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Triglav Group 2016 →

Business publication of the Triglav Group for investors
April 2017

Performance in 2016

Premium growth
and profit higher
than planned

The profitability, financial stability
and capital adequacy of the Triglav Group
remain high.

A The assigned credit ratings
were upgraded from
»A-« to »A« with the stable
medium-term outlook.

Andrej Slapar, President of the
Management Board, and
Uroš Ivanc, Member of the
Management Board
and CFO, comment on
the performance of
the Triglav Group.

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Our
role-models,
fully
committed
to their
goals

An interview with
the paralympic
champions
Veselka Pevec
and Darko Đurić
and their coaches.

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Our goals. Our passion.

Darko Đurić,
para-swimming
champion

A dynamic player in the region
set for the long haul

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The Management Board of Zavarovalnica Triglav presents
the key strategic goals and development challenges
that will be at the forefront in 2017 and the years to come.





Interview with Management Board members of Zavarovalnica Triglav about the strategy 2017–2020

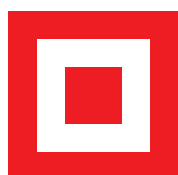
“Embracing new technologies and adapting to the changing business practices and way of living, the culture and business operations of the Triglav Group are becoming increasingly dynamic and open for innovation and cooperation, with new business channels and services fostering an even stronger client focus.”



Corporate clients – a challenge requiring concrete responses

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Successful insurance business

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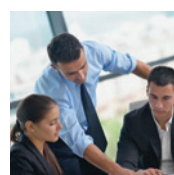
Security and liquidity of investments remain at the forefront of investment policies

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Premium growth and profit higher than planned

Andrej Slapar,
President of the
Management Board,
and Uroš Ivanc,
Member of the
Management Board
and CFO,
commenting on
the performance
in 2016.

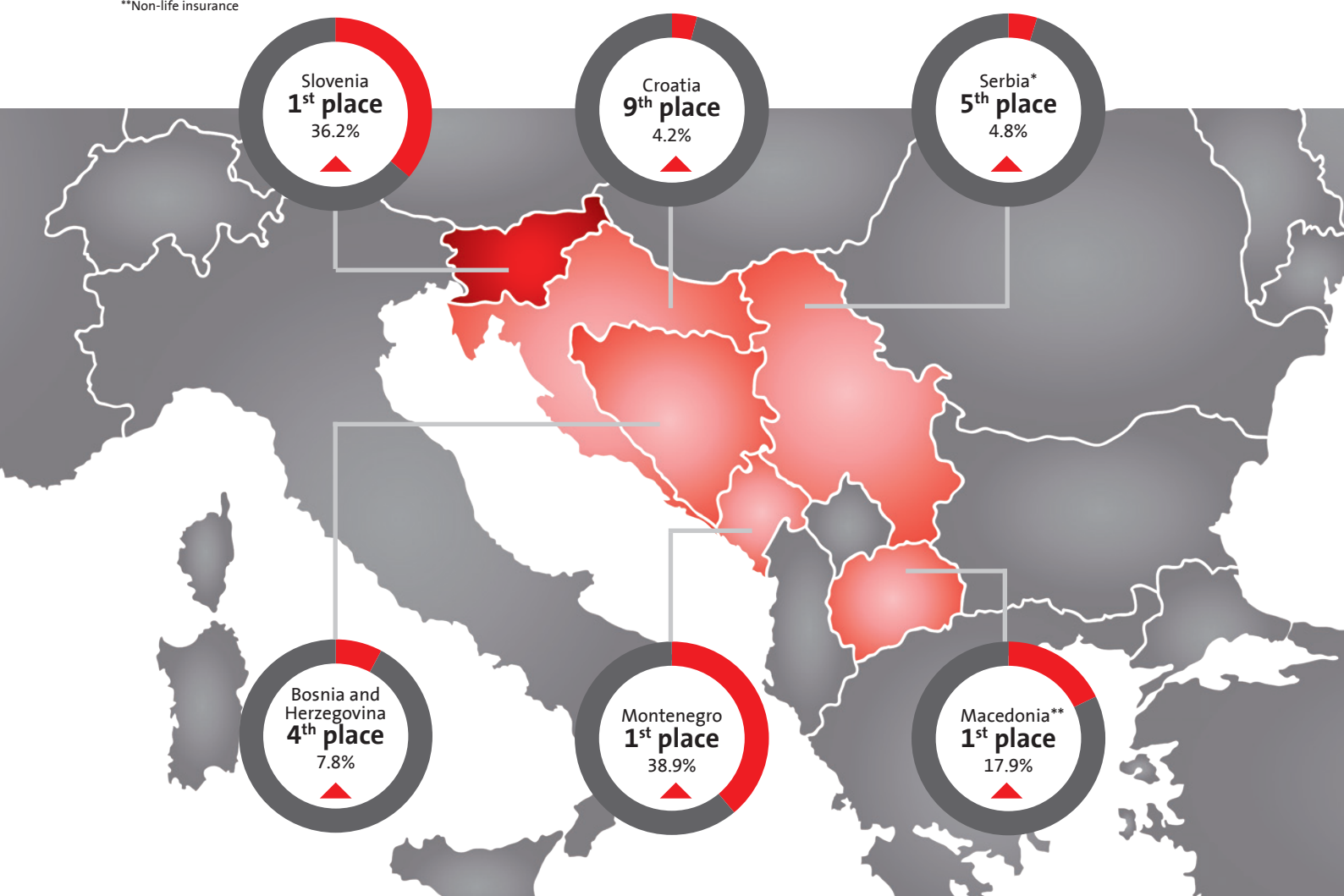
The profitability, financial
stability and capital adequacy
of the Triglav Group remain high.
Progress has been made in all insurance markets.

"The past year has been successful," said the President of the Management Board of Zavarovalnica Triglav Andrej Slapar and continued: "The consolidated profit before tax at year-end was even higher than planned. For the second year in a row, the Group recorded premium growth; the combined ratio in non-life insurance in 2016 was better than expected. We are pleased that our credit rating has been upgraded from »A-« to »A«. The mid-term outlook is stable. These results prove that the Group has maintained a high level of profitability, financial stability and capital adequacy."

Opportunities for further growth

In 2016, the Triglav Group further consolidated its market position in the region. In its largest market in Slovenia, the Group's leading market share has increased to 36.2%. Market share increases have also been recorded in all major markets outside Slovenia where the Group sees the greatest opportunities for further growth and developments. The first man of the Triglav Group Andrej Slapar stressed the satisfaction over the fact that the macroeconomic conditions in these markets continue to improve. "We have been present in markets in the region for a long time and

*Q1-3 2016 data
**Non-life insurance



we know them well. This is an advantage, allowing us to develop our products and services efficiently and tailor them to the specificities of each individual market.”

