

4. Strategy and Plans of the Triglav Group

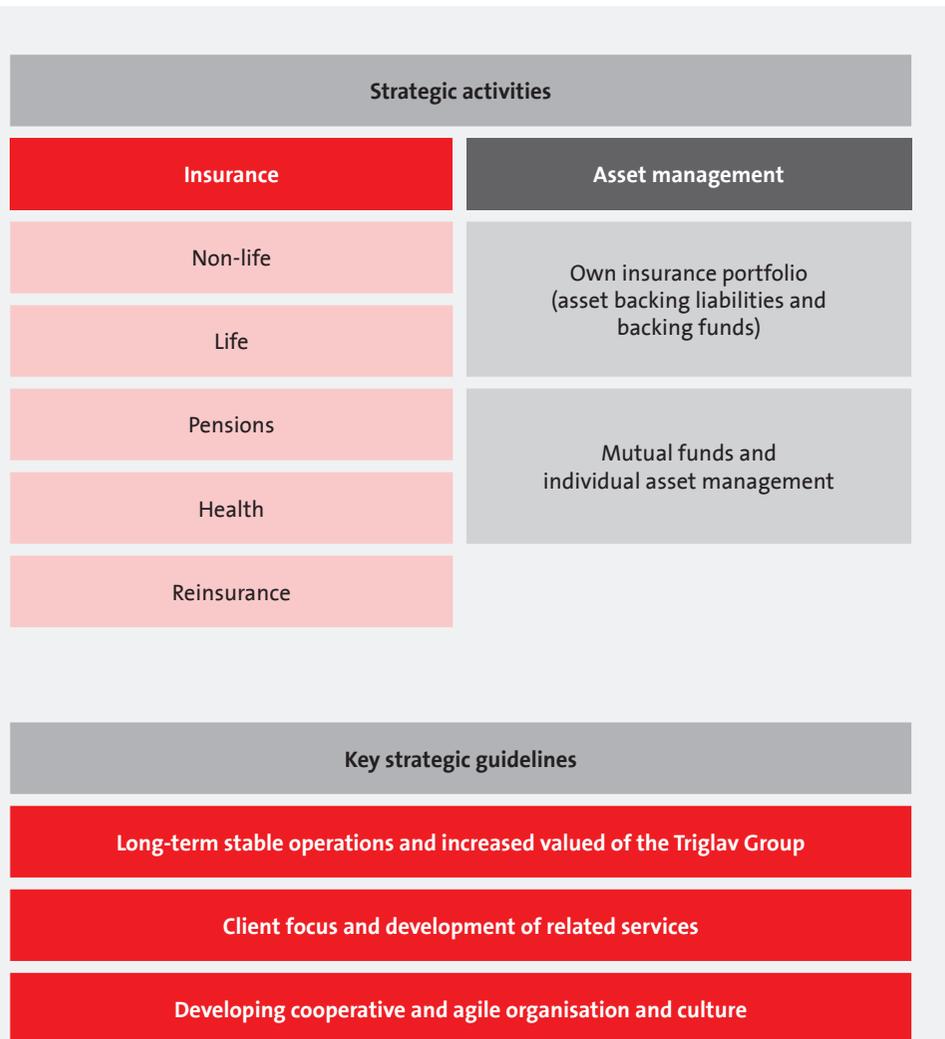
- The client-centric approach is at the forefront of the revised Strategy of the Triglav Group for the period to 2022, adopted in December 2018.
- The Triglav Group is developing into a modern, innovative and dynamic insurance/financial group, firmly rooted as the leader both in Slovenia and the wider region.
- Profit earned in 2018 was above the budgeted level.
- In 2019, profit before tax of the Triglav Group is planned between EUR 90 million and EUR 100 million, whilst gross written premium is set to reach approximately EUR 1.1 billion.

In December 2018, the Triglav Group adopted the revised strategy for the period to 2022 and preserved its existing main elements. The vision remained client-centric and the values of the Group were updated. According to this clear vision a path was set out for Triglav to become a modern, innovative and dynamic insurance/financial group, which will firmly remain the leader both in Slovenia and the wider region.

