

9. Financial standing of the Triglav Group and Zavarovalnica Triglav

- Compared to 2017, return on equity of the Triglav Group increased by 1.5 percentage point and reached 10.8%.
- Total assets and total equity capital decreased by 1%.

9.1 The Triglav Group

9.1.1 Equity and liabilities

As at the reporting date, **total equity capital** of the Triglav Group reached EUR 746.9 million (index 99). The share of equity in the balance sheet total decreased by 0.1 percentage point to 20.5%. Equity attributable to the controlling company dropped by 1% to EUR 744.6 million, whereas non-controlling interest holders had EUR 2.3 million, down by 66% due to the acquisition of equity share in Skupna pokojninska družba. 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 a decrease in the value of available-for-sale financial assets, **fair value reserve** decreased by 31% and totalled EUR 66.2 million. **Share premium** reached EUR 50.2 million and remained at approximately the same level as the year before (index 100).

Reserves from profit amounted to EUR 334.1 million and remained at a level approximately equal to the 2017 year-end (index 100). They include other reserves from profit of EUR 314.3 million, legal and statutory reserves in the amount of EUR 19.2 million, which increased by EUR 708 thousand due to a transfer from profit brought forward and credit risk equalisation reserves and contingency reserves of EUR 0.6 million, whereas **accumulated profit** grew by 12% and reached EUR 223.0 million. In addition to EUR 80.5 million in net profit for the year, it includes EUR 142.5 million of net profit brought forward. Compared to 2017, net profit brought forward increased by EUR 39.1 million due to the transfer of net profit of the preceding year and decreased by EUR 585 thousand due to allocation of net profit for the year to reserves from profit and by EUR 56.8 million due to the dividend payment.

Subordinated liabilities amounted to EUR 15.5 million and were at a level approximately equal to the 2017 year-end (index 100).

Gross insurance technical provisions totalled EUR 2,713.1 million or 1% less than on the last day of 2017. Its share in the balance-sheet total equalled 74.4%, the same as in 2017. Mathematical provisions fell by 1% to EUR 1,759.8 million. As expected, claims provisions went down by 4%. On contrast, provisions for gross unearned premiums (index 108) and other insurance

technical provisions (index 115) increased. Insurance technical provisions of the Triglav Group are discussed in greater detail in [→ *Section 7.8*].

Operating liabilities grew by 11% compared to the 2017 year-end, amounting to EUR 54.8 million, and accounted for 1.5% of total liabilities, foremost as a result of increased current tax liabilities.

Employee benefits of EUR 14.8 million grew by 6%, whilst **other provisions** totalled EUR 1.9 million (index 51). **Deferred tax liabilities**, which were balanced with deferred tax assets, amounted to EUR 17.2 million. Deferred tax liabilities decreased by 35%, primarily due to higher fair value reserve from financial investments for which deferred tax is calculated.

Other liabilities increased by 6% mainly due to higher liabilities for property, plant and equipment and liabilities to employees of the parent company. They amounted to EUR 75.5 million, accounting for 2.1% of total liabilities.

9.1.2 Assets

Financial investments in associates of the Triglav Group increased by 119% to EUR 14.1 million as a result of a capital raise of Triglav in the amount of EUR 6.8 million, new investment in the company ZTSR in the amount of EUR 0.1 million and the effects of the equity method.

Financial investments accounted for 71.0% of total assets. With EUR 2,588.9 million, they remained approximately at the same level as at the 2017 year-end. In total investments, available for sale financial assets accounted for the bulk, amounting to EUR 1,802.6 million. In total financial assets, EUR 450.7 million was accounted for by financial assets measured at fair value through profit or loss, EUR 196.8 million by held-to-maturity financial assets, and EUR 138.9 million by deposits and loans. **Unit-linked insurance assets** amounted to EUR 402.5 million, which decreased by 11%. **Investment property** declined by 4% due to the sale of real-properties, totalling EUR 89.8 million. The structure of financial assets is discussed in greater detail under [→ *Section 7.9*].

As at the reporting date, **receivables** increased by 9% and stood at EUR 178.7 million (a 4.9% share of total assets), of which receivables from direct insurance operations accounted for the bulk, totalling EUR 96.6 million (index 113). Receivables from co-insurance and reinsurance operations reached EUR 51.3 million (index 114), other receivables stood at EUR 30.2 million (index 91) and current tax receivables equalled EUR 580 thousand (2017: EUR 32 thousand).

