

## Triglav Group in January - September 2023 and plans for 2024<sup>1</sup>: This year's result under the impact of negative one-off events, in 2024 normalisation in line with the strategic guidelines

Triglav Group increased its business volume by 12% to EUR 1,390.1 million in the first nine months of 2023, maintained its financial strength and its dominant market position in both Slovenia and the Adria region. The nine-month results were affected by one-off negative events this year, mainly major CAT claims, the estimated value of which, taking into account reinsurance protection, amounted to EUR 55.1 million, and the health insurance segment's loss of EUR 28.5 million due to the price regulation of supplemental health insurance. Inflationary pressures on claims and costs also had an impact. The Group's nine-month earnings before tax were EUR –11.8 million. The Group confirms the estimate already announced at the half-year that the annual earnings before tax would be around 80% lower than originally planned, provided that the claims development remains within expectations until the end of the year. In 2024, the Group expects its operations to normalise in line with its strategic guidelines and plans earnings before tax of EUR 100–120 million. The Group's total business volume is planned at around EUR 1.6 billion and the combined ratio of non-life and health insurance at around 95%. At its session on 29 November 2023, the Supervisory Board reappointed the President of the Management Board and two other members for a new five-year term of office, as their current term of office is set to end next year. The Group has consistently pursued its strategy with the aim of realising growth, development and its sustainable ambitions.

### PERFORMANCE HIGHLIGHTS IN 9M 2023

The Triglav Group's **total business volume** increased by 12% to EUR 1,390.1 million year-on-year. It performed well in the investment segment and in the management of clients' assets in mutual funds and through discretionary mandate services, as well as in the life and pension insurance segment. Negative one-off environmental factors led to losses in the non-life and health insurance segments, resulting in **the combined ratio in non-life and health insurance** of 105.0% (up by 7.2 percentage points year-on-year). The Group's **nine-month earnings before tax** were EUR –11.8 million (9M 2022: EUR 33.6 million) and the Group's net profit or loss was EUR –11.3 million (9M 2022: EUR 27.6 million).

**Andrej Slapar, President of the Management Board of Zavarovalnica Triglav**, said: *"This year's natural disasters have resulted in historically high claims, and the price regulation of supplemental health insurance in Slovenia has led to loss in the health insurance segment. Inflationary pressures on claims and costs, which have been present since last year, have an additional negative impact on the nine-month results. As regards the annual results, we confirm the estimate announced at the half-year that the annual result of the non-life and health insurance segments in Slovenia will be negative and the Group's earnings before tax in 2023 will be around 80% lower than originally planned under the assumption of normal claims development*

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<sup>1</sup> This information is based on unaudited performance data of the Triglav Group in 9M 2023. Unless otherwise stated, the figures herein, including comparable figures from the previous corresponding period, are based on the IFRS 9 and IFRS 17 accounting standards. The explanations of some financial categories and methodological approaches can be found at the end of this announcement.

*until the end of the year. This year has been very challenging, also for the Triglav team, and I would like to thank them for the effort and dedication they have shown in this situation."*

## **FINANCIAL RESULTS IN 9M 2023**

The Triglav Group is financially stable and adequately liquid with a strong capital base. As 30 September 2023, the Group's **balance sheet total** increased by 10% relative to 31 December 2022 to EUR 4.3 billion, while **total equity** amounted to EUR 842.0 million (index 94).

**The Group's total business volume** reached EUR 1,390.1 million (index 112) and gross written premium, which accounted for 92% of total business volume, increased to EUR 1,282.8 million (index 112). In the Slovenian market, premium grew by 11%, in the international market by 25% and in other markets of the Adria region by 6%. Other income totalled EUR 107.4 million (index 115).

**The Group's nine-month earnings before tax** were EUR -11.8 million (9M 2022: EUR 33.6 million), specifically:

- **Insurance operating result** was negative and amounted to EUR -33.9 million (9M 2022: EUR 25.7 million). The life and pension insurance segment performed well, while the non-life and health insurance segments recorded a loss due to the increased frequency and severity of claims and the price regulation of supplemental health insurance. Insurance revenue increased by 12% to EUR 1,088.9 million, claims incurred by 61% to EUR 1,009.6 million and acquisition costs, administrative costs and non-attributable costs by 15% to EUR 262.5 million.

**Uroš Ivanc, a Management Board member of Zavarovalnica Triglav**, explained: *"Since last year, high inflation and inflation expectations have had a strong impact on our costs and claims. We have responded by taking numerous measures related to claim settlement and management and optimising operating expenses. We have also adjusted premiums and premium rates, a measure always with a delayed impact on the income side. Its impact is partly visible in this year's insurance revenue, but its full effect will only be seen next year."*

- 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 14.9 million (9M 2022: EUR -7.2 million). The annualised return on financial instruments of the Group (excluding unit-linked life insurance contract investments) was 1.5% in the first nine months of 2023 (9M 2022: 0.2%).

