

## 8. Financial result of the Triglav Group

The Triglav Group ended 2011 with a larger profit than the preceding year. Despite the financial crisis and the developments in the banking sector, the Group performed well, posting a profit before tax of EUR 58.0 million. Net profit of the Group totalled EUR 47.5 million, which was 78% more than in the previous year. Net profit attributable to the controlling company amounted to EUR 47.1 million, while net profit attributable to non-controlling interest holders totalled EUR 436 thousand. Significant growth was recorded in the return on equity ratio, which climbed to 9.6%, compared to 5.5% in 2010. The combined ratio in non-life insurance, which shows the profitability of operations, improved as well (any value of this ratio below 100 means that the non-life insurance portfolio, as the core business, is earning a profit). It totalled 90.1%, which is an improvement of 1.9 percentage points over 2010.

### 8.1 Premium income, claims incurred and expenses

**Net premium earned** (calculated on the basis of gross written insurance and co-insurance premium, 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 916.3 million or 3% less than in 2010. A significant growth of 11% was recorded in net premium earned from health insurance, whereas net premium earned from non-life insurance and life insurance decreased by 5% and 4% respectively. The amount by which gross written premiums from co-insurance and reinsurance operations were decreased was 8% higher than in 2010 and equalled EUR 80.1 million. On the other hand, gross unearned premiums grew by EUR 7.0 million, the same as in the preceding year.

Net premium earned amounted to EUR 916.3 million or 3% less than in 2010.

**Net claims incurred** (gross claims increased by assessment 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 share in these provisions and increased by equalisation scheme expenses for supplementary health insurance) totalled EUR 576.1 million, which was 3% more than in 2010. A decrease of 5% was recorded in non-life insurance. Net claims incurred increased by 31% in life insurance and by 9% in health insurance. The reinsurers' and co-insurers' shares of gross claims decreased compared to 2010 by 26% and totalled EUR 22.5 million. Claims provisions decreased by EUR 2.0 million, whereas in 2010 they decreased by EUR 6.3 million.

**Gross operating costs** totalled EUR 286.4 million, decreasing 2% over the preceding year. Of the total amount of gross operating costs, the insurance business operating costs amounted to EUR 234.8 million (index 98), whereas costs arising from non-insurance operations equalled EUR 51.6 million (index 97). Operating costs of insurance business accounted for 23.7% of consolidated gross written premium, the same as in 2010.

### 8.2 Income and expenses from financial assets

**Income from financial assets** decreased by 18% and reached EUR 149.0 million. Income from financial assets in associates reached EUR 4.3 million, income from other financial assets was EUR 119.0 million and net unrealised gains on unit-linked life insurance assets amounted to EUR 25.8 million. Consolidated financial expenses totalled EUR 202.0 million, which represents a 66% increase over 2010. Expenses from financial assets in associates totalled EUR 19.2 million, while expenses from

Negative returns on the Triglav Group's financial assets are the result of the permanent impairment of investments.

other financial assets equalled EUR 107.0 million. Net unrealised losses on unit-linked life insurance assets reached EUR 75.8 million.

The Group's **returns on financial assets** represent the difference between income and expenses from financial assets. In 2011 they amounted to EUR 53.0 million, compared to EUR 60.0 million the year before. Negative returns were caused by a permanent impairment of financial assets in the amount of EUR 63.2 million, which were carried out by Zavarovalnica Triglav due to the developments in the Slovene banking sector and the general financial crisis, forcing it to impair Greek securities holdings.

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

**Change in other insurance technical provisions** totalled EUR -2.9 million on account of a decrease in mathematical provisions, caused by a higher number of maturities due to the aging of the life insurance portfolio, surrenders and a decrease in provisions for unexpired risks, affected by better insurance technical results recorded in individual insurance classes.

**Change in insurance technical provisions for unit-linked insurance contracts** equalled EUR -11.4 million due to a decline in the price of fund units. **Expenses for bonuses and discounts** reached EUR 6.5 million (index 113).

Compared to 2010 **other income from insurance operations** of the Triglav Group in 2011 increased by 18% and totalled EUR 26.4 million, while other income amounted to EUR 57.2 million (index 93). **Other insurance expenses** totalled EUR 56.0 million (index 91), whereas other expenses reached EUR 61.3 million (index 72).

