

9. Financial position of the Triglav Group and Zavarovalnica Triglav

- Return on equity of the Triglav Group increased by 0.1 percentage point to 10.9%.
- As at 31 December 2019, balance sheet total of the Group was 8% higher compared to the previous year, whilst total equity grew by 6%.
- The Triglav Group's financial investments rose by 6%.

9.1 The Triglav Group

9.1.1 Equity and liabilities

The Triglav Group's **total equity** as at the 2019 year-end was EUR 792.0 million, an increase of 6% compared to the previous year. Total equity in total balance sheet liabilities fell by 0.4 percentage point to 20.1%. Equity attributable to the controlling company rose by 6% to EUR 789.5 million and non-controlling interests grew by 6% to EUR 2.4 million. 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 27% to EUR 84.1 million. **Share premium** of EUR 50.3 million remained at approximately the same level (index 100).

Reserves from profit amounted to EUR 354.7 million, an increase of 6% relative to the previous year. They include legal and statutory reserves in the amount of EUR 19.8 million, up by EUR 572 thousand due to the transfer of retained profit, contingency reserves of EUR 640 thousand and other reserves from profit in the amount of EUR 334.3 million. The latter rose by EUR 20.0 million due to the allocation of net profit.

Accumulated profit amounted to EUR 229.3 million and recorded a 3% increase. In addition to net profit for the year, accumulated profit includes EUR 165.9 million of net profit brought forward. Compared to the previous year, net profit brought forward increased by EUR 80.5 million due to the transfer of net profit for the previous year and decreased by EUR 56.8 million due to the payment of dividends and by EUR 327 thousand due to the

transfer to reserves. Net profit for the year disclosed in the balance sheet totalled EUR 63.4 million, which was EUR 20.0 million less than net profit disclosed in the income statement (see [→ Section 9.2.1] for further details).

Due to the issue of a subordinated bond, **subordinated liabilities** increased by 319% to EUR 64.8 million.

Gross insurance technical provisions were 6% higher and amounted to EUR 2,878.9 million. They represent 73.1% of total balance sheet liabilities, down by 1.3 percentage point on the previous year. Mathematical provisions and insurance technical provisions for unit-linked life insurance contracts amounted to EUR 1,889.4 million, up by 7%. Claims provisions of EUR 615.4 million remained at approximately the same level. In contrast, provisions for gross unearned premium (index 111) and other insurance technical provisions (index 109) increased. Insurance technical provisions of the Triglav Group are discussed in greater detail in [→ Section 7.8 Risk equalisation].

Operating liabilities grew by 22% to EUR 66.9 million and accounted for 1.7% of total balance sheet liabilities. Their growth was most influenced by the increase in reinsurance and co-insurance liabilities.

Lease liabilities are a new item related to the accounting for leases under the new accounting standard IFRS 16 Leases. They amounted to EUR 10.9 million, including long-term lease liabilities of EUR 10.5 million and short-term lease liabilities of EUR 432 thousand.

Employee benefits of EUR 15.9 million grew by 7%, whilst **other provisions** totalled EUR 2.8 million (index 143). **Deferred tax liabilities** reached EUR 22.5 million and were 31% higher. This increase is a result of higher fair value reserve from investments for which deferred tax is calculated and additional deferred tax on the acquisition of ALTA Skladi.

Other liabilities were up by 7% predominantly due to higher liabilities to employees and short-term operating liabilities of the parent company. They amounted to EUR 80.5 million, representing 2.0% of total balance sheet liabilities.

9.1.2 Assets

Financial investments, representing 69.6% of total assets, amounted to EUR 2,740.0 million, an increase of 6% relative to the 2018 year-end. Investments available for sale accounted for the largest share, reaching EUR 1,826.9 million as at 31 December 2019. In total financial assets, EUR 614.4 million was accounted for by investments measured at fair value through profit or loss, EUR 186.1 million by investments held to maturity, and EUR 112.6 million by deposits and loans. **Unit-linked insurance** assets amounted to EUR 482.0 million, up by 20%.