4.1 Mission, values and vision of the Triglav Group

Mission	Values	Vision of the Triglav Group
We build a safer future.	<ul style="list-style-type: none"> ■ Responsiveness: We respond immediately and effectively. ■ Simplicity: We are simple and transparent. ■ Reliability: We deliver as promised. 	<p>Based on its client-centric approach the Group dynamically develops new ways of doing business as the foundation of its responsible long-term development, while at the same time operating profitably and safely.</p> <ul style="list-style-type: none"> ■ 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. ■ Client experience is the Group's main competitive advantage. ■ The Group dynamically develops new ways of doing business, setting top trends in digitalisation. ■ The Group is well-positioned in dynamic networks of business ecosystems. ■ The Group effectively manages the risks and ensures financial stability. ■ Return on equity (ROE) is planned above 10% throughout the whole strategy period. ■ The standalone »A« credit rating assigned by a renowned rating agency is being maintained. ■ The governance and management systems of the Group are structured and effective. ■ The Group's processes are lean, simple, technologically advanced and cost-effective. ■ Engaged 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 towards all stakeholders.

4.2 The Triglav Group Strategy for the 2019–2022 period⁷



Long-term stable and profitable operations and greater value of the Triglav Group: The strategic guideline of the Group remains achieving long-term stable profitability and increasing its value. Its strategic objectives are as follows:

- profitable operations;
- growing volumes of operations (in terms of written premium the Triglav Group remains the largest insurer in South-East Europe region);
- maintaining the »A« credit ratings;
- capital adequacy and optimal capital allocation by segment/subsidiary of the Group and comprehensive risk management.

The dividend policy criteria and the capital management guidelines of the Group defined in 2018 remain unchanged. The return on equity (ROE) of the Group will exceed 10% throughout the whole strategy period (2019–2022). The Group will ensure both long-term responsible asset management and cost-effectiveness.

In its operations, the Group will not only exploit but also enhance its competitive advantages. The Triglav Groupboasts a strong, trustworthy brand, size, economy of scale and economy of scope (capital strength), a comprehensive client portfolio, quality and comprehensive services, a wide range of products and services and developed sales channels (omni-channel availability and a strong own sales network), in addition to being known for quick settlement of claims. Furthermore, its attitude towards the market set the Group apart from its competitors by. Its long-term focus on the existing markets of South-East Europe requires the Group to both actively and responsibly invest in the market and stakeholder relations.

The Group will remain present in six countries of South-East Europe, where it will grow organically. However, potential takeovers are not ruled out should an appropriate opportunity arise. New business models will be developed, which will, among other things, enable the Group to enter the markets outside the region. The Group will build strategic partnerships with the companies whose activities complement its business model. In the region where the Group operates, a long-term growth of insurance markets is expected, resulting in a higher share of total written premium in the markets outside Slovenia. In the long

⁷ GRI GS 103-1, 103-2, 103-3

Strategic objectives

Strategic objectives were classified into four balanced scorecard strategy levels:

Financial operations

- 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

Clients

- Comprehensive and responsible client relationship management and omni-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

Processes and organisation

- A high degree of automation, optimisation and cost-effectiveness of business processes
- Digital business
- 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

Employees, competences and learning

- Redesigned organisational culture
- 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

run the core insurance business will be profitable and the average target combined ratio in non-life insurance is envisaged at around 95%. In asset management the strategic objective of the Group is to increase the volume of assets under management, i.e. assets managed on behalf a particular client.

The Group’s strategic objectives in process organisation and implementation are as follows: a high degree of automation, optimisation and cost-effectiveness of business processes, digitalisation of operations, innovation, exploitation of synergies within the Group, efficient use of data (internal and external) that supports right business decisions, developed multi-matrix organisation and business productivity growth. All activities and effects will be systematically assessed in terms of responsibility and sustainable development (the three-level balance: 3P – people, planet, profit).

