

## 2. The Triglav Group and Zavarovalnica Triglav in 2017

- The Triglav Group and Zavarovalnica Triglav d.d. operated profitably and safely and surpassed the key budgeted business results.
- The new Strategy was successfully implemented in the first year of its application.
- The Group strengthened its leading position in the Adria region, while remaining the market leader in Slovenia.
- Premium growth was recorded in all insurance segments and on most insurance markets in which the Group operates and increased the value of assets under management.
- The Group maintained a favourable »A« credit rating with a stable medium-term outlook.

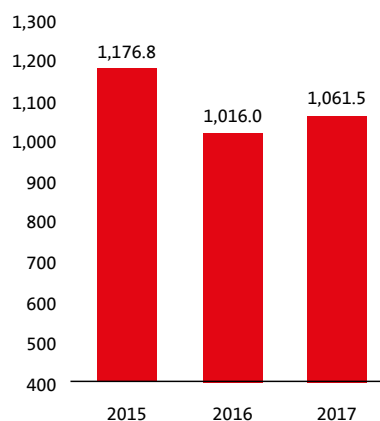
### 2.1 Financial highlights of the Triglav Group<sup>2</sup>

	in EUR million				
	2017	2016	2015	Index	
				2017/2016	2016/2015
Gross written premium from insurance, co-insurance and reinsurance contracts	999.9	936.0	919.1	107	102
Net premium income	891.2	849.6	839.2	105	101
Gross claims paid	642.2	606.0	594.8	106	102
Net claims incurred	620.0	577.1	570.3	107	101
Gross operating expenses	274.0	277.1	297.6	99	93
Profit before tax	84.4	95.1	102.5	89	93
Net profit	69.7	82.3	88.9	85	93
Net profit attributable to the controlling company	69.3	81.9	88.8	85	92
Combined ratio	93.9%	92.9%	92.8%	101	100
Insurance technical provisions as at 31 December	2,732.2	2,660.8	2,600.4	103	102
Equity as at 31 December	756.6	744.3	704.0	102	106
Equity attributable to the controlling company as at 31 December	749.8	734.0	692.9	102	106
Return on equity	9.29%	11.37%	12.77%	82	89
Return on equity attributable to the controlling company	9.34%	11.48%	12.93%	81	89
Number of employees as at 31 December	5.151	5.046	5.379	102	94
Book value per share (in EUR)*	32.98	32.28	30.48	102	106
Net earnings per share (in EUR)	3.07	3.62	3.91	85	93

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

### 2.2 Financial highlights of Zavarovalnica Triglav<sup>3</sup>

	in EUR million				
	2017	2016	2015	Index	
				2017/2016	2016/2015
Gross written premium from insurance, co-insurance and reinsurance contracts	622.0	593.1	586.3	105	101
Net premium income	522.1	509.8	517.0	102	99
Gross claims paid	411.3	391.2	390.6	105	100
Net claims incurred	376.3	350.7	349.6	107	100
Gross operating expenses	167.7	164.5	161.0	102	102
Profit before tax	73.8	83.4	68.4	88	122
Net profit	62.5	75.3	58.5	83	129
Combined ratio	89.6 %	87.9 %	86.2 %	102	102
Insurance technical provisions as at 31 December	2,103.4	2,076.3	2,053.9	101	101
Equity as at 31 December	571.4	563.4	530.6	101	106
Return on equity	11.02%	13.77%	10.89%	80	126
Number of employees as at 31 December	2.285	2.335	2.341	98	100
Book value per share (in EUR)	25.13	24.78	23.34	101	106
Net earnings per share (in EUR)	2.75	3.31	2.57	83	129

