

Triglav Group

Analyst conference on Solvency II

Ljubljana, July 2017



Everything will be alright.

triglav

www.triglav.eu

**Triglav Group
in 2017**

**Solvency II
Disclosure
2016**

Outlook



Triglav Group in 2017



Triglav is the highest mountain in Slovenia and the highest peak of the Julian Alps (2,864 meters/9,396 ft).



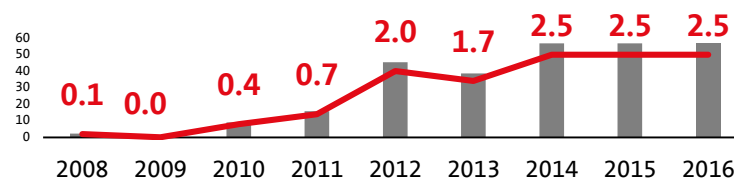
Highlights in 2017

- **Q1 2017 Performance:** Profitable operations, premium growth in all insurance markets and segments, return on financial investments under the influence of recent conditions in the financial markets.

	Q1 2017	Comment
GWP	€ 281m	8% growth
PBT	€ 25m	Successful performance in the insurance business
Combined ratio non-life	92.7%	Favourable

- **Dividend for 2016:**

Total dividends (in EUR million)
 Gross dividend per share (in EUR)



- **Establishment of regional platform for alternative investments (Trigal)**
- **Changes in Supervisory Board of Zavarovalnica Triglav**
- Solvency and Financial Condition Report (SFCR) of the Triglav Group for 2016: **Triglav Group is financially strong, well capitalised, stable and carefully managed**

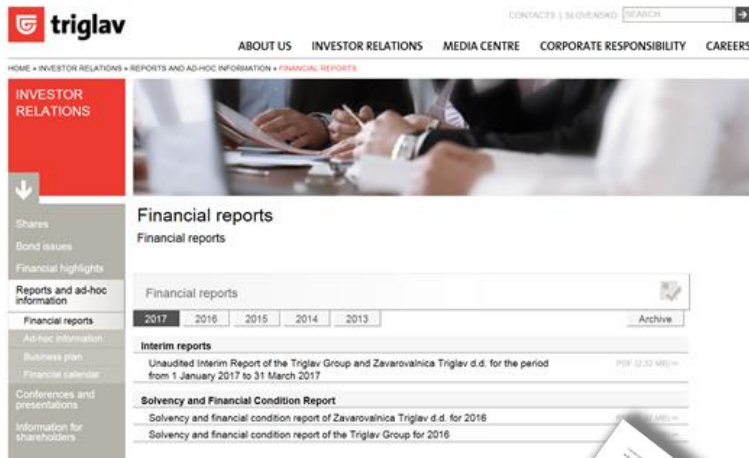
Solvency II Disclosure 2016



SFCR of Triglav Group for 2016

Contents:

1. Operations and business results
2. System of governance
3. Risk profile
4. Valuation for solvency purposes
5. Capital management

