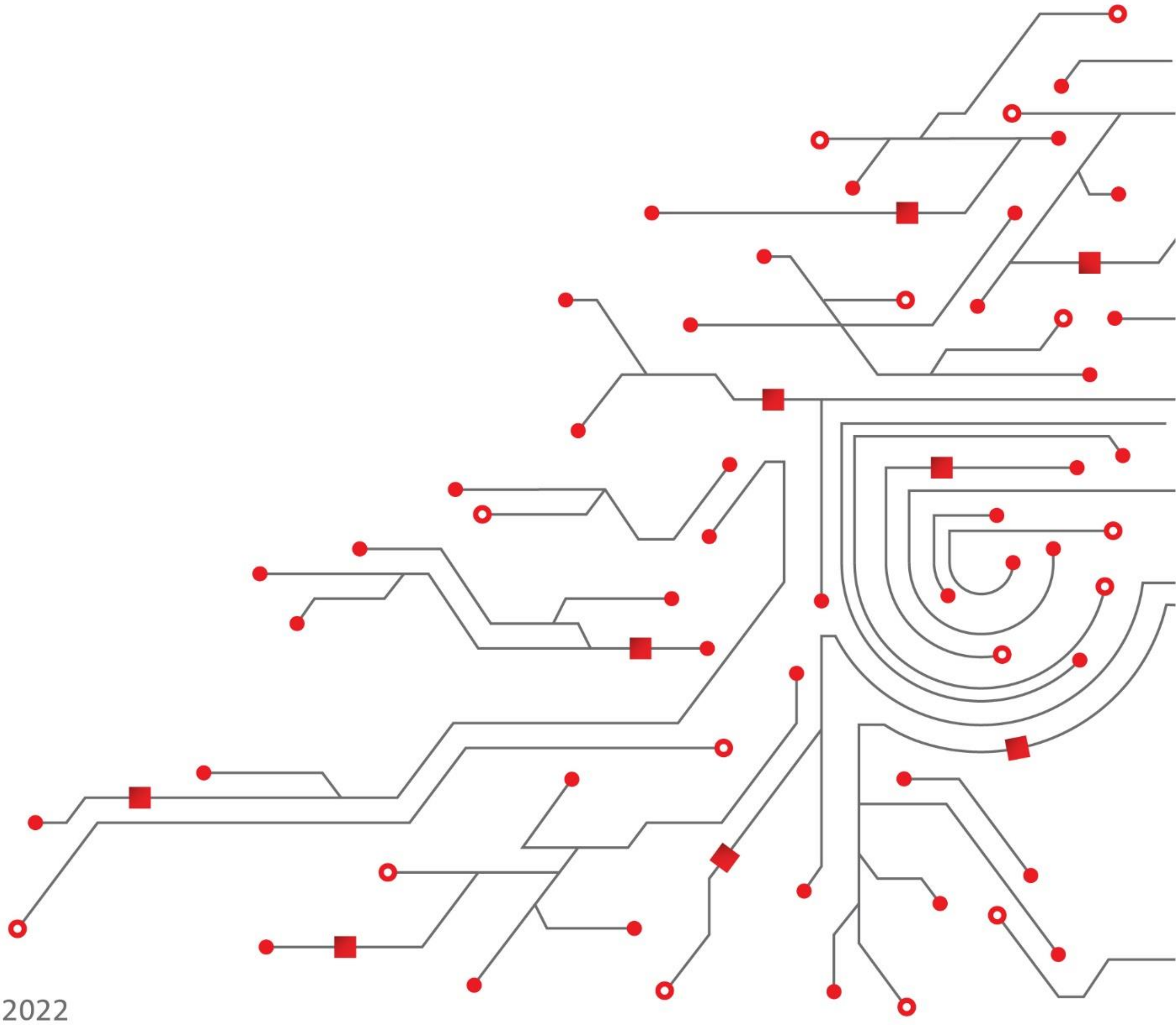
Zavarovalnica Triglav, d.d.,
Miklošičeva 19, Ljubljana

Solvency and Financial Condition Report
Zavarovalnica Triglav, d.d.
2021



Ljubljana, March 2022

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Zavarovalnica Triglav, d.d.

Solvency capital requirement
€374.3 million

Net profit in 2021
€73.4 million

Gross written premiums in 2021
€794.4 million

Solvency ratio
273%

Own funds
€1,022.2 million

Minimum capital requirement
€106.9 million

Investments
€2,296.1 million

MEMBERS OF THE MANAGEMENT BOARD:

President of the Management Board:

Andrej Slapar

Members of the Management Board:

Uroš Ivanc

Tadej Čoroli

Barbara Smolnikar

David Benedek

Marica Makoter

Ljubljana, March 2022

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Summary

Summary

Zavarovalnica Triglav is a public limited company with its registered office in the Republic of Slovenia where it holds the leading position on the insurance market. The beginnings of its operations go back more than 120 years. Today, Zavarovalnica Triglav is the parent company of the Triglav Group that included 28 subsidiaries and 16 associated companies in addition to the parent company at the end of 2021. The Triglav Group operates in six countries of the broader Adriatic region where its 21.1% market share makes it the leading insurance and financial group. The Triglav Group and thereby its parent company Zavarovalnica Triglav as well as the subsidiary Pozavarovalnica Triglav Re are rated by two recognised ratings agencies, S&P Global Ratings and A.M. Best. In 2021, both gave the Group an independent **rating of "A"** with a stable medium-term outlook thus confirming its financial stability, high level of capital adequacy and profitability of its operations.

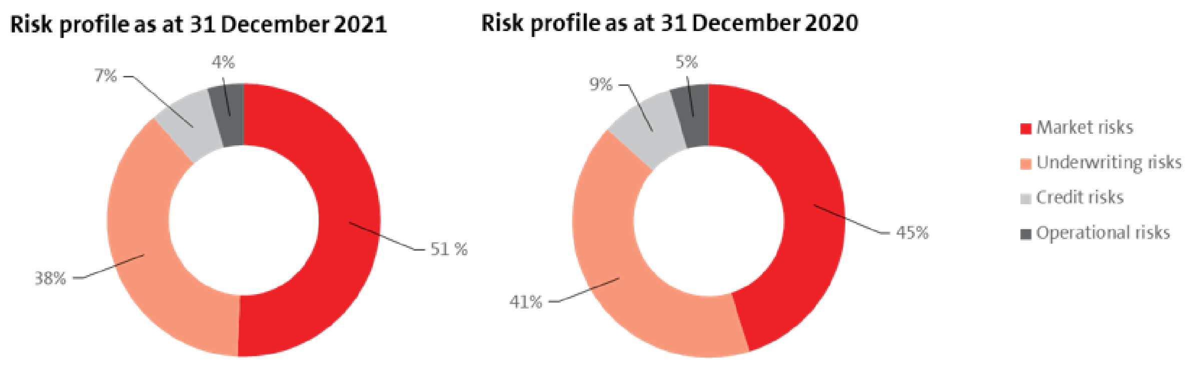
The strategic activities of Zavarovalnica Triglav include the **insurance business** and **asset management**. As part of its insurance business, the Company concludes non-life, health, life and pension insurance and reinsurance contracts. It operates mainly on the Slovenian market, while it also operates outside Slovenia within the scope of the Triglav Group activities. Its activity is supervised by the Slovenian regulator, the Insurance Supervision Agency, while its external auditor for the 2021 financial year was the Deloitte revizija d.o.o. auditing firm.

Zavarovalnica Triglav is managed and governed according to a two-tier system of governance including the General Meeting, the Supervisory Board and the Management Board. At the end of 2021, the Management Board comprised six members. The Supervisory Board is composed of nine members, three of whom are employee representatives. The system of governance of Zavarovalnica Triglav also includes the so-called four key functions that report directly to the Management Board (risk management function, the compliance function, the internal audit function and the actuarial function) and eight risk management system committees that are appointed by the Management Board. Their work is placed into the second line of defence of the three lines of defence model of risk management. The work of the committees of Zavarovalnica Triglav is described in detail in section B.3.4 of this Report.

Despite the still uncertain and volatile business environment in 2021, Zavarovalnica Triglav regularly assessed the impact on operations under various scenarios and successfully dealt with the increased risks arising from the Covid-19 pandemic.

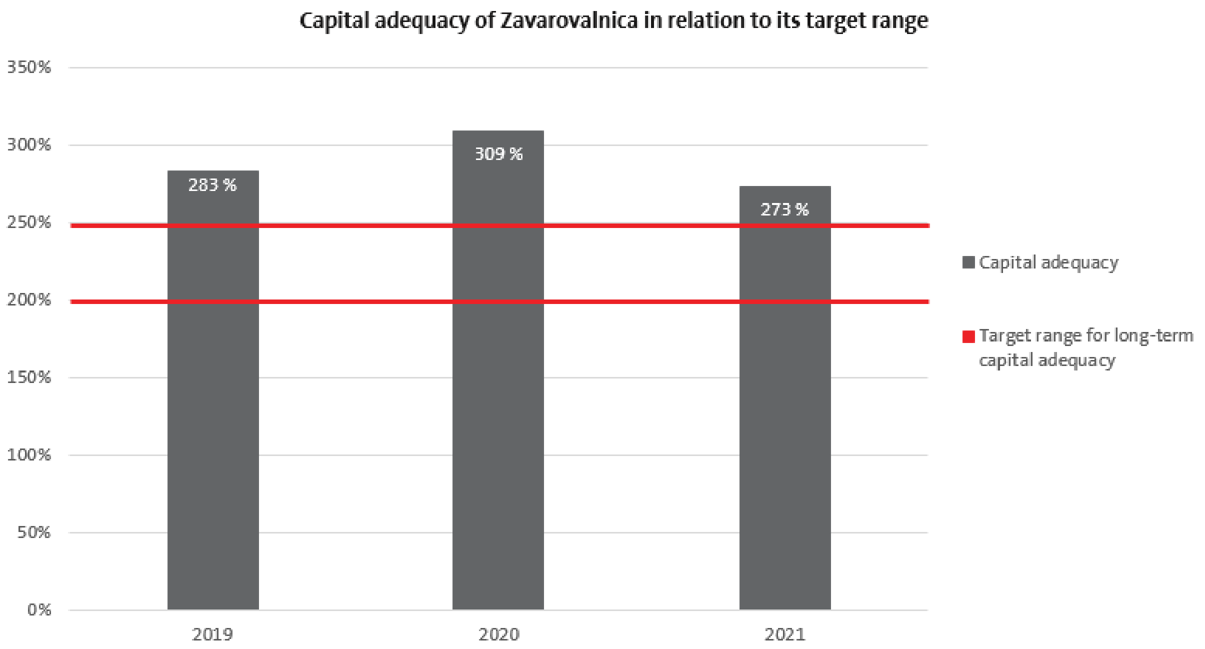
As regards risks, Zavarovalnica Triglav ended 2021 within the set targets, and the Company's capital adequacy was within the target range. The Company regularly monitored the risk profile and actively upgraded individual areas of the risk management system, mainly where it detected elevated risk or higher exposures.

The risk profile as at 31 December 2021 changed compared to the previous year, mainly due to an increase in market risks when compared to underwriting risk, whereby the risk estimate increased over the course of the year for both market and underwriting risks. The main reason for the increase in market risk is mainly the increase in equity risk resulting from the higher symmetric adjustment and higher exposure to equities and collective investment undertakings. This estimate was further increased by the good operating performance of associated companies.



Additional information on the risk estimate is presented in section C of this Report.

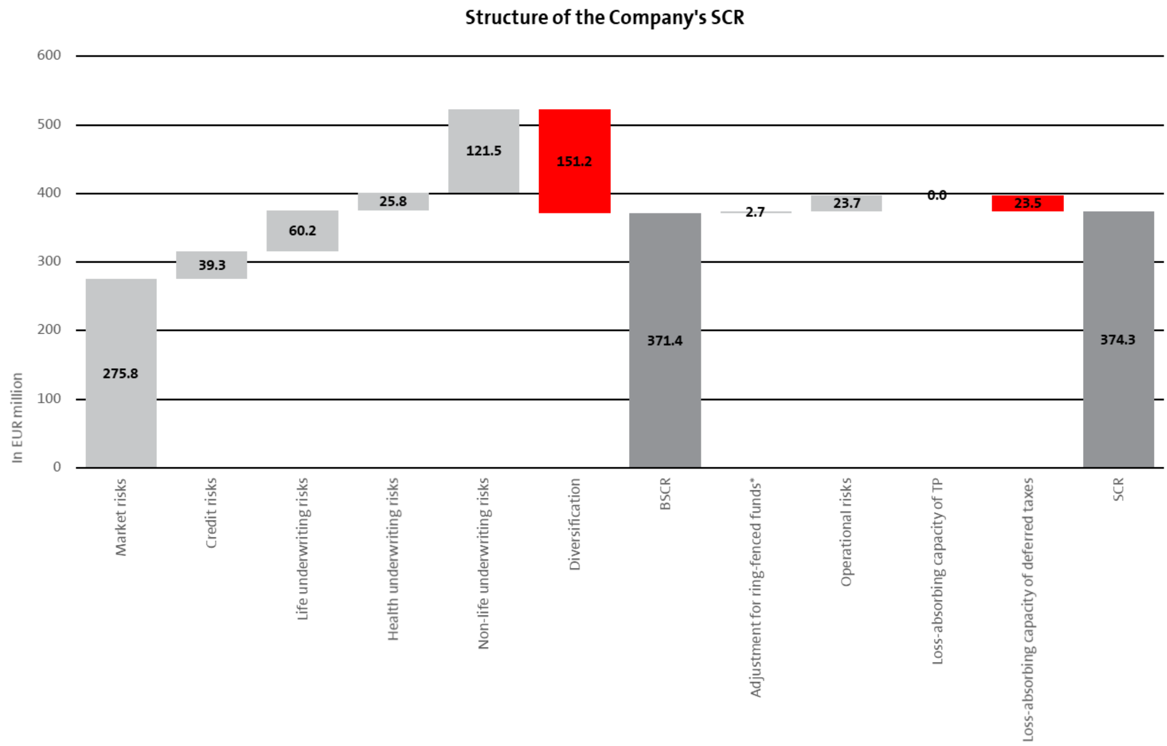
Capital adequacy or the capital adequacy ratio is calculated according to the standard formula as the ratio between the total eligible own funds and the solvency capital requirement. Zavarovalnica Triglav was adequately capitalised as at 31 December 2021. It had sufficient own funds to cover both the SCR (273%) and the MCR (928%). The Company does not use adjustments or simplifications when determining capital adequacy.



