

Triglav Group in 2023¹: Results under the impact of one-off events, operations expected to normalise in 2024

According to unaudited data, in 2023 the Triglav Group's total business volume rose by 12% to EUR 1,780.2 million, while its earnings before tax amounted to EUR 21.1 million. Earnings are in line with the mid-year estimate published by the Group due to one-off events, in particular the regulated price of supplemental health insurance in Slovenia and record high CAT claims, the impact of which on the Group's operations was limited by adequate reinsurance protection. Due to these circumstances and inflationary pressures affecting claims and expenses, the combined ratio of Non-Life and Health segments increased to 101.6%. The Triglav Group maintained its capital strength and stability, which was confirmed by the re-affirmed high "A" credit ratings with a stable medium-term outlook. It consistently carried out its strategic development activities and achieved its sustainable ambitions. In 2024, the Group anticipates that business conditions will return to normal and plans a total business volume (taking into account the impact of the discontinuation of supplemental health insurance) of around EUR 1.6 billion, earnings before tax of EUR 100–120 million and a combined ratio of Non-Life and Health segments of around 95%.

PERFORMANCE HIGHLIGHTS IN 2023 AND PLANS FOR 2024

In 2023, the Triglav Group's active implementation of its strategic guidelines increased its **total business volume** to EUR 1,780.2 million (index 112). The financial markets' favourable conditions allowed the Group to achieve a strong investment result, positive other comprehensive income and a strong performance in asset management. In the insurance segment, the Group attained a good result in the Life and Pension segment; The results of Non-Life and Health segments were considerably adversely impacted by one-off events. This resulted in a higher claims ratio and consequently a **combined ratio of Non-Life and Health segments** of 101.6% (2022: 99.7%). The Group's **earnings before tax** amounted to EUR 21.1 million and its net earnings to EUR 16.3 million.

Andrej Slapar, President of the Management Board of Zavarovalnica Triglav, said: *"Last year was a very challenging year. Natural disasters have resulted in an increased need for support to our policyholders and have led to record high claims for the Group. In addition to the aforementioned factors and claims inflation, the government regulation of the price of supplemental health insurance in Slovenia had a significant impact on our results. We will no longer offer these insurance products in 2024. However, we will continue to develop and sell complementary health insurance products in the markets of the Adria region, as we believe they have significant long-term potential. Based on the changed business environment, we published a mid-year estimate of the planned annual earnings for the year and the result achieved is in line with this estimate. Over the last year we have demonstrated our flexibility and resilience, which is bolstered by our robust business model. We maintained our financial strength and a leading market position in the region, while increasing our business volume and operating with profit."*

In 2024, the Group expects business conditions to normalise in a manner consistent with its outlined strategy. Against this backdrop, the Group's total business volume is planned at around EUR 1.6 billion, earnings before tax of EUR 100–120 million and a combined ratio of Non-Life and Health segments at around 95%.

¹ This information is based on **unaudited performance data** of the Triglav Group in 2023. The data for 2023, including year-on-year comparisons, are presented **in accordance with IFRS 17**. The stated indices and numerical comparisons show a **comparison with 2022**.

FINANCIAL RESULTS IN 2023

The Triglav Group is financially stable and adequately liquid with a strong capital base. According to unaudited data, its **balance sheet total** as at 31 December 2023 stood at EUR 4,099.0 million (index 108) and its **total equity** amounted to EUR 891.1 million (index 99). **Return on equity** was 1.8% (2022: -0.7% under IFRS 17), reflecting lower net earnings.

The Group's total business volume grew by 12% to EUR 1,780.2 million, with the same growth rate being recorded by gross written premium, which accounted for 93% of total business volume. In Slovenia, where 63% of the Group's premium is collected, premium growth stood at 9%, aligning with market trends. In the other markets of the Adria region, its increase stood at 7%, while in the international market, where the Group primarily operates under the principle of free movement of services and conducts active reinsurance business, growth reached 28%.

According to unaudited data, **the Group's earnings before tax in 2023** amounted to EUR 21.1 million (2022: EUR -10.0 million under IFRS 17), in more detail:

- **Insurance operating result** amounted to EUR -9.4 million (2022: EUR -12.6 million under IFRS 17). The Group achieved a good result of EUR 16.7 million in the Life and Pension segment, while the Non-Life segment's result was EUR 0.8 million and the Health segment's result was EUR -26.8 million. Insurance revenue increased by 12% to EUR 1,351.2 million, claims incurred by 33% to EUR 1,021.2 million and expenses by 12% to EUR 363.0 million.

Uroš Ivanc, a Management Board member of Zavarovalnica Triglav, explained: *"Due to the increased frequency and severity of claims and the price regulation of supplemental health insurance, we recorded a low insurance result in the Non-Life segment and a loss in the Health segment in 2023. For the second year in a row, inflationary pressures persisted, significantly impacting our costs and claims. We have responded to these pressures by implementing measures in our claims settlement process, pursuing consistent cost rationalisation and adjusting our pricing policy to account for inflation. The latter partly resulted in an increase in insurance revenue, with the full impact expecting to manifest in future financial periods."*

- Backed by a favourable trend in the financial markets and the implementation of the Group's outlined investment policy, **net investment result** amounted to EUR 22.0 million (2022: EUR -14.3 million under IFRS 9 and IFRS 17). The rate of return on investments of the Group (excluding unit-linked insurance assets) was 1.8% in 2023, whereas last year it was -0.4%.

