

9. Financial Standing of the Triglav Group and Zavarovalnica Triglav

- As at the reporting date, balance sheet total rose by 3% compared to the previous year, whilst total equity capital grew by 2%.
- Financial assets of the Triglav Group were up 2%.

9.1 The Triglav Group

9.1.1 Equity and liabilities

As at the end of the reporting period, **total equity capital** of the Group reached EUR 756.6 million, which was 2% more over the previous year. The share of equity in total liabilities decreased by 0.2 percentage point to 20.6%. Equity attributable to the controlling company grew by 2% to EUR 749.8 million, whereas non-controlling interest holders had EUR 6.8 million, down by 35%. 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** rose by 9% and totalled EUR 95.4 million. **Share premium** was 6% lower, amounting to EUR 50.4 million due to an additional payment made to the minority shareholders of Pozavarovalnica Triglav Re and the acquisition of a minority stake in Triglav Osiguranje, Sarajevo and Triglav Osiguruvanje, Skopje.

Reserves from profit were up 9%, amounting to EUR 333.4 million. They include other reserves from profit in the amount of EUR 314.3 million, which increased by EUR 30.0 million, legal and statutory reserves of EUR 18.5 million, which grew by EUR 301 thousand from net profit brought forward and decreased by EUR 2.4 million due to the acquisition of a minority stake in Triglav Osiguranje, Sarajevo, and safety reserves in the amount of EUR 0.6 million.

Accumulated profit decreased by 8% to EUR 199.8 million. In addition to net profit for the year, accumulated profit includes EUR 160.6 million of net profit brought forward (index 93). Compared to 2016, net profit brought forward increased by EUR 44.2 million due to the transfer of net profit of the preceding year and decreased by EUR 56.8 million due to the dividend payment. Net profit for the year disclosed in the balance sheet totalled EUR 39.1 million (index 89), which was EUR 30.1 million less than net profit disclosed in the income statement. The amount of EUR 30.1 million of net profit for the year was allocated to reserves from profit (see [\[→ Section 9.2.1\]](#) for more details).

Subordinated liabilities dropped by 8%, primarily due to the purchase of own bonds. They accounted for 0.4% of total liabilities or EUR 15.5 million in nominal terms.

On the liabilities side, **gross insurance technical provisions** were up 3% to EUR 2,732.2 million. Their portion in total liabilities remained at the 2016 level, accounting for 74.4%. Mathematical provisions climbed by 3% to EUR 1,782.6 million. Claims

provisions went up by 1%, provisions for gross unearned premium increased by 5% and other insurance technical provisions rose by 8%. Insurance technical provisions of the Triglav Group are discussed in greater detail in [\[→ Section 7.8\]](#).

Other financial liabilities equalled EUR 5.6 million, up by 6% primarily as the result of higher liabilities of Triglav Osiguranje, Belgrade. Their share accounted for 0.2% of total liabilities.

Operating liabilities grew by 17% compared to the 2016 year-end, amounting to EUR 49.4 million, and accounted for 1.3% of total liabilities. Liabilities from co-insurance and reinsurance operations rose to EUR 28.8 million (index 124), while liabilities from direct insurance operations grew to EUR 18.9 million (index 118). Current tax liabilities equalled EUR 1.7 million or 39% less than the year before.

Employee benefits of EUR 14.0 million grew by 3%, whilst **other provisions** totalled EUR 3.8 million (index 96). **Deferred tax liabilities** increased by 4% to EUR 26.4 million, primarily due to higher fair value reserve from financial investments for which deferred tax is calculated.

Other liabilities increased by 14% mainly due to higher trade payables for intangible assets of the parent company. They amounted to EUR 71.2 million, accounting for 1.9% of total assets.