Eligible own funds are calculated as the difference between assets and liabilities whereby the entire balance sheet is valued at fair value. The balance sheet is composed of the Company's share capital (EUR 73.7 million), subordinated liabilities (EUR 51.7 million) and the reconciliation reserve (EUR 896.9 million). The calculation of eligible own funds takes into account the dividend policy guidelines. The Company holds the highest quality own funds and thus classifies its entire share capital and the reconciliation reserve as Tier 1 assets, while it classifies subordinated bonds as Tier 2 assets.

The **solvency capital requirement** of the Company is calculated using the standard formula and without any simplification. It represents the sum of capital requirements of its main risks and also accounts for the diversification between them.

Zavarovalnica Triglav has formed two ring-fenced funds, i.e. SVPI[1] and SVPI renta[2] , for which risks are calculated separately for each risk type under the standard formula, which is presented in more detail in section E of this Report.



*Adjustment for the aggregation of the notional SCR of ring-fenced funds/matching adjustments portfolios

In 2021, as much as 89% of the Company's SCR came from underwriting and market risks. The majority of its own funds are classified as Tier 1 in terms of quality.

In 2021, the Company operated very successfully, maintained its capital strength and carefully followed the outlined strategic orientations and goals in its operations.

[1] Supplementary voluntary pension insurance
[2] Supplementary voluntary pension insurance during the payment phase

A. Business and performance

A. Business and performance

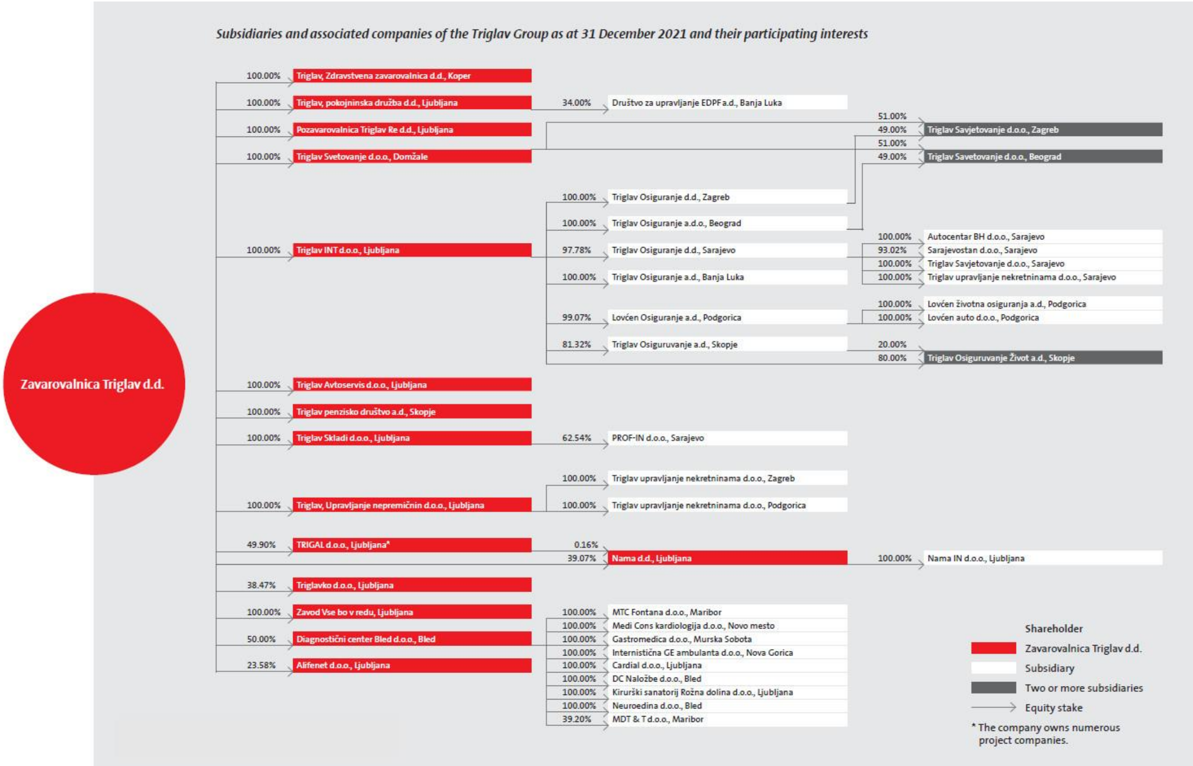
A.1 Business

A.1.1 About Zavarovalnica Triglav

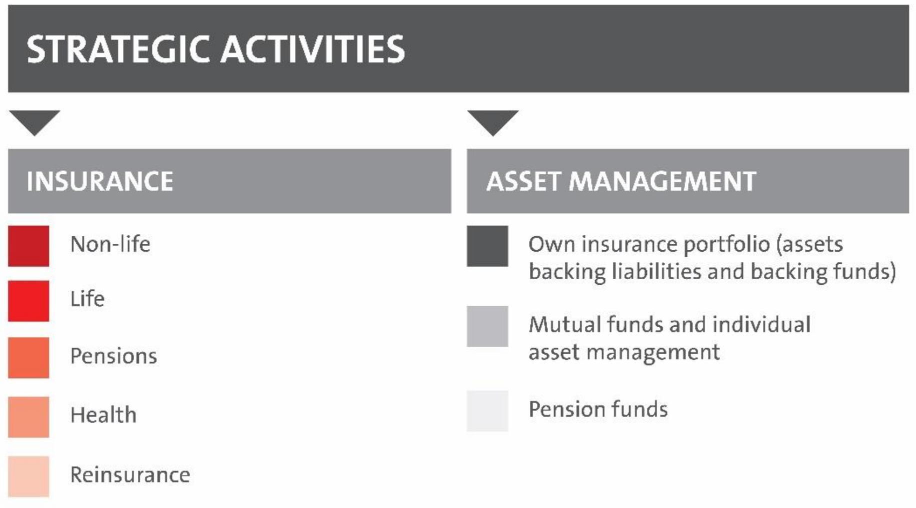
Zavarovalnica Triglav, d.d. (hereinafter: the Company) headquartered in Ljubljana, Miklošičeva 19, is the parent company of the Triglav Group (hereinafter: the Group) comprising 28 subsidiaries and 16 associated companies in addition to the Company.

Below is the schematic presentation of the Group's subsidiaries and associated companies as well as their respective equity interests as at 31 December 2021.

Figure 1: Schematic of the Group's subsidiaries and associated companies and their respective equity interests as at 31 December 2021



The Company carries on the insurance and reinsurance activities as well as the asset management activity. As part of its insurance business, the Company concludes non-life, health, life and pension insurance contracts. The Company operates mainly on the Slovenian market, while it operates in the broader international environment through partnership ties with foreign companies involved in insurance agency and brokerage as well as reinsurance.



The Company held a 29.8% market share in Slovenia at the end of 2021 and thereby a leading market position (27.7% share in the previous year).

In 2021, the Company operated in all segments of non-life and health insurance with the exception of the segment of employee accident insurance (LoB 3). Out of all the non-life and health insurance segments, the Company books the most premium from fire and other damage to property insurance (LoB 7), other motor insurance (LoB 5) and motor vehicle liability insurance (LoB 4).

In 2021, index-linked or unit-linked insurance (LoB 31) represented the largest segment of life insurance. These were followed by insurance with profit participation (LoB 30) and other life insurance (LoB 32).

The Company carries on the insurance and reinsurance activities as well as the asset management activity. Asset management encompasses saving via insurance services and investments in the Company's mutual funds. Asset management enables the assurance of adequate funds for the payment of contractual liabilities and the maintenance of suitable capital adequacy.

A.1.2 Supervisory body

The Company's supervisory body is:

Insurance Supervision Agency (hereinafter: ISA),
Trg republike 3,
1000 Ljubljana,
Slovenia

A.1.3 External audit

Based on the resolution of the General Meeting of Shareholders of the Company (hereinafter: General Meeting of Shareholders), the following audit firm was appointed as the external auditor of the Company for the 2021 financial year:

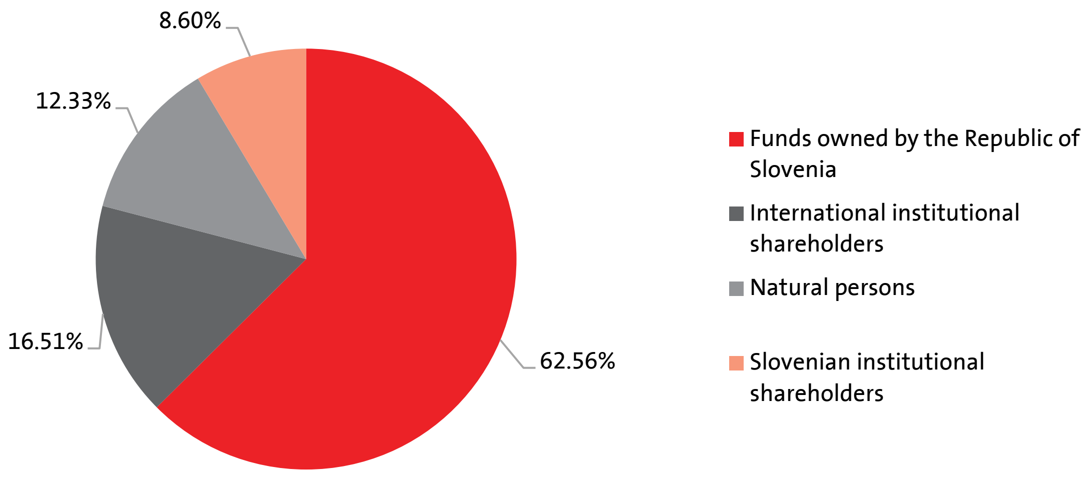
Deloitte revizija d.o.o.,
Dunajska cesta 165,
1000 Ljubljana,
Slovenia

A.1.4 Ownership structure of Zavarovalnica Triglav

There were no significant changes to the ownership structure of the Company in 2021. The largest shareholders, funds owned by the Republic of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Pension and Disability Insurance Institute of Slovenia); 34.47% ownership share and Slovenski državni holding, d.d. (Slovenian Sovereign Holding); 28.09% ownership share)) maintained unchanged ownership shares as did the third largest shareholder, a Croatian pension fund, which is visible in the share register of the Company on the fiduciary account of its custodian bank. According to known data, these three shareholders are the sole holders of qualifying holdings in the Company.

In recent years, natural persons have been actively trading in the shares of the Company and are gradually increasing their holdings. At the end of 2021, their holdings had already exceeded 12%. The holdings of the institution's international institutional shareholders, which come from more than 16 countries, mostly Europe and the United States, remains stable at around 16%.

Chart 1: Company's ownership structure as at 31 December 2021



The Company had 12,000 shareholders and custodian bank accounts registered in the share register at the end of the year. At the beginning of 2022, the number of subscribers decreased by a third, which did not affect the ownership structure of the Company. The decrease was due to the statutory activities of the Central Securities Clearing Corporation (KDD) regarding shares from the time of the ownership transformation of Slovenian companies, which were later not transferred to the trading accounts of stock exchange members or the KDD.

A.1.5 Major business events and achievements in 2021

- Good business performance: Already in Q3, the Group raised the estimate of the originally planned annual profit. It achieved growth in the premium in all insurance markets and in all segments of the insurance business, and also increased the value of assets under management.
- Dividend payment: The Company has met the ISA requirements for the payment of dividends related to uncertainties in the markets due to the pandemic. At the May General Meeting, the shareholders adopted the proposed resolution of the Management Board and the Supervisory Board for the payment of dividends, which represent 53% of the Company's consolidated net profit for 2020 or 5% dividend yield.
- Confirmed high "A" credit rating: The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's A rating with a stable medium-term outlook.
- Changes in the Management Board and Supervisory Board of the Company: At the proposal of the Works' Council, the Supervisory Board reappointed Marica Makoter as a member of the Management Board, the Workers' Director. The General Meeting appointed Tomaž Benčina, Branko Bračko, Jure Valjavec and Peter Kavčič as members of the Supervisory Board, representatives of shareholders, and renewed the term of office of Andrej Andoljšek.
- Revised strategy: With the revised strategy until 2025, the Group maintains its essential orientations and upgrades them in terms of development, while also emphasising its ambitions in the field of sustainable development.

A.2 Underwriting performance

The Company's net profit in 2021 was up 26.6% compared to the year before, i.e. from EUR 58 million to EUR 73.4 million. The good financial result was mainly due to the growth of the volume of operations, disciplined and prudent underwriting of insurance risks, relatively lower claims frequency as a result of the pandemic and the favourable development of claims provisions set aside in recent years.

The non-life combined ratio stood at 81.8% at the end of 2021, down 4.3 pp compared to the year before. The main reason for the lower combined ratio compared to 2020 is the lower claims ratio.

Table 1: Company's operating performance in 2021 and 2020

		In EUR thousand
	2021	**2020**
Profit or loss before tax	**85,689**	**71,070**
Net profit/loss	**73,416**	**57,998**
- Non-life insurance	67,191	52,951
- Life insurance with pension insurance	6,224	5,047
Non-Life insurance combined ratio	**81.8%**	**86.1%**
- Loss ratio	50.4%	54.8%
- Expense ratio	31.4%	31.3%
ROE	**11.1%**	**9.5%**

In 2020, 8% of the Company's net profit came from life insurance, while 92% was generated from non-life insurance. Compared to the previous year, the share of non-life insurance grew by 0.2 p.p. at the expense of life insurance.