In markets outside Slovenia, the Group continued with the development of sales channels, the strengthening of sales

through the own sales network and the use of alternative sales channels, particularly the banking channel. It has started marketing health insurance and continued with the transfer of good practices and products. The new range of insurance products that include assistance services brings a clear added value for customers. In the region, this range is for now available in the area of motor vehicle insurance.

performance is the result of our customer focus, our favourable market position in the region and efficient investment management in a time when capital market conditions are quite demanding. The Group ended the year 2016 with a profit before tax of EUR 95 million; the return on equity amounted to 11.4%. The Group has successfully maintained its target capital strength, the total capital of the Group has increased by 6% while gross insurance technical provisions, which are the guarantee for the long-term security of our policyholders, have gone up by 2%.”

The Group has performed well in insurance, having booked EUR 936 million of consolidated gross insurance and co-insurance premium, well over the planned value of around EUR 900 million. We have recorded a 2% premium growth rate and are seeing positive premium trends in all insurance markets of the Triglav Group. The combined ratio in non-life and health insurance of the Triglav Group remains at a favourable level, standing at 92.9%.

A comparison with the development of the entire insurance market in Slovenia shows that the 2% premium growth rate posted by the Triglav Group is 0.5 percentage points above the market growth rate. Outside Slovenia, the Group recorded an impressive average premium growth rate of 9%, taking into account the sales of the Czech insurance company in the year-on-year comparison.

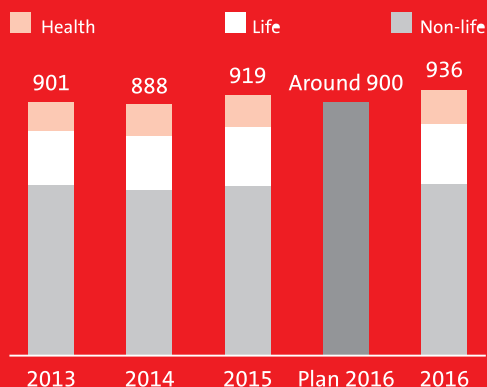
In terms of the development of consolidated premium, the premium of non-life insurance has increased by 3.5%, taking into account the sales of the Czech insurance company in the year-on-year comparison. In spite of the high number of maturities of insurance policies, the life insurance premium remained at the same level as in 2015. The health insurance premium has gone up by 5%.

Insurance performance can be significantly affected by large-scale mass loss events such as floods, hail and storms. In 2016, the number of such events was comparable to the long-term average.

The returns on the Group's financial investments (excluding the return on unit-linked insurance contract investments) were 27% lower than in 2015, which is better than expected.

Uroš Ivanc went on to stress that the Triglav Group has been pursuing an investment policy aimed primarily at ensuring the appropriate security and liquidity of investment, with profitability featuring as the second-ranked criterion. This approach to investment will be maintained in the future.

Gross insurance and co-insurance premiums of the Triglav Group in the 2013–2016 period (In EUR million)



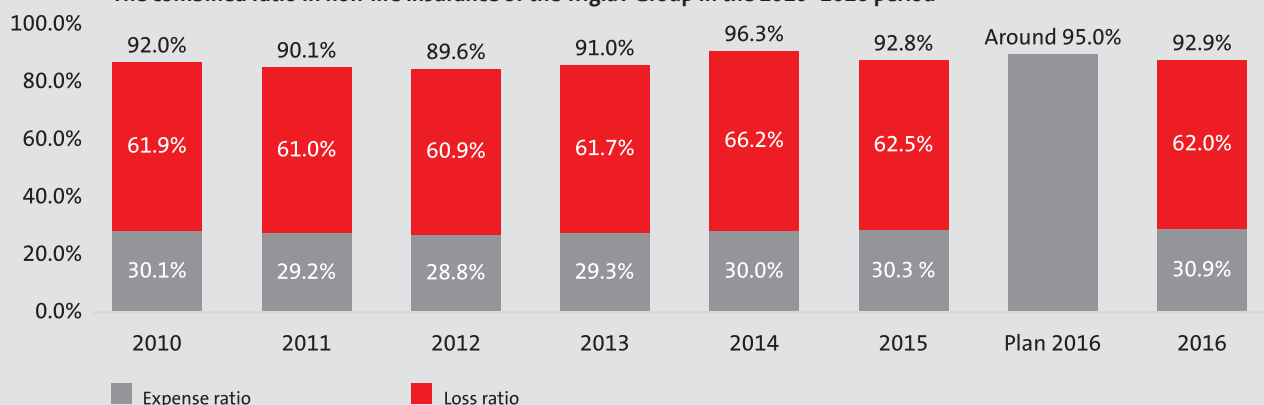
In the Slovene market, additional health insurance products have been launched and the Group has achieved great success in the segment of voluntary pension insurance, where the parent company has tripled the number of new customers. The range of life insurance products has been consolidated and partly overhauled. Like in other markets, insurance services have also been complemented with assistance services in the Slovene market; such assistance services have been extended to several segments of non-life insurance and health insurance.

“The year 2017 marks the beginning of a new four-year strategic period for the Triglav Group. We are kicking off very proactively and are fully committed to implementing our new vision,” a says Andrej Slapar. “We are embarking on a path of the dynamic development of new business models with great determination while also maintaining the focus on the profitability and safety of operations.”

Financial strength and positive premium trends in all markets

Uroš Ivanc, Member of the Management Board and CFO, explained the details of the performance in 2016: “The good

The combined ratio in non-life insurance of the Triglav Group in the 2010–2016 period



The Triglav Group 2017–2020: A dynamic player in the region set for the long haul

Embracing new technologies and adapting to the changing business practices and way of living, the culture and business operations of the Triglav Group are becoming increasingly dynamic and open for innovation and cooperation, with new business channels and services fostering an even stronger client focus. Stability, profitability and security remain the pivotal objectives of the business strategy of the leading insurance-financial

group in the region operating in an environment marked by rapidly changing markets and low interest rates.



The Management Board of Zavarovalnica Triglav, the parent company of the Triglav Group, presents the key strategic goals and development challenges that will be at the forefront in 2017 and the years to come.

Andrej Slapar, President of the Management Board

The new strategy up to 2020 places an additional emphasis on development, while the previous Triglav Group strategy focused primarily on the profitability and security of business operations. What will be the aim of your development activities?

We will develop towards a modern, innovative and dynamic insurance-financial group. Insurance in itself epitomizes stability, but the environment also requires changes and dynamism. The breakthrough of digitalization, cross-sectoral collaboration and new ways of using various types of data are opening up new possibilities. We have placed our customers at the

heart of all activities, combining our conventional services with technological solutions tailored to our customers' needs. We are gradually introducing an omni-channel approach, using both conventional and digital sales channels and complementing insurance with assistance services in collaboration with partners from other sectors. Financial stability, profitability and increasing the value of the Group as well as efficient management of our policyholders' assets and effective corporate governance remain the hallmark of our business.

“Our business volume, capital strength, long-term focus on the region and our eagerness for responsible cooperation with the environment are all advantages that allow us to establish the necessary partnerships for further growth.”

How will your development agenda affect the inner

workings of the Group and its internal processes?