Insurance technical provisions transferred to reinsurance contracts amounted to EUR 85.9 million, having increased by 3%. Assets from reinsurance contracts from claim provisions were 7% lower and totalled EUR 59.6 million, while those from unearned premiums were up by 33% and equalled EUR 26.3 million.

Intangible assets reached EUR 84.1 million, having increased by 7% primarily due to higher long-term deferred acquisition costs in the parent company. **Property, plant and equipment** totalled EUR 113.3 million, up by 2% compared to the 2017 year-end.

Non-current assets held for sale equalled EUR 2.1 million due to the planned sale of specific land plots and buildings.

Financial standing ratios of the Triglav Group

Financial standing ratios	2018	2017	2016
The portion of equity in total liabilities	20.5%	20.6%	20.8%
Average equity balance as % of gross written premium	70.4%	75.1%	77.4%
Return on equity	10.8%	9.3%	11.4%
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	254.8%	269.7%	281.0%
Financial assets to total assets ratio	82.1%	82.7%	83.2%
Financial assets to gross insurance technical provisions ratio	110.3%	111.2%	111.8%

Balance sheet of the Triglav Group as at 31 December 2018 – according to IFRS

	31 December 2018	31 December 2017	Index	Structure 2018	Structure 2017
ASSETS	3,645,277,487	3,674,676,193	99	100.0%	100.0%
Intangible assets	84,060,048	78,840,612	107	2.3%	2.1%
Property, plant and equipment	113,296,053	111,210,437	102	3.1%	3.0%
Non-current assets held for sale	2,067,399	2,278,440	91	0.1%	0.1%
Deferred tax assets	12,893,732	13,769,115	94	0.4%	0.4%
Investment property	89,840,456	94,007,483	96	2.5%	2.6%
Investments in associates	14,125,973	6,449,324	219	0.4%	0.2%
Financial investments	2,588,904,297	2,587,850,704	100	71.0%	70.4%
- loans and deposits	138,857,972	125,251,487	111	3.8%	3.4%
- held to maturity	196,773,185	221,390,576	89	5.4%	6.0%
- available for sale	1,802,568,767	1,815,323,900	99	49.4%	49.4%
- recognised at fair value through profit and loss	450,704,373	425,884,741	106	12.4%	11.6%
Unit-linked insurance assets	402,515,770	450,236,044	89	11.0%	12.3%
Reinsurers' share of insurance technical provisions	85,920,499	83,815,576	103	2.4%	2.3%
Receivables	178,654,878	163,878,354	109	4.9%	4.5%
- receivables from direct insurance operations	96,601,328	85,722,492	113	2.7%	2.3%
- receivables from reinsurance and co-insurance operations	51,299,903	44,939,702	114	1.4%	1.2%
- current tax receivables	579,645	32,211	1,800	0.0%	0.0%
- other receivables	30,174,002	33,183,949	91	0.8%	0.9%
Other assets	5,396,722	3,922,257	138	0.1%	0.1%
Cash and cash equivalents	67,601,660	78,417,847	86	1.9%	2.1%
<i>Off balance sheet items</i>	<i>251,429,127</i>	<i>240,363,102</i>	<i>105</i>		
EQUITY AND LIABILITIES	3,645,277,487	3,674,676,193	99	100.0%	100.0%
Equity	746,862,805	756,645,683	99	20.5%	20.6%
Controlling interests	744,566,806	749,838,244	99	20.4%	20.4%
- share capital	73,701,392	73,701,392	100	2.0%	2.0%
- share premium	50,206,540	50,403,656	100	1.4%	1.4%
- reserves from profit	334,121,464	333,407,073	100	9.2%	9.1%
- 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	66,237,889	95,398,236	69	1.8%	2.6%
- net profit brought forward	142,483,579	160,647,992	89	3.9%	4.4%
- net profit/loss for the year	80,533,643	39,133,955	206	2.2%	1.1%
- currency translation differences	-2,717,701	-2,854,060	95	-0.1%	-0.1%
Non-controlling interests	2,295,999	6,807,439	34	0.1%	0.2%
Subordinated liabilities	15,462,711	15,459,132	100	0.4%	0.4%
Insurance technical provisions	2,310,503,061	2,282,701,026	101	63.4%	62.1%
- unearned premiums	300,166,946	278,112,719	108	8.2%	7.6%
- mathematical provisions	1,357,233,017	1,333,055,389	102	37.2%	36.3%
- claims provisions	614,943,915	638,473,713	96	16.9%	17.4%
- other insurance-technical provisions	38,159,183	33,059,205	115	1.0%	0.9%
Insurance technical provisions for unit-linked insurance contracts	402,598,039	449,544,565	90	11.0%	12.2%
Employee benefits	14,804,574	13,979,843	106	0.4%	0.4%
Other provisions	1,919,555	3,794,647	51	0.1%	0.1%
Deferred tax liabilities	17,203,576	26,396,579	65	0.5%	0.7%
Other financial liabilities	5,620,904	5,589,381	101	0.2%	0.2%
Operating liabilities	54,792,055	49,381,602	111	1.5%	1.3%
- liabilities from direct insurance operations	19,717,929	18,875,323	104	0.5%	0.5%
- liabilities from reinsurance and co-insurance operations	30,465,655	28,758,158	106	0.8%	0.8%
- current tax liabilities	4,608,471	1,748,121	264	0.1%	0.0%
Other liabilities	75,510,207	71,183,735	106	2.1%	1.9%
<i>Off balance sheet items</i>	<i>251,429,127</i>	<i>240,363,102</i>	<i>105</i>		