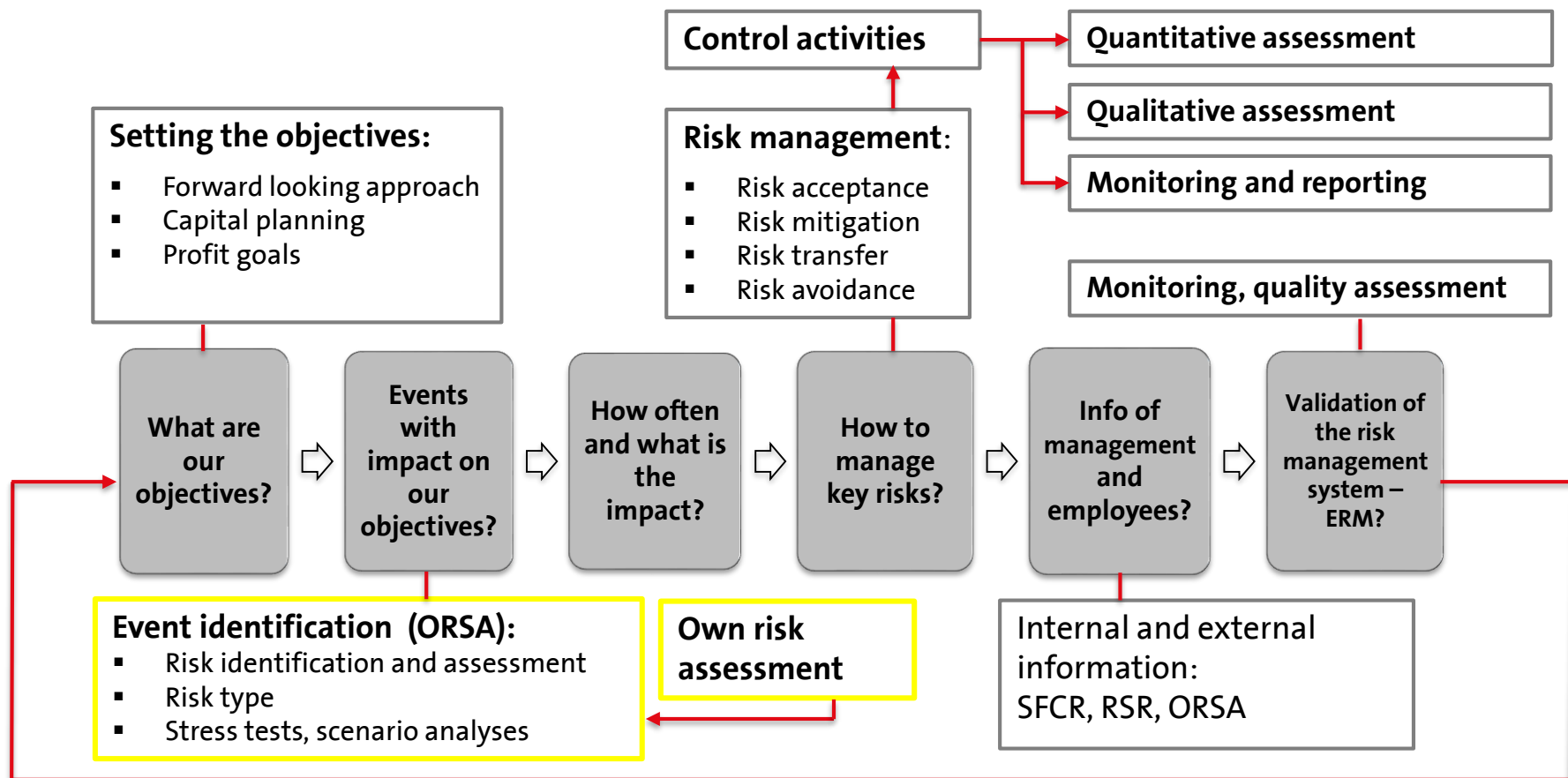


System of Governance

- Strategy of Triglav Group
- Implementation of corporate governance of subsidiaries by exercising the control rights of parent company
- Transactions among parent company and subsidiaries at arm's length
- Principle of increasing the value of each entity and the Group as a whole