The Company booked a total of EUR 794.4 million in gross insurance, co-insurance and reinsurance premium in 2021. The premium grew by EUR 75.1 million when compared to 2020. According to the segmentation for solvency purposes, the Company booked EUR 635.9 million of gross insurance, co-insurance and reinsurance premium from non-life insurance and health insurance and EUR 158.4 million from life insurance. The biggest share of the non-life and health insurance premium is derived from the fire insurance and other damage to property insurance segment (LoB 7). These were followed by other motor vehicle insurance (LoB 5) and mandatory third-party liability insurance (LoB 4). The biggest share of the life insurance premium comes from the index-linked or unit-linked insurance (LoB 31) segment.

Gross claims incurred in 2021 came in at EUR 406.9 million, whereby EUR 247.9 million of the said amount came from non-life insurance and health insurance and EUR 159 million came from life insurance. The majority of the gross claims incurred among non-life and health insurance arose from claims in the fire insurance and other damage to property insurance (LoB 7) and other motor vehicle insurance (LoB 5), while the majority under life insurance came from the insurance with profit participation segment (LoB 30). Compared to 2020, gross claims incurred were up 0.6 million, whereby gross claims incurred under non-life and health insurance decreased by EUR 12.3 million and those under life insurance increased by EUR 13 million.

The Company's gross expenses in 2021 amounted to EUR 205.8 million. EUR 173.2 million of the abovementioned amount came from non-life insurance and health insurance and EUR 32.6 million came from life insurance. Subject to the segmentation for solvency purposes, the highest expenses were incurred in the fire insurance and other damage to property insurance segment (LoB 7). Expenses increased by EUR 27.6 million when compared to 2020.

The table below presents the amounts of the gross written insurance, reinsurance and co-insurance premium, gross claims incurred and the expenses under the major insurance segments used for solvency purposes. The amounts for other insurance segments are presented in template S.05.01 of the appendix to this Report.

Table 2: Premium, claims and expenses of the Company by major insurance segments for solvency purposes in 2021 and 2020

In EUR thousand

	2021	2020
Gross written premiums from insurance, co-insurance and reinsurance contracts	**794,351**	**719,253**
- Non-life insurance including health insurance	**635,911**	**573,584**
-- Fire and other damage to property insurance (LoB 7)	206,703	185,847
-- Other motor insurance (LoB 5)	129,093	127,341
-- Motor vehicle liability insurance (LoB 4)	106,072	102,739
-- Other non-life and health insurance segments	194,042	157,658
- Life insurance	**158,441**	**145,669**
-- Index-linked and unit-linked insurance (LoB 31)	99,524	86,204
-- Insurance with profit participation (LoB 30)	51,564	52,137
-- Other life insurance (LoB 32)	7,352	7,328
-- Annuities from non-life insurance contracts (LoB 34 and LoB 35)	0	0
Gross claims incurred	**406,908**	**406,235**
- Non-life insurance including health insurance	**247,863**	**260,141**
-- Fire and other damage to property insurance (LoB 7)	83,891	71,882
-- Other motor insurance (LoB 5)	74,125	75,759
-- Motor vehicle liability insurance (LoB 4)	36,495	70,891
-- Other non-life and health insurance segments	53,353	41,609
- Life insurance	**159,044**	**146,094**
-- Insurance with profit participation (LoB 30)	83,914	81,210
-- Index-linked and unit-linked insurance (LoB 31)	60,244	58,892
-- Annuities from non-life insurance contracts (LoB 34 and LoB 35)	13,072	4,502
-- Other life insurance (LoB 32)	1,814	1,490
Expenses	**205,794**	**178,213**
- Non-life insurance including health insurance	**173,203**	**149,006**
-- Fire and other damage to property insurance (LoB 7)	53,429	48,517
-- Other motor insurance (LoB 5)	34,351	31,767
-- Motor vehicle liability insurance (LoB 4)	29,711	27,776
-- Other non-life and health insurance segments	55,713	40,945
- Life insurance	**32,591**	**29,206**
-- Index-linked and unit-linked insurance (LoB 31)	19,355	17,470
-- Insurance with profit participation (LoB 30)	8,819	8,319
-- Other life insurance (LoB 32)	4,399	3,389
-- Annuities from non-life insurance contracts (LoB 34 and LoB 35)	18	28
- Other expenses	**10,861**	**12,989**

The Company operates mostly in the territory of the Republic of Slovenia, with life insurance sold exclusively in Slovenia. More than 94% of premium income is generated by the sale of insurance to domestic clients and more than 98% of all claims are paid to domestic clients as well. Compared to 2020, the share of the premium written at home decreased by 3.8 percentage points.

Table 3: Geographic distribution of the premium and claims of the Company in 2021 and 2020

		In EUR thousand
Geographic distribution of the premium and claims	**2021**	**2020**
Gross written premiums from insurance, co-insurance and reinsurance contracts	**794,351**	**719,253**
- Slovenia	748,971	705,416
- Other countries	45,380	13,837
Gross claims incurred	**406,908**	**406,235**
- Slovenia	400,195	402,945
- Other countries	6,712	3,289

Detailed quantitative data on the Company's operations subject to the geographic distribution is shown in template S.05.02 in the appendix to this Report.

A.3 Investment performance

The Company's investment policy remains conservative as the majority of the investments in the portfolio are still represented by debt securities that are closely tied to liabilities. The main factors affecting the Company's investment performance are the structure of the investments and the developments on capital markets. This chapter presents the Company's investment result broken down by the contribution of individual investment classes. We also provide a comparison with the investment result published by the Company last year. The investment result shown was also published by the Company in the Annual Report of the Triglav Group and Zavarovalnica Triglav, d.d. for 2021 (hereinafter: Annual Report), i.e. section 3.7 of the financial statement section of the Report.

Taking into account index-linked and unit-linked insurance contracts, the investment performance in 2021 was higher than in 2020. Interest income fell in both the government bond and corporate bond classes on account of the prolonged period of low interest rates. Interest income from loans is lower because of the decrease in exposure to this class. The "Other" class presents interest income from default interest on receivables and other interest expenses.

Dividend income increased, mainly in the portion representing dividends received from subsidiaries. The alternative investment programme has transitioned into the phase where a part of the return is already being paid out in the form of dividends, which increases the dividend performance of collective investment undertakings.

The "Net profit or loss" category comprises changes in the fair value of assets classified as "fair value through profit or loss", gains and losses from sale and permanent impairments. The item increased compared to the year before mainly because of the change in the fair value through profit or loss in the collective investment undertakings class which is significantly higher than last year's value. This is due to the marked growth of stock markets in 2021. Owing to the environment of rising interest rates, especially in the last quarter of the year, the Company generated a lower result on government bonds than in the previous year. In the case of corporate bonds, the realised result was higher, which is mainly due to slightly lower credit spreads compared to the end of 2020. In 2021, the Company used derivative instrument exclusively to hedge currency risk. The net result in this class has improved significantly compared to the year before. The amount of permanent impairments stands at EUR 1.07 million and is lower than last year. Impairments are the result of the revaluation of some associated companies.

The negative amount in the “Other net financial income” item comprises exchange rate differences and management costs.

The "Unrealised gains and losses" category relates only to investments classified in the "available for sale" financial reporting group and represents a periodical change in the revaluation surplus which is an integral part of equity. The increase in the risk-free interest rate lowered the result in this part, compared to last year, both in the segment of government and corporate bonds.

The rental income result did not change significantly compared to the previous year.

Table 4: Performance of the Company's investment activities for financial reporting purposes in 2021 and 2020

2021						**In EUR thousand**
Investment performance	Net interest	Dividends	Net profit or loss	Other net financial income	Unrealised gains and losses	Rents
Investments	**21,453**	**12,824**	**74,478**	**-2,676**	**-32,677**	**4,860**
Real estate	0	0	151	0	0	4,860
Shares	0	11,373	3,266	0	19,076	0
Government bonds	10,709	0	-1,760	0	-49,884	0
Corporate bonds	6,315	0	-87	0	-8,773	0
Collective investment undertakings	-83	1,451	73,015	0	6,904	0
Loans	177	0	0	0	0	0
Deposits, cash and cash equivalents	372	0	0	0	0	0
Derivatives	0	0	-107	0	0	0
Other	3,963	0	0	-2,676	0	0

2020						**In EUR thousand**
Investment performance	Net interest	Dividends	Net profit or loss	Other net financial income	Unrealised gains and losses	Rents
Investments	**28,072**	**3,798**	**35,321**	**-5,993**	**24,426**	**4,849**
Real estate	0	0	-525	0	0	4,849
Shares	0	3,060	5654	0	-3,003	0
Government bonds	13,395	0	20,729	0	26,586	0
Corporate bonds	9,650	0	-5,880	0	-797	0
Collective investment undertakings	0	738	15,859	0	1,640	0
Loans	299	0	0	0	0	0
Deposits, cash and cash equivalents	373	0	0	0	0	0
Derivatives	0	0	-516	0	0	0
Other	4,355	0	0	-5,993	0	0

The Company has no investments in securitized products.

A.4 Performance of other activities

A.4.1 Other income and expenses

The Company's other income comprising other insurance income and other income came in at EUR 54.2 million in 2021. More than half of the said income, i.e. EUR 38.2 million, relates to reinsurance commission income and commissions of life insurance guarantee funds. Other income mostly relates to other income from insurance operations and income from investment properties.

The Company's other expenses comprising other insurance expenses and other expenses came in at EUR 47.8 million in 2021. The biggest share of the abovementioned expenses relates to expenses for employee bonuses (EUR 15.7 million; EUR 12.7 million in the previous year), commission expenses (EUR 14.4 million; EUR 11.3 million in the previous year), the fire tax (EUR 4.6 million, EUR 4.4 million in the previous year), depreciation and other expenses from investment property (EUR 3.7 million, EUR 3.8 million in the previous year), impairments and write-offs (EUR 1.3 million; EUR 3.3 million in the previous year) and expenses for interest on issued bonds (EUR 2.2 million; EUR 2.5 million in the previous year).

Detailed information on the Company's other income and expenses is presented in the financial statement section of the Annual Report, i.e. sections 4.6, 4.7, 4.13 and 4.14.

Table 5: Other income and expenses of the Company for financial reporting purposes in 2021 and 2020

In EUR thousand

	2021	2020
Other income	**54,213**	**45,983**
- Other insurance income	45,387	38,110
- Other income	8,826	7,873
Other expenses	**47,784**	**44,668**
- Other insurance expenses	25,298	24,308
- Other expenses	22,486	20,360

A.4.2 Lease agreements

In the reporting period, the Company was a party to several lease agreements both as lessor/landlord and as lessee/tenant. Among the contractual relationships where the Company acts as the lessor/landlord, only investment property is considered material. Of the total value of investment properties of EUR 43.8 million, the rental income amounted to EUR 5.6 million in 2021.

The Company acts as the tenant/lessee when renting business premises and parking spaces, leasing software and data lines, leasing multi-function devices and leasing cars.

As at 31 December 2021, the right-of-use assets in the amount of EUR 4.5 million was disclosed by the Company. The total annual amortisation expense of these assets was EUR 1.2 million, while interest expenses came in at EUR 66 thousand. Rental costs not accounted according to IFRS 16, i.e. short-term leases and low-value leases, came in at EUR 430 thousand in 2021.

A.5 Any other information

EVENTS IN 2022

On 24 February 2022, war broke out in Ukraine. The management performed a due diligence analysis of the Company's exposure to war conditions and assessed potential impacts on operations. The analysis was conducted in terms of the direct effects of the war, in terms of sanctions against Russia, and in terms of the increased risks of cyber attacks. Details of the findings of the analysis are presented in more detail in the Annual Report, in section 5.9 of the Accounting Report. Not all dimensions of the war and war-related sanctions against Russia were known by the time of the confirmation of this Report.

The direct effects of the war on the Company’s operations were assessed as negligible. In the case of insurance operations in Ukraine, the Company has a number of active insurance coverage policies, most of which exclude the Company's liability in the event of war. If damage occurs that is not related to the events of the war, the Company's liabilities are negligible or will be treated as part of its regular operations.

However, sanctions against Russia and Belarus could affect business operations. These have had a significant impact on financial markets and payment transactions. Direct exposure to Russian securities issuers, i.e. mostly government bonds, represents 0.5 percent of the Group's bond portfolio. In the most pessimistic scenario, these bonds will be fully impaired, which will reduce the Group's investment return and profit for 2022.

The high level of volatility, which was recorded in the movement of the value of stock exchange indices, affects the value of the Company's stock portfolio. By the time of the approval of this Report, general declines in the value of stock exchange prices were recorded, with a negligible impact on profit or loss. The fall in the values mostly resulted in the decline of other comprehensive income. If the fall in value were significant or long-lasting, this would also have the effect of reducing the current profit or loss.

The Company estimates that the main risk in the ordinary course of the insurance and reinsurance business operations arises from the deterioration of the credit quality of Russian reinsurance companies with which the Company does business. In addition, there is the risk of a ban on international payment transactions with Russian reinsurance companies. The Group currently has 1.6 percent of claims provisions for claims incurred that are reinsured with Russian reinsurance companies. In the most pessimistic scenario, i.e. complete blockade of the international payment transactions of Russian reinsurance companies or complete cessation of their operations, the Company would have to take over the entire share of provisions itself, which would reduce the profit or loss.

The Company also pays special attention to cyber risks. From 22 February 2022 onwards, an increased volume of online activities was detected, the number of e-mails using social engineering (e.g. phishing) increased, and an increase in the scanning of publicly available IP addresses was also detected. As a result, more attention is paid to regular monitoring of possible incidents. A business continuity plan addressing cyber risks has also been prepared.

Based on the performed analysis, there are no indications that these non-corrective events after the reporting date endanger the Company in terms of its ability to continue as a going concern.

The issuance of a guarantee for potential investment opportunities is also cited as an important non-corrective event. A contingent liability arising from a given guarantee will not significantly affect the amount of the Company's assets.

