247	-16,734,526	-732,594	-16,412,569
Fair value gains / losses on non-current assets held for sale	0	0	0	0
Fair value gains/losses on cashflow hedges	0	0	0	0
Share of OCI of entities accounted for using the equity method	293,217	-425,633	0	0
Liabilities from insurance contracts with DPF	-9,995,547	14,722,336	-9,995,547	14,722,336
Currency translation differences	185,265	311,660	0	0
Tax on other comprehensive income	-4,254,056	7,465,729	-4,117,363	7,015,494
<b>COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX</b>	<b>45,951,807</b>	<b>32,085,816</b>	<b>40,402,546</b>	<b>19,013,721</b>
Controlling interest	45,479,938	31,761,058	0	0
Non-controlling interest	471,869	324,758	0	0

Triglav Group	Reserves from profit													in EUR		
	Share capital	Share premium	Contingency reserves	Legal and statutory reserves	Treasury share reserves	Treasury shares (deductible item)	Credit risk reserves	Other reserves form profit	Fair value reserve	Reserve of disposal group held for sale	Net profit/loss brought forward	Net profit/loss	Translation differences	Total equity attributable to the controlling company	Equity attributable to non-controlling interest holders	TOTAL
<b>As at 31 December 2015</b>	<b>73,701,392</b>	<b>54,955,912</b>	<b>592,269</b>	<b>20,371,784</b>	<b>452,880</b>	<b>-452,880</b>	<b>33,281,412</b>	<b>246,700,001</b>	<b>77,567,319</b>	<b>-40,167</b>	<b>104,503,874</b>	<b>85,802,552</b>	<b>-4,510,483</b>	<b>692,925,865</b>	<b>11,118,634</b>	<b>704,044,499</b>
Calculations for previous periods	0	0	0	0	0	0	-33,280,648	0	0	0	33,280,648	0	0	0	0	0
<b>As at 1 January 2016</b>	<b>73,701,392</b>	<b>54,955,911</b>	<b>592,269</b>	<b>20,371,784</b>	<b>452,880</b>	<b>-452,800</b>	<b>763</b>	<b>246,700,001</b>	<b>77,567,319</b>	<b>-40,167</b>	<b>137,784,522</b>	<b>85,802,552</b>	<b>-4,510,483</b>	<b>692,925,865</b>	<b>11,118,634</b>	<b>704,044,499</b>
Comprehensive income for the period from 1 January 2016 to 30 June 2016	0	0	0	0	0	0	0	0	11,781,969	0	0	33,508,800	189,171	45,479,938	471,869	45,951,807
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	-56,777,090	0	0	-56,777,090	0	-56,777,090
Allocation and use of reserves for credit risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Allocation to reserves from profit	0	0	0	151,362	0	0	0	0	0	0	-151,362	0	0	0	0	0
Changes in consolidation area	0	-202,393	0	0	-88,200	88,200	0	0	0	40,167	0	0	0	-162,226	0	-156,271
External acquisition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>As at 30 June 2016</b>	<b>73,701,392</b>	<b>54,753,518</b>	<b>592,269</b>	<b>20,523,146</b>	<b>364,680</b>	<b>-364,600</b>	<b>763</b>	<b>246,700,001</b>	<b>89,349,288</b>	<b>0</b>	<b>166,658,620</b>	<b>33,508,800</b>	<b>-4,321,311</b>	<b>681,466,486</b>	<b>11,596,458</b>	<b>693,062,944</b>
<b>As at 1 January 2015</b>	<b>73,701,392</b>	<b>56,908,216</b>	<b>584,478</b>	<b>20,014,860</b>	<b>452,880</b>	<b>-452,880</b>	<b>32,431,700</b>	<b>246,700,001</b>	<b>94,940,029</b>	<b>1,214,258</b>	<b>96,705,983</b>	<b>62,769,801</b>	<b>-4,558,557</b>	<b>681,412,161</b>	<b>6,728,610</b>	<b>688,140,771</b>
Comprehensive income for the period from 1 January 2015 to 30 June 2015	0	0	0	0	0	0	0	0	-21,721,714	0	0	53,175,295	307,477	31,761,058	324,758	32,085,816
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	7,832	219,786	0	0	0	0	0	0	-227,599	0	0	19	-19	0
Changes in consolidation area	0	-2,002,459	0	0	0	0	0	0	0	-1,214,258	1,333,695	0	-119,437	-2,002,459	219,406	-1,783,053
External acquisition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,018,765	4,018,765
<b>As at 30 June 2015</b>	<b>73,701,392</b>	<b>54,905,757</b>	<b>592,310</b>	<b>20,234,646</b>	<b>452,880</b>	<b>-452,880</b>	<b>32,558,909</b>	<b>246,700,001</b>	<b>73,218,315</b>	<b>0</b>	<b>103,826,840</b>	<b>53,048,086</b>	<b>-4,370,517</b>	<b>654,415,739</b>	<b>11,291,520</b>	<b>665,707,259</b>

Zavarovalnica Triglav	Reserves form profit						in EUR		TOTAL
	Share capital	Share premium	Legal and statutory reserves	Credit risk reserves	Other reserves from profit	Fair value reserve	Net profit/loss brought forward	Net profit/loss	
<b>As at 31 December 2015</b>	<b>73,701,392</b>	<b>53,412,884</b>	<b>4,662,643</b>	<b>31,303,638</b>	<b>246,700,000</b>	<b>55,751,443</b>	<b>7,210,810</b>	<b>57,817,462</b>	<b>530,560,272</b>
Calculations for previous periods	0	0	0	-31,303,638	0	0	31,303,638	0	0
<b>As at 1 January 2016</b>	<b>73,701,392</b>	<b>53,412,884</b>	<b>4,662,643</b>	<b>0</b>	<b>246,700,000</b>	<b>55,751,443</b>	<b>38,514,448</b>	<b>57,817,462</b>	<b>530,560,272</b>
Comprehensive income for the period from 1 January 2016 to 30 June 2016	0	0	0	0	0	10,798,607	0	29,603,939	40,402,546
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
<b>As at 30 June 2016</b>	<b>73,701,392</b>	<b>53,412,884</b>	<b>4,662,643</b>	<b>0</b>	<b>246,700,000</b>	<b>66,550,050</b>	<b>39,494,040</b>	<b>29,603,939</b>	<b>514,124,948</b>
<b>As at 1 January 2015</b>	<b>73,701,392</b>	<b>53,412,884</b>	<b>4,662,643</b>	<b>30,615,282</b>	<b>246,700,000</b>	<b>73,221,229</b>	<b>38,565,461</b>	<b>23,121,576</b>	<b>544,000,468</b>
Comprehensive income for the period from 1 January 2015 to 30 June 2015	0	0	0	0	0	-20,838,009	0	39,851,730	19,013,721
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
<b>As at 30 June 2015</b>	<b>73,701,392</b>	<b>53,412,884</b>	<b>4,662,643</b>	<b>30,615,282</b>	<b>246,700,000</b>	<b>52,383,220</b>	<b>7,236,150</b>	<b>39,851,730</b>	<b>508,563,302</b>