9.1.2 Assets

As at 31 December 2017, **financial assets** equalled EUR 3,038.1 million and were 2% higher over the preceding year. Their share accounted for 82.7% of total assets. Unit-linked insurance assets amounted to EUR 450.2 million and financial investments to EUR 2,587.9 million. The bulk of financial assets was accounted for by available-for-sale financial assets, which totalled EUR 1,815.3 million. In total financial assets, EUR 221.4 million was accounted for by held-to-maturity financial assets, EUR 125.3 million by deposits and loans, and EUR 425.9 million by financial assets measured at fair value through profit or loss. The structure of financial assets is discussed in greater detail in [\[→ Section 7.9\]](#).

The Triglav Group's financial investments in associates dropped by 6% as the result of lower profit of associates accounted for by using the equity method and the impairment of investment in ZIF Prof Plus. The Group established two new associates: Trigal and Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom, Banja Luka, increasing investments in associates by EUR 1.2 million. Investments in associates amounted to EUR 6.4 million, accounting for a 0.2% share of total assets.

Investment property was down 2% due to the sale of certain real properties and the transfer of these assets to non-current assets held for sale. They totalled EUR 94.0 million.

As at the reporting date, **receivables** increased by 7% and stood at EUR 163.9 million (a 4.5% share of total assets), of which receivables from direct insurance operations accounted for the bulk, totalling EUR 85.7 million (index 102). Receivables from co-insurance and reinsurance operations reached EUR 44.9 million (index 128), other receivables stood at EUR 33.2 million (index 101) and current tax receivables equalled EUR 32 thousand (2016: EUR 890 thousand).

Insurance technical provisions transferred to reinsurance contracts amounted to EUR 83.8 million, having increased by 9%. Assets from reinsurance contracts from claims provisions were 10% higher and totalled EUR 63.9 million, while assets from unearned premium rose by 3% to EUR 19.8 million.

Intangible assets stood at EUR 78.8 million, having increased by 7% primarily due to higher long-term deferred expenses and accrued income for licenses and higher long-term deferred acquisition costs of the parent company. **Property, plant and equipment** totalled EUR 111.2 million, up by 3% compared to the 2016 year-end.

Non-current assets held for sale equalled EUR 2.3 million due to the planned sale of specific land plots and buildings. In 2017, non-current assets held for sale increased by EUR 1.3 million due to the planned sale of a building owned by Triglav, Upravljanje nekretninama, Zagreb.

■ Insurance technical provisions transferred to reinsurance contracts increased by 9%.

Financial standing ratios of the Triglav Group

Financial standing ratios	2017	2016	2015
The portion of equity in total liabilities	20.6%	20.8%	20.2%
Average equity balance as % of gross written premium	75.1%	77.4%	75.7%
Return on equity	9.3%	11.4%	12.8%
Share of gross insurance technical provisions in total liabilities	74.4%	74.4%	74.4%
Average balance of gross insurance technical provisions as % of gross written premium	269.7%	281.0%	268.4%
Financial assets to total assets ratio	82.7%	83.2%	82.3%
Financial assets to gross insurance technical provisions ratio	111.2%	111.8%	110.5%

