

6 MISSION, VISION, STRATEGIC FOCUS AND GOALS

6.1 Mission and vision²³

We are working to become a recognised provider of comprehensive insurance and reinsurance services in our target markets, to establish a climate of trust and loyalty among stakeholders, become recognised as a company that communicates transparently and fairly, to meet the expectations of our shareholders and achieve an adequate return on equity, to raise awareness about the organization's values and to integrate them into fundamental business policies and people's behaviour.

Through a positive climate, good business culture, continuous training and investments in employees, we contribute to a continuous development of insurance and ancillary products and to more optimal business processes. We are developing a Group-specific corporate culture that will be reflected in the quality of services and in the loyalty of the employees to their company and the Group.

By definition, insurance is the provision of economic security through the spreading of economic risks, which is why the industry is tightly intertwined with the economy at large. Within this system, Sava Re has a responsibility to support activities that contribute to improving the social environment. Sustainable development is an area to which the Company is increasingly committed. Special attention is given to the exchange of knowledge, ongoing training of employees and external stakeholders and the utilization of synergies among Sava Re Group companies. The social responsibility demonstrated by the Company reflects the values on which we intend to focus more in the future.

Our mission

Through commitment and constant progress, we ensure security and quality of life.

Our vision

We are creating a modern, digital, socially-oriented and sustainable insurance Group.

What we are like

We grow relationships with our colleagues in a responsible, frank and respectful manner.

We exceed client expectations with our ongoing efforts to make improvements and strengthen relationships.

We are active in relation to the environment (owners, social environment).

6.2 Goals achieved in 2017²⁴

The Sava Re Group achieved the following targets in 2017:

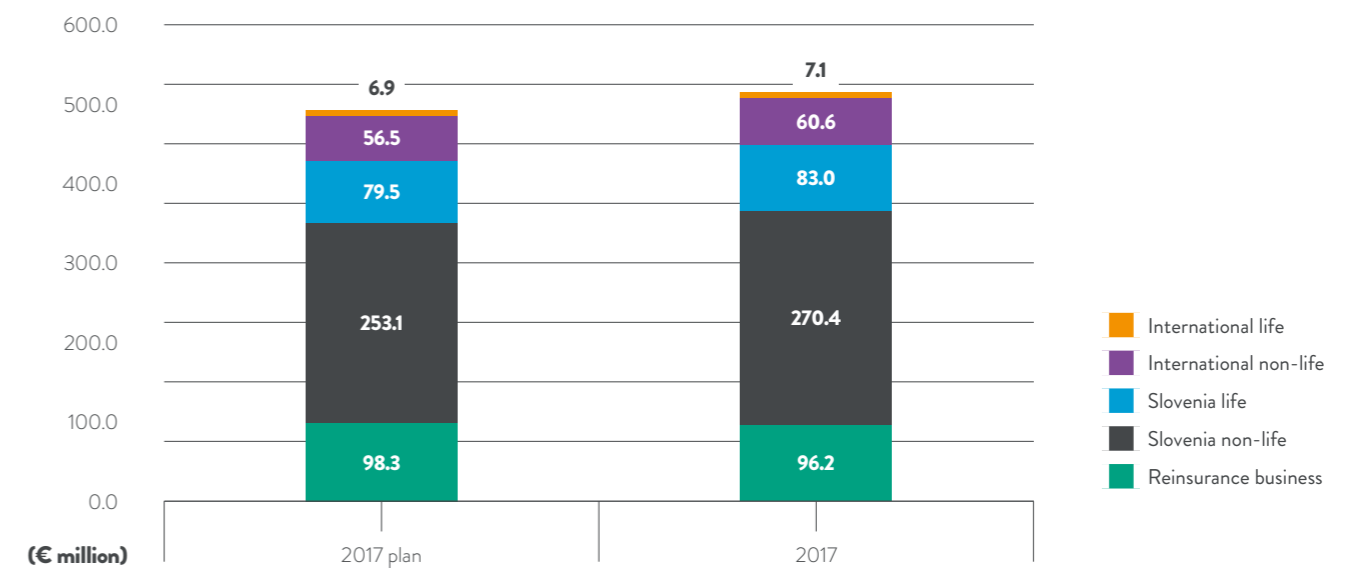
(€ million)	2017 plan	Actual 2017	Index / deviation in p.p.
Gross written premiums	494.3	517.2	104.6
Growth/decline in premiums	0.8%	5.5%	4.7 p.p.
Net expense ratio	32.6%	32.7%	0.1 p.p.
Net incurred loss ratio, excluding exchange differences	59.4%	60.5%	1.1 p.p.
Net combined ratio, excluding exchange differences	94.6%	95.5%	0.9 p.p.
Profit/loss, net of tax	32.6	31.1	95.4
Investment return, excluding exchange differences	1.8%	2.0%	0.2 p.p.
Return on equity	10.3%	10.1%	-0.2 p.p.