Financial investments of the Triglav Group in associates were 7% lower, amounting to EUR 13.2 million. They decreased by EUR 2.1 million due to the sale of the participating interest in ZIF Prof Plus and increased due to the capital increase of Triglav in the amount of EUR 1.1 million and the effects of attribution of the positive result under the equity method. See [→ *Section 7.9 Investment structure of the Triglav Group and Zavarovalnica Triglav*] for details on the structure of financial investments.

Investment property amounted to EUR 79.9 million, down by 11% due to the sale of real property.

Receivables grew by 9% compared to the previous year and amounted to EUR 194.2 million (4.9% of total balance sheet assets), of which receivables from direct insurance operations accounted for the bulk, totalling EUR 105.5 million (index 109). Receivables from reinsurance and co-insurance operations reached EUR 58.0 million (index 113), other receivables stood at EUR 29.5 million (index 98) and current tax receivables at EUR 1.3 million (index 221).

Insurance technical provisions transferred to reinsurance contracts amounted to EUR 102.7 million, having increased by 20%. Assets from reinsurance contracts from claims provisions were 10% higher and totalled EUR 65.3 million, while assets from unearned premium rose by 41% to EUR 37.0 million.

Property, plant and equipment totalled EUR 114.1 million, up by 1%. **Intangible assets** amounted to EUR 101.7 million, up by 21%, mainly due to the recognised goodwill of ALTA SKLADI in the amount of EUR 10.4 million and the growth of long-term deferred acquisition costs.

Right-of-use assets is a new item connected with lease accounting under the new accounting standard IFRS 16 Leases. Right-of-use assets of EUR 10.9 million include the right to use land and buildings of EUR 8.9 million, the right to use vehicles of EUR 1.9 million and the right to use other assets of EUR 144 thousand.

Non-current assets held for sale equalled EUR 4.2 million due to the planned sale of specific land plots and buildings.

Financial position ratios of the Triglav Group

Financial standing ratios	2019	2018	2017
The portion of equity in total liabilities	20.1%	20.5%	20.6%
Average equity balance as % of gross written premium	65.0%	70.4%	75.1%
Return on equity	10.9%	10.8%	9.3%
Share of gross insurance technical provisions in total liabilities	73.1%	74.4%	74.4%
Average balance of gross insurance technical provisions as % of gross written premium	236.1%	254.8%	269.7%
Financial assets to total assets ratio	81.8%	82.1%	82.7%
Financial assets to gross insurance technical provisions ratio	111.9%	110.3%	111.2%

