Triglav Group’s performance and strategy
IC Investors' Day

Zagreb, January 2017
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)

<table>
<thead>
<tr>
<th>Country</th>
<th>Market position</th>
<th>Total market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>1</td>
<td>37.0%</td>
</tr>
<tr>
<td>Croatia</td>
<td>8</td>
<td>4.4%</td>
</tr>
<tr>
<td>Serbia</td>
<td>5</td>
<td>4.8%</td>
</tr>
<tr>
<td>Montenegro</td>
<td>4</td>
<td>8.0%</td>
</tr>
<tr>
<td>B and H</td>
<td>1</td>
<td>38.8%</td>
</tr>
<tr>
<td>Macedonia</td>
<td>1</td>
<td>17.5%</td>
</tr>
<tr>
<td>Reinsurance Global</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Slovenia**

- Market position: 1
- Total market share: 77.4%

**Reinsurance Global**

- Market position: 1
- Total market share: 5.3%
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

<table>
<thead>
<tr>
<th>Non-life &amp; Health(^1)</th>
<th>Life &amp; Pensions(^1)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-life &amp; Health</strong> (^1)</td>
<td><strong>Life &amp; Pensions</strong> (^1)</td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>In EUR M</strong></td>
<td><strong>In %</strong></td>
<td><strong>In EUR M</strong></td>
</tr>
<tr>
<td>Investment property</td>
<td>85,7</td>
<td>7%</td>
</tr>
<tr>
<td>Investments in associates(^2)</td>
<td>2,5</td>
<td>0%</td>
</tr>
<tr>
<td>Shares and other floating rate securities</td>
<td>113,5</td>
<td>10%</td>
</tr>
<tr>
<td>Debt and other fixed return securities</td>
<td>908,3</td>
<td>77%</td>
</tr>
<tr>
<td>Loans given</td>
<td>6,7</td>
<td>1%</td>
</tr>
<tr>
<td>Deposits with banks</td>
<td>50,8</td>
<td>4%</td>
</tr>
<tr>
<td>Other financial investments</td>
<td>18,2</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>1.185,9</td>
<td>100%</td>
</tr>
<tr>
<td>Financial investments of reinsurance companies in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>reinsurance contracts with cedents</td>
<td>4,8</td>
<td>0,0</td>
</tr>
<tr>
<td>Unit-linked insurance contract investments</td>
<td>0,0</td>
<td>445,5</td>
</tr>
<tr>
<td><strong>Group financial investments</strong></td>
<td>1.190,7</td>
<td>1.858,6</td>
</tr>
</tbody>
</table>

1. Includes investments in own funds of the Group.
2. Investment in associates are mainly additional Real Estate exposure.

### Graph

- **30.9.16**
  - Debt and other fixed return securities: 70.5%
  - Unit-linked insurance contract investments: 14.6%
  - Shares and other floating rate securities: 7.1%
  - Investment property: 2.7%
  - Other: 2.9%

- **31.12.15**
  - Debt and other fixed return securities: 68.9%
  - Unit-linked insurance contract investments: 15.7%
  - Shares and other floating rate securities: 6.4%
  - Investment property: 4.2%
  - Other: 2.7%
## 9M 2016 Performance

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

*With 2016 dividend payment already taken into account.*
9M 2016: In PBT growth of profit from underwriting activities

<table>
<thead>
<tr>
<th></th>
<th>Non-life</th>
<th>Life</th>
<th>Health</th>
<th>Total</th>
<th>Non-life</th>
<th>Life</th>
<th>Health</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBT from underwriting activities</td>
<td>22.5</td>
<td>12.5</td>
<td>3.0</td>
<td>38.0</td>
<td>26.9</td>
<td>10.6</td>
<td>5.2</td>
<td>42.8</td>
</tr>
<tr>
<td>PBT from investment activities</td>
<td>23.8</td>
<td>0.8</td>
<td>0.8</td>
<td>25.4</td>
<td>29.0</td>
<td>14.8</td>
<td>1.5</td>
<td>45.4</td>
</tr>
<tr>
<td>PBT from insurance operations</td>
<td>46.3</td>
<td>13.2</td>
<td>3.8</td>
<td>63.4</td>
<td>56.0</td>
<td>25.4</td>
<td>6.8</td>
<td>88.2</td>
</tr>
<tr>
<td>PBT from non-insurance operations</td>
<td>4.1</td>
<td></td>
<td></td>
<td>4.1</td>
<td>6.8</td>
<td></td>
<td></td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Total PBT</strong></td>
<td>67.5</td>
<td></td>
<td></td>
<td></td>
<td>94.9</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Structure of PBT**

- **Q1-3 2015**
  - PBT from financial assets: 51%
  - PBT from insurance operations: 49%

- **Q1-3 2016**
  - PBT from financial assets: 40%
  - PBT from insurance operations: 60%
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

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

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

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

<table>
<thead>
<tr>
<th>Risk Type</th>
<th>Gross Capital Requirement (in € million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total market risk</td>
<td>234.3</td>
</tr>
<tr>
<td>Total counterparty default risk</td>
<td>34.7</td>
</tr>
<tr>
<td>Total capital requirement for life underwriting risk</td>
<td>44.3</td>
</tr>
<tr>
<td>Total health underwriting risk</td>
<td>40.6</td>
</tr>
<tr>
<td>Total non-life underwriting risk</td>
<td>146.0</td>
</tr>
<tr>
<td>Diversification</td>
<td>-154.1</td>
</tr>
<tr>
<td>Basic SCR</td>
<td><strong>345.8</strong></td>
</tr>
<tr>
<td>Total capital requirement for operational risk</td>
<td>25.7</td>
</tr>
<tr>
<td>Loss-absorbing capacity of technical provisions</td>
<td>-0.4</td>
</tr>
<tr>
<td>Loss-absorbing capacity of deferred taxes</td>
<td>-58.8</td>
</tr>
<tr>
<td>SCR</td>
<td><strong>312.3</strong></td>
</tr>
<tr>
<td>Capital requirement for companies with sectoral rules</td>
<td>14.0</td>
</tr>
<tr>
<td>Total SCR *</td>
<td><strong>326.3</strong></td>
</tr>
</tbody>
</table>

