

9 Financial Standing of The Triglav Group and Zavarovalnica Triglav

- As at the reporting date, balance sheet total was up 2% and total equity capital was 6% higher compared to the previous year.
- Financial assets of the Triglav Group rose by 4%.

9.1 The Triglav Group

9.1.1 Equity and liabilities

+6%
Growth in
total equity capital of
the Triglav Group

The **total equity capital** as at 31 December 2016 amounted to EUR 744.3 million or 6% more than the previous year. The share of equity in total liabilities increased by 0.6 percentage point; from 20.2% to 20.8%. Equity attributable to the controlling company was up 6% and stood at EUR 734.0 million, while non-controlling interest holders had EUR 10.4 million, having decreased by 7%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary shares.

As a result of an increase in the value of available-for-sale financial assets, **fair value reserve** increased by 13% to EUR 87.7 million. **Share premium** decreased by 3%, amounting to EUR 53.5 million.

+14 %
Growth in
accumulated profit of
the Triglav Group

Over the reporting year, **reserves from profit** increased by 2% to EUR 305.5 million. They include legal and statutory reserves in the amount of EUR 20.6 million, contingency reserves of EUR 0.6 million and other reserves from profit of EUR 284.3 million, which increased by EUR 37.6 million. Credit risk equalisation reserves (equalisation reserves) of EUR 33.3 million were transferred to the net profit brought forward, which is described in greater detail in [→ *Section 9.2.1*].

Accumulated profit was 14% higher, amounting to EUR 217.4 million. In addition to net profit for the year, accumulated profit also includes EUR 173.2 million of net profit brought forward

(index 166). 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 preceding year and by EUR 5.2 million thanks to a release of credit risk equalisation reserves and went down by EUR 56.8 million due to dividend payments. Net profit for the year disclosed in the balance sheet totalled EUR 44.2 million (index 52), which was EUR 37.7 million less than net profit disclosed in the income statement. The amount of EUR 37.7 million of net profit for the year was allocated to reserves from profit (see [→ *Section 9.2.1*] for more details).

Subordinated liabilities decreased by 10% due to higher volume of inter-company transactions, which were excluded in consolidation. They accounted for 0.5% of total liabilities or EUR 16.9 million in nominal terms.

On the liabilities side, **gross insurance technical provisions** rose by 2% to EUR 2,660.8 million. Their portion in total liabilities remained unchanged compared to 2015 and stood at 74.4%. Mathematical provisions increased by 3%, reaching EUR 1,731.2 million. Claims provisions decreased by 1%. In contrast, provisions for gross unearned premiums and other insurance technical provisions experienced an increase of 5% and 6% respectively. Insurance technical provisions of the Triglav Group are discussed in greater detail under [→ *Section 7.8.1*].

Other financial liabilities totalled EUR 5.3 million and recorded a high growth of 40%, primarily as the result of a short-term loan taken out by a subsidiary. Their share accounted for 0.1% of total liabilities.

Operating liabilities as at the 2016 year-end totalled EUR 42.0 million or 13% below the figure reported one year earlier. In total balance sheet liabilities, they account for a 1.2% share. Liabilities from direct insurance operations decreased by 4% to EUR 16.0 million, whilst liabilities from co-insurance and reinsurance operations went down by 18% and reached EUR 23.1 million. Current tax liabilities amounted to EUR 2.9 million or 23% less than in 2015.

Employee benefits of EUR 13.6 million grew by 11%, whilst **other provisions** totalled EUR 4.0 million (index 103). **Deferred tax liabilities** increased by 10% to EUR 25.4 million, which was mainly due to higher liabilities as the result of higher fair value reserve from financial investments and the tax rate increase (from 17% to 19%).

Other liabilities decreased by 6% and stood at EUR 62.6 million, representing a 1.8% share of total liabilities. As at the reporting date **liabilities arising from non-current assets held for sale** were not formed.

