

2. Triglav Group and Zavarovalnica Triglav in 2019

- The Triglav Group and its parent company operated at a profit and surpassed the planned business results.
- Strategic development activities were carried out actively and systematically in accordance with the strategy of the Triglav Group.
- The Group is financially sound, its capital adequacy is within the target range and the credit rating of »A« has a stable medium-term outlook.
- The Group firmly remains the leader both in the Adria region and the Slovene insurance market.
- Premium growth was achieved on all insurance markets and in all insurance segments. The value of assets under management was increased.
- The asset management business was strengthened by the acquisition of ALTA Skladi and their merger with Triglav Skladi.

2.1 Financial highlights of the Triglav Group²

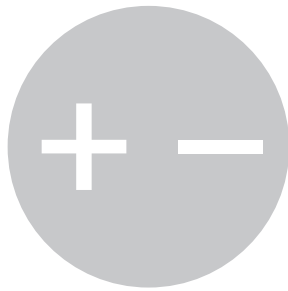
	in EUR million				
	2019	2018	2017	Index	
				2019/2018	2018/2017
Gross written premium from insurance, co-insurance and reinsurance contracts	1,184.2	1,068.4	999.9	111	107
Net premium income	1,027.6	951.8	891.2	108	107
Gross claims paid	716.7	679.6	642.2	105	106
Net claims incurred	684.1	626.6	620.0	109	101
Gross operating expenses	305.3	288.8	274.0	106	105
Profit before tax	100.9	97.5	84.4	104	115
Net profit	83.9	80.8	69.7	104	116
Net profit attributable to the controlling company	83.7	80.7	69.3	104	116
Combined ratio	91.5%	91.8%	93.1%	100	99
Insurance technical provision as at 31 December	2,878.9	2,713.1	2,732.2	106	99
Equity as at 31 December	792.0	746.9	756.6	106	99
Equity attributable to the controlling company as at 31 December	789.5	744.6	749.8	106	99
Return on equity	10.9%	10.8%	9.3%	101	116
Return on equity attributable to the controlling company	10.9%	10.8%	9.3%	101	116
Book value per share (in EUR)	34.73	32.75	32.98	106	99
Net earnings per share (in EUR)	3.69	3.56	3.07	104	116
Number of employees as at 31 December	5,281	5,166	5,151	102	100

2.2 Financial highlights of Zavarovalnica Triglav³

	in EUR million				
	2019	2018	2017	Index	
				2019/2018	2018/2017
Gross written premium from insurance, co-insurance and reinsurance contracts	702.1	660.2	622.0	106	106
Net premium income	573.6	551.9	522.1	104	106
Gross claims paid	425.2	421.0	411.3	101	102
Net claims incurred	376.8	359.9	376.3	105	96
Gross operating expenses	180.5	174.4	167.7	103	104
Profit before tax	84.6	78.5	73.8	108	106
Net profit	70.6	65.5	62.5	108	105
Combined ratio	85.6%	86.1%	87.9%	99	98
Insurance technical provisions as at 31 December	2,149.0	2,061.4	2,103.4	104	98
Equity as at 31 December	580.5	560.1	571.4	104	98
Return on equity	12.4%	11.6%	11.0%	107	105
Book value per share (in EUR)	25.53	24.64	25.13	104	98
Net earnings per share (in EUR)	3.11	2.88	2.75	108	105
Number of employees as at 31 December	2,253	2,290	2,285	98	100

The calculation of indicators and the chosen terms are explained in the glossary enclosed to the Annual Report. See page 291.

