

## Triglav Group in Q1 2023<sup>1</sup>: Increased total business volume and lower profit amid a challenging situation

In Q1 2023, the Triglav Group effectively increased its total business volume to EUR 484.6 million (index 109) and the contractual service margin (CSM) by EUR 5.8 million and recognised EUR 18.5 million in profit before tax (index 63). Results were affected by the more challenging business conditions accompanied by the effects of inflation, higher claim intensity, a lower health insurance result and the effects of methodological decisions in the transition to IFRS 17 and IFRS 9 accounting standards. The estimated profit before tax according to the previously applicable IFRS 4 and IAS 39 accounting standards would be at the level of profit in the same period last year. The Group, which has maintained its financial strength and a dominant market position, continues to implement strategic development activities related to a strong client focus, digital transformation and sustainability ambitions. The Management Board and the Supervisory Board will propose to this year's regular General Meeting of Shareholders to be held on 6 June 2023 to pay a dividend of EUR 2.50 gross per share.

### OPERATING RESULTS

In Q1 2023, the Triglav Group posted a profit before tax of EUR 18.5 million, down by 37% relative to the same period last year (the parent company: EUR 8.3 million; index 50). The Group's net profit amounted to EUR 16.1 million, a 39% decrease relative to the same period last year (the parent company: EUR 6.8 million; index 46).

**Andrej Slapar, President of the Management Board of Zavarovalnica Triglav, said:** *"In the challenging business environment in the first quarter of this year, we maintained our financial strength, a strong market position and performed well under the given circumstances. Our robust business model and well-diversified product range enabled us to effectively increase the total business volume and achieve a sound investment result amid the favourable situation on the financial markets. At the same time, the Group's year-on-year results were affected by increased expenses and greater claim intensity in the non-life and health insurance segments due to inflation, a lower health insurance result as well as the effects of the selected methodological approaches in the transition to IFRS 17."*

The bulk of the Group's profit before tax (EUR 14.8 million, index 62) was generated by its **insurance operations**, of which EUR 11.0 million by the non-life insurance segment and EUR 4.2 million by the life insurance segment. The result of the health insurance segment was negative at EUR –0.4 million due to the specificities of this segment on the income side and the management of additional provisions from the time of the pandemic, in addition to higher claims. Profit from underwriting activities (in all three insurance segments) reached EUR 9.2 million, its 51% decrease being the result of high growth in non-life

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<sup>1</sup> This information, including comparable data from the corresponding previous period, is based on unaudited performance data of the Triglav Group in Q1 2023 in compliance with IFRS 9 and IFRS 17 accounting standards. The information does not contain the elimination of intercompany transactions except for information on the total business volume. The indices or value changes express a comparison relative to Q1 2022, unless otherwise stated. The explanations of new financial categories and methodological approaches can be found at the end of this announcement.

and health insurance claims incurred. Profit from financial investments rose year-on-year by 8% to EUR 5.6 million. The profit before tax of **non-insurance operations** totalled EUR 3.7 million (index 68). Its year-on-year decline is the result of its increase last year due to the profit from the sale of investment property in the amount of EUR 5.2 million.

The Group's **other comprehensive income** amounted to EUR 8.1 million (Q1 2022: EUR –13.2 million). Its level was primarily influenced by the fact that the increase in the bond portfolio value due to the reduction in interest rates was higher than the change in the value of liabilities.

With regard to the annual profit, **Andrej Slapar, President of the Management Board of Zavarovalnica Triglav**, said: *"Our planned annual profit at Group level (initially planned profit of EUR 95–110 million) was affected by the announced abolition of supplemental health insurance and, above all, the Decree of the Government of the Republic of Slovenia on setting the maximum price of supplemental health insurance premium adopted in April this year, especially its duration. We estimate that, mainly due to its effects and loss-making, this year's planned profit before tax of the Triglav Group may decrease by around 25–40%. The impact increases with the duration of the Decree. At Triglav, we work to protect the interests of our policyholders, Company shareholders and other stakeholders."*

## FINANCIAL HIGHLIGHTS

As at the end of Q1 2023, the Triglav Group's **balance sheet total** increased by 3% relative to 31 December 2022 to EUR 4.0 billion. The parent company's balance sheet total amounted to EUR 2.8 billion (index 102). The Group's **total equity** amounted to EUR 923.9 million (index 103). The Group's estimated capital adequacy is 202%.

