

## **Triglav Group in 2018<sup>1</sup>: Higher Profit and Premium Than the Year Before** High “A” credit ratings and a strengthened leading position in the Adria region

According to unaudited data, Triglav Group booked EUR 1,068 million in insurance premium, which was 7% more than the year before, and achieved profit before tax of EUR 97.5 million (index 115). Premium growth was recorded in all insurance markets and segments (non-life insurance, life insurance including pension insurance and health insurance). The Group with high “A” credit ratings strengthened its leading position in the region. The revised strategy to 2020 with a client-centric focus was presented at the end of 2018.

**PROFITABLE OPERATIONS.** According to unaudited data, Triglav Group generated profit before tax of EUR 97.5 million (index 115) and EUR 80.8 million of net profit (index 116). The parent company ended 2018 with a profit before tax of EUR 78.5 million (index 106) and a net profit of EUR 65.5 million (index 105). Return on equity of the Group rose to 10.8% (vs. 9.3% in 2017), whilst that of the parent company stood at 11.6% (vs. 11.0% in 2017).

**Andrej Slapar, President of the Management Board of Zavarovalnica Triglav:** *“The year 2018 was successful. According to unaudited data, profit before tax amounted to EUR 97.5 million or 15% more than the year before. It was planned between EUR 80 and 90 million, but that was outperformed mainly thanks to the high premium growth, favourable claim ratio and several one-off events, which mostly occurred in Q4 2018.”*

**PREMIUM GROWTH.** Triglav Group posted a total of EUR 1,068 million in consolidated gross written insurance, co-insurance and reinsurance premiums, up by 7% compared with 2017. The Group saw premium growth for the fourth consecutive year. **Premium growth was recorded in all three insurance segments of the Group** (non-life insurance, life insurance including pension insurance and health insurance). Non-life insurance premium increased by 8% in the reporting year, with premium growth recorded in most non-life insurance classes. Health insurance premium went up by 11%, primarily as a result of new insurance contracts and partly due to a higher supplemental voluntary health insurance premium in Slovenia. Life insurance premium rose by 2% compared with 2017. In the year-on-year comparison it should be noted that its volume in 2017 was also affected by higher one-off transfers of supplemental voluntary pension insurance assets from other insurance companies.

**PERFORMANCE BY INSURANCE MARKET.** The improved macroeconomic situation in the region positively impacted the insurance markets within the region and consequently the Triglav Group’s operations. In tight competitive conditions, the Group insurance subsidiaries intensified their sales activities and improved services to cater for their clients. All activities were carefully adapted to the level of development and specificities of a particular market.

In 2018, Triglav Group **increased the share of premium written in the markets outside of Slovenia** by 0.2 percentage point to 17.9%. A total of 76.7% of consolidated gross written premium was charged in the Slovene insurance market, whilst reinsurance premium on the international markets accounted for 5.4%.

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<sup>1</sup> The information is based on the unaudited performance data of Triglav Group and Zavarovalnica Triglav in 2018.

**Premium growth was recorded by all 12 insurance subsidiaries of the Group.** In **Slovenia**, insurance premium was 7% higher on average, of which premium booked by the parent company was 6% higher compared to 2017, whilst that of Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba increased by 11% and 9% respectively. The premium on the markets **outside of Slovenia** recorded an average growth of 8%. The highest premium growth of 12% was seen in Serbia, followed by the 8% growth in Croatia, 5% in Montenegro, 3% in Bosnia and Herzegovina, and 10% in North Macedonia.

**CLAIMS EXPERIENCE.** Gross claims paid of the Group totalled EUR 679.6 million (index 106). The largest, 58% share of gross claims paid was accounted for by non-life insurance claims, mainly due to the increased business volume over the last few years. A partial impact was a consequence of mass claims from 2017, for which adequate provisions were made and which were appropriately reinsured upon occurrence. They were paid out in 2018. With respect to major CAT events, claims experience was less pronounced in 2018 than the year before, both in terms of frequency and severity. The total value of claims resulting from major CAT events was EUR 18.3 million, whereas in 2017 they amounted to EUR 33.5 million.

**GOOD COST CONTROL.** Gross operating expenses of the Group totalled EUR 288.8 million (index 105). Intensified marketing and sales efforts combined with strategic development activities resulted in higher operating expenses of the insurance business, however their growth lagged behind premium growth. Compared with the preceding year, the share of expenses in written premium dropped by 0.4 percentage point to 24.5%.

**IMPROVED COMBINED RATIO.** The combined ratio was planned at around 95%, which is also its average target strategic value. In the reporting period, it stood at 91.8% (vs. 93.1% in 2017) and was in the lower range of its expected value. The combined ratio was improved compared with the year before, primarily as a result of the improved loss ratio and a higher growth in net premium earned than growth in net claims incurred.

**LOWER RETURN ON INVESTMENT, AS EXPECTED.** According to unaudited data, the rates of return on investment (excluding unit-linked life insurance contract investments) were lower by 29% compared with 2017, mainly as a result of persisting low interest rates on the financial markets. In asset management, the Group closely monitors the situation on the capital markets. By actively adjusting the shares of individual investment grades in its portfolio, the Group appropriately manages market risks and the risks arising from the asset-liability ratio. The structure of the investment portfolio did not significantly change in 2018 and remains consistent with the investment policy of the Group, the focus of which is on ensuring safety and liquidity while achieving adequate returns.