Balance sheet of the Triglav Group as at 31 December 2017 – according to IFRS

	31 December 2017	31 December 2016	Index	Structure 2017	Structure 2016
ASSETS	3,674,676,193	3,574,885,423	103	100.0%	100.0%
Intangible assets	78,840,612	73,823,588	107	2.1%	2.1%
Property, plant and equipment	111,210,437	107,933,428	103	3.0%	3.0%
Deferred tax assets	13,769,115	15,793,114	87	0.4%	0.4%
Investment property	94,007,483	95,842,720	98	2.6%	2.7%
Investments in associates	6,449,324	6,826,400	94	0.2%	0.2%
Financial assets	3,038,086,748	2,974,303,281	102	82.7%	83.2%
Financial investments:	2,587,850,704	2,514,320,459	103	70.4%	70.3%
- loans and deposits	125,251,487	148,731,638	84	3.4%	4.2%
- held to maturity	221,390,576	231,342,393	96	6.0%	6.5%
- available for sale	1,815,323,900	1,738,043,072	104	49.4%	48.6%
- recognised at fair value through profit and loss	425,884,741	396,203,356	107	11.6%	11.1%
Unit-linked insurance assets	450,236,044	459,982,822	98	12.3%	12.9%
Reinsurers' share of insurance technical provisions	83,815,576	77,084,783	109	2.3%	2.2%
Receivables	163,878,354	152,921,089	107	4.5%	4.3%
- receivables from direct insurance operations	85,722,492	84,059,166	102	2.3%	2.4%
- receivables from reinsurance and co-insurance operations	44,939,702	35,099,850	128	1.2%	1.0%
- current tax receivables	32,211	890,276	4	0.0%	0.0%
- other receivables	33,183,949	32,871,797	101	0.9%	0.9%
Other assets	3,922,257	3,622,253	108	0.1%	0.1%
Cash and cash equivalents	78,417,847	65,714,474	119	2.1%	1.8%
Non-current assets held for sale	2,278,440	1,020,293	223	0.1%	0.0%
EQUITY AND LIABILITIES	3,674,676,193	3,574,885,423	103	100.0%	100.0%
Equity	756,645,683	744,349,747	102	20.6%	20.8%
Controlling interests	749,838,244	733,955,514	102	20.4%	20.5%
- share capital	73,701,392	73,701,392	100	2.0%	2.1%
- share premium	50,403,656	53,488,690	94	1.4%	1.5%
- reserves from profit	333,407,073	305,535,457	109	9.1%	8.5%
- treasury share reserves	364,680	364,680	100	0.0%	0.0%
- treasury shares	-364,680	-364,680	100	0.0%	0.0%
- fair value reserve	95,398,236	87,735,128	109	2.6%	2.5%
- net profit/loss brought forward	160,647,992	173,192,869	93	4.4%	4.8%
- net profit/loss for the year	39,133,955	44,216,477	89	1.1%	1.2%
- currency translation differences	-2,854,060	-3,914,499	73	-0.1%	-0.1%
Non-controlling interests	6,807,439	10,394,233	65	0.2%	0.3%
Subordinated liabilities	15,459,132	16,869,102	92	0.4%	0.5%
Insurance technical provisions	2,282,701,026	2,203,105,224	104	62.1%	61.6%
- unearned premiums	278,112,719	263,639,620	105	7.6%	7.4%
- mathematical provisions	1,333,055,389	1,273,538,608	105	36.3%	35.6%
- claims provisions	638,473,713	635,240,895	101	17.4%	17.8%
- other insurance technical provisions	33,059,205	30,686,101	108	0.9%	0.9%
Insurance technical provisions for unit-linked insurance contracts	449,544,565	457,683,091	98	12.2%	12.8%
Employee benefits	13,979,843	13,550,264	103	0.4%	0.4%
Other provisions	3,794,647	3,971,217	96	0.1%	0.1%
Deferred tax liabilities	26,396,579	25,400,544	104	0.7%	0.7%
Other financial liabilities	5,589,381	5,288,693	106	0.2%	0.1%
Operating liabilities	49,381,602	42,028,195	117	1.3%	1.2%
- liabilities from direct insurance operations	18,875,323	16,020,020	118	0.5%	0.4%
- liabilities from reinsurance and co-insurance operations	28,758,158	23,129,245	124	0.8%	0.6%
- current tax liabilities	1,748,121	2,878,930	61	0.0%	0.1%
Other liabilities	71,183,735	62,639,346	114	1.9%	1.8%

9.2 Zavarovalnica Triglav

9.2.1 Equity and liabilities

Total equity capital increased by 1% and reached EUR 571.4 million. The share of equity in total liabilities decreased by 0.1 percentage point to 20.5%. The share capital of EUR 73.7 million remained unchanged and was divided into 22,735,148 ordinary registered no-par value shares. Share premium remained unchanged, amounting to EUR 53.4 million. As a result of an increase in the value of available-for-sale financial assets, fair value reserve increased by 4% to EUR 67.3 million. Over the reporting year, reserves from profit grew by 10% to EUR 319.0 million. They include legal and statutory reserves in the amount of EUR 4.7 million and other reserves from profit of EUR 314.3 million, which increased by EUR 30.0 million due to allocation of net profit/loss.

