

2. The Triglav Group and Zavarovalnica Triglav in 2018



- The Triglav Group and Zavarovalnica Triglav continued to operate profitably and safely and again surpassed the budgeted business results.
- The Triglav Group revised its strategy to 2022, the capital management policy and the dividend policy.
- It maintained a favourable »A« credit rating with a stable medium-term outlook.
- The Group's leading position in the Slovene market was retained, whereas in the Adria region it was further strengthened.
- Premium growth was recorded in all insurance markets and in all insurance segments.
- To maintain stable profitability and to implement the set plans, the Group is focusing on an even greater client-centric approach and on transforming the organisational culture.

2.1 Financial highlights of the Triglav Group²

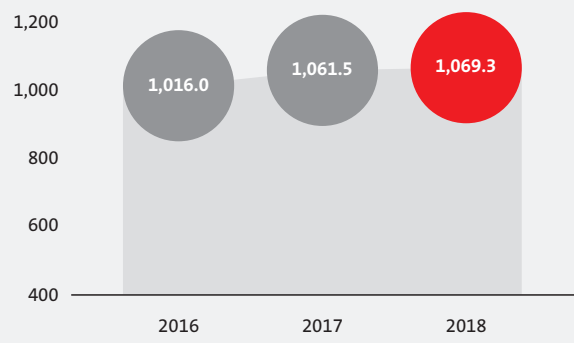
| | in EUR million | | | | |
|--|----------------|---------|---------|--------------------|-----------|
| | 2018 | 2017 | 2016 | Index 2018/2017 | 2017/2016 |
| Gross written premium from insurance, co-insurance and reinsurance contracts | 1,068.4 | 999.9 | 936.0 | 107 | 107 |
| Net premium income | 951.8 | 891.2 | 849.6 | 107 | 105 |
| Gross claims paid | 679.6 | 642.2 | 606.0 | 106 | 106 |
| Net claims incurred | 626.6 | 620.0 | 577.1 | 101 | 107 |
| Gross operating expenses | 288.8 | 274.0 | 277.1 | 105 | 99 |
| Profit before tax | 97.5 | 84.4 | 95.1 | 115 | 89 |
| Net profit | 80.8 | 69.7 | 82.3 | 116 | 85 |
| Net profit attributable to the controlling company | 80.7 | 69.3 | 81.9 | 116 | 85 |
| Combined ratio | 91.8% | 93.1% | 92.9% | 99 | 100 |
| Insurance technical provisions as at 31 December | 2,713.1 | 2,732.2 | 2,660.8 | 99 | 103 |
| Equity as at 31 December | 746.9 | 756.6 | 744.3 | 99 | 102 |
| Equity attributable to the controlling company as at 31 December | 744.6 | 749.8 | 734.0 | 99 | 102 |
| Return on equity | 10.8% | 9.3% | 11.4% | 116 | 82 |
| Return on equity attributable to the controlling company | 10.8% | 9.3% | 11.5% | 116 | 81 |
| Book value per share (in EUR)* | 32.75 | 32.98 | 32.28 | 99 | 102 |
| Net earnings per share (in EUR) | 3.56 | 3.07 | 3.62 | 116 | 85 |
| Number of employees as at 31 December | 5,166 | 5,151 | 5,046 | 100 | 102 |

* In calculating the book value per share, the equity attributable to the controlling company of the Triglav Group and the number of shares as at the reporting date were taken into account.

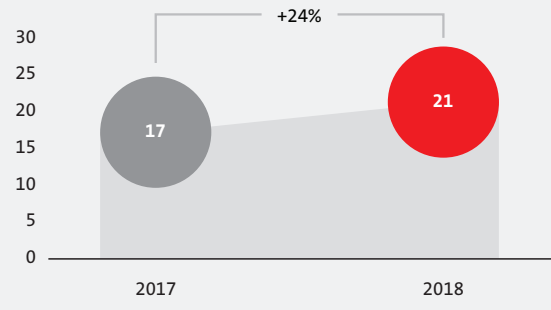
2.2 Financial highlights of Zavarovalnica Triglav³

