

Triglav Group's performance and strategy

IC Investors' Day

Zagreb, January 2017



Everything will be alright.

triglav

www.triglav.eu

Triglav Group

Challenges

Strategy

2017 – 2020

Triglav Group



Triglav Group - 116 years of tradition and experience

- **Triglav Group:** Parent company Zavarovalnica Triglav d.d., 31 subsidiaries and 3 associated companies
- Around 5.200 employees
- **Ratings** (upgraded in 2016):
 - S&P Global Ratings rating A/stable outlook
 - AM Best rating A/stable outlook
- Market presence in **6 countries in Adria region** (Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro and Macedonia), **global through inward reinsurance**

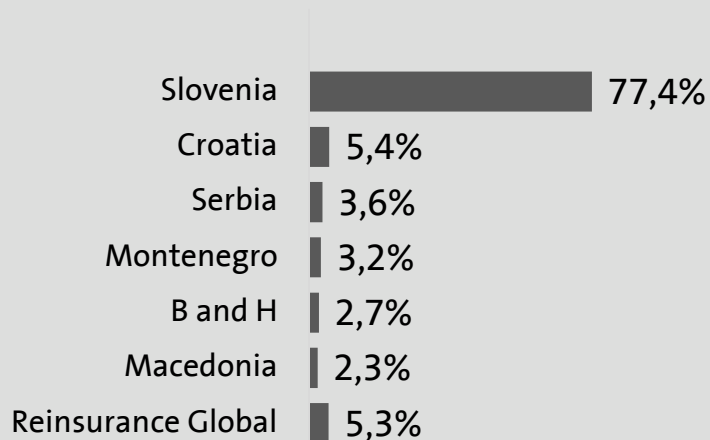


Market leader in Adria region

Market leader in Slovenia (37%) and Adria region (20%)



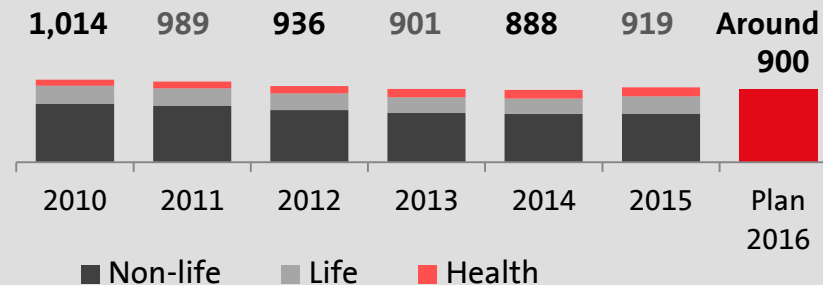
GWP of Triglav Group by markets (Q1-3 2016)



Country	Market position	Total market share
Slovenia	1	37.0%
Croatia	8	4.4%
Serbia	5	4.8%
Bos. and Herz.	4	8.0%
Montenegro	1	38.8%
Macedonia (NL)	1	17.5%

Our core business is insurance ...

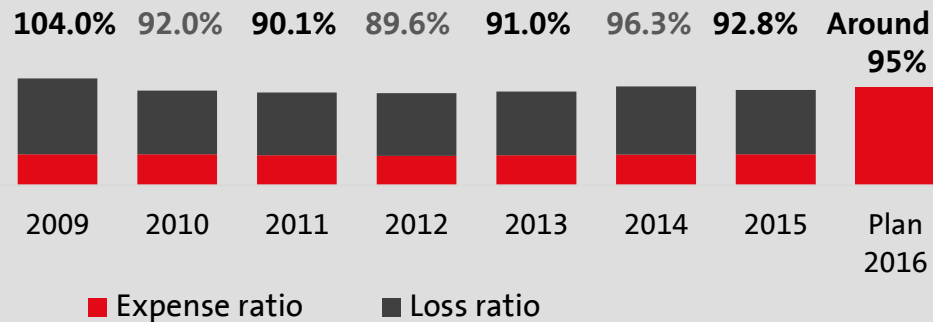
Triglav Group GWP Development in € million:



