



Triglav Group Strategy for the 2019–2022 Period

Triglav Group Business Plan for 2019

Ljubljana, December 2018

TRIGLAV GROUP STRATEGY FOR THE 2019–2022 PERIOD

The strategy has been revised for the period to 2022, while preserving the existing main elements of Triglav Group's strategy.

Through its vision, values and strategic objectives, the Triglav Group has set out on an ambitious path to become a modern, innovative and dynamic insurance/financial group, firmly remaining the leader both in Slovenia and the wider region.

MISSION

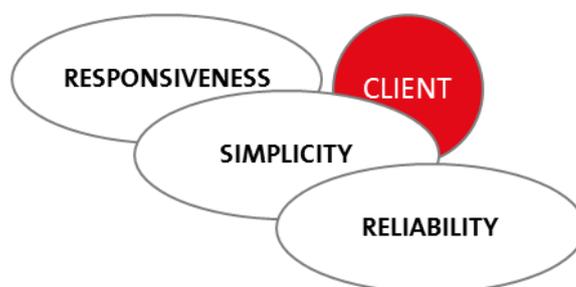
BUILDING A SAFER FUTURE.

VALUES

We respond immediately and effectively.

We are simple and transparent.

We realise what we have promised.



VISION

By adopting a client-centric approach, we 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, 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 omni-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, 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) surpasses 10% throughout the whole strategy period.
- 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.
- 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 to all of its stakeholders.

STRATEGIC ACTIVITIES

INSURANCE

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

ASSET MANAGEMENT

- Asset management**
 - Own insurance portfolios (asset backing liabilities and guarantee funds)
 - Mutual funds and discretionary mandates

KEY STRATEGIC GUIDELINES

Long-term stable and profitable operations and greater value of Triglav Group

Triglav Group remains the largest insurer in South-East Europe), 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 management of assets and cost-effectiveness.

In its operations, the Group will not only exploit but also enhance its competitive advantages. Triglav Group has 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 (multi-channel availability and a strong own sales network), in addition to being known for 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 existing markets of South-East Europe requires the Group to both actively and responsibly invest in the market and its relations with the stakeholders.

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 present itself. New business models will be developed, which will, among other things, enable the Group to enter the markets outside of 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 premium written in the markets outside of Slovenia. The core insurance business will be profitable in the long run, whilst the average target combined ratio in non-life insurance will be around 95%. With respect to asset management, the strategic objective of the Group will be to increase the volume of AUM and the share of assets managed for a particular client.

The Group's strategic objectives with regard to its process organisation and implementation are as follows: a high degree of automation, optimisation and cost-effectiveness of business processes, the digital way of doing business, innovation, exploitation of synergies within the Group, efficient use of data (internal and external) so as to make the right business decisions, and 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 in the very centre of all activities of the Group. Relations with them are built on trust and efforts are made to achieve their satisfaction and loyalty. The Group develops a range of comprehensive solutions for its clients with related solutions and communication. Moreover, it not only develops simple products and solutions but also implements digital ways of doing business 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 objective is comprehensive and responsible client relationship management and multi-channel communication with clients. The Group aims to improve the understanding of its services, raise the insurance coverage of individual clients and increase the number of active clients.

Developing even more cooperative and agile organisation and culture

Triglav Group is implementing a renewed organisational culture and an increasingly agile and cooperative organisational structure, which allows 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. The Group will use state-of-the-art practices in all areas of operation.

TRIGLAV GROUP BUSINESS PLAN FOR 2019

Starting points

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

Expected business conditions

The macroeconomic environment of the region will continue to be favourable for the Group's insurance business, even though less than in 2018, which could result in even fiercer competitive conditions in the insurance markets. As expected, the financial environment for the return on investments will remain unfavourable in 2019.

Planned performance of Triglav Group for 2019¹

Planned profit before tax for 2019 higher than the 2018 budgeted profit. Triglav Group is expected to generate profit before tax of EUR 90–100 million. It is based on the assumptions of the projected performance of the Group's insurance business and asset management, taking into account the anticipated conditions in the financial markets which will affect the return on investments of the Group.

Premium budgeted at around EUR 1.1 billion. The Group plans to earn around EUR 1.1 billion in consolidated gross written premium. The Group will not only use and strengthen its strong competitive advantages but also implement a marketing strategy adapted 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, 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. Approximately the same development and occurrence of loss events is expected as in past years as well as developments of major CAT events (flood, hail, storm). The Group continues to duly provide for adequate reinsurance protection.

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

¹ *The planned figures for 2019 are based on the outlook, expectations about 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 into account in the plan. When publishing the interim results of Triglav Group in 2019, the Company will each time comment on the Group's planned annual profit before tax.*

Gross operating expenses. Gross operating expenses of the Group 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 future 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 companies, will follow the strategic guidelines, the changes made to the business processes and the requirements identified in individual areas of work.

Asset management. In asset management, the strategic objectives will be to increase the volume of 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 expected return on investments. The basic investment guidelines governing the insurance portfolios of the Group are unchanged, with the focus being on maintaining appropriate investment security and liquidity, followed by achieving adequate profitability. The Group maintains a relatively conservative investment structure, placing emphasis on fixed-rate investments. In view of the situation, the Group expects that return on investments, excluding unit-linked insurance contract investments, will remain at approximately the same level as in 2018.

Triglav Group Business Plan for 2019:

- profit before tax of the Group is budgeted between EUR 90 and 100 million,
- consolidated gross written premium of around EUR 1.1 billion,
- the combined ratio of the Group of around 95%.

Risk management. In 2019, the comprehensive risk management system will continue to be upgraded at the level of the parent company and the Group level. 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.

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

The ambitious business plan for 2019 is the continuation of the consistent implementation of the Group's set strategic guidelines by 2022 and a step towards the realisation of its vision: *"By adopting a client-centric approach, we 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."*