- **The result of asset management and other non-insurance operations** reached EUR 8.4 million, mainly due to the good result of the asset management activity. The previous year, the result amounted to EUR 16.9 million (under IFRS 17) due to one-off events.

Last year's operations were significantly affected by natural disasters, which caused **CAT claims** estimated at EUR 212 million gross at **Group level**. According to the Group's estimates, hailstorms and strong wind in Slovenia resulted in EUR 86 million in gross claims at Group level, while the August storms with floods caused EUR 77 million in gross claims. Most of the Group's other markets were also affected by natural disasters, with the largest claims recorded in Croatia (EUR 14 million) and Serbia (EUR 8 million). Estimated reinsurance CAT claims amounted to EUR 27 million.

Other comprehensive income amounted to EUR 34.7 million, whereas in the previous year it was negative, standing at EUR -50.9 million. **Uroš Ivanc, a Management Board member of Zavarovalnica Triglav**, added: *"The positive other comprehensive income last year was mainly influenced by the favourable financial market*

situation and the implementation of the investment policy, which prioritises maintaining a shorter average maturity of debt investments compared to liabilities. The latter resulted in the positive change in the value of the Group's debt portfolio exceeding the change in the value of the Group's liabilities."

In line with its investment policies, the conservative structure and quality of the Group's **investment portfolio**, of which total value grew by 4% to EUR 3,398.5 million, remained largely unchanged. The bulk (54.7%) of the investment portfolio was accounted for by bonds invested in developed markets, most of which have a high credit rating. They account for 84.3% of the portfolio excluding unit-linked life insurance assets and financial investments from financial contracts. Last year, the value of both the bond portfolio and the equity portfolio was affected by the situation on the financial markets, the diversification of investments and partial optimisation of the Group's capital adequacy. The majority of unit-linked insurance assets (worth EUR 540.9 million, index 115) is accounted for by assets invested in mutual funds of the policyholders' choice, mainly in funds managed by Triglav Skladi. Driven by net inflows and favourable market conditions, its volume of assets under management increased by 22% to EUR 1.7 billion. With a 31% market share, the Group stands as one of the leading managers of mutual fund assets in Slovenia.

As at the 2023 year-end, the Group's **sustainable fixed-income investments** totalled EUR 262.5 million, up by 18% year-on-year. Their share in the total bond portfolio increased to 11.1%, exceeding the set strategic target. Furthermore, the Group realised its goal of not having any investments from issuers at which at least 20% of electricity generation or income stems from coal (Coal Exit List).

PERFORMANCE BY SEGMENT IN 2023

Non-Life segment: The segment's total business volume amounted to EUR 1,237.1 million (index 116) and insurance revenue to EUR 1,056.2 million (index 114). Under the increased volume of CAT claims and inflationary pressures, claims incurred rose by 41% to EUR 779.7 million, while acquisition and administrative costs including non-attributable costs grew by 14% to EUR 293.6 million. The combined ratio of the Non-Life segment was 99.4%. The segment's earnings before profit of EUR 11.6 million were generated mainly from investment activities (EUR 10.9 million) and to a lesser extent from insurance activities (EUR 0.8 million).

Life and Pension segment: The segment's total business volume increased by 8% to EUR 290.2 million. New business margin grew by 3.2 percentage points to 14.6% and the contractual service margin rose by 30% to EUR 221.7 million. The segment's earnings before profit amounted to EUR 28.1 million, of which EUR 16.7 million stemmed from investment activities and EUR 11.4 million from insurance activities.

Health segment: The total business volume of this segment amounted to EUR 206.7 million (index 101), with complementary insurance premium recording a high 38% growth and supplemental insurance premium experiencing a 1% drop. Claims incurred rose by 17% to EUR 215.9 million, while the combined ratio of the Health segment deteriorated by 12.8 percentage points year-on-year to 112.9%. This segment recorded earnings before tax of EUR –29.8 million.

Insurance companies that provide supplemental health insurance as part of Slovenia's public healthcare system (including the Triglav Group) were given the opportunity, by an amendment to the government decree adopted at the end of last year, to receive some compensation due to the price regulation of supplemental health insurance introduced in April last year. The Group will, as always, act in the best interests of its policyholders, shareholders and other stakeholders.

Asset Management and Other Non-Insurance Operations: The total business volume of the Group's non-insurance companies amounted to EUR 46.2 million (index 92), down year-on-year due to realised one-off

gains on the sale of investment property in 2022. Income from mutual fund management and discretionary mandate services was up 6% year-on-year to EUR 32.7 million. The segment's total earnings before tax increased by 8% to EUR 11.1 million last year, of which EUR 2.7 million was generated from investment activities (2022: EUR –6.6 million) and EUR 8.4 million from the activities of the Group's non-insurance companies (2022: EUR 16.9 million).

