

# 4 Strategy and Plans of the Triglav Group

- In December 2016, the Triglav Group adopted a new, development-oriented strategy for the 2017–2020 period.
- Not only the insurance business but also asset management is strengthened.
- In addition to the profitability and safety of operations, the key part of strategic objectives focuses on the development of new ways of doing business.
- In 2016, both the Triglav Group and Zavarovalnica Triglav surpassed their planned profit level.
- In 2017, a profit before tax of the Triglav Group is planned between EUR 70–80 million.

Modernity is a new value, which was added to professionalism, safety, simplicity and responsibility.



The Strategy of the Triglav Group for the 2017–2020 period addresses the changes that will impact the insurance industry in the future. Through its mission, the revised vision, values and strategic objectives, the Group has set out on a path to become a modern, innovative and dynamic insurance/financial group, which will remain the leader both in Slovenia and the wider region. The set objectives are aimed at achieving financial stability, profitability, responsibility, digitisation and modern operations.

## 4.1 Mission, values and vision of the Triglav Group

### Mission

**We are building a safer future.** Triglav is building a safer future for all its stakeholders, while being committed to responsible and sustainable development. The cornerstone of the Group is its team of over five thousand employees, who achieve the Group's mission through their commitment, expertise and dedication.

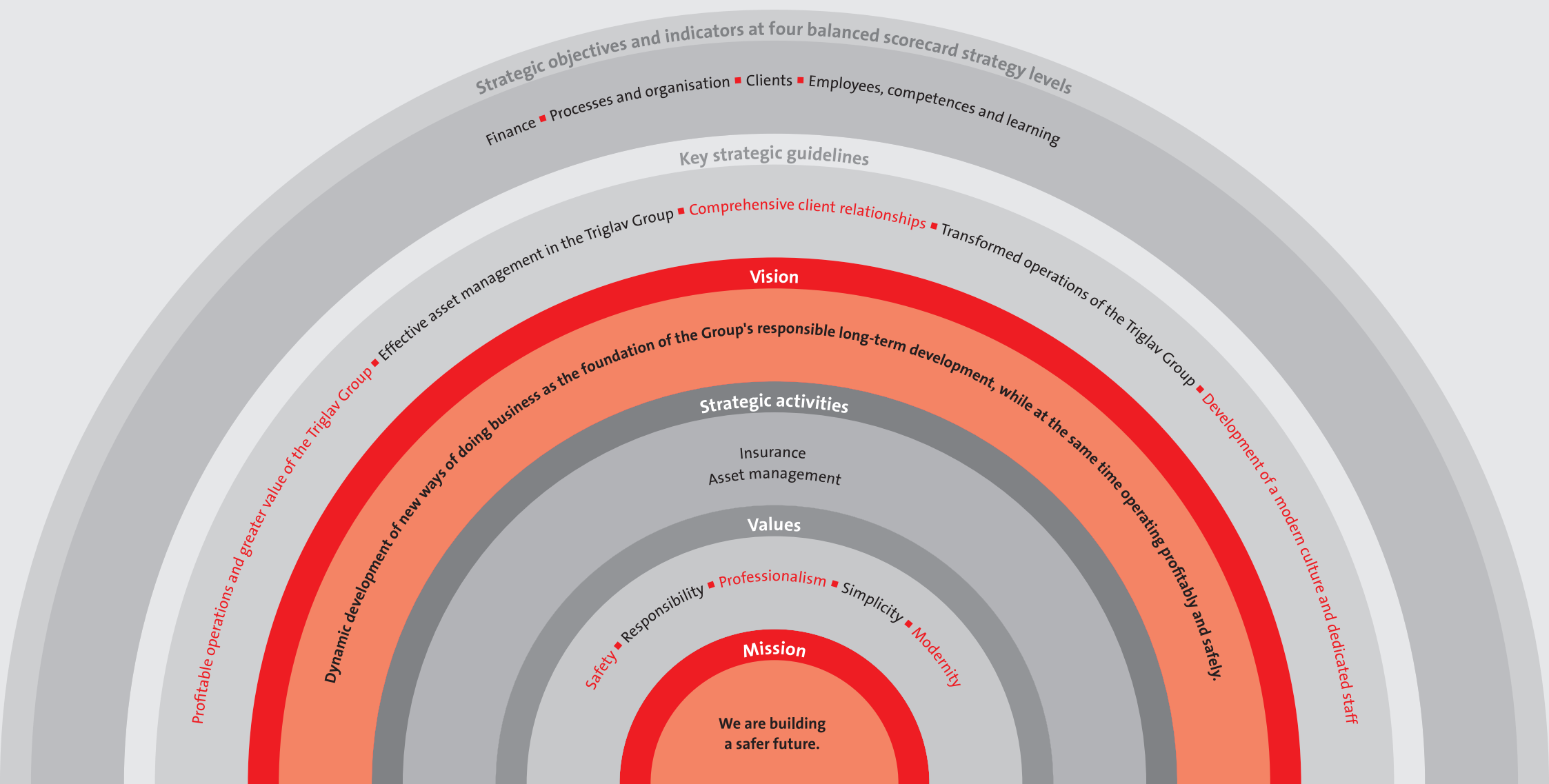
### Values

The values of the Triglav Group are part of the corporate culture, which are realised through personal relations and relations with the environment on a daily basis. They not only guide and connect the Group but are also an important part of the Group's distinctiveness.

Modernity is a new value, which was added to professionalism, safety, simplicity and responsibility.

- **Safety.** We take care of our clients and their loved ones. By providing high-quality insurance products and services as well as asset management services, we are increasing their financial security. Safe operations are guaranteed by efficient risk management.
