Triglav Group

Analyst Conference on Solvency II

June 2018

Everything will be alright.

triglav

www.triglav.eu

Triglav Group in 2018

Solvency II Disclosure 2017

Outlook

Triglav Group in 2018

Our mission

BUILDING A SAFER FUTURE
for all our stakeholders,
while being committed to
responsible and sustainable
development.

Highlights in 2018

- **Q1 2018 Performance:**

  Good results in the insurance business, lower net interest income as expected.

	Q1 2018	Comment
GWP	**€ 292.6 m**	4% growth
PBT	**€ 27.5m**	Up by 8%
CoR non-life	**88.5%**	Favourable

- **Dividend for 2017 paid in the amount of € 2.5 gross per share** (82% dividend payout)
- **Triglav Group to enter pension insurance market in Croatia**
- **Capital management policy and dividend policy revised in March 2018**
- 2017 SFCR: **Triglav Group is financially strong, well capitalised and carefully managed**

Revised Methodology in 2017

- SCR calculation still based on Standard formula without simplification

- **Revised methodology for capital adequacy calculation:**

  A. Change in the methodology for the calculation of the **adjustment for the loss absorbing capacity of deferred taxes** ⟶ resulting in the increase of SCR

  B. Different treatment of **ring-fenced funds** in capital adequacy calculation ⟶ resulting in the increase of SCR and EOF, both by the same amount

A. Adjustment for Loss Absorbing Capacity of Deferred Taxes

- **Adjustment for the effect of potencial tax loss in case of 1/200 event decreasing SCR**
- Methodology change implemented at year-end 2017 is **based on more conservative estimate of the amount of the adjustment**
- Adjustment used is the one that **can be justified using net deferred tax liabilities from the balance sheet for SII estimated prudently based on professional judgement**
- <u>Reasons for change in methodology</u>:
  - EIOPA analyses showed a different approaches used across EU and announced changes with Standard formula recalibration
  - Changes of the regulation could increase the Group's regulatory/ business risk due to material impact on capital adequacy

- Adjustments at the Group level - **weighted average of adjustments of the Group's insurance undertakings,** i.e. subject to the equity stake of an individual company.
- The calculation also takes into account **the average effect of diversification between Group members.**

B. Different Treatment of Ring-Fenced Funds

in € million

Capital Adeqacy of Triglav Group	31 Dec 2017	31 Dec 2016	31 Dec 2016*
Total EOF to meet SCR	878	855	844
Total EOF to meet MCR	878	855	844
SCR excluding ring-fenced funds	0	0	343
SCR with ring-fenced funds	395	354	0
Min consolid. capital requirement	149	141	141
Capital adequacy to SCR	222%	242%	246%
Capital adequacy to MCR	587%	607%	599%

- In 2016 (*) EOF and SCR do not include value of ring-fenced funds – results disclosed in SFCR 2016
- In new methodology is the value of ring-fenced funds included in EOF and SCR – results disclosed in SFCR 2017

Capital Adequacy of Triglav Group

> 250%	Surplus capital adequacy	Possibility of a more aggressive growth of business volume, assessment of potential changes in the business strategy
200 - 250%	**Target capital adequacy**	Regular performance of risk management activities
150 - 200%	Sub-optimum level of capital adequacy	Analyzing possible medium and long-term measures to improve capital adequacy and emphasized monitoring of risks
130 - 150%	Warning level of capital adequacy	Implementation of measures to improve capital adequacy
< 130%	Insufficient capital adequacy	

	31 Dec 2017	31 Dec 2016*
Solvency ratio	**222%**	242%

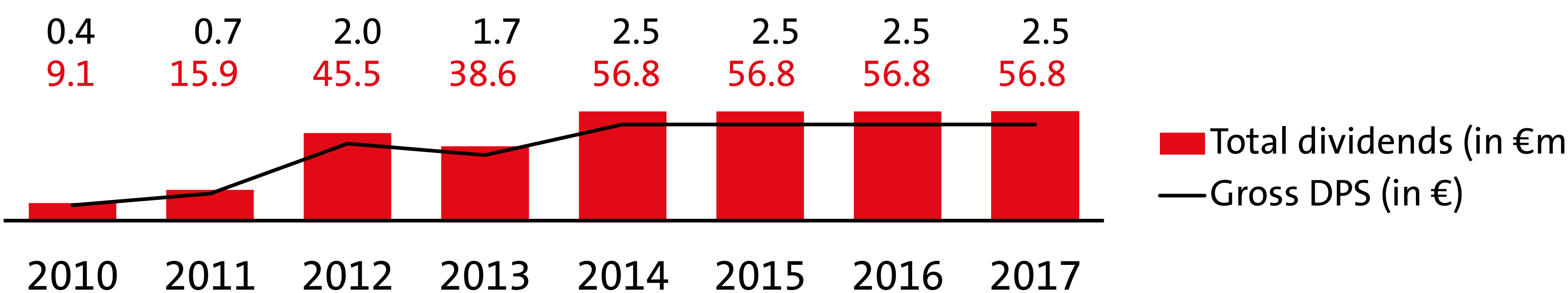
More conservative approach for calculation of the adjustment for the loss absorbing capacity of deferred taxes caused **the decrease of the solvency ratio**.