## CASH FLOW STATEMENT

in EUR

	Triglav Group		Zavarovalnica Triglav	
	H1 2016	H1 2015	H1 2016	H1 2015
<b>A. OPERATING CASH FLOW</b>				
<b>Income statement items</b>	<b>46,347,409</b>	<b>63,761,028</b>	<b>27,712,219</b>	<b>37,917,846</b>
Operating income(excluding revaluation ) and financial income from operating receivables	504,529,768	529,039,697	290,429,895	296,582,841
Operating expenses excluding depreciation (except for revaluations) and financial expenses for operating liabilities	-450,770,408	-455,006,630	-257,151,140	-251,872,014
Corporate income tax and other taxes excluded from operating expenses	-7,411,951	-10,272,039	-5,566,536	-6,792,981
<b>Changes in net current assets (and deferred items, provisions and deferred tax assets and liabilities) and in operating balance-sheet items</b>	<b>-24,931,325</b>	<b>-37,827,995</b>	<b>-25,724,329</b>	<b>-26,169,455</b>
Movements in receivables and prepayments and accrued income	-16,285,947	-35,172,503	-20,582,059	-23,949,851
Movements in deferred tax assets	-2,094,231	-379,554	0	0
Movements in inventories	-201,995	373,788	-29,808	-17,695
Movements in operating debts	-1,853,949	-5,194,449	-707,942	-2,417,952
Movements in accruals and deferred income and provisions	-5,206,446	2,951,866	-4,404,520	216,041
Movements in deferred tax liabilities	711,243	-407,143	0	0
<b>OPERATING CASH FLOW</b>	<b>21,416,084</b>	<b>25,933,033</b>	<b>1,987,890</b>	<b>11,748,391</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash inflows from investing activities</b>	<b>814,378,368</b>	<b>1,133,452,095</b>	<b>660,528,832</b>	<b>906,876,552</b>
Cash inflows from interest received and profit sharing arising from investing activities	34,884,970	42,303,335	25,566,685	34,796,465
Income from dividends and profit sharing	377,962	652,284	10,019,793	18,313,551
Cash inflows from the disposal of intangible assets	0	19,625	0	0
Cash inflows from the disposal of property, plant and equipment	18,829,392	2,186,415	1,344,095	751,323
Cash inflows from the disposal of financial investments	746,097,329	1,081,828,136	609,409,543	849,748,230
Cash inflows for the acquisition of financial investments in associates	14,188,715	6,462,300	14,188,715	3,266,983
<b>Cash outflows from investing activities</b>	<b>-758,489,039</b>	<b>-1,127,753,647</b>	<b>-586,328,038</b>	<b>-894,394,493</b>
Cash outflows for the purchase of intangible assets	-2,775,355	-2,098,773	-2,353,842	-1,734,486
Cash outflows for the purchase of property, plant and equipment	-5,526,782	-4,915,163	-1,185,478	-19,948,867
Cash outflows for the purchase of financial investments	-750,186,902	-1,109,860,211	-582,788,718	-833,625,765
Cash outflows for the acquisition of financial investments in associates	0	-10,879,500	0	-39,085,375
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>55,889,329</b>	<b>5,698,448</b>	<b>74,200,794</b>	<b>12,482,059</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash inflows from financing activities</b>	<b>5,405</b>	<b>2,395,727</b>	<b>0</b>	<b>0</b>
Receipts from issuance of capital	5,405	0	0	0
Cash inflows from long-term loans received and debt securities issued	0	1,107,851	0	0
Cash inflows from short-term loans received	0	1,287,876	0	0
<b>Cash outflows from financing activities</b>	<b>-56,870,668</b>	<b>-2,233,650</b>	<b>-56,931,448</b>	<b>-1,844,921</b>
Interest paid from financing activities	-1,257,116	-1,785,000	-1,257,116	-1,785,000
Cash outflows for payments of financial liabilities	0	-388,729	0	0
Cash outflows from dividends paid and profit sharing	-55,613,552	-59,921	-55,674,332	-59,921
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-56,865,263</b>	<b>162,077</b>	<b>-56,931,448</b>	<b>-1,844,921</b>
<b>D. Opening balance of cash and cash equivalents</b>	<b>47,928,768</b>	<b>22,858,388</b>	<b>7,549,958</b>	<b>5,650,669</b>
<b>E1. Net cash flow for the period</b>	<b>20,440,150</b>	<b>31,793,558</b>	<b>19,257,236</b>	<b>22,385,529</b>
<b>E2. Mergers and acquisitions</b>	<b>0</b>	<b>15,456,540</b>	<b>0</b>	<b>0</b>
<b>E3. Foreign exchange differences</b>	<b>-19,230</b>	<b>12,930</b>	<b>0</b>	<b>0</b>
<b>F. Closing balance of cash and cash equivalents</b>	<b>68,349,688</b>	<b>70,121,416</b>	<b>26,807,194</b>	<b>28,036,198</b>



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

### **2.1 Statement of compliance**

The financial statements for the period from 1 January 2016 to 30 June 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 June 2016 have not been audited.

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

The same accounting policies as for the preparation of the annual financial statements for 2015 were used for the preparation of the financial statements for the first half year of 2016. As of 1 January 2016, credit risk equalisation reserves recognised under equity were reversed and the total amount of EUR 31,303,638 was transferred to the net profit brought forward. 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 first half year of 2016 was made by applying the average effective tax rate of 2015.

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

### **2.3 Seasonal operations**

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

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

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

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
BY SEGMENT**

30 June 2016

	Non-life	Life	Health	Other	TOTAL NON- CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
<b>ASSETS</b>	<b>1,757,585,960</b>	<b>1,881,549,786</b>	<b>52,185,368</b>	<b>187,144,999</b>	<b>3,878,466,113</b>	<b>-326,533,805</b>	<b>3,551,932,308</b>
Intangible assets	71,947,560	2,529,725	696,836	4,013,017	79,187,138	0	79,187,138
Property, plant and equipment	85,346,770	10,492,528	1,398,658	17,686,196	114,924,152	0	114,924,152
Deferred tax assets	11,965,378	1,285,143	440,443	1,509,897	15,200,861	0	15,200,861
Investment property	59,132,648	2,314,974	0	23,695,790	85,143,412	5,363,971	90,507,383
Investments in subsidiaries	130,987,512	11,629,098	0	59,838,588	202,455,198	-202,455,198	0
Investments in associates	0	4,084,917	0	2,587,564	6,672,481	0	6,672,481
Financial assets	997,465,115	1,806,800,827	45,425,415	45,129,073	2,894,820,430	-16,447,166	2,878,373,264
Financial investments:	997,465,115	1,377,027,621	45,425,415	45,129,073	2,465,047,224	-16,447,166	2,448,600,058
- loans and deposits	99,963,613	46,766,127	2,656,584	4,704,230	154,090,554	-13,051,414	141,039,140
- held to maturity	0	232,334,180	0	0	232,334,180	0	232,334,180
- available for sale	887,217,797	727,473,368	42,768,831	40,424,843	1,697,884,839	-2,896,377	1,694,988,462
- recognised at fair value through profit and loss	10,283,705	370,453,946	0	0	380,737,651	-499,375	380,238,276
Unit-linked insurance assets	0	429,773,206	0	0	429,773,206	0	429,773,206
Reinsurers' share of technical provisions	170,030,183	62,664	29,166	0	170,122,013	-81,144,341	88,977,672
Receivables	207,390,402	7,198,817	4,034,919	12,493,064	231,117,202	-31,485,565	199,631,637
- receivables from direct insurance operations	115,168,630	651,994	3,713,812	6,548	119,540,984	-2,329,357	117,211,627
- receivables from reinsurance and co-insurance operations	63,112,192	1,620	40,241	0	63,154,053	-21,868,256	41,285,797
- current tax receivables	601,742	154	0	17,291	619,187	0	619,187
- other receivables	28,507,838	6,545,049	280,866	12,469,225	47,802,978	-7,287,952	40,515,026
Other assets	4,795,205	97,489	132,011	4,428,657	9,453,362	-365,506	9,087,856
Cash and cash equivalents	18,525,187	35,053,604	27,920	14,742,977	68,349,688	0	68,349,688
Non-current assets held for sale	0	0	0	1,020,176	1,020,176	0	1,020,176
<b>EQUITY AND LIABILITIES</b>	<b>1,757,585,960</b>	<b>1,881,549,786</b>	<b>52,185,368</b>	<b>187,144,999</b>	<b>3,878,466,113</b>	<b>-326,533,805</b>	<b>3,551,932,308</b>
Equity	553,698,869	141,611,726	29,340,032	165,429,842	890,080,469	-197,017,525	693,062,944
Controlling interests	553,698,869	141,611,726	29,340,032	165,429,842	890,080,469	-208,613,983	681,466,486
- share capital	122,357,952	42,515,113	25,822,144	160,016,829	350,712,038	-277,010,646	73,701,392
- share premium	42,947,231	13,658,827	0	26,428,020	83,034,078	-28,280,560	54,753,518
- reserves from profit	222,938,121	47,036,140	102,761	1,956,708	272,033,730	-4,217,551	267,816,179
- fair value reserve	64,017,503	14,071,909	1,647,992	20,598,426	100,335,830	-10,986,542	89,349,288
- net profit brought forward	72,556,445	22,944,355	951,204	-54,404,600	42,047,404	124,611,216	166,658,620
- net profit for the year	31,463,526	2,408,708	815,931	11,589,055	46,277,220	-12,768,420	33,508,800
- currency translation differences	-2,581,909	-1,023,326	0	-754,596	-4,359,831	38,520	-4,321,311
- reserve of disposal group held for sale	0	0	0	0	0	0	0
Non-controlling interests	0	0	0	0	0	11,596,458	11,596,458
Subordinated liabilities	11,072,612	10,028,995	1,500,000	0	22,601,607	-4,895,752	17,705,855
Insurance technical provisions	1,036,380,878	1,272,772,729	13,055,444	0	2,322,209,051	-81,232,551	2,240,976,500
- unearned premiums	337,996,282	497,098	2,734,201	0	341,227,581	-25,629,232	315,598,349
- mathematical provisions	0	1,247,413,053	0	0	1,247,413,053	0	1,247,413,053
- claims provisions	672,877,025	19,234,425	9,027,092	0	701,138,542	-55,524,569	645,613,973
- other insurance technical provisions	25,507,571	5,628,153	1,294,151	0	32,429,875	-78,750	32,351,125
Insurance technical provisions for unit-linked insurance contracts	0	432,977,374	0	0	432,977,374	0	432,977,374
Employee benefits	9,251,843	1,863,609	375,083	768,712	12,259,247	0	12,259,247
Other provisions	1,236,756	1,538,187	216,924	476,125	3,467,992	0	3,467,992
Deferred tax liabilities	17,807,345	7,569,399	0	2,389,679	27,766,423	0	27,766,423
Other financial liabilities	3,461,566	1,610,469	49,292	1,899,113	7,020,440	-2,607,175	4,413,265
Operating liabilities	67,010,012	7,029,340	3,901,390	10,065	77,950,807	-24,325,202	53,625,605
- liabilities from direct insurance operations	8,219,105	7,017,346	3,813,557	0	19,050,008	-598,663	18,451,345
- liabilities from reinsurance and co-insurance operations	56,541,057	11,994	18,178	0	56,571,229	-23,726,539	32,844,690
- current tax liabilities	2,249,850	0	69,655	10,065	2,329,570	0	2,329,570
Other liabilities	57,666,079	4,547,958	3,747,203	16,171,463	82,132,703	-16,455,600	65,677,103
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0	0	0