Structure of GWP (9M 2016):



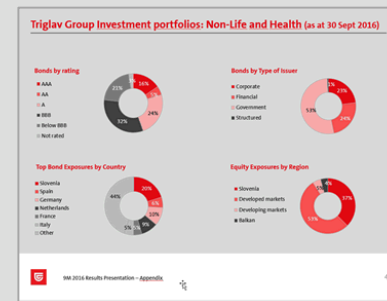
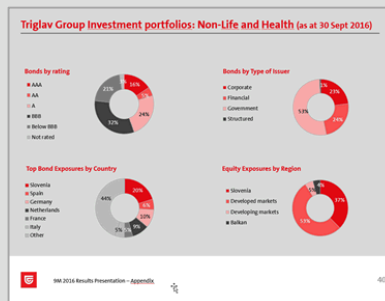
Non-life combined ratio:



... and Asset Management

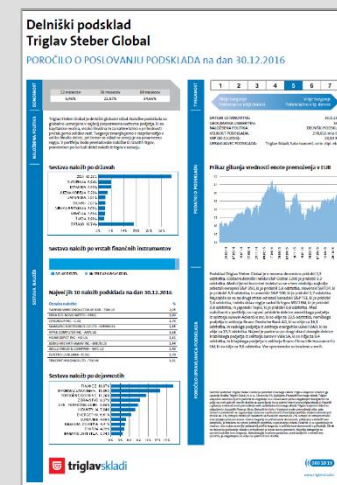
Insurance portfolios and own funds:

- AUM € 2,604 million
- Liability driven investing



Investment funds

- AUM € 638 million
- 17 mutual funds
- Investment fund in Bosnia and Herzegovina

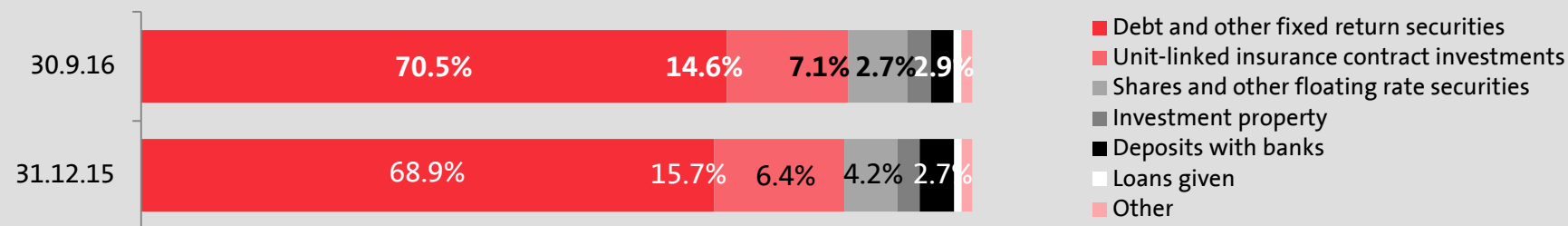


Asset allocation

30. 9. 2016	Non-life & Health ¹		Life & Pensions ¹		Total	
	In EUR M	In %	In EUR M	In %	In EUR M	In %
Investment property	85,7	7%	2,3	0%	88,0	3%
Investments in associates ²	2,5	0%	4,2	0%	6,7	0%
Shares and other floating rate securities	113,5	10%	102,1	7%	215,6	8%
Debt and other fixed return securities	908,3	77%	1.241,3	88%	2.149,6	83%
Loans given	6,7	1%	22,6	2%	29,4	1%
Deposits with banks	50,8	4%	31,3	2%	82,2	3%
Other financial investments	18,2	2%	9,2	1%	27,5	1%
Investments	1.185,9	100%	1.413,0	100%	2.599,0	100%
Financial investments of reinsurance companies in						
reinsurance contracts with cedents	4,8		0,0		4,8	
Unit-linked insurance contract investments	0,0		445,5		445,5	
Group financial investments	1.190,7		1.858,6		3.049,3	

¹ Includes investments in own funds of the Group.

