

ZAVAROVALNICA TRIGLAV

LJSE ticker: ZVTG

Bloomberg: ZVTG SV

20th May 2016

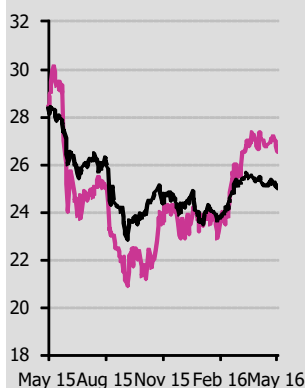
www.triglav.eu

Target price:
27.5 EUR

Previous target price:
27.5 EUR, HOLD (15.4.2016)

Recommendation:
HOLD

12 months stock performance in EUR



— ZVTG — SBI TOP

Leading domestic market share.

Important presence in the West Balkan region.

Generous dividend yield.

Stable profitability.

A- rating.

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Stock data as of 20.05.2016

Market price (EUR)	26.6	Market Cap (EUR)	604.0
52 week range (EUR)	20.9-30.2	No. of Shares	22.7
Avg. daily trade vol., EUR(k)	119.32	Free float	37%
Average daily % of stock traded	0.021%	Dividend yield	9.4%

Price performance	3 months	12 months	Multiples:	TTM	2016F
price change in %	11.6%	-6.7%	P/E	7.5	8.4
SBI TOP index change in %	5.0%	-11.7%	P/B	0.83	0.89
relative to SBI TOP index in %	6.3%	5.6%	P/GWP	0.66	0.65

Key figures (According to International Accounting Standards) Consolidated data in EURm

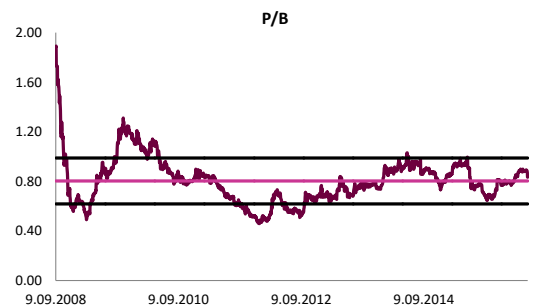
	Income statement:				Balance sheet:			
million €	FY2014	FY2015	2016F	2017F	million €	FY2014	FY2015	TTM
GPW	888.2	919.1	918.2	942.3	Equity Inv.	131.2	189.1	234.2
Growth YoY	-1.4%	3.5%	-0.1%	2.6%	Fin.assets	2,734.6	2,959.9	2,992.7
NPE	819.9	839.2	841.7	864.0	Tech.prov.	2,333.7	2,600.4	2,632.0
Growth YoY	-2.1%	2.4%	0.3%	2.6%	Equity	681.4	692.9	723.8
Claims paid	594.7	570.3	600.5	627.9	Assets	3,275.4	3,481.0	3,570.3
Claims ratio	72.5%	68.0%	71.3%	72.7%	Inv./Prov.	1.17	1.14	1.14
Net income	85.4	88.8	71.9	63.1	E/A	20.8%	19.9%	20.3%
Growth YoY	22.8%	4.0%	-19.0%	-12.3%	E/Prov.	29.2%	26.6%	27.5%
EPS	3.76	3.91	3.16	2.77	ROE	12.5%	12.8%	11.1%

Recent news and outlook revision:

- The Supervisory Board and the Management Board of Zavarovalnica Triglav d.d. drew up the proposal to pay a dividend of EUR 2.5 gross per share, which is the same as in the last year. Proposal was formed according to a new dividend policy and high capital ratio of Triglav Group. Ex dividend date is on 1st June 2016 or one day after the General Meeting. If approved by shareholders, dividend implies a very generous gross dividend yield of 9.4%.
- Given data collected by The Slovenian Insurance Association total Slovenian GWP for the first three months 2016 grew by 0.6% and totalled EUR 721.6m. Non-life premiums increased by 2.25%, while on the other hand trends in life segment continue to be negative with premiums contracting by 4.28% YoY.

Valuation commentary:

- Triglav Group delivered higher than expected GWP and reported growth on almost all foreign markets. The weakest link is still Slovenian life segment which is apparently not affected by recovery of the Slovenian economy. There was improvement of already low claims ratio while on the negative side we have to mention investment result. However given low interest rate environment that was somewhat expected. Net profit was hence only slightly lower than we expected.



- In general Triglav Group results were relatively in line with our expectations and management plans for the whole year. Accordingly we are maintaining our price target and recommendation.

1Q16 Results

Lower net investment result affecting profitability

million €	1Q15	1Q16	YOY	1Q15	4Q15	1Q16	QoQ	YOY
GPW	260.1	258.7	-0.6%	260.1	200.8	258.7	28.8%	-0.6%
NPE	204.6	201.6	-1.5%	204.6	209.6	201.6	-3.8%	-1.5%
Claims	144.0	139.7	-3.0%	144.0	142.9	139.7	-2.3%	-3.0%
Claims Ratio*	70.4%	69.3%		70.4%	68.2%	69.3%		
Net Expenses	48.6	46.4	-4.5%	48.6	67.6	46.4	-31.5%	-4.5%
Expense Ratio*	23.7%	23.0%		23.7%	32.3%	23.0%		
Net income	30.9	22.4	-27.6%	30.9	8.6	22.4	159.8%	-27.6%
Margin	11.9%	8.7%		11.9%	4.3%	8.7%		

* own calculations

Strong growth on most foreign markets but large contraction in Slovenian life segment.