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

**For additional information please contact:<sup>4</sup>**

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

	2017	2016	2015	Index	
				2017/2016	2016/2015
<b>1. Other economic impacts (in EUR million)</b>					
Economic value generated*	1,087.6	1,054.5	1,224.8	103	86
Economic value distributed	1,061.5	1,016.0	1,176.8	104	86
- Net claims incurred and other insurance expenses	680.9	624.8	627.8	109	100
- Expenses from financial assets	31.3	39.9	176.8	78	23
- Other expenses	15.0	14.7	16.9	102	87
- Operating costs**	109.2	114.6	129.8	95	88
- Dividend payments	56.8	56.8	56.8	100	100
- Tax expense (income tax expense)	14.7	12.8	13.6	115	94
- Community investments (prevention activities, donations, sponsorships)	5.8	6.3	6.7	91	95
- Employee wages, allowances and benefits	147.7	145.9	148.4	101	98
Economic value retained	26.2	38.6	48.0	68	80
<b>2. Social impact (Zavarovalnica Triglav)</b>					
Average training hours per employee	27	28	26	96	108
Number of insurance policies (products, services) sold online	18	18	13	100	138
Number of insurance products encouraging preventive actions	62	62	62	100	100
Personal data protection (number of fines received - target is zero)***	1	1	0	100	0
Fair business practices (share of investigated fraud cases in %)	91	91	92	100	99
<b>3. Impact on the environment</b>					
Electricity consumption in MWh (Zavarovalnica Triglav)****	5,031	5,475	5,092	92	108
Carbon footprint*****:					
- Zavarovalnica Triglav (tons of CO <sub>2</sub> equivalent)	4,793	5,117	4,944	94	103
- Triglav Osiguranje, Sarajevo (tons of CO <sub>2</sub> equivalent)	151	165	174	92	95
- Triglav Osiguranje, Belgrade (tons of CO <sub>2</sub> equivalent)	743	668	471	111	142
- Lovćen Osiguranje, Podgorica (tons of CO <sub>2</sub> equivalent)	206	252	195	82	129
- Triglav Osiguruvanje, Skopje (tons of CO <sub>2</sub> equivalent)	201	179	372	112	48
- Triglav Osiguranje, Zagreb (tons of CO <sub>2</sub> equivalent)	602	709	0	85	0
- Triglav Osiguranje, Banja Luka (tons of CO <sub>2</sub> equivalent)	72	71	0	101	0
- Zavarovalnica Triglav (tons of CO <sub>2</sub> equivalent per employee)*****	2.1	2.2	2.1	95	105
Waste sorting (share of employees participating in Zavarovalnica Triglav in %)	94	91	91	103	100

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

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

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

\*\*\*\* The Company headquarters and the 12 regional units' head offices are included in the calculation. If the commercial building at Dunajska cesta 22 is taken into account (the data apply to the whole building, including all tenants most of whom are not employees of Zavarovalnica Triglav), electricity consumption is 8,593 MWh.

\*\*\*\*\* In 2016, the manner of capturing data changed, therefore the data are not fully comparable with the previous year.

\*\*\*\*\* Considering the building on Dunajska 22, tons of CO<sub>2</sub> equivalent per employee amounts to 3.38, however this calculation includes all inhabitants of the building, most of whom are not employed by Zavarovalnica Triglav.

## 2.4 Major business events and achievements in 2017

- **Good business results.** The Triglav Group again operated at a profit and surpassed the budgeted business results. Premium growth was recorded in all insurance segments and on most insurance markets in which the Group operates.
- **A high credit rating of »A« maintained:** The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's credit rating of »A« with a stable medium-term outlook. See [→ *Section 6.6 Credit rating*] for more details.
- **Dividend payment:** Dividend payments accounted for 69% of net profit of the Triglav Group for 2016. See [→ *Section 6.4. Dividends*] for more details.
- **Entry on the Macedonian life insurance market and the pension insurance market in Bosnia and Herzegovina:** On the Macedonian market, the Triglav Group established a new life insurer. Together with the European Bank for reconstruction and Development (EBRD), Penzijski rezervni fond Republike Srpske (The Pension Reserve Fund Of Republic of Srpska) and the Enterprise Expansion Fund (ENEF), Skupna pokojninska družba established a pension fund management company in Bosnia and Herzegovina. See [→ *Section Changes in the structure of the Triglav Group*].
- **Establishment of a trading platform for alternative investments Triglav:** Together with the German partner KGAL Group, Zavarovalnica Triglav established a company with the aim to obtain funds from institutional investors and invest them in various types of investments such as real property, infrastructure projects and other alternative investments.
- **Changes to the Supervisory Board and the Management Board of Zavarovalnica Triglav:** Due to the expiry of the term of office of five Supervisory Board members, shareholder representatives, the shareholders appointed five new members. See [→ *Section 5.3.3 Supervisory Board*] for more details. Barbara Smolnikar was appointed a new Management Board member, who is in charge of life insurance. The five-year term of office of the Management Board Member Benjamin Jošar expired. See [→ *Section 5.3.2 Management Board*] for more details.
- **Mass loss events:** On a global scale, 2017 was unprecedented in terms of catastrophic loss events. Mass loss events affected the performance of the Triglav Group, as hail storms, frost, the Irma hurricane, floods, drought and stormy winds resulted in damage claims of EUR 33.5 million. See [→ *Section 7.2 Environmental impact on the performance of the Triglav Group*] for more details.