- **Responsibility.** We take responsibility and we expect the same from our partners. We are responsible to the people, the natural and social environment and to the shareholders. We are reliable and available in due time. We act as if we were the clients.
- **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.** Client orientation and technological development encourage us to introduce modern business approaches. By being open to internal and external ideas, understanding diversity, cooperating and listening to the needs of different generations, the Group overcomes the business challenges of modern times. We are developing and testing innovative solutions in a responsible manner. We accept failures by acting responsibly and in the spirit of progress towards new solutions.

## The New Strategy of the Triglav Group and Zavarovalnica Triglav for 2017–2020



## New vision of the Triglav Group

### Vision of the Triglav Group

**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.**

- In South-East Europe, the Triglav Group is recognised as the leading provider of innovative and comprehensive insurance-service products and asset management services.
- The Group is the largest in terms of income and the best in terms of client satisfaction.
- Clients perceive the Group's multi-channel products and services as simple and desirable.
- The Group dynamically develops new ways of doing business, which are among the top trends of digitisation.
- The Group is well-positioned in dynamic networks of business ecosystems.
- The Group effectively manages the risks and ensures its financial stability. Return on equity (ROE) will surpass 10% in 2020. The standalone »A« credit rating assigned by a renowned rating agency is being maintained.
- An efficient governance and management system of the Group has been established.
- The Group's processes are lean, simple, technologically advanced and cost-effective.
- Dedicated and highly skilled employees are the cornerstone of the Group's culture of openness and cooperation, as well as its sustainable development and a responsible attitude to all its stakeholders.

### Key strategic guidelines by 2020

- Profitable operations and greater value of the Triglav Group.
- Efficient asset management of the Triglav Group.
- Comprehensive client relationships.
- Transformed operations of the Triglav Group.
- Development of a modern culture and dedicated staff.