| | in EUR million | | | | |
|--|----------------|---------|---------|--------------------|-----------|
| | 2018 | 2017 | 2016 | Index 2018/2017 | 2017/2016 |
| Gross written premium from insurance, co-insurance and reinsurance contracts | 660.2 | 622.0 | 593.1 | 106 | 105 |
| Net premium income | 551.9 | 522.1 | 509.8 | 106 | 102 |
| Gross claims paid | 421.0 | 411.3 | 391.2 | 102 | 105 |
| Net claims incurred | 359.9 | 376.3 | 350.7 | 96 | 107 |
| Gross operating expenses | 174.4 | 167.7 | 164.5 | 104 | 102 |
| Profit before tax | 78.5 | 73.8 | 83.4 | 106 | 88 |
| Net profit | 65.5 | 62.5 | 75.3 | 105 | 83 |
| Combined ratio | 86.1% | 87.9% | 87.9% | 98 | 100 |
| Insurance technical provisions as at 31 December | 2,061.4 | 2,103.4 | 2,076.3 | 98 | 101 |
| Equity as at 31 December | 560.1 | 571.4 | 563.4 | 98 | 101 |
| Return on equity | 11.6% | 11.0% | 13.8% | 105 | 80 |
| Book value per share (in EUR) | 24.64 | 25.13 | 24.78 | 98 | 101 |
| Net earnings per share (in EUR) | 2.88 | 2.75 | 3.31 | 105 | 83 |
| Number of employees as at 31 December | 2,290 | 2,285 | 2,335 | 100 | 98 |

Economic value distributed of the Triglav Group (in EUR million)



Average training hours per employee in the Triglav Group



For additional information please contact:⁴

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E-mail: tomaz.zust@triglav.si

2.3 Other economic, social and environmental impact on the Triglav Group's operation

| | 2018 | 2017 | 2016 | Index | |
|--|---------|---------|---------|-----------|-----------|
| | | | | 2018/2017 | 2017/2016 |
| 1. Other economic impacts (in EUR million) | | | | | |
| Economic value generated* | 1,107.7 | 1,087.6 | 1,054.5 | 102 | 103 |
| Economic value distributed | 1,069.3 | 1,061.5 | 1,016.0 | 101 | 104 |
| ▪ Net claims incurred and other insurance expenses | 636.9 | 682.1 | 624.8 | 93 | 109 |
| ▪ Expenses from financial assets | 64.9 | 28.5 | 38.6 | 228 | 74 |
| ▪ Other expenses | 17.4 | 16.6 | 16.0 | 105 | 104 |
| ▪ Operating costs** | 118.4 | 109.2 | 114.6 | 108 | 95 |
| ▪ Dividend payments | 56.8 | 56.8 | 56.8 | 100 | 100 |
| ▪ Tax expense (income tax expense) | 16.6 | 14.7 | 12.8 | 113 | 115 |
| ▪ Community investments (prevention activities, donations, sponsorships) | 6.3 | 5.8 | 6.3 | 110 | 91 |
| ▪ Employee wages, allowances and benefits | 152.1 | 147.7 | 145.9 | 103 | 101 |
| Economic value retained | 38.3 | 26.2 | 38.6 | 146 | 68 |
| 2. Social impact | | | | | |
| Average training hours per employee (Triglav Group)***** | 21 | 17 | | 124 | |
| Number of insurance policies (products, services) sold online | 19 | 18 | 18 | 106 | 100 |
| Number of insurance products encouraging preventive actions | 63 | 62 | 62 | 102 | 100 |
| Personal data protection (number of fines received - target is zero)*** | 0 | 1 | 1 | 0 | 100 |
| Fair business practices (share of investigated fraud cases in %) | 91 | 91 | 91 | 100 | 100 |
| 3. Impact on the environment | | | | | |
| Electricity consumption in MWh (Zavarovalnica Triglav)**** | 8,602 | 8,593 | 5,475 | 100 | 157 |
| Carbon footprint: | | | | | |
| ▪ Zavarovalnica Triglav (tons of CO ₂ equivalent)**** | 7,600 | 7,738 | 5,117 | 98 | 151 |
| ▪ Triglav Osiguranje, Zagreb (tons of CO ₂ equivalent) | 477 | 602 | 709 | 79 | 85 |
| ▪ Triglav Osiguranje, Belgrade (tons of CO ₂ equivalent) | 774 | 743 | 668 | 104 | 111 |
| ▪ Lovćen Osiguranje, Podgorica (tons of CO ₂ equivalent) | 209 | 206 | 252 | 101 | 82 |
| ▪ Triglav Osiguranje, Sarajevo (tons of CO ₂ equivalent) | 155 | 151 | 165 | 103 | 92 |
| ▪ Triglav Osiguranje, Banja Luka (tons of CO ₂ equivalent) | 100 | 72 | 71 | 139 | 101 |
| ▪ Triglav Osiguruvanje, Skopje (tons of CO ₂ equivalent) | 171 | 201 | 179 | 85 | 112 |
| ▪ Zavarovalnica Triglav (tons of CO ₂ equivalent per employee)**** | 3.3 | 3.4 | 2.2 | 97 | 155 |
| Waste sorting (share of employees participating in Zavarovalnica Triglav in %)**** | 94 | 94 | 91 | 100 | 103 |

* Economic value generated = net premium earned and other insurance income + income from financial assets + other income.