## 2.5 Financial calendar 2018

<b>Monday,</b> <b>5 March</b> <b>2018</b>	<b>Friday,</b> <b>30 March</b> <b>2018</b>	<b>Thursday,</b> <b>26 April</b> <b>2018</b>	<b>Thursday,</b> <b>17 May</b> <b>2018</b>	<b>Tuesday,</b> <b>29 May</b> <b>2018</b>
Preliminary information of the performance of Zavarovalnica Triglav d.d. and the Triglav Group in 2017	Annual Report for 2017	Convening of the General Meeting of Shareholders of Zavarovalnica Triglav, d.d. which will make a decision on the distributable profit	Interim Report for the period from 31 January to 31 March 2018	General Meeting of Shareholders and its resolutions
from Monday 12 February 2018	from Friday, 16 March 2018		from Thursday, 3 May 2018	
<b>Wednesday,</b> <b>13 June</b> <b>2018</b>	<b>Thursday,</b> <b>14 June</b> <b>2018</b>	<b>Friday,</b> <b>17 August</b> <b>2018</b>	<b>Thursday,</b> <b>15 November</b> <b>2018</b>	
Information about the dividend date payment	Dividend payment date to Centralno klirinška depotna družba	Semi-annual Report for 2018	Interim Report for the period from 31 January to 30 September 2018	
		from Friday, 3 August 2018	from Friday, 2 November 2018	

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

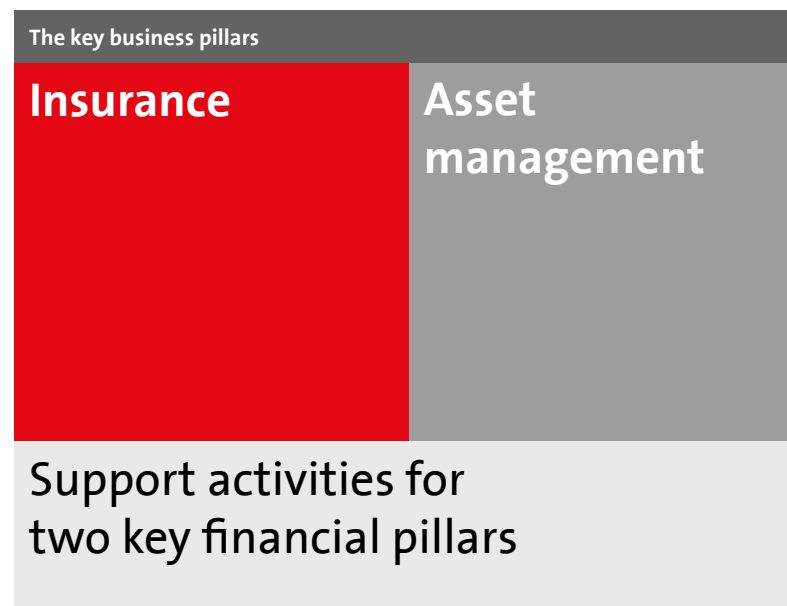
- Planned date of announcement\*
- Type of announcement
- Silent period\*\*