2.3 Other economic, social and environmental impacts of the Triglav Group's operations



	2019	2018	2017	Index	
				2019/2018	2018/2017
1. Other economic impacts (in EUR million)					
Economic value generated	1,292.4	1,107.7	1,087.6	117	102
Economic value distributed	1,245.6	1,069.3	1,061.5	116	101
- Net claims incurred and other insurance expenses	838.4	636.9	682.1	132	93
- Expenses from financial assets	21.9	64.9	28.5	34	228
- Other expenses	23.5	17.4	16.6	135	105
- Operating costs*	120.2	118.4	109.2	102	108
- Dividend payments	56.8	56.8	56.8	100	100
- Tax expense (income tax expense)	17.1	16.6	14.7	103	113
- Community investments (prevention activities, donations, sponsorships)	7.4	6.3	5.8	117	110
- Employee wages, allowances and benefits	160.3	152.1	147.7	105	103
Economic value retained	46.8	38.3	26.2	122	146
2. Social impact					
Average training hours per employee (Triglav Group)	31	21	17	146	124
Number of insurance policies (products, services) sold online	18	19	18	95	106
Number of insurance products encouraging preventive actions	62	62	62	100	100
Personal data protection (number of fines received - target is zero)**	0	0	1	0	0
Fair business practices (share of investigated fraud cases in %)**	79	91	91	87	100
3. Impact on the environment					
Electricity consumption in MWh (Zavarovalnica Triglav)****	10,686	8,602	5,031	124	171
Carbon footprint:					
- Zavarovalnica Triglav (tons of CO ₂ equivalent)	7,215	7,600	4,793	95	159
- Triglav Osiguranje, Zagreb (tons of CO ₂ equivalent)	480	477	602	101	79
- Triglav Osiguranje, Belgrade (tons of CO ₂ equivalent)	648	774	743	84	104
- Lovćen Osiguranje, Podgorica (tons of CO ₂ equivalent)	438	209	206	210	101
- Triglav Osiguranje, Sarajevo (tons of CO ₂ equivalent)	331	155	151	214	103
- Triglav Osiguranje, Banja Luka (tons of CO ₂ equivalent)	136	100	72	136	139
- Triglav Osiguruvanje, Skopje (tons of CO ₂ equivalent)	149	171	201	87	85
- Pozavarovalnica Triglav RE (tons of CO ₂ equivalent)	522				
- Triglav, Zdravstvena zavarovalnica (tons of CO ₂ equivalent)	488				
- Triglav, pokojninska družba (tons of CO ₂ equivalent)	41				
- Triglav Skladi (tons of CO ₂ equivalent)	32				
- Zavarovalnica Triglav (tons of CO ₂ equivalent per employee)	3.2	3.3	2.1	97	157
Waste sorting (share of employees participating in Zavarovalnica Triglav in %)	94	94	94	100	100

For additional information about this report please contact:⁴

Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana

Tomaž Žust,
Director of Strategic Planning and
Controlling Department
Phone: ++386 (1) 47 47 449
Fax: ++386 (1) 23 16 456
E-mail: tomaz.zust@triglav.si

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

** See [→ Section 12.5 Responsibility towards clients, Fair business practices] for more details.

*** Data for 2019 are collected for insurance companies, whereas for 2018 and 2017 only for Zavarovalnica Triglav.

**** Data for 2019 are collected for the key companies of the Triglav Group (all insurance companies, Triglav Skladi and Triglav, pokojninska družba, whereas for 2018 and 2017 only for Zavarovalnica Triglav.

2.4 Major events in 2019

A high credit rating of

»A«

maintained:

The credit rating agencies S&P Global Ratings and AM 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.

triglavskladi

ALTA

Strengthening of asset

management: With the acquisition of ALTA Skladi management company, the Triglav Group became the leading provider of mutual funds on the Slovene market. See [→ Section Changes in the structure of the Triglav Group] and [→ Section 2.10 of the Accounting Report] for further details.

Bond issue:

Zavarovalnica Triglav successfully issued a 30.5-year subordinated bond, replacing the subordinated bond that will mature in 2020.

The new issue is part of the regular capital management activities of the Triglav Group, aimed at ensuring the **Company's optimal capital structure and its cost effectiveness.**

See [→ Section 6.7 Bonds of Zavarovalnica Triglav] for further details.



Good business results:

The Triglav Group operated at a profit and surpassed the planned business results. Premium growth was recorded on all insurance markets and in all insurance segments.