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
BY SEGMENT**

31 December 2015

	Non-life	Life	Health	Other	TOTAL NON- CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
<b>ASSETS</b>	<b>1,679,001,567</b>	<b>1,889,678,781</b>	<b>50,604,574</b>	<b>210,850,496</b>	<b>3,830,135,418</b>	<b>-336,678,618</b>	<b>3,493,456,800</b>
Intangible assets	63,377,779	1,712,780	719,922	4,428,428	70,238,909	-106,577	70,132,332
Property, plant and equipment	86,951,057	10,775,245	1,441,300	24,002,591	123,170,193	-1,359,833	121,810,360
Deferred tax assets	14,008,148	1,289,370	560,675	511,746	16,369,939	-376,251	15,993,688
Investment property	62,922,320	2,340,472	0	14,260,530	79,523,322	-48,039	79,475,283
Investments in subsidiaries	133,536,347	11,644,151	0	55,021,301	200,201,799	-200,201,799	0
Investments in associates	0	4,206,493	0	5,516,391	9,722,884	-2,783,184	6,939,700
Financial assets	968,653,371	1,835,345,188	43,252,890	53,452,910	2,900,704,359	-27,267,576	2,873,436,783
Financial investments:	968,653,371	1,370,611,265	43,252,890	53,452,910	2,435,970,436	-27,267,576	2,408,702,860
- loans and deposits	99,310,574	91,929,553	3,450,433	12,631,671	207,322,231	-23,450,012	183,872,219
- held to maturity	0	242,406,400	0	0	242,406,400	0	242,406,400
- available for sale	858,642,721	671,189,004	39,802,457	40,821,239	1,610,455,421	-2,773,783	1,607,681,638
- recognised at fair value through profit and loss	10,700,076	365,086,308	0	0	375,786,384	-1,043,781	374,742,603
Unit-linked insurance assets	0	464,733,923	0	0	464,733,923	0	464,733,923
Reinsurers' share of technical provisions	135,405,518	18,982	9,264	0	135,433,764	-66,709,459	68,724,305
Receivables	192,056,461	7,410,928	4,543,950	21,340,783	225,352,122	-58,908,389	166,443,733
- receivables from direct insurance operations	81,032,421	590,747	3,609,052	0	85,232,220	-1,983,214	83,249,005
- 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
<b>EQUITY AND LIABILITIES</b>	<b>1,679,001,567</b>	<b>1,889,678,781</b>	<b>50,604,574</b>	<b>210,850,496</b>	<b>3,830,135,418</b>	<b>-336,678,618</b>	<b>3,493,456,800</b>
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 June 2016

	Slovenia	Other	TOTAL NON-CONSOLIDATED	Eliminations	TOTAL CONSOLIDATED
<b>ASSETS</b>	<b>3,492,051,218</b>	<b>386,414,895</b>	<b>3,878,466,113</b>	<b>-326,533,805</b>	<b>3,551,932,308</b>
Intangible assets	65,213,646	13,973,492	79,187,138	0	79,187,138
Property, plant and equipment	78,188,761	36,735,391	114,924,152	0	114,924,152
Deferred tax assets	14,560,019	640,842	15,200,861	0	15,200,861
Investment property	70,097,074	15,046,338	85,143,412	5,363,971	90,507,383
Investments in subsidiaries	190,478,208	11,976,990	202,455,198	-202,455,198	0
Investments in associates	6,672,481	0	6,672,481	0	6,672,481
Financial assets	2,683,139,531	211,680,899	2,894,820,430	-16,447,166	2,878,373,264
Financial investments:	2,270,955,836	194,091,388	2,465,047,224	-16,447,166	2,448,600,058
- loans and deposits	87,310,842	66,779,712	154,090,554	-13,051,414	141,039,140
- held to maturity	213,426,062	18,908,118	232,334,180	0	232,334,180
- available for sale	1,593,550,425	104,334,414	1,697,884,839	-2,896,377	1,694,988,462
- recognised at fair value through profit and loss	376,668,507	4,069,144	380,737,651	-499,375	380,238,276
Unit-linked insurance assets	412,183,695	17,589,511	429,773,206	0	429,773,206
Reinsurers' share of technical provisions	142,225,498	27,896,515	170,122,013	-81,144,341	88,977,672
Receivables	177,157,938	53,959,264	231,117,202	-31,485,565	199,631,637
- receivables from direct insurance operations	86,685,285	32,855,699	119,540,984	-2,329,357	117,211,627
- receivables from reinsurance and co-insurance operations	60,329,481	2,824,572	63,154,053	-21,868,256	41,285,797
- current tax receivables	301,113	318,074	619,187	0	619,187
- other receivables	29,842,059	17,960,919	47,802,978	-7,287,952	40,515,026
Other assets	7,263,397	2,189,965	9,453,362	-365,506	9,087,856
Cash and cash equivalents	56,034,489	12,315,199	68,349,688	0	68,349,688
Non-current assets held for sale	1,020,176	0	1,020,176	0	1,020,176
<b>EQUITY AND LIABILITIES</b>	<b>3,492,051,218</b>	<b>386,414,895</b>	<b>3,878,466,113</b>	<b>-326,533,805</b>	<b>3,551,932,308</b>
Equity	790,386,755	99,693,714	890,080,469	-197,017,525	693,062,944
Controlling interests	790,386,755	99,693,714	890,080,469	-208,613,983	681,466,486
- share capital	251,669,197	99,042,841	350,712,038	-277,010,646	73,701,392
- share premium	81,578,529	1,455,549	83,034,078	-28,280,560	54,753,518
- reserves from profit	255,111,471	16,922,259	272,033,730	-4,217,551	267,816,179
- fair value reserve	96,623,905	3,711,925	100,335,830	-10,986,542	89,349,288
- net profit brought forward	59,806,244	-17,758,840	42,047,404	124,611,216	166,658,620
- net profit for the year	45,597,409	679,811	46,277,220	-12,768,420	33,508,800
- currency translation differences	0	-4,359,831	-4,359,831	38,520	-4,321,311
- reserve of disposal group held for sale	0	0	0	0	0
Non-controlling interests	0	0	0	11,596,458	11,596,458
Subordinated liabilities	22,601,607	0	22,601,607	-4,895,752	17,705,855
Insurance technical provisions	2,104,262,709	217,946,342	2,322,209,051	-81,232,551	2,240,976,500
- unearned premiums	269,644,993	71,582,588	341,227,581	-25,629,232	315,598,349
- mathematical provisions	1,193,734,654	53,678,399	1,247,413,053	0	1,247,413,053
- claims provisions	613,017,246	88,121,296	701,138,542	-55,524,569	645,613,973
- other insurance technical provisions	27,865,816	4,564,059	32,429,875	-78,750	32,351,125
Insurance technical provisions for unit-linked insurance contracts	415,441,348	17,536,026	432,977,374	0	432,977,374
Employee benefits	10,745,452	1,513,795	12,259,247	0	12,259,247
Other provisions	2,602,029	865,963	3,467,992	0	3,467,992
Deferred tax liabilities	26,832,933	933,490	27,766,423	0	27,766,423
Other financial liabilities	5,413,912	1,606,528	7,020,440	-2,607,175	4,413,264
Operating liabilities	64,560,293	13,390,514	77,950,807	-24,325,202	53,625,605
- liabilities from direct insurance operations	15,534,504	3,515,504	19,050,008	-598,663	18,451,345
- liabilities from reinsurance and co-insurance operations	46,739,014	9,832,215	56,571,229	-23,726,539	32,844,690
- current tax liabilities	2,286,775	42,795	2,329,570	0	2,329,570
Other liabilities	49,204,180	32,928,523	82,132,703	-16,455,600	65,677,103
Non-current liabilities held for sale and discontinued operations	0	0	0	0	0