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

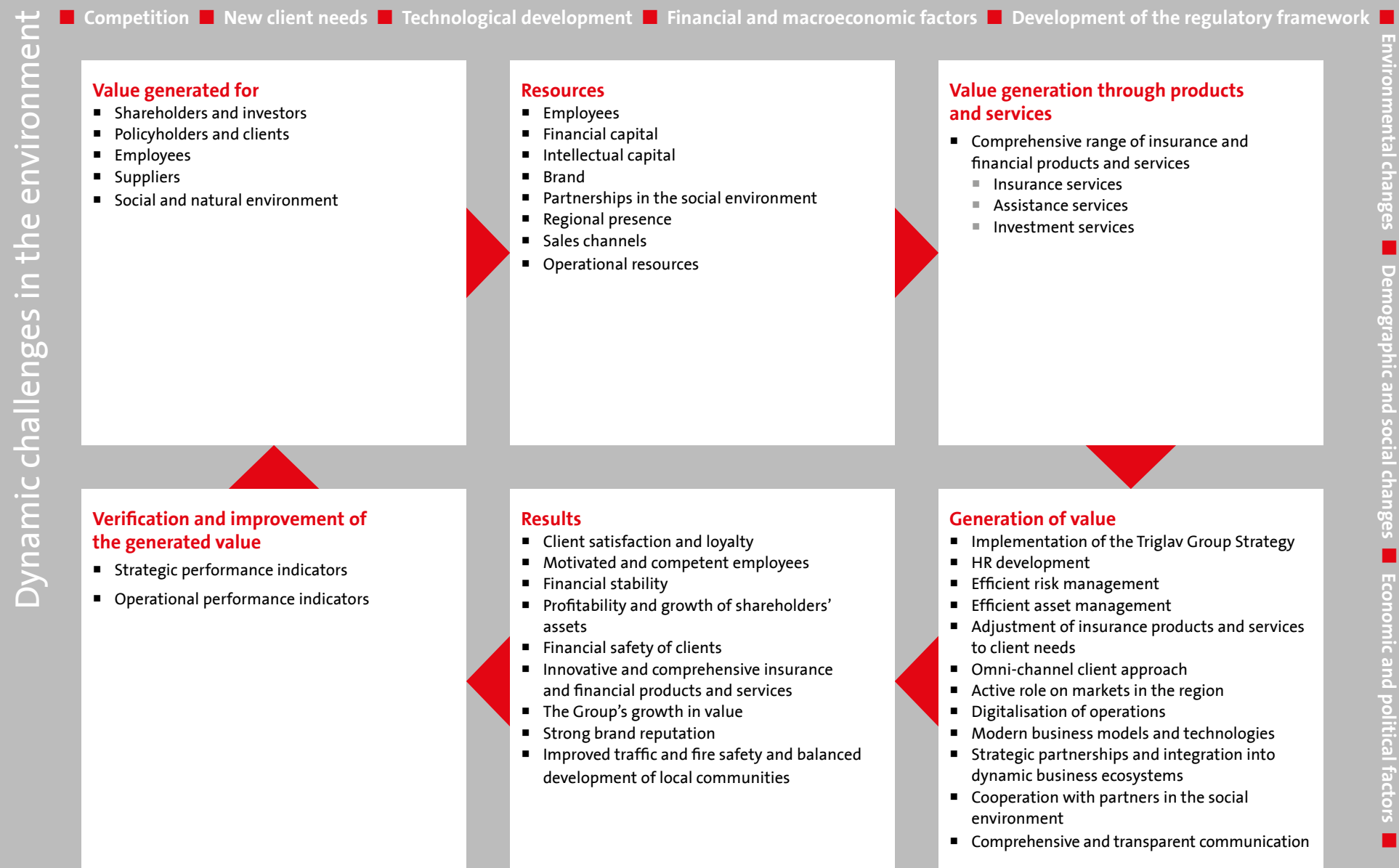
\*\* The silent period denotes a period preceding the announcement of the Company/Group report, during which Zavarovalnica Triglav does not disclose information on current operations to the public.

## 2.6 Activities, markets and position of the Triglav Group<sup>5</sup>

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



## The business model of the Triglav Group



■ In 2016 the Triglav Group increased its market share to 19.9% and thus maintained its leading position as insurer in the Adria region.

## 2.6.2 Insurance

The Triglav Group's core business, accounting for the bulk of its operations, is **insurance**, including non-life, life, health and pension insurance as well as reinsurance.