**Based on methodology before its revision in 2017*

Revised Dividend Policy

Atractive and Sustainable

The minimum dividend pay-out is set to 50% of consolidated net profit for the previous year, however Zavarovalnica Triglav will strive not to reduce its dividend payment below the level of the previous year. As thus far, the future implementation of the dividend policy will be subordinated to achieving the medium-term sustainable target capital adequacy of Triglav Group. The proposal of the Management Board and the Supervisory Board as regards the annual distribution of accumulated profit of the Company will therefore take into account the following three objectives in a balanced manner: to ensure prudent capital management of Triglav Group and its financial stability, to reinvest net profit in the implementation of the strategy of growth and development of Triglav Group and to pay out attractive dividends to the shareholders.



Solvency II Disclosure 2017

Triglav Group

Financially strong, well capitalized and carefully managed

Efficient Risk Management System of Triglav Group

Supervisory Board and Audited Committee

Management Board

All business at all levels

Competent Risk Management Committees

Non-Life Ins. Development and Actuarial Dept.

Life Dept.

Actuarial Dept.

Risk Management Department

Complience Office

All employees within the scope of their competences and powers

Internal Audit Dept.

FIRST LINE of defence:

Risk Underwriting

SECOND LINE of defence:

Risk Management

THIRD LINE of defence:

Independent Control

Capital Management

- **Centralised** at Group level (capital concentration at the parent company)

- **The objective is an efficient use of available capital**, which provides for:
  - safety and profitability of operations at the Group level;
  - a high level of confidence of all stakeholders;
  - meeting the regulatory capital adequacy requirements;
  - achievement of an appropriate capital adequacy level in the ORSA process;
  - meeting the criteria of external rating agencies to maintain at least the A credit rating.

- **Optimal performance and capital structure**

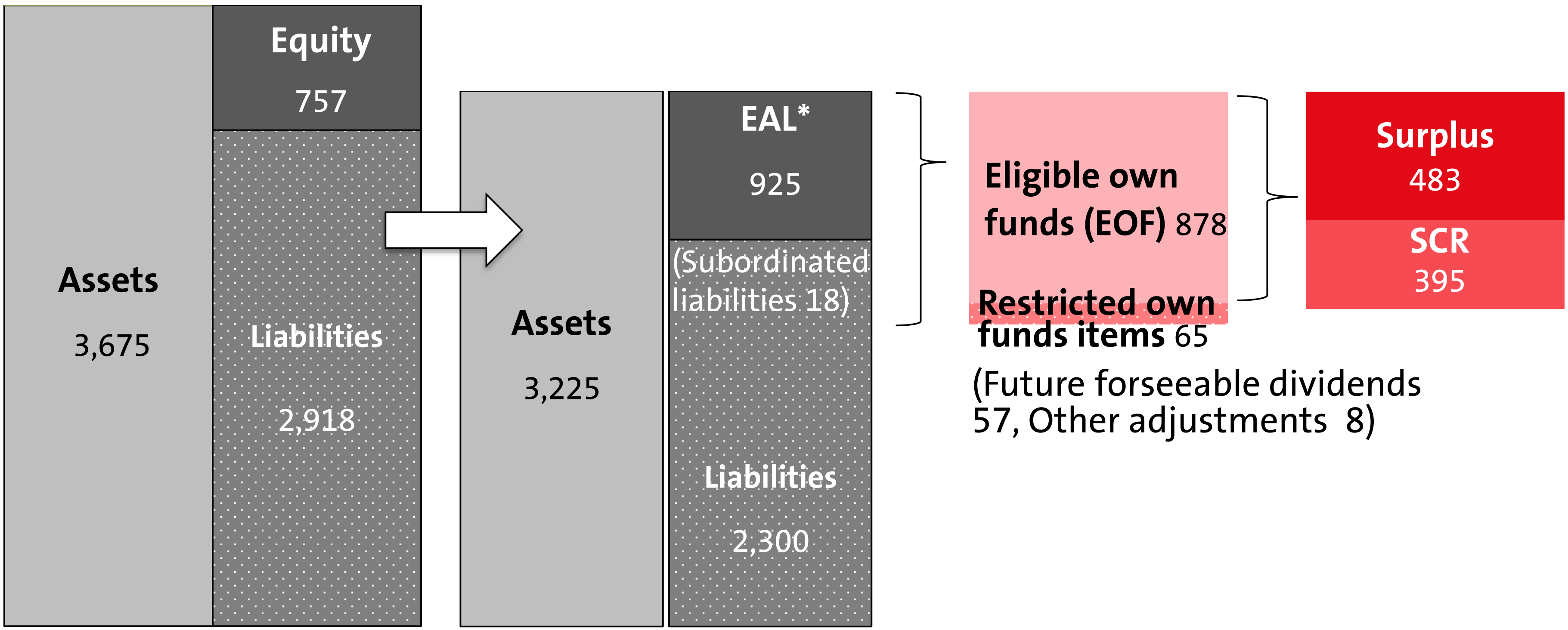
Capital Adequacy of Triglav Group

(as of 31 Dec 2017, in € million)