The Group's **total business volume** amounted to EUR 484.6 million, up by 9% compared to the same period last year.

The Group's **income from insurance contracts issued** totalled EUR 331.1 million (index 115) and **expenses from insurance contracts issued** amounted to EUR 279.8 million (index 121). In terms of segment, non-life insurance income amounted to EUR 260.0 million (index 119), while non-life expenses amounted to EUR 211.9 million (index 124). Life insurance income reached EUR 19.4 million (index 104) and life insurance expenses EUR 16.8 million (index 114). In the health insurance segment, income amounted to EUR 51.7 million (index 102) and expenses to EUR 51.1 million (index 110).

Compared to 2022 year-end, **the Group's contractual service margin (CSM)** increased by 3% to EUR 191.1 million, of which the share of the CSM of new contracts accounted for 5.0% (the same as at 31 December 2022). **The Group's CSM of new contracts** amounted to EUR 9.6 million in the first quarter, of which 81% of its value related to life insurance and 19% to non-life insurance. The release of the contractual service margin to profit amounted to EUR 8.5 million in the first quarter. **Uroš Ivanc, a Management Board member of Zavarovalnica Triglav**, explained: *"The Group's stable contractual service margin indicates the robust profitability of our existing insurance portfolio, and the CSM of new contracts indicates continued profitability of our new business."*

The Group recorded **gross claims paid** of EUR 252.3 million, up by 27% relative to the same period last year. In the largest segment, non-life insurance, gross claims paid grew by 40% to EUR 141.8 million, in the

health insurance segment they rose by 26% to EUR 53.0 million and in the life and pension insurance segment they were higher by 3%, amounting to EUR 57.5 million. In the first quarter, the Group recorded higher mass claims, mainly from reinsurance, as the February earthquake in Turkey affected the Group's result by an estimated EUR 2.7 million. **Uroš Ivanc, a Management Board member**, said in connection to claims experience: *"In the first quarter of this year, claims increased due to inflation and a higher claim frequency compared to last year, when claims were partly still under the influence of the pandemic. Higher inflation resulted in higher prices of materials and services, and therefore higher gross claims paid and gross operating expenses. The measures taken to ensure the stability of Slovenia's public healthcare system resulted in an additional high increase in the Group's expenses related to supplemental health insurance."*

The Group's **combined ratio in non-life and health insurance**, adjusted according to the new methodology, stood at **94.7%**. Compared to Q1 2022, it increased by 5.2 percentage points, which is primarily a result of the deterioration of the claims ratio and methodological decisions. The Group's claims ratio rose by 4.9 percentage points to 75.4%, which was predominantly influenced by the high growth of insurance expenses for claims. The expense ratio increased by 0.4 percentage point to 19.3%. The parent company's combined ratio was 96.2% (Q1 2022: 86.9%).

Backed by a favourable trend in the financial markets and the implementation of the outlined investment policy, **the investment result** amounted to EUR 25.5 million (Q1 2022: EUR –28.7 million). Taking into account the financial result from insurance contracts and the change in liabilities from financial contracts, the effect of investments was positive in the amount of EUR 6.6 million (EUR 3.0 million in the same period last year). Through active investing, the Group maintained the structure of its investment portfolio, which is comparable to the balance as at 31 December 2022; its value (including investment property, investments in associates, unit-linked life insurance contract investments and financial investments from financial contracts) at the end of Q1 2023 was EUR 3,316.6 million, up by 2% relative to the 2022 year-end.

The Group's **gross operating expenses** rose by 13% to EUR 98.8 million. Expenses from insurance operations amounted to EUR 87.6 million, up by 14%, primarily as a result of higher acquisition costs and higher labour costs. Operating expenses of insurance operations grew in all insurance segments; by 25% in the health insurance segment, by 15% in the non-life insurance segment and by 5% in the life insurance segment.