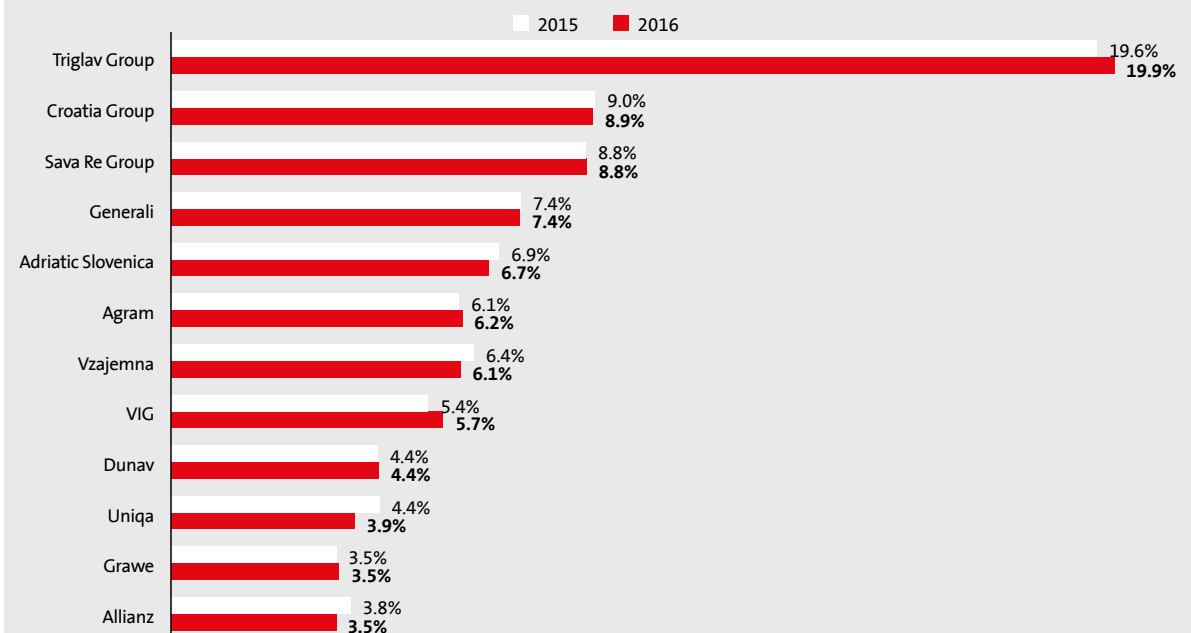
The insurance-oriented part of the Group encompasses:

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

### 2.6.2.1 Position on the regional insurance market

In 2016 the Triglav Group increased its market share to 19.9% and thus maintained its leading position as insurer in the Adria region, which includes Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia.

The market share of the Triglav Group in the Adria region in 2016 and 2015 (in %)



Source: Calculation of Zavarovalnica Triglav based on data of national insurance supervisory agencies and insurance associations

The parent company, Zavarovalnica Triglav, again in 2016, remained the market leader in South-East Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldavia, Montenegro, Romania, Serbia and Slovenia). According to the SeeNews survey, of the 100 largest insurers of the South-East Europe 7 insurance companies of the Triglav Group and 14 were Slovene insurers in terms of gross written premium. Zavarovalnica Triglav is 1.7 times larger than the second ranked Slovene Zavarovalnica Sava.

Largest insurance companies in South-East Europe by written premium in 2016 (in million EUR)









Source: SeeNews 2017

## 2.6.3 Asset management

**Asset management** of the Triglav Group is performed for the clients who save via the Group's insurance services and for investors who invest in the Group's mutual funds. This activity is performed by the life insurers of the Group, Triglav Skladi d.o.o., Triglav, Upravljanje nepremičnin d.d. and Triglav d.o.o.

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



The Triglav Group and Zavarovalnica Triglav in 2017

## The Triglav Group

# 1<sup>st</sup> place

in the Adria region

## Slovenia

# 35.6

% market share\*

## 1<sup>st</sup> place

\* market share of Zavarovalnica Triglav, Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba

## Croatia

# 4.4

% market share

## 9<sup>th</sup> place

## Serbia

# 5.8

% market share\*

## 5<sup>th</sup> place

\* Q1–3 2017

## Montenegro

# 38.2

% market share\*

## 1<sup>st</sup> place

\* market share of Lovćen Osiguranje and Lovćen životna osiguranja

## Bosnia and Herzegovina

# 7.8

% market share\*

## 5<sup>th</sup> place

\* market share Triglav Osiguranje, Sarajevo and Triglav Osiguranje, Banja Luka

## Macedonia

# 17.5

% market share\*

(non-life insurances)