- **Result of non-insurance operations** reached EUR 7.2 million, mainly due to the good result of the asset management activity.

This year's business was significantly impacted by natural disasters, which caused CAT claims estimated at EUR 184.4 million gross at Group level and, taking into account reinsurance protection, they are estimated at EUR 55.1 million. **Uroš Ivanc, a Management Board member of Zavarovalnica Triglav**, added: *"According to current estimates, hailstorms with strong wind and the August storms and floods in Slovenia resulted in EUR 166.3 million in gross claims. Most of the Group's other markets have also been affected by such natural disasters. The largest claims were recorded in Croatia (EUR 4.4 million) and Serbia (EUR 4.2 million). Estimated reinsurance CAT claims amounted to EUR 9.1 million."*

**Other comprehensive income** was positive and amounted to EUR 15.8 million (9M 2022: EUR –61.3 million).

Through active investment management, the Group maintained an **investment portfolio** composition comparable to the balance as at 31 December 2022. The bulk (54.3%) of the investment portfolio was accounted for by bonds invested in developed markets, most of which have a high credit rating. As at the reporting date, sustainable fixed-income investments reached EUR 231.1 million, representing an 10% share of the bond portfolio (index 104 relative to 31 December 2022). The total portfolio (including investment property, investments in associates, unit-linked life insurance contract investments and financial instruments from financial contracts) as at 30 September 2023 was worth EUR 3,333.4 million, up by 2% relative to the 2022 year-end.

## PERFORMANCE IN 9M 2023 BY SEGMENT

**The non-life insurance segment:** Total business volume amounted to EUR 974.8 million (index 115) and insurance revenue to EUR 869.3 million (index 115). Under pressure from CAT claims volume and inflation, claims incurred rose by 76% to EUR 821.8 million, while acquisition and administrative costs including non-attributable costs grew by 18% to EUR 210.5 million. The combined ratio in non-life insurance increased to 102.7% (9M 2022: 97.3%), driven by the deterioration in the claims ratio. The nine-month earnings before tax were EUR –12.6 million (9M 2022: EUR 23.4 million).

**The life and pension insurance segment:** Total business volume increased by 11% to EUR 223.2 million. New business margin stood at 13.7% (2.5 percentage points more than last year), CSM grew by 27% to EUR 215.3 million and CSM of new contracts was 11.6% (13.3% last year). Profit before tax amounted to EUR 21.4 million.

**The health insurance segment:** Total business volume amounted to EUR 157.2 million (index 103), with complementary insurance premium recording a high 37% growth and supplemental insurance premium remaining at last year's level. Claim incurred rose by 22% to EUR 168.5 million, while the combined ratio deteriorated by 17.7 percentage points year-on-year to 118.0%. This segment recorded earnings before tax of EUR –28.5 million.

**Asset management and other non-insurance operations:** The total business volume of the Group's non-insurance companies amounted to EUR 35.0 million (index 88), down year-on-year due to last year's high realised gains on the sale of investment property. Income from mutual fund management and discretionary mandate services was up 4% year-on-year. This segment recorded earnings before tax of EUR 6.9 million. Earnings before tax of non-insurance operations were EUR 7.2 million.

## OTHER HIGHLIGHTS

**Dividend.** On 6 June 2023, the regular General Meeting of Shareholders adopted the proposal of the Management Board and the Supervisory Board to pay a dividend of EUR 2.50 gross per share, i.e. EUR 56.8 million in total (just over 50% of the consolidated net profit for 2022).

**The Supervisory Board.** New members were appointed to Zavarovalnica Triglav's Supervisory Board; see the Company's website for more information.

**The Management Board.** Blaž Jakič began his five-year term of office as a Management Board member of Zavarovalnica Triglav on 2 March 2023. On 29 November 2023, the Supervisory Board appointed Andrej Slapar as the President of the Management Board for a new five-year term of office. He has served as the President of the Management Board since May 2013; his new five-year term of office will commence on 13 November 2024. The Supervisory Board agreed with the President of the Management Board's proposal and reappointed Uroš Ivanc and Tadej Čoroli as Management Board members. They served as Management Board members since July 2014; the new five-year term of office of Uroš Ivanc will commence on 16 July 2024 and that of Tadej Čoroli on 31 July 2024.

**Andrej Andoljšek, Chairman of the Supervisory Board of Zavarovalnica Triglav,** said: *"The Supervisory Board acknowledge the cooperation and mutual trust between the Supervisory Board and the Management Board. On behalf of the Supervisory Board, I wish the Management Board every success in implementing the Triglav Group's strategic guidelines."*

## **TRIGLAV GROUP BUSINESS PLAN FOR 2024<sup>2</sup>**

The Group expects a moderate macroeconomic environment in 2024 and its performance will depend on the financial market trend, the impact of the termination of supplemental health insurance, reinsurance coverage and the market potential of the markets in which the Group operates. The Group's total business volume is planned at around EUR 1.6 billion and its earnings before tax between EUR 100 million and EUR 120 million in 2024. In addition, the Group will aim to ensure a high level of profitability of the insurance business by reaching a combined ratio of around 95% in non-life and health insurance.