** Operating expenses include payments to suppliers, acquisition expenses, etc.

*** See [→ Section 12.5 Responsibility towards Clients, Fair Business Practice] for more details.

**** Data for the commercial building on Dunajska cesta are not included in the 2016 data.

***** No data for 2016.

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2.4 Major business events in 2018

- **A revised strategy:** For the 2019–2022 period, the Triglav Group has maintained the essential elements of its existing strategy and has renewed its values, which are compatible with a client-centric approach. See [[→ Section 4. Strategy and Plans of the Triglav Group](#)] for more details.
- **Good business results:** The Triglav Group again operated at a profit and surpassed the budgeted business results. Premium growth was recorded in all insurance markets and in all insurance segments.
- **Revised Triglav Group's capital management policy and dividend policy:** The Triglav Group's dividend policy is attractive and sustainable, and its implementation will continue to be subordinated to achieving the medium-term sustainable target capital adequacy of the Group. See [[→ Sections 6.4 Dividends and Dividend Policy and 1.3 Risk Management](#)] for more details.
- **A high credit rating:** The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's »A« credit rating with a stable medium-term outlook. See [[→ Section 6.6 Credit Rating of the Triglav Group and Zavarovalnica Triglav](#)] for more details.
- **Dividend payment:** Dividend payments accounted for 82% of net profit of the Triglav Group for 2017. See [[→ Section 6.4 Dividends and Dividend Policy](#)] for more details.
- **The Croatian pension insurance market:** The Triglav Group signed an agreement to acquire the Croatian pension insurer Raiffeisen Mirovinsko osiguravajuće društvo. This acquisition is in line with the growth and development strategy of the Triglav Group. See [[→ Section Changes in the Structure of the Triglav Group](#)] for more details.
- **Strengthening of asset management:** Triglav Skladi and ALTA Skupina signed an agreement to acquire ALTA Skladi. Thereby, the Group continues to strengthen its asset management activity. See [[→ Section Changes in the Structure of the Triglav Group](#)] for more details.
- **Reappointment of Management Board members of Zavarovalnica Triglav:** The Supervisory Board appointed Andrej Slapar President of the Management Board for a new five-year term of office. The Supervisory Board approved the proposal tabled by the President of the Management Board and reappointed Uroš Ivanc and Tadej Čoroli as Management Board members for a five-year term of office. See [[→ Section 5.3.2 Management Board](#)] for more details.



2.5 Financial calendar 2019

| Planned date* | Type of announcement | Silent period** |
|---------------------------------------|--|-----------------------------------|
| Monday, 4 March 2019 | Preliminary information of the performance in 2018 | From Monday, 11 February 2019 |
| Friday, 29 March 2019 | Audited annual report for 2018 | From Friday, 15 March 2019 |
| Thursday, 25 April 2019 | Convening of the General Meeting of Shareholders which will decide on the distribution of accumulated profit | |
| Thursday, 16 May 2019 | Interim Report for the period from 31 January to 31 March 2019 | From Thursday, 2 May 2019 |
| Tuesday, 28 May 2019 | General Meeting of Shareholders and notice of its resolutions | |
| Wednesday, 12 June 2019 | Dividend shareholders' record date | |
| Thursday, 13 June 2019 | Dividend payment date to Centralna kliniška depotna družba | |
| Tuesday, 20 August 2019 | Interim Report for the period from 31 January to 30 June | From Tuesday, 6 August 2019 |
| Thursday, 14 November 2019 | Interim Report for the period from 31 January to 30 September | From Thursday, 31 October 2019 |