### Sound and profitable performance while strengthening the competitive advantages of the Triglav Group:

The performance of the Triglav Group will be profitable and aimed at increasing its value. In the long-term the core insurance business will be profitable, whilst the average target combined ratio in non-life insurance will be around 95%. In 2020, the return on equity (ROE) of the Group will surpass 10%. The Group will ensure effective and comprehensive management of risks, cost-effectiveness, its financial stability and appropriate capital adequacy. The Group will maintain its »A« credit ratings. The criteria of the dividend policy and the capital management guidelines will remain unchanged (see [→ *Section 6.4 Dividend policy*] for further details). In its operations, the Group will not only exploit but also enhance its competitive advantages. The Triglav Group has a strong, trustworthy brand, a large client portfolio – users of its services and products, and extensive and developed sales channels, in addition to being known for its range of quality products and services and quick settlement of claims. Furthermore, the Group is set apart from its competitors by its attitude towards the market. Its long-term focus on the markets in the region requires the Group to both actively and responsibly invest in the market and its relations with the stakeholders.

**The Triglav Group markets:** The Group will continue to operate in six countries of South-East Europe, where it will grow organically, however potential takeovers are not ruled out should an appropriate opportunity arise. In the region where the Group operates, a long-term accelerated growth of insurance markets is expected, resulting in a higher share of total written premium on the markets outside Slovenia. The Group will continue to develop the markets in the region, primarily investing in those insurance segments where the highest growth rates are expected (life, health and pension insurance). Digital business models will be developed, which will enable the Group to enter new markets. The Group will build



## 4.2 The Triglav Group Strategy for the 2017–2020 period

The core strategic activities of the Group are insurance and asset management:

### Insurance

- Non-life insurance
- Life insurance
- Pension insurance
- Health insurance
- Reinsurance

### Asset management

strategic partnerships with the companies whose activities complement its business model.

**Asset management:** The strategic objective of the Group will be to increase the volume of assets under management or the share of assets managed for a particular client.

**Client orientation:** All of the Group's activities are centred around its clients, who are monitored individually and throughout their whole lifelong path as users. The Group's increasingly digitised processes will be adapted thereto, in addition to developing innovative products, which will be both simple and known for their multi-channel availability through a mix of traditional and digital sales approaches.

**Modern, innovative insurance/financial group:** In the strategic period, the Triglav Group will implement and dynamically upgrade its digital strategy. The goal is that at the end of the strategic period, i.e. in 2020, the Group will be the leading provider of innovative and comprehensive

insurance-service products and asset management services in South-East Europe. The Group will implement strategic projects aimed at developing sales channels and the multi-channel sale, as well as upgrade its insurance products with assistance services.

**Optimal organisational structure of the Triglav Group:** The Group is implementing an increasingly flexible organisational structure so as to ensure an effective balance between the stability and dynamics of organisation, thereby reducing strategic and other risks. Synergies will continue to be exploited and operating expenses optimised at the Group level, in addition to the establishment of a comprehensive innovation system. In its activities and objectives, the Group remains committed to the principles of corporate social responsibility and sustainable development.

#### Strategic objectives

Strategic objectives at four balanced scorecard strategy levels:

#### 1. Employees, competences and learning level

- Renewed organisational culture (openness, acceptance of changes and promotion of diversity, orientation to internal and external clients, ensuring cooperation outside the formal organisational forms, respect for diversity and dignity and taking responsibility)
- An appropriate number, structure and commitment of employees to renewed and optimised processes
- Adequate competences and digital skills of employees
- Stability and appropriate structure of key promising employees
- Employee mobility

#### 2. Process and organisation level

- A high degree of automation, optimisation and cost-effectiveness of business processes
- The digital way of doing business and new business processes
- Developed multi-matrix organisation and business productivity growth
- Efficient use of data (internal and external) so as to make the right business decisions
- Innovation
- Exploitation of synergies within the Group
- Simplicity of business processes and cost efficiency

#### 3. Client level

- Comprehensive and responsible client relationship management and multi-channel communication with clients
- Satisfied and loyal clients
- Growth in the number of active clients, their understanding of the Group's services and higher insurance coverage of individual clients
- Insurance products with a high degree of related services
- New business models

#### 4. Finance level

- Profitable operations
- Growth in the volume of operations (in terms of written premium the Triglav Group remains the largest insurance company in South-East Europe)
- Maintaining the »A« credit ratings
- Capital adequacy and optimal capital allocation by segment/subsidiary of the Group
- Comprehensive risk management

For monitoring and measuring the implementation of strategic objectives, a balanced scorecard with projections by 2020 has been developed.