$$\textbf{Solvency ratio} = \frac{EOF}{SCR} = \frac{878}{395} = \textbf{222\%}$$

IFRS
Balance Sheet

Solvency II
Balance sheet



** EAL – Excess of assets over liabilities*

Valuation for Solvency Purposes

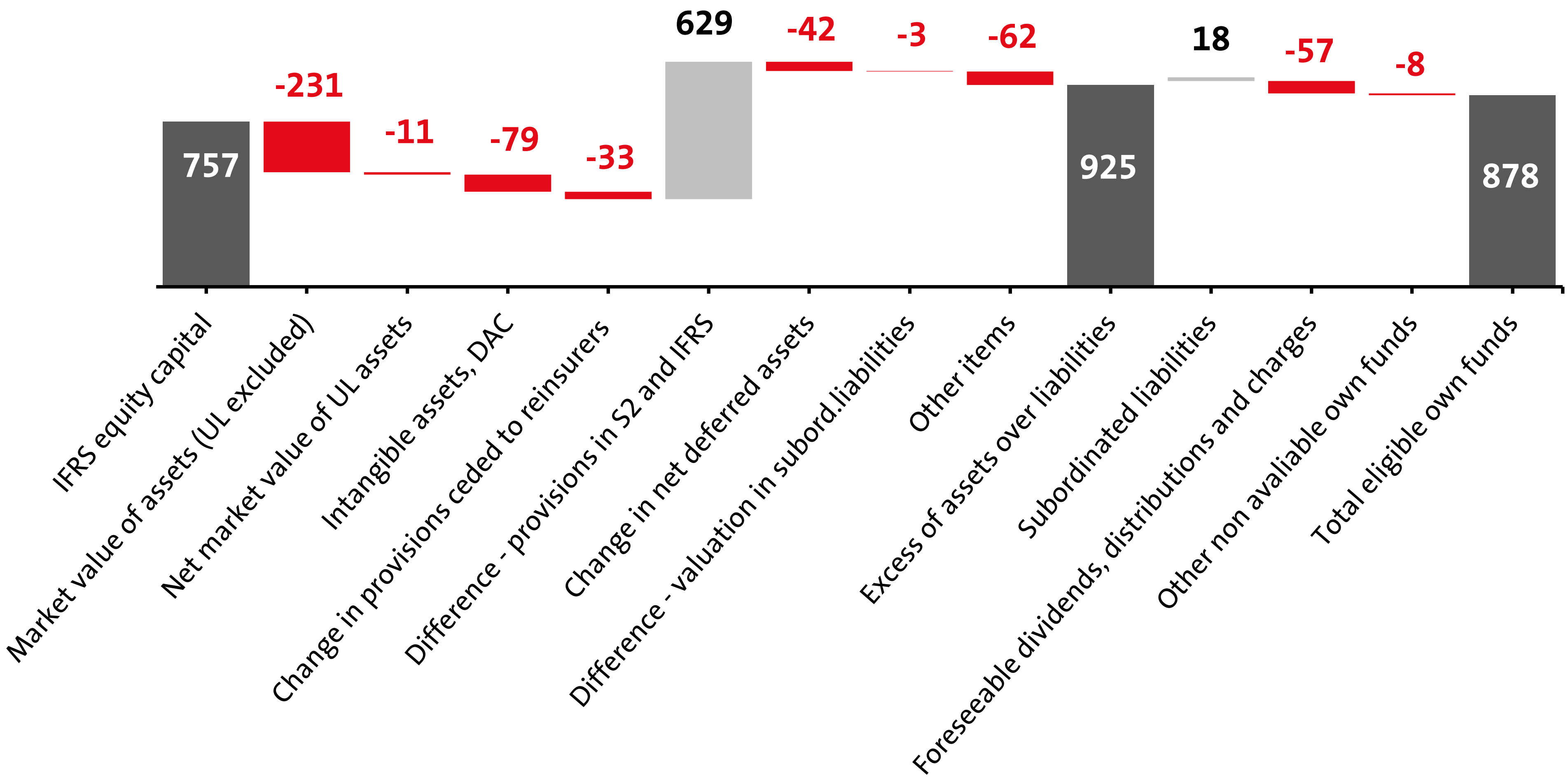
IFRS/Solvency II:

- **Different valuation methods at the level of individual company**:
  - Technical provisions
  - DAC and intangible assets valuated at zero
  - Receivables not yet due are decreasing technical provisions (future premiums) and are deduced from receivables on assets side
  - Financial assets valuated at quoted market prices or best approximation of market value
- **Different consolidation method**