Client focus and development of related services: Clients are at the very core of all the activities of the Triglav Group. Client-insurer relations are built on trust and efforts are made to achieve client satisfaction and loyalty. The Group is developing a range of comprehensive solutions for its clients through related solutions and communication. Moreover, it is not only developing simple products and solutions but also introducing operational digitalisation and new business models. Insurance products are being transformed into insurance and other related services, which strengthen the Group’s core activities, i.e. insurance and asset management. The strategic objectives are holistic and responsible client relationship management and omni-channel client communication. The Triglav Group aims to improve clients’ understanding of its services, raise the insurance coverage of individual clients and increase the number of active clients.

Developing cooperative and agile organisation and culture: The Triglav Group is implementing a redesigned organisational culture and an increasingly agile and cooperative organisational structure, which allow it to provide responsive, simple and efficient services to both external and internal clients. Engaged employees with adequate competences and digital skills are of key importance for the upgraded and optimised processes of the Group. In all areas of operation the Group will apply state-of-the-art practices.

4.3 Implementation of the Triglav Group Strategy 2018⁸

The set strategy and strategic guidelines were effectively implemented, while continuing to pursue the planned activities. The activities, tasks, projects and processes were undertaken within the framework of the following five strategic guidelines: (1) **profitable operations and greater value of the Triglav Group**, (2) **efficient asset management**, (3) **comprehensive client relationships**, (4) **business transformation** and (5) **development of a modern culture and engaged employees**. The implementation of the strategy was periodically checked. Activities were dynamically adapted to the changes in both the internal and external environment, as provided for by the latest strategic management guidelines.

<p>1. Profitable operations and greater value of the Triglav Group</p>	<ul style="list-style-type: none"> ▪ The Triglav Group generated a profit before tax of EUR 97.5 million in 2018. ▪ An increase in the volume of operations in all insurance business segments of the Group. ▪ The strengthening of the core activities (insurance and asset management), the market position, the shares in the existing markets, as well as seeking and exploiting opportunities in new target markets. ▪ The “A” rating was retained; the market value of the parent company was increased, while financial stability and capital adequacy were maintained. ▪ Building new partnerships and establishing active cooperation with start-ups and accelerators. ▪ The implementation of numerous activities with the aim of achieving synergies at the Group level and improving the competitive position of each individual subsidiary of the Group. ▪ Achieving cost optimisation and ensuring an effective risk management system.
<p>2. Efficient asset management</p>	<ul style="list-style-type: none"> ▪ The strengthening of asset management as a core business activity of the Group, while implementing its development vision. ▪ The upgrade of the implementation process and IT support so as to ensure more effective management of capital and assets and liabilities at the Group level. ▪ Continued gradual centralisation of asset management at the Group level and its cost effectiveness. ▪ The development of the regional platform for alternative investments (Trigal), while upgrading the processes for investing in alternative investments.
<p>3. Comprehensive client relationships</p>	<ul style="list-style-type: none"> ▪ The adaptation of management and development of all business segments of the Group (non-life, life, health and pension insurance, reinsurance and asset management) to market needs and technological capabilities. ▪ Further development of the online and mobile sales as well as other alternative sales channels, with the aim of taking advantage of the technological potential and strengthening (long-term) client relationships. ▪ Making improvements to client satisfaction and loyalty measurement, while conducting in-depth analyses of clients and their expectations. ▪ The upgrade of the existing range and the development of new, more flexible and understandable products. ▪ Further upgrade of products with assistance services which improve user experience. ▪ The introduction of paperless, mobile and simple business operations with clients and partners as well as business process digitalisation so as to facilitate day-to-day operations and work. ▪ The transfer of business solutions and best practices adapted to the specificities of each market and client focused to the Group members. ▪ The development of business models for the digital entry of the Group to the selected new target markets.
<p>4. Business transformation</p>	<ul style="list-style-type: none"> ▪ The implementation of numerous business transformation activities by changing the existing methods and implementing the latest best practices. ▪ Continued development of the central business data warehouse at the Group level, with a view to ensuring maximum transparency of operations and utilising information for making more effective operational and strategic decisions. ▪ The development and upgrade of business processes aimed at achieving paperless operations, faster data processing, and a higher level of standardisation and automation of procedures and processes. ▪ The centralisation and unification of IT support so as to achieve the desired level of its maturity (technical, management, security). ▪ The development of efficient and coherent functions at the Group level by setting minimum and expected business standards as well as by transferring proven business practices.
<p>5. Development of a modern culture and engaged employees</p>	<ul style="list-style-type: none"> ▪ The implementation of a number of activities to promote the Group’s values and achieve the target organisational culture within the Group. ▪ The development of own model of employee skills (competences) aimed at improving the established management-by-objectives system as the key management tool. ▪ The implementation of the coaching system for seeking and strengthening employees’ natural talents. ▪ Dissemination of employee knowledge and experiences and their adaptation to both the existing and future needs of the environment as well as to trends. ▪ The development of the existing key posts and those that will be established in the near future (new business models, the increasingly digitised environment). ▪ The promotion of intergenerational cooperation and diversity, consideration of employees’ needs and wishes, and increasing the awareness of a healthy lifestyle and work practices.