9.1.2 Assets

Financial assets as at the 2016 year-end totalled EUR 2,974.3 million and were 4% above the figure reported one year earlier. Their share accounted for 83.2% of total assets. **Unit-linked insurance assets** amounted to EUR 460.0 million and **financial investments** to EUR 2,514.3 million. The bulk of financial assets was accounted for by available-for-sale financial assets, which totalled EUR 1,738.0 million. In total financial investments, EUR 231.3 million by investments held to maturity, EUR 148.7 million was accounted for by deposits and loans, and EUR 396.2 million by investments recognised at fair value through profit/loss. The structure of financial assets is discussed in greater detail under [[→ Section 7.9.1.](#)]

Financial investments in associates of the Triglav Group amounted to EUR 6.8 million, having decreased by 2% (a 0.2% share in total assets), as a result of a negative result of one of the associates.

Investment property climbed by 21% and amounted to EUR 95.8 million, accounting for 2.7% of total assets. For details see [[→ Section 7.9.1.](#)]

Receivables totalled EUR 152.9 million, which was 8% less compared to the previous year. They accounted for 4.3% of total assets, of which receivables from direct insurance operations accounted for the bulk, totalling EUR 84.1 million (index 101). Receivables from co-insurance and reinsurance operations reached EUR 35.1 million (index 82), other receivables stood at EUR 32.9 million (index 82) and current tax receivables at EUR 890 thousand (index 296).

Insurance technical provisions transferred to reinsurance contracts stood at EUR 77.1 million, having increased by 12% compared to 31 December 2015. Assets from reinsurance contracts from claim provisions were 13% higher and totalled EUR 57.9 million, while those from unearned premiums were up by 8% and equalled EUR 19.2 million.

Property, plant and equipment totalled EUR 107.9 million (index 89), representing 3.0% of total assets. **Intangible assets** amounted to EUR 73.8 million (index 105), accounting for 2.1% of total assets.

Cash and cash equivalents increased by 37% or EUR 65.7 million nominally; whilst **other assets** totalled EUR 3.6 million (index 45). Compared to the 2015 year-end, **deferred tax receivables** fell by 1% to EUR 15.8 million.

Non-current assets held for sale equalled EUR 1.0 million due to the planned sale of specific land plots and buildings. As at the 2015 year-end, non-current assets held for sale amounted to EUR 34.4 million due to the planned sale of the Avrigo Group and the sale of the land plot to Ikea.