² Investment in associates are mainly additional Real Estate exposure.



9M 2016 Performance

GWP	€ 721m	0.3% up (taking into account the sale of the Czech subsidiary in 2015, 2% up); Plan 2016: around €900m
PBT	€ 68m	Profit guidance 2016 unchanged (€ 80 – 90 million for 2016)
Combined ratio non-life	95.0%	In line with the long-term target strategic average value (Plan 2016: around 95%)
Dividend paid	€ 2.5 per share	64% of net profit of Triglav Group for 2015
SII ratio (1 Jan 2016)	245%	$SII\ ratio = \frac{EOF}{SCR} = \frac{800}{326} = 245\%^*$

* With 2016 dividend payment already taken into account.

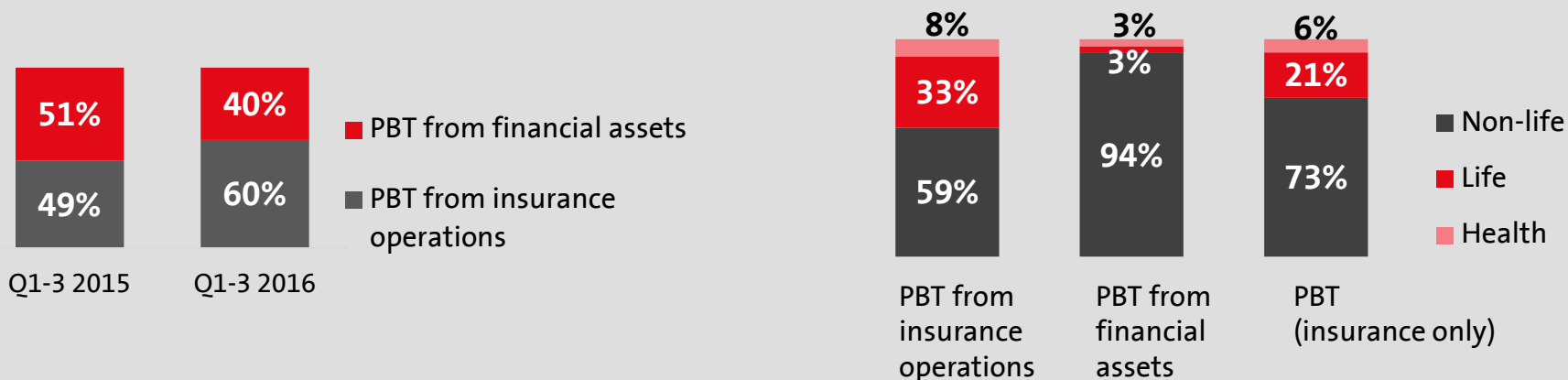


9M 2016: In PBT growth of profit from underwriting activities

In € million

	Q1-3 2016				Q1-3 2015			
	Non-life	Life	Health	Total	Non-life	Life	Health	Total
PBT from underwriting activities	22,5	12,5	3,0	38,0	26,9	10,6	5,2	42,8
PBT from investment activities	23,8	0,8	0,8	25,4	29,0	14,8	1,5	45,4
PBT from insurance operations	46,3	13,2	3,8	63,4	56,0	25,4	6,8	88,2
PBT from non-insurance operations				4,1				6,8
Total PBT				67,5				94,9

Structure of PBT



Strategy 2013 – 2017

- **Profitable operations** (ROE in 2015: 12.8%; ROE annualised in 9M 2016: 10.1%)
- **Focus on core business:**
 - Net combined ratio 95.0% (9M 2016)
 - Maintenance of largest market share in Slovenia (37% in 9M 2016)
 - Attention to health and pension insurance products (SPD, new products)
 - Non – Slovene markets (premium growth, share increased by organic growth)
- **Dividend policy revised** in 2016 (Dividend paid: 64% of net profit of Triglav Group for the 2015)



Triglav Group under Solvency II

$$\text{S II ratio of Triglav Group (1 Jan 2016)*} = \frac{EOF}{SCR} = \frac{800}{326} = 245\%$$