OTHER RELEVANT INFORMATION

All information relating to business and performance of the Company is disclosed in sections A.1 through A.4.

B. System of governance

B. System of governance

B.1 General information on the system of governance

A two-tier system of governance including the following bodies is set up at the Company: General Meeting of Shareholders, the Management Board and the Supervisory Board. The bodies operate in accordance with the laws and other regulations, the Company's Articles of Association and their respective rules of procedure.

In addition to the management bodies, the Company's system of governance also includes four key functions, i.e. the risk management function, the actuarial function, the compliance function and the internal audit function. They are organised at the Company as independent organisational units, which carry out their duties and responsibilities independently from one another and from the other organisational units of the Company.

They operate in line with the structure of the three lines of defence within the Company's governance system. The responsibilities for the performance of tasks, processes and reporting obligations of every key function are defined within the system of governance. Key functions are presented in more detail in sections B.3.3, B.4.1, B.5 and B.6.

The system of governance also includes committees, the members of which are appointed and recalled by the Management Board. The committees differ from one another in terms of their purpose, composition and powers, while their decisions are binding. Committees within the risk management system are presented in more detail in Section B.3.4.

B.1.1 Management bodies of the Company

B.1.1.1 Management Board

The Management Board governs and manages the Company independently and at its own responsibility. It represents and presents the Company without limitation. The Company is always represented and presented in legal transactions by two Management Board members jointly, i.e. the President and member. The Management Board has at least three and no more than six members, one of whom is the President. The President of the Management Board proposes the appointment or recall of all or individual Management Board members to the Supervisory Board. The Company has an Employee Representative whose position is Management Board member.

The main competences and tasks of the Management Board are as follows: compliant management and organisation of the Company's operations; representation of the Company vis-à-vis third parties; responsibility for the legality of operations; adoption of the development strategy of the Company and the annual plan of operations; reporting to the Supervisory Board on the performance of both the Company and the Group.

On 2 March 2021, the Supervisory Board re-elected Marica Makoter to the position of member of the Company's Management Board – Workers' Director, which it did at the proposal of the Works' Council. Her 5-year term of office began on 23 December 2021.

The composition of the Management Board in 2021 was as follows:

Table 6: Composition of the Management Board and the competences of the members of the Management Board of the Company in the 2021 financial year

First and last name	Function	Area of work within the Management Board as at 31 Dec. 2021
Andrej Slapar	President of the Management Board	Manages and directs the work of the Management Board and the operation of the headquarter departments (Cabinet of the Management Board, Legal Office, Internal Audit Department, Corporate Communication Department and Compliance). He is responsible for the Corporate Account Division, Non-Life Insurance, the Subsidiary Management Department (except subsidiaries outside Slovenia), HR matters related to employees with special powers, operation of the GIZ Arbitration and Nuclear Pool. He is also responsible for the preparation and implementation of the strategy of Zavarovalnica Triglav and the Triglav Group.
Uroš Ivanc	Member of the Management Board	He is responsible for the Risk Management Department and the Strategic Planning and Controlling Department, the independent Non-Life Insurance Development And Actuarial Department, and the Accounting and Finance Department, except for the Investment Department and the Group Non-Slovenian Subsidiary Management Department. He is also responsible for relations with investors (IR) and credit rating agencies as well as for environmental, social and corporate sustainable development (ESG) activities.
Tadej Čoroli	Member of the Management Board	He is responsible for Marketing, Business Intelligence and Customer Relations Management, Non-Life Insurance Claims, Insurance Sales and Digitization, Processes and Technology.
Barbara Smolnikar	Member of the Management Board	She is responsible for the Life Insurance Division and the independent Life Insurance Development and Actuarial Department. She is also responsible for anti-money laundering and banking insurance.
David Benedek	Member of the Management Board	He is responsible for the headquarter Strategic Purchasing Department, the IT Department and the Investment Department. He is also responsible for mergers and acquisitions (M&A).
Marica Makoter	Member of the Management Board - Workers' Director	She represents the interests of the workers as stipulated in the Worker Participation In Management Act. She is responsible for the Fraud Prevention, Detection and Investigation and the Project Portfolio and Change Management Department. She is responsible for the Back Office Division and the HRM Division (with the exception of personnel matters related to employees with special powers).

B.1.1.2 General Meeting of Shareholders

Shareholders exercise their rights at the General Meeting of Shareholders that is convened no less than once a year. The powers and operation of the General Meeting of Shareholders are defined by the Companies Act and the Company's Articles of Association. A shareholder registered in the share register kept by the Central Securities Clearing Corporation (KDD) as the holder of the shares at the end of the fourth day prior to the General Meeting of Shareholders session may participate in the General Meeting of Shareholders. They may exercise their voting right provided they announce their participation no later than by the end of the fourth day prior to the date of the General Meeting of Shareholders. The rights and obligations afforded to the shareholders by the shares as well as the explanations on the limitations on share transfers and the attainment of the qualified share are presented in greater detail in the Business Report of the Annual Report, i.e. in section 6.2.

B.1.1.3 Supervisory Board

The Company's Supervisory Board has nine members, six of whom are shareholders' representatives and three are employee representatives. The members of the Supervisory Board - shareholders' representatives are elected by the General Meeting of Shareholders. The Members of the Supervisory Board who act as employee representatives are elected by the Company's Works Council, which informs the General Meeting of Shareholders of its decision. The Chairman and Vice Chairman act as shareholders' representatives. The term of office of Supervisory Board members is four years, whereby they may be re-elected without limitation.

The Supervisory Board supervises the management of the Company. In addition to the powers under the Companies Act and the Insurance Act (hereinafter: ZZavar-1), the Supervisory Board grants its consent to the decisions of the Management Board where the stake of the Company or the value exceeds the limit set in the Rules of Procedure of the Supervisory Board, i.e. in the establishment of companies with share capital in Slovenia and abroad, the acquisition or sale of Zavarovalnica Triglav's stakes in foreign or domestic companies (except if these are equity holdings for which the classic portfolio management approach is applied), the issue of debt securities of the Company and long-term borrowing from domestic and foreign banks, the acquisition and sale of the Company's real estate as well as investment in its real estate. The Supervisory Board also grants its consent to the appointment and dismissal of the Internal Audit Department Director as well as the granting and revoking authorisations of the Company's key function holders. It also grants consent to the Management Board for the business strategy and financial plan of the Company as well as the internal acts of the system of governance. The Supervisory Board also sets the remuneration of the President and members of the Management Board and works with the Management Board to set the remuneration of the Internal Audit Department Director.

When supervising the conduct of the Company's business, the Supervisory Board in particular supervises the adequacy of procedures and effectiveness of the work of the Internal Audit Department, considers the findings of the ISA, tax inspection and other supervisory authorities in procedures for the supervision of the Company, verifies annual and other financial reports of the Company and prepares a reasoned opinion thereto, provides grounds for its opinion on the Internal Audit Department's annual report to the General Meeting of Shareholders and compiles a written report for the General Meeting of Shareholders, reviews the proposal for the appropriation of distributable profit, which was submitted by the Management Board, takes a position on the audit report and draws up a written report for the General Meeting of Shareholders by including potential comments or approving it.

The Supervisory Board has a key role in the risk management system as it is a primary stakeholder, to which all three lines of defence report, and simultaneously the entity responsible for the functioning of the three lines of defence system within the risk management system and control processes. As part of its supervisory work, it is regularly briefed on the effectiveness and performance of the functioning of the risk management system.

The Supervisory Board appoints and may also recall the members of the Management Board. In doing so, it strives to ensure the continuity of their work through prudent and timely selection of the President and other members of the Management Board.

The Supervisory Board decides with the majority of the votes cast by the members present.

On 13 June 2021, the term of office of four Supervisory Board members, shareholders' representative, expired. These were Andrej Andoljšek, Milan Tomaževič, Žiga Škerjanec and Mario Gobbo. The General Meeting appointed Andrej Andoljšek, Tomaž Benčina, Branko Bračko, Peter Kavčič and Jure Valjavec as members of the Supervisory Board, shareholders' representatives, for a term of four years, which began on 14 June 2021.

At the session held on 18 June 2021, the Supervisory Board appointed Andrej Andoljšek as Chairman and Milan Tomaževič as Vice Chairman of the Supervisory Board.

The composition of the Supervisory Board in 2021 was as follows:

Table 7: Supervisory Board members in the 2021 financial year

First and last name	Function
Andrej Andoljšek	Chairman, shareholders' representative (up to 13 June 2021) Member, shareholders' representative (from 14 June to 17 June 2021) Chairman, shareholders' representative (as of 18 June 2021)
Milan Tomaževič	Vice Chairman, shareholders' representative (up to 13 June 2021)
Igor Stebernak	Member, shareholders' representative
Žiga Škerjanec	Member, shareholders' representative (up to 13 June 2021)
Mario Gobbo	Member, shareholders' representative (up to 13 June 2021)
Branko Bračko	Member, shareholders' representative (from 14 June to 17 June 2021) Vice Chairman, shareholders' representative (as of 18 June 2021)
Tomaž Benčina	Member, shareholders' representative (as of 14 June 2021 onwards)
Jure Valjavec	Member, shareholders' representative (as of 14 June 2021 onwards)
Peter Kavčič	Member, shareholders' representative (as of 14 June 2021 onwards)
Peter Celar	Member, employee representative
Branko Gorjan	Member, employee representative
Igor Zupan	Member, employee representative

SUPERVISORY BOARD COMMITTEES

The Supervisory Board may appoint one or several committees, which prepare proposed resolutions of the Supervisory Board, assure their realisation and perform other expert tasks. A committee or commission may not decide on issues that fall under the competence of the Supervisory Board.

The following Supervisory Board committees operated at the Company in 2021: Audit Committee, Appointments and Remuneration Committee, Strategic Committee and the Nominations Committee, which represents a provisional committee for the implementation of the nomination procedure for the appointment of a candidate or candidates for one or more Supervisory Board members – shareholders' representatives.

Table 8: Composition and competences of Supervisory Board committees in the 2021 financial year

Supervisory Board committee	Competences
AUDIT COMMITTEE **Composition:** - Mario Gobbo, committee Chairman (up to 13 June 2021) - Peter Kavčič, committee Chairman (as of 18 June 2021) - Igor Stebernak, committee Chairman (up to 13 June and as of 18 June 2021 onwards) - Igor Zupan, committee member (up to 13 June and as of 18 June 2021 onwards) - Simon Kolenc, independent external expert (up to 13 June 2021) - Luka Kumer, independent external expert (as of 18 August 2021 onwards)	- monitoring the financial reporting process, preparing reports and drafting proposals for ensuring its comprehensiveness; - monitoring the efficiency and effectiveness of internal controls, internal audit and risk management system; - monitoring the mandatory audit of annual and consolidated financial statements and reporting on the audit result to the Supervisory Board; - being in charge of the auditor selection procedure and proposing a candidate to the Supervisory Board to audit the Company's annual report and participating in the drafting of an agreement between the auditor and the Company; - supervising the integrity of financial information provided by the Company and evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board; - monitoring the quality of the auditor's auditing in accordance with the adopted Guidelines for the Monitoring of the Quality of external Auditing of the Agency for Public Oversight of Auditing and the Slovenian Directors' Association; - cooperation with the Internal Audit Department, monitoring its quarterly reports, examination of the internal acts and rules on the functioning of the Internal Audit Department and the annual plan of the Internal Audit Department; - examination of the decision on the appointment, dismissal and remuneration of the Internal Audit Department Director.
APPOINTMENTS AND REMUNERATION COMMITTEE Composition: - Igor Stebernak, committee Chairman (up to 13 June 2021)	- drafting proposals regarding the criteria for membership in the Management Board; - drafting proposals regarding the policy on remuneration, compensation and other benefits for the Management Board members; - preliminary consideration of proposals made by the President of the Management Board related to the management of the Company;

- Tomaž Benčina, committee Chairman (as of 18 June 2021) - Žiga Škerjanec, member (up to 13 June 2021) - Jure Valjavec, member (as of 18 June 2021) - Peter Celar, member (up to 13 June and as of 18 June 2021 onwards)	- performance of the fit and proper assessment of the Management and Supervisory Board members; - support and drafting of proposals in areas that concern the Supervisory Board.
STRATEGIC COMMITTEE **Composition:** - Milan Tomaževič, committee Chairman (up to 13 June 2021) - Branko Bračko, committee Chairman (as of 18 June 2021) - Andrej Andoljšek, member (up to 13 June and as of 18 June 2021 onwards) - Peter Kavčič, member (as of 18 June 2021) - Žiga Škerjanec, member (up to 13 June 2021) - Branko Gorjan, member (up to 13 June and as of 18 June 2021 onwards)	- drafting and discussing proposals for the Supervisory Board with respect to the Group strategy and monitoring the implementation thereof; - drafting and discussing proposals and opinions for the Supervisory Board with respect to the Group's strategic development.
NOMINATIONS COMMITTEE (as a temporary committee formed for the period up to 25 May 2021) **Composition:** - Igor Stebernak, committee Chairman - Žiga Škerjanec, member - Peter Celar, member - Boštjan Kolar, external member	- conducting the nomination procedure for the appointment of a candidate/-s to the position of Supervisory Board member/-s – shareholders' representatives; - recording the candidate/-s for the position of Supervisory Board member/-s and inviting the Appointments and Compensation Committee to produce a fit and proper assessment of the candidates; - sending the proposal to the Supervisory Board for the appointment of a candidate/-s to the position of Supervisory Board member/-s – shareholders' representatives.