+4%
Higher financial assets
than the year before

Balance sheet of the Triglav Group as at 31 December 2016 – according to IFRS

	31 December 2016	31 December 2015	Index	2016 structure	2015 structure
ASSETS	3,574,885,423	3,493,456,800	102	100.0%	100.0%
Intangible assets	73,823,588	70,132,332	105	2.1%	2.0%
Property, plant and equipment	107,933,428	121,810,360	89	3.0%	3.5%
Deferred tax assets	15,793,114	15,993,688	99	0.4%	0.5%
Investment property	95,842,720	79,475,283	121	2.7%	2.3%
Investments in associates	6,826,400	6,939,700	98	0.2%	0.2%
Financial assets	2,974,303,281	2,873,436,783	104	83.2%	82.3%
Financial investments:	2,514,320,459	2,408,702,860	104	70.3%	68.9%
- loans and deposits	148,731,638	183,872,219	81	4.2%	5.3%
- held to maturity	231,342,393	242,406,400	95	6.5%	6.9%
- available for sale	1,738,043,072	1,607,681,638	108	48.6%	46.0%
- recognised at fair value through profit and loss	396,203,356	374,742,603	106	11.1%	10.7%
Unit-linked insurance assets	459,982,822	464,733,923	99	12.9%	13.3%
Reinsurers' share of insurance technical provisions	77,084,783	68,724,305	112	2.2%	2.0%
Receivables	152,921,089	166,443,733	92	4.3%	4.8%
- receivables from direct insurance operations	84,059,166	83,249,006	101	2.4%	2.4%
- receivables from reinsurance and co-insurance operations	35,099,850	42,823,668	82	1.0%	1.2%
- current tax receivables	890,276	301,273	296	0.0%	0.0%
- other receivables	32,871,797	40,069,786	82	0.9%	1.1%
Other assets	3,622,253	8,134,762	45	0.1%	0.2%
Cash and cash equivalents	65,714,474	47,928,768	137	1.8%	1.4%
Non-current assets held for sale	1,020,293	34,437,086	3	0.0%	1.0%
EQUITY AND LIABILITIES	3,574,885,423	3,493,456,800	102	100.0%	100.0%
Equity	744,349,747	704,044,499	106	20.8%	20.2%
Controlling interests	733,955,514	692,925,865	106	20.5%	19.8%
- share capital	73,701,392	73,701,392	100	2.1%	2.1%
- share premium	53,488,690	54,955,912	97	1.5%	1.6%
- reserves from profit	305,535,457	300,945,466	102	8.5%	8.6%
- treasury share reserves	364,680	452,880	81	0.0%	0.0%
- treasury shares	-364,680	-452,880	81	0.0%	0.0%
- fair value reserve	87,735,128	77,567,319	113	2.5%	2.2%
- net profit/loss brought forward	173,192,869	104,503,874	166	4.8%	3.0%
- net profit/loss for the year	44,216,477	85,802,552	52	1.2%	2.5%
- currency translation differences	-3,914,499	-4,510,483	87	-0.1%	-0.1%
- reserve of disposal group held for sale	0	-40,167	0	0.0%	0.0%
Non-controlling interests	10,394,233	11,118,634	93	0.3%	0.3%
Subordinated liabilities	16,869,102	18,752,252	90	0.5%	0.5%
Insurance technical provisions	2,203,105,224	2,143,395,211	103	61.6%	61.4%
- unearned premiums	263,639,620	252,057,956	105	7.4%	7.2%
- mathematical provisions	1,273,538,608	1,219,737,727	104	35.6%	34.9%
- claims provisions	635,240,895	642,687,051	99	17.8%	18.4%
- other insurance technical provisions	30,686,101	28,912,477	106	0.9%	0.8%
Insurance technical provisions for unit-linked insurance contracts	457,683,091	457,046,912	100	12.8%	13.1%
Employee benefits	13,550,264	12,225,131	111	0.4%	0.3%
Other provisions	3,971,217	3,854,844	103	0.1%	0.1%
Deferred tax liabilities	25,400,544	23,188,796	110	0.7%	0.7%
Other financial liabilities	5,288,693	3,784,282	140	0.1%	0.1%
Operating liabilities	42,028,195	48,388,725	87	1.2%	1.4%
- liabilities from direct insurance operations	16,020,020	16,617,928	96	0.4%	0.5%
- liabilities from reinsurance and co-insurance operations	23,129,245	28,053,630	82	0.6%	0.8%
- current tax liabilities	2,878,930	3,717,167	77	0.1%	0.1%
Other liabilities	62,639,346	66,341,975	94	1.8%	1.9%
Liabilities arising from long-term assets held for sale	0	12,434,173	0	0.0%	0.4%

Financial standing ratios of the Triglav Group

Financial standing ratios	2016	2015	2014
The portion of equity in total liabilities	20.8%	20.2%	21.0%
Average equity balance as % of gross written premium	77.4%	75.7%	72.0%
Return on equity	11.4%	12.8%	13.4%
Share of gross insurance technical provisions in total liabilities	74.4%	74.4%	71.2%
Average balance of gross insurance technical provisions as % of gross written premium	281.0%	268.4%	258.7%
Financial assets to total assets ratio	83.2%	82.3%	80.0%
Financial assets to gross insurance technical provisions ratio	111.8%	110.5%	112.2%

9.2 Zavarovalnica Triglav

The **total balance sheet** of Zavarovalnica Triglav as at the reporting date amounted to EUR 2,740.3 million or 2% more compared to 2015.

9.2.1 Equity and liabilities

+6%
**Growth in
total equity capital**

The **total equity capital** increased by 6% and reached EUR 563.4 million. The share of equity in the balance sheet total was up 0.8 percentage point, from 19.8% to 20.6%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary registered no-par value shares.

As a result of an increase in the value of available-for-sale financial assets, fair value reserve increased by 16% to EUR 64.9 million. Share premium remained unchanged, amounting to EUR 53.4 million. Over the reporting year, reserves from profit grew by 2% to EUR 289.0 million. They include legal and statutory reserves in the amount of EUR 4.7 million and other reserves from profit of EUR 284.3 million, which increased by EUR 37.6 million. Credit risk equalisation reserves (equalisation reserves) of EUR 31.3 million were transferred to the net profit brought forward. As of 1 January 2016, the Insurance Act (ZZavar-1) entered into effect, which does not prescribe such reserves any longer.