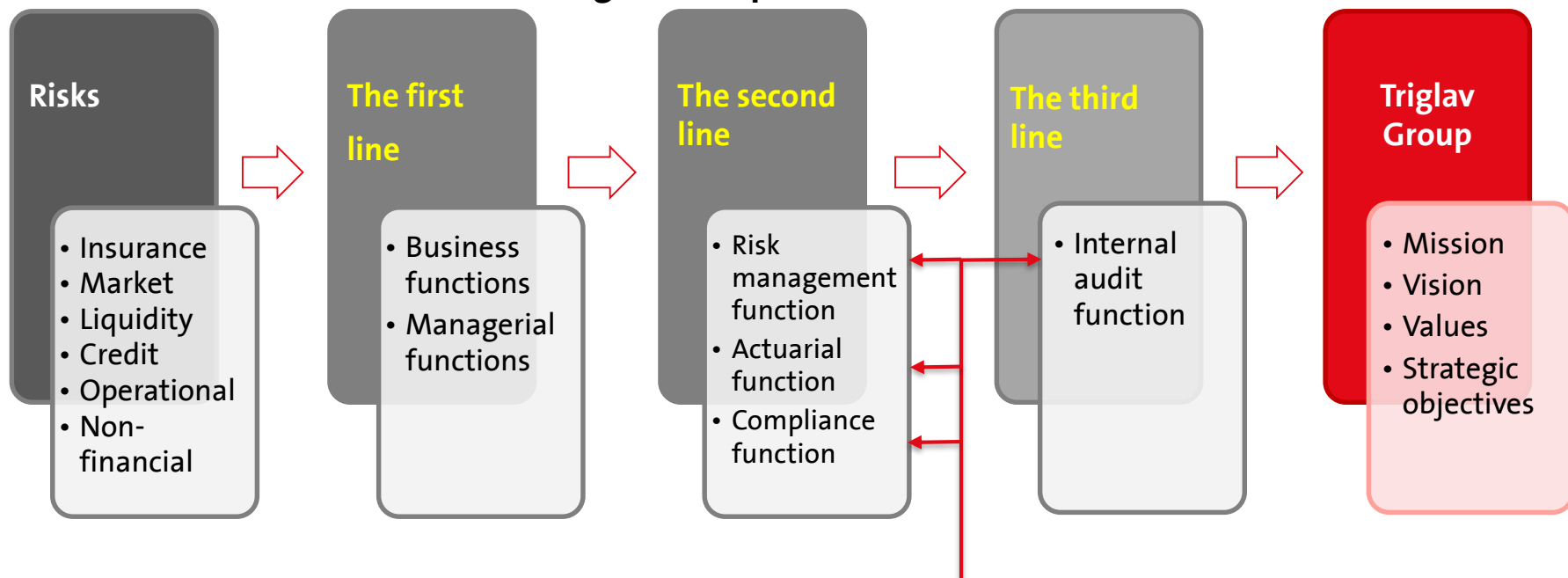


Risk Management Process of Triglav Group



Risk Management System of Triglav Group

“Three Lines of Defense” model of Triglav Group

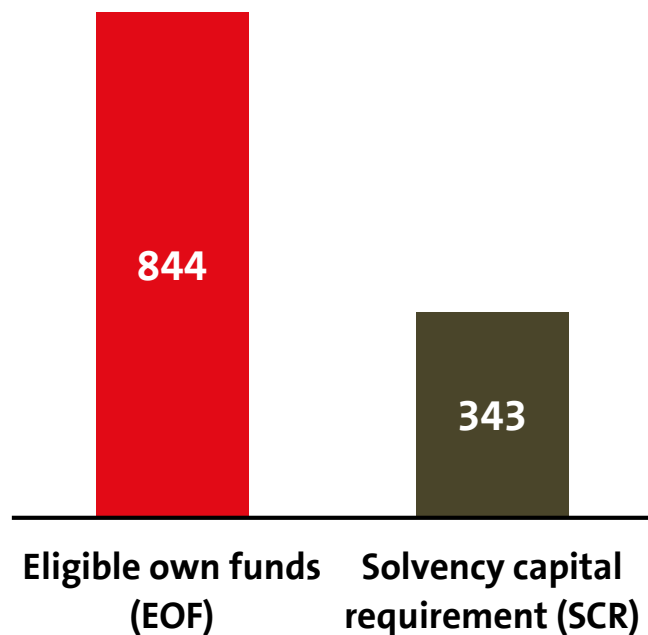


4 Key functions organized as independent organizational units (with responsibility on Group level)

Capital Adequacy of Triglav Group

(as of 31 Dec 2016)

In € million