The Group is undergoing a gradual transformation that entails the

introduction of state-of-the-art practices and technology, but there is also a strong emphasis on the development of a modern internal culture that fosters a proactive participation of all employees. We are phasing out the existing approach based on segments and organisational units. Our goal is to accompany our customers throughout their lives, so we have grouped their needs into six pillars: property, life, health, pension, reinsurance and asset management. There are no clear dividing lines between them; they are intertwined, much like the expectations of our customers.

You mentioned the sharpening of your competitive edge. What sets you apart from your competitors?

We definitely have an excellent starting position that we can build on. Our system is among the larger in the region, but we also have the capacity to mobilise and make decisions swiftly. We represent a trustworthy brand and can rely on a longstanding tradition. Our strengths include good product development, a comprehensive range of high quality insurance products and an extensive client portfolio. The Triglav Group has a wide network of sales channels, claims are settled quickly and efficiently. Our business volume, capital strength, long-term focus on the region and our eagerness for responsible cooperation with the environment are all advantages that allow us to establish the necessary partnerships for further growth.

“Comprehensive management will allow us to monitor the outflow and profitability of capital and establish an appropriate capital distribution across segments and companies.”

the Group end exploit the potential of integration with partners from various

**Uroš Ivanc, CFA,
Management Board
member and CFO**

How do you plan to ensure the expected profitability and increase the value of the Triglav Group?

Our insurance operations are and will remain profitable in the long term. In the future, our goal is to manage insurance portfolio even more efficiently. Broadly speaking, the key challenge continues to be ensuring the expected profitability in low interest rate conditions. Greater emphasis will be placed on increasing the value of the Triglav Group through optimised asset and liability and capital management. Comprehensive management will allow us to monitor the outflow and profitability of capital and establish an appropriate capital distribution across segments and companies. Under the new strategy, we will continue to strive for efficient and comprehensive risk management, cost efficiency and the financial stability and capital adequacy of the Group. The criteria of our dividend policy and the Triglav Group guidelines for capital management adopted in 2016 remain unchanged.

The new strategy puts a greater focus on asset management.

Yes, our goal is to become one of the key players in asset management in the

Adria region. We want to increase the volume of assets under management and the share of assets we manage for individual customers. We plan to make better use of synergies within

business ecosystems such as banking group and other asset managers.

**Benjamin Jošar,
Management Board
member**

Risk management, controlling and the subsidiary management

What are the Triglav Group plans for markets outside Slovenia? Will growth continue to be organic?

We are maintaining our presence in existing markets where our growth will be essentially organic, although potential acquisitions cannot be ruled out, should the opportunity arise. We estimate that our markets outside Slovenia will continue to grow in the long term, so we are expecting an increase in the share of total premiums generated by the Group in these markets. We intend to keep developing the markets in the region; our goals are set for the long term. We plan to step up investment in life, health and pension insurance where the highest growth rate is expected. We also want to develop digital business models that could potentially allow us to penetrate the global and particularly the European market.

One of the Group's strategic goals is also the transformation of its operations. What kind of changes are you planning to make?



The insurance industry is faced with a growing number of challenges such as additional regulation, digital business models, the need for integration with complementary players and technological advances like smart homes or autonomous cars. It is therefore vital for our future success that we transform our operations to keep up with the state of the art and innovation. For this reason, we want to continue with the development of a streamlined matrix organization structure. We will continue to modify our culture and enhance our openness to ideas; we will capitalize on business intelligence and big data in our decision-making, develop efficient support functions and introduce the most advanced management approaches.

“We intend to keep developing the markets in the region; our goals are set for the long term.”

Tadej Čoroli, Management Board member

*Non-life insurance,
sales and marketing, claims*

Your strategy stresses the focus on customers rather than sales channels. What does that mean?

We are in the business of solving our customers' "problems" and providing insurance cover, so we need to approach our customers in a comprehensive manner and accompany them on their life journey. The key challenge for us is ensuring that all our sales

“Our customers, particularly the younger generations, demand decision-making and access to information in real time.”

channels and internal processes operate in concert. We want to provide our customers with simple solutions and omni-channel communication, which gives us a competitive edge in the increasingly digital environment.

How do you plan to respond to the growing expectations of your customers with regard to digitalization in the coming years?

Our customers, particularly the younger generations, demand decision-making and access to information in real time. The modern age is also marked by the ubiquity of smart mobile devices and internet access, which has become as indispensable as electricity. We are adapting our operations to changes in customers' purchasing habits and technological development. Using joint or interlinked digital channels, we plan to provide comprehensive coverage of all product groups: non-life, life, health and pension insurance and asset management. In doing so, we will definitely be creative and experiment with a variety of different techniques.

channels and internal processes operate in concert. We want to provide our customers with simple solutions and omni-channel communication, which gives us a competitive edge in the increasingly digital environment.

Marica Makoter, Management Board member and Employee Representative

*HRM, business process management,
IT, fraud prevention*

Which would you say were the key advantages and challenges of the Group in the field of human resources?

The implementation of the set goals requires highly qualified and competent employees. Our focus will be on developing existing talent and recruiting new prospects through scholarships and long-term cooperation with universities. We will reinforce the implementation of our inter-generational cooperation programme. An effective bonus system will be used to motivate our employees. Education and training will be aimed at developing the required competencies, particularly digital competencies and leadership skills.

How is the Group overhauling its organizational culture?

The overhaul of the organizational culture is a strategic project that represents a major challenge for the entire Group and will be implemented throughout the entire strategic period. Our aim is to design a culture that will foster the implementation of the strategy through mutual cooperation, trust and respect. We will attain this with satisfied and responsible employees who are empowered to do their work and make swift and independent decisions. It is also crucial to ensure an

“The overhaul of the organizational culture is a strategic project that represents a major challenge for the entire Group and will be implemented throughout the entire strategic period.”

appropriate flexibility, allowing employees to switch between projects and project groups as well as between organisational units and companies within the Group. Our customers do not separate their needs based on our division of tasks, they view us as a whole, which is why cooperation is so vital.





Gorazd Jenko,
Executive Director
for Corporate
Clients

Corporate clients – a challenge requiring concrete responses

Within the Triglav Group, the corporate client segment represents a junction between business insurance and international insurance activities. The portfolio consists of insurance contracts of the largest Slovene corporations, large companies in the Triglav Group markets and international business insurance particularly from Central and Eastern Europe. The past year has been both ground-breaking and successful.

The corporate client segment has seen high year-on-year growth of premium income. Corporate insurance thus accounts for more than 20 percent of non-life insurance premium of the Triglav Group. The high growth rate is the result of the range of contemporary insurance products and services we offer and our intensive business

efforts in the region and internationally.

The development and design of new, innovative insurance solutions play a crucial role. To find ideas for the creation of a contemporary range of insurance products, we draw on international (re)insurance trends, developments in the natural, social and technological

environment and the respective new needs of our customers. We follow the trend of digital transformation and incorporate it into our product range. In 2016, we offered companies an insurance of IT security and additional services comprising analyses with regard to the identification, measurement and management of insurance risks.

