

## Triglav Group in 2020<sup>1</sup>: Good business results in an extremely challenging year

### Demonstrated resilience to an extremely difficult situation

During the COVID-19 pandemic and the low interest rate environment in 2020, Triglav Group demonstrated its resilience and financial strength. It achieved profit before tax of EUR 90.9 million (index 90) and an increased volume of written premium of EUR 1,233.8 million (index 104). Triglav Group, which was again assigned the high, “A” credit rating in 2020, ensured business continuity and stable, client-focused operations. Employee and client satisfaction, which are continuously monitored by the Company, reached the highest levels ever measured in 2020.

**RESILIENCE AND EFFECTIVE RISK MANAGEMENT.** In the wake of uncertainty brought about by the COVID-19 pandemic, Triglav Group showed a sufficient degree of resilience, readiness and adaptability to this extraordinary situation. During the year, the public was informed about the assessed impact of the situation on its operations according to different scenarios, which confirmed that the Group's insurance and investment portfolios were sufficiently resilient and that its capital position was appropriate to effectively cope with increased risks. No material operational risk was realised as a result of the pandemic.

As at the 2020 year-end, the Group's total equity amounted to EUR 870.2 million (index 110) and gross insurance technical provisions to EUR 3,033.2 million (index 105). The Group remained adequately capitalised and liquid, as also confirmed by the assigned high “A” credit ratings with a stable medium-term outlook by the credit rating agencies S&P Global Ratings and AM Best. Having the credit rating in the “A” range is one of the Group's strategic objectives, which ensures the desired competitive position of the Group in insurance, reinsurance and financial markets, as it reflects its financial strength and sound performance.

**PROFITABLE OPERATIONS.** According to unaudited data, Triglav Group generated profit before tax of EUR 90.9 million (index 90) and net profit of EUR 73.7 million (index 88) in 2020. Backed by underwriting discipline, the Group increased its business volume, while prudently managing costs. The unfavourable situation in the financial markets led to a further decline in interest income, whereas expenses increased due to ensuring return on insurance contracts with an embedded guarantee in the long run. Mass claims experience was less favourable than in the preceding year, with the result also affected by higher insurance technical provisions due to the current business conditions. Net return on equity was 8.9%, down by 2 percentage points relative to the year before.

**Andrej Slapar, President of the Management Board of Zavarovalnica Triglav,** said: *“The situation in the business environment and the capital markets had a negative impact on our profit, but we are nevertheless satisfied with the business results. Triglav Group demonstrated its resilience to extremely difficult business conditions, maintaining its financial strength and proving its ability to adapt effectively to changes. This year, financial markets and economic recovery have remained under the impact of the epidemiological situation of unknown proportions at the global level, which means that we will continue to operate in an uncertain and difficult business environment.”*

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<sup>1</sup> This information is based on unaudited performance data of the Triglav Group and Zavarovalnica Triglav in 2020. The stated indices or numerical comparisons show a comparison with 2019.

The Group's profit before tax earned from **underwriting activities** increased by 7% (EUR 76.5 million), whereas profit from **financial investments of the insurance business and the management of provisions** decreased by 55% (EUR 13.0 million). Due to the favourable premium and claims experience, profit from both non-life insurance and health insurance grew by 5% and 46% respectively. Due to the persisting extremely low interest rate environment, the Group formed additional provisions, which reduced the profit of the life and pension insurance segments by 85%.

The value of **the investment portfolio** rose by 5% to EUR 3,496.4 million. Its conservative structure did not change significantly, but the Group adjusted the shares of individual investment grades through active investment. In this way, the appropriate diversification and security of the entire portfolio was maintained, while further improving its quality and ensuring the economic matching of assets and liabilities.