$$\text{Solvency ratio}^* \text{ of Triglav Group} = \frac{EOF}{SCR} = 246\%$$

- SCR calculation based on Standard formula
- Without any transitional adjustments allowed by the law
- 98% of EOF are classified into Tier 1
- EOF already reduced by the expected dividends for 2016 to be paid out in 2017

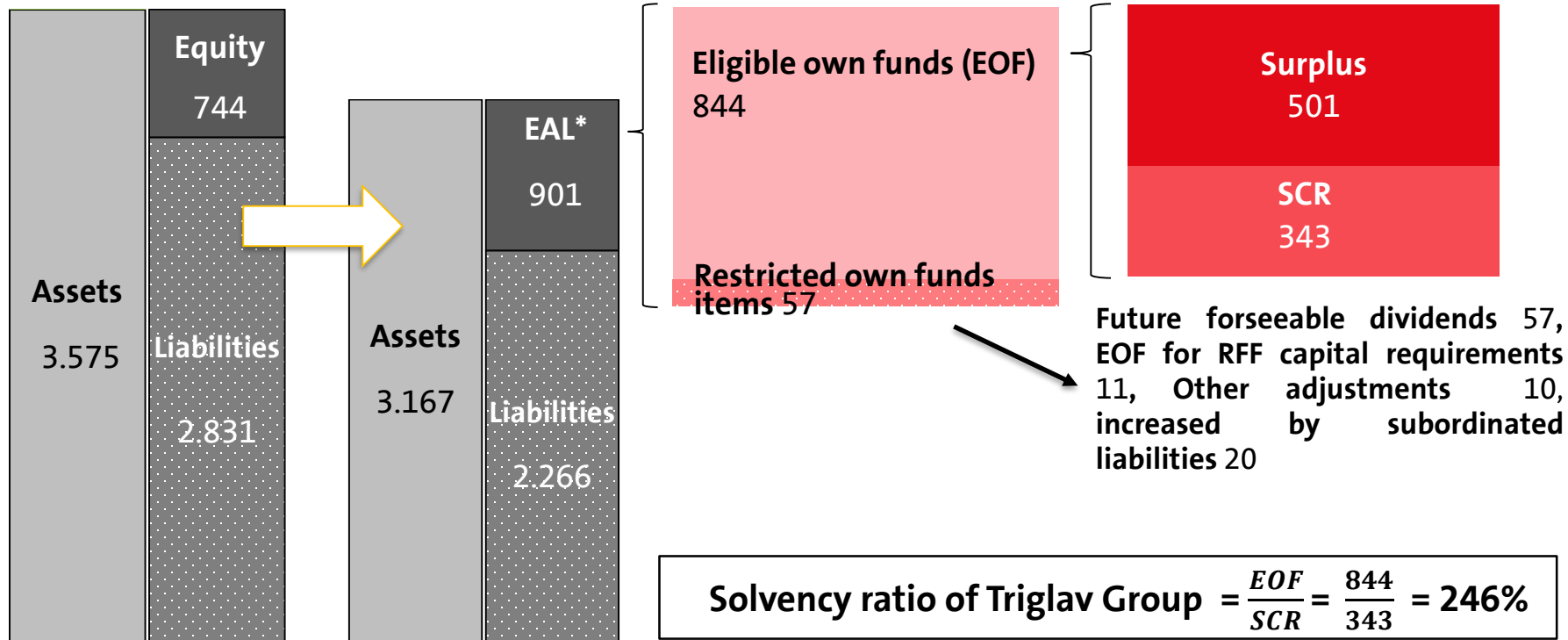
* Calculated in accordance with Solvency II regulation