The corporate client segment in the Triglav Group: a junction between business insurance management and international insurance activities

Business insurance management

Corporate client segment

- insurance of large Slovene corporations
- large companies in the Triglav Group markets
- international business insurance

International insurance activities

The year 2016 was ground-breaking, since we extended our insurance activities into individual reinsurance. This is completely uncharted territory for the parent company, but also a logical next step complementing and upgrading the reinsurance activities carried out by the Triglav Group member Pozavarovalnica Triglav Re. The extended scope of activity will allow us to take full advantage of our capital potential and strengthen the international dimension of our operations. Reinsurance represents an important opportunity for further growth.

The Triglav Group is working towards establishing itself as an advanced and highly competent insurance group offering its partners a comprehensive range of insurance products and services and an excellent user experience. Our extensive network of international business partnerships provides us with a competitive edge. As a member of numerous insurance networks we make it possible for our customers to access services on all continents in over fifty countries across the globe since 2016.

New business opportunities

The use of innovative information technologies and cooperation with our partners allow us to create new business approaches. We are connected to banks and leasing companies through highly developed automated IT solutions, allowing us to market our insurance directly at their places of business. In 2016, we developed new forms of cooperation with providers of telecommunication services, airlines and other partners.

Focusing on the customer: simplicity, comprehensibility and accessibility



Zoran Milošević,
Chief Innovation
and Digital
Officer

Since customers remain highly demanding and price-sensitive, we focus on the comprehensive and uniform treatment of the customer and the optimum

user experience. In the future, this experience will be increasingly digital, yet still very personal. We remain open for advanced technological solutions and cooperation.

Thanks to technology, much fewer steps are required to satisfy the needs and wishes and meet the expectations of our customers. We are developing an approach to customers that comprises all the various channels, linking new technological solutions and trends with our traditional sales channels. When developing insurance products, we strive for simplicity, comprehensibility and accessibility. We are constantly on the lookout for new marketing opportunities and fresh, innovative approaches, including through partnerships.

Liaising with start-ups

For several years, we have been developing innovations together with start-ups; we are actively engaged in accelerators and cooperate with foreign reinsurance companies. We are one of the key partners in the ABC accelerator

that is home to the most promising start-ups in the region. Fruitful cooperation has allowed us to help create and gain access to potentially interesting new findings and solutions that can be incorporated into our operations. The new and in many aspects revolutionary partnership for the development of driving simulators that will be launched in 2017 is a case in point.

With the mobile application DRAJV Zavarovalnica Triglav ventured into the world of telematics as the first insurance company in Slovenia and the Adria region. In 2016, DRAJV also came into operation in the Croatian market. A number of improvements have also been made to the applications Triglav Vreme (Triglav Weather), Triglav Škode (Triglav Loss) and the web platform i.Triglav.

Processes + business goals = customer's needs

Our business processes are constantly adapted to technological change. In the coming years, we plan to make our business entirely paperless; our goal is to simplify payment and other processes and introduce optimised products and underwriting tools. We will be designing flexible and easy-to-read web portals for more advanced and technology-savvy consumers.

The rapidly changing society requires us to be more responsive in adapting our offer. The key future challenges and opportunities lie in innovation and digitalization and in upgrading employees' knowledge and skills with a view to fostering the integration and digitalization of operations in the broadest sense.

Our goal is to put our customer at the centre of our operations using state-of-the-art services and channels, thereby putting our business goals on a par with our customer's needs.



◀ With the mobile application DRAJV, Zavarovalnica Triglav became the first in the region to venture into the world of telematics.



Successful insurance business

Janko Šemrov,
Executive Director of
Non-Life Insurance
(in the middle in the
photograph)

Primož Plantarič,
Executive Director
of Life Insurance
(on the right in the
photograph)

David Benedek,
Chief Executive
Director of the
company Triglav INT
(on the left in the
photograph)

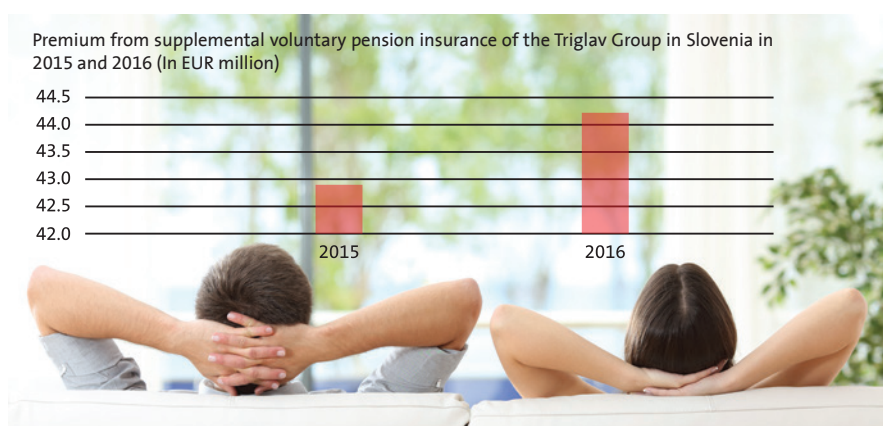
Slovenija: Good results thanks to a flexible offer and awareness raising

Good performance in supplemental voluntary pension insurance in the Slovene market.

The range of insurance services is being complemented with assistance services.

Since the customer is always in the focus, our development activities are adapted accordingly. We are striving for optimum solutions that will combine an innovative approach to satisfying our customers' needs for long-term financial and social security with the appropriate profitability and long-term security of our operations. Providing them with a positive user experience, we want our customers to recognize us as the leading player in the region, so we are constantly introducing new technologies that allow us to offer our customers a flexible and high quality range of insurance products and related services.

Our mission is also to raise awareness among citizens, particularly the younger generation, about the importance of insurance and financial security that needs to cover the entire life cycle. Saving for old age early in life provides policyholders with an appropriate insurance coverage under more favourable conditions. By accumulating funds over a longer period, they are able to allocate smaller amounts



to saving and take better advantage of the rules and benefits of financial markets which are particularly relevant in low interest rate conditions. In 2016, a novelty was introduced in the life-cycle investment policy for supplemental voluntary pension insurance and policyholders were provided with information about the necessity of additional saving for the period after retirement. This proved to be a step in the right direction, resulting in an almost three-fold increase in the number of new supplemental voluntary

pension insurance policies underwritten by the parent company compared to the previous year.

By consolidating the range of life insurance products, we have made our offer more transparent, making the choice easier on our customers. We have overhauled the work incapacity life insurance which is becoming an important building block in our customers' insurance protection. The underwriting and renewal processes for certain types of insurance have been



Other factors that influence the development of our insurance solutions include younger generations entering the market, mobile services, the sharing economy, the simplification of operations and the management of new risks such as cyber risk.

simplified, providing customers with additional choices and allowing sales staff more time to advise customers on the choice of suitable insurance.

Insurance services are being complemented with assistance services in order to mitigate the effect of loss events on our customers. As the first insurance company in Slovenia, we

have included the repair of damage to the vehicle in cases of third party liability in our range of assistance services in the framework of motor vehicle insurance. In cooperation with partners, we are marketing new insurance products and services that play a key role in the implementation of cross sales, which is part of our strategy for improving customer loyalty.