Dividend payment:

Divided payments accounted for **70% of the net profit** of the Triglav Group for 2018. See [→ Section 6.4 Dividends and dividend policy] for more details.

Entry into the pension insurance market in North Macedonia:

Through the establishment of Triglav penzisko društvo a.d. pension company, the Triglav Group entered the pension insurance market, where it operates as one of three companies. See [→ Section Changes in the structure of the Triglav Group] for more details.



Changes in the Management Board and the Supervisory Board of Zavarovalnica Triglav:

The Supervisory Board appointed David Benedek to a five-year term of office as a Management Board member of Zavarovalnica Triglav. The Works Council appointed three members of the Supervisory Board – employee representatives: Peter Celar, Branko Gorjan and Igor Zupan. See [→ Sections 5.3.2 Management Board and 5.3.3 Supervisory Board] for more details.

2.5 Financial calendar 2020

Calendar of financial announcements for 2020

Date of announcement*	Type of announcement	Quiet period**
Monday, 2 March 2020	Preliminary information on performance in 2019	From Monday, 10 February 2020
Tuesday, 31 March 2020	Audited annual report for 2019	From Tuesday, 17 March 2020
Thursday, 23 April 2020	Calling of the General Meeting of Shareholders to decide on the distribution of accumulated profit	
Thursday, 14 May 2020	Interim report for the period from 31 January to 31 March 2020	From Thursday, 30 April 2020
Tuesday, 26 May 2020	General Meeting of Shareholders and announcement of its resolutions	
Wednesday, 10 June 2020	Dividend record date	
Thursday, 11 June 2020	Dividend payment date to Centralna klirinška depotna družba	
Tuesday, 18 August 2020	Interim report for the period from 31 January to 30 June 2020	From Tuesday, 4 August 2020
Tuesday, 17 November 2020	Interim report for the period from 31 January to 30 September 2020	From Tuesday, 3 November 2020

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

** The quiet 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.

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 (seonet.ljse.si) and on the Company's website (www.triglav.eu).

2.6 Activities, markets and position of the Triglav Group⁵

Slovenia
1st rank, 35.5% market share
+10% written premium^{*}**

Croatia
8th rank, 4.6% market share
+14% written premium^{*}**

Serbia
5th rank, 6.4% market share*
+19% written premium^{*}**

Montenegro
1st rank, 38.7% market share
+11% written premium^{*}**

Bosnia and Herzegovina
6th rank, 7.7% market share^{}**
+9% written premium^{*}**