Balance sheet of the Triglav Group as at 31 December 2019 – according to IFRS

	31 December 2019	31 December 2018	Index	Share 2019	Share 2018
ASSETS	3,936,999,820	3,645,277,487	108	100.0%	100.0%
Intangible assets	101,725,725	84,060,048	121	2.6%	2.3%
Property, plant and equipment	114,072,290	113,296,053	101	2.9%	3.1%
Non-current assets held for sale	4,164,221	2,067,399	201	0.1%	0.1%
Deferred tax assets	12,462,082	12,893,732	97	0.3%	0.4%
Investment property	79,921,480	89,840,456	89	2.0%	2.5%
Right of use assets	10,937,925	0	0	0.3%	0.0%
Investments in associates	13,154,379	14,125,973	93	0.3%	0.4%
- accounted for using the equity method	13,154,379	14,125,973	93	0.3%	0.4%
Financial investments	2,740,030,952	2,588,904,297	106	69.6%	71.0%
- loans and deposits	112,578,151	138,857,972	81	2.9%	3.8%
- held to maturity	186,109,072	196,773,185	95	4.7%	5.4%
- available for sale	1,826,940,416	1,802,568,767	101	46.4%	49.4%
- recognised at fair value through profit and loss	614,403,313	450,704,373	136	15.6%	12.4%
Unit-linked insurance assets	482,031,288	402,515,770	120	12.2%	11.0%
Reinsurers' share of technical provisions	102,747,806	85,920,499	120	2.6%	2.4%
Receivables	194,235,748	178,654,878	109	4.9%	4.9%
- receivables from direct insurance operations	105,459,829	96,601,328	109	2.7%	2.7%
- receivables from reinsurance and co-insurance operations	57,989,502	51,299,903	113	1.5%	1.4%
- current tax receivables	1,281,349	579,645	221	0.0%	0.0%
- other receivables	29,505,068	30,174,002	98	0.7%	0.8%
Other assets	5,646,149	5,396,722	105	0.1%	0.1%
Cash and cash equivalents	75,869,775	67,601,660	112	1.9%	1.9%
<i>Off balance sheet items</i>	<i>205,911,992</i>	<i>251,429,127</i>	<i>82</i>		
EQUITY AND LIABILITIES	3,936,999,820	3,645,277,487	108	100.0%	100.0%
Equity	791,951,788	746,862,805	106	20.1%	20.5%
Controlling interests	789,526,123	744,566,806	106	20.1%	20.4%
- share capital	73,701,392	73,701,392	100	1.9%	2.0%
- share premium	50,276,637	50,206,540	100	1.3%	1.4%
- reserves from profit	354,734,274	334,121,464	106	9.0%	9.2%
- 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	84,099,924	66,237,889	127	2.1%	1.8%
- net profit brought forward	165,896,170	142,483,579	116	4.2%	3.9%
- net profit for the year	63,404,824	80,533,643	79	1.6%	2.2%
- currency translation differences	-2,587,098	-2,717,701	95	-0.1%	-0.1%
Non-controlling interests	2,425,665	2,295,999	106	0.1%	0.1%
Subordinated liabilities	64,847,293	15,462,711	419	1.6%	0.4%
Insurance technical provisions	2,393,927,336	2,310,503,061	104	60.8%	63.4%
- unearned premiums	332,510,935	300,166,946	111	8.4%	8.2%
- mathematical provisions	1,404,439,748	1,357,233,017	103	35.7%	37.2%
- claims provisions	615,398,744	614,943,915	100	15.6%	16.9%
- other insurance technical provisions	41,577,909	38,159,183	109	1.1%	1.0%
Insurance technical provisions for unit-linked insurance contracts	484,942,835	402,598,039	120	12.3%	11.0%
Employee benefits	15,873,046	14,804,574	107	0.4%	0.4%
Other provisions	2,750,400	1,919,555	143	0.1%	0.1%
Deferred tax liabilities	22,516,692	17,203,576	131	0.6%	0.5%
Other financial liabilities	1,864,413	5,620,904	33	0.0%	0.2%
Operating liabilities	66,872,331	54,792,055	122	1.7%	1.5%
- liabilities from direct insurance operations	21,558,544	19,717,929	109	0.5%	0.5%
- liabilities from reinsurance and co-insurance operations	41,548,913	30,465,655	136	1.1%	0.8%
- current tax liabilities	3,764,874	4,608,471	82	0.1%	0.1%
Lease liabilities	10,915,678	0	0	0.3%	0.0%
Other liabilities	80,538,008	75,510,207	107	2.0%	2.1%
<i>Off balance sheet items</i>	<i>205,911,992</i>	<i>251,429,127</i>	<i>82</i>		

9.2 Zavarovalnica Triglav

9.2.1 Equity and liabilities

Zavarovalnica Triglav's **total equity** was EUR 580.5 million, an increase of 4% compared to 2018. Total equity represented 20.0% of total balance sheet liabilities, a decrease of 0.5 percentage point. 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 of EUR 53.4 million also remained unchanged. Fair value reserve rose by 14% to EUR 53.9 million as a result of an increase in available-for-sale financial assets. Reserves from profit grew by 6% to EUR 339.0 million. They include legal and statutory reserves in the amount of EUR 4.7 million and other reserves in the amount of EUR 334.3 million, which rose by EUR 20.0 million due to the allocation of net profit.