**PREMIUM GROWTH AND MARKET POSITION.** The Group is the market leader in the Adria region, where, according to data for 2019, it held a 20.4% market share (compared to 19.9% in 2018). In 2020, its market share in the largest, Slovenian market grew by 0.4 percentage point to 36.5%. For the sixth year in a row, the Group achieved premium growth, and its volume **increased by 4%** to EUR 1,233.8 million in 2020, thus fulfilling its plans despite unfavourable conditions resulting from a drop in GDP in most countries in the region, declining insurance markets and fierce competition. Non-life insurance premium rose by 4% and health insurance premium by 11%, while life and pension insurance premium remained at the level of the preceding year. Premium growth was recorded in most insurance markets; it stood at 3% in the Slovenian market, thus being at the level of market movements, and 4% in markets outside Slovenia. Furthermore, the premium diversification strategy continued to be pursued in 2020 in terms of geography and products/services. The share of premium written in markets outside Slovenia increased to 18.2%, while strengthening the share of other insurance classes, which are part of its product range in addition to non-life insurance.

**A FAVOURABLE COMBINED RATIO.** In addition to major CAT events (hail storms in three markets and the earthquakes in Croatia with a total estimated value of EUR 31.1 million), the claims segment was also affected by the pandemic. The total volume of gross claims paid was 3% lower than in 2019. The Group expects that part of claims not incurred in 2020 due to lower economic activity and other restrictions of the policyholders' movement will be paid in 2021. For this purpose, appropriate insurance technical provisions were formed. The Group's combined ratio was **91.2%**, which is in the lower end of its average target strategic value range. Compared to the preceding year, it is lower by 0.3 percentage point due to an improvement in both the claims ratio and the expense ratio.

**ASSET MANAGEMENT.** In 2020, the Group increased the volume of own insurance portfolio by 6% to EUR 2,995 million and the volume of clients' assets in mutual funds and discretionary mandate assets by 5% to EUR 1,156 million. The management of clients' assets in mutual funds and discretionary mandate assets is provided by Triglav Skladi, which also manages the investment portfolios of the Group's clients within the framework of unit-linked life insurance and guarantee funds backing supplemental voluntary pension insurance. Following the takeover of the ALTA mutual fund manager, all integration procedures were effectively carried out, bringing together 110,000 clients under the Triglav single umbrella brand. With a 32.9% share in the Slovenian mutual fund market, the Group is one of the leading asset managers.

**GOOD COST CONTROL.** Total consolidated gross operating expenses incurred by the Group in the amount of EUR 306.7 million remained at the level of the preceding year. The proportion of insurance business operating expenses in gross written premium declined also in 2020 by 1.1 percentage points to 22.1%.

**IMPLEMENTATION OF THE DIVIDEND POLICY.** In accordance with the positions of the Slovenian insurance regulator, in 2020 Zavarovalnica Triglav's shareholders approved the proposal of the Management Board and the Supervisory Board that the accumulated profit for 2019 remain undistributed. The dividend policy remained unchanged. In its implementation, depending on the circumstances, the Company takes into account the following in a balanced manner: the prudent management of Triglav Group's capital and its financial stability, the need to reinvest profit in the implementation of the growth and development strategy, and the payment of appealing dividends to the shareholders. When the business environment normalises, the Company will be able to continue to implement it by paying dividends.

**CLIENT FOCUS AND DEVELOPMENT AT THE FOREFRONT.** The Group effectively adapted to the changed environment and client needs. The new situation gave additional impetus to the overall **digital business transformation of the Group**, as it strengthened its digital sales, communication and distribution channels and tools as well as increased its digital presence. As a result, the average premium per employee increased, higher cost-effectiveness was achieved and user experience was improved by simplifying procedures for our clients. Among the achievements that stand out are the upgraded remote business, the consistent implementation of the measures taken to curb the spread of infection and protect the health of employees, clients and other stakeholders, the redesign and launch of new products and assistance services, improved handling of claims and the introduction of artificial intelligence in some processes.

The Group consolidated own sales network as its most important sales channel, where 73.3% of premium was written. In accordance with the **omni-channel approach**, own sales network was supplemented with the external sales network, which contributed to premium growth in individual markets. In line with the planned geographical diversification of operations, the parent company's cross-border insurance services were provided in more than 15 EU Member States in 2020. Long-term partnerships were expanded from Greece and Italy to the Norwegian and Dutch insurance markets. These forms of business, which are otherwise marginal in terms of premium volume, are considered important in terms of development.