IMPLEMENTATION OF THE DIVIDEND POLICY

Zavarovalnica Triglav, the Triglav Group's parent company, aims for the ZVTG share to be a profitable, safe and stable investment for investors. Its dividend policy is designed in a way that is both attractive to shareholders and sustainable for the financial stability, growth and development of the Triglav Group. In accordance with the dividend policy, the share of the previous year's consolidated net earnings allocated for dividend payment is at least 50%, taking into account that the implementation of the dividend policy is subordinated to achieving the medium-term sustainable target capital adequacy ratio of the Group.

In 2023, the Group implemented its dividend policy as planned – dividends equivalent to 51% of consolidated net earnings for 2022 (reported under the then effective accounting standards), amounting to EUR 2.50 gross per share, were distributed to the shareholders. The share's total return was 8%, with a dividend yield of 7%.

IMPLEMENTATION OF THE TRIGLAV GROUP STRATEGY

Andrej Slapar, President of the Management Board of Zavarovalnica Triglav, said: *"We remain committed to our mission of creating a safer future for our clients, employees, shareholders and other stakeholders. Clients recognise our efforts and, as indicated by the NPS, their satisfaction with us is at a high level. We are particularly proud of this in what was a challenging year due to a considerable increase in the volume of claims as a result of extreme weather events and adjustments of premium to claims inflation. We acknowledge that our success hinges on the dedication of our employees, which is why we strive to foster a sense of commitment, unity and loyalty. On behalf of the Management Board, I would like to extend our gratitude to all our employees for their unwavering dedication."*

The Group pursues its **main strategic objective – an outstanding and uniform client experience** across all channels, all processes, all products and companies. The Group's transformation is based on the unified management of client experience and digital business. Last year, the Group's range of products and services continued to be expanded and upgraded to better serve its clients and adapt to the unique characteristics of each of the Group's market. Processes and communication channels with its clients were enhanced and its sales network was reorganised, accompanied by various activities in support of its digitalisation efforts across the Group so as to achieve a leaner organisational structure.

In both strategic activities, the Group continued to deliver on its **strategic sustainability ambitions** and support the transition to a climate-neutral and climate-resilient economy. By upholding high standards of corporate governance, the Group strives to foster a culture of diversity, equality and inclusion. The Group has a longstanding commitment to the community; last year, together with various partners, it continued to contribute to a number of socially and environmentally responsible projects.

Financial highlights of the Triglav Group in 2023 (unaudited data)

	EUR million		
	2023	2022	Index
Total business volume (1+2)	1,780.2	1,594.3	112
<i>Gross written premium (1)</i>	1,653.7	1,479.6	112
<i>Other revenue (2)</i>	126.5	114.8	110
Total revenue	1,425.2	1,273.9	112
Insurance operating result (1)	-9.4	-12.6	
<i>Insurance revenue</i>	1,351.2	1,206.6	112
<i>Claims incurred</i>	1,021.2	767.7	133
<i>Acquisition and administrative costs incl. non-attributable items</i>	363.0	325.1	112
<i>Net reinsurance service result</i>	31.6	-104.5	
<i>Net other insurance revenue/insurance service expenses</i>	-7.9	-21.9	
Net investment result (2)	22.0	-14.3	
<i>Investment result</i>	83.6	-88.6	
<i>Financial result from insurance contracts</i>	-69.7	82.2	
<i>Change in provisions for not achieving the yield on SVPI</i>	8.1	-9.8	
<i>Gains/losses on investments in associates</i>	0.0	1.8	
Result from non-insurance operations (3)	8.4	16.9	50
Earnings before tax (1+2+3)	21.1	-10.0	
Net earnings	16.3	-7.0	
Other comprehensive income	34.7	-50.9	
	2023	2022	
Combined ratio Non-Life & Health	101.6%	99.7%	
Claims ratio Non-Life & Health	76.3%	74.6%	
Expense ratio Non-Life & Health	25.3%	25.1%	
New business margin Life & Pensions	14.6%	11.4%	
Return on equity (ROE)	1.8%	-0.7%	
Return on financial investment	1.8%	-0.4%	
	31 Dec 2023	31 Dec 2022	Index
Balance sheet total	4,099.0	3,802.3	108
Equity	891.1	897.0	99
Contractual service margin (CSM)	238.4	186.4	128
Assets under management (AUM)	4,851.1	4,379.8	111
Number of employees	5,318	5,306	100

The investor presentation available on <https://www.triglav.eu/en/investors/actual/financial-reports>

Clarification regarding the methodological approach (IFRS 17): In 2023 the Company transitioned to the IFRS 9 and IFRS 17 accounting standards, which is also reflected as a change in the calculation of some financial performance indicators for 2023. In the disclosures, data are shown in accordance with the new standards also for 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. The two categories of total business volume and gross written premium disclose the categories as defined under IFRS 4. The impact of the transition to the new standards will be explained in more detail in the 2023 annual report of the Triglav Group and the parent company.

In accordance with the financial calendar, the publication of the 2023 annual report of the Triglav Group and the parent company is scheduled for Friday, 29 March 2024.