B.1.2 Remuneration policy

By implementing the internal act governing remuneration at Zavarovalnica Triglav, d.d. (hereinafter: Remuneration Policy), which was harmonised with the requirements of the new Companies Act (ZGD-1K), the Company realises a solid and reliable system of governance and ensures the integrity and transparency of operations. The aim of the Policy is to design and implement such remuneration distribution systems for employees as well as Management Board and Supervisory Board members that ensure the maintenance of adequate capital strength of the Company, promote reliable and efficient risk management, do not encourage the underwriting of risks that exceed the threshold for permitted (acceptable) risk of the Company, and enable the hiring and retention of suitably qualified, competent, responsible and dedicated employees. The Remuneration Policy is applied to the Supervisory Board, Management Board, executive and managerial employees and the holders of key functions as well as other employees at Company. The remuneration of the members of the Supervisory Board and its committees (except the remuneration of members – external members) is set by way of resolutions adopted by the General Meetings, while remuneration of the Management Board is set by the Supervisory Board. The remuneration of employees is set in proportion to the complexity, characteristics, scope of tasks or functions, authorisations, responsibilities and experiences as well as so as to incentivise employees to take decisions or act that lead to the realisation of the objectives of the Company as well as suitable risk management.

SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board and its committees is set by the General Meeting by way of a resolution. They consist of remuneration for the performance of the function, bonuses for the performance of the function of Chairman and Vice Chairman and members of the committees of the Supervisory Board, attendance fees for attendance at the meetings, possible travel and accommodation costs.

External members of the committees are paid for their work in committees from the funds allocated for the work of the Supervisory Board. The amount of remuneration of external members is determined by the Supervisory Board in the appropriate ratio to the remuneration of the members of the Supervisory Board and is not tied to the resolution of the General Meeting.

MANAGEMENT BOARD

The remuneration of the Management Board, i.e. both the basic salary and the annual operating performance-based bonus, is set and paid out pursuant to the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Members of the Management Board are entitled to use assets owned by the Company (company car, business mobile phone) for business and private purposes, rights to health, pension (supplementary voluntary pension insurance - SVPI, voluntary pension insurance - VPI), accident insurance and liability insurance. No special pension schemes or early retirement schemes apply to Management Board members.

EXECUTIVE AND MANAGERIAL EMPLOYEES AND OTHER EMPLOYEES WORKING UNDER INDIVIDUAL CONTRACTS

The basic salary (fixed part of pay) for executive and management employees and other employees working under an individual employment contract is stipulated in the employment contract, whereby the minimum and maximum basic gross salary for each group are set in accordance with internal rules.

Management employees and other employees working under individual contracts are entitled to a work performance-based part of pay (variable part of pay) provided they exceeded the predetermined targets and expected work results in the assessment period. The wage bill for the payment of the work performance-based part of pay is set by the Management Board in observance of operating results.

In accordance with the criteria determined by the Management Board and subject to good operating results, executive, managerial and other employees working under individual contrats are entitled to the operating performance-based part of pay – annual bonus. The amount of the bonus is limited at the top end.

EMPLOYEES WORKING UNDER A COLLECTIVE AGREEMENT

The basic salary of employees working under a collective agreement is determined by taking into account the qualifications and responsibilities required by the position of employment as well as how demanding the position of employment is. If they exceed the predetermined targets and expectations, they are entitled to a work performance-based part of pay (variable part of pay). The wage bill for the payment of the work performance-based part of pay is set by the Management Board in observance of operating results.

In accordance with the criteria determined by the Management Board and subject to good results, workers are entitled to the operating performance-based part of pay – annual bonus.

All employees at the Company can join the collective supplementary voluntary pension insurance (SVPI) and voluntary pension insurance (VPI). The Company pays the premium as a proportion of the employee's gross salary for each employee in accordance with the agreement reached with the employees' representatives. Collective voluntary supplementary pension insurance represents the collection of funds on the members' personal accounts with the aim of providing them with the disbursement of a supplementary old age pension from retirement onwards. Voluntary pension insurance represents saving to acquire a monthly pension payment that is paid out either from a particular date onward or from the date of retirement until the end of one's life, but for no less than 10 years.

B.1.3 Related party transactions

Related parties of the Company are:

- shareholders who have a significant influence on the operations of the Company:
    - Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Pension and Disability Insurance Institute of Slovenia) holding a 34.47% stake;
    - Slovenski državni holding, d.d. (Slovenian Sovereign Holding) holding a 28.09% stake;
- members of the Management Board;
- members of the Supervisory Board.

Related party transactions are presented in more detail in the Annual Report in Section 5.5 and 5.6.

The only materially significant transaction with related parties in 2021 was the distribution of dividends to the largest owners of the Company (ZPIZ with a 34.47% share in the capital of the Company and SSH with a 28.09% share in the capital). The Company paid a total of EUR 24.2 million to the two largest owners, of which EUR 13.3 million to ZPIZ and EUR 10.9 million to SSH.

B.2 Fit and proper requirements

In accordance with the requirements prescribed in Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 (hereinafter: Delegated Regulation) relating to the Fit and Proper Policy, persons who manage or supervise the Company or perform work in key functions are required to have suitable professional qualifications and be suitable for the job (good reputation and integrity).

The fit and proper assessment of Management Board and Supervisory Board members as well as the Management Board and Supervisory Board as a collective body is implemented prior to the appointment for the term of office (initial assessment), during the term of office (periodic assessment) and in case of circumstances that raise doubts as to their fit and proper status of Management Board and Supervisory Board members (extraordinary assessment).

As part of the assessment, Management Board and Supervisory Board members are assessed in terms of the meeting of criteria regarding fitness (professional qualifications, experience, competences) and suitability criteria (clean criminal record, professional reputation, goodwill and personal integrity). As part of the assessment of the Management Board and Supervisory Board as collective bodies, all members are checked whether they possess collective knowledge and experience related to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management and regulative frameworks as well as other legal requirements that are binding on the Company. In accordance with the Policy on Professional Competence and Adequacy of Management and Supervisory Board Members of Zavarovalnica Triglav d.d. (Fit&Proper), which was amended on the basis of the adopted position of the ISA regarding the adequacy of membership in the Audit Committee of the Supervisory Board in 2021, the competence and suitability of the external member of the Audit Committee, who is an independent expert and qualified in accounting or auditing, namely an initial, periodic and extraordinary evaluation.

The fit and proper assessment of the key function holders is performed regularly (prior to the granting of the authorisation), periodically (during the validity of the authorisation) and in an extraordinary assessment (upon the occurrence of circumstances that raise doubt as to their fit and proper status). As part of the assessment, the fitness (professional qualifications, specialised knowledge, experience and competences) and suitability criteria (clean criminal record, professional reputation, goodwill and personal integrity) are verified. Key function holders must – in addition to the above fitness conditions that are general in nature and apply to everyone – also meet the following conditions:

The holder of the actuarial function must possess the knowledge in the field of actuarial science and mathematical finance in accordance with the requirements of the ISA, no less than five years of experience in this field of work, a valid licence for a certified actuary; they must have membership in a full member of the International Actuarial Association – IAA and must have performed the actuarial function and tasks of a certified actuary on a comparable portfolio for at least the last two years prior to certification;

The holder of the risk management function must possess the knowledge on the application of risk management models and methods as well as no less than five years of work experience;

The holder of the compliance function must possess no less than five years of work experience;

The holder of the internal audit function must possess no less than five years of work experience in the field of auditing or ten years of experience in a related activity as well as the title of certified internal auditor pursuant to the act governing auditing.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Description of the risk management system

The risk management system consists of internal rules, competencies, processes and activities that enable the Company to quickly identify and assess and adequately control the assumed and potential risks, which ensures an appropriate risk profile within certain levels in the Risk Appetite Statement (hereinafter: Risk Appetite). The risk management system at the Company covers all areas, focusing on those having a material impact on the operations and capital adequacy.

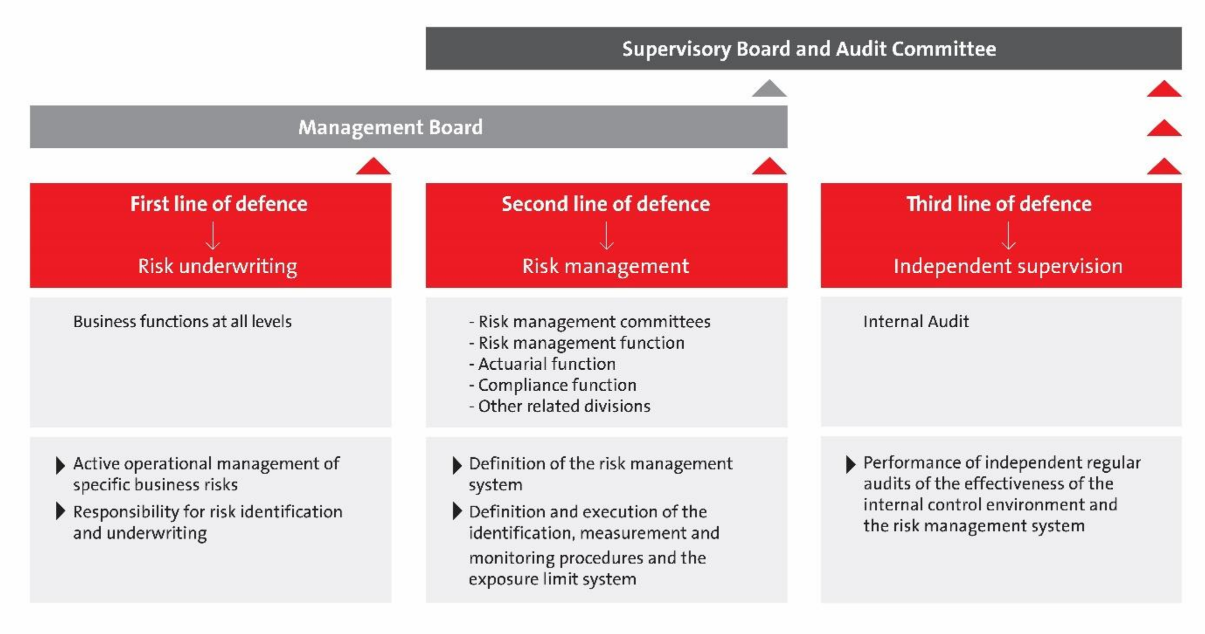
The objective of the risk management system is to ensure the realisation of the Company's strategic goals, its mission and its vision. The Company has determined a certain level of risks measured by the level of potential loss that it is still willing to assume at particular level of profitability in the course of its business operations so as to attain the set business objectives and strategic goals.

When managing risk, the principle of optimal management of the ratio between risk exposure and returns and the principle of optimal cost-benefit ratio are pursued.

The four key functions play an important role in the risk management system as they actively ensure coordinated work of the Company and the transfer of knowledge and good practices to Group members. They are organised at the Company as independent organisational units, which carry out their duties and responsibilities independently from one another and from the other organisational units of the Company. They answer directly to the Management Board and are organised so as to ensure suitable internal control mechanisms at the Company. Key functions work with one another and regularly exchange information required for operations. Each key function has responsibilities for the performance of tasks, processes and reporting obligations defined in the governance system.

The main building blocks of the comprehensive risk management system of the Company are the Strategy of the Group and the Business Plan of the Company. The risk management system at the Company is based on the three lines of defence.

Figure 2: Risk management system at the Company



THE FIRST LINE OF DEFENCE consists of business functions, which are responsible as part of their business decisions for risk identification and underwriting in accordance with the Management Board's guidelines for their respective line of business and are also responsible for active operational management of specific business risks.

THE SECOND LINE OF DEFENCE represents key functions and decision-making bodies forming the risk management system. The system includes exposure identification, measurement and monitoring procedures as well as the exposure limit system. Three key risk management functions (risk management function, the actuarial function and the compliance function) form the second line of defence. The second line of defence also includes the competent committees for the area of risk management, Fraud Prevention, Detection and Investigation, Project Portfolio and Change Management, and IT Management Support.

THE THIRD LINE OF DEFENCE includes the internal audit function which executes supervision of the Company's operations by systematically and methodically auditing and assessing the adequacy and effectiveness of the governance of the Company, risk management and control procedures. The internal audit function also issues recommendations for improvements.

The Management Board and the Supervisory Board are the primary stakeholders in the three lines of defence system.

The Supervisory Board grants its consent to the Management Board for the written rules of the risk management system and regularly monitors the risk profile, capital adequacy and the findings of the Own Risk and Solvency Assessment process (hereinafter: ORSA) at the Company and Group level. It also grants consent to the Management Board for the Solvency and Financial Condition Report of Zavarovalnica Triglav (hereinafter: Company SFCR) and the Solvency and Financial Condition Report of the Triglav Group (hereinafter: Group SFCR).

The Audit Committee of the Supervisory Board supervises the suitability and effectiveness of the risk management system and monitors the overall risk profile of the Company. It also participates in the definition of stress tests and scenarios, which are used to verify the level of capital adequacy when conducting the ORSA.

The Management Board formulates business objectives and the risk appetite, and also adopts the strategy and risk management policies. It is responsible for the assurance of the effectiveness of the risk management system at the Company. It confirms the work plans of the individual key functions and is regularly briefed on the capital adequacy of the Company and the Group. It confirms the more important reports by key functions, including the Regular Supervisory Report of Zavarovalnica Triglav (hereinafter: Company RSR) and the Regular Supervisory Report of the Triglav Group (hereinafter: Group RSR), the ORSA Report and the SFCR.

B.3.2 Risk management strategy and definition of the risk appetite

The Company has a risk management system and a Risk Underwriting and Management Strategy in place (hereinafter: Risk Management Strategy) as well as the Risk Appetite, which are the basis and starting point for the preparation of all other subordinate internal risk management acts, such as policies, methodologies and instructions in the field of risk management at the Company. The Risk Management Strategy clearly defines the principles, objectives of the risk management system, the purpose of Risk Appetite and the risk management system at the Company, which includes internal rules, competencies and responsibilities as well as the process of comprehensive risk management. The Risk Management Strategy is derived from and harmonised with the current Group Strategy and provides the basis and guidelines for achieving strategic goals.

Risk Appetite is one of the central building blocks of the risk management system, which represents the maximum level of risk, measured by the level of potential losses that the Company is still willing to accept in the course of operations, in order to achieve business and strategic goals. It also provides guidance for the underwriting of individual risks (appetite and tolerance). Risk appetite is defined for each important risk category, which also defines the key indicators for each significant risk and their target and maximum values. The Company defines zero tolerance for categories of risks that it does not want to assume in its operations.

