

# **The Triglav Group Strategy for the 2017–2020 Period and the Business Plan for 2017**



Ljubljana, December 2016

# 1. THE TRIGLAV GROUP STRATEGY FOR THE 2017–2020 PERIOD

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.

## 1.1. Mission, values and vision of the Triglav Group

The Group's mission is **BUILDING A SAFER FUTURE** for all its stakeholders, while being committed to responsible and sustainable development.

### Values of the Triglav Group:



The Group's values are part of its corporate culture.

They are realised every day in mutual relationships and through its relationships with the environment.

They not only guide and connect the Group but are also an important part of the Group's distinctiveness.

**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. We guarantee safe operations through 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, we overcome the business challenges of modern times. We are developing and testing innovative solutions in a responsible manner. It is in this spirit that we accept any failures.

**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 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.
- The clients recognise 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 Group maintains the independent A credit rating assigned by a renown rating agency.
- 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, its sustainable development and a responsible attitude to all its stakeholders.

## 1.2. Strategic objectives and guidelines of the Triglav Group

Core strategic activities of the Triglav Group:

### Insurance

Non-life, Life, Supplementary  
pensions, Health, Reinsurance

### Third-party asset management

The key strategic guidelines (strategic topics) of the Triglav Group by 2020 include:

1. Profitable operations and greater value of the Triglav Group

2. Effective asset management in the Triglav Group

3. Comprehensive client relationships

4. Transformed operations of the Triglav Group

5. Development of a modern culture and dedicated staff

**Sound and profitable performance while strengthening the competitive advantages**

The performance of the Triglav Group will be profitable and aimed at increasing the value of the Group. In its operations, the Group will not only exploit but also enhance its competitive advantages. The Triglav Group has a strong, trustworthy brand, size and capital strength, a comprehensive client portfolio, extensive and developed sales channels (multi-channel availability and a strong own sales network), 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 existing markets of South-East Europe requires the Group to both actively and responsibly invest in the market and its relations with the stakeholders.

In the long-term the core insurance business of the Triglav Group will be profitable, whilst the average target combined ratio in non-life insurance will be around 95%. The return on equity (ROE) of the Group will surpass 10% in 2020. 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. Apart from that, the criteria of the dividend policy and the capital management guidelines defined in 2016 will remain unchanged.

**Asset management**

With respect to 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.

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. 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 Triglav Group to enter the markets outside the existing region. The Group will build strategic partnerships with the companies whose activities complement its business model.

**Client orientation**

All of its activities are centred around its clients, who are monitored individually and throughout their lifelong path as users. The Group’s increasingly digitised processes will be adapted to the clients, in addition to developing innovative products, which will be both simple and known for their multi-channel availability, i.e. 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 Triglav 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 the 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 Triglav Group is implementing its upgraded organisational culture and 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 within the organisation. In its activities and objectives, the Group remains committed to the principles of corporate social responsibility and sustainable development.

## **2. PLAN OF THE TRIGLAV GROUP FOR 2017**

### **2.1. Starting points**

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, in 2017 the Group's insurance subsidiaries will be exposed to the risks of lower demand for some 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 in 2017.

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 customers with client loyalty programmes, repricing to match competition and measures to improve insurance technical results in individual non-life insurance classes.

#### **The macro-economic and financial environment**

As expected, steady growth of the developed economies in 2017 will be accompanied by political insecurity and the rise in protectionist tendencies, as well as by high macroeconomic imbalances in the case of the South-East European countries. Considering the current trends in the euro area and the ECB's relatively stimulative policy, the return on Bund is expected to remain low in 2017. Following the anticipated reduction of ECB's purchases, the movement of spreads on bonds of peripheral countries will much more depend on specific 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 in 2017. 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.

## 2.2. Planned performance of the Triglav Group for 2017<sup>1</sup>

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.

In 2017, the Group plans an increase in consolidated gross written premium compared to the planned level for 2016, while recording similar trends in claims experience as in previous years and lower returns on investment due to the impact of low interest rates. In accordance with its strategic guidelines, the Group will strengthen and consolidate its position on the existing insurance markets.

Adequate levels of investment security and liquidity remain at the forefront of the Group's investment policy in 2017, followed by the criterion of profitability. The investment policy of the Triglav Group will not be significantly changed.

### The Business Plan of the Triglav Group for 2017:

- Profit before tax of EUR 70–80 million.
- Consolidated gross written premium of around EUR 930 million.
- The combined ratio of the Group of around 95%.

In 2017, 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 all Group members.

By setting and actively pursuing the ambitious goals in 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 South-East Europe.

<sup>1</sup> In 2017, in parallel with the publication of interim reports, Zavarovalnica Triglav will publish the information regarding the achievement of the planned profit before tax. The planned figures for 2017 are based on the outlook, expectations about events and circumstances and forecasts available to the Company. The actual results, performance and events may significantly deviate from those taken into account in the plan.