Markets outside Slovenia: Breaking new ground in health insurance, developing sales channels

The Triglav Group is expanding its range of new and innovative products and services in the insurance markets of the Adria region. The longstanding presence and experience have provided us with a thorough knowledge of individual insurance markets and their peculiarities.

In 2016, the premium generated outside Slovenia accounted for 17.3 percent of the total premium. The macro-economic conditions in Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia are improving, the effects of which are showing a gradual and delayed impact in the insurance sector. The key characteristics of the region are low insurance density and penetration, particularly in life but also in non-life insurance. In voluntary non-life insurance, the penetration rate lies between 3 and 25 percent, depending on the product segment.

Favourable premium growth and expectations

Premium growth has been recorded in all markets outside Slovenia. In terms of the share in premium growth non-life insurance represents by far the most important segment and motor vehicle insurance the most significant class. All subsidiaries have recorded an increase in premium and the number of motor liability insurance policies. The Croatian market has also recovered following a drop in mandatory motor liability insurance premium as a result of market liberalization.

In Croatia and Serbia sales through our own sales network have made significant progress. We are also increasingly

making use of alternative channels, particularly bancassurance. The volume of gross premium generated via the banking channel was highest in Triglav Osiguranje, Sarajevo, that has been cooperating with a number of banks for several years. Triglav Osiguranje, Belgrade also concluded partnerships with four banks in 2016. In the future, we intend to place an even stronger emphasis on bancassurance, since we expect consumption will remain on the rise, fostering demand for financial services.

Voluntary non-life insurance will be developed in markets of the Adria region, primarily through a strong own sales network, by designing appropriate package offers and using market segmentation. We estimate that the marketing of health insurance will also gain significance in the future. In 2016, health insurance was successfully introduced to the markets in

Macedonia, Serbia, Croatia and Bosnia and Herzegovina. In 2017, the marketing of supplemental health insurance is being launched in Croatia.

We plan to continue with the transfer of good practices and innovative products to markets in the region. Our offer is being systematically complemented with assistance services. Roadside assistance insurance has been successfully introduced in Lovćen Osiguranje and Triglav Osiguranje, Sarajevo; home assistance services have been added in Triglav Osiguranje, Sarajevo. A range of various innovative mass products in the field of home insurance have been launched in Triglav Osiguranje, Belgrade. After it had been established in the Slovene market, the mobile application DRAJV that monitors and assesses driving behaviour, allowing drivers to save on their car insurance premium, was also introduced to the Croatian market.



Security and liquidity of investments remain at the forefront of investment policies

insurance business, so the investments of insurance companies have traditionally always been focused on safe debt financial instruments with a high credit rating. Due to the structure of its liabilities, the Triglav Group is a distinctly long-term financial investor.

Security as the guiding principle of our investment policies is reflected in the high share of debt financial instruments. Among those instruments, half are sovereign bonds that account for the bulk, followed by corporate and financial bonds. The investment portfolio is dispersed across the globe and consists of financial instruments with a high credit rating primarily in developed markets, which guarantees an adequate liquidity. Our investment policy is mostly focused on financial instruments denominated in euro, other currencies feature on a very limited scale. Derivative financial instruments are used exclusively for risk mitigation. Our investment policy is strongly affected by our target

A-level credit rating by established credit rating agencies. We therefore intend to maintain a relatively conservative investment structure.

In the management of the Group's financial investments, we strive for centralisation where legislation so allows or for coherent investment decisions where centralisation is not possible.

In the recent period, conditions in financial markets have led to a persistent decline in the yields of financial investments of insurance companies and the Triglav Group is no exception. Reinvesting surplus assets and ensuring an appropriate return on



Security is at the forefront of the

Jaka Kirn,
Director of
Investments

Rok Pivk,
Executive Director
of Finance

Financial investments
of the Triglav Group as
at 31 December 2016
EUR 3,077 million
Index 2016/2015: +4%

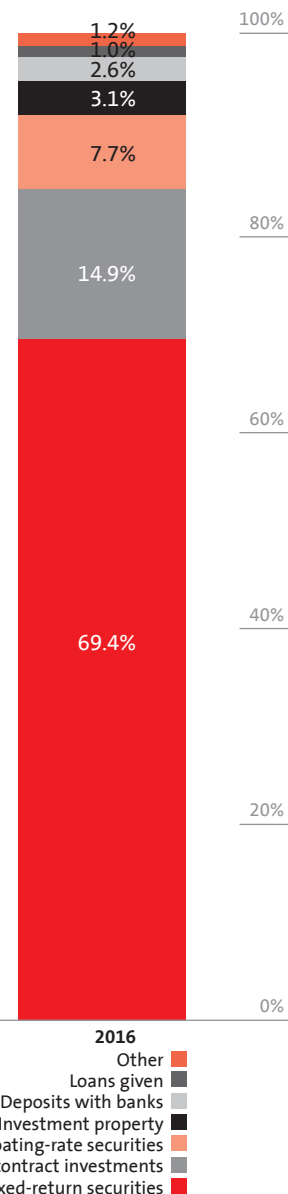
Rok Pivk: "The financial environment marked by extremely low interest rates poses a major challenge for us.

Due to the extremely low interest rates, reinvesting surplus assets and ensuring an appropriate return on investments are becoming increasingly difficult. Nevertheless, the guiding principle of the investments policy of the Triglav Group remains ensuring the adequate security and liquidity of investments while also achieving the appropriate profitability."

Jaka Kirn: "We intend to maintain a relatively conservative investment structure focused on fixed-return investments. We will continue to invest in the financial markets that will provide a better liquidity, risk diversification and potential profitability."

investments are becoming increasingly difficult due to the distinctly deflationary economic environment and the related extremely low interest rates. In 2016, the developments in financial markets were also marked by the high level of political risk (Brexit, USA election, refugee crisis, terrorist events across the globe).

Our analyses of the optimum investment allocation for the Triglav Group have led to similar conclusions as those of foreign insurance companies. The share of alternative and less liquid investments could be higher than it currently is, which would partly mitigate the drop in financial yields resulting from lower interest income. In order to achieve higher yields than those provided by the traditionally predominant financial investments (bonds), we intend to complement our investments with additional investment classes. We have already done so on a limited scale. The investment classes that provide for relatively foreseeable cash flow, require relatively little regulatory capital and guarantee an appropriate level of security have been recognized as the most suitable (real property, infrastructure debt, etc.).



Rok Pivk,
Executive Director
of Finance

Asset management in the Triglav Group

The new strategy of the Triglav Group defines asset management as a strategic activity and as one of the fundamental pillars of the Group. The strategic goal of the Triglav Group is to become the leading asset manager in the region in the field of voluntary saving.



Insurance

Asset management

Intertwined with insurance

In the Triglav Group, asset management is intertwined with the core insurance activity and encompasses:

- guarantee funds and pensions funds,
- management of the capital of the parent company and subsidiary insurance companies.