## 4.3 Objectives achieved by the Triglav Group in 2016<sup>7</sup>

### Planned objectives achieved in 2016 (in EUR million)

	in EUR million		
	Plan for 2016	Realisation in 2016	
Profit/loss before tax	80–90	95.1	PLAN SURPASSED
Gross written premiums from insurance and co-insurance contracts	around 900	936.0	PLAN SURPASSED
Combined ratio in non-life insurance	around 95%	92.9%	PLAN SURPASSED

Despite the challenging situation on financial markets and demanding market conditions, the Triglav Group performed well and implemented its set strategic objectives, placing focus on the core insurance business, profitability and safety of operations. The Group's **profit before tax** reached **EUR 95.1 million** and thus surpassed the budgeted net profit (see [→ *Section 8. Financial result*] for more details).

The Triglav Group **maintained its financial strength and stability, capital adequacy and profitability of its operations**. As reflected by the reaffirmed high credit rating a agencies S&P Global Ratings and A.M. Best with an **upgrade of credit ratings from the »A-« to »A«**, both ratings with a **stable medium-term outlooks**. The high credit rating of »A« is in line with the Group's strategy, thus enabling the Group an appropriate competitive position in insurance, reinsurance and financial markets and consolidating its financial strength and solid performance. See [→ *Section 6.6 Credit rating*] for more details.

**The combined ratio in non-life insurance** of the Triglav Group was **92.9%, exceeding the budgeted level** (the combined ratio is a measure of profitability in core insurance operations excluding investment return). The combined ratio of most of its insurance companies improved despite the occurrence of major mass loss events (see [→ *Section 8. Financial result and Section 7.2 Environmental impact on the performance of the Triglav Group and Zavarovalnica Triglav*] for more details).

Compared to 2015, **total written premium** of the Triglav Group was **higher than planned** despite challenging market conditions and fierce competition. The premium growth was recorded in all insurance markets. In the Slovene insurance market, 1% less in written premium was charged

by the parent company, whereas Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba recorded 6% and 3% higher written premium respectively. Triglav Osiguranje, Belgrade recorded as much as 22% premium growth, Lovćen životna osiguranja 12%. Written premiums were higher in Triglav Osiguranje, Sarajevo (10%), Triglav Osiguranje, Zagreb (8%), Triglav Osiguruvanje, Skopje (6%) and Lovćen Osiguranje, Podgorica (2%). The premiums by Triglav Osiguranje, Banja Luka remained at the same level as the year before. Insurance premium is discussed in greater detail (see [→ *Section 7.5*]).

## 4.4 Plans of the Triglav Group for 2017

The strategic starting points and objectives of the Triglav Group for the 2017–2020 period, the market potential and competition conditions of the Slovene and other insurance markets in which the Group operates, and the current forecasts of macroeconomic trends and development of financial markets for 2017 represent the basis for drafting the Triglav Group Business Plan for 2017.

**The situation in the insurance markets:** In 2017, the macroeconomic environment will be relatively favourable for the business of the Triglav Group, taking into account the moderate probability of a negative scenario. Nevertheless, extremely aggressive competition among insurance companies is expected. As in previous years, the Group's insurance companies will be exposed to the risks of lower demand for insurance products and services, policyholders defaulting on the payment of premiums and the risks related to the selection of underwritten risks. Approximately the same development, number and extent of individual loss events (flood, hail, storm) as in past years is foreseen.

The Group's operations will continue to be financially sound and profitable.