EOF - Eligible own funds to cover SCR (High quality capital - more than 97% of EOF is Tier 1)

SCR - Solvency Capital Requirement (Calculated on a risk estimation basis = the one-year value at risk of AFR at confidence level of 99.5%)

** with 2016 dividend payment already taken into account. No optional LTG measures considered (transitional rules, matching adjustment, volatility adjustment)*

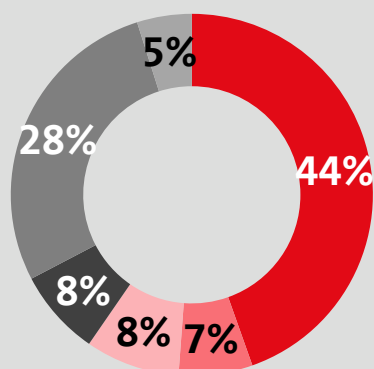
Solvency and Financial Condition Report (SFCR) - first publication in May 2017 (for parent company) and July 2017 (for Triglav Group)



Triglav Group under Solvency II

SCR of Triglav Group split by risk (31 Dec 2015)

Only gross undiversified market, insurance, credit and operational risk considered



- SCR market risk
- SCR counterparty default risk
- SCR life risk
- SCR health risk
- SCR nonlife risk
- SCR operational risk

Triglav Group	Gross capital requirement (in € million)
Total market risk	234.3
Total counterparty default risk	34.7
Total capital requirement for life underwriting risk	44.3
Total health underwriting risk	40.6
Total non-life underwriting risk	146.0
Diversification	-154.1
Basic SCR	345.8
Total capital requirement for operational risk	25.7
Loss-absorbing capacity of technical provisions	-0.4
Loss-absorbing capacity of deferred taxes	-58.8
SCR	312.3
Capital requirement for companies with sectoral rules	14.0
Total SCR *	326.3

*Without capital requirement for ring-fenced funds.