The parent company is the largest of the companies in the Group that carry out this type of management.

Zavarovalnica Triglav as a universal insurance company manages a variety of different portfolios and guarantee funds. A distinction can be made between:

- asset management that is linked to insurance activity (e.g. in relation to non-life insurance),
- asset management that is at least to some extent linked to insurance with a saving component (e.g. traditional life insurance, pension insurance and unit-linked life insurance).

The total volume of assets managed in the framework of various insurance portfolios amounts to approximately EUR 2,604 million. The management of these investments is primarily conditional on the liabilities arising from various funds or the capital of individual insurance companies within the Triglav Group. In view of the nature of liabilities, security is at the forefront of asset management in relation to the insurance business. Investments of the Triglav Group have therefore traditionally always focused on safe debt financial instruments with a high credit rating.

Management of mutual funds

Another significant part of asset management is performed in the course of the management of mutual funds, which is currently the domain of the subsidiary **Triglav Skladi**. This company is the largest Slovene mutual fund manager and manages over EUR 650 million worth of assets for over 70,000 investors in 17 funds. It is also present in Bosnia and Herzegovina through a subsidiary. Its funds cover all investment classes, geographical regions and sectors and can meet the needs of investors with all risk profiles. In addition to mutual funds, the company Triglav Skladi also offers private wealth management, a highly specialized financial service tailored to investors' personal needs.

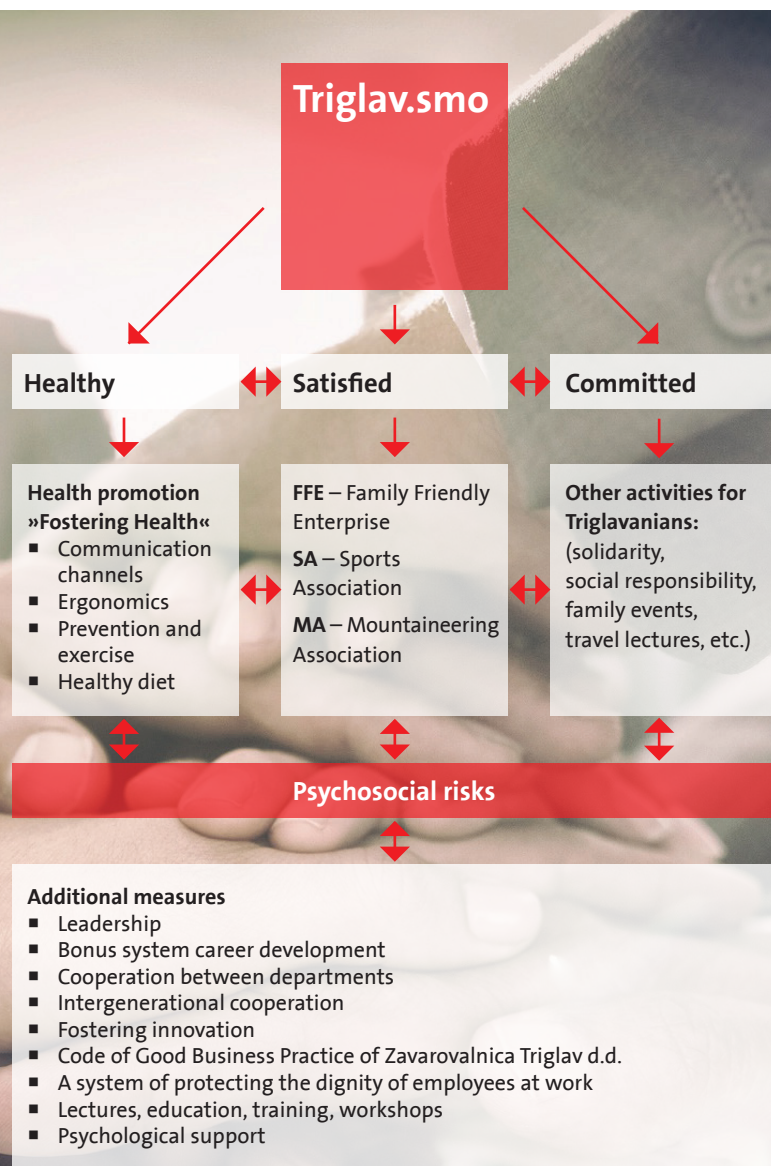
In view of cost efficiency and professional specialization in the management of financial investments of the Triglav Group, we are striving for integrated management where legislation so allows or for coherent investment decisions where centralisation is not possible. Our strategic goal is for the Triglav Group to become widely recognized as an asset manager; within the Group, we plan to continue with the consolidation of processes aimed at greater efficiency.

Success is always a team effort

The success story of the Triglav Group is being written by over 5,000 employees in six countries. Their employment and development are based on the competency model.



Zdenka Valjavec,
Executive Director
of HRM



Due to the nature of our activity, our employees represent a crucial factor of our business and much effort is put into building appropriate teams and employee development. New employees are recruited using the DNLA competency model which is also used for the development of existing employees. In 2016, we started assessing the competencies of managers; in 2017, the DNLA tool is being incorporated into the system for managing key and promising staff. A number of methods are used for recognizing new talent, which provides promising employees with an opportunity for growth and development. New recruits are found among talented students who complete a traineeship in our company and we engage in project-based cooperation with certain faculties.

We make sure that knowledge is transferred throughout the entire Group, with one of the most efficient tools being the circulation of promising employees between the parent company and the subsidiaries. The diversity of generations is an asset, which is why intergenerational working groups are set up. We plan succession with great care; we implement mentoring and coaching. Our goal is to create conditions where older generations will remain motivated well into old age, while young generations are given a springboard that will propel them into a successful business career.

The recently acquired full Family-Friendly Enterprise Certificate also contributes to the high level of commitment and the satisfaction of employees. We are committed to facilitating the reconciliation of work and family life for our employees. At our own initiative, we have launched a unique programme Triglav.smo that is attracting an increasing number of employees. The programme fosters innovation and creativity at work; every idea is taken into consideration and employees are given the opportunity to become actively involved in the introduction of changes to the working environment.

A wide range of projects, events and training courses are organized with a view to educating our employees, raising awareness a healthy life-style as well as providing opportunities for sports and leisure activities.

A comprehensive risk management system

A group of experts working in the Risk Management Department of Zavarovalnica Triglav provide their assessment of the first twelve months since the implementation of the EU-wide Solvency II regime in the sector and present the key effects this change has had on the operations of the Triglav Group.

Mateja Slapar,
Director of Risk
Management

Mila Markovska,
Head of Risk Analysis
and Reporting

**Nataša Veselinovič
and
Janez Fabijan**

1. The Solvency II regime has now been operational for a year. What are its advantages?

In the long term, the harmonization of insurance legislation in the EU will bring benefits to all stakeholders and will, most importantly, mean better protection for policyholders. Based on the experience gained in the biggest financial and economic crisis in the recent period, financial stability has been defined as the condition *sine qua non* for stable economic growth and development. A three-pillar risk management system is required that will guarantee the robustness and stability of operations. The focus is on risk awareness, the early detection of risk and the assessment of known and

potential risks that could affect the performance of insurance companies. The Solvency II regime thus means a focus on creating value in high volatility market conditions and on the profitability of products.