**FINANCIAL STABILITY.** Triglav Group was assigned high “A” credit ratings with a stable medium-term outlook by the credit rating agencies S&P Global Ratings and A.M. Best. A high level of financial stability of the Group is also reflected in total equity capital (EUR 746.9 million) and gross insurance technical provisions (EUR 2,713.1 million). Both categories ensure not only well-balanced operations but also a long-term safety of the policyholders. As at the 2018 year-end, total equity capital was down by 1%, primarily due to the decrease in fair value reserve arising from a lower value of available-for-sale financial assets. Gross insurance technical provisions declined by 1%, mainly as a result of lower mathematical provisions (at the expense of reducing insurance technical provisions for unit-linked life insurance contracts) and lower claims provisions (also on the account of the favourable development of claims provisions from previous years and the payment of mass claims incurred at the end of 2017 from claims provisions).

**MARKET LEADER IN SLOVENIA AND THE ADRIA REGION.** The Triglav Group holds the leading position in the Adria region and in its largest, Slovene insurance market. According to 2017 data, the Group further strengthened its **leading market position in the region** by 0.2 percentage point to 20.2%, while being the market leader in the Slovene insurance market in 2018 with a 35.4% share (vs. 35.2% in 2017).

In the markets where the Group holds a high market share and the leading position (Slovenia, Montenegro and North Macedonia), the consolidation strategy was pursued, whilst on the remaining markets (Croatia, Serbia, Bosnia and Herzegovina) the focus was on strengthening the Group's position. The Group will continue to operate on the existing markets, while developing new business models and ways of doing business as well as forging suitable partnerships to enter the markets outside the region.

The Group pursues its development and growth strategy in both strategic activities – insurance and asset management. Its growth is organic, however potential takeovers are not ruled out if an opportunity arises. In 2018, the Group signed agreements to acquire the Croatian pension insurance company Raiffeisen mirovinsko osiguravajuće društvo and the Slovene asset management company ALTA Skladi. Moreover, the Group purchased remaining equity stake thereby becoming 100% owner of the Slovene pension insurance company Skupna pokojninska družba.

**DEVELOPMENTAL STRATEGIC HIGHLIGHTS.** Triglav Group Strategy, which was revised in December 2018, preserves its existing main elements and places an even greater emphasis on a client-centric approach, the revised values of the Group (responsiveness, simplicity, reliability) and further reorganisation and redefinition of culture of the Group so as to become even more cooperative and agile. Achieving long-term stable profitability and increasing the Group's value remains one of the priorities. Its concrete objectives for the strategy period to 2022 include: "A" credit ratings, the average target combined ratio of around 95%, the return on equity of the Group over 10% throughout the entire strategy period to 2022, an increase of the business volume and the share of premium written in the markets outside of Slovenia, maintaining market leadership, cost-effective operations and comprehensive risk management.

**Andrej Slapar, President of the Management Board of Zavarovalnica Triglav,** said: *"We are aware of the challenges of our business environment and we are systematically adapting to them, as is reflected in our revised strategy. In order to be successful, we are creating a stimulating work environment for our employees and care for their development, while establishing a more agile organisation and building a cooperation-oriented organisational culture. It is very important to us that we are successful together as a team. The results achieved are the result of teamwork. On behalf of the Management Board, I would like to thank all employees in Triglav Group for their effort."*

**Financial highlights of Triglav Group**
*in EUR million*

	2018 <sup>2</sup>	2017	2016	Index 2018/2017
Gross written premium <sup>3</sup>	1,068.4	999.9	936.0	107
Net premium income	951.8	891.2	849.6	107
Gross claims paid	679.6	642.2	606.0	106
Net claims incurred	626.6	620.0	577.1	101
Gross operating expenses	288.8	274.0	277.1	105
Profit before tax	97.5	84.4	95.1	115
Net profit	80.8	69.7	82.3	116
Insurance technical provisions as at 31 Dec.	2,713.1	2,732.2	2,660.8	99
Equity as at 31 Dec.	746.9	756.6	744.3	99
Combined ratio	91.8%	93.1%	92.9%	
Return on equity	10.8%	9.3%	11.4%	
Book value per share (in EUR)	32.75	32.98	32.28	99
Net earnings per share (in EUR)	3.56	3.07	3.62	116
Number of employees as at 31 Dec.	5,166	5,151	5,046	100

**Financial highlights of Zavarovalnica Triglav d.d.**
*in EUR million*

	2018 <sup>2</sup>	2017	2016	Index 2018/2017
Gross written premium <sup>3</sup>	660.2	622.0	593.1	106
Net premium income	551.9	522.1	509.8	106
Gross claims paid	421.0	411.3	391.2	102
Net claims incurred	359.9	376.3	350.7	96
Gross operating expenses	174.4	167.7	164.5	104
Profit before tax	78.5	73.8	83.4	106
Net profit	65.5	62.5	75.3	105
Insurance technical provisions as at 31 Dec.	2,061.4	2,103.4	2,076.3	98
Equity as at 31 Dec.	560.1	571.4	563.4	98
Combined ratio	86.1%	87.9%	87.9%	
Return on equity	11.6%	11.0%	13.8%	
Number of employees as at 31 Dec.	2,290	2,285	2,335	100

**Planned performance of the Triglav Group for 2019**
*in EUR million*

	Plan for 2019	2018 <sup>2</sup>	2017	2016	2015
Profit before tax	90 - 100	97.5	84.4	95.1	102.5
Gross written premium <sup>3</sup>	Around 1,100	1,068.4	999.9	936.0	919.1
Combined ratio	Around 95%	91.8%	93.1%	92.9%	92.8%

<sup>2</sup> Unaudited data

<sup>3</sup> Gross written insurance, co-insurance and reinsurance premiums