The Company aims to achieve optimum exposure to all material risks. In order to meet the return on equity objective, the Company assumes underwriting, market, credit, liquidity, operational and non-financial risks in accordance with the Risk Management Strategy. In 2021, the Company placed great emphasis on upgrades in the area of sustainability. Sustainability risks have been identified in previous years as part of other risks, but now, with an increasing emphasis on their importance in the economy, they are more prominently included in the risk management system as a special category within non-financial risks. They are described in more detail in section C.6 of this Report.

B.3.3 Risk management function

In addition to supporting the Management Board and the Supervisory Board in the effective implementation of the risk management system, the key tasks of the risk management function are to put in place, act as custodian of and monitor the risk management system, to monitor the overall risk profile of the Company as a whole, identify and assess emerging risks, actively provide for the functioning of the risk management system committees, coordinate and calculate capital requirements, coordinate the ORSA process and prepares all of the required regulatory and internal reports that are associated with risk management. In addition to the above, the function is tasked with detailed unbiased reporting on risk exposure and consulting to the Management Board and the Supervisory Board on matters in the area of risk management, including strategic matters such as the Company's strategy, mergers and acquisitions as well as major business projects and investments.

The risk management function operates autonomously and independently of the other business functions. It is performed in Risk Management Department.

As part of the regular assessment of the Company's risks, the risk management function assesses the suitability and effectiveness of risk management procedures and – if it detects deviations – performs the advisory function. By providing guidelines, recommendations and proposals, it co-creates internal controls for improved monitoring of risks within a specific process, functional area or at the level of the entire Company. It notifies the risk management system committees of the more important findings. In addition, it also reports to the ISA in line with the applicable legislation relating to the tasks of the risk management function.

The holder of the risk management function has the role of risk management system administrator and is directly subordinated to the Management Board, which also authorises said person for the work based on the consent of the Supervisory Board.

The findings and opinions of the risk management function holder are to be objective and independent from the influence of other business lines. The risk management function holder and other persons that perform the tasks of the risk management function at the Company have access to all Company information required for the performance of the said tasks.

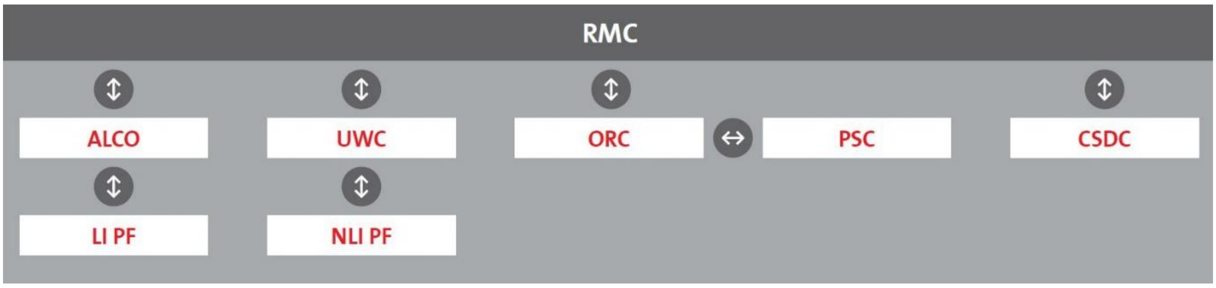
The risk management function holder performs tasks as part of the second line of defence.

B.3.4 Committees operating within the scope of the risk management system

Committees form the second line of defence within the risk management system and are appointed by the Management Board. Their role is of a consultative nature whereby they may also be granted certain decision-making rights by the Management Board. Their purpose is to support the Management Board in the regular monitoring, coordination and provision of information on risk management at the Company. In the event of major changes to the risk profile, identified risks are also considered by the Risk Management Committee or the Management Board.

In 2021, the Compliance and Sustainable Development Committee was included in the risk management system, whereby the committee is described in more detail below.

Figure 3: Organisational chart of the committees within the Company's risk management system as at 31 December 2021



The Risk Management Committee (RMC) is the committee of the Management Board which is tasked with verifying the effectiveness of the functions that manage risk and ensuring that the Company has an appropriate infrastructure in place as well as adequate resources and systems that allow for a satisfactory level of business risks management. Apart from that, the committee assists in risk identification and management as well as in fostering the risk culture at individual divisions at the Company. The fundamental objectives and the role of the committee are to assist the Management Board in assessing exposure to all material risks (specifically equity and non-financial not monitored by the Compliance and Sustainable Development Committee), establishing weaknesses in the internal control environment of the Company, confirming and reviewing methodologies for the measurement of all risk categories and the setting of limits for individual risk categories as well as verifying whether risk exposure complies with the Company's Risk Appetite.

The Assets and Liabilities Committee (ALCO) is the committee that is responsible for the management of market risk, credit risk and liquidity risk in the investment portfolio segment and the life insurance and pension insurance risk at the level of the Company. An important task of the committee is the creation of the Company's asset and liability management strategy that ensures the achievement of strategic goals taking into account the Risk Appetite, risk exposure limits and any other restrictions that affect the asset and liability management process at the Company.

The Underwriting Committee (UWC) is an integral part of the Company's risk management system, the basic objective of which is to monitor and optimise the level and concentration of assumed underwriting risks under non-life insurance products and to propose limits or an optimum ceding/transfer of assumed underwriting risks to reinsurance (assumption of non-life insurance credit risk) subject to the Company's Risk Appetite and taking into account the risks arising from counterparty exposure. The committee identifies, manages, monitors and reports non-life underwriting risks and develops the non-life underwriting risk management system.

The Operational Risk Committee (ORC) works to set up an integrated operational risk management system that is tailored to the Company's requirements, including the optimum allocation of the appetite for operational risks subject to the guidelines stipulated in the Risk Appetite. It also works to control the functioning of the Company's operational risk management system, including the review and confirmation of measures for its improvement. The committee is responsible for all groups of operational risk. Project risk and IT security risk, including cyber risk and the business continuity management system, are monitored as a special group of operational risk. The ORC also monitors the recommendations of the Internal Audit Department relating to the structure and implementation of the operational risk management system.

The Compliance and Sustainable Development Committee (CSDC) is responsible for addressing important or more complex issues related to ensuring compliance of the Group's operations with regulations and other commitments and positions of supervisory or other state bodies as well as addressing the issues involving ethical dilemmas and relating to the observation of the provisions of the Triglav Group Code of Conduct (hereinafter: Group Code of Conduct), the Insurance Code of Conduct and other adopted ethics standards of the Company. The committee is also responsible for monitoring and managing reputation risk and for monitoring and directing sustainability activities (ESG), monitoring sustainability risks, considering proposals for internal acts related to or part of the compliance risk management system, monitoring the Company's exposure to compliance risk and consideration of compliance risk assessments, consideration of data breach events, consideration of sustainable operations with GRI indicators, consideration of the implementation of recommendations of the Compliance Office and consideration of all matters or issues submitted by individual committee members.

Non-life and life insurance product forums (NLI PF and LI PF) are tasked with pursuing the principal objective of assurance of continuous development and modification of insurance products for the Slovenian and other markets in which the Company markets their products. When developing and changing insurance products, it is necessary to ensure compliance with the Company's strategy as well as to make adaptations to meet the needs of the market while at the same time observing the legal frameworks, standards and good practice of the insurance and finance professions, insurance product management and supervision policy as well as the guidelines from the risk appetite regarding the assurance of a suitable underwriting risk profile.

The Project Steering Committee (PSC) is a decision-making body that provides for comprehensive project portfolio management as well as the basis for transparent and traceable project implementation and project risk identification and management. This includes providing a coordinated and efficient project workflow and establishing appropriate and mutually coordinated projects at the Company.

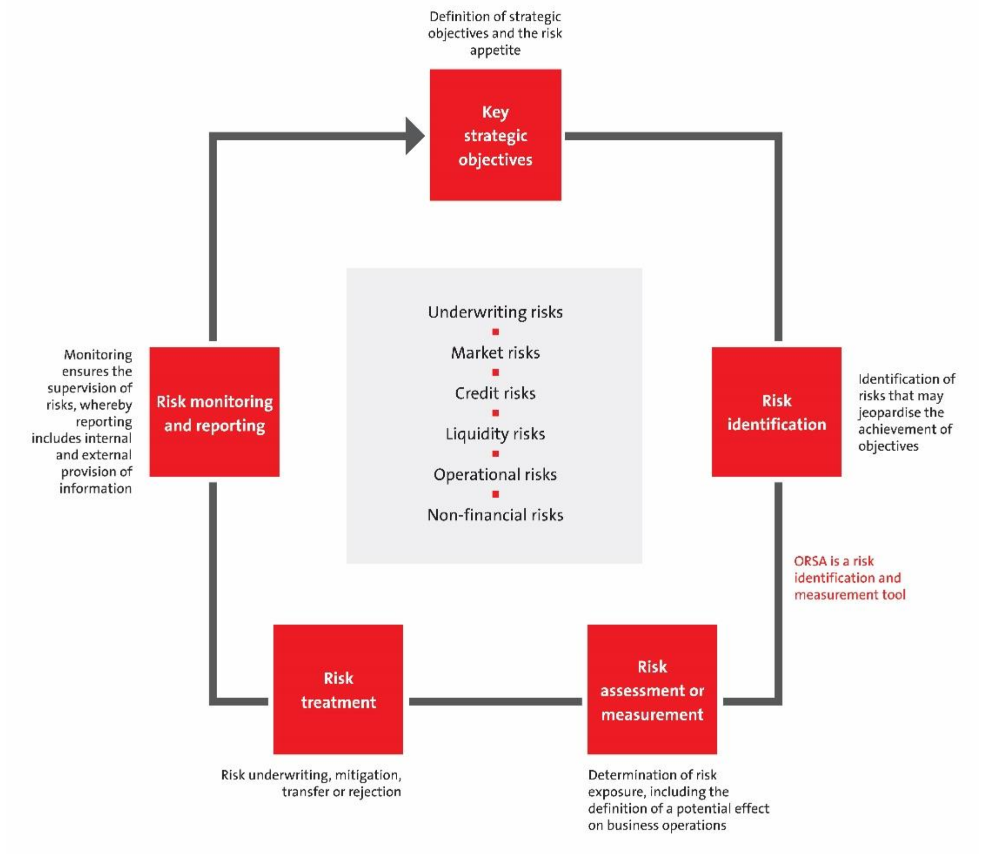
B.3.5 Risk management process

In the process of setting planning guidelines and goals for the strategic period, the scope of risks that the Company is consciously prepared to take in order to achieve these goals, and the level of key indicators to meet compliance with risk appetite is defined. Based on the set strategic goals, important risks are first identified annually in the process of ORSA. These are risks, the realization of which can have a significant impact on the achievement of set goals in future periods.

The risks identified in the described manner represent risks that the Company classifies and assesses accordingly, the latter primarily in terms of the size of the effect and the probability of occurrence. The analysis is the basis for making decisions by the Management Board regarding the method of risk management.

During the implemented cycle of the risk management system, the Company always documents the identified shortcomings and suggestions for improvements and prepares measures and recommendations for upgrades.

Figure 4: Risk management process at the Company



The Company regularly monitors, manages and reports on significant detected events. Proper risk assessment requires the correct capture of risk exposures and a good knowledge of the properties (volatility) of risk factors and their impact on key strategic indicators.

The primary method of measuring risk is the standard Solvency II formula (regulatory method), which is based on the standard volatility and risk exposure of the Company, as defined by the standard formula. The regulatory method is complemented by its own assessments of the volatility of risk factors at the same level of confidence and period. At the same time, this ensures regular verification of the adequacy of the regulatory method for the Company. Additionally, risks are also assessed according to the methodology of the S&P credit rating agency.

At least once a year, a comprehensive analysis of the suitability of the standard Solvency II formula for measuring own risks is performed, as part of the ORSA process. In the final assessment of suitability, the Company also takes into account the results of the internal risk measurement method.

The Company regularly monitors risk assessments and constantly upgrades them, especially in the event of detected deviations from the actual risk.

When managing risks, the Company acts preventively, using approaches of decomposition (e.g. product) and diversification (e.g. investment) of individual types of risks. In managing risk exposure, the key measure is to establish an appropriate limit system, which the Company adapts to current external developments subject to the business opportunities, whereby it remains within the defined risk appetite at all times.

The Company regularly implements risk monitoring and reports on risks in the form of standardized risk reports, which include regulatory and internal indicators for all risk and operation segments. In addition to the recommendations of the Risk Management Department, the reports also contain comments on indicator trends and values in relation to the set limits and target values. The committees in the risk management system as well as the Management Board and the Supervisory Board discuss risk reports within the scope of their respective powers. The following reports are also part of the risk reporting system: Annual Report, Group and Company SFCR, ORSA Report, RSR reports and the reports to external stakeholders.

B.3.6 Own risk and solvency assessment process

The main purpose of the ORSA process is for the Company to assess future risks arising from the strategic business plan and thus to examine possible capital needs. In addition, the impact of exceptional circumstances on the level of capital adequacy is checked, with scenario stress tests defined for this purpose. The adequacy of regulatory risk measurement is also examined as part of the ORSA process.

The ORSA process builds on the basic elements of the risk management system and takes into account the risk profile, confirmed limits and the business strategy. The solvency requirements assessment process produces findings regarding the retention or transfer/ceding of risk, verifies the optimisation of capital management. Additional stress tests provide a new spectrum of the view of the Company's risk profile and risk management.