*Without capital requirement for ring-fenced funds.
## Dividend policy and capital management

<table>
<thead>
<tr>
<th>Capital Adequacy</th>
<th>Possible Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 300%</td>
<td>Excess capital adequacy</td>
</tr>
<tr>
<td></td>
<td>- The possibility of increased risk appetite</td>
</tr>
<tr>
<td></td>
<td>- The possibility of more aggressive growth in the volume of operations and consideration of possible changes to the business strategy</td>
</tr>
<tr>
<td></td>
<td>- <strong>The possibility of increasing the share of dividend payments</strong></td>
</tr>
<tr>
<td></td>
<td>- The possibility of excess capital payout (capital reduction)</td>
</tr>
<tr>
<td>250 – 300%</td>
<td>Target capital adequacy</td>
</tr>
<tr>
<td></td>
<td>- The payment of dividends within the target range of 30 – 50% of consolidated net profit of the Triglav (payout ratio of 30-50%)</td>
</tr>
<tr>
<td></td>
<td>- Maintenance of the applicable risk appetite</td>
</tr>
<tr>
<td></td>
<td>- Room for growth in the volume of operations in line with the applicable business strategy</td>
</tr>
<tr>
<td>200 - 250%</td>
<td>Suboptimal capital adequacy</td>
</tr>
<tr>
<td></td>
<td>- Analysis of possible measures to prepare a capital adequacy improvement plan</td>
</tr>
<tr>
<td></td>
<td>- Assessment of possible selective reduction in the volume of operations</td>
</tr>
<tr>
<td></td>
<td>- Changes to the plans for expanding operations</td>
</tr>
<tr>
<td></td>
<td>- The possibility of reducing the share of dividend payments (lower payout ratio)</td>
</tr>
<tr>
<td>150 – 200%</td>
<td>Warning capital adequacy</td>
</tr>
<tr>
<td></td>
<td>- The preparation of the plan and the implementation of measures aimed at improving capital adequacy</td>
</tr>
<tr>
<td></td>
<td>- The implementation of measures for selective reduction in the volume of operations</td>
</tr>
<tr>
<td></td>
<td>- Strict limitation of the expansion of operations</td>
</tr>
<tr>
<td></td>
<td>- <strong>Reduction in the share of dividend payments</strong></td>
</tr>
<tr>
<td>&lt; 150%</td>
<td>Insufficient capital adequacy</td>
</tr>
<tr>
<td></td>
<td>- Assessment of the possibility of issuing subordinated capital instruments</td>
</tr>
<tr>
<td></td>
<td>- Implementation of the restructuring plan</td>
</tr>
<tr>
<td></td>
<td>- Consideration of the possibility to increase capital</td>
</tr>
<tr>
<td></td>
<td>- <strong>No dividend payments</strong></td>
</tr>
</tbody>
</table>
Challenges
Insurance is facing new challenges

- Economic turbulences
- Number and intensity of natural disasters
- Long-dated life guarantees
- Ultra-low interest rates
- Demographic changes
- Financial market volatility
- Technological changes
- Regulatory changes
- Political instability
- Aggressive competition
- Number and intensity of natural disasters
Environment is changing, also our customers

**Evolution of primary players**
- Soft market
- »disruptors«
- Technological innovation
- New and enlarging risk pools

**Insurance sector**

**Expectations of customers**
- Security
- Value
- Easy
- Customer-Friendly
- Smart
- Flexibility
- Fast
- Additional Services
- Simplicity
- Fast

**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
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

Increasingly digitised processes

Innovative products

Accompanying a client throughout their lifecycles

Client focus

Omni-channel availability

Simple products

Individual handling
Client focused

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

Continuous improvement of **customer satisfaction metrics**

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

Developing a **multimatrix organisation**

Use of **big data** in making business

Introduction of **the most advanced managerial practices and technique** into day-to-day business

Development of efficient and well-performing **support functions**
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

2000: Leading position in Slovenia – expansion started

2007: Fast growth in the markets of former Yugoslavia

2013 - 2016: Focus on profitability and selective expansion

2017 – 2020: Modern, innovative and dynamic insurance-financial group, firmly remaining the leader both in Slovenia and the wider region
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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Konkretni strateški cilji

 Stebra poslovanja (zavarovalniška dejavnost in upravljanje premoženja)
 Dobičkonosno poslovanje vseh odvisnih družb
 Preudarna rast Skupine s poudarkom na dobičkonosnosti

 Na slovenskem trgu: osredotočenost na donosnosti in ohranitvi največjega tržnega deleža (poudarek področju zdravstvenih in pokojninskih zavarovanj)

 Regija: nadaljnja rast in razvoj na ciljnih trgih JV Evrope (organška rast, partnerska sodelovanja, prevzemne aktivnosti)

 Dividendna politika

 Izhaja iz ciljne kapitalske ustreznosti
 Omogoča bonitetno oceno A
 Dividenda se giblje v višini približno tretjine konsolidiranega čistega dobička