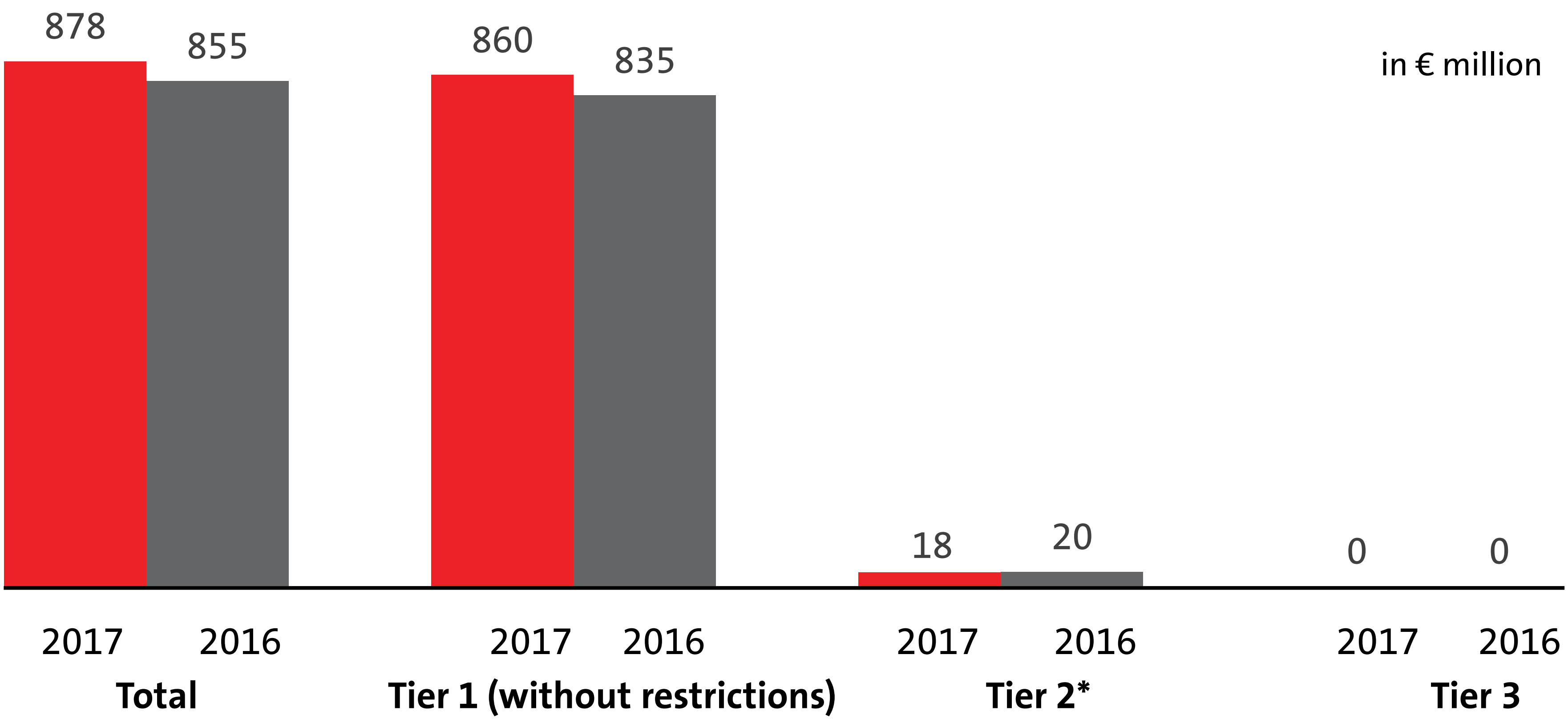
Eligible Own Funds (31 Dec 2017)