As at 31 December 2017, accumulated profit for the year was EUR 58.1 million (index 70), including net profit for the year and net profit brought forward of EUR 25.6 million (index 57). Net profit brought forward increased by EUR 37.7 million due to a transfer of net profit and decreased by EUR 56.8 million due to the dividend payment. Net profit for the year disclosed in the balance sheet totalled EUR 32.5 million, which was EUR 30.0 million less than net profit disclosed in the income statement, as the Company based on the resolution of the

Management Board used part of the net profit to form other reserves from profit.

Subordinated liabilities as at 31 December 2017 totalled EUR 20.6 million and were 2% lower on a year-on-year basis.

On the liabilities side, **gross insurance technical provisions** increased by 1% and stood at EUR 2,103.4 million. In total liabilities, they accounted for a 75.5% and were 0.3 percentage point lower than as at the 2016 year-end. As at the reporting date, mathematical provisions amounted to EUR 1,411.0 million, which represented an increase of 1% over the end of the previous year. Provisions for gross unearned premiums and other insurance technical provisions increased by 4% and 2% respectively. Gross claims provisions remained at the same level as in 2016. Insurance technical provisions are discussed in greater detail under [[→ Section 7.8. Risk equalisation](#)].

Operating liabilities grew by 13% compared to the 2016 year-end, amounting to EUR 27.7 million and (share of 1.0% of the total balance sheet liabilities). They increased mostly on the account of liabilities from co-insurance and reinsurance operations, which rose by 33% to EUR 15.2 million.

Deferred tax liabilities, which are balanced with deferred tax assets, increased by 32%, which was mainly due to lower deferred tax assets for temporary differences in receivables and financial investments, totalling EUR 9.3 million.

Other liabilities increased by 17% due to higher trade payables for intangible assets. As at the reporting date, they stood at EUR 40.8 million, representing 1.5% of total balance sheet.

9.2.2 Assets

Financial assets went up by 1% to EUR 2,278.6 million. Their share in total assets was down 0.2 percentage point, accounting for an 81.8%. **Unit-linked insurance assets** went down by 4% (EUR 417.6 million), whereas financial investments increased by 3% to EUR 1,861.0 million. In total financial investments, EUR 1,400.7 million was accounted for by investments available for sale, EUR 201.9 million by investments recognised at fair value through profit/loss, EUR 167.0 million by investments held to maturity and by deposits and loans EUR 91.4 million.

Financial investments in subsidiaries and associates fell by 9% and totalled EUR 128.2 million and represented a 4.6% share of total assets. Financial investments in subsidiaries were down 10% to EUR 118.2 million as a result of the winding up of Salnal following the simplified procedure. The Triglav Group's financial investments in associates rose by 5% owing to the new investments in Triglav.

Investment properties dropped by 3% to EUR 48.2 million due to sale of certain real properties, accounting for 1.7% of total assets.

Compared to 31 December 2016, **receivables** decreased by 7% to EUR 81.4 million, representing 2.9% of total financial assets, of which receivables from direct insurance operations accounted for the bulk, having decreased by 6% to EUR 54.7 million. Receivables from reinsurance and co-insurance operations were up 84% and reached EUR 13.9 million, whereas other receivables totalled EUR 12.7 million, having increased by 29%.

Insurance technical provisions transferred to reinsurance contracts stood at EUR 85.3 million, having increased by 12%. Assets from reinsurance contracts from claims provisions increased and totalled EUR 67.8 million (index 114) and those from unearned premium as well, equalling EUR 17.6 million (index 103).

Intangible assets stood at EUR 59.8 million, having increased by 7% due to higher long-term deferred acquisition costs for licenses and higher long-term deferred acquisition costs.

■ Total equity capital of Zavarovalnica Triglav increased by 1%.