As at 31 December 2016, accumulated profit for the year was EUR 82.4 million (index 127), including net profit for the year and net profit brought forward of EUR 44.7 million (index 620). Due to the above-mentioned transfer of credit risk equalisation reserves, the net profit brought forward rose by EUR 31.1 million and by EUR 57.8 million thanks to the transfer of net profit for the preceding year and by EUR 5.2 million thanks to a release of credit risk equalisation reserves, whereas it went down by EUR 56.8 million due

to dividend payments. Net profit for the year disclosed in the balance sheet totalled EUR 37.7 million, which was EUR 37.6 million less than net profit disclosed in the income statement, as the Company in compliance with the Companies Act used part of the net profit to form other reserves from profit. According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit to other reserves, however only up to one half of the net profit remaining after statutory allocations.

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

On the liabilities side, **gross insurance technical provisions** increased by 1% and stood at EUR 2,076.3 million. In the balance sheet total, their share decreased by 0.7 percentage point, from 76.5 to 75.8%. As at 31 December 2016, mathematical provisions amounted to EUR 1,390.4 million, which represented an increase of 2% over the end of the previous year. Provisions for gross unearned premiums and other insurance technical provisions increased by 4% and 15% respectively. Gross claims provisions decreased by 3%. Insurance technical provisions are discussed in greater detail in [→ Section 7.8.2]

Other financial liabilities, accounting for only 0.1% of total liabilities, which is the same as the 2015 figure and amounted to EUR 1.9 million (index 106).

Operating liabilities grew by 2% compared to the 2015 year-end, amounting to EUR 24.5 million and maintaining the same share of 0.9% of the total balance sheet liabilities. Liabilities from direct insurance operations climbed by 2% to EUR 11.2 million, whilst liabilities from co-insurance and reinsurance operations went up by 12% and reached EUR 11.5 million. Current tax liabilities equalled EUR 1.7 million (index 66).

Employee benefits increased by 15% and amounted to EUR 10.5 million, whilst other provisions amounted to EUR 690 thousand (index 181). Deferred tax liabilities increased by 13%, which was mainly due to higher liabilities as the result of higher fair value reserve from financial investments and the tax rate increase (from 17% to 19%), totalling EUR 7.1 million.

Other liabilities shrunk by 9% to EUR 34.9 million nominally and accounted for 1.3% of total liabilities.

9.2.2 Assets

Financial assets went up by 2% to EUR 2,246.5 million. Their share in total assets was up 0.3 percentage point, accounting for an 82.0%. **Unit-linked insurance assets** amounted to EUR 434.0 million and **financial investments** to EUR 1,812.5 million. In total financial investments, EUR 82.4 million was accounted for by deposits and loans, EUR 169.0 million by investments held to maturity, EUR 1,365.4 million by investments available for sale and EUR 195.7 million by investments recognised at fair value through profit/loss. The structure of financial assets is discussed in greater detail in [[→ Section 7.9.2](#)]

Financial investments in subsidiaries and associates fell by 1% and totalled EUR 140.1 million and represented a 5.1% share of total assets. Financial investments in subsidiaries were down 3% to EUR 130.6 million as a result of the sale of Avrigo. Financial investments in associates increased by 31% to EUR 9.5 million as a result of revaluation of Nama.

Investment property fell by 6% to EUR 49.6 million. Their share in total assets accounted for 1.8%, which was 0.2 percentage point less than in the previous year (see [[→ Section 7.9.2](#)] for more details).

Compared to 31 December 2015, **receivables** decreased by 21% to EUR 75.9 million, representing 2.8% of total financial assets, of which receivables from direct insurance operations accounted for the bulk, having increased by 1% to EUR 58.5 million. Receivables from reinsurance and co-insurance operations decreased and reached EUR 7.5 million (index 62), whereas other receivables went down as well and totalled EUR 9.8 million (index 39).

Insurance technical provisions transferred to reinsurance contracts stood at EUR 76.5 million, having increased by 9%. Assets from reinsurance contracts from claims provisions increased and totalled EUR 59.4 million (index 109) and those from unearned premium as well, equalling EUR 17.1 million (index 111).