- **IFRS/Solvency II**: Different valuation of assets and liabilities

in € million



Quality of EOF to Meet SCR

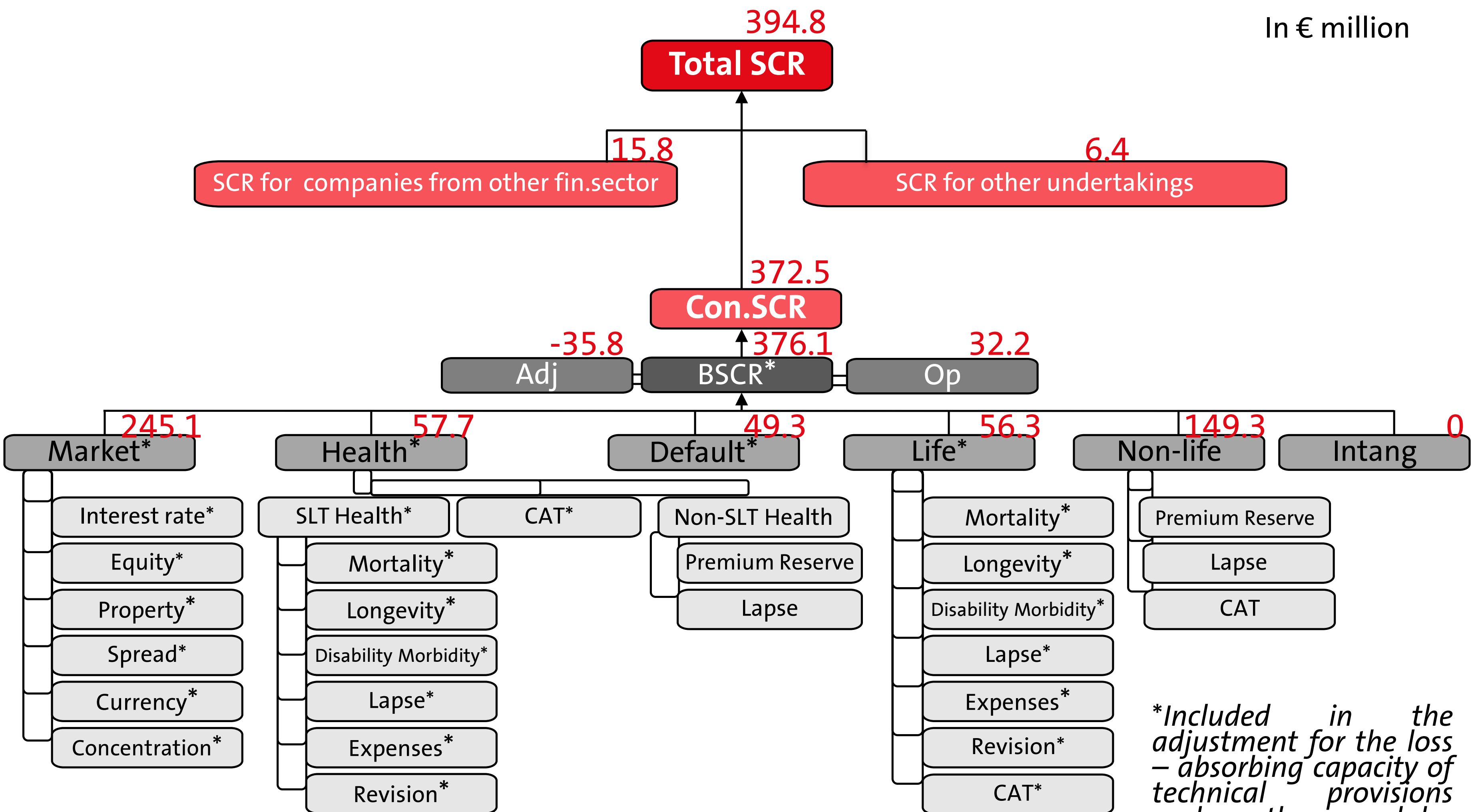


* Tier 2 own funds are eligible to cover the minimum capital requirement until they exceed 20% of the minimum capital requirement