Capital Adequacy of Triglav Group

(as of 31 Dec 2016, in € million)

**IFRS
Balance Sheet**

**Solvency II
Balance sheet**

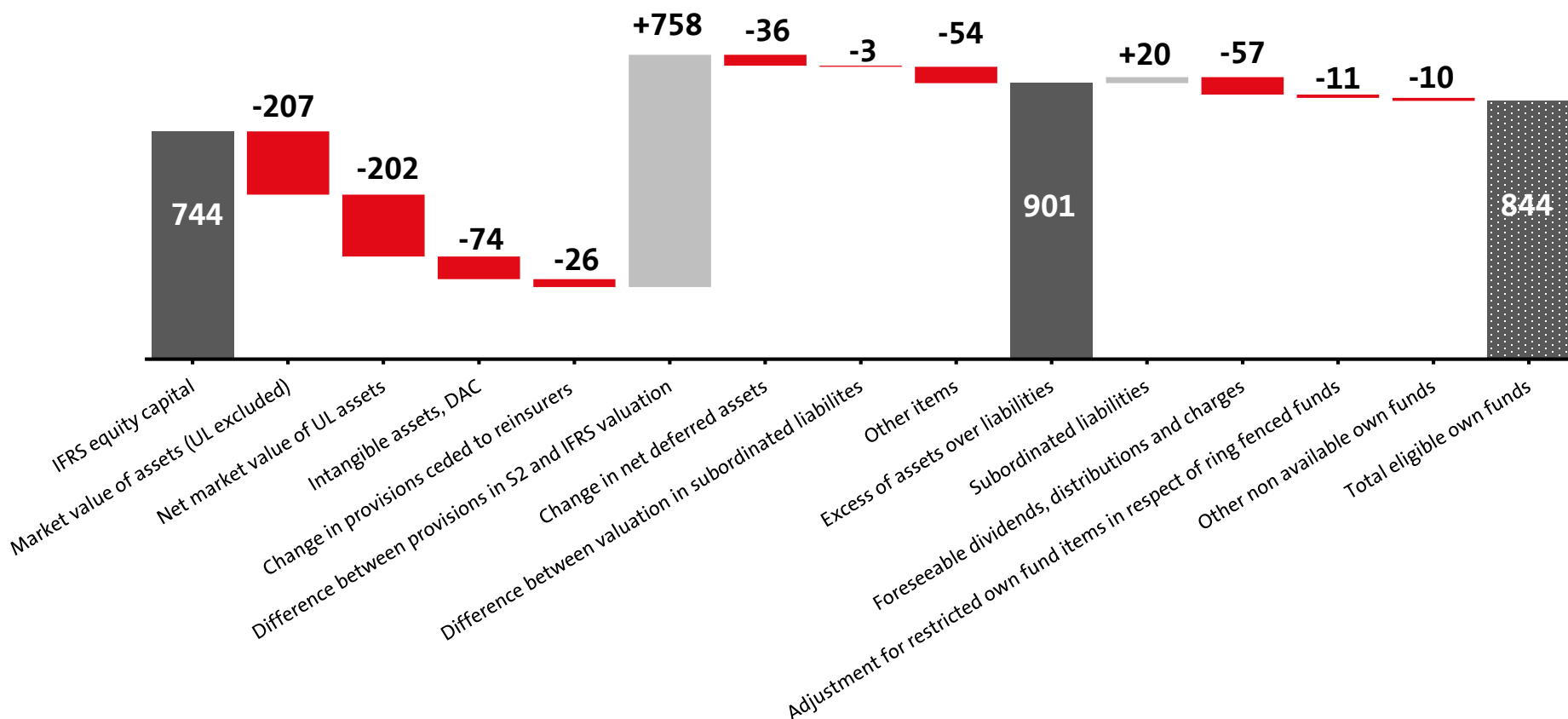


* EAL – Excess of assets over liabilities