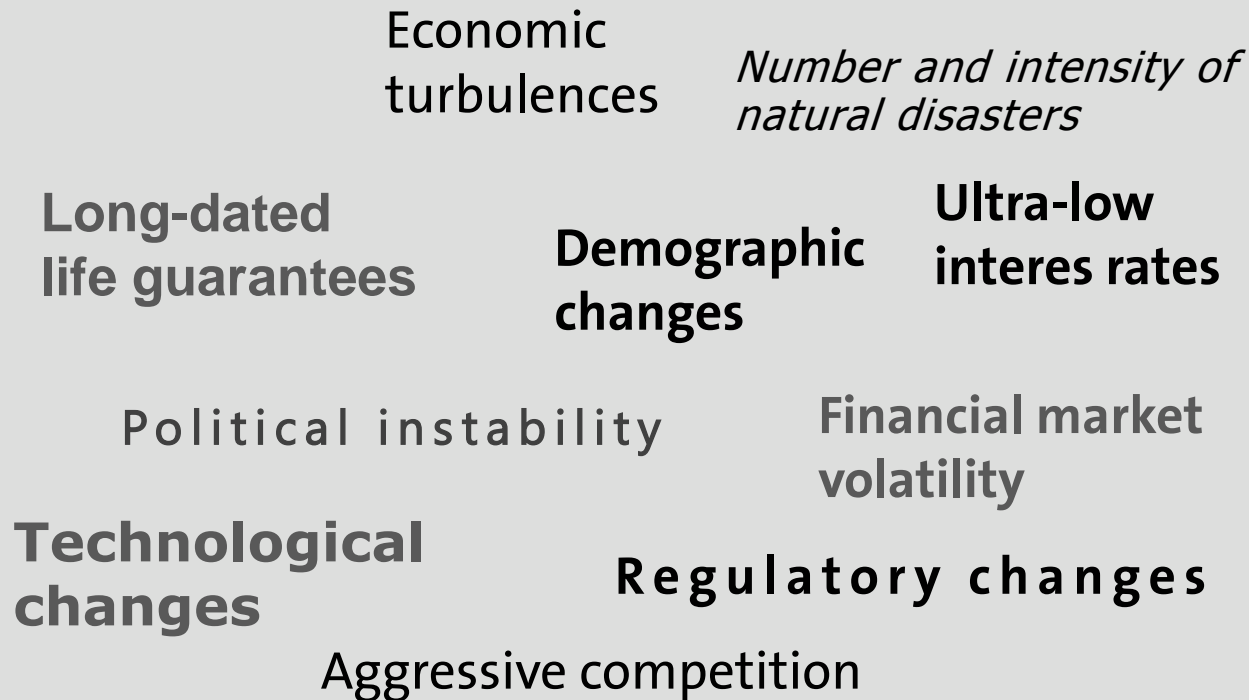
Dividend policy and capital management

> 300%	Excess capital adequacy	<ul style="list-style-type: none"> ▪ The possibility of increased risk appetite ▪ The possibility of more aggressive growth in the volume of operations and consideration of possible changes to the business strategy ▪ The possibility of increasing the share of dividend payments ▪ The possibility of excess capital payout (capital reduction)
250 – 300%	Target capital adequacy	<ul style="list-style-type: none"> ▪ The payment of dividends within the target range of 30 – 50% of consolidated net profit of the Triglav (payout ratio of 30-50%) ▪ Maintenance of the applicable risk appetite ▪ Room for growth in the volume of operations in line with the applicable business strategy
200 - 250%	Suboptimal capital adequacy	<ul style="list-style-type: none"> ▪ Analysis of possible measures to prepare a capital adequacy improvement plan ▪ Assessment of possible selective reduction in the volume of operations ▪ Changes to the plans for expanding operations ▪ The possibility of reducing the share of dividend payments (lower payout ratio)
150 – 200%	Warning capital adequacy	<ul style="list-style-type: none"> ▪ The preparation of the plan and the implementation of measures aimed at improving capital adequacy ▪ The implementation of measures for selective reduction in the volume of operations ▪ Strict limitation of the expansion of operations ▪ Reduction in the share of dividend payments
< 150%	Insufficient Capital adequacy	<ul style="list-style-type: none"> ▪ Assessment of the possibility of issuing subordinated capital instruments ▪ Implementation of the restructuring plan ▪ Consideration of the possibility to increase capital ▪ No dividend payments