## STATEMENT OF FINANCIAL POSITION BY GEOGRAPHICAL AREA

31 December 2015

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

## CONSOLIDATED INCOME STATEMENT BY SEGMENT

	H1 2016				TOTAL
	Non-life	Life	Health	Other	
<b>NET PREMIUM INCOME</b>	<b>254,701,575</b>	<b>105,366,098</b>	<b>55,542,682</b>	<b>0</b>	<b>415,610,355</b>
- gross written premium	344,935,531	105,427,744	56,199,384	0	506,562,659
- ceded written premium	-50,344,469	-7,258	0	0	-50,351,727
- change in unearned premium reserve	-39,889,487	-54,388	-656,702	0	-40,600,577
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>24,773,056</b>	<b>34,260,248</b>	<b>475,797</b>	<b>821,887</b>	<b>60,330,988</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,928,469	699	0	17,034	2,946,202
- profit on equity investments accounted for using the equity method	0	699	0	17,034	17,733
- 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	21,844,587	33,331,522	475,797	804,853	56,456,759
- interest income	14,175,296	20,239,900	362,927	52,035	34,830,158
- dividends	405,273	305,580	0	648,798	1,359,651
- fair value gains	14,384	8,690,575	0	0	8,704,959
- realised gains on disposals	6,148,676	3,881,868	112,805	0	10,143,349
- other financial income	1,100,958	213,599	65	104,020	1,418,642
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	928,027	0	0	928,027
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>3,114,730</b>	<b>48,626</b>	<b>20,780</b>	<b>0</b>	<b>3,184,136</b>
- fees and commission income	861,988	45,138	0	0	907,126
- other income from insurance operations	2,252,742	3,488	20,780	0	2,277,010
<b>OTHER INCOME</b>	<b>3,192,677</b>	<b>45,354</b>	<b>40,216</b>	<b>29,538,006</b>	<b>32,816,253</b>
<b>NET CLAIMS INCURRED</b>	<b>146,052,378</b>	<b>99,037,302</b>	<b>49,149,094</b>	<b>0</b>	<b>294,238,774</b>
- gross claims settled	155,169,021	99,942,874	45,986,558	0	301,098,453
- reinsurers' share	-7,100,188	0	0	0	-7,100,188
- changes in claims provisions	-2,016,455	-905,572	-318,241	0	-3,240,268
- equalisation scheme expenses for supplementary health insurance	0	0	3,480,777	0	3,480,777
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>744,970</b>	<b>20,739,820</b>	<b>-196,135</b>	<b>0</b>	<b>21,288,655</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>0</b>	<b>-24,329,574</b>	<b>0</b>	<b>0</b>	<b>-24,329,574</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>3,655,559</b>	<b>6,895</b>	<b>0</b>	<b>0</b>	<b>3,662,454</b>
<b>OPERATING EXPENSES</b>	<b>81,487,975</b>	<b>16,567,983</b>	<b>5,150,340</b>	<b>0</b>	<b>103,206,298</b>
- acquisition costs	58,044,894	9,724,261	1,500,661	0	69,269,816
- other operating costs	23,443,081	6,843,722	3,649,679	0	33,936,482
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>11,216,109</b>	<b>25,163,848</b>	<b>21,384</b>	<b>157,832</b>	<b>36,559,173</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	0	60,093	0	77,286	137,379
- loss on investments accounted for using the equity method	0	60,093	0	77,286	137,379
- interest expense	0	0	0	0	0
- fair value losses	0	0	0	0	0
- realised loss on disposals	0	0	0	0	0
- loss on impairment of financial assets	0	0	0	0	0
- other expenses from financial assets and liabilities	0	0	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	11,216,109	15,378,792	21,384	80,546	26,696,831
- interest expense	482,231	292,116	0	38,530	812,877
- fair value losses	260,725	8,439,863	0	0	8,700,588
- realised loss on disposals	5,161,909	5,150,824	4,975	30,837	10,348,545
- loss on impairment of financial assets	2,105,188	7	0	0	2,105,195
- other expenses from financial assets and liabilities	3,206,056	1,495,982	16,409	11,179	4,729,626
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	9,724,963	0	0	9,724,963
<b>OTHER INSURANCE EXPENSES</b>	<b>6,718,141</b>	<b>153,685</b>	<b>190,209</b>	<b>0</b>	<b>7,062,035</b>
<b>OTHER EXPENSES</b>	<b>2,686,253</b>	<b>69,504</b>	<b>225</b>	<b>24,281,770</b>	<b>27,037,752</b>
<b>PROFIT BEFORE TAX</b>	<b>33,220,653</b>	<b>2,310,863</b>	<b>1,764,358</b>	<b>5,920,291</b>	<b>43,216,165</b>
Income tax expense	7,514,967	240,439	69,655	1,199,550	9,024,611
<b>NET PROFIT FOR THE PERIOD</b>	<b>25,705,686</b>	<b>2,070,424</b>	<b>1,694,703</b>	<b>4,720,741</b>	<b>34,191,554</b>
Net profit/loss attributable to the controlling company	25,318,836	1,801,307	1,694,703	4,693,954	33,508,800
Net profit/loss attributable to the non-controlling interest holders	386,850	269,117	0	26,787	682,754

## CONSOLIDATED INCOME STATEMENT BY SEGMENT

	H1 2015				
	Non-life	Life	Health	Other	TOTAL
<b>NET PREMIUM INCOME</b>	<b>254,938,964</b>	<b>108,915,256</b>	<b>54,307,635</b>	<b>0</b>	<b>418,161,855</b>
- gross written premium	344,068,722	108,976,547	54,742,883	0	507,788,152
- ceded written premium	-46,668,214	-2,065	0	0	-46,670,279
- change in unearned premium reserve	-42,461,544	-59,226	-435,248	0	-42,956,018
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>31,710,512</b>	<b>117,128,097</b>	<b>954,025</b>	<b>3,151,777</b>	<b>152,944,411</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	-191,412	2,453,242	0	1,179,853	3,441,683
- profit on equity investments accounted for using the equity method	0	0	0	988,440	988,440
- interest income	1	-1	0	0	0
- dividends	0	0	0	0	0
- fair value gains	0	0	0	0	0
- realised gains on disposals	-191,413	0	0	191,413	0
- other financial income	0	2,453,243	0	0	2,453,243
INCOME FROM OTHER FINANCIAL ASSETS	31,901,924	62,071,223	954,025	1,971,924	96,899,096
- interest income	15,832,138	19,439,956	429,517	76,267	35,777,878
- dividends	333,194	388,712	0	567,626	1,289,532
- fair value gains	1,771,423	17,417,220	0	747,102	19,935,745
- realised gains on disposals	8,863,706	23,094,525	524,505	368,942	32,851,678
- other financial income	5,101,463	1,730,810	3	211,987	7,044,263
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	52,603,632	0	0	52,603,632
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>4,391,513</b>	<b>177,736</b>	<b>30,051</b>	<b>0</b>	<b>4,599,300</b>
- fees and commission income	1,987,102	65,229	0	0	2,052,331
- other income from insurance operations	2,404,411	112,507	30,051	0	2,546,969
<b>OTHER INCOME</b>	<b>2,211,966</b>	<b>46,775</b>	<b>25,498</b>	<b>36,699,582</b>	<b>38,983,821</b>
<b>NET CLAIMS INCURRED</b>	<b>150,798,543</b>	<b>96,776,613</b>	<b>47,642,434</b>	<b>0</b>	<b>295,217,590</b>
- gross claims settled	158,446,926	97,142,112	43,152,337	0	298,741,375
- reinsurers' share	-9,483,387	0	0	0	-9,483,387
- changes in claims provisions	1,835,004	-365,499	602,024	0	2,071,529
- equalisation scheme expenses for supplementary health insurance	0	0	3,888,073	0	3,888,073
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>512,335</b>	<b>20,511,638</b>	<b>-209,394</b>	<b>0</b>	<b>20,814,579</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>0</b>	<b>18,978,766</b>	<b>0</b>	<b>0</b>	<b>18,978,766</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>3,361,580</b>	<b>1,676</b>	<b>0</b>	<b>0</b>	<b>3,363,256</b>
<b>OPERATING EXPENSES</b>	<b>78,669,189</b>	<b>16,168,959</b>	<b>4,696,307</b>	<b>0</b>	<b>99,534,455</b>
- acquisition costs	55,917,866	9,718,148	1,343,964	0	66,979,978
- other operating costs	22,751,323	6,450,811	3,352,343	0	32,554,477
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>11,830,890</b>	<b>54,013,460</b>	<b>164,385</b>	<b>2,252,307</b>	<b>68,261,042</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	0	87,598	0	920,205	1,007,803
- loss on investments accounted for using the equity method	0	87,598	0	55,052	142,650
- interest expense	0	0	0	0	0
- fair value losses	0	0	0	0	0
- realised loss on disposals	0	0	0	865,153	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	11,830,890	33,023,980	164,385	1,332,102	46,351,356
- interest expense	524,415	331,038	0	224,798	1,080,251
- fair value losses	507,975	26,033,018	0	741,146	27,282,139
- realised loss on disposals	1,204,537	4,305,684	145,488	364,609	6,020,318
- loss on impairment of financial assets	2,462,165	925	0	0	2,463,090
- other expenses from financial assets and liabilities	7,131,798	2,353,315	18,897	1,549	9,505,558
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	20,901,882	0	0	20,901,882
<b>OTHER INSURANCE EXPENSES</b>	<b>8,101,770</b>	<b>233,658</b>	<b>179,798</b>	<b>0</b>	<b>8,515,226</b>
<b>OTHER EXPENSES</b>	<b>1,940,192</b>	<b>73,325</b>	<b>805</b>	<b>32,431,309</b>	<b>34,445,631</b>
<b>PROFIT BEFORE TAX</b>	<b>38,038,456</b>	<b>19,509,769</b>	<b>2,842,874</b>	<b>5,167,743</b>	<b>65,558,843</b>
Income tax expense	9,687,285	1,778,177	119,089	393,224	11,977,775
<b>NET PROFIT FOR THE PERIOD</b>	<b>28,351,171</b>	<b>17,731,592</b>	<b>2,723,785</b>	<b>4,774,519</b>	<b>53,581,068</b>
Net profit/loss attributable to the controlling company	28,190,928	17,485,974	2,723,785	4,774,607	53,175,295
Net profit/loss attributable to the non-controlling interest holders	160,242	245,618	0	-88	405,772