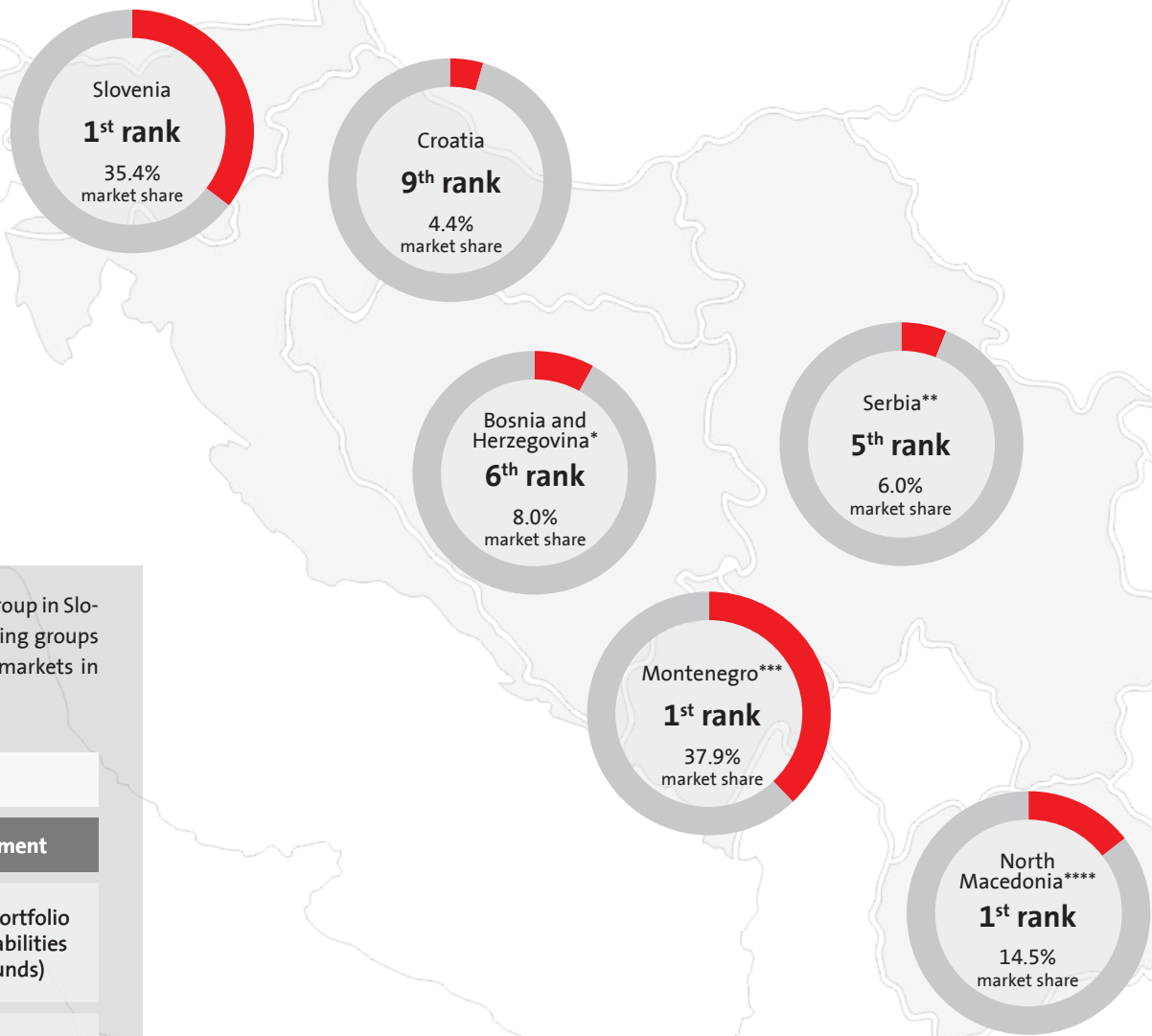
* Announcement dates as planned. The actual dates may differ from the above-stated planned dates.

** The silent period denotes a period preceding the announcement of a performance report, during which Zavarovalnica Triglav does not disclose information on current operations to the public.

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The financial calendar as well as any amendments to the dates of publication will be published on the Ljubljana Stock Exchange website via the SEOnet system (<http://seonet.ljse.si>) and on the Company's website (www.triglav.eu).

2.6 Activities, markets and position of the Triglav Group⁵



The Triglav Group is the leading insurance/financial group in Slovenia and the Adria region as well as one of the leading groups in South-East Europe. The Group operates in seven markets in six countries.

| Strategic activities | |
|----------------------|---|
| Insurance | Asset management |
| Non-life | Own insurance portfolio (asset backing liabilities and backing funds) |
| Life | |
| Pensions | Mutual funds and individual asset management |
| Health | |
| Reinsurance | |

* Market share of Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Banja Luka (H1 2018 data)
 ** Q 1-3 2018 data
 *** Market share of Lovćen Osiguranje and Lovćen životna osiguranja
 **** Market share of Triglav Osiguruvanje, Skopje and Triglav Osiguruvanje Život, Skopje

2.6.1 The business model of the Triglav Group

Dynamic challenges in the environment

- Competition
- New client needs
- Technological development
- Financial and macroeconomic factors
- Development of regulatory frameworks
- Environmental change
- Demographic and social change
- Economic and political factors

For who value is created

- Shareholders/investors
- Policyholders/clients
- Employees
- Suppliers
- Social and natural environment

Checking and improving the created value

- Strategic performance indicators
- Operational performance indicators

Our resources

- Employees
- Financial capital of shareholders and investors
- Intellectual capital
- Operating assets
- Partnerships in the social environment
- Natural resources
- Modern data warehouse

 The Triglav Group accomplishes its mission and creates value for its stakeholders by applying a client-centric approach, focusing on profitable operations and increasing the value of the Group.