- In the first quarter of 2016, Triglav Group posted a total of EUR 259m GWP or 1% less than in the respective period of 2015. This is above our GWP estimate of EUR 257.1m. Positive growth was reported for most markets and segments. Exceptions were life insurance in Slovenia (-5.9%) and Banka Luka (BiH) where premiums contracted by 4%. The highest premium growth of 17% was recorded in the Serbian market. The mentioned largest contraction of premiums on the domestic life insurance segment, where GWP fell by 5.9%, was mainly result of reduced premiums paid-in due to maturities and surrenders and lower retained sums paid out on the maturity.

Gross written premium in EURm	Country	Non-life	Life	Total	Index			Structure		
Zavarovalnica Triglav	Slovenia	129.8	42.7	172.5	100	94	99	66%	80%	69%
Triglav Zdravstvena zav.	Slovenia	28.5	-	28.5	102	-	102	15%	-	11%
Skupna pokojninska družba	Slovenia	-	7.3	7.3	-	109	109	-	14%	3%
Triglav Osiguranje	Croatia	12.5	2.0	14.5	115	101	113	6%	4%	6%
Triglav Osiguranje, Sarajevo	BiH	4.0	1.2	5.2	104	117	107	2%	2%	2%
Triglav Pojišt'ovna	Czech Republic	-	-	-	0	-	0	-	-	-
Lovčen Osiguranje	Montenegro	6.2	-	6.2	106	-	106	3%	-	2%
Triglav Osiguranje	Serbia	7.9	0.2	8.1	117	133	117	4%	0%	3%
Triglav Osiguranje, Banja Luka	BiH	1.3	-	1.3	96	-	96	1%	-	1%
Triglav Osiguruvanje	Macedonia	5.2	-	5.2	100	-	100	3%	-	2%
Lovčen životna osiguranja	Montenegro	-	0.3	0.3	-	108	108	-	1%	0%
Total		195.4	53.6	249.0	100	97	99	100%	100%	100%
Triglav RE	Slovenia	41.7	-	41.7	101	-	101	-	-	-
Consolidated		206.1	52.6	258.7	100	97	99			

Loss and combined ratio improved.

- Gross claims paid by the Triglav Group were down by 1% to EUR 147.3m, while net claims decreased by 3% to EUR 139.7m. Loss ratio improved from 63.7% to 61.7%. In the reporting period, no major loss events were recorded.

Gross Claims in EURm	Country	Non-life	Life	Total	Index			Structure		
Zavarovalnica Triglav	Slovenia	51.4	44.3	95.7	95	102	98	58%	88%	69%
Triglav Zdravstvena zav.	Slovenia	22.1	-	22.1	108	-	108	25%	-	16%
Skupna pokojninska družba	Slovenia	-	4.4	4.4	-	95	95	-	9%	3%
Triglav Osiguranje	Croatia	5.7	1.1	6.7	123	96	118	6%	2%	5%
Triglav Osiguranje, Sarajevo	BiH	1.5	0.3	1.8	60	45	57	2%	1%	1%
Triglav Pojišt'ovna	Czech Republic	-	-	-	0	-	0	-	-	-
Lovčen Osiguranje	Montenegro	3.7	-	3.7	109	-	109	4%	-	3%
Triglav Osiguranje	Serbia	2.6	0.1	2.8	106	239	108	3%	0%	2%
Triglav Osiguranje, Banja Luka	BiH	0.3	-	0.3	65	-	65	0%	-	0%
Triglav Osiguruvanje	Macedonia	1.9	-	1.9	85	-	85	2%	-	1%
Lovčen životna osiguranja	Montenegro	-	0.2	0.2	-	78	78	-	0%	0%
Total		89.2	50.3	139.5	95	101	97	100%	100%	100%
Triglav RE	Slovenia	12.9	12.9	-	110	-	0	-	-	-
Consolidated		97.9	49.4	147.3	98	101	99			

Significantly lower result from investing activities.

- Insurance business gross operating costs fell by 1% and amounted to EUR 53.5m. Gross operating expenses decreased by 4.9% which was a result of divesting previously consolidated bus transportation company Avrigo.
- Consequently net expense ratio increased from 28.7% to 29.7%. However, due to the mentioned lower claims, combined ratio improved from 92.3% to 91.4%.
- The Group's operations were significantly affected by the return on financial investments (EUR 11.7m), which was 74% lower compared to the previous year, primarily as a result of lower net interest income, reduced net effect of revaluation and lower net gains on the sale of financial assets.

Net profit lower, but almost in line with expectations.