in EUR

## CONSOLIDATED INCOME STATEMENT BY GEOGRAPHICAL AREA

	H1 2016		
	Slovenia	Other	TOTAL
<b>NET PREMIUM INCOME</b>	<b>344,751,045</b>	<b>70,859,310</b>	<b>415,610,355</b>
- gross written premium	420,312,638	86,250,021	506,562,659
- ceded written premium	-43,162,795	-7,188,932	-50,351,727
- change in unearned premium reserve	-32,398,798	-8,201,779	-40,600,577
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>55,472,365</b>	<b>4,858,623</b>	<b>60,330,988</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	2,946,202	0	2,946,202
- profit on equity investments accounted for using the equity method	17,733	0	17,733
- 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	51,598,136	4,858,623	56,456,759
- interest income	30,636,139	4,194,019	34,830,158
- dividends	1,288,769	70,882	1,359,651
- fair value gains	8,695,712	9,247	8,704,959
- realised gains on disposals	9,993,171	150,178	10,143,349
- other financial income	984,345	434,297	1,418,642
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	928,027	0	928,027
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>1,695,332</b>	<b>1,488,804</b>	<b>3,184,136</b>
- fees and commission income	521,186	385,940	907,126
- other income from insurance operations	1,174,146	1,102,864	2,277,010
<b>OTHER INCOME</b>	<b>29,858,473</b>	<b>2,957,780</b>	<b>32,816,253</b>
<b>NET CLAIMS INCURRED</b>	<b>256,258,067</b>	<b>37,980,707</b>	<b>294,238,774</b>
- gross claims settled	265,681,486	35,416,967	301,098,453
- reinsurers' share	-5,493,407	-1,606,781	-7,100,188
- changes in claims provisions	-7,410,789	4,170,521	-3,240,268
- equalisation scheme expenses for supplementary health insurance	3,480,777	0	3,480,777
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>19,731,130</b>	<b>1,557,525</b>	<b>21,288,655</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>-23,478,809</b>	<b>-850,765</b>	<b>-24,329,574</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>2,660,110</b>	<b>1,002,344</b>	<b>3,662,454</b>
<b>OPERATING EXPENSES</b>	<b>77,405,356</b>	<b>25,800,942</b>	<b>103,206,298</b>
- acquisition costs	52,383,731	16,886,085	69,269,816
- other operating costs	25,021,625	8,914,857	33,936,482
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>33,720,865</b>	<b>2,838,308</b>	<b>36,559,173</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	137,379	0	137,379
- loss on investments accounted for using the equity method	137,379	0	137,379
- interest expense	0	0	0
- fair value losses	0	0	0
- realised loss on disposals	0	0	0
- loss on impairment of financial assets	0	0	0
- other expenses from financial assets and liabilities	0	0	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	25,145,962	1,550,869	26,696,831
- interest expense	620,376	192,501	812,877
- fair value losses	8,571,867	128,721	8,700,588
- realised loss on disposals	10,339,616	8,929	10,348,545
- loss on impairment of financial assets	2,105,108	87	2,105,195
- other expenses from financial assets and liabilities	3,508,995	1,220,631	4,729,626
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	8,437,524	1,287,439	9,724,963
<b>OTHER INSURANCE EXPENSES</b>	<b>3,730,829</b>	<b>3,331,206</b>	<b>7,062,035</b>
<b>OTHER EXPENSES</b>	<b>22,684,138</b>	<b>4,353,614</b>	<b>27,037,752</b>
<b>PROFIT BEFORE TAX</b>	<b>39,065,529</b>	<b>4,150,636</b>	<b>43,216,165</b>
Income tax expense	8,989,894	34,717	9,024,611
<b>NET PROFIT FOR THE PERIOD</b>	<b>30,075,635</b>	<b>4,115,919</b>	<b>34,191,554</b>
Net profit/loss attributable to the controlling company	29,855,816	3,652,984	33,508,800
Net profit/loss attributable to the non-controlling interest holders	219,819	462,935	682,754

## CONSOLIDATED INCOME STATEMENT BY GEOGRAPHICAL AREA

	H1 2015		
	Slovenia	Other	TOTAL
<b>NET PREMIUM INCOME</b>	<b>349,094,157</b>	<b>69,067,698</b>	<b>418,161,855</b>
- gross written premium	420,506,222	87,281,930	507,788,152
- ceded written premium	-36,799,277	-9,871,002	-46,670,279
- change in unearned premium reserve	-34,612,788	-8,343,230	-42,956,018
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>143,468,611</b>	<b>9,475,800</b>	<b>152,944,411</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	3,441,683	0	3,441,683
- profit on equity investments accounted for using the equity method	988,440	0	988,440
- interest income	0	0	0
- dividends	0	0	0
- fair value gains	0	0	0
- realised gains on disposals	0	0	0
- other financial income	2,453,243	0	2,453,243
INCOME FROM OTHER FINANCIAL ASSETS	89,992,468	6,906,628	96,899,096
- interest income	31,308,031	4,469,847	35,777,878
- dividends	1,253,752	35,780	1,289,532
- fair value gains	19,333,560	602,185	19,935,745
- realised gains on disposals	31,957,594	894,084	32,851,678
- other financial income	6,139,531	904,732	7,044,263
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	50,034,460	2,569,172	52,603,632
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>2,826,143</b>	<b>1,773,157</b>	<b>4,599,300</b>
- fees and commission income	1,480,395	571,936	2,052,331
- other income from insurance operations	1,345,748	1,201,221	2,546,969
<b>OTHER INCOME</b>	<b>35,582,287</b>	<b>3,401,534</b>	<b>38,983,821</b>
<b>NET CLAIMS INCURRED</b>	<b>257,492,579</b>	<b>37,725,011</b>	<b>295,217,590</b>
- gross claims settled	258,255,401	40,485,974	298,741,375
- reinsurers' share	-6,863,031	-2,620,356	-9,483,387
- changes in claims provisions	2,212,136	-140,607	2,071,529
- equalisation scheme expenses for supplementary health insurance	3,888,073	0	3,888,073
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>21,078,295</b>	<b>-263,716</b>	<b>20,814,579</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>16,924,922</b>	<b>2,053,844</b>	<b>18,978,766</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>2,398,216</b>	<b>965,040</b>	<b>3,363,256</b>
<b>OPERATING EXPENSES</b>	<b>74,080,519</b>	<b>25,453,936</b>	<b>99,534,455</b>
- acquisition costs	50,199,207	16,780,771	66,979,978
- other operating costs	23,881,312	8,673,165	32,554,477
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>64,850,181</b>	<b>3,410,860</b>	<b>68,261,041</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	1,007,803	0	1,007,803
- loss on investments accounted for using the equity method	142,650	0	142,650
- 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	43,933,744	2,417,612	46,351,356
- interest expense	997,384	82,867	1,080,251
- fair value losses	27,151,084	131,055	27,282,139
- realised loss on disposals	5,563,327	456,991	6,020,318
- loss on impairment of financial assets	2,410,514	52,576	2,463,090
- other expenses from financial assets and liabilities	7,811,435	1,694,123	9,505,558
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	19,908,634	993,248	20,901,882
<b>OTHER INSURANCE EXPENSES</b>	<b>4,037,035</b>	<b>4,478,191</b>	<b>8,515,226</b>
<b>OTHER EXPENSES</b>	<b>29,807,065</b>	<b>4,638,566</b>	<b>34,445,631</b>
<b>PROFIT BEFORE TAX</b>	<b>60,302,386</b>	<b>5,256,457</b>	<b>65,558,843</b>
Income tax expense	11,977,775	0	11,977,775
<b>NET PROFIT FOR THE PERIOD</b>	<b>48,324,611</b>	<b>5,256,457</b>	<b>53,581,068</b>
Net profit/loss attributable to the controlling company	48,100,585	5,074,710	53,175,295
Net profit/loss attributable to the non-controlling interest holders	224,026	181,746	405,772