2. What is your assessment of Solvency II? The system is said to be deficient and amendments are already planned.

The drafting of the regulation took a long time, its benchmarks and requirements had been carefully weighed. However, the rapidly changing business environment, new lessons learnt in the course of implementation and the results of internal models of individual insurance companies have

pointed out some deficiencies. These are particularly evident in the overly-unified approach to the very diverse range of institutions that are subject to the new regulation. An upgrade and an adjustment of the regulation to the actual circumstances are therefore welcome, since they will lead to better understanding and greater resilience of insurance companies to risk. The implementation of supervisory requirements among Member States will be simplified; there will be no more unintended discrepancies in the calculations. Amendments will focus on the unification of approaches to risk quantification. The fact is, however, that changes in the legislation will require new changes in the technological support and reporting systems, which often overburden insurance companies and divert their attention to non-business activities, thereby hampering their development and business flexibility.

3. Which model have you opted for and why?

Solvency II has led us to view risk from a different perspective, i.e. from the perspective of the Group. This new perspective is being increasingly incorporated into our operations. The Triglav Group is using the standard formula for the calculation of capital requirements. In the future, changes in business models may require a transition to the internal risk management model. However, the current own risk



and solvency assessment show that the standard formula adequately measures all business risks.

4. Capital adequacy is quite a volatile category. The Triglav Group has set a target capital adequacy in its capital management policy. Why is the chosen value relatively high?

The reason for the volatility of capital adequacy stems from the volatility of market value capital. Due to the market valuation of assets and liabilities, market value capital is sensitive to all external changes, both macroeconomic and any other.

“The high capital adequacy makes us more resilient to external challenges. It allows us to remain market leaders with ambitious plans while remaining within the confines of the acceptable risk level.”

The insurance company manages these changes through an efficient risk management system, ensuring that the volatility of capital adequacy always remains within the target ranges as defined in the strategy and in the set risk appetite. However, this is a new reality that we were not familiar with under Solvency I.

The Triglav Group has set a high target capital adequacy as a result of the lack of experience with the new regulatory approach that is still far from its final shape; due to the volatility of global financial markets and the lower liquidity of home financial markets leading to a potentially limited access to capital; due to the economic and political instability in the strategic markets of the Triglav Group; and last but not least due to the specific ownership structure of the insurance company. The high capital adequacy makes us more resilient to external challenges. It allows us to remain market leaders with ambitious plans while remaining within the confines of the acceptable risk level.

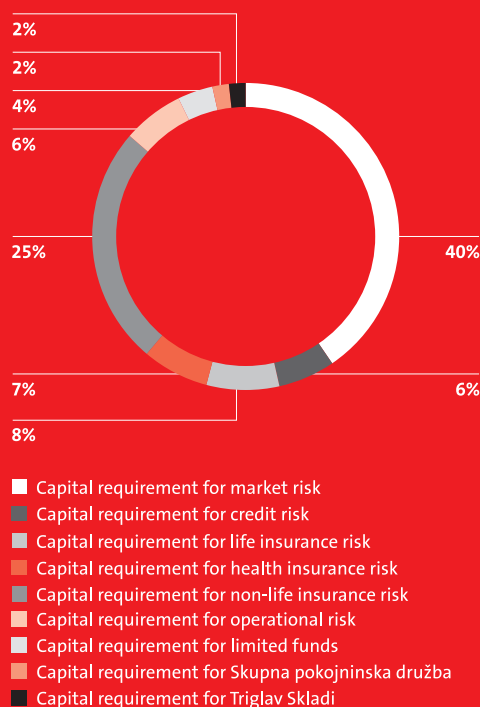
5. The new legislation has upgraded the insurance sector by introducing the requirement for the systematic recognition, assessment, management and monitoring of risk in all business activities. How does the Triglav Group manage risks and which key risks does it face?

Our good performance record is the result of the good understanding and efficient management of insurance risks. In current times, it is financial and / or market risks that are increasingly in the focus. The analyses of the capital requirements of larger insurance companies across the EU show that market risks have the greatest impact on the required solvency capital, and may account for more than 50 percent of the solvency capital. Operational risks are also relevant to the operations of the Triglav Group; furthermore, we actively manage strategic, legal, regulatory and other risks that are categorized as non-financial risks.

6. How do you monitor and manage risks at the level of the Group?

The risk management system is established at the level of the Triglav Group. It is gradually being transferred and incorporated into all subsidiaries, whereby account is taken of the subsidiary's business model and significance. Risks are monitored at a quarterly or even more frequent basis.

Capital requirements for the Triglav Group by risk type in 2016



The monitoring covers a comprehensive range of recognized risks and a selection of suitable indicators for measuring these risks. Groups of indicators for individual basic risk types are compiled using statistical and decision-making models, producing a final assessment of the intensity and trend for each risk. At the level of the Triglav Group, we calculate capital adequacy according to Solvency II and implement the Own Risk and Solvency Assessment (ORSA) process. Particular attention is paid to concentration risk at Group level, where we apply a limits system and strategy with a view to achieving the highest possible diversification in all areas and categories.

7. In 2017, the public will be informed about the solvency and financial position through a report. What is the added value of this report?

The scheduled Solvency and Financial Condition Report is one of the novelties of the new regulation. In addition to the disclosures of performance and results according to the regulation criteria, the corporate governance system, the risk-management system and the risk profile, the required content also includes disclosures of the valuation of assets and investments, the required available capital and the capital adequacy of the insurance company. The report will provide the public with a better understanding of the operation of insurance companies. We are convinced this transparent approach will enhance the trust in the operation of the Group, which represents the foundation of the long-term and stable operation of the Triglav Group and is the aim of all of our efforts.



Luka Pušnik,
Director
of Corporate
Communications

Sustainable and responsible business conduct is considered to be a significant assumption underlying the long-term viability of the Triglav Group. At the strategic level, it has been defined as one of the key commitments of the management and the employees. Above all, it is reflected in our mission ("Creating a safer future") and values (security, responsibility, professionalism, simplicity and modernity).

The cement of our development strategy

It is of crucial importance to ensure the appropriate integration of the concept of sustainable and responsible business conduct in the strategic

In insurance, sustainable and responsible business conduct is one of the key elements of the success of individual players and the industry as a whole. It relates to the very core of the insurance business: generating long-term value for stakeholders by virtue of one's stability, robustness and reputation. We are committed to safeguarding the financial security of our policyholders / customers and we make this commitment with a promise in the form of the agreed policy conditions and good business practice.

A sustainable and responsible way forward

process of analysing, planning, implementing and controlling our operation. The commitment made at the highest level is the guiding principle for our operational efforts – e.g. in the development of business models, the decision-making on the development of insurance services, in fostering preventive measures aimed at protecting property and life, or whenever we scrutinize our role and the economic, environmental and societal effect our operation has on stakeholders.