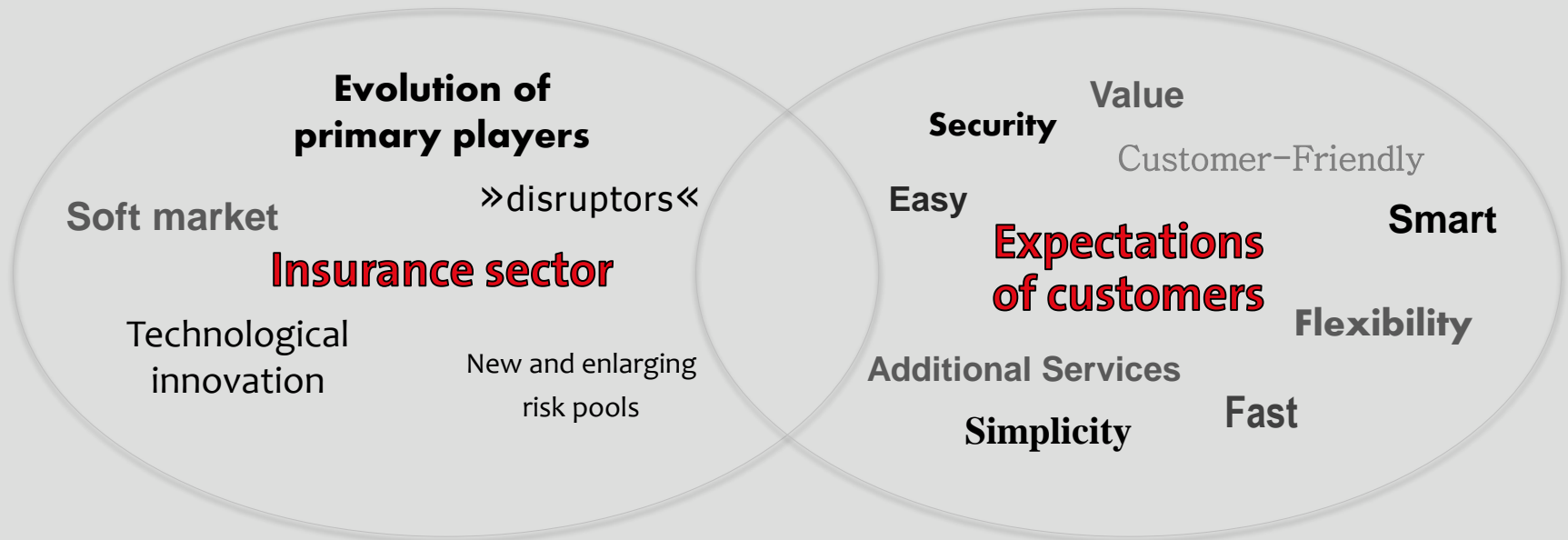
Challenges




Insurance is facing new challenges



Environment is changing, also our customers



We have to adapt and transform ...



.... and we are transforming our 116-year old brand into a **Modern, innovative** and **dynamic insurance-financial group**, firmly remaining the **leader** both in **Slovenia** and **the wider region**.



Triglav Group Strategy 2017 – 2020



Our mission



The Group's mission is

BUILDING A SAFER FUTURE

for all its stakeholders, while being committed to responsible and sustainable development.



Our values

Safety

We take care of our clients. We are increasing their financial security. We guarantee safe operations through efficient risk management.

Responsability

We are responsible to the people, the natural and social environment and to the shareholders. We are reliable and available in due time.

Professionalism

Highly qualified employees are the pillars of developing quality and comprehensive insurance and financial services.

Simplicity

We believe that simplicity is an advantage, therefore we strive to achieve it.

Modernity

By being open to internal and external ideas, understanding diversity, cooperating and listening to the needs of different generations, we overcome the business challenges of modern times.



Our core strategic activities

Insurance

Asset management

Non Life

Insurance funds

Life

Mutual funds

Pensions

Reinsurance



TRIGLAV OSIGURANJE D.D.



Triglav Osiguranje a. d. o.



Триглав Осигурување АД



Triglav Osiguranje d.d.



Član grupe  triglav



Triglav, Zdravstvena zavarovalnica, d.d.



Triglav Skladi, d.o.o.



Triglav, Upravljanje nepremičnin, d.d.



Our strategic guidelines (topics) by 2020

1. Profitable operations and greater value of Triglav Group

2. Effective asset management in Triglav Group

3. Comprehensive client relationships

4. Transformed operations of Triglav Group

5. Modern culture and dedicated staff



Profitable operations and greater value of the Triglav Group

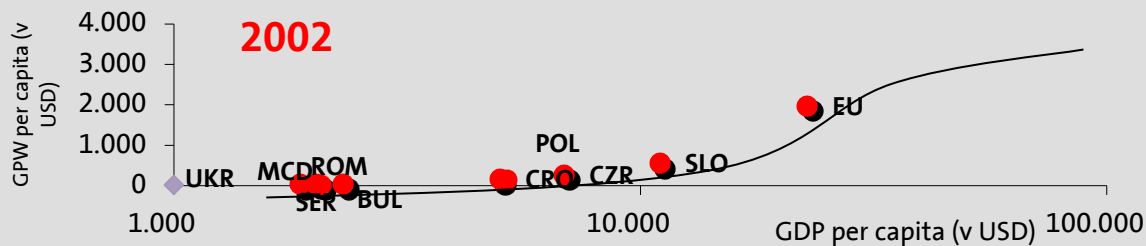
- **Selected growth of operations**
- **Profitable insurance business**
- **Average target combined ratio in non-life insurance around 95%**
- **ROE over 10% in 2020**
- **Effective and comprehensive management of risks, cost-effectiveness, financial stability and appropriate capital adequacy**
- **“A” credit ratings**
- **Dividend paid** in line with the dividend policy and the capital management guidelines