- Triglav Group ended the first quarter of 2016 with a net profit of EUR 22.4m (attributable to the controlling company), down 27.5% YoY. The lower profit of the Group compared to the respective period of 2015 is predominantly a result of a mentioned lower return on investments. Bottom line result was only slightly below our expectations of EUR 23.3m. Trailing 12 month ROE was 11.7%.

Structure of the portfolio relatively unchanged.

Group ended the quarter with book value of EUR 31.8 per share.

- At the end of March 2016 total assets stood at EUR 3,570.3m with financial assets totaling EUR 2,898.7m. In comparison to the end of the year structure of financial investments remained relatively unchanged with debt and other fixed income instruments representing 69.6%.
- Triglav Group reported a 4% increase in total equity capital to EUR 735 million and 1% higher insurance technical provisions totaling EUR 2,632m. Shareholders' equity amounted to EUR 723.8m and book value per share stood at EUR 31.8.

Financial investments	Index		Structure		
	1Q16	2015	1Q16	2015	
Investment property	87.3	79.5	110	2.9%	2.7%
Shares in associates	6.7	6.9	96	0.2%	0.2%
Shares and other floating rate securities	234.2	189.1	124	7.8%	6.4%
Debt and other fixed return securities	2,084.3	2,040.0	102	69.6%	68.9%
Loans given	28.3	26.8	106	0.9%	0.9%
Deposits with banks	80.3	123.0	65	2.7%	4.2%
Other financial investments	28.8	26.0	111	1.0%	0.9%
Financial investments of reinsurance companies in	4.1	3.9	104	0.1%	0.1%
Unit-linked ins. contract invest.	438.6	464.7	94	14.7%	15.7%
Total	2,992.7	2,959.9	101	100.0%	100.0%

Debt securities Issuer sector	Index		Structure		
	1Q16	2015	1Q16	2015	
Government	1,093.9	1,167.3	94	52.5%	57.2%
Corporate	499.2	470.6	106	23.9%	23.1%
Financial	475.0	377.1	126	22.8%	18.5%
Structured	16.3	25.1	65	0.8%	1.2%
Total	2,084.3	2,040.0	102	100.0%	100.0%

Debt securities Credit rating	Index		Structure		
	1Q16	2015	1Q16	2015	
AAA	228.1	270.7	84	10.9%	13.3%
AA	128.9	79.6	162	6.2%	3.9%
A	275.2	260.5	106	13.2%	12.8%
BBB	977.3	997.1	98	46.9%	48.9%
Below BBB	390.6	338.0	116	18.7%	16.6%
Not rated	84.2	94.1	89	4.0%	4.6%
Total	2,084.3	2,040.0	102	100.0%	100.0%

Debt securities Country of issuer	Index		Structure		
	1Q16	2015	1Q16	2015	
Slovenia	473.6	515.1	92	22.7%	25.2%
Germany	153.8	164.7	93	7.4%	8.1%
Spain	117.9	105.8	111	5.7%	5.2%
France	167.8	159.0	106	8.1%	7.8%
Netherlands	160.5	151.1	106	7.7%	7.4%
Italy	132.8	137.0	97	6.4%	6.7%
Other	877.9	807.4	109	42.1%	39.6%
Total	2,084.3	2,040.0	102	100.0%	100.0%

Equity investments Geographic area	Index		Structure		
	1Q16	2015	1Q16	2015	
Slovenia	67.7	67.7	100	34.6%	47.9%
Developed markets	99.9	58.8	170	51.0%	41.6%
Developing markets	19.5	5.7	345	10.0%	4.0%
Balkans	8.8	10.0	89	4.5%	7.0%
Total	196.0	141.5	139	100.0%	100.0%

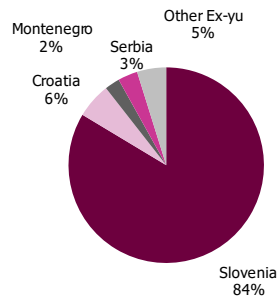
Top5 shareholders:

ZPIZ	34.5%
SDH	28.1%
Hypo Alpe-Adria-Bank	6.5%
HPB - Fid.	1.4%
Balkan Fund	1.3%

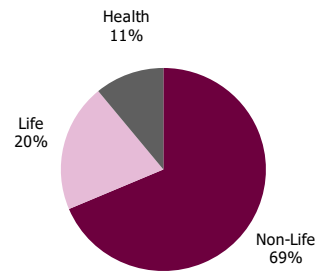
Brief Company profile

Triglav Insurance Group is a multinational corporation with two elementary business divisions (insurance and asset management) where the insurance business is its most important part. The Group is already present in the markets of Croatia, Bosnia and Herzegovina, Serbia, Macedonia and Montenegro, with plans of entering and strengthening other markets in Southeastern Europe. Presently, foreign premiums represent less than 20% of total group premiums, but according to ZVTG's plans will have an increasingly important share in the future. At present, the group has 5,171 employees. Zavarovalnica Triglav holds a market share of around 20% in the combined market of Slovenia and the Western Balkans. The most important investment notion is Triglav Insurance Group's market share in Slovenia, where it reaches around 37% of the total premium generated in the country.

Premium Structure (1Q16)



Premium Structure (1Q16)



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