Balance sheet of Zavarovalnica Triglav as at 31 December 2017 – according to IFRS

	31 December 2017	31 December 2016	Index	Structure 2017	Structure 2016
ASSETS	2,786,489,540	2,740,333,045	102	100.0%	100.0%
Intangible assets	59,786,283	55,884,567	107	2.1%	2.0%
Property, plant and equipment	67,526,775	66,230,456	102	2.4%	2.4%
Investment property	48,214,401	49,611,417	97	1.7%	1.8%
Investments in subsidiaries	118,167,937	130,632,438	90	4.2%	4.8%
Investments in associates	10,002,047	9,503,047	105	0.4%	0.3%
Financial assets	2,278,606,115	2,246,543,870	101	81.8%	82.0%
Financial investments:	1,860,998,156	1,812,500,601	103	66.8%	66.1%
- loans and deposits	91,428,595	82,397,894	111	3.3%	3.0%
- held to maturity	166,993,807	168,983,706	99	6.0%	6.2%
- available for sale	1,400,652,988	1,365,449,446	103	50.3%	49.8%
- recognised at fair value through profit and loss	201,922,766	195,669,555	103	7.2%	7.1%
Unit-linked insurance assets	417,607,959	434,043,269	96	15.0%	15.8%
Reinsurers' share of insurance technical provisions	85,327,645	76,455,107	112	3.1%	2.8%
Receivables	81,350,417	75,869,085	107	2.9%	2.8%
- receivables from direct insurance operations	54,731,853	58,491,603	94	2.0%	2.1%
- receivables from reinsurance and co-insurance operations	13,889,792	7,538,096	184	0.5%	0.3%
- other receivables	12,728,772	9,839,386	129	0.5%	0.4%
Other assets	1,993,174	1,949,412	102	0.1%	0.1%
Cash and cash equivalents	35,514,746	27,653,646	128	1.3%	1.0%
EQUITY AND LIABILITIES	2,786,489,540	2,740,333,045	102	100.0%	100.0%
Equity	571,412,305	563,389,117	101	20.5%	20.6%
- share capital	73,701,392	73,701,392	100	2.6%	2.7%
- share premium	53,412,884	53,412,884	100	1.9%	1.9%
- reserves from profit	318,962,643	288,962,643	110	11.4%	10.5%
- fair value reserve	67,250,264	64,890,318	104	2.4%	2.4%
- net profit/loss brought forward	25,563,172	44,688,278	57	0.9%	1.6%
- net profit/loss for the year	32,521,950	37,733,602	86	1.2%	1.4%
Subordinated liabilities	20,608,180	21,103,108	98	0.7%	0.8%
Insurance technical provisions	1,687,109,267	1,645,177,811	103	60.5%	60.0%
- unearned premiums	196,528,185	188,487,876	104	7.1%	6.9%
- mathematical provisions	994,737,498	959,268,937	104	35.7%	35.0%
- claims provisions	469,230,900	471,240,775	100	16.8%	17.2%
- other insurance technical provisions	26,612,684	26,180,223	102	1.0%	1.0%
Insurance technical provisions for unit-linked insurance contracts	416,250,767	431,125,308	97	14.9%	15.7%
Employee benefits	10,700,463	10,547,514	101	0.4%	0.4%
Other provisions	724,961	689,669	105	0.0%	0.0%
Deferred tax liabilities	9,301,053	7,065,409	132	0.3%	0.3%
Other financial liabilities	1,845,184	1,852,710	100	0.1%	0.1%
Operating liabilities	27,740,050	24,451,951	113	1.0%	0.9%
- liabilities from direct insurance operations	11,354,265	11,202,342	101	0.4%	0.4%
- liabilities from reinsurance and co-insurance operations	15,249,797	11,507,586	133	0.5%	0.4%
- current tax liabilities	1,135,988	1,742,023	65	0.0%	0.1%
Other liabilities	40,797,310	34,930,448	117	1.5%	1.3%