Eligible Own Funds (31 Dec 2016)

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

in € million



Valuation for Solvency Purposes

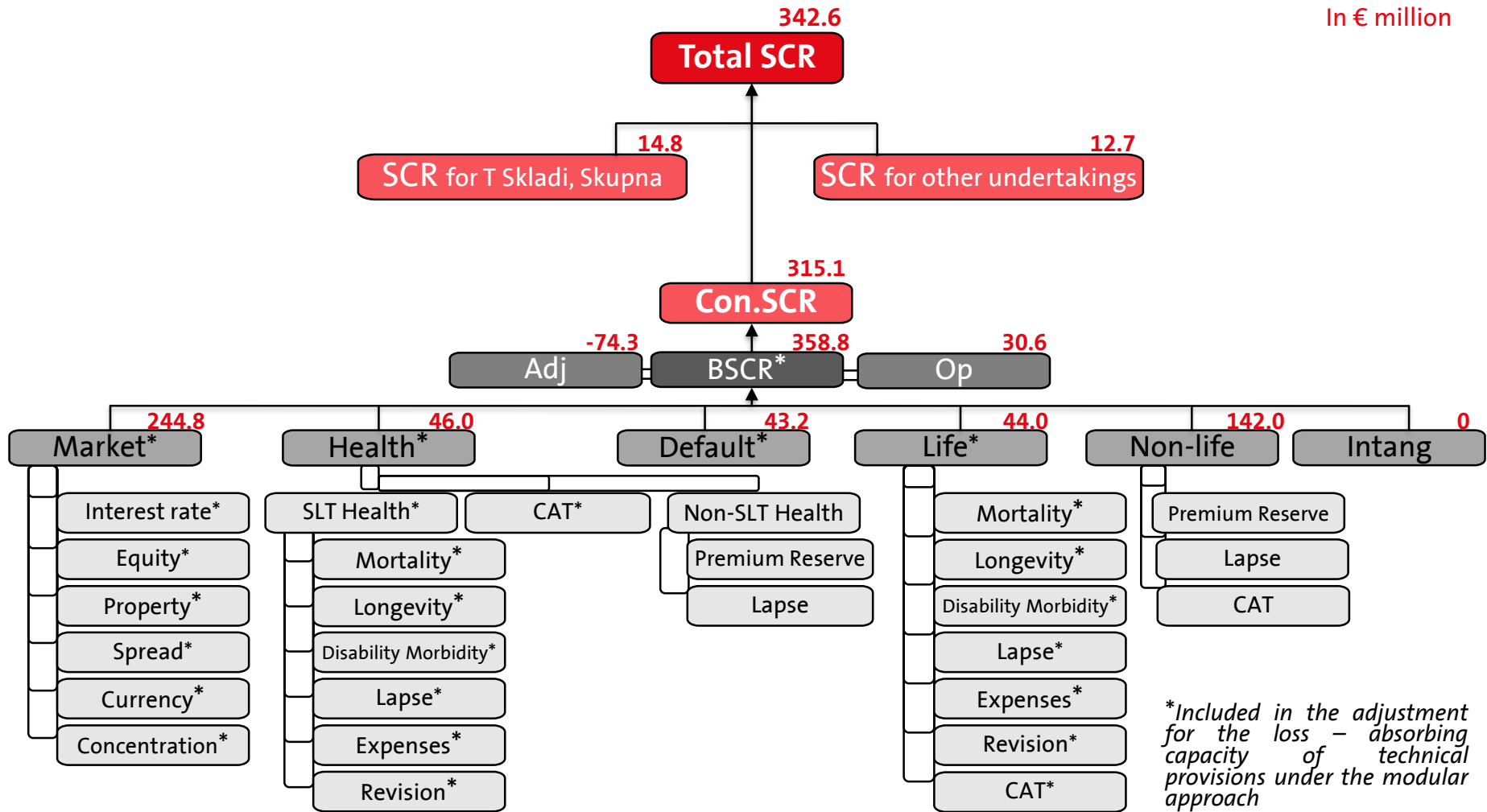
IFRS/Solvency II:

- **Different valuation methods at the level of individual company:**
 - Technical provisions
 - DAC and intangible assets valued at zero
 - Receivables which are not yet due included into technical provisions
 - Financial assets valued at quoted market prices or best approximation of market value

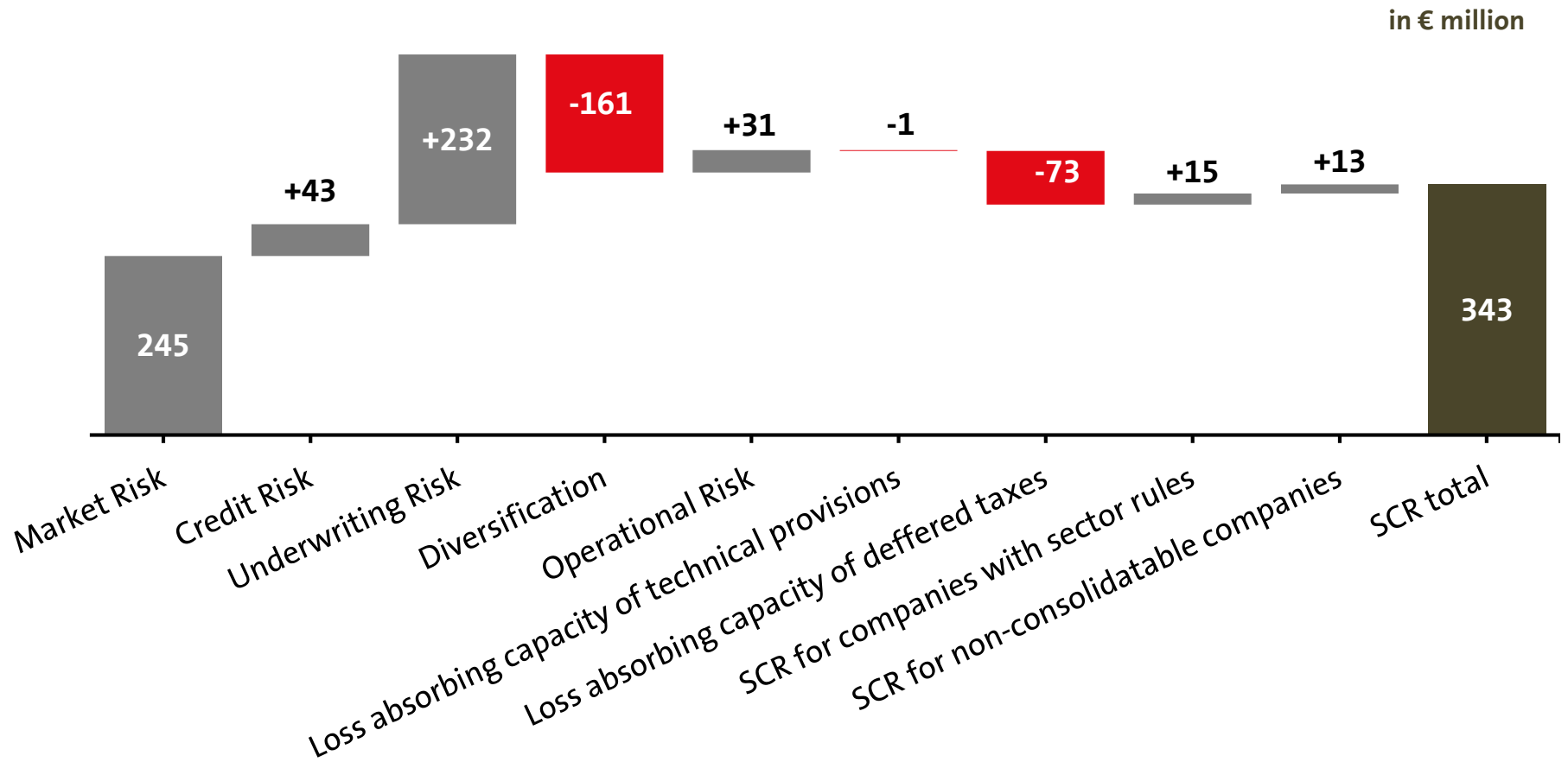
- **Different consolidation method**

SCR Overview - Standard formula

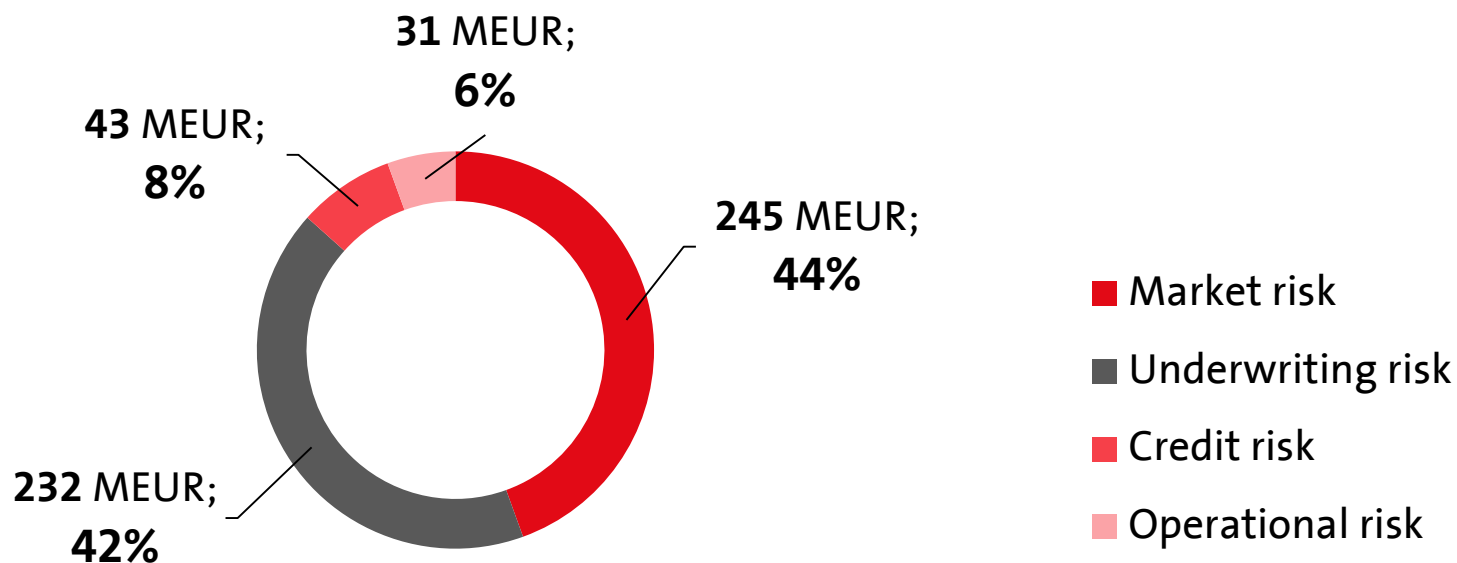
In € million



Solvency Capital Requirement of Triglav Group (31 Dec 2016)