Property, plant and equipment totalled EUR 66.2 million (index 99), representing 2.4% of total assets. **Intangible assets** equalled EUR 55.9 million (index 105), accounting for 2.0% of total assets.

Cash and cash equivalents increased to EUR 27.7 million (index 366), whilst **other assets** decreased to EUR 1.9 million (index 70).

+2%
Growth in
financial assets of
Zavarovalnica Triglav

Balance sheet of Zavarovalnica Triglav as at 31 December 2016 – according to IFRS

	31 December 2016	31 December 2015	Index	2016 structure	2015 structure
ASSETS	2,740,333,045	2,685,432,591	102	100.0%	100.0%
Intangible assets	55,884,567	53,143,644	105	2.0%	2.0%
Property, plant and equipment	66,230,456	67,034,994	99	2.4%	2.5%
Investment property	49,611,417	52,870,808	94	1.8%	2.0%
Investments in subsidiaries	130,632,438	134,689,036	97	4.8%	5.0%
Investments in associates	9,503,047	7,259,875	131	0.3%	0.3%
Financial assets	2,246,543,870	2,194,440,477	102	82.0%	81.7%
Financial investments:	1,812,500,601	1,747,850,916	104	66.1%	65.1%
- loans and deposits	82,397,894	108,581,747	76	3.0%	4.0%
- held to maturity	168,983,706	178,250,255	95	6.2%	6.6%
- available for sale	1,365,449,446	1,268,278,321	108	49.8%	47.2%
- recognised at fair value through profit and loss	195,669,555	192,740,593	102	7.1%	7.2%
Unit-linked insurance assets	434,043,269	446,589,561	97	15.8%	16.6%
Reinsurers' share of insurance technical provisions	76,455,107	69,935,394	109	2.8%	2.6%
Receivables	75,869,085	95,716,726	79	2.8%	3.6%
- receivables from direct insurance operations	58,491,603	57,959,013	101	2.1%	2.2%
- receivables from reinsurance and co-insurance operations	7,538,096	12,219,198	62	0.3%	0.5%
- other receivables	9,839,386	25,538,515	39	0.4%	1.0%
Other assets	1,949,412	2,791,679	70	0.1%	0.1%
Cash and cash equivalents	27,653,646	7,549,958	366	1.0%	0.3%
EQUITY AND LIABILITIES	2,740,333,045	2,685,432,591	102	100.0%	100.0%
Equity	563,389,117	530,560,272	106	20.6%	19.8%
- share capital	73,701,392	73,701,392	100	2.7%	2.7%
- share premium	53,412,884	53,412,884	100	1.9%	2.0%
- reserves from profit	288,962,643	282,666,281	102	10.5%	10.5%
- fair value reserve	64,890,318	55,751,443	116	2.4%	2.1%
- net profit/loss brought forward	44,688,278	7,210,810	620	1.6%	0.3%
- net profit/loss for the year	37,733,602	57,817,462	65	1.4%	2.2%
Subordinated liabilities	21,103,108	21,101,278	100	0.8%	0.8%
Insurance technical provisions	1,645,177,811	1,614,944,129	102	60.0%	60.1%
- unearned premiums	188,487,876	180,558,991	104	6.9%	6.7%
- mathematical provisions	959,268,937	925,402,898	104	35.0%	34.5%
- claims provisions	471,240,775	486,247,722	97	17.2%	18.1%
- other insurance technical provisions	26,180,223	22,734,518	115	1.0%	0.8%
Insurance technical provisions for unit-linked insurance contracts	431,125,308	438,920,157	98	15.7%	16.3%
Employee benefits	10,547,514	9,189,038	115	0.4%	0.3%
Other provisions	689,669	381,762	181	0.0%	0.0%
Deferred tax liabilities	7,065,409	6,268,154	113	0.3%	0.2%
Other financial liabilities	1,852,710	1,752,990	106	0.1%	0.1%
Operating liabilities	24,451,951	23,886,713	102	0.9%	0.9%
- liabilities from direct insurance operations	11,202,342	10,985,581	102	0.4%	0.4%
- liabilities from reinsurance and co-insurance operations	11,507,586	10,264,596	112	0.4%	0.4%
- current tax liabilities	1,742,023	2,636,536	66	0.1%	0.1%
Other liabilities	34,930,448	38,428,098	91	1.3%	1.4%