**Andrej Slapar, President of the Management Board of Zavarovalnica Triglav,** said: *"In 2024, we expect our operations to normalise in line with our strategy. The improvement will be seen in both the claims and expense parts of the combined ratio and in the generated operating profit. The termination of supplemental health insurance has been taken into account in the planned business volume of the health insurance segment, in which we will continue to develop and offer complementary insurance products."*

The Group will consistently implement its strategic guidelines. By continuing its digital transformation and developing service-oriented business ecosystems, the Group will continue to pursue its main strategic objective – an outstanding and uniform client experience. As the leading insurance and financial group in Slovenia and the Adria region, the Group will further strengthen its market position, while seeking opportunities directly according to the principle of free movement of services and through partnerships. It will strive for cost optimisation and effectiveness (productivity gains, automation, digitalisation and centralisation), effective risk management, financial stability and retaining high credit ratings from recognised rating agencies. The dividend policy remains unchanged, as does the aim to make the ZVTG share a profitable, safe and stable investment for investors. With respect to sustainable development, the Group will pursue its ambitions in line with its Sustainable Development Policy.

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<sup>2</sup> The figures planned for 2024 are based on the outlook, expectations about events and circumstances, and forecasts available to the Company at the time of drafting the plan. The actual results, performance and events may significantly deviate from those planned at this time.

## Financial highlights of the Triglav Group in 9M 2023

	EUR million		
	9M 2023	9M 2022	Index
<b>Total business volume</b> (1+2)	<b>1,390.1</b>	<b>1,241.1</b>	<b>112</b>
Gross written premium (1)	1,282.8	1,147.7	112
Other revenue (2)	107.4	93.4	115
<b>Insurance operating result</b> (1)	<b>-33.9</b>	<b>25.7</b>	
<i>Insurance revenue</i>	1,088.9	968.0	112
<i>Claims incurred</i>	1,009.6	626.6	161
<i>Acquisition and administrative costs incl. non-attributable items</i>	262.5	228.5	115
<i>Net reinsurance service result</i>	144.9	-84.8	
<i>Net other insurance revenue/insurance service expenses</i>	4.4	-2.3	
<b>Net investment result</b> (2)	<b>14.9</b>	<b>-7.2</b>	
<i>Investment result</i>	49.3	-80.8	
<i>Financial result from insurance contracts</i>	-40.6	-85.6	
<i>Change in provisions for failing to achieve the guaranteed return on SVPI</i>	6.1	-12.0	
<b>Result of non-insurance operations</b> (3)	<b>7.2</b>	<b>15.1</b>	<b>48</b>
<b>Earnings before tax</b> (1+2+3)	<b>-11.8</b>	<b>33.6</b>	
<b>Net profit/loss</b>	<b>-11.3</b>	<b>27.6</b>	
Other comprehensive income	15.8	-61.3	
	9M 2023	9M 2022	
<b>Combined ratio in non-life and health insurance</b>	<b>105.0%</b>	<b>97.8%</b>	
<i>Claims ratio</i>	82.5%	75.8%	
<i>Expense ratio</i>	22.5%	21.9%	
<b>New business margin of life and pension insurance</b>	<b>13.7%</b>	<b>11.1%</b>	
<b>Investment yield</b>	<b>1.5%</b>	<b>0.2%</b>	
	30 Sep 2023	31 Dec 2022	Index
Balance sheet total	4,285.4	3,901.4	110
Equity	842.0	894.3	94
Assets under management	<b>4,664.6</b>	<b>4,381.4</b>	106
Contractual service margin	230.5	186.4	124
Number of employees	5,314	5,306	100

The presentation for investors is available on the company's website:

<https://www.triglav.eu/en/investors/conferences-and-presentations>

**Clarification regarding the methodological approach (IFRS 17):** Starting 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 the first nine months of 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. Total business volume, gross written premium and claims incurred disclose the categories as defined under IFRS 4.

### ***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).** The CSM 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.

**Claims ratio** = (Claims + Change in future cash flows + Change in experience correction + Change in onerous contracts + Reinsurance result) / Insurance revenue

**Expense ratio** = (Attributable and non-attributable costs + Other net insurance service expenses (less Other insurance revenue) / Insurance revenue

**New business margin** = (CSM of new contracts + Loss of onerous contracts) / Present value of new premium

**Insurance operating result** = Insurance revenue – Claims incurred – Acquisition and administrative costs incl. non-attributable items + Net reinsurance service result + Net other insurance revenue/insurance service expenses

**Claims incurred** = Claims + Change in future cash flows + Change in experience correction + Change in onerous contracts