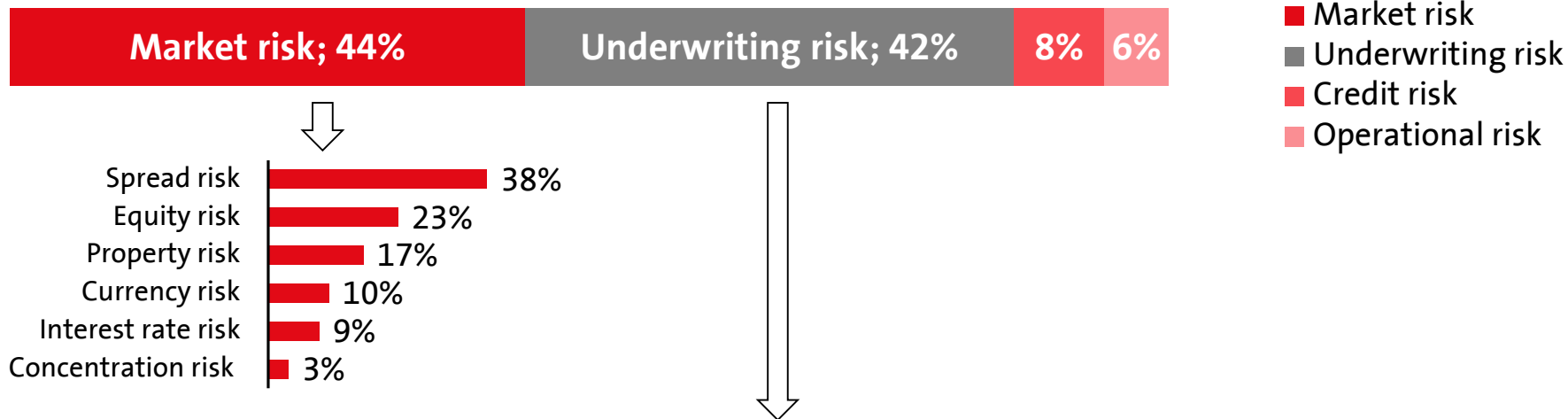


Solvency Capital Requirement of Triglav Group split by risk

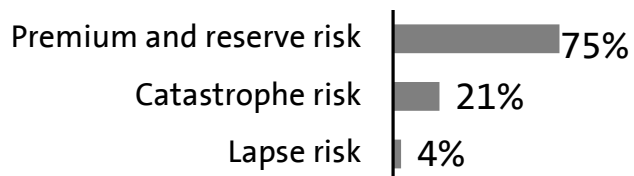


- Undiversified value of capital requirement for accepted risks of Triglav Group using the standard formula

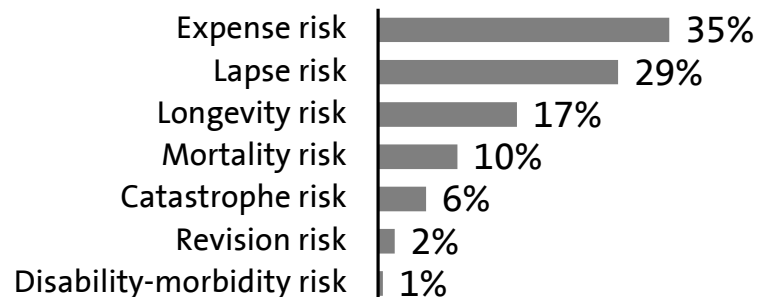
Risk Profile of Triglav Group (31 Dec 2016)



Risk profile for non-life and health insurance



Risk profile for life insurance



Solvency II Standard formula Capital Requirement

	Capital weights (on exposure)
Market risk	<ul style="list-style-type: none"> Interest rate <ul style="list-style-type: none"> ▪ Subject to ALM Equity <ul style="list-style-type: none"> ▪ Listed EEA/ OECD 38% ▪ Other 48% Property <ul style="list-style-type: none"> ▪ 25% Credit spread risk <ul style="list-style-type: none"> ▪ Government bonds EEA countries: 0% ▪ Non-government bonds & other credit instruments: Various % based on type of instrument, duration and credit rating Currency <ul style="list-style-type: none"> ▪ 25%
Underwriting non-life and health insurance risk	<ul style="list-style-type: none"> ▪ 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

Capital Management

- **Centralised** at Group level (capital concentration at the parent company)
- Objective - an **optimal return** according to the use of available capital at Group level
- **Efficient use of available capital**, which provides for:
 - Safety and profitability of operations at Group level
 - High level of confidence of all stakeholders
 - Meeting regulatory capital adequacy requirements
 - Appropriate capital adequacy level in ORSA process
 - At least A credit rating

Capital Management Strategic Objectives

> 300%	Excess capital adequacy	<ul style="list-style-type: none"> ▪ Possibility of increased risk appetite ▪ Possibility of more aggressive growth in the volume of operations and consideration of possible changes to the business strategy ▪ Possibility of increasing the share of dividend payments ▪ Possibility of excess capital payout (capital reduction)
250 – 300%	Target capital adequacy	<ul style="list-style-type: none"> ▪ Payment of dividends within the target range of 30 – 50% of consolidated net profit of 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 available measures for capital adequacy improvements ▪ Assessment of possible selective reduction in the volume of operations ▪ Changes to the plans for expanding operations ▪ Possibility of reducing the share of dividend payments (lower payout ratio)
150 – 200%	Warning capital adequacy	<ul style="list-style-type: none"> ▪ Preparation of the plan and the implementation of measures aimed at improving capital adequacy ▪ 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

Key takeaways

- Triglav Group is stable and well capitalized
- Market and underwriting risk account for 86% 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



New strategy 2017 - 2020



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.

Transformed operations of Triglav 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

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

Outlook

- In 2017, growth of **insurance markets in the region** in line with positive economic outlook
- **Stable operations on all markets** with respective challenges remaining and continued pressure on underwriting performance due to **low interest rates**

In € million

	2011	2012	2013	2014	2015	2016	Plan 2017
Gross written premium	989	936	901	888	919	936	Around 930
Profit before tax	58	90	84	100	102	95	70 - 80
Combined ratio non-life	90.1%	89.6%	91.0%	96.3%	92.8%	92.9%	Around 95%

Thank you.
Questions?



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.