Solvency II Standard Formula Capital Requirement

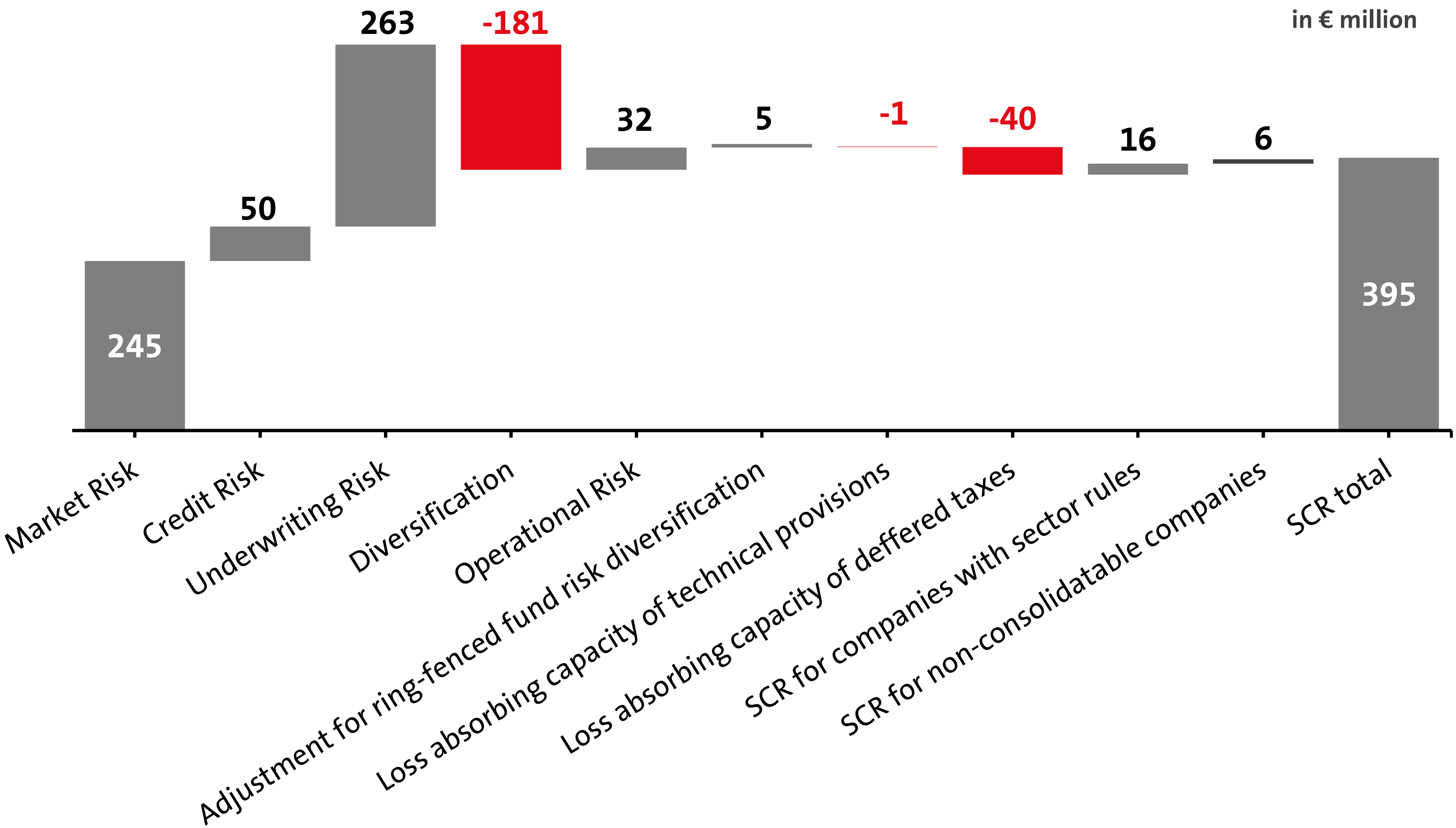
		Capital weights (on exposure)
Market risk	Interest rate	▪ Subject to ALM
	Equity	▪ Listed EEA/ OECD 41% ▪ Unlisted EEA/OECD 51%
	Property	▪ 25%
	Credit spread risk	▪ Government bonds EEA countries: 0% ▪ Non-government bonds & other credit instruments: Various % based on type of instrument, duration and credit rating
	Currency	▪ 25%
Underwriting non-life and health insurance risk	▪ Premium and reserve risk based on net earned premium and net claim reserves ▪ CAT risk based on sum insured exposure	
Underwriting life risk	Based on specific models	