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

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

## STATEMENT OF FINANCIAL POSITION BY SEGMENT

	30 June 2016			31 December 2015		
	Non-life	Life	TOTAL	Non-life	Life	TOTAL
<b>ASSETS</b>	<b>1,215,114,316</b>	<b>1,514,282,171</b>	<b>2,729,396,487</b>	<b>1,174,656,551</b>	<b>1,533,101,808</b>	<b>2,707,758,359</b>
Intangible assets	57,975,991	2,494,352	60,470,343	51,469,624	1,674,020	53,143,644
Property, plant and equipment	56,674,239	9,328,104	66,002,343	57,485,007	9,549,987	67,034,994
Deferred tax assets	11,469,401	1,245,606	12,715,007	13,476,586	1,250,401	14,726,987
Investment property	49,945,488	1,282,415	51,227,903	51,575,234	1,295,574	52,870,808
Investments in subsidiaries	120,321,507	8,545,998	128,867,506	126,143,038	8,545,998	134,689,036
Investments in associates	0	7,259,875	7,259,875	0	7,259,875	7,259,875
Financial assets	714,778,639	1,461,066,432	2,175,845,071	699,630,730	1,494,809,747	2,194,440,477
Financial investments:	714,778,639	1,049,083,741	1,763,862,380	699,630,730	1,048,220,186	1,747,850,916
- loans and deposits	37,259,334	27,007,345	64,266,679	40,234,999	68,346,748	108,581,747
- held to maturity	0	169,396,538	169,396,538	0	178,250,255	178,250,255
- available for sale	669,905,028	669,926,783	1,339,831,811	651,006,775	617,271,546	1,268,278,321
- recognised at fair value through profit and loss	7,614,277	182,753,075	190,367,352	8,388,956	184,351,637	192,740,593
Unit-linked insurance assets	0	411,982,691	411,982,691	0	446,589,561	446,589,561
Reinsurers' share of technical provisions	85,413,273	55,670	85,468,943	69,916,901	18,493	69,935,394
Receivables	106,500,547	4,927,822	111,428,369	98,253,231	5,062,276	103,315,507
- receivables from direct insurance operations	82,479,535	486,766	82,966,301	57,484,337	474,676	57,959,013
- receivables from reinsurance and co-insurance operations	6,430,361	1,432	6,431,793	12,204,759	14,439	12,219,198
- current tax receivables	0	0	0	0	0	0
- other receivables	17,590,651	4,439,624	22,030,275	28,564,135	4,573,161	33,137,296
Other assets	3,300,888	3,045	3,303,933	2,784,635	7,044	2,791,679
Cash and cash equivalents	8,734,343	18,072,852	26,807,194	3,921,565	3,628,393	7,549,958
Non-current assets held for sale	0	0	0	0	0	0
<b>EQUITY AND LIABILITIES</b>	<b>1,215,114,316</b>	<b>1,514,282,171</b>	<b>2,729,396,487</b>	<b>1,174,656,551</b>	<b>1,533,101,808</b>	<b>2,707,758,359</b>
Equity	414,152,173	99,972,775	514,124,948	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	51,825,327	14,724,722	66,550,050	43,547,114	12,204,329	55,751,443
- net profit brought forward	36,183,163	3,310,877	39,494,040	4,828,190	2,382,620	7,210,810
- net profit for the year	28,609,413	994,526	29,603,939	39,644,710	18,172,752	57,817,462
Subordinated liabilities	11,072,612	10,028,995	21,101,607	11,072,611	10,028,667	21,101,278
Insurance technical provisions	713,124,857	972,811,039	1,685,935,896	667,217,986	947,726,143	1,614,944,129
- unearned premiums	228,650,509	472,550	229,123,059	180,141,569	417,422	180,558,991
- mathematical provisions	0	948,403,126	948,403,126	0	925,402,898	925,402,898
- claims provisions	463,722,691	18,307,210	482,029,901	467,032,829	19,214,892	486,247,722
- other insurance technical provisions	20,751,657	5,628,153	26,379,810	20,043,588	2,690,931	22,734,518
Insurance technical provisions for unit-linked insurance contracts	0	410,582,315	410,582,315	0	438,920,157	438,920,157
Employee benefits	7,764,761	1,671,713	9,436,474	7,559,612	1,629,426	9,189,038
Other provisions	479,591	0	479,591	381,762	0	381,762
Deferred tax liabilities	15,874,915	9,237,588	25,112,503	14,179,377	6,815,763	20,995,140
Other financial liabilities	2,914,577	498,750	3,413,327	1,752,990	0	1,752,990
Operating liabilities	20,613,130	5,661,360	26,274,490	18,165,801	5,720,912	23,886,713
- liabilities from direct insurance operations	5,362,038	5,653,624	11,015,662	5,270,069	5,715,512	10,985,581
- liabilities from reinsurance and co-insurance operations	13,035,959	7,736	13,043,695	10,259,196	5,400	10,264,596
- current tax liabilities	2,215,133	0	2,215,133	2,636,536	0	2,636,536
Other liabilities	29,117,700	3,817,636	32,935,336	37,468,491	8,558,389	46,026,880

## INCOME STATEMENT BY SEGMENT

	H1 2016			H1 2015		
	Non-life	Life	TOTAL	Non-life	Life	TOTAL
<b>NET PREMIUM INCOME</b>	<b>167,322,394</b>	<b>84,870,054</b>	<b>252,192,448</b>	<b>170,995,129</b>	<b>90,187,481</b>	<b>261,182,610</b>
- gross written premium	244,736,230	85,138,539	329,874,768	243,420,940	90,446,168	333,867,108
- ceded written premium	-49,495,559	-213,356	-49,708,915	-43,503,247	-206,105	-43,709,352
- change in unearned premium reserve	-27,918,277	-55,129	-27,973,405	-28,922,564	-52,582	-28,975,146
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>23,002,966</b>	<b>22,301,457</b>	<b>45,304,423</b>	<b>39,766,391</b>	<b>99,595,477</b>	<b>139,361,868</b>
INCOME FROM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATES	9,498,374	62,153	9,560,527	19,359,986	0	19,359,986
- interest income	582,545	0	582,545	1,285,442	0	1,285,442
- dividends	0	62,153	62,153	18,057,864	0	18,057,864
- fair value gains	0	0	0	0	0	0
- realised gains on disposals	8,911,599	0	8,911,599	15,848	0	15,848
- other financial income	4,231	0	4,231	832	0	832
INCOME FROM OTHER FINANCIAL ASSETS	13,504,592	21,311,277	34,815,869	20,406,405	49,561,017	69,967,422
- interest income	9,588,306	14,649,242	24,237,547	10,427,807	13,302,807	23,730,614
- dividends	328,572	283,610	612,182	293,655	367,036	660,691
- fair value gains	7,434	2,694,997	2,702,431	1,534,179	12,092,861	13,627,040
- realised gains on disposals	3,299,322	3,661,202	6,960,523	6,336,774	22,501,805	28,838,579
- other financial income	280,959	22,227	303,186	1,813,990	1,296,508	3,110,498
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	0	928,027	928,027	0	50,034,460	50,034,460
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>10,758,032</b>	<b>57,752</b>	<b>10,815,784</b>	<b>9,824,037</b>	<b>77,360</b>	<b>9,901,397</b>
- fees and commission income	8,890,654	57,685	8,948,339	7,283,071	77,360	7,360,431
- other income from insurance operations	1,867,378	67	1,867,445	2,540,966	0	2,540,966
<b>OTHER INCOME</b>	<b>3,416,208</b>	<b>1,752,215</b>	<b>5,168,423</b>	<b>1,632,298</b>	<b>2,010,351</b>	<b>3,642,649</b>
<b>NET CLAIMS INCURRED</b>	<b>93,876,354</b>	<b>89,600,292</b>	<b>183,476,646</b>	<b>100,582,720</b>	<b>85,841,185</b>	<b>186,423,905</b>
- gross claims settled	107,508,479	90,615,345	198,123,825	108,204,294	86,865,894	195,070,188
- reinsurers' share	-8,155,135	-70,193	-8,225,329	-9,809,619	-597,551	-10,407,170
- changes in claims provisions	-5,476,990	-944,860	-6,421,851	2,188,045	-427,158	1,760,887
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (excluding ULI)</b>	<b>708,069</b>	<b>15,946,482</b>	<b>16,654,551</b>	<b>1,273,207</b>	<b>9,616,610</b>	<b>10,889,817</b>
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>0</b>	<b>-28,337,842</b>	<b>-28,337,842</b>	<b>0</b>	<b>16,924,922</b>	<b>16,924,922</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>2,661,656</b>	<b>0</b>	<b>2,661,656</b>	<b>2,331,001</b>	<b>0</b>	<b>2,331,001</b>
<b>OPERATING EXPENSES</b>	<b>56,785,216</b>	<b>15,599,448</b>	<b>72,384,664</b>	<b>54,200,551</b>	<b>14,975,409</b>	<b>69,175,960</b>
- acquisition costs	42,005,752	10,591,943	52,597,695	39,801,886	10,324,406	50,126,292
- other operating costs	14,779,464	5,007,504	19,786,968	14,398,665	4,651,003	19,049,668
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>9,522,901</b>	<b>14,764,279</b>	<b>24,287,180</b>	<b>25,395,646</b>	<b>47,978,427</b>	<b>73,374,073</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN SUBSIDIARIES AND ASSOCIATES	550,684	0	550,684	20,504,703	0	20,504,703
- 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	0	0	0
- loss on impairment of financial assets	0	0	0	20,468,378	0	20,468,378
- other expenses from financial assets and liabilities	6,270	0	6,270	36,325	0	36,325
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	8,972,217	6,326,755	15,298,972	4,890,943	28,069,793	32,960,736
- interest expense	359,310	303,078	662,387	553,874	353,526	907,400
- fair value losses	150,663	600,478	751,141	408,290	22,897,653	23,305,943
- realised loss on disposals	4,530,058	4,740,758	9,270,816	1,092,863	3,806,072	4,898,935
- loss on impairment of financial assets	2,103,997	0	2,103,997	0	0	0
- other expenses from financial assets and liabilities	1,828,189	682,441	2,510,630	2,835,916	1,012,542	3,848,458
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	0	8,437,524	8,437,524	0	19,908,634	19,908,634
<b>OTHER INSURANCE EXPENSES</b>	<b>3,351,267</b>	<b>121,133</b>	<b>3,472,400</b>	<b>3,660,037</b>	<b>136,657</b>	<b>3,796,694</b>
<b>OTHER EXPENSES</b>	<b>2,068,053</b>	<b>52,722</b>	<b>2,120,775</b>	<b>882,106</b>	<b>55,708</b>	<b>937,814</b>
<b>PROFIT BEFORE TAX</b>	<b>35,526,085</b>	<b>1,234,964</b>	<b>36,761,049</b>	<b>33,892,587</b>	<b>16,341,751</b>	<b>50,234,338</b>
Income tax expense	6,916,672	240,438	7,157,110	8,604,431	1,778,177	10,382,608
<b>NET PROFIT FOR THE PERIOD</b>	<b>28,609,413</b>	<b>994,526</b>	<b>29,603,939</b>	<b>25,288,156</b>	<b>14,563,574</b>	<b>39,851,730</b>