9.2 Zavarovalnica Triglav

9.2.1 Equity and liabilities

The total equity capital as at the reporting date amounted to EUR 560.1 million or 2% less than at the 2017 year-end. The portion of equity in the balance sheet total of 20.5% remained unchanged. 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 and reserves from profit remained the same with EUR 53.4 million and EUR 319.0 million respectively. As a result of a decrease in the value of available-for-sale financial assets, fair value reserve went down by 30% to EUR 47.3 million in nominal terms.

As at 31 December 2018, accumulated profit for the year was EUR 66.8 million (index 115), including net profit for the year and net profit brought forward of EUR 1.2 million (index 5). Net profit brought forward increased by EUR 32.3 million due to a transfer of net profit and decreased by EUR 56.8 million due to the dividend payment.

Subordinated liabilities amounted to EUR 20.6 million and were at a level approximately equal to the 2017 year-end (index 100).

On the liabilities side, **gross insurance technical provisions** decreased by 2% and stood at EUR 2,061.4 million. The portion of gross insurance technical provisions in the balance sheet total remained unchanged compared to the end of 2017 at 75.5%. As at the reporting date, mathematical provisions amounted to EUR 1,375.0 million, which represented a decrease of 3% over the end of the previous year. Gross claims provisions decreased by 6%. Provisions for gross unearned premiums were up by 9% and other insurance technical provisions by 13%. Insurance technical provisions are discussed in greater detail under [→ *Section 7.8 Risk equalisation*].

Operating liabilities grew by 3% compared to the 2017 year-end, amounting to EUR 28.5 million (share of 1.0% of the total balance sheet liabilities), foremost as a result of increased current tax liabilities (199%).

Deferred tax liabilities, which are balanced with deferred tax assets, decreased by 70%, which was mainly due to lower fair value reserve from financial investments, recognised under other comprehensive income. They totalled EUR 2.8 million.

Other liabilities increased by 6% due to higher liabilities arising from plant, property and equipment and liabilities to employees. As at the reporting date, they stood at EUR 43.2 million, representing 1.6% of total balance sheet.

9.2.2 Liabilities

Financial investments were down by 3% to EUR 2,206.7 million. Their share in total assets was down 0.9 percentage point, accounting for 80.8%. **Unit-linked insurance assets** went down by 12% (EUR 366.7 million), whereas financial investments decreased by 1% to EUR 1,840.0 million. In total **financial investments**, EUR 1,383.9 million was accounted for by investments available for sale, EUR 204.0 million by investments recognised at fair value through profit/loss, EUR 159.5 million by investments held to maturity and by deposits and loans EUR 92.7 million.

Financial investments in subsidiaries and associates grew by 16% and totalled EUR 148.9 million, representing a 5.5% share of total assets. Financial investments in subsidiaries amounted to EUR 131.9 million, which was 12% more over 2017 as a result of a capital increase of Triglav INT in the amount of EUR 9.2 million and acquisition of equity stake of Skupna pokojninska družba in the amount of EUR 4.6 million. Financial investments in associates increased by 70% to EUR 17.0 million as a result of a capital raise of Triglav in the amount of EUR 6.8 million and a new investment in the company ZTSR in the amount of EUR 0.1 million.

Investment properties dropped by 6% to EUR 45.3 million due to sale of certain real properties, accounting for 1.7% of total assets.

Compared to 31 December 2017, **receivables** increased by 11% to EUR 90.0 million, representing 3.3% of total financial assets, of which receivables from direct insurance operations accounted for the bulk, having increased by 14% to EUR 62.6 million. Receivables from reinsurance and co-insurance operations were up by 31% and reached EUR 18.2 million, whereas other receivables totalled EUR 9.2 million, having decreased by 28%.