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The Triglav Group and Zavarovalnica Triglav d.d. Annual Report 2018

⁸GRI GS 103-1, 103-2, 103-3

4.4 Objectives achieved by the Triglav Group in 2018⁹

Despite the challenging situation on markets and persisting unfavourable financial market conditions, the Triglav Group performed well and implemented its set strategic objectives. The Group's **profit before tax** totalled **EUR 97.5 million** and was higher than planned (see [→ Section 8. Financial result] for more details).

The Triglav Group surpassed the budgeted total written premiums: growth was recorded in all insurance segments and in all insurance markets of the Group. The Slovene insurance market saw a 7% increase in total. A 6% more in written premium was charged by the parent company, whereas Triglav, Zdravstvena zavarovalnica and Skupna pokojninska družba recorded 11% and 9% higher written premium respectively. Triglav recorded an 8% premium increase on markets outside Slovenia. Insurance premium is discussed in greater detail in [→ Section 7.5 Gross written insurance, co-insurance and reinsurance premiums].

As expected, **the combined ratio** of the Triglav Group was **91.8%** and is in the expected positive territory (the combined ratio of profitability in the core non-life and health insurance operations excluding investment return) (see [→ Section 8. Financial result and Section 7.2 Environmental impact on the performance of the Triglav Group] for more details).

The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's »A« credit ratings with a **stable medium-term outlook**. The Triglav Group **maintained its financial strength and stability, capital adequacy and profitability of its operations**. Achievement of the »A« credit rating is in line with the Strategy of the Group. Such a credit rating ensures the Triglav Group an appropriate competitive position in insurance, reinsurance and financial markets, as it confirms its financial strength and solid performance. See [→ Section 6.6 Credit Rating of the Triglav Group and Zavarovalnica Triglav] for more details.

4.5 Triglav Group's plans for 2019



The strategic starting points, market potential and competitive conditions and the forecasts of macroeconomic trends and development of financial markets for 2019 are the basis of the Triglav Group Business Plan for 2019.

Expected business conditions: The macroeconomic environment of the region will be slightly less favourable for the Group's insurance business, which could result in even fiercer competitive conditions in insurance markets. As expected, the financial environment will in 2019 remain unfavourable to return on investment.

Triglav Group Business Plan for 2019

Profit before tax: Profit before tax for 2019 is planned between EUR 90 to 100 million, which is higher than budgeted figure for 2018. The higher profit before tax target is based on the projections of the insurance operations and asset management of the Group and takes into account the anticipated conditions on the financial markets, which are likely to affect the return on investment of the Group.

Insurance premium: In the insurance business, the Group plans to earn higher written premium of approximately EUR 1.1 billion. The Group will not only use and strengthen its strong competitive advantages but also adapt its marketing strategy to the anticipated harsh competitive situation. The development activities will be aimed at ensuring a range of simple, reliable, integrated and transparent insurance products, which will be complemented by related services. In 2019, the Triglav Group will continue to focus on the client, implement the relevant development activities and increase the efficiency of the sales networks through strategic omni-channel client communication.

Mass claims: Approximately the same development and occurrence of major CAT events (flood, hail, storm) as in past years is foreseen. The Group continues to duly provide for adequate reinsurance protection.