## OTHER HIGHLIGHTS

**General Meeting of Shareholders of Zavarovalnica Triglav.** The General Meeting of Shareholders of Zavarovalnica Triglav, which will take place on 6 June 2023, will also discuss the proposal for the distribution of the Company's accumulated profit for 2022. The Management Board and the Supervisory Board will propose to this year's General Meeting of Shareholders to pay a dividend of EUR 2.50 gross per share. The proposed dividend in the total amount of EUR 56.8 million accounts for slightly more than 50% of the consolidated net profit for 2022 (EUR 110.5 million).

**Management Board of Zavarovalnica Triglav.** On 2 March 2023, Blaž Jakič obtained an authorisation from the Insurance Supervision Agency to carry out the function of a Management Board member of Zavarovalnica Triglav, thereby commencing his five-year term of office.

**The impact of the Decree of the Slovenian Government on the Group's operations.** With the adoption of the Decree of the Government of the Republic of Slovenia on setting the maximum price of supplemental

health insurance premium (hereinafter: the Decree) in April this year and in the face of uncertainty as to when this type of insurance will be abolished by law, the bases used by the Group in drawing up the 2023 business plan are changing. In the current situation in which the Decree is in effect, the Group supports the abolition of the existing supplemental health insurance system as soon as possible. The amount of loss from supplemental health insurance increases with the duration of the Decree. The Group is taking all the necessary steps to protect the interests of its policyholders, Company shareholders and other stakeholders, in addition to staying in contact with the Slovenian Government and the Insurance Supervision Agency.

**The Triglav Group strategy to 2025 and its sustainability orientation.** By continuing its digital transformation and developing service-oriented business ecosystems, the Group pursues its main strategic objective – an outstanding and uniform client experience across all channels, all processes, all services, products and companies. Its transformation is based on the unified management of client experience and digital business. The Group pursues its set sustainable development ambitions in the environmental, social and governance areas by 2025, systematically implementing them in both strategic activities, its own processes, its relationship with the social environment and in corporate governance. In 2023, Zavarovalnica Triglav and Triglav Skladi have become signatories to the United Nations Principles for Responsible Investing (PRI). In addition, preparations are underway for reporting under the Sustainable Finance Disclosure Regulation (SFDR) in asset management.

## Financial highlights of the Triglav Group

EUR million

	Jan–Mar 2023	Jan–Mar 2022	Index Jan–Mar 2023/ Jan–Mar 2022
Total business volume	484.6	442.9	109
Total revenue	350.4	313.8	112
Result from insurance operations	19.1	32.3	59
Investment result	25.5	–28.7	
Financial result from insurance contracts	–20.5	31.7	
Gross operating expenses	98.8	87.5	113
Profit before tax	18.5	29.5	63
Net profit	16.1	26.3	61
Other comprehensive income	8.1	–13.2	
	31 Mar. 2023	31 Dec. 2022	31 Mar. 2023/ 31 Dec. 2022
Balance sheet total	4,014.1	3,912.0	103
Equity	923.9	899.5	103
Contractual service margin	191.1	185.3	103
Number of employees	5,302	5,306	100

**Clarification regarding the methodological approach (IFRS 17):** In the beginning of 2023, the Company transitioned to IFRS 9 and IFRS 17 accounting standards, which is also reflected in the change in the calculation of some business performance indicators for Q1 2023. In the disclosures, data is shown in

*accordance with the new standards, even for the comparable period of the previous year. With the transition to IFRS 17, the result is affected by the method of recognition of insurance contracts, the amount of risk adjustment with an impact on the loss of onerous contracts, the amount of provisions for major CAT events and the approach used for claim handling expenses.*

**Glossary of terms:**

**Total business volume.** The value includes gross written insurance, coinsurance and reinsurance premiums, other insurance income and other income. The elimination of intercompany transactions is taken into account.

**Contractual service margin (CSM).** It includes the unearned profit that the Company expects to earn from insurance contracts. It is calculated based on expected future cash flows (inflows and outflows), taking into account the time value of money and risk adjustment.

**Combined ratio in non-life and health insurance.** The ratio's calculation according to IFRS 17 was changed compared to its calculation according to IFRS 4; see the calculation of the claims ratio and the expense ratio.

The claims ratio = (insurance expenses (claims, change in FCF, changes in experience correction, loss of onerous contracts, allocation to onerous contracts) – reinsurance result) / insurance service income.

The expense ratio = (insurance expenses – acquisition costs, other expenses) / insurance service income.