#### Income statement for 2011 - according to IFRS

	in EUR		
	2011	2010	Index
<b>NET PREMIUM INCOME</b>	<b>916,278,896</b>	<b>946,170,224</b>	<b>97</b>
Gross written premium	989,398,804	1,013,560,225	98
Ceded written premium	-80,087,864	-74,371,737	108
Change in unearned premiums	6,967,956	6,981,736	100
<b>TOTAL INCOME FROM FINANCIAL ASSETS</b>	<b>148,981,933</b>	<b>181,533,361</b>	<b>82</b>
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	4,269,157	6,332,162	67
- profit on equity investments accounted for using the equity method	4,265,615	3,525,434	121
- interest income	3,060	1,353,194	0
- dividends	0	0	
- fair value gains	0	187,561	0
- realised gains on disposals	0	1,261,807	0
- other financial income	482	4,166	12
INCOME FROM OTHER FINANCIAL ASSETS	118,961,870	132,682,856	90
- interest income	85,744,485	83,863,954	102
- dividends	4,366,741	3,110,228	140
- fair value gains	6,575,898	12,834,622	51
- realised gains on disposals	16,145,886	26,366,161	61
- other financial income	6,128,860	6,507,892	94
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	25,750,906	42,518,343	61
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>26,441,506</b>	<b>22,433,024</b>	<b>118</b>
- fees and commission income	17,402,868	14,633,234	119
- other income from insurance operations	9,038,638	7,799,790	116
<b>OTHER INCOME</b>	<b>57,156,897</b>	<b>61,561,494</b>	<b>93</b>

## Income statement for 2011 - according to IFRS - continued

in EUR

	2011	2010	Index
<b>NET CLAIMS INCURRED</b>	<b>576,117,033</b>	<b>557,704,906</b>	<b>103</b>
- gross claims settled	593,872,215	588,325,459	101
- reinsurers' and co-insurers' share	-22,450,576	-30,148,316	74
- changes in claims provisions	-1,961,843	-6,334,129	31
- equalisation scheme expenses for supplementary health insurance	6,657,237	5,861,892	114
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS</b>	<b>-2,909,572</b>	<b>62,450,614</b>	
<b>CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS</b>	<b>-11,402,162</b>	<b>66,351,880</b>	
<b>EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>6,458,995</b>	<b>5,735,228</b>	<b>113</b>
<b>CHANGE IN LIABILITIES FROM INVESTMENT CONTRACTS</b>	<b>0</b>	<b>0</b>	
<b>OPERATING COSTS</b>	<b>203,308,320</b>	<b>208,135,976</b>	<b>98</b>
- acquisition costs	130,633,390	132,463,862	99
- other operating costs	72,674,930	75,672,114	96
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>202,010,429</b>	<b>121,554,254</b>	<b>166</b>
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	19,175,570	4,683,649	409
- loss on investments accounted for using the equity method	16,977,661	1,504,027	1,129
- interest expense	0	589,645	0
- fair value losses	1,775,494	174,093	1,020
- realised loss on disposals	94,434	0	
- loss on impairment of financial assets	327,453	2,387,884	14
- other expenses from financial assets and liabilities	528	28,000	2
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	107,035,830	88,273,022	121
- interest expense	5,849,807	6,531,136	90
- fair value losses	10,847,926	12,215,391	89
- realised loss on disposals	17,273,701	9,414,307	183
- loss on impairment of financial assets	62,861,127	48,664,399	129
- other expenses from financial assets and liabilities	10,203,269	11,447,789	89
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	75,799,029	28,597,583	265
<b>OTHER INSURANCE EXPENSES</b>	<b>55,953,030</b>	<b>61,439,998</b>	<b>91</b>
<b>OTHER EXPENSES</b>	<b>61,323,544</b>	<b>85,074,981</b>	<b>72</b>
<b>PROFIT/ LOSS BEFORE TAX</b>	<b>57,999,615</b>	<b>43,250,266</b>	<b>134</b>
INCOME TAX EXPENSE	-10,502,374	-16,600,458	63
<b>NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD</b>	<b>47,497,241</b>	<b>26,649,808</b>	<b>178</b>
Net profit / loss attributable to the controlling company	47,060,748	27,846,858	169
Net profit / loss attributable to non-controlling interest holders	436,490	-1,197,048	

## Financial performance indicators

	2011	2010	2009
Claims ratio	61.0%	61.9%	73.9%
Expense ratio	29.2%	30.1%	30.1%
Combined ratio	90.1%	92.0%	104.0%
Insurance business gross operating costs as % of gross premium written	23.7%	23.7%	23.4%
Gross written premium per employee of the insurance company * (in EUR)	226,147	219,767	215,576

\*Only the employees of the insurance companies and the reinsurance company within the Triglav Group were taken into account.