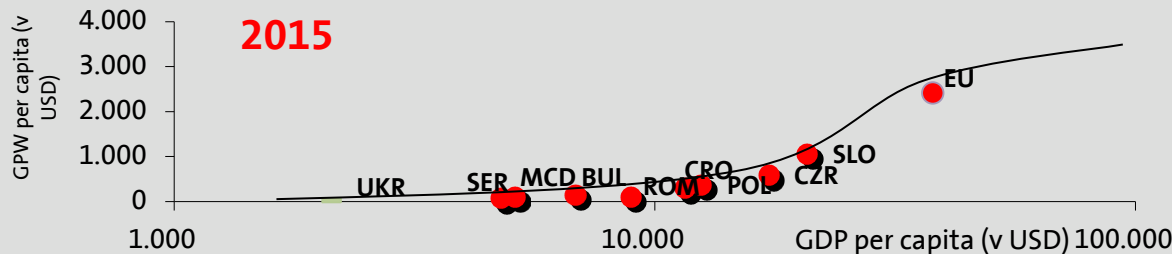
Triglav Group in the region



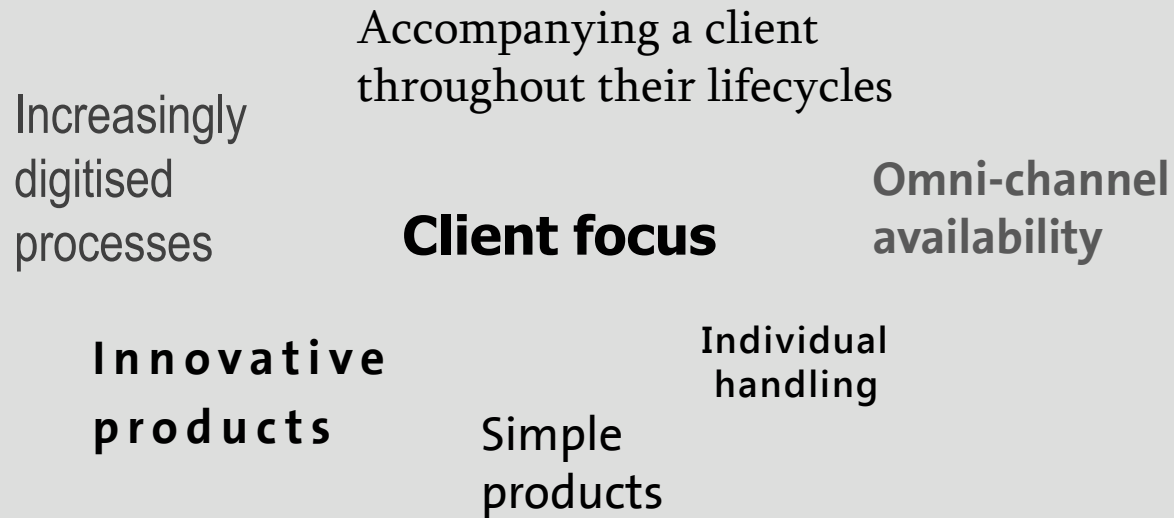
- Staying in six countries of South-East Europe. Organic growth, potential takeovers not excluded.
- Higher share of total written premium on markets outside Slovenia
- Developing digital models which allow entering markets outside the existing region. Building strategic partnerships.
- Developing existing markets (primarily investing in life, health and pension insurance).



GDP growth and low insurance density key growth drivers on target markets



Client orientation



Client focused

Focusing on **client life journey** and providing **omnichannel communication**.