Results

- Client satisfaction and loyalty
- Motivated and qualified employees
- Financial stability
- Profitability and growth of shareholders' assets
- Financially security of clients
- Innovative and comprehensive insurance and financial products and services
- Increase in the Group's value
- Strong and reputable brand
- Improved traffic and fire safety and balanced development of local communities

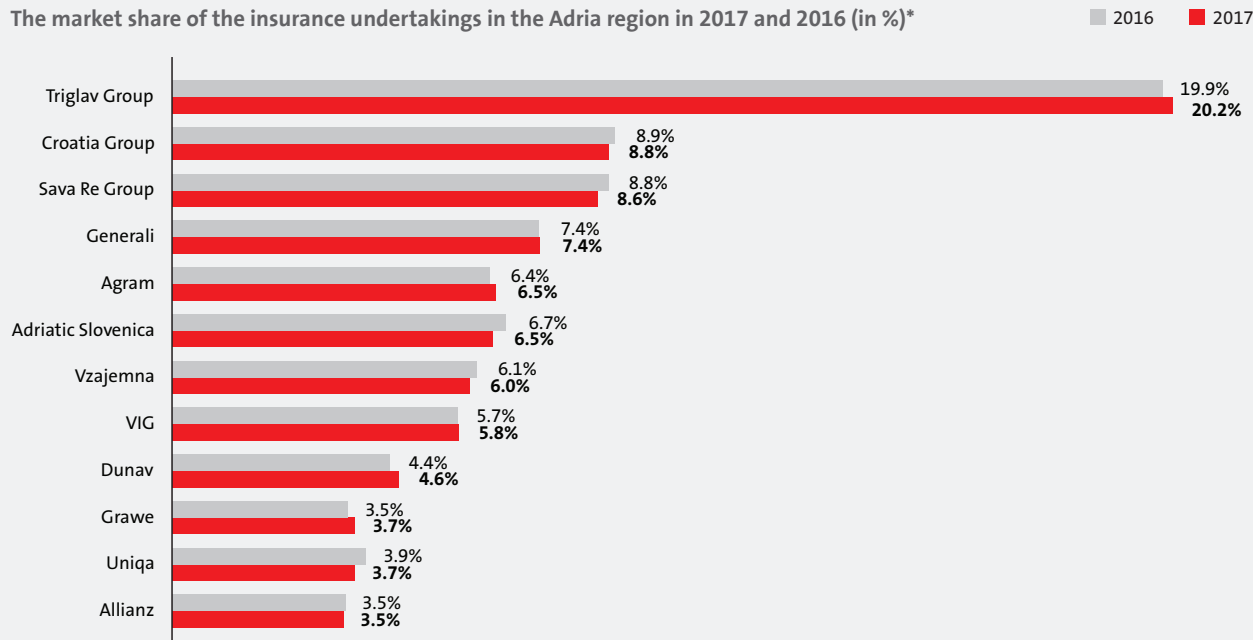
Products and services that create value

- Comprehensive range of insurance and financial products and services
 - Insurance services
 - Assistance services
 - Investment services