**COMMITMENT TO SUSTAINABILITY (ESG).** By pursuing its mission to *build a safer future*, Triglav Group is realising its sustainability goals. As at the 2020 year-end, the Group's sustainability efforts were upgraded by adopting a formal document entitled "The Triglav Group's commitment to sustainability", which comprehensively sets out the directions of the Group's development in the environmental, social and governance areas (ESG).

**Andrej Slapar, President of the Management Board of Zavarovalnica Triglav**, said: *"Last year's situation has confirmed that Triglav's strategic guidelines are well set and that we are developing into a modern, innovative and dynamic insurance and financial group, which firmly remains the leader both in Slovenia and the wider region. In view of the already implemented strategic activities and based on the planned activities, business continuity, reliability and client focus were ensured in all markets, with clients rating our work with the highest satisfaction scores to date. We are aware that our team of over 5,300 employees is the main foundation of our success. Together we are constantly developing the product range, processes and organisation to take better care of our clients, our partners. At the same time, we are together developing our culture to be even more cooperative and agile, which is also reflected in the satisfaction measured among our employees. I would like to thank our clients and shareholders for their trust and my colleagues for their dedication and effort during this difficult period of time."*

## Financial highlights of the Triglav Group

	EUR million			
	2020 <sup>2</sup>	2019	2018	2020/2019 index
Gross written premium <sup>3</sup>	1,233.8	1,184.2	1,068.4	104
Net premium income	1,066.8	1,027.6	951.8	104
Gross claims paid	697.4	716.7	679.6	97
Net claims incurred	683.6	684.1	626.6	100
Gross operating expenses	306.7	305.3	288.8	100
Profit before tax	90.9	100.9	97.5	90
Net profit	73.7	83.9	80.8	88
Insurance technical provisions <sup>4</sup>	3,033.2	2,878.9	2,713.1	105
Equity <sup>4</sup>	870.2	792.0	746.9	110
Combined ratio	91.2%	91.5%	91.8%	
Return on equity	8.9%	10.9%	10.8%	
Book value per share (EUR)	38.2	34.7	32.8	110
Net earnings per share (EUR)	3.2	3.7	3.6	88
Number of employees <sup>4</sup>	5,316	5,281	5,166	101

## Financial highlights of Zavarovalnica Triglav

	EUR million			
	2020 <sup>2</sup>	2019	2018	Index 2020/2019
Gross written premium <sup>3</sup>	719.3	702.1	660.2	102
Net premium income	583.9	573.6	551.9	102
Gross claims paid	408.3	425.2	421.0	96
Net claims incurred	375.3	376.8	359.9	100
Gross operating expenses	180.0	180.5	174.4	100
Profit before tax	71.1	84.6	78.5	84
Net profit	58.0	70.6	65.5	82
Insurance technical provisions <sup>4</sup>	2,199.0	2,149.0	2,061.4	102
Equity <sup>4</sup>	644.0	580.5	560.1	111
Combined ratio	86.1%	85.6%	86.1%	
Return on equity	9.5%	12.4%	11.6%	
Number of employees <sup>4</sup>	2,244	2,253	2,290	100

## Planned results of the Triglav Group for 2021

	EUR million					
	Plan for 2021	2020 <sup>2</sup>	2019	2018	2017	2016
Profit before tax	85–95	90.9	100.9	97.5	84.4	95.1
Gross written premium <sup>3</sup>	1,200–1,300	1,233.8	1,184.2	1,068.4	999.9	936.0
Combined ratio	below 95%	91.2%	91.5%	91.8%	93.1%	92.9%

<sup>2</sup> Unaudited data

<sup>3</sup> Gross written insurance, coinsurance and reinsurance premiums

<sup>4</sup> As at 31 December