* The net combined ratio is given for the reinsurance and non-life insurance operating segments.

In 2017 the Sava Re Group exceeded its target gross premiums written, primarily as a result of the high premium growth achieved by the Slovenian Zavarovalnica Sava. While the expense ratio was only slightly higher than planned, the net incurred loss ratio (excluding exchange differences) and the combined ratio (excluding exchange differences) were both higher than planned. The higher net incurred loss ratio (excluding

exchange differences) and expense ratio deteriorated primarily because of large losses in the reinsurance segment. The investment return was better than planned. In 2017, the return on equity was 10.1% and thus only slightly below target. However, the combined ratio and the return on equity remained within the range of the Group's strategic guidelines.

Realisation of planned consolidated gross premiums written



The consolidated gross premiums written exceeded the plan by 4.6%, with growth driven primarily by the non-life insurance segment in Slovenia.

²³ GRI 102-16

²⁴ GRI 103-1, 103-2, 103-3

6.3 Sava Re Group strategy highlights

The Sava Re Group defines its strategy in terms of four pillars:



Key guidelines set out in the strategy:

- digitalisation and technological modernisation of operations to place the client at the centre;
- growth through acquisitions;
- seeking opportunities in environmentally/sustainability-oriented investment projects;
- closing the gap between intrinsic value and market price of shares.

Long-term strategic targets:

- The long-term objective is to achieve, at the Group level and in terms of a 3-year average, a return on equity (ROE) that is at least equal to the cost of capital. The internally-calculated cost of equity of the Sava Re Group with regard to its composition is 10.4% (+/- 0.5 p.p.).
- In the period 2017–2019, the solvency ratio at the Group level will be in the range of 170% and 230% (between the bottom of the optimum/target range and the top of the suboptimal capital range).
- Non-life business of the Group will achieve a three-year average combined ratio of not more than 95%, while reinsurance²⁵ will achieve a combined ratio of not more than 93%.
- As regards life insurance business, the profitability of new policies written by Zavarovalnica Sava and insurers outside Slovenia will be at least 5% and 2.5%, respectively (ratio of the value of new policies to the present value of expected premiums of such new policies).

Strategic directions by operating segment

Non-life insurance business in Slovenia:

- strengthening the position of the new combined insurer in the market;
- improving the results of the non-life insurance segment other than motor insurance;
- taking advantage of segment cost synergies.

Life insurance in Slovenia:

- strengthening the position of the new combined insurer in the market;
- maintaining premium volumes and particularly profitability of life business;
- taking advantage of segment cost synergies.

Health insurance in Slovenia:

- launch of health insurance products in Zavarovalnica Sava; gradual roll-out in companies outside Slovenia.

Pension business in Slovenia:

- growth above market growth rates;
- utilisation of synergies in the Group;
- promoting private sector sales (for maximum utilisation of tax relief).

Reinsurance operations:

- growth in international reinsurance markets;
- maintaining a high-quality reinsurance portfolio;
- good geographic diversification.

Bancassurance:

- streamlining processes in existing banking partners, developing new products and forming new partnerships.

Assistance services:

- providing own assistance services.

Non-Slovenian operations:

- making use of established platforms (in terms of processes and products) to increase growth in gross premiums written;
- decrease in expense ratios;
- seeking opportunities through investments in vehicle inspection;
- strengthening companies' brand recognition;
- increasing the productivity of the sales network and focus on premium and recourse collection;
- utilisation of synergies among Group subsidiaries in individual markets;
- development and focus both on selling products with a higher risk component and on more affordable products (life policies);
- integration of the Macedonian pension company into the Sava Re Group.

²⁵ When calculating the combined ratio based on the planning financial statements for Sava Re, it is necessary to exclude part of the expenses relating to the administration of the Group that are not related to reinsurance business.

6.4 Plans of the Sava Re Group for 2018

Key targets for 2018

(€ million)	2016	2017	2018 plan	Index/difference in p.p. 2018 plan/2017
Gross written premiums	490.2	517.2	> 520.0	100.5
Growth/decline in premiums	0.8%	5.5%	2.8%	-
Net expense ratio	34.0%	32.7%	31.4-31.7%	-1.0 p.p.
Net incurred loss ratio, excluding exchange differences	58.2%	60.5%	59.4-59.9%	-0.6 p.p.
Net combined ratio, excluding exchange differences	94.6%	95.5%	94.0-94.5%	-1.0 p.p.
Profit/loss, net of tax	32.9	31.1	37.0-39.0	119.0
Investment return, excluding exchange differences	2.2%	2.0%	1.7%	-0.3 p.p.
Return on equity	11.3%	10.1%	> 11.0%	0.9 p.p.