Accumulated profit amounted to EUR 60.5 million (index 91), including net profit brought forward of EUR 9.9 million and net profit for the year. Net profit brought forward increased by EUR 65.5 million due to the transfer of net profit for the previous year and decreased by EUR 56.8 million due to the payment of dividends. Net profit for the year disclosed in the balance sheet totalled EUR 50.6 million, which was EUR 20.0 million less than net profit disclosed in the income statement. In accordance with the Management Board's decision, the Company used a portion of net profit to form other reserves from profit.

Due to the issue of a subordinated bond, **subordinated liabilities** increased by 240% to EUR 70.0 million.

Gross insurance technical provisions rose by 4% to EUR 2,149.0 million. They represented 74.1% of total balance sheet liabilities, a decline of 1.4 percentage point compared to 2018. Mathematical provisions totalled EUR 1,455.8 million, having increased by 6% compared to the previous year. Provisions for gross unearned premium were up by 9% and other insurance technical provisions by 7%. Gross claims provisions decreased by 3%.

Operating liabilities grew by 12% to EUR 31.9 million and represented 1.1% of total balance sheet liabilities. They rose predominantly as a result of a 26% increase in liabilities from direct insurance operations.

Lease liabilities totalled EUR 4.2 million, the majority of which was accounted for by long-term lease liabilities, whereas short-term lease liabilities accounted for only EUR 11 thousand.

Deferred tax liabilities, which are balanced with deferred tax assets, went up by 103%, primarily due to higher fair value reserve from financial investments, which is recognised under other comprehensive income. They totalled EUR 5.7 million.

Other liabilities rose by 5% to EUR 45.6 million due to higher liabilities to employees and short-term operating liabilities. They represented 1.6% of total balance sheet liabilities.

9.2.2 Assets

Financial investments in subsidiaries and associates grew by 3% and totalled EUR 153.0 million, representing 5.3% of total balance sheet assets. As a result of the establishment of Triglav penzisko društvo, Skopje and the payment of EUR 3.0 million, financial investments in **subsidiaries** increased by 2% to EUR 134.9 million. Financial investments in **associates** rose by 6% to EUR 18.1 million due to the capital increase of Triglav in the amount of EUR 1.1 million.

Financial investments rose by 4% to EUR 1,912.2 million and represented 65.9% of total balance sheet assets. In total financial investments, EUR 1,382.8 million was accounted for by investments available for sale, EUR 329.9 million by investments measured at fair value through profit or loss, EUR 150.5 million by investments held to maturity, and EUR 49.0 million by loans and deposits. **Unit-linked insurance assets** amounted to EUR 433.8 million, up by 18% relative to 2018.

Investment property totalled EUR 46.1 million, an increase of 2% predominantly due to the renovation of the commercial building at Dunajska cesta 22 in Ljubljana.

Receivables increased by 4% to EUR 93.7 million and represented 3.2% of total balance sheet assets. Receivables from direct insurance operations, which went up by 9% and amounted to EUR 68.4 million, accounted for the bulk. Receivables from reinsurance and co-insurance operations decreased by 5% to EUR 17.2 million and other receivables fell by 12% to EUR 8.1 million.

Insurance technical provisions transferred to reinsurance contracts increased by 12% and amounted to EUR 98.4 million. Assets from reinsurance contracts from claims provisions were 4% higher and totalled EUR 67.1 million, while assets from unearned premium rose by 33% to EUR 31.3 million.

Intangible assets of EUR 61.9 million and **property, plant and equipment** of EUR 68.3 million remained at approximately the same level as in 2018 (index 100).

Right-of-use assets amounted to EUR 4.1 million. They include the right to use land and buildings of EUR 2.9 million, the right to use vehicles of EUR 1.1 million and the right to use other assets of EUR 21 thousand.