SCR Overview - Standard Formula

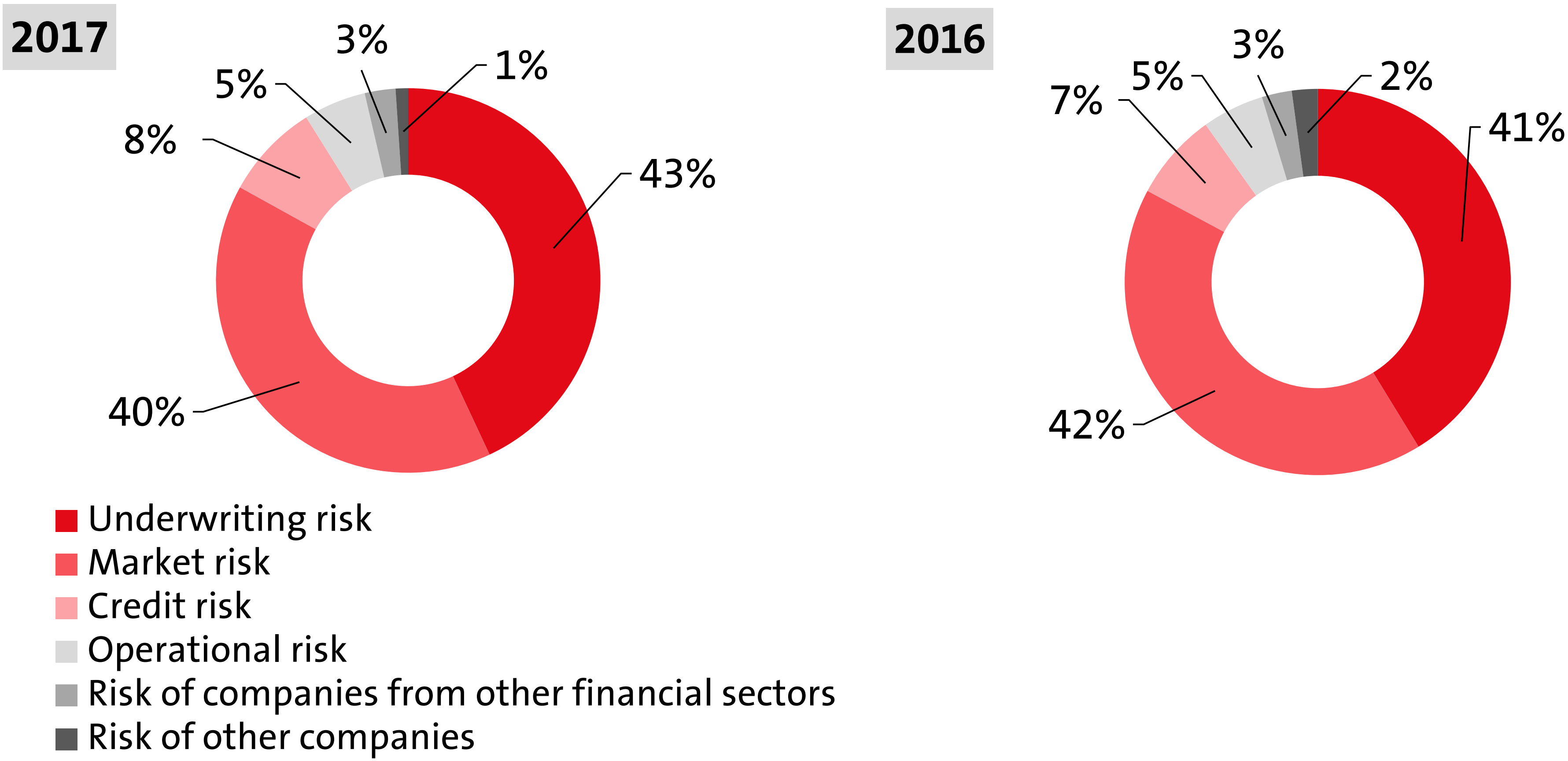


*Included in the adjustment for the loss – absorbing capacity of technical provisions under the modular approach

Solvency Capital Requirement of Triglav Group (31 Dec 2017)

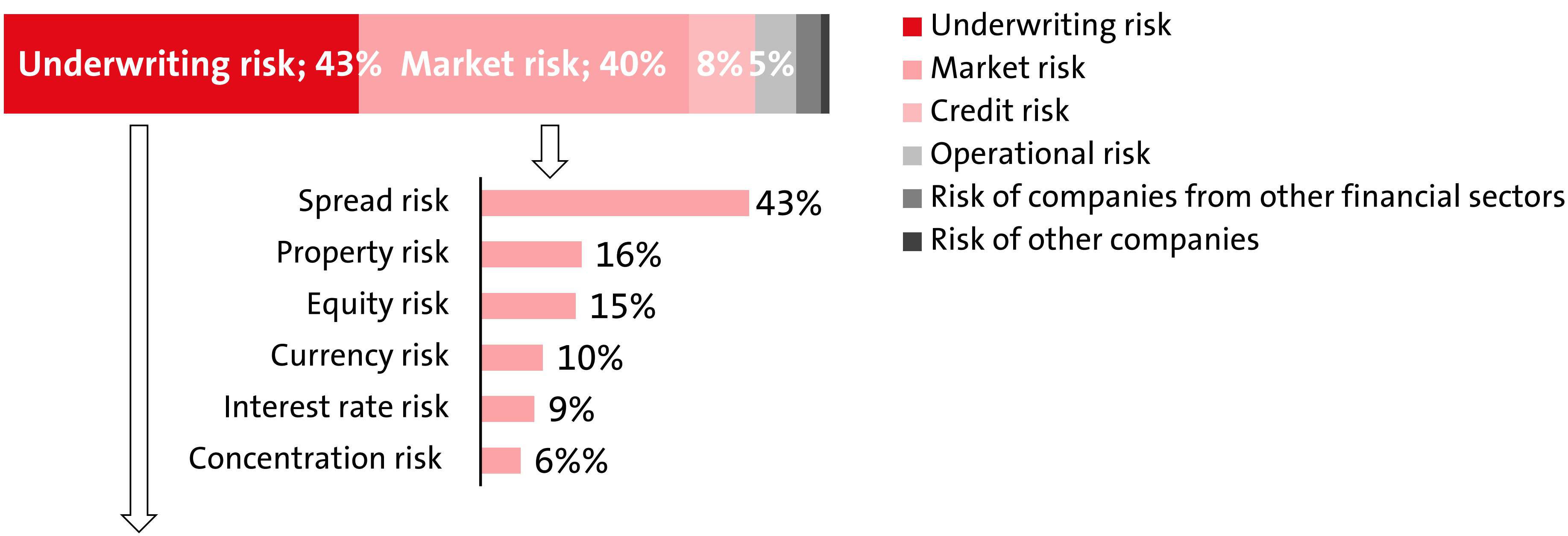


Solvency Capital Requirement (SCR) Split by Risk

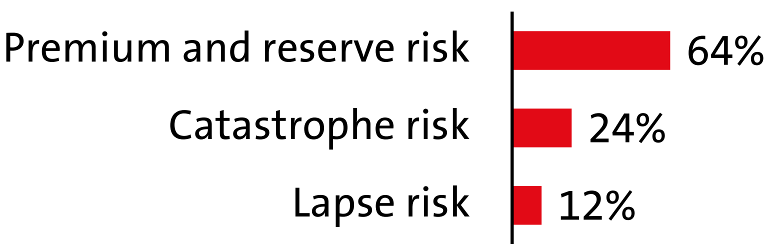


- Undiversified value of capital requirement for accepted risks of Triglav Group using the Standard formula