In tune with stakeholders and society

To become even more successful in our core insurance business, we are constantly looking for ways of (co) creating value and including stakeholders. We obtain feedback from our customers on emerging services, check their satisfaction with existing services, we monitor the perception and implementation of our corporate story and maintain a close cooperation with the local environment. This allows us to co-create important steps in the fields of preventive measures and increasing the accessibility of insurance services. The co-creation of value for stakeholders in our social environment has many shapes and forms, ranging from road safety (encouraging and rewarding safer driving through the

mobile application DRAJV, installation of advanced traffic signals at dangerous intersections and warning signals along school routes, education for children and the elderly using modern technology), investment in the protection of agricultural areas from adverse weather phenomena, enhancing the accessibility of information on the development of the weather (mobile application Triglav Weather) to enhancing the accessibility of our products and services and tailoring them to the needs of customers and policyholders. We are committed to fully understanding their expectations and needs and addressing them in a targeted way.

Responsible and ethical business conduct as an imperative

Insurance plays a specific role in the efforts for responsible and ethical business conduct due to its significance for risk management, enhancing the security of individuals and economic operators and social development. The Triglav Group therefore holds itself to the highest standards of responsible and ethical business conduct. We carefully monitor our progress in this area, including through responses of stakeholders, feedback from the users of our services and by listening to those we wish to become our users.

Development and co-creation of new services

The Triglav Group Strategy for the 2017-2020 period

Multi-directional communication

Information and advice on prevention
Successful and responsible operation
Protection of agricultural areas
We are building a safer future
ACCESSIBILITY, FLEXIBILITY AND UNDERSTANDING OF PRODUCTS AND SERVICES
Inclusion of stakeholders
Expanding communication channels
Sustainable goals and indicators
Road safety
Customer-oriented services assistance

Our role-models, fully committed to their goals

we support numerous sporting and recreational projects and establish partnerships in the field of culture, education, nature conservation and health. We are honoured to present two Paralympic athletes and their coaches whose sporting spirit, humanity and the ability to overcome any obstacle have made them our role-models on the road to achieving our goals.



In addition to sporting knowledge, what brings Veselka Pevec and coach Polona Sladič together is an abundance of good will. Thanks to this good will, Veselka managed to beat the entire competition in the joint male and female category. But until the very moment when the medal was placed around her neck, she had not realized it was gold.

Veselka Pevec won a gold medal in air rifle shooting at the Paralympic Games in Rio, having set a world record. She even kept her training sessions a secret before her coach Polona Sladič, a two-time air rifle national champion coaching the entire national team. She reached her climax after four years of hard work, but has no intention of letting up after this achievement.

Veselka and Polona are convinced that a solution and a path to good results can always be found. At the age of 18, after having fought for her life for several months, Veselka became a tetraplegic. When she recovered and decided to venture into sport, she first took up bowling, then changed to shooting. Polona coaches the entire Slovene national Paralympic shooting team that also won a silver medal in Rio.

The victory has given Veselka additional momentum which she is happy to share with youngsters: "After having won Olympic gold, I am more relaxed and enjoy training even more, even though some people might expect me to quit after having reached this climax."

Polona Sladič: "I immediately knew Veselka had great potential. Particularly due to her iron will. The will is the

determination to achieve something and regular training is the first step."

Veselka Pevec: "I want to be independent. When I took up shooting a few years ago, I wanted to be able to travel despite being in a wheelchair and I was very driven to catch up with male colleagues. Sometimes I was even forced to put in an additional training session in secret. The sport then completely overwhelmed me. When you are focused on your goals, you just want to be better and better."

Polona Sladič: "Shooting is a synonym for patience and concentration. When you first take it up, your results are 70 percent technique and 30 percent mental fitness. With top athletes, the proportions are reversed and the



"Preparation is the road
to outstanding results."



"psychology" accounts for 70 percent. Veselka has incredible mental abilities. In Rio, she set new Paralympic records in both the qualifying and the competition, achieving an incredible average precision of 10.5. She persevered

until the end and won gold with an excellent final shot.”

Veselka Pevec: “The competition takes place in a large and not very quiet hall. The referee assigns your spot and you then have eight shots. You have 50 seconds to complete each shot and reach incredible precision. You have to banish all other thoughts and be focused,

regardless of the circumstances. Before the competition at the Paralympic Games in Rio, my daughter had fallen seriously ill, so I was less concerned about the competition, but I was able to reach the necessary concentration during my performance. It may be hard to believe, but sometimes even difficulties can contribute to outstanding results.”

“The more demanding the competition, the more motivated I am, the more I enjoy swimming and the happier it makes me.”



Swimmer **Darko Đurić**, in addition to other titles, became two-time world champion and vice champion in Montreal 2013 and is the holder of two world records over 50 m butterfly in his category set at the Paralympic Games in London. In 2016, he won silver and bronze at the IPC Swimming European Championships in Portugal and two fourth places at the Paralympic Games in Rio.

Darko is both incredibly motivated and warm-hearted, so he is a great favourite with the public and very popular among youngsters. He is an incredible fighter and motivator, whose public appearances inspire others, including businessmen. Due to a genetic fault, he was born without a left arm and both feet. He lives alone, drives a car and has a job. “You need to fight, regardless of the lemons life serves you that you are forced to accept,” is how he puts it.

Swimmer Darko Đurić and coach Alen Kramar are the core of a team where very few words are required to reach an understanding. They train every day, up to eleven times a week.



Alen Kramar: “Darko is a professional, completely committed to his goal. Without this commitment there would be no results. The more demanding the competition, the more motivated he is. But being ready for the great victories takes many small trials. He is talented but everything he has is in his arm and head. Now that Rio is behind him, he already has a new goal, the world championship in Mexico.”

Darko Đurić: “In competition, I have always turned into a machine. Even my first coach was surprised when I broke records like they were nothing. When the competition starts, my head is a complete blank. It is exhausting, I am tense the entire month before the race, but once I am there, I relax and swim the best I can. I am completely focused on the few metres I need to swim. I monitor my competitors, but I sometimes do not even know how I swam those metres myself. The more demanding the competition, the more motivated I am, the more I enjoy swimming and the happier it makes me.”

Alen Kramar: “If there is something Darko does not like, I can see it in his face immediately. One or the other takes a step back and the problem is solved. We deal with everything with mutual respect.”

Darko Đurić: “I trust my coach. I know that I am capable of the best results, that hard work can get me to new personal bests. I want to be among the top five in the world, that is my goal and since 2011, I have never failed to reach the final. I expect a lot from myself and from others. That can sometimes heat things up. At the Paralympic Games in Rio, I missed a medal in 100 m butterfly by half a stroke, in 50 m freestyle by 5 cm, in 200 m backstroke by 20 cm and in 100 m backstroke by 15 cm. But what is crucial is that my goals and path to reaching them are set realistically. If I want to be on the podium, I need to listen to my coach. I do not need to do so to be in the top five, but my ambitions are set higher than that.”