North Macedonia
1st rank, 13.8% market share
+1% written premium^{*}**



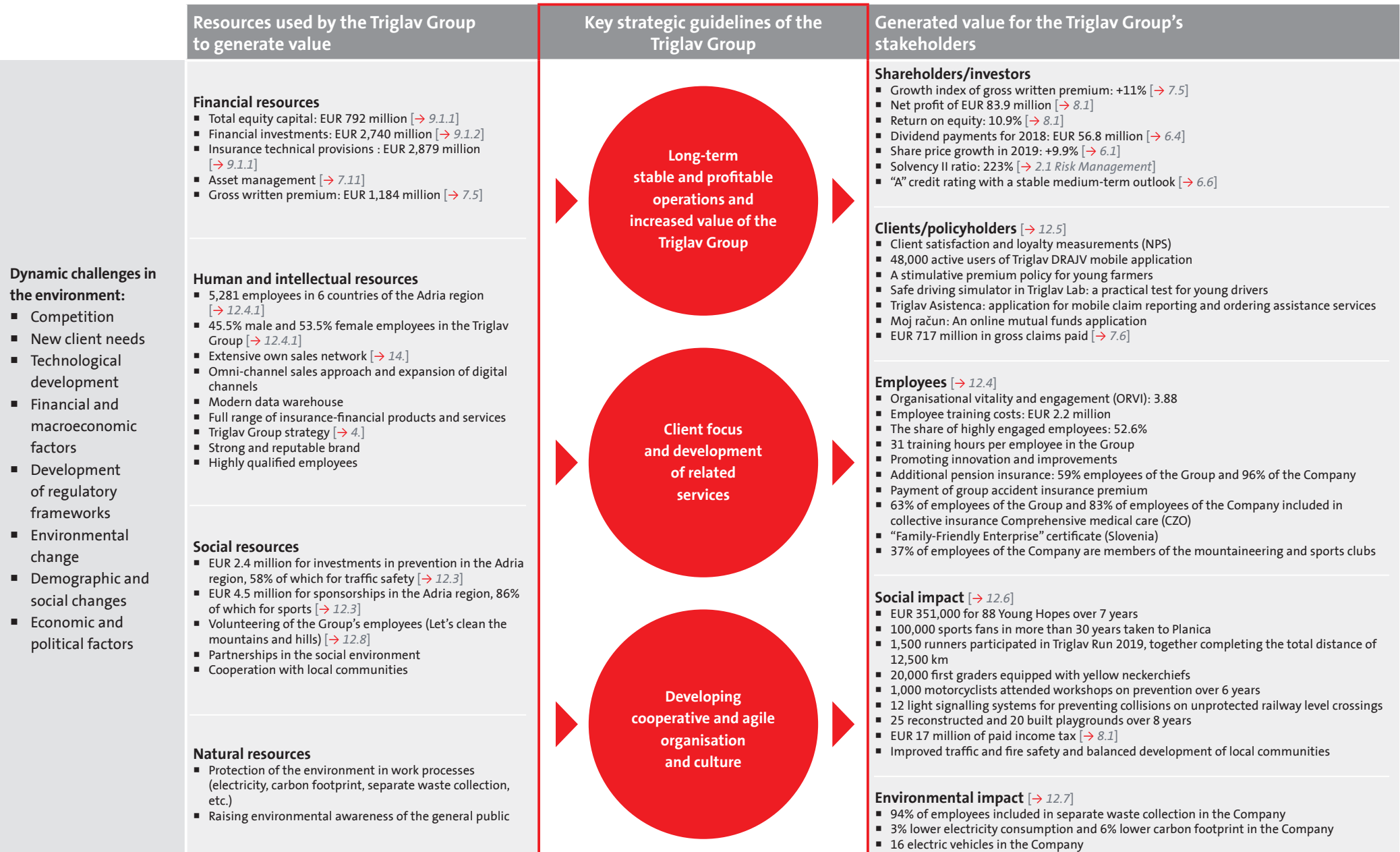
The Triglav Group is the leading insurance/financial group in Slovenia and the Adria region as well as one of the leading groups in South-East Europe. The Group operates on seven markets in six countries. Furthermore, it operates in the wider international environment through partnerships with foreign insurance brokerage and agency companies.

* Q1-3 2019 data
 ** H1 2019 data
 *** The data show the growth of the Triglav Group's gross written premium by an individual market.

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	Pension funds

2.6.1. The business model of the Triglav Group



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 business of the Group comprises:

