

# 8. Financial result of the Triglav Group in 2013

- Despite tight operating conditions, the Triglav Group ended the fiscal year 2013 with a net profit of EUR 69.9 million and recorded a 12% return on equity.
- Combined ratio in non-life insurance, which shows the profitability of operations, was 91.0%.
- Return on financial investments totalled EUR 70.3 million.

Despite tight operating conditions in the reporting year, the Triglav Group ended 2013 with a profit. Profit before tax amounted to EUR 83.6 million or 7% less than in 2012. Net profit decreased by 5% to EUR 69.9 million. Net return on equity was 12.0%, having decreased by 1.8 percentage points compared to the preceding year.

Combined ratio in non-life insurance, which shows the profitability of operations, was 91.0% (2012: 89.6%). 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.

## 8.1 Premium income, claims incurred and operating expenses

**Net premium earned** (calculated on the basis of gross written insurance and co-insurance premiums, reduced by the reinsurers' share and adjusted by the change in gross unearned premiums taking into account the reinsurers' share in unearned premiums) amounted to EUR 837.6 million or 5% less than in 2012. Net premium earned from health insurance grew by 13%, whilst net non-life and life premium earned decreased by 8% and 6% respectively. Gross written premiums from reinsurance and co-insurance operations totalled EUR 70.9 million, representing a 5% decrease compared to 2012. Net unearned premium totalled EUR 7.7 million, representing a 67% drop compared to the previous year.

**Net claims incurred** (gross claims increased by loss adjustment 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) decreased by 1% and totalled EUR 571.7 million. Net claims incurred from non-life insurance fell by 7%, while those from life insurance increased by 5% and those from health insurance by 10%. The reinsurers' and co-insurers' shares of gross claims increased compared to 2012 by 59% and reached EUR 35.8 million. The change in net claims provisions was EUR -28.0 million, having increased by 42% compared to the preceding year. Equalisation scheme expenses for supplemental health insurance increased by 8% and totalled EUR 8.0 million.

**Operating expenses** (costs of insurance contract acquisitions and other operating expenses) remained approximately at the same level as the year before (index 100), reaching EUR 199.4 million. Acquisition costs amounted to EUR 128.0 million (index 100), whereas other operating expenses equalled EUR 71.3 million (index 101).

## 8.2 Income and expenses from financial assets

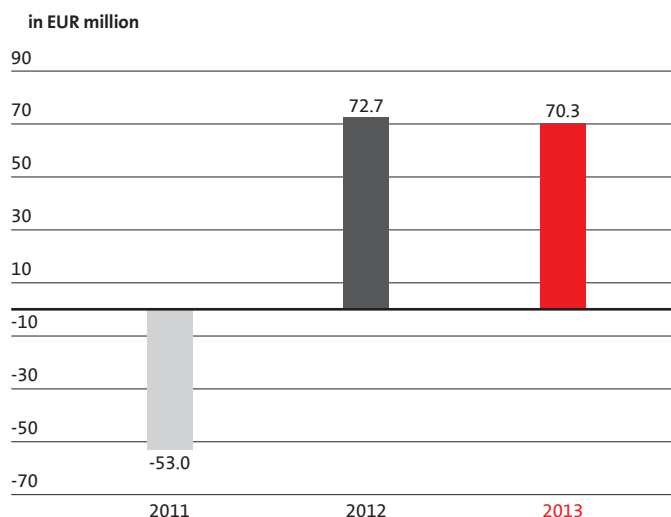
**Income from financial assets** rose by 6% and reached EUR 184.7 million. Income from financial assets in associates totalled EUR 63 thousand. Income from other financial assets decreased by 1% to EUR 136.2 million. Net unrealised losses on unit-linked life insurance assets climbed by 63% to EUR 48.5 million. Interest income of EUR 76.1 million accounted for the largest share of financial assets. Realised gains on disposals amounted to EUR 28.7 million, fair value gains from financial assets totalled EUR 22.2 million, dividend income reached EUR 2.9 million and other financial income EUR 6.3 million. Profit on equity investments in associates and joint venture companies totalled EUR 40 thousand.

**Consolidated financial expenses** increased by 13% to EUR 114.4 million. Expenses from financial assets in associates totalled EUR 1.4 million, while expenses from other financial assets equalled EUR 79.2 million. Net unrealised losses on unit-linked life insurance assets increased substantially and reached EUR 33.8 million (in 2012 EUR 676 thousand). The main portion of financial expenses is represented by permanent impairment of EUR 28.1 million, a 36% decrease compared to 2012.

The portfolio investments of the Triglav Group were permanently impaired, primarily due to the situation and developments in the Slovene banking sector. As a result of decreased value of financial assets fair value losses increased by 24%, amounting to EUR 23.2 million.

**Return on financial investments**, which represents the difference between income and expenses from financial assets, amounted to EUR 70.3 million and decreased by 3% compared to 2012. A lower return was mostly due to a lower return on long-term business fund backing unit-linked life insurance.

### The return on financial investments of the Triglav Group in the period from 2011 to 2013



### 8.3 Change in other insurance technical provisions and other income and expenses

**Changes in other technical provisions** summed up to EUR 2.7 million (2012: EUR –1.4 million) with change in mathematical provisions totalling EUR 4.1 million (2012: EUR 0.9 million). Change in other provisions amounted to EUR –1.4 million, primarily owing to lower provisions for unexpired risks, the value of which is based on net claims and expenses by individual insurance class. The improvement in these results caused a decrease in provisions.

**Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR 17.9 million (index 34) due to an increase in price of fund units. Expenses for bonuses and discounts amounted to EUR 6.5 million (index 76).

**Other insurance income** totalled EUR 7.9 million, having decreased by 62%. **Other income** stood at EUR 76.6 million, representing a 1% increase over the preceding year. **Other insurance expenses** totalled EUR 23.7 million (index 55), whereas **other expenses** amounted to EUR 87.0 million (index 104).

### Income statement for 2013 – according to IFRS

	in EUR		
	2013	2012	Index
<b>NET PREMIUM INCOME</b>	<b>837,642,667</b>	<b>884,367,872</b>	<b>95</b>
- gross written premium	900,892,580	936,263,023	96
- ceded written premium	-70,920,674	-74,983,245	95
- change in unearned premiums	7,670,761	23,088,094	33
<b>INCOME FROM FINANCIAL ASSETS</b>	<b>184,692,544</b>	<b>173,651,547</b>	<b>106</b>
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	63,423	5,754,725	
- profit on equity investments accounted for using the equity method	39,532	1,720,451	
- interest income	0	0	
- fair value gains	0	0	
- realised gains on disposals	23,891	0	
- other financial income	0	4,034,274	
INCOME FROM OTHER FINANCIAL ASSETS	136,153,098	138,074,118	99
- interest income	76,142,863	82,502,711	92
- dividends	2,856,987	3,120,364	92
- fair value gains	22,249,328	17,616,160	126
- realised gains on disposals	28,643,036	29,270,460	98
- other financial income	6,260,884	5,564,423	113
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	48,476,023	29,822,704	163
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>7,910,551</b>	<b>20,702,957</b>	<b>38</b>
- fees and commission income	2,493,159	13,741,969	18
- other income from insurance operations	5,417,392	6,960,988	78
<b>OTHER INCOME</b>	<b>76,614,124</b>	<b>76,039,900</b>	<b>101</b>
<b>NET CLAIMS INCURRED</b>	<b>571,663,099</b>	<b>578,938,271</b>	<b>99</b>
- gross claims settled	627,508,334	613,765,178	102
- reinsurers' and co-insurers' share	-35,840,696	-22,515,985	159
- changes in claims provisions	-27,985,203	-19,720,565	142
- equalisation scheme expenses for supplemental health insurance	7,980,664	7,409,643	108
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS (EXCLUDING UNIT-LINKED)</b>	<b>2,651,409</b>	<b>-1,446,818</b>	
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>17,906,261</b>	<b>52,882,779</b>	<b>34</b>
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>6,539,195</b>	<b>8,647,771</b>	<b>76</b>

Financial result of the Triglav Group in 2013

## Income statement for 2013 – according to IFRS

	in EUR		
	2013	2012	Index
<b>OPERATING EXPENSES</b>	<b>199,362,100</b>	<b>198,477,965</b>	<b>100</b>
- acquisition costs	128,032,778	127,960,690	100
- other operating expenses	71,329,322	70,517,275	101
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>114,386,924</b>	<b>100,957,942</b>	<b>113</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	1,417,909	2,104,247	67
- loss on equity investments in associates and joint ventures accounted for using the equity method	986,250	2,104,247	47
- interest expense	0	0	
- fair value losses	0	0	
- realised loss on disposals	418,604	0	
- permanent impairment of financial assets	1	0	
- other expenses from financial assets and liabilities	13,054	0	
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	79,179,913	98,177,882	81
- interest expense	3,394,926	3,576,326	95
- fair value losses	23,209,947	18,768,643	124
- realised loss on disposals	15,744,740	24,081,742	65
- permanent impairment of financial assets	28,144,000	43,652,275	64
- other expenses from financial assets and liabilities	8,686,300	8,098,896	107
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	33,789,102	675,813	
<b>OTHER INSURANCE EXPENSES</b>	<b>23,683,481</b>	<b>42,829,908</b>	<b>55</b>
<b>OTHER EXPENSES</b>	<b>87,026,356</b>	<b>83,803,046</b>	<b>104</b>
<b>PROFIT/LOSS BEFORE TAX</b>	<b>83,641,061</b>	<b>89,671,412</b>	<b>93</b>
Income tax expense	-13,790,058	-16,490,349	84
<b>NET PROFIT FOR THE ACCOUNTING PERIOD</b>	<b>69,851,003</b>	<b>73,181,063</b>	<b>95</b>
Net profit/loss attributable to the controlling company	69,541,096	72,512,985	96
Net profit/loss attributable to non-controlling interest holders	309,906	668,078	46

## Financial result ratios

Financial result ratios	2013	2012	2011
Claims ratio	61.7%	60.9%	61.0%
Expense ratio	29.3%	28.8%	29.2%
Combined ratio	91.0%	89.6%	90.1%
Operating expenses of insurance business in gross written premium	25.6%	24.6%	23.7%
Gross written premium per company employee* (EUR)	204,330	212,353	226,147

\* Only the employees of the insurance and the reinsurance companies of the Triglav Group are included.