* The net incurred loss ratio and the net combined ratio are given for the reinsurance and non-life insurance operating segments.

Reinsurance operations

Reinsurance premiums will rise by 7.2% in 2018, which marginally exceeds past growth and will primarily be the result of growth in new markets.

Insurance business in Slovenia

The key objectives in Slovenia for 2018 are associated with digitisation and technological modernisation projects in order to place the client at the centre. Another important goal is to further streamline operations, achieving synergistic benefits from the merger of insurance companies at the end of 2016. In addition, we expect to see the first results of our entry into the health insurance market and development of assistance insurance or services.

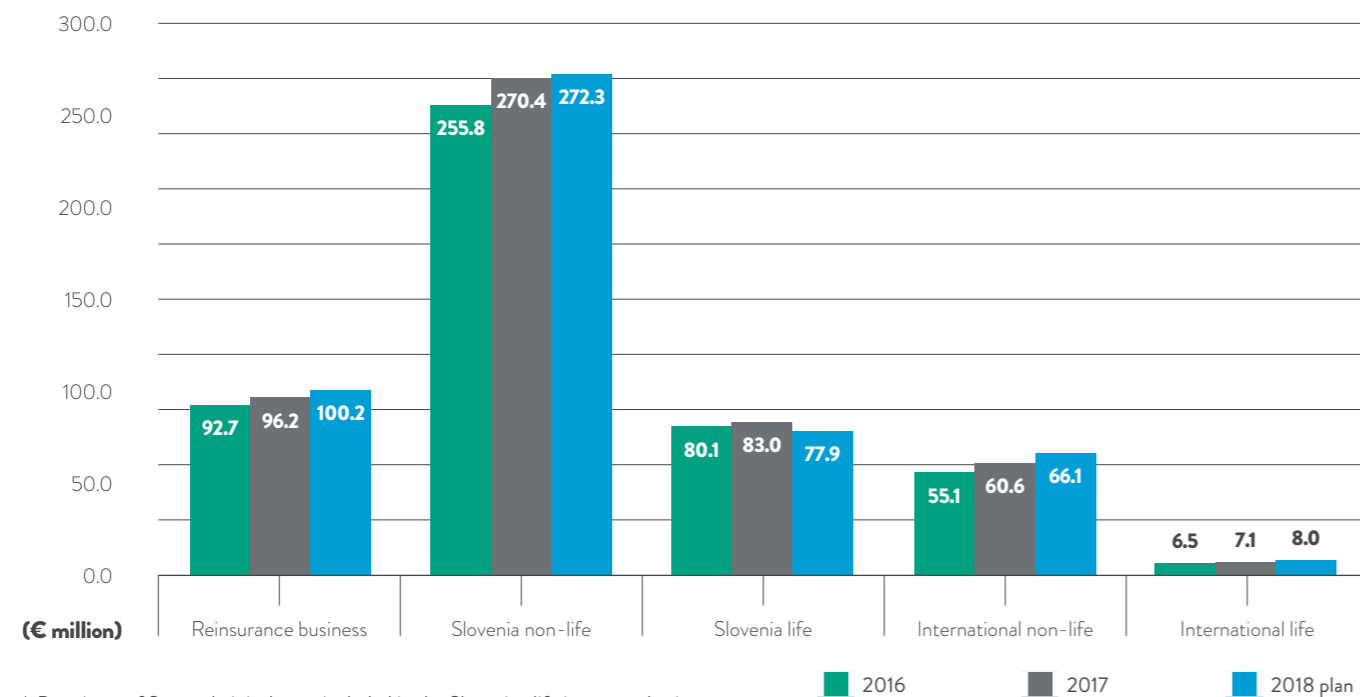
Insurance business abroad

We are planning for our non-life insurance companies abroad to grow at a rate of over 10%; life business will grow at a rate of over 13%. The former will roll out assistance products, while the latter will reach the break-even point, and both will seek opportunities to further develop cooperation with banks.

Pension business

We are planning for Slovenian pension business to grow by 8.3% in terms of contributions paid in life-cycle funds. Another objective is to enlarge the share of individual policies. A pension company based in Macedonia will join the Group and will contribute to the increase in the share of pension business in the Group's premium income.

Target consolidated gross premium income by operating segment (Sava Re Group)



* Premiums of Sava pokojninska are included in the Slovenian life insurance business segment.