The ORSA process is reconciled with the strategic planning process of the Company as the calculation of the planned capital adequacy is also prepared in a coordinated manner and on the basis of the financial plan. The ORSA process begins with strategic goals and defining the basic assumptions for the preparation of a strategic business plan, on the basis of which a capital adequacy plan is prepared. At the same time, stress scenario tests for the Company are prepared and approved on the basis of current risks. Testing the suitability of the standard formula is carried out on a regular basis throughout the year, and in the ORSA process more detailed analyses are made, which are meaningfully used in the context of testing future solvency needs. In the step of checking and testing future solvency needs, the necessary measures to maintain optimal capital adequacy are also considered. At the end of the process, it is ensured that it is properly documented and the final report is prepared, as well as that the results are reported to all stakeholders. The Company additionally ensures that the Supervisory Board is properly informed about the course and significant results of the ORSA process in the Company.

The ORSA process is implemented regularly, i.e. at least once a year. In extraordinary situations, the ORSA process is implemented upon any change in the business strategy or upon any major change either in the current risk profile of the Company or in case of the identification of potential future events or scenarios that could have a material impact on the achievement of strategic goals or capital adequacy.

Despite the persistence of the Covid-19 epidemic in 2021, only the regular ORSA process was carried out. During the implementation of the regular ORSA process, all identified material risks of the Company up to the calculation date were taken into account as were all potential risks that could affect its future operations on the basis of known information. The regular ORSA process confirmed that the Company's insurance and investment portfolios are sufficiently resilient, that its capital position is adequate and that the Company can continue to successfully face the risks and challenges of the uncertain future posed by the Covid-19 epidemic.

B.4 Internal control system

The Company's internal control system, which is based on the values and ethical principles laid down in the Group's Code of Conduct (hereinafter: the Group Code)[3] encompasses risk assessment, establishment of internal controls, regular assessment of their suitability and adequacy as well as communication and reporting to supervisory authorities and other stakeholders.

The internal control system covers all organisational units and business functions of the Company. Internal control activities are thus performed in all business and operational processes through the three lines of defence system.

The roles and responsibilities within the internal control system are distributed among business function holders who are responsible for the setup, documenting and continuous care for the effectiveness of internal controls, key functions of the second line of defence that monitor and control the suitability of internal controls and the Internal Audit Department which performs final control of the internal control system at the Company.

The Management Board approves the Group's Code of Conduct, the internal act on the internal control system, the key function policies as well as the rules of procedure of committees, including amendments thereto. The Management Board monitors and manages the internal control system of the Company through reports issued of key functions, reporting of business functions as well as through adopted resolutions.

B.4.1 Compliance function

The compliance function monitors the compliance of the Company's operations with regulations and other commitments within the scope of the internal control system, and in this context monitors and assesses the potential impacts of changes in the legal environment and the associated circumstances on the Company's operations. As part of the above, it assesses risks to the compliance of the Company's operations, the suitability and effectiveness of procedures for the harmonisation of the Company's operations with the established changes and in doing so carries out the advisory function. By providing guidelines, recommendations and proposals, it co-creates internal controls for the assurance of compliance within a specific process, functional area or at the level of the entire Company. It regularly reports to the Management Board, the Supervisory Board and the Audit Committee of the Supervisory Board on compliance of the Company's operations with regulations and other commitments. At the Company, the

[3] The Group's Code of Conduct is published on the official website of the Company: http://www.triglav.eu

compliance function also plays an important role in terms of efforts to ensure fair and transparent operations, respect for human rights, implementation of programmes for the assurance of compliance in individual areas (e.g. consumer and competition protection, personal data protection, prevention of conflict of interest and internal fraud, etc.) and for the development and observation of ethical commitments and the care for their implementation in practice. The function holder is responsible for the efficient performance of functions, presentation of functions outwards, regular reporting to the Management Board and Supervisory Board, as well as for the development of compliance elements and minimum standards for the operation of functions in the Group's subsidiaries. Promoting the development of corporate ethics and respect for human rights also plays an important role.

The compliance function works autonomously and independently of the other business functions within the scope of the headquarters department and is directly subordinated to the Management Board. It is part of the second line of defence in the three-level risk management system. The organisational placement, the role and responsibilities of the compliance function within the system of governance of the Company, including its reporting obligations, are defined in general in the Company's internal documents on the organisation, system and policy of governance and compliance.

B.5 Internal audit function

The internal audit function carries out risk assessment-based continuous and comprehensive control over the Company's operations. Based on a systematic and methodical approach, it reviews and assesses the suitability and effectiveness of the management of the Company, risk management and control procedures and provides recommendations for improvement. It cooperates with external auditors and other supervisory bodies and monitors the realisation of internal and external auditors' recommendations. It also provides advisory services in agreement with the Management Board and the management teams of functional areas.

The Management Board provides for appropriate working conditions to the internal audit function, both in terms of organisational independence and the funds available for its operation as well as in terms of access to all divisions, records, assets and people at the Company (including the members of the Management Board, Audit Committee and the Supervisory Board). The internal audit function, which is organised as an independent organisational unit within the Company and directly subordinated to the Management Board, is both functionally and organisationally separated from other organisational units of the Company. The internal audit function is independent in determining the areas, objectives and scope of internal audits, performance of tasks and reporting on internal auditing. The function holder and internal auditors do not perform any development and operational tasks that could cause a conflict of interest and impair their objectivity, nor do they decide on activities in the areas that are the subject of internal auditing.

The internal audit function reports on its work directly to the Management Board and Supervisory Board. The internal audit function holder therefore reports on the work of the function and the possible limitations on the operations (occurrence of circumstances that could impair the objectivity of internal auditors, eventual limitation of funds for work and the like), findings of internal audits performed as well as on the realisation of recommendations and the assessment of the suitability and effectiveness of risk management and control procedures in the audited areas:

- to the Management Board so as to maintain independence from other business functions at the Company;
- to the Audit Committee and the Supervisory Board, thereby strengthening the independence from the Management Board.

The internal audit function performs its tasks in accordance with the hierarchy of rules on internal auditing adopted by the Slovenian Institute of Auditors and the internal rules on the functioning of the internal audit function adopted by the Management Board subject to consent from the Supervisory Board.

B.6 Actuarial function

The actuarial function is one of the key functions of the Company. It is performed separately for non-life insurance and life insurance and operates autonomously and independently of the other business functions.

The Management Board and the Supervisory Board of the Company authorise the actuarial function holders who are responsible for performing the tasks of the actuarial function. The actuarial function holders must have full, free and unlimited access to all information, data, activities and personnel of the Company, which they require to perform their tasks.

Some of the key tasks of the actuarial function include the coordination and performance of calculations of technical provisions and the assurance that appropriate methods, models and assumptions are used in the calculations of technical provisions as well as the assurance of the suitability, adequacy and quality of the data used in the calculations of technical provisions. Another key task of this function is the verification of the suitability of the general underwriting risk policy and delivering an opinion on the adequacy of the insurance premium amount for individual products. In doing so, it applies the position that the premium for individual products is sufficient to cover all the liabilities arising from insurance contracts. The function also verifies the adequacy of reinsurance and participates in the implementation of the ORSA process at the level of the Company. It also coordinates and calculates capital requirements within the scope of underwriting risk.

The actuarial function holders are authorised for the supervision and impartial reporting on the performance of actuarial tasks. They report regularly to the Management Board and the Supervisory Board of the Company on the operation of the actuarial function, and regularly inform the RMC, ALCO and UWC of material findings. They perform tasks delegated by the abovementioned committees and also work with other committees, which are part of the risk management system, as appropriate.

B.7 Outsourcing

Pursuant to the requirements of the ZZavar-1, the Company has set up all of the legally required controls and processes related to operations that are outsourced (hereinafter: outsourced operations).

The procedures and measures for supervising the outsourced operation providers and the assurance of compliance of their actions with the applicable legislation and internal rules are defined in each agreement or service-level agreement concluded between the person in charge and the provider of an individual outsourced operation. Consequently, each service provider is bound by the agreement to ensure the same standard of diligence as the one that the Company is committed to ensuring. Legal and organisational measures also serve to ensure that the Company's supervisory bodies have the same options of performing supervision over the providers of outsourced operations as if the Company had performed these operations using its own resources. In accordance with the contractual provisions, service providers are obliged to set up and ensure mutatis mutandis the same internal controls and mechanisms to manage any potential deficiencies as the Company. The Company also has the right to supervise the functioning of the service provider's internal control system and provide guidelines regarding the performance of the outsourced service.

Outsourced services are regularly monitored and supervised, i.e. at least once a year.

The ability of the provider and the risks arising from an outsourced service are monitored through the regular assessment of the risk whereby the aim is to define the risks or eventual changes the risks arising from an outsourced operation.

The Company outsources two operations. The first operation is provided for the Company by one of its subsidiaries that specialises in asset and investment fund management. The second operation relates to the organization of the sales network and the procedures for carrying out insurance in Poland, which is managed by a local general representative agency. The Company performs fifteen outsourced operations for other Group companies. These relate to the sale of insurance, asset management, IT system maintenance and the performance of internal auditing.

B.8 Any other information

SYSTEM OF GOVERNANCE ADEQUACY ASSESSMENT

The Company has set up an adequate system of governance, which is proportionate to both the nature and the scope of the operations as well as the complexity of the risks arising in the course of its operations. The above is confirmed by the results of regular internal audits of this system, which are performed annually by the competent departments of the Company.

OTHER RELEVANT INFORMATION

All other information relating to the system of governance was disclosed by the Company in sections B.1 through B.7.

C. Risk profile

C. Risk profile

As part of its operations, the Company is exposed to underwriting, market, credit, liquidity, operational and other risks. The Company manages risks using internal methodologies and indicators according to regulatory capital adequacy criteria and through capital adequacy according to the S&P risk assessment method, all in accordance with the process described in section B of this Report.

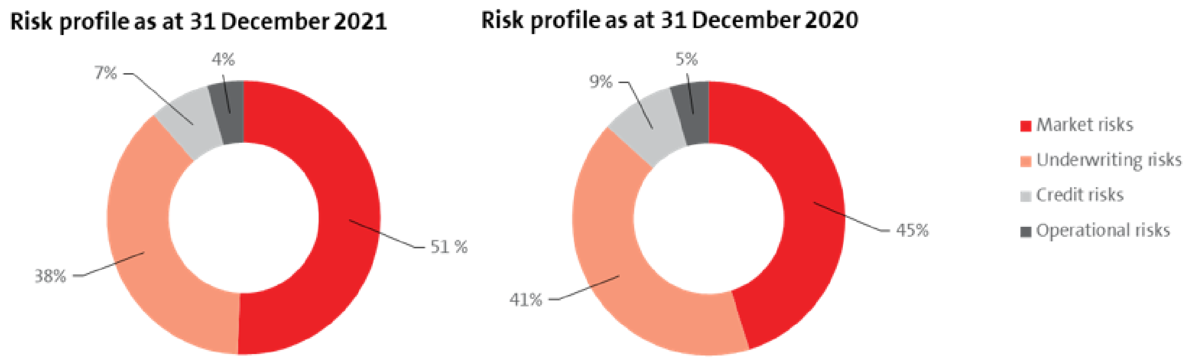
Out of all the risks, the Company's greatest exposure is to market and underwriting risks, while it is less exposed to credit and operational risks.

In order to ensure adequate risk management, the Company has risk exposures and rates in place for each risk type that help it assess the level of assumed risk. Appropriate exposure limits that prevent excessive risk underwriting and ensure adequate portfolio diversification are also defined as appropriate. An important element of risk management is also the risk mitigation techniques that represent an important tool for the reduction of the concentration of individual risk types.

For regulatory reporting purposes, the Company measures risk using the standard formula defined in Commission Delegated Regulation, which measures risk as the value-at-risk of the Company's own basic funds with the confidence level of 99.5% over a period of one year.

As at the end of 2021, the overall risk estimate of the Company, which does not take into account mutual risk effects (i.e. diversification), amounted to EUR 546.3 million for underwriting, market, credit and operational risks. The diversification of risks between the modules lowers the overall value of the mentioned risks by EUR 151.2 million.

Chart 2: Company's risk profile



The Company has established two ring-fenced funds, i.e. SVPI and SVPI renta, for the concluded voluntary pension insurance contract and for which risks are calculated separately, i.e. for each risk category under the standard formula. The above chart applies the simplification at risk module level method and also takes into account the risks of the ring-fenced funds that contribute EUR 28.3 million to the solvency capital requirement of the Company. The method is presented in more detail in section E.1 of this Report.

C.1 Underwriting risk

Underwriting risk is the risk of loss or of an adverse change in the value of underwriting liabilities due to inadequate pricing of premiums and provisioning assumptions taken into account in the calculation of technical provisions. The Company assumes underwriting risks when concluding insurance transactions that represent its core activity.

The main objective of underwriting risk management is to maintain such quality of the portfolio that provides for stable and safe operations while simultaneously ensuring the desired returns. In order to achieve the main objective, the Company has put in place processes to ensure an appropriate level and diversification of underwriting risk exposure.

As at 31 December 2021, underwriting risks accounted for 38% of the Company's overall risk estimate, excluding diversification, which in turn represents EUR 207.5 million and is three percentage points less compared to the previous year.

The Company identifies the following underwriting risks in respect of its portfolio:

- non-life underwriting risk;
- health underwriting risk;
- life underwriting risk.

C.1.1 Non-life and health insurance

Under non-life insurance, the Company underwrites premium and reserve risks, lapse risks and catastrophe risks.

As at 31 December 2021, the Group's risk estimate under non-life and health insurance represents 27% of the Group's overall risk estimate, excluding diversification.

Table 9: Company's risk estimate for underwriting risks under non-life insurance for 2021 and 2020

		In EUR thousand
	2021	**2020**
Premium and reserve risks	100,955	99,143
Lapse risk	29,785	26,570
Catastrophe risk	40,446	33,912
Diversification	-49,709	-44,012
Non-life underwriting risk	**121,477**	**115,613**

Table 10: Company's risk estimate for underwriting risks under health insurance for 2021 and 2020

In EUR thousand

	2021	2020
Health insurance risk valued as life insurance risk	8	7
Premium and reserve risks	24,172	23,651
Lapse risk	6,754	6,493
Catastrophe risk	2,333	2,469
Diversification	-7,483	-7,360
Health underwriting risk	**25,785**	**25,261**

The growth in the risk estimate for non-life insurance as at the end of 2021 is the result of the rise in the premium and reserve risk estimate resulting from the growth of the portfolio of fire, maritime, aviation and transport insurance as well as non-proportional non-life insurance as they increase premium and reserve risk. This growth in hindered by the decrease in claim provisions resulting from the lower frequency of loss events in low economic activity conditions and lower mobility of the population due to restrictions during the epidemic. The catastrophe risk estimate increased due to increased exposure to catastrophe from non-proportional reinsurance.