On the Slovene insurance market, the Group's performance in the life insurance segment will be affected by a high number of maturities due to the aging of the portfolio and surrenders. The non-life insurance premium will be affected by the measures for retaining solid and loyal clients with client loyalty programmes, repricing to match competition and measures to improve insurance technical results in individual non-life insurance classes.

**Macroeconomic and financial environment:**

Steady growth of the developed economies will be accompanied by political insecurity and the rise in protectionist tendencies, as well as by high macroeconomic imbalances in the countries of South-East Europe. Considering the existing trends in the euro area and the ECB's relatively stimulative policy, the return on Bund is expected to remain low. Following the anticipated reduction in the ECB's purchases, the movement of spreads on bonds of peripheral countries will much more depend on economic and political factors within a particular country. Given the current unchanged global economic growth outlook, spreads on corporate bonds are not expected to significantly change. They will remain at historical lows, similarly as government bonds. As the ECB's purchases decline, major fluctuations in spreads on cyclical bonds or bonds with a poor credit rating will be possible. All of this will have an impact on the return on bond investments of the Triglav Group.

**Business plan for 2017:**

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

**Insurance business.** The Group plans to book approximately the same volume of consolidated gross written premium as in 2016 and record similar trends in claims experience as in previous years. In accordance with its strategic guidelines, the Group will strengthen and consolidate its position on the existing insurance markets.

**Financial investments.** A lower investment return as the result of extremely low interest rates is planned. Adequate levels of investment security and liquidity remain at the forefront of the Group's investment guidelines, followed by the criterion of profitability. There have been no significant changes in the investment policy of the Triglav Group.

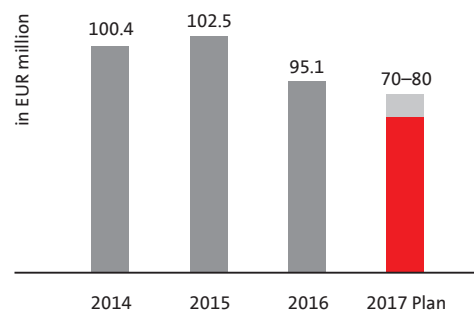
**Risk management.** The comprehensive risk management system will continue to be upgraded at the level of both the parent company and the Triglav Group. This will primarily include consistent inclusion of risk assessment in day-to-day business decisions and their monitoring based on regulatory and especially additional internal approaches. The purpose is to spread the risk management culture to all business segments and Group members.

By setting and actively pursuing very ambitious goals for 2017, the Group will make progress towards the realisation of the strategic objectives defined in the Triglav Group's new Strategy. Moreover, the Group will strive to remain the market leader in Slovenia and consolidate its position in the target markets of the region.

**Financial highlights of the Triglav Group business plan for 2017**

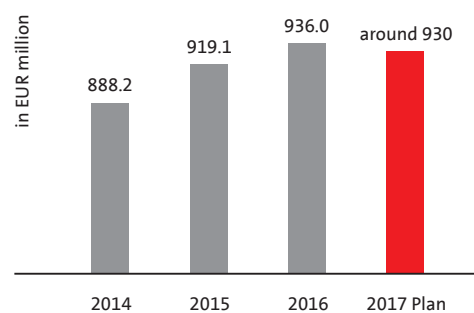
	2014	2015	2016	in EUR million 2017 plan
Profit/loss before tax	100.4	102.5	95.1	70–80
Gross written premiums from insurance and co-insurance contracts	888.2	919.1	936.0	Around 930
Combined ratio in non-life insurance	96.3%	92.8%	92.9%	Around 95%

### Budgeted net profit/loss before tax of the Triglav Group for 2017



The planned  
key performance indicators  
of the Triglav Group  
for 2017.

### Budgeted gross written premium for insurance and co-insurance contracts of the Triglav Group for 2017



### Budgeted combined ratio in non-life insurance of the Triglav Group for 2017