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

### **Intangible assets**

In the reporting period, the carrying amount of intangible assets of the Triglav Group increased by EUR 9 million, mainly as the result of the increase in the long-term deferred acquisition costs amounting to EUR 9.5 million. In the reporting period, new purchases of intangible assets equalled EUR 2.7 million. In the first half year of 2016, amortisation reached EUR 3.2 million.

In the reporting period, the carrying amount of intangible assets of Zavarovalnica Triglav increased by EUR 7.3 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 2.3 million primarily relate to the purchase of licences and software. In the first six months of 2016, amortisation of intangible assets of Zavarovalnica Triglav amounted to EUR 2.3 million.

### **Property, plant, equipment and investment property**

In the first six months of 2016, the carrying amount of property, plant and equipment of the Triglav Group decreased by EUR 6.9 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 3.5 million.

The carrying amount of investment property increased by EUR 11 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 699 thousand.

In the reporting period, the carrying amount of property, plant and equipment of Zavarovalnica Triglav decreased by EUR 1 million, as did that of investment property by EUR 1.6 million. At the Company level, depreciation of property, plant and equipment amounted to EUR 2 million, whilst the depreciation of investment property equalled EUR 433 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 June 2016	in EUR			
	Triglav Group		Zavarovalnica Triglav	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and deposits	141,039,140	141,039,140	64,266,679	64,266,679
Held to maturity	232,334,180	291,112,715	169,396,538	221,816,059
Available for sale	1,694,988,462	1,694,988,462	1,339,831,811	1,339,831,811
Investments recognised at fair value	380,238,276	380,238,276	190,367,352	190,367,352
Unit-linked insurance assets	429,773,206	429,773,206	411,982,691	411,982,691
<b>Total</b>	<b>2,878,373,264</b>	<b>2,937,151,799</b>	<b>2,175,845,071</b>	<b>2,228,264,592</b>

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

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

### Triglav Group

Values as at 30 June 2016	in EUR				
	L&R	HTM	AFS	FVTPL	Total
Equity instruments	0	0	181,765,708	43,807,220	225,572,928
Debt instruments	23,985,578	232,334,180	1,513,201,946	334,915,237	2,104,436,941
Derivative financial instruments	0	0	0	1,515,817	1,515,817
Unit-linked financial assets	8,351,776	0	425,071	420,996,361	429,773,208
Loans	117,053,562	0	20,808	0	117,074,370
<b>Total</b>	<b>149,390,916</b>	<b>232,334,180</b>	<b>1,695,413,533</b>	<b>801,234,635</b>	<b>2,878,373,264</b>

Values as at 31 December 2015	in EUR				
	L&R	HTM	AFS	FVTPL	Total
Equity instruments	0	0	163,096,108	41,732,598	204,828,706
Debt instruments	26,085,118	242,406,400	1,444,564,404	330,301,091	2,043,357,013
Derivative financial instruments	0	0	0	2,708,914	2,708,914
Unit-linked financial assets	8,126,347	0	428,560	456,179,015	464,733,922
Loans	157,787,102	0	21,126	0	157,808,228
<b>Total</b>	<b>191,998,567</b>	<b>242,406,400</b>	<b>1,608,110,198</b>	<b>830,921,618</b>	<b>2,873,436,783</b>

## Zavarovalnica Triglav

in EUR					
Values as at 30 June 2016	L&R	HTM	AFS	FVTPL	Total
Equity instruments	0	0	128,853,466	1,054,605	129,908,072
Debt instruments	0	169,396,538	1,210,978,344	187,796,930	1,568,171,812
Derivative financial instruments	0	0	0	1,515,817	1,515,817
Unit-linked financial assets	8,178,439	0	0	403,804,251	411,982,691
Loans	64,266,679	0	0	0	64,266,679
<b>Total</b>	<b>72,445,118</b>	<b>169,396,538</b>	<b>1,339,831,811</b>	<b>594,171,604</b>	<b>2,175,845,071</b>

in EUR					
Values as at 31 December 2015	L&R	HTM	AFS	FVTPL	Total
Equity instruments	0	0	110,176,657	0	110,176,657
Debt instruments	0	178,250,255	1,157,177,539	190,031,679	1,525,459,473
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
<b>Total</b>	<b>116,539,400</b>	<b>178,250,255</b>	<b>1,268,278,321</b>	<b>631,372,501</b>	<b>2,194,440,477</b>

### Legend:

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

### Overview of financial assets according to valuation levels

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

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



## Triglav Group

				in EUR
<b>As at 30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	197,257,456	0	28,315,472	225,572,928
Debt securities	625,389,621	1,222,727,562	0	1,848,117,183
Derivative financial instruments	0	1,515,817	0	1,515,817
Unit-linked financial assets	341,341,220	80,080,212	0	421,421,432
<b>Total</b>	<b>1,163,988,297</b>	<b>1,304,323,591</b>	<b>28,315,472</b>	<b>2,496,627,360</b>

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

## Zavarovalnica Triglav

				in EUR
<b>As at 30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity securities	119,416,045	0	10,492,027	129,908,072
Debt securities	415,524,316	983,250,948	0	1,398,775,264
Derivative financial instruments	0	1,515,817	0	1,515,817
Unit-linked financial assets	324,171,219	79,633,034	0	403,804,252
<b>Total</b>	<b>859,111,580</b>	<b>1,064,399,798</b>	<b>10,492,027</b>	<b>1,934,003,405</b>

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

## Value assessment techniques and inputs used for measurement purposes

Financial investment type	Value assessment method	Material parameters	Parameter weight applied	Fair value
<b>EXTERNAL APPRAISERS (market operator)</b>				
Debt securities - composite	stochastic model, HW1f and HW2f network models	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, correlation matrix, volatility indices		level 2
Equity securities	stochastic model	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, interest rate volatility, volatility indices		level 2
Derivatives	Black-Scholes model	index volatility		level 2
<b>BLOOMBERG BVAL</b>				
<b>Debt securities</b>				
Debt securities - government	cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, indicative listings		level 2
Debt securities - companies and finan. institutions	cash flow discounting according to amortisation schedule	EUR SWAP interest rate curve, issuer credit spreads, comparable issuer credit spreads, indicative listings		level 2
<b>INTERNAL APPRAISERS</b>				
<b>Debt securities</b>				
Debt securities - government	cash flow discounting according to amortisation schedule	Republic of Slovenia interest rate yield curve	1y: -0.4061%, 2y: -0.1612%, 3y: -0.117%, 4y: 0.0058%, 5Y: 0.1949%, 6y: 0.4253 %, 7Y: 0.6047%, 8Y: 0.786%, 9y: 0.9682%, 10y: 1.1756%; credit spreads between 1% and 1.3%	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: -0.4061%, 2y: -0.1612%, 3y: -0.117%, 4y: 0.0058%, 5Y: 0.1949%, 6y: 0.4253 %, 7Y: 0.6047%, 8Y: 0.786%, 9y: 0.9682%, 10y: 1.1756%; credit spreads between 1% and 2.2%	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

	Triglav Group		Zavarovalnica Triglav	
	2016	2015	2016	2015
<b>As at 1 January</b>	<b>27,715,791</b>	<b>25,213,933</b>	<b>9,623,123</b>	<b>3,633,127</b>
Purchases	963,467	46,658	963,467	46,658
Disposals	-106,076	-134,601	-106,076	0
Revaluations through income statement	-80	0	0	0
Revaluations through Equity	-216,255	-103,631	11,513	43,391
Transfers from Level 1 and Level 2	-48,490	-488,484	0	0
Exchange rate differences	7,115	8,301	0	0
<b>As at 30 June</b>	<b>28,315,472</b>	<b>24,542,176</b>	<b>10,492,027</b>	<b>3,723,176</b>

In the first half year 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 2.1 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 six 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 the off-balance-sheet assets, Zavarovalnica Triglav increased assets under futures contracts in the amount of EUR 28.6 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.