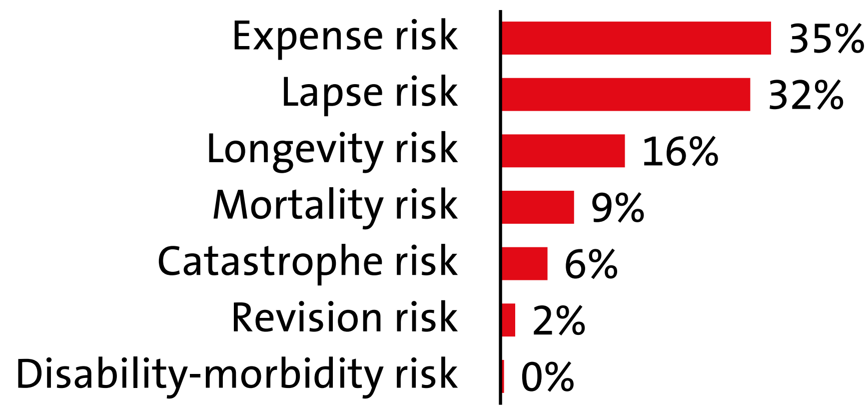
Solvency Capital Requirement (SCR) Split by Risk 2



Risk profile for non-life and health insurance



Risk profile for life insurance



Key Takeaways

- Triglav Group is stable and well capitalized
- Market and underwriting risk account for 83% of Group's capital requirements
- Virtually all capital is Tier 1 eligible
- Careful management of capital with aim to increase value of the Group
- Risk management system adequately involved in corporate governance structure

Outlook

Strategy 2017 - 2020

Our MISSION is **BUILDING A SAFER FUTURE** for all our stakeholders, while being committed to responsible and sustainable development.

Our VISION: To dynamically develop new ways of doing business as the foundation of the Group's responsible long-term development, while at the same time operating profitably and safely.

Five strategic guidelines:

1. Profitable operations and greater value of the Group
2. Efficient asset management
3. Comprehensive client relationships
4. Transformation of operations
5. Development of a modern culture and dedicated staff

Our values: Safety, Responsibility, Professionalism, Simplicity, Modernity

Outlook 2018

In 2018 the Group's operations will continue to be **financially sound and profitable**, while maintaining the Group's **strong financial stability and capital adequacy**.

In € million

	2011	2012	2013	2014	2015	2016	2017	Outlook 2018
GWP	989	936	901	888	919	936	1,000	**Above 1,000**
Profit before tax	58	90	84	100	102	95	84	**80 - 90**
CoR non-life	90.1%	89.6%	91.0%	96.3%	92.8%	92.9%	93.9%	**Around 95%**

Insurance: Sales activities with strong focus on customers' needs and well adapted to individual markets. Further gradual growth of the share of premium collected in markets outside Slovenia. Projected gross operating expenses affected by higher insurance acquisition costs and by higher depreciation of property, plant and equipment as a result of large past and future IT investments.

Asset management: Increase of volume of AUM from non-compulsory saving. Effective management of assets at the level of the whole Group. Actively pursuing opportunities arising from the consolidation of the AM industry in the region.

Investment policy and expected return on investments: Maintaining relatively conservative policy. Some activities will continue to focus on capacity building for investing in alternative investment classes and strategies. Lower return on investment (excluding the return on unit-linked life insurance assets) than in the previous year.


Triglav Group, modern, innovative and dynamic insurance - financial group, firmly remaining the leader both in Slovenia and Adria region.
Thank you.

Disclaimer

The information, statements or data contained herein has been prepared by Triglav Corporate officers. Zavarovalnica Triglav, d.d., or any member of Triglav Group, or any Zavarovalnica Triglav employee or representative accepts no responsibility for the information, statements or data contained herein or omitted here from, and will not be liable to any third party for any reason whatsoever relating to the information, statements or data contained herein or omitted here from. Such information, statements or data may not be prepared according to the same standards and requirements than the information, statements or data included in Triglav's own reports and press releases are prepared to, and accordingly the level of information and materiality and nature of the disclosures may be different. Undue reliance should not be placed on the information, statements or data contained herein because they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results to differ materially from those expressed or implied in such information, statements or data. Moreover, the information, statements and data contained herein have not been, and will not be, updated or supplemented with new or additional information, statements or data.