How value is created

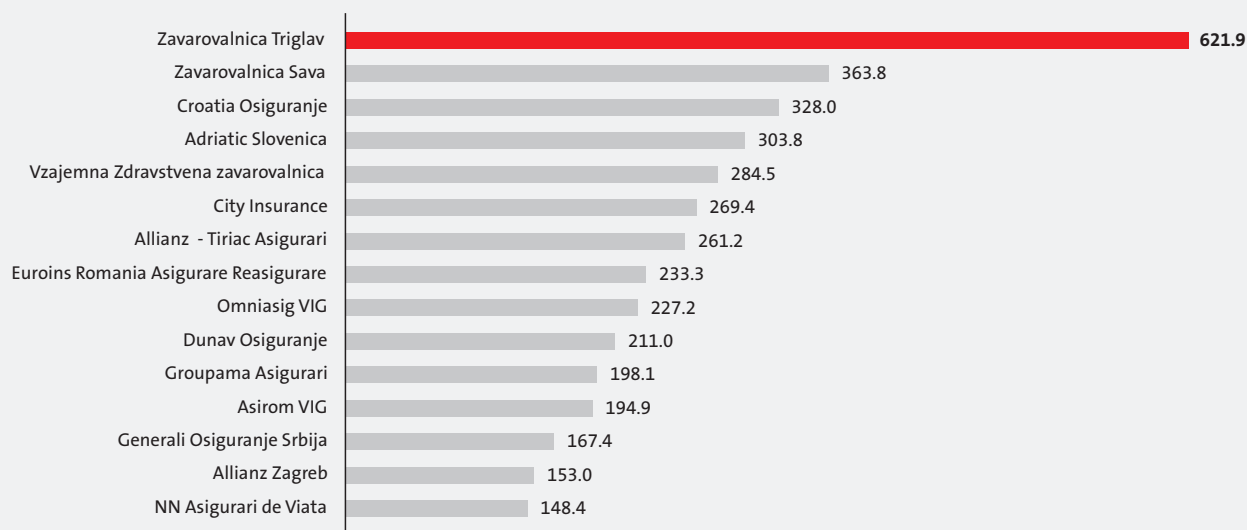
- Implementation of the Triglav Group's strategy
- Employee development
- Efficient risk management
- Efficient asset management
- Adaptation of products and services to client needs
- Multi-channel client approach
- Active role on the markets in the region
- Business digitalisation
- Implementation of modern business models and technologies
- Strategic partnerships and integration into dynamic business ecosystems
- Cooperation with partners in the social environment
- Comprehensive and transparent communication

The market share of the insurance undertakings in the Adria region in 2017 and 2016 (in %)*



* Data for 2018 were not yet available
Source: The calculation of Zavarovalnica Triglav based on the data of national insurance supervision agencies and insurance associations

The largest insurers in South-East Europe by written premium in 2017 (in EUR million)



Source: SeeNews 2018

2.6.2 Insurance

Insurance is the most extensive strategic activity of the Triglav Group, which includes non-life, life, health and pension insurance as well as reinsurance.

The insurance-oriented part of the Group encompasses:

- in Slovenia: Zavarovalnica Triglav d.d., Triglav, Zdravstvena zavarovalnica d.d., Pozavarovalnica Triglav Re d.d. and Skupna pokojninska družba d.d.;
- abroad: eight insurance undertakings in Croatia, Serbia, Montenegro, Bosnia and Herzegovina and North Macedonia.

Position in the regional insurance market

In 2018, the Triglav Group held a dominant position among the insurers in the Adria region (Slovenia, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and North Macedonia), as it had increased its market share to 20.2% in 2017.

Among the 100 largest insurers in South-East Europe in terms of written premium in 2017 were 7 insurance companies of the Triglav Group and 14 Slovene insurers. The SeeNews study for South-East Europe covers Albania, Bosnia and Herzegovina, Bulgaria, Croatia, North Macedonia, Moldavia, Montenegro, Romania, Serbia and Slovenia. According to its findings, Zavarovalnica Triglav topped the ranking, being 1.7 times larger than the second ranked Slovene insurer Zavarovalnica Sava.

2.6.3 Asset management

The asset management activity in the Triglav Group is performed by the life insurance subsidiaries of the Group, Triglav Skladi d.o.o., Triglav, Upravljanje nepremičnin d.d. and Triglav d.o.o., which includes saving via the Group's insurance services and investing in the Group's mutual funds.

2.6.4 Structure of the Triglav Group

Subsidiaries of the Triglav Group directly involved in or supporting the Group's core business lines

| | Insurance | Assets management | Other |
|-------------------------------|--|--|---|
| Slovenia | <ul style="list-style-type: none"> Zavarovalnica Triglav d.d. Pozavarovalnica Triglav Re d.d. Triglav, Zdravstvena zavarovalnica d.d. Skupna pokojninska družba d.d. | <ul style="list-style-type: none"> Triglav Skladi d.o.o. Triglav, Upravljanje nepremičnin d.d. Triglav d.o.o. | <ul style="list-style-type: none"> Triglav INT d.d. Triglav Svetovanje d.o.o. Triglav Avtoservis d.o.o. Triglavko d.o.o. |
| Croatia | <ul style="list-style-type: none"> Triglav Osiguranje d.d., Zagreb | | <ul style="list-style-type: none"> TRI-LIFE d.o.o. |
| Serbia | <ul style="list-style-type: none"> Triglav Osiguranje a.d.o., Belgrade | | <ul style="list-style-type: none"> Triglav Savetovanje d.o.o. |
| Montenegro | <ul style="list-style-type: none"> Lovćen Osiguranje a.d., Podgorica Lovćen životna osiguranja a.d., Podgorica | | <ul style="list-style-type: none"> Lovćen Auto d.o.o. |
| Bosnia and Herzegovina | <ul style="list-style-type: none"> Triglav Osiguranje d.d., Sarajevo Triglav Osiguranje a.d., Banja Luka Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka | <ul style="list-style-type: none"> PROF-IN d.o.o. | <ul style="list-style-type: none"> Triglav Savjetovanje d.o.o. Triglav Auto d.o.o. Autocentar BH d.o.o. Unis automobili i dijelovi d.o.o. |
| North Macedonia | <ul style="list-style-type: none"> Triglav Osiguruvanje a.d., Skopje Triglav Osiguruvanje Život a.d., Skopje | | |