Combined ratio: The combined ratio of the Group is projected to be at around 95%, which is its average target strategic value.

Gross operating expenses: Gross operating expenses will be affected by higher insurance acquisition costs (marketing campaigns, advertising, fees and commissions, labour costs of the agent network) and higher depreciation of property, plant and equipment resulting from high past and planned investments in information technology. Furthermore, gross operating expenses will be affected by the streamlining measures, which will be predominantly focused on the types of costs not directly related to insurance acquisition. The planning of staffing levels and labour costs, which account for the bulk of total operating expenses of the Group's insurance subsidiaries, will follow the strategic guidelines, changes in business processes and identified requirements of individual work areas.

Asset management: In asset management, the strategic objectives will be to increase the volume of assets under management (AUM) from non-compulsory saving and effective management of assets at the level of the whole Group. The Group will continue to actively pursue any opportunities arising from the consolidation of the asset management industry in the region and continue with asset management centralisation at the Group level.

Investment policy of the Group and the expected return on investment: The basic investment guidelines governing the insurance portfolios of the Group will remain unchanged, with the focus put on maintaining appropriate investment security and liquidity, followed by achieving adequate profitability. The Group maintains a relatively conservative investment structure with emphasis on

fixed-rate investments. In view of the anticipated conditions, the Group foresees that return on investment, excluding unit-linked insurance contract investments, will remain at approximately the same level as in 2018.

Risk management: The upgrade of the comprehensive risk management system will continue in the parent company and the group level. This will primarily include consistent inclusion of risk assessment in day-to-day business decisions and their follow-ups based on regulatory and especially additional internal approaches. The purpose is to spread the risk management culture to all business segments and all Group members.

Maintaining high credit ratings: By retaining strong financial stability, high capital adequacy and high profitability, the Group is expected to maintain high credit ratings from the renowned credit rating agencies S&P Global Ratings and A.M. Best.

The ambitious business plan for 2019 involves continued and consistent implementation of the planned strategic guidelines by 2022 and a step towards realising the vision of the Triglav Group.

Financial highlights of the Triglav Group business plan for 2019 (in EUR million)

	2016	2017	2018	2019 plan
Profit/loss before tax	95.1	84.4	97.5	90–100
Gross written premiums from insurance, co-insurance and reinsurance contracts	936.0	999.9	1,068.4	around 1,100
Combined ratio	92.9%	93.1%	91.8%	around 95%

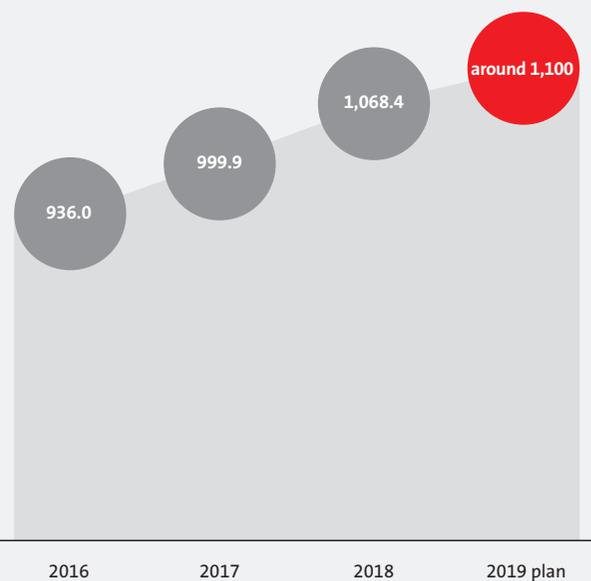
Disclaimer

The planned figures for 2019 are based on the outlook, anticipated events and circumstances, and forecasts available to the Company when drafting the plan. The actual results, performance and events may significantly deviate from those taken presumed in the plan. When publishing the interim results of the Triglav Group in 2019, the Company will each time comment on the Group's planned annual profit before tax.

Budgeted net profit/loss before tax of the Triglav Group for 2019 in EUR million



Budgeted gross written premium for insurance and co-insurance contracts of the Triglav Group for 2019 in EUR million



Budgeted combined ratio of the Triglav Group for 2019