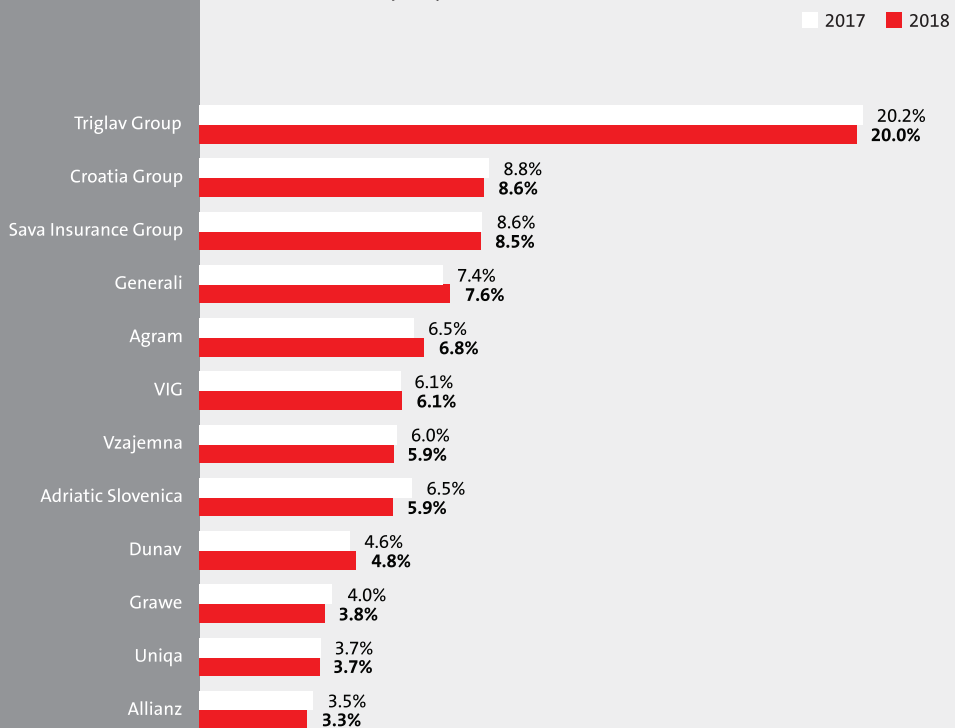
- **in Slovenia:** Zavarovalnica Triglav d.d., Triglav, Zdravstvena zavarovalnica d.d., Pozavarovalnica Triglav Re d.d., and Triglav, pokojninska družba d.d.,
- **abroad:** eight insurance undertakings in Croatia, Serbia, Montenegro, Bosnia and Herzegovina and North Macedonia.

Position in the regional insurance market

In 2018, the Triglav Group achieved a 20.0% market share and holds the dominant position among the insurers in the Adria region (Slovenia, Croatia, Serbia, Montenegro, Bosnia and Herzegovina, and North Macedonia).

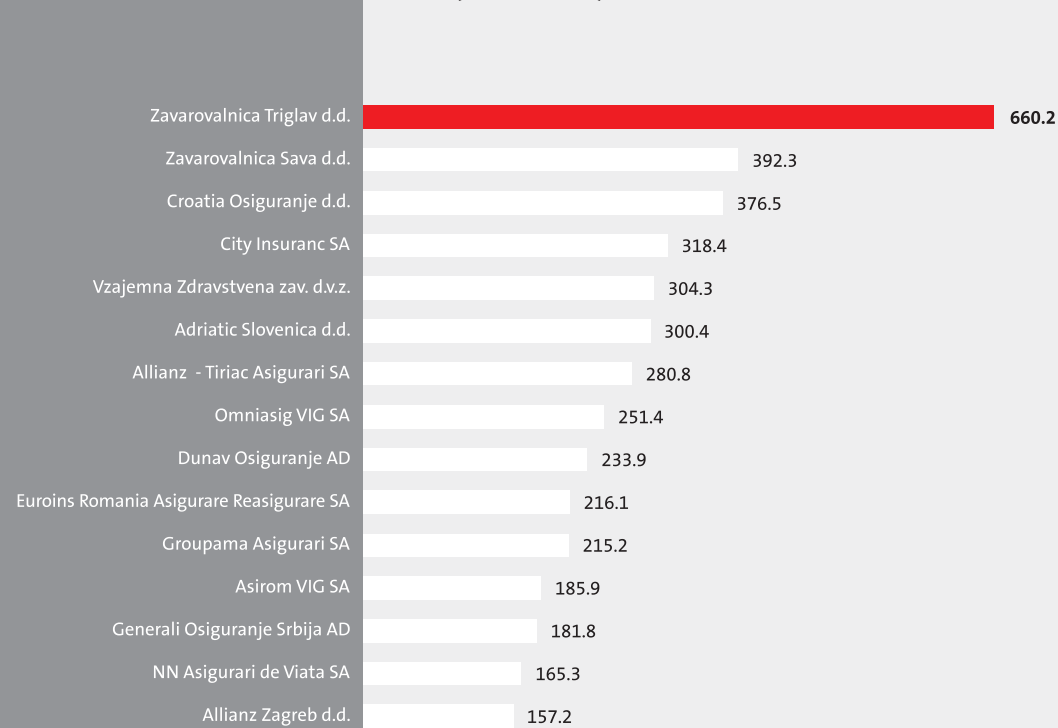
In 2018, the parent company Zavarovalnica Triglav was again the leading insurer in South-East Europe (Albania, Bosnia and Herzegovina, Bulgaria, Montenegro, Croatia, Moldova, Romania, North Macedonia, Serbia and Slovenia). According to a SeeNews survey, 7 insurance subsidiaries of the Triglav Group and 14 Slovene insurers rank among the top 100 insurers in South-East Europe in terms of gross written premium. The top three insurers maintained their place for the third consecutive year, while at the same time all three achieved growth in both written premium and profit. Zavarovalnica Triglav recorded the highest profit in 2018 among all 100 insurers.