Changes in the structure of the Triglav Group in 2018⁶

- Triglav INT d.d., gradually acquired equity stakes from non-controlling interest holders, in total it acquired a 0.42% equity stake of Triglav Osiguruvanje a.d., Skopje in the reporting year, thereby becoming its 80.35% owner. The purchase price equalled MAK 3,695,289 or EUR 59,968.
- Due to the exclusion of a shareholder, the share capital of Golf Arboretum d.o.o. decreased by EUR 4,966. As a result, other shareholdings proportionately increased. Triglav, Upravljanje nepremičnin d.d. thereby became an 80.73% owner of the said company.
- On 24 April 2018, Triglav INT d.d. signed an agreement with Raiffeisen Bank Austria d.d., Zagreb to purchase a 74.99% stake in the Croatian pension insurance company Raiffeisen Mirovinsko osiguravajuće društvo. The agreement was signed under suspensive conditions due to the required approval of the regulators.
- Zavarovalnica Triglav provided additional capital to its subsidiary Triglav INT d.d. The share capital was paid in by the in-cash contribution of EUR 4,000,000 and financed through a debt to equity swap transaction of EUR 5,170,729.
- Lovćen Auto a.d. changed its legal form from a public limited company (a.d.) to a limited liability company (d.o.o.).
- On 1 August 2018, AKM nepremičnine d.o.o. was stricken off from the Companies Register due to its merger to Triglav, Upravljanje nepremičnin d.d.
- Lovćen Osiguranje a.d., Podgorica, increased its equity stake in its subsidiary Lovćen životna osiguranja a.d. in the amount of EUR 300,000, thus remaining a 100% owner of the said company.
- Through the in-cash contributions of EUR 6,832,309 Zavarovalnica Triglav increased the share capital of its associate Triglav d.o.o. and thus maintained its 49.9% equity stake in the said company. Triglav is a 100% owner of equity stakes

of companies Ljubljana d.o.o., Loma center d.o.o. and KRDU Building d.o.o.