Insurance technical provisions transferred to reinsurance contracts stood at EUR 87.9 million, which represented and increase of 3%. Assets from reinsurance contracts from claim provisions were 5% lower and totalled EUR 64.4 million, while those from unearned premiums were up by 34% and equalled EUR 23.5 million.

Intangible assets stood at EUR 62.2 million, which was 4% more over the 2017-year end primarily due to higher long-term deferred acquisition costs.

Balance sheet of Zavarovalnica Triglav as at 31 December 2018 – according to IFRS

	31 December 2018	31 December 2017	Index	Structure 2018	Structure 2017
ASSETS	2,730,187,525	2,786,489,540	98	100.0%	100.0%
Intangible assets	62,162,502	59,786,283	104	2.3%	2.1%
Property, plant and equipment	67,986,100	67,526,775	101	2.5%	2.4%
Investment property	45,270,540	48,214,401	94	1.7%	1.7%
Investments in subsidiaries	131,938,667	118,167,937	112	4.8%	4.2%
Investments in associates	16,959,355	10,002,047	170	0.6%	0.4%
Financial investments	1,840,036,950	1,860,998,156	99	67.4%	66.8%
- loans and deposits	92,670,309	91,428,595	101	3.4%	3.3%
- held to maturity	159,463,950	166,993,807	95	5.8%	6.0%
- available for sale	1,383,855,505	1,400,652,988	99	50.7%	50.3%
- recognised at fair value through profit and loss	204,047,186	201,922,766	101	7.5%	7.2%
Unit-linked insurance assets	366,664,078	417,607,959	88	13.4%	15.0%
Reinsurers' share of insurance technical provisions	87,893,306	85,327,645	103	3.2%	3.1%
Receivables	89,980,951	81,350,417	111	3.3%	2.9%
- receivables from direct insurance operations	62,635,337	54,731,853	114	2.3%	2.0%
- receivables from reinsurance and co-insurance operations	18,157,611	13,889,792	131	0.7%	0.5%
- other receivables	9,188,003	12,728,772	72	0.3%	0.5%
Other assets	3,296,589	1,993,174	165	0.1%	0.1%
Cash and cash equivalents	17,998,487	35,514,746	51	0.7%	1.3%
<i>Off balance sheet items</i>	<i>178,359,227</i>	<i>174,448,801</i>	<i>102</i>		
EQUITY AND LIABILITIES	2,730,187,525	2,786,489,540	98	100.0%	100.0%
Equity	560,120,736	571,412,305	98	20.5%	20.5%
- share capital	73,701,392	73,701,392	100	2.7%	2.6%
- share premium	53,412,884	53,412,884	100	2.0%	1.9%
- reserves from profit	318,962,643	318,962,643	100	11.7%	11.4%
- fair value reserve	47,260,189	67,250,264	70	1.7%	2.4%
- net profit brought forward	1,239,764	25,563,172	5	0.0%	0.9%
- net profit/loss for the year	65,543,864	32,521,950	202	2.4%	1.2%
Subordinated liabilities	20,612,951	20,608,180	100	0.8%	0.7%
Insurance technical provisions	1,696,143,475	1,687,109,267	101	62.1%	60.5%
- unearned premiums	213,919,937	196,528,185	109	7.8%	7.1%
- mathematical provisions	1,009,712,605	994,737,498	102	37.0%	35.7%
- claims provisions	442,560,188	469,230,900	94	16.2%	16.8%
- other insurance technical provisions	29,950,745	26,612,684	113	1.1%	1.0%
Insurance technical provisions for unit-linked insurance contracts	365,238,075	416,250,767	88	13.4%	14.9%
Employee benefits	11,167,156	10,700,463	104	0.4%	0.4%
Other provisions	758,435	724,961	105	0.0%	0.0%
Deferred tax liabilities	2,813,736	9,301,053	30	0.1%	0.3%
Other financial liabilities	1,587,443	1,845,184	86	0.1%	0.1%
Operating liabilities	28,523,572	27,740,050	103	1.0%	1.0%
- liabilities from direct insurance operations	11,306,835	11,354,265	100	0.4%	0.4%
- liabilities from reinsurance and co-insurance operations	13,819,946	15,249,797	91	0.5%	0.5%
- current tax liabilities	3,396,791	1,135,988	299	0.1%	0.0%
Other liabilities	43,221,946	40,797,310	106	1.6%	1.5%
<i>Off balance sheet items</i>	<i>178,359,227</i>	<i>174,448,801</i>	<i>102</i>		