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

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

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

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

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

On 26 January 2016, the capital increase of Lovćen Osiguranje a.d. was entered into the Companies Register. For this capital raise, the company issued 1,501,081 new shares at a nominal value of EUR 5 per share. Triglav INT d.d. paid in 1,500,000 shares totalling EUR 7.5 million, whilst the remaining 1,081 shares in the total amount of EUR 5,405 was paid in by minority shareholders. Following the capital raise, the equity stake of Triglav INT in the said company increased by 1.52 percentage point and stood at 96.47% as at 30 June 2016.

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

In June 2016, Triglav Osiguranje, d.d., Zagreb established a new real property company – Triglav Upravljanje Nekretninama, d.o.o. Its share capital was paid in by the in-cash contribution of HRK 20,000 and by the in-kind contribution of HRK 24,868,222. Triglav Osiguranje, d.d., Zagreb is the 100% owner of the said company. In the reporting period, the company was included into the consolidated financial statements of the Triglav Group for the first time.

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

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

## 2.8 Related party transactions

### Revenues of the Management and Supervisory Board

In the first six 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	76,682	1,837	37,601	42,592	23,502	1,968	1,271
Makoter Marica	72,848	1,837	36,402	39,508	15,690	1,923	236
Jošar Benjamin	72,848	2,232	36,402	39,199	15,290	3,078	459
Ivanc Uroš	72,848	1,837	21,998	34,685	15,721	611	788
Čoroli Tadej	72,848	1,837	21,998	34,880	15,675	335	1,533
<b>TOTAL</b>	<b>368,074</b>	<b>9,580</b>	<b>154,401</b>	<b>190,864</b>	<b>85,878</b>	<b>7,915</b>	<b>4,287</b>

\* Other additional payments include holiday allowances.

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

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

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

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

in EUR		
Surname and name	Receivables as at 30 June 2016	Liabilities as at 30 June 2016
Slapar Andrej	0	22,368
Makoter Marica	16	21,114
Jošar Benjamin	0	21,052
Ivanc Uroš	6	16,876
Čoroli Tadej	30	16,360
<b>TOTAL</b>	<b>52</b>	<b>97,770</b>

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

Surname and name	in EUR				
	Compensation	Attendance fee	Reimbursements	Total gross pay	Total net pay
Blažič Matija	5,422	1,320	351	7,093	5,159
Celar Peter	6,778	1,980	0	8,758	6,369
Gobbo Mario	8,133	2,860	11,231	22,224	14,640
Kastelic Gregor	8,675	1,705	3,202	13,582	10,527
Molan Boštjan	6,778	2,508	313	9,599	6,981
Nose Barbara*	2,708	1,925	0	4,633	3,370
Runjak Matej	10,166	2,453	0	12,619	9,178
Sotošek Ivan	6,778	2,585	493	9,856	7,168
Stankovič Rajko	6,778	2,860	0	9,638	7,009
Svoljšak Mitja*	732	660	0	1,392	1,012
<b>Total</b>	<b>62,948</b>	<b>20,856</b>	<b>15,590</b>	<b>99,394</b>	<b>71,413</b>

\* External committee member.

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

Surname and name	in EUR	
	Receivables as at 30 June 2016	Liabilities as at 30 June 2016
Blažič Matija	0	1,061
Celar Peter	0	1,316
Gobbo Mario	0	3,749
Kastelic Gregor	0	4,616
Molan Boštjan	0	1,193
Nose Barbara*	0	455
Sotošek Ivan	0	1,136
Stankovič Rajko	0	1,136
Stebernak Igor	0	879
Štimac Dubravko	157	0
<b>TOTAL</b>	<b>157</b>	<b>15,541</b>

\*External committee member

## Transactions with subsidiaries

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

	in EUR	
	30 June 2016	31 December 2015
<b>ASSETS</b>		
Shares	128,867,506	134,689,036
Debt securities and loans	11,578,598	18,223,726
Other financial investments	0	924,125
Receivables from insurers	2,361,891	1,914,689
Premium receivable from co-insurance	12,105	22,812
Receivables from re-insurers' share in claim	4,845,165	10,147,257
Other short-term receivables from insurance operation	18,006	18,060
Short term receivables from financing	3,809,730	13,656,652
Other short-term receivables	840,777	810,511
<b>LIABILITIES</b>		
Liabilities to policy holders	251,034	344,344
Liabilities to agents and brokers	296,742	294,961
Liabilities for co-insurance premiums	31,841	0
Liabilities for re-insurance premiums	9,435,895	9,028,603
Liabilities for co-insurers' share in claim	1,263	1,110
Other short-term liabilities	76,528	189,390

	in EUR	
	H1 2016	H1 2015
<b>INCOME AND EXPENSES</b>		
Gross written premium	6,873,667	6,010,746
Assumed co-insurance written premium	6,533	20,486
Decrease in co-insurers' share	-162,951	0
Outward re-insurance premium	-37,611,054	-38,746,672
Income from re-insurance commissions	7,064,006	6,442,871
Other income from insurance	2,225,947	2,331,846
Interest income	582,545	1,285,442
Income from land and buildings	241,024	79,321
Income from dividends	0	18,057,864
Income from disposal of financial assets	8,911,599	15,848
Other insurance income	709,079	1,332,491
Other income	96,007	101,328
<b>TOTAL INCOME</b>	<b>-11,063,598</b>	<b>-3,068,429</b>
<b>Gross claims settled</b>	<b>350,125</b>	<b>838,749</b>
Re-insurers' share	-7,389,228	-8,595,056
Co-insurers' share	153	1,205
Loss on disposals of financial assets	544,414	0
Other expenses	0	16,878
<b>TOTAL EXPENSES</b>	<b>-6,494,536</b>	<b>-7,738,224</b>

## Transactions with associates

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

in EUR

	Triglav Group		Zavarovalnica Triglav	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
<b>ASSETS</b>				
Shares	6,672,481	6,939,700	7,259,875	7,259,875
Receivables from insurers	52,967	987	52,749	769
Short-term receivables from financing	62,153	0	62,153	0
Other short-term receivables	169,211	0	0	0
<b>LIABILITIES</b>				
Liabilities to agents and brokers	21,269	19,681	21,269	18,480
Other short-term liabilities	432	553	0	0
Accrued expenses	1,118	116	0	0

	Triglav Group		Zavarovalnica Triglav	
	H1 2016	H1 2015	H1 2016	H1 2015
<b>INCOME AND EXPENSES</b>				
Gross written premium	83,542	90,298	82,337	89,125
Income from dividends	0	0	62,153	0
<b>TOTAL INCOME</b>	<b>83,542</b>	<b>90,298</b>	<b>144,490</b>	<b>89,125</b>
Gross claims settled	19,333	9,487	19,333	9,487
Acquisition costs	8,828	18,007	0	0
<b>TOTAL EXPENSES</b>	<b>28,161</b>	<b>27,494</b>	<b>19,333</b>	<b>9,487</b>

## 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 June 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 June 2016	30 June 2016
<b>ASSETS</b>		
Shares	12,474,883	7,695,577
Debt securities	140,143,993	95,516,807
Receivables from operations	639,288	57,051
Other assets	50,937,138	39,672,050
<b>LIABILITIES</b>		
Liabilities from operations	929,795	631,841
<b>INCOME</b>		
Gross written premium	15,759,522	15,535,423
Financial income	3,669,294	2,234,667
Other income	56,007	56,006
<b>EXPENSES</b>		
Gross claims settled	3,592,720	3,541,221
Financial expenses	234,105	96,569
Other expenses and costs	4,722,097	3,682,048



## 2.9 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 six months of 2016, as well as no material non-adjusting events.

On 1 July 2016, the S&P Global Ratings upgraded the long-term credit rating and the financial strength rating of the Triglav Group, and consequently of its parent company Zavarovalnica Triglav, from »A-« to »A«. Both credit ratings have a stable medium-term outlook.

On 29 July 2016, Triglav Upravljanje Nepremičnin, d.d. divested its 100% stake in its subsidiary Slovenijales trgovina, d.o.o. The effects of the sale will be recognised in the consolidated financial statements of the Triglav Group for the period from 1 January to 30 September 2016.

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. The effects of the acquisition will be recognised in the consolidated financial statements of the Triglav Group for the period from 1 January to 30 September 2016.

Triglav Osiguranje, a.d.o., Belgrade started the liquidation procedure of its subsidiary Pista, d.o.o. Any effects of liquidation will be recognised in the consolidated financial statements of the Triglav Group for the period from 1 January to 30 September 2016.