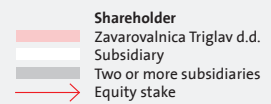
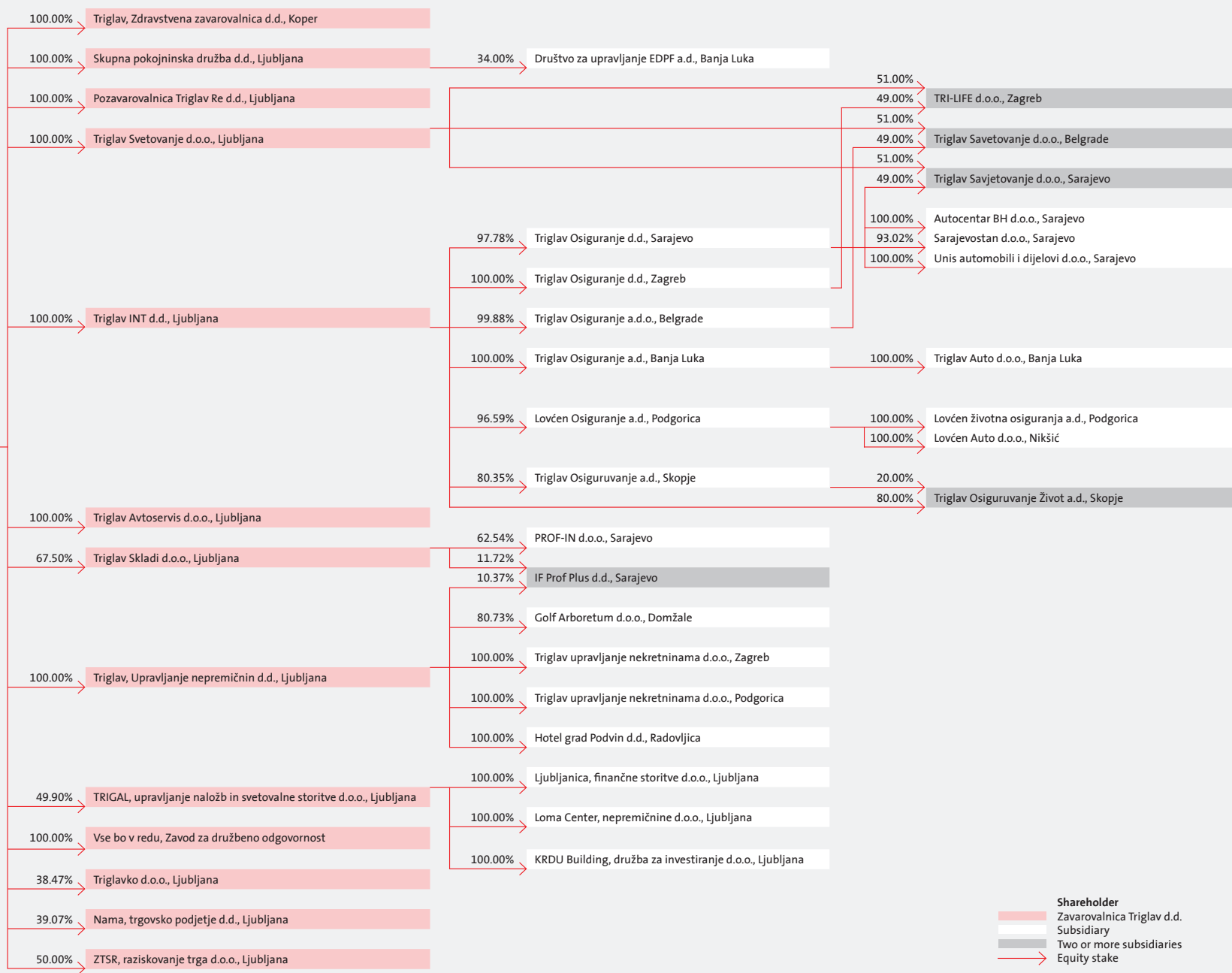
- Furthermore, Lovćen Osiguranje a.d.o., Podgorica increased its equity stake in its subsidiary Lovćen Auto a.d., thus remaining a 100% owner of the said company. The capital increase amounted to EUR 1,150,000.
- Triglav Osiguranje a.d., Belgrade and Triglav Svetovanje d.o.o., Domžale increased the capital of their subsidiary Triglav Savetovanje d.o.o., Belgrade in accordance with their proportional stakes, thus maintaining their stakes of 49% and 51% respectively. The capital was increased by the in-cash contributions of RSD 10 million or EUR 84,829.
- On 14 September 2018, Zavarovalnica Triglav signed an agreement with Nova Ljubljanska banka d.d. to purchase its 28.13% equity stake in Skupna pokojninska družba, thereby becoming its 100% owner. The purchase price equalled EUR 4,600,000. Through consolidation and integrated management of this segment, the Triglav Group continues to implement its growth strategy in the pension insurance segment.
- On 21 September 2018, Triglav Skladi and ALTA Skupina signed an agreement to acquire a 100% stake in ALTA Skladi, družba za upravljanje. The agreement was entered into under suspensive conditions, among which is the condition to obtain the approval of the regulators. The purchase price excluding adjustment for net debt is EUR 21.7 million, a part of which is contingent on future payments made into the funds of the acquiree.
- On 25 September 2018, the project company ZTSR, raziskovanje trga d.o.o. was established for research purposes. Its share capital is EUR 250,000. With a payment of EUR 125,000, Zavarovalnica Triglav became a 50% owner of ZTSR.
- Sarajevostan d.o.o. changed its legal form from a public limited company (d.d.) to a limited liability company (d.o.o.). In the context of changing its legal form, the company's share capital was reduced by BAM 3,728,477 or EUR 1.9 million. All shareholders were repaid proportionally to their share. Following the share capital decrease, Triglav Osiguranje d.d., Sarajevo remained the 93.02% owner of the said company.

The changes in the Triglav Group are discussed in greater detail in [→ Section 2.7 of the Accounting Report].

⁶GRI GS 102-10

Subsidiaries and associates of the Triglav Group as at 31 December 2018 and their equity stake

Zavarovalnica Triglav d.d.





Andrej Slapar

Barbara Smolnikar

Tadej Čoroli

Marica Makoter

Uroš Ivanc

2.7 Management of Zavarovalnica Triglav

As at the 2018 year-end, the Management Board of the Company was composed of the following members::

- Andrej Slapar, President
- Uroš Ivanc, Member,
- Tadej Čoroli, Member,
- Barbara Smolnikar, Member,
- Marica Makoter, Member and Employee Representative.

See more [[→](#) in section 5.3.2.2.].