Continuous improvement of **customer satisfaction metrics**

Activities

Developing **simple** solutions and products and implementing **digital business methods and new business models**

Transforming insurance products into **insurance services and other connected services**



Transformed operations of Triglav Group

Triglav Group - modern, innovative insurance-financial group

- Digital strategy
- Innovative and comprehensive insurance-service products and asset management services
- Developing sales channels and the omnichannel sale
- Delivering empathetic client service down the whole stretch of the customer journey



Transformed operations of the Triglav Group



Modern culture and dedicated staff

- **Upgraded organisational culture and flexible organisational structure** (balance between the stability and dynamics of organisation)
- **Synergies**
- **Innovation system** within the organisation
- **Corporate social responsibility and sustainable development**

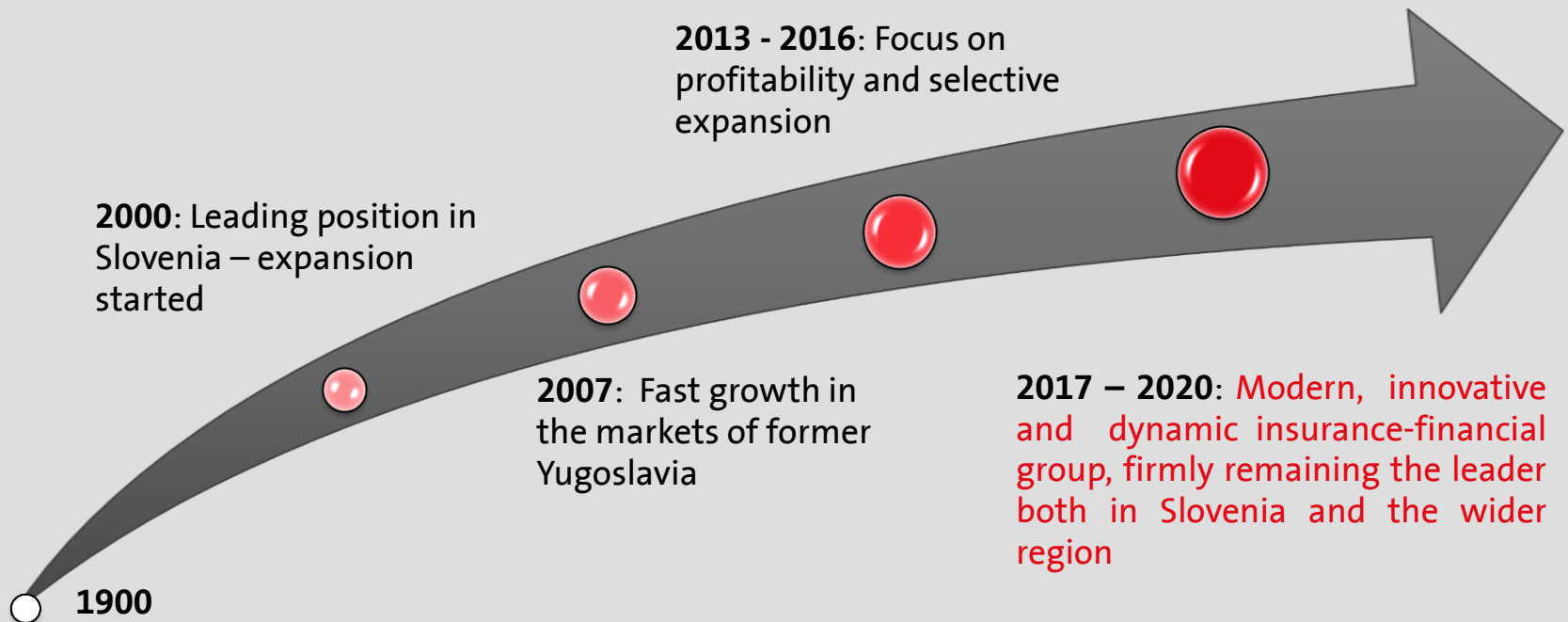


Vision

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.



Our investment story



Business plan for 2017, funding for transformation journey

Profit before tax of € 70–80 million

Consolidated gross written premium of around € 930 million

The combined ratio of the Group of around 95%

In 2017, the Group's operations will continue to be **financially sound and profitable**, while maintaining the Group's **strong financial stability and capital adequacy**, which is the basis for the **dividend payment for 2016** as set out in the adopted dividend policy.



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