Balance sheet of Zavarovalnica Triglav as at 31 December 2019 – according to IFRS

	31 December 2019	31 December 2018	Index	Share 2019	Share 2018
ASSETS	2,901,140,141	2,730,187,525	106	100.0%	100.0%
Intangible assets	61,924,273	62,162,502	100	2.1%	2.3%
Property, plant and equipment	68,305,684	67,986,100	100	2.4%	2.5%
Investment property	46,091,135	45,270,540	102	1.6%	1.7%
Right of use assets	4,106,316	0	0	0.1%	0.0%
Investments in subsidiaries	134,938,667	131,938,667	102	4.7%	4.8%
Investments in associates	18,054,026	16,959,355	106	0.6%	0.6%
- measured at fair value	18,054,026	16,959,355	106	0.6%	0.6%
Financial investments	1,912,207,382	1,840,036,950	104	65.9%	67.4%
- loans and deposits	49,049,847	92,670,309	53	1.7%	3.4%
- held to maturity	150,469,553	159,463,950	94	5.2%	5.8%
- available for sale	1,382,802,069	1,383,855,505	100	47.7%	50.7%
- recognised at fair value through profit and loss	329,885,913	204,047,186	162	11.4%	7.5%
Unit-linked insurance assets	433,758,610	366,664,078	118	15.0%	13.4%
Reinsurers' share of technical provisions	98,433,270	87,893,306	112	3.4%	3.2%
Receivables	93,715,995	89,980,951	104	3.2%	3.3%
- receivables from direct insurance operations	68,401,137	62,635,337	109	2.4%	2.3%
- receivables from reinsurance and co-insurance operations	17,219,677	18,157,611	95	0.6%	0.7%
- other receivables	8,095,181	9,188,003	88	0.3%	0.3%
Other assets	3,492,671	3,296,589	106	0.1%	0.1%
Cash and cash equivalents	26,112,112	17,998,487	145	0.9%	0.7%
<i>Off balance sheet items</i>	<i>107,689,690</i>	<i>178,359,227</i>	<i>60</i>		
EQUITY AND LIABILITIES	2,901,140,141	2,730,187,525	106	100.0%	100.0%
Equity	580,480,275	560,120,736	104	20.0%	20.5%
- share capital	73,701,392	73,701,392	100	2.5%	2.7%
- share premium	53,412,884	53,412,884	100	1.8%	2.0%
- reserves from profit	338,962,643	318,962,643	106	11.7%	11.7%
- fair value reserve	53,859,881	47,260,189	114	1.9%	1.7%
- net profit/loss brought forward	9,929,059	1,239,764	801	0.3%	0.0%
- net profit/loss for the year	50,614,416	65,543,864	77	1.7%	2.4%
Subordinated liabilities	69,999,451	20,612,951	340	2.4%	0.8%
Insurance technical provisions	1,713,421,521	1,696,143,475	101	59.1%	62.1%
- unearned premiums	232,791,056	213,919,937	109	8.0%	7.8%
- mathematical provisions	1,020,231,686	1,009,712,605	101	35.2%	37.0%
- claims provisions	428,320,763	442,560,188	97	14.8%	16.2%
- other insurance technical provisions	32,078,016	29,950,745	107	1.1%	1.1%
Insurance technical provisions for unit-linked insurance contracts	435,592,711	365,238,075	119	15.0%	13.4%
Employee benefits	11,892,449	11,167,156	106	0.4%	0.4%
Other provisions	732,811	758,435	97	0.0%	0.0%
Deferred tax liabilities	5,706,679	2,813,736	203	0.2%	0.1%
Other financial liabilities	1,640,125	1,587,443	103	0.1%	0.1%
Operating liabilities	31,912,738	28,523,572	112	1.1%	1.0%
- liabilities from direct insurance operations	14,239,495	11,306,835	126	0.5%	0.4%
- liabilities from reinsurance and co-insurance operations	15,309,075	13,819,946	111	0.5%	0.5%
- current tax liabilities	2,364,168	3,396,791	70	0.1%	0.1%
Lease liabilities	4,166,278	0	0	0.1%	0.0%
Other liabilities	45,595,103	43,224,946	105	1.6%	1.6%
<i>Off balance sheet items</i>	<i>107,689,690</i>	<i>178,359,227</i>	<i>60</i>		