*The market share of the insurance undertakings in the Adria region in 2018 and 2017 (in %)**



* Data for 2019 are 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 2018 (in million EUR)



Source: SeeNews 2019

2.6.3. Asset management

The **asset management** activity in the Triglav Group is performed by the Group's life insurance and pension companies, 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 and pension funds.

2.6.4. Structure of the Triglav Group

As at 31 December 2019, the Triglav Group consisted of 38 companies: in addition to the parent company, 31 subsidiaries and 6 associates.

The Triglav Group members directly involved in or supporting the Group's core business lines

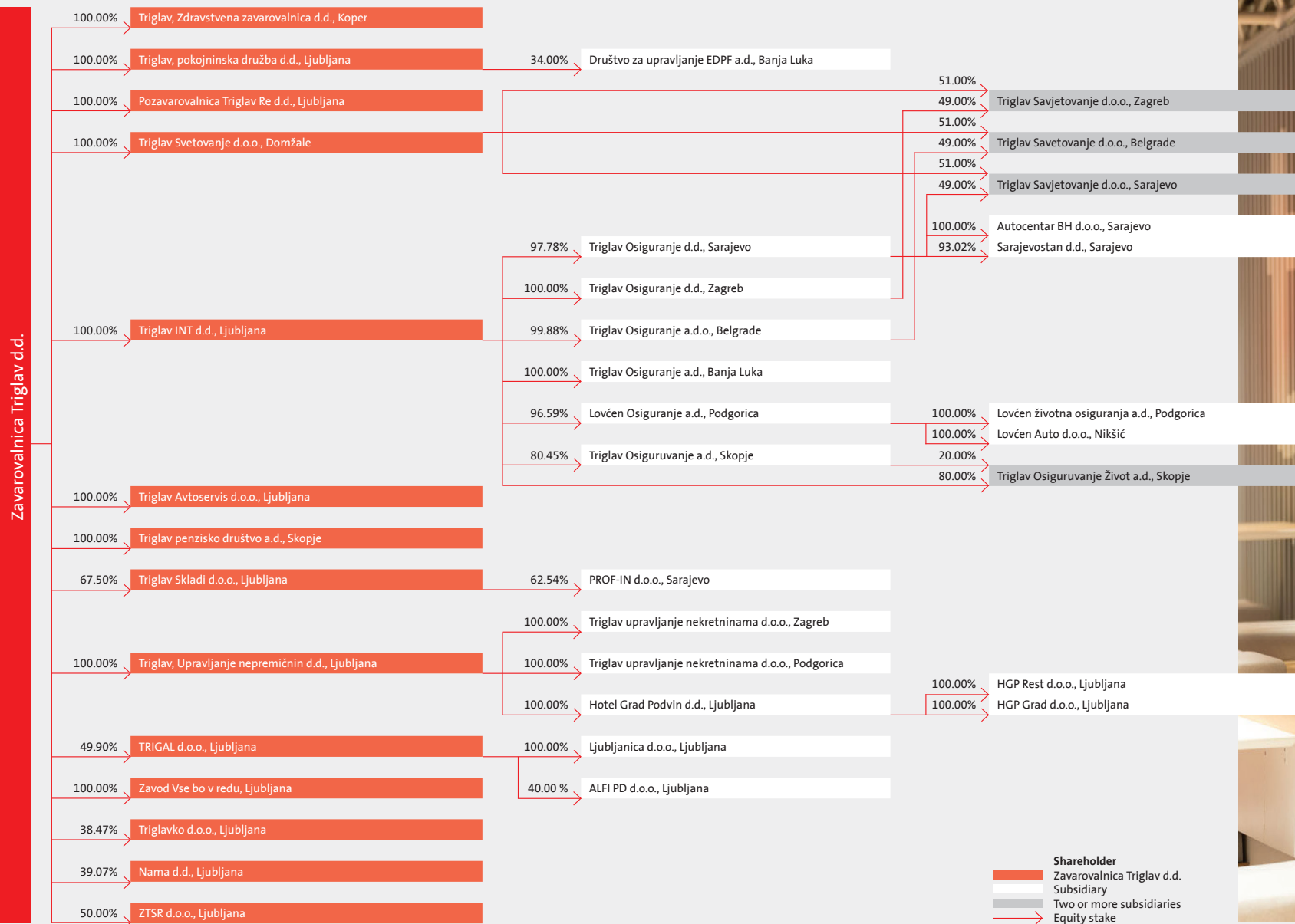
		Insurance	Asset Management	Other
Slovenia		<ul style="list-style-type: none"> Zavarovalnica Triglav d.d. Pozavarovalnica Triglav Re d.d. Triglav, Zdravstvena zavarovalnica d.d. Triglav, pokojninska družba d.d. 	<ul style="list-style-type: none"> Triglav Skladi d.o.o. Triglav, Upravljanje nepremičnin 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"> Triglav Savjetovanje 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 	<ul style="list-style-type: none"> PROF-IN d.o.o. Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka 	<ul style="list-style-type: none"> Triglav Savjetovanje d.o.o. Autocentar BH d.o.o.
North Macedonia		<ul style="list-style-type: none"> Triglav Osiguruvanje a.d., Skopje Triglav Osiguruvanje Život a.d., Skopje 	<ul style="list-style-type: none"> Triglav penzisko društvo a.d., Skopje 	