## 1<sup>st</sup> place

\* Q1–3 2017





#### 2.6.4.1 Changes to the Triglav Group composition in 2017<sup>6</sup>

- In February 2017, Zavarovalnica Triglav and KGAL Beteiligungsverwaltungs GmbH (hereinafter: the KGAL Group) established the company TRIGAL d.o.o., Ljubljana. The share capital of this company amounted to EUR 1 million. With a payment of EUR 499,000 of Zavarovalnica Triglav, the Company became a 49.9% owner of Triglav. As at the reporting date, the capital increase procedure started. The Triglav share capital was increased by EUR 7,350,000. Zavarovalnica Triglav paid in EUR 3,667,650 and thus maintained its 49.9% equity stake. The capital increase was entered into the Companies Register on 10 January 2018.
- Triglav INT acquired a 19.0% equity stake from non-controlling interest holders of Triglav Osiguranje, Sarajevo, thereby becoming its 88.0% owner. The acquisition price amounted to BAM 8,756,665 or EUR 4,477,212. Triglav Osiguranje, Sarajevo purchased 4,156 shares from non-controlling interest holders or 10% of treasury shares. The purchase price amounted to BAM 4,594,458 or EUR 2,349,109. The stake of non-controlling shareholders dropped from 31.0% to 2.0%, thereby reducing the value of minority interest by EUR 3,316,564. As at the 2017 year-end, the company reduced its share capital by decreasing its own stake, thereby increasing the equity stake of Triglav INT to 97.78%.
- Triglav INT acquired a 0.09% equity stake from non-controlling interest holders of Triglav Osiguranje, Zagreb, thereby becoming its 100% owner. The acquisition price was HRK 100,570 or EUR 13,625.
- Together with Penzijski rezervni fond Republike Srpske from Banja Luka (The Pension Reserve Fund Of Republic of Srpska a.d. Banja Luka), the European Bank for Reconstruction and Development (EBRD) and the Enterprise Expansion Fund (ENEF), Skupna pokojninska družba established Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom a.d., Banja Luka. The share capital of this company amounted to BAM 4,400,000. With the payment of BAM 1,496,000 or EUR 764.893, Skupna pokojninska družba acquired a 34.0% equity stake of the said company.
- Triglav INT acquired a 0.12% equity stake from non-controlling interest holders of Lovćen Osiguranje, Podgorica, thereby becoming its 96.59% owner. The purchase price equalled EUR 10,540.
- Triglav INT acquired a 6.56% equity stake from non-controlling interest holders of Triglav Osiguranje a.d., Skopje, thereby becoming its 79.94% owner. The acquisition price of the equity stake amounted to BAM 57,769,440 or EUR 942,000.

- Triglav INT and Triglav Osiguranje, Skopje established a new life insurance company, Triglav Osiguranje Život, a.d., Skopje on the Macedonian market. The share capital of the company amounted to MAK 307,572,900 or EUR 5,000,000. With the payment of EUR 4,000,000, Triglav INT became an 80% owner of the new insurance company. A 20% equity stake was acquired by Triglav Osiguranje, Skopje with the payment of MAK 61,627,500 or EUR 1,000,000. Triglav Osiguranje Život, a.d., Skopje was entered into the Companies Register on 4 October 2017 and was included in the annual consolidated financial statements of the Triglav Group for 2017 for the first time.
- On 26 July 2017, Zavarovalnica Triglav and its subsidiary Salnal d.o.o. signed an agreement on the sale of equity stakes in Geoplin d.o.o. and Plinhold d.o.o. with Petrol d.d. and the Republic of Slovenia. The Triglav Group holds a 7.8% stake in the said companies. The total purchase price amounted to EUR 14.5 million. The agreement was signed under suspensive conditions which must be met prior to its validity.
- Following the simplified procedure without liquidation, Salnal d.o.o. was stricken out from the Companies Register in December 2017. After Salnal was removed from the Companies Register, its total assets were transferred to and taken over by its sole shareholder, Zavarovalnica Triglav.

Changes in the Triglav Group are discussed in greater detail in [[→ Section 2.7 of the Accounting Report](#)].

## Subsidiaries and associated companies of the Triglav Group as at 31 December 2017 and their equity stake



## 2.7 The management Board of Zavarovalnica Triglav

As at the 2017 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.

On 2 November 2017, the term of office of Benjamin Jošar as a Management Board member expired. Barbara Smolnikar started serving on the Management Board on 17 October 2017.



■ Marica Makoter ■ Tadej Čoroli ■ Andrej Slapar ■ Uroš Ivanc ■ Barbara Smolnikar