Changes in the structure of the Triglav Group in 2019⁶

<p>Triglav INT d.d. acquired a 0.1% participating interest in Triglav Osiguranje a.d., Skopje from non-controlling interest holders, thereby increasing its interest in said company to 80.45%. The consideration totalled MAK 888,940 or EUR 14,428.</p>	<p>On 27 March 2019, Zavarovalnica Triglav established Triglav penzisko društvo a.d., Skopje, a company for the management of compulsory and voluntary pension funds, by paying in EUR 3,000,000.</p>	<p>In Q2 2019, Triglav Svetovanje d.o.o. and Triglav Osiguranje d.d., Zagreb increased the capital of their subsidiary Triglav Savjetovanje d.o.o., Zagreb in accordance with their proportional stakes. By increasing the capital through in-cash contributions of HRK 2,100,000 or EUR 284,000 in cash, the two companies retained their participating interests of 51% and 49% respectively.</p>	<p>On 19 September 2019, Triglav Auto d.o.o., Banja Luka was liquidated. The liquidation did not affect the consolidated financial statements of the Triglav Group.</p>
<p>Lovćen Osiguranje a.d. increased the capital of its subsidiary Lovćen Auto d.o.o. in the amount of EUR 2,400,000, thus remaining its 100% owner.</p>	<p>On 29 March 2019, Hotel Grad Podvin d.o.o. established two companies: HGP Grad, investicije d.o.o. and HGP Rest, investicije d.o.o., which are both wholly owned by Hotel Grad Podvin d.o.o.</p>	<p>On 8 August 2019, Zavarovalnica Triglav and Sava Re d.d. entered into an agreement, under which Zavarovalnica Triglav has the option to acquire a 40% interest in the share capital of Diagnostični center Bled d.o.o., representing 50% of the voting rights. The aim of Zavarovalnica Triglav, together with Sava Re, is to acquire control of said company through ZTSR d.o.o., which is jointly owned by them. The investment is part of the regular activities, by which the Company pursues the financial investment management policy of the Triglav Group, and will not have a significant impact on the structure of its financial investment portfolio. Before the transaction is executed, certain conditions precedent have to be fulfilled.</p>	<p>In December 2019, Skupna pokojninska družba was renamed Triglav, pokojninska družba d.d.</p>
<p>With cash contributions of EUR 1,094,670, Zavarovalnica Triglav increased the capital of its associate Triglav d.o.o., thereby maintaining its 49.9% participating interest.</p>			
<p>Triglav Skladi d.o.o. and Triglav, Upravljanje nepremičnin d.d. sold their interests of 11.72% and 10.37% respectively in ZIF Prof Plus d.d.</p>	<p>On 24 April 2019, Triglav Skladi d.o.o. became a 100% owner of ALTA Skladi, društvo za upravljanje. On 19 December 2019, the merger was entered in the Companies Register. See [→ Section 2.10 of the Accounting Report] for further details.</p>	<p>In Q3 2019, Triglav Svetovanje d.o.o. and Triglav Osiguranje d.d., Belgrade increased the capital of their subsidiary Triglav Savjetovanje d.o.o., Belgrade through in-cash contributions in accordance with their proportional stakes. By increasing the capital in the amount of RSD 2,500,000 or EUR 21,000, the two companies retained their participating interests of 51% and 49% respectively.</p>	<p>Unis automobili i dijelovi d.o.o. was merged with Autocentar BH d.o.o. The merger did not affect the consolidated financial statements of the Triglav Group.</p>
<p>On 5 February 2019, Triglav d.o.o. and TRIGAL AIF SICAV – RAIF S.C.A. Compartment 2, Regional Multi Asset Fund Compartment, Luxembourg, signed an agreement to sell KRDU Building d.o.o. and LOMA CENTER d.o.o. As a result, the two companies are no longer treated as associates of the Triglav Group.</p>	<p>TRI-LIFE d.o.o., Zagreb was renamed Triglav Savjetovanje d.o.o., Zagreb.</p>	<p>In accordance with its strategic guidelines, Triglav, Upravljanje nepremičnin d.d. sold its 80.73% participating interest in Golf Arboretum d.o.o.</p>	<p>Triglav d.o.o. and three other partners established ALFI PD d.o.o. on 3 September 2019. With the payment of EUR 40.000 thousand, Triglav became a 40% owner of said company.</p>

The changes in the Triglav Group are discussed in greater detail in [[→ Section 2.10 of the Accounting Report](#)].

Subsidiaries and associated companies of the Triglav Group as at 31 December 2019 and their participating interests



2.7 Management of Zavarovalnica Triglav

As at the 2019 year-end, the Management Board of the Company was comprised of the following members:



Andrej Slapar
President
First appointment to the office and end of term of office: 2013–2024
Employed at the Triglav Group from: 1997
[CV \[→\]](#)



Uroš Ivanc
Member
First appointment to the office and end of term of office: 2014–2024
Employed at the Triglav Group from: 2001
[CV \[→\]](#)



Barbara Smolnikar
Member
First appointment to the office and end of term of office: 2017–2022
Employed at the Triglav Group from: 2017
[CV \[→\]](#)



Tadej Čoroli
Member
First appointment to the office and end of term of office: 2014–2024
Employed at the Triglav Group from: 2001
[CV \[→\]](#)



David Benedek
Member
First appointment to the office and end of term of office: 2019–2024
Employed at the Triglav Group from: 2014, excluding 31 March 2018–1 March 2019
[CV \[→\]](#)



Marica Makoter
Member
First appointment to the office and end of term of office: 2011–2021
Employed at the Triglav Group from: 2001
[CV \[→\]](#)