The risk estimate for health insurance did not change materially in the reporting period.

RISK EXPOSURE

The Company is most exposed to premium risk in the other motor vehicle insurance segment (LoB 5).

Premium and reserve risk

The exposure of the volume measure for premium risk ranges in accordance with the net earned premium. It increased at the Company by EUR 5.5 million compared to the previous period as a result of portfolio growth. Details on the net earned premium of the Company as at 31 December 2021 are shown in template S.05.01 in the Annex to this Report.

Table 11: Premium risk exposure measured as the annual volume of net earned premium under non-life and health insurance for 2021 and 2020

In EUR thousand

	2021	2020
Net earned premium	**443,713**	**438,206**
- Other motor insurance (LoB 5)	117,304	116,806
- Fire and other damage to property insurance (LoB 7)	99,370	99,372
- Motor vehicle liability insurance (LoB 4)	91,495	92,725
- Income protection insurance (LoB 2)	53,859	53,990
- General liability insurance (LoB 8)	26,118	26,563
- Other insurance segments	55,567	48,751

The Company's biggest exposure is to reserve risk in the motor vehicle liability insurance segment (LoB 4). The exposure of the volume measure for reserve risk ranges in accordance with the net claims provisions that increased compared to the previous period as a result of increased business volume.

Table 12: Exposure of the Company's reserve risk volume measure for underwriting risk under non-life and health insurance for 2021 and 2020

		In EUR thousand
	2021	**2020**
Net claims provisions	**179,772**	**176,330**
- Motor vehicle liability insurance (LoB 4)	70,102	71,967
- General liability insurance (LoB 8)	34,154	32,588
- Income protection insurance (LoB 2)	27,974	26,847
- Fire and other damage to property insurance (LoB 7)	23,875	23,383
- Other non-life and health insurance segments	23,667	21,546

CATASTROPHE RISK

The Company is most exposed to catastrophe risk in the credit and surety insurance segment and the flood, hail and storm perils.

CONCENTRATION RISK

Exposure concentration is managed by the Company according to three categories - according to peril, geographical location and the industry. The concentration is managed by using suitable forms of reinsurance that are based on the tables of maximum own shares. By consistently pursuing the appropriate diversification of assumed coverage and regularly monitoring and reporting concentration risk, the Company reduces the probability of the occurrence of loss and its amount.

RISK MITIGATION TECHNIQUES

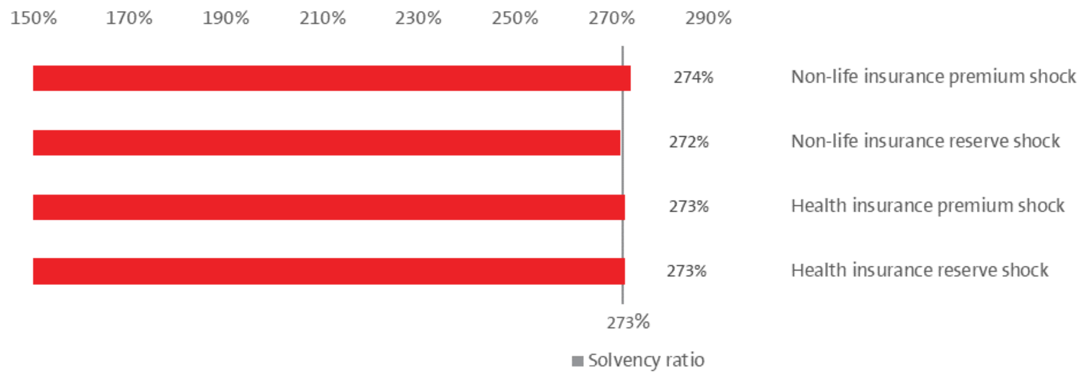
The Company mitigates risk mainly by purchasing various forms of reinsurance protection. In case of individual insurance, under which risks are underwritten based on consideration on a case by case basis, the Company transfers a part of the risk by purchasing facultative reinsurance protection whereby it takes into account both the maximum own shares, the maximum possible loss and the risk appetite. The risk of the remainder of the portfolio is mitigated by transferring it to reinsurance by purchasing various forms of proportional or non-proportional reinsurance.

The Company regularly monitors the effectiveness of reinsurance protection and reconciles the amount of the transferred/ceded risks with the risk appetite no less than once a year. The Company devotes special attention to the management of natural disaster risks.

SENSITIVITY

The Company assesses the suitability of risk management through regular performance of sensitivity tests. Premium shock for both the non-life and health insurance portfolios is represented by a 10% decrease in the volume measure for premium risk. Similarly, reserve shock is represented by a 10% increase in the volume measure for reserve risk, i.e. for both the non-life and health insurance portfolios.

Chart 3: Sensitivity test of capital adequacy of the Company as at 31 December 2021



C.1.2 Life insurance

Under life insurance, the Company underwrites the risks of mortality, longevity, disability and morbidity, expenses, lapse, revision of conditions and catastrophes under life insurance.

The Company measures risk separately for its three sub-portfolios: portfolio of supplementary voluntary pension insurance (SVPI) in the saving phase, portfolio of SVPI pensions during the payment phase, and the remainder of the Company's portfolio. Risks of these portfolios are measured by the Company without the diversification effect between the remainder of the portfolio and the two ring-fenced funds.

As at 31 December 2021, the risk estimate under life insurance represents 11% of the Company's overall risk estimate, excluding diversification.

Table 13: Company's risk estimate for underwriting risks under life insurance for 2021 and 2020

		In EUR thousand
	2021	**2020**
Mortality risk	6,374	5,690
Longevity risk	14,765	15,560
Disability and morbidity risk	177	238
Lapse risk	25,630	22,432
Expense risk under life insurance	20,808	19,422
Revision risk	1,468	1,352
Catastrophe risk under life insurance	4,341	4,209
Diversification	-13,362	-12,350
Life underwriting risks	**60,202**	**56,554**

The risk estimate for 2021 increased by EUR 3.6 million compared to the year before. Lapse risk increased as a result of changes to the expected lapse rates and portfolio structure changes. The increase in the life insurance expense risk estimate is the result of higher expense assumptions. The decrease in longevity risk is the result of reduced number of SVPI policies entitled to guaranteed annuity factors compared to the previous year.

As at 31 December 2021, the risk estimate for risks under life insurance contracts of both ring-fenced funds came in at EUR 11 million.

RISK EXPOSURE

Risk exposure is presented below as the difference between the net best estimate of risk-sensitive life insurance liabilities and assets. The exposure includes the net liability from non-life insurance claims, which are paid out as annuities.

Table 14: Company's exposure to underwriting risks under life insurance for 2021 and 2020

		In EUR thousand
	2021	**2020**
Mortality risk	1,281,987	1,267,347
Longevity risk	1,336,263	1,317,711
Disability and morbidity risk	17,952	16,633
Lapse risk	1,163,989	1,150,340
Expense risk	1,340,102	1,322,069
Revision risk	54,273	50,364
Catastrophe risk	1,165,758	1,152,411

The Company is exposed to MORTALITY RISK under policies that cover the peril of death and where the coverage at the moment of the policyholder's death is higher than the provisions for this purpose. Life insurance policies for the event of death and life insurance policies of borrowers have the highest exposure because the sums insured in the event of death are high and technical provisions arising from these types of coverage are relatively low. For similar reasons, life insurance policies with a savings component have a high exposure as well. Other policies carry a low exposure to mortality risk.

LONGEVITY RISK is represented by the exposure of the Company's annuity and pension insurance policies. The amount of the basic annuity for these policies is set in advance and is fixed, i.e. based on the paid in funds and assumptions which mainly relate to the duration remainder of the beneficiaries' life. If beneficiaries live longer on average than is assumed in the calculation of annuities, the Company may incur losses. The longevity risk is low under policies that are not lifetime or very long-term policies.

The Company is exposed to the DISABILITY AND MORBIDITY RISK under policies that cover critical and serious diseases and disability. The problem of the exposure of such policies to the risk in question is similar in terms of content to the abovementioned exposure of policies, which cover the peril of death, to mortality risk.

All policies, which feature contractual provisions allowing the policyholder to change the policy, are exposed to LAPSE RISK. The said changes include: surrender the policy, change the coverage or premium amounts, decide what proportion of saved assets they will use to purchase the annuity, etc. It is in the Company's interest for the concluded policies to remain in the portfolio under the agreed conditions until the expiry or the eventual realisation of the risk covered by the respective policy, while early terminations (lapses) generally (save for exceptional cases) represent a negative effect on the Company's operations.

The Company is exposed to LIFE INSURANCE EXPENSE RISK under all life insurance policies as well as health and non-life insurance claims, which are paid out as annuities. This risk represents the risk of an eventual increase in all types of actual expenses, which has a negative effect on the return of the Company's life insurance portfolio.

Non-life and health insurance claims paid out in the form of annuities are exposed to REVISION RISK. The periodic annuity payment may increase (most often due to the deterioration of the medical condition of the annuity beneficiary) which in turn increases the nominal amount of the Company's liability.

All policies that cover the mortality risk are exposed to CATASTROPHE RISK UNDER LIFE INSURANCE. This risk is very similar to the abovementioned mortality risk, with the difference being that this risk involves a one-year increase in mortality and not a permanent systemic increase in mortality.

CONCENTRATION RISK

The fact that the Company's sales network is so widespread in Slovenia ensures geographic diversification and simultaneously contributes to increasing the sales volume of the entire Company. The extensive and diversified scope of underwritten risks is beneficial to the matching of the concentration of perils.

A broad range of life insurance products ensures the simultaneous servicing of the majority of the customers' needs and diversification between various risk types that are covered by the products. The mentioned broad range of products services the needs of customers that fall into various categories subject to age and other risk factors.

RISK MITIGATION TECHNIQUES

The most important part of risk management for life insurance products is performed in the risk underwriting phase, which is done through ongoing regular portfolio monitoring and appropriate assurance of the matching of assets and insurance liabilities. Acceptance into insurance involves a medical questionnaire, financial reasoning, review of existing medical documentation and medical tests. The scope and depth of the process depend on the sum insured. Low sums insured and waiting periods are prescribed for protection against pre-contractual opportunism (adverse selection) for insurance products without an underwriting process.

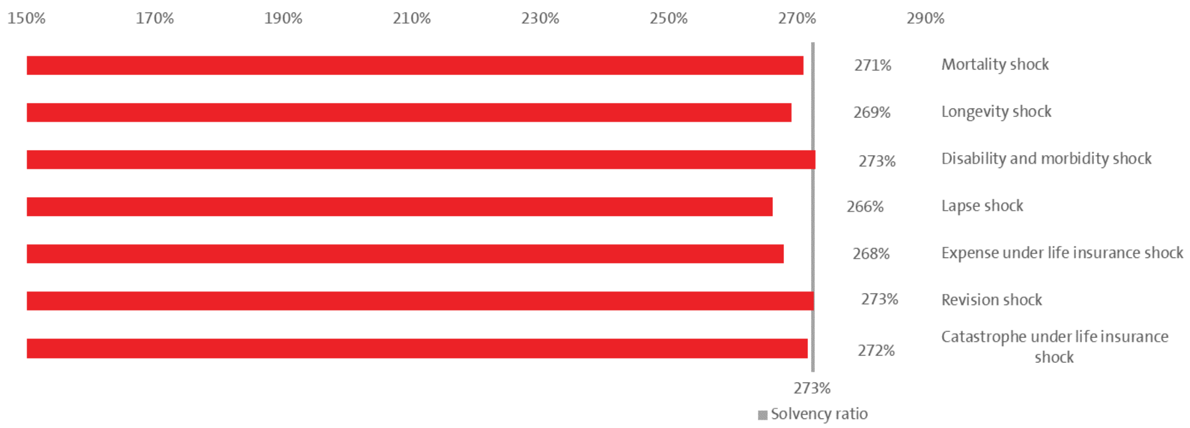
The second part of risk management is performed in the claim adjustment phase where the medical documentation from the claim report is cross-referenced with the data from the concluded policy.

Risk monitoring is performed regularly using the analysis of portfolio mortality, morbidity and market practices. The result of these analyses is a best estimate of the assumptions for all underwriting risks that are then used to calculate life insurance technical provisions, set new product prices and calculate capital adequacy.

SENSITIVITY

The Company performs sensitivity tests regularly in order to ensure risks are managed suitably.

Chart 4: Company's capital adequacy sensitivity test as at 31 December 2021



The chart above presents the Company's capital adequacy in the event of occurrence of an individual shock defined according to the standard formula.

C.2 Market risk

Market risk is the risk of loss or adverse change in the financial standing of the Company resulting from fluctuations in the level and volatility of the market prices of assets and liabilities. The investment of the collected premium and own funds of the Company represents one of the main activities at the Company. The Company holds a broad range of various financial instruments in the investment portfolios whereby the value of the instruments depends on the fluctuations on financial markets.

Table 15: Company's risk estimate for market risks in 2021 and 2020

In EUR thousand

	2021	2020
Interest rate risk	11,661	17,953
Equity risk	169,062	134,417
Property risk	34,902	34,494
Spread risk	57,258	58,189
Market concentration risk	34,490	23,207
Currency risk	11,354	6,739
Diversification	-42,880	-59,792
Market risk	**275,846**	**215,208**

As at 31 December 2021, market risk represents 51% of the Company’s overall risk estimate, excluding diversification.

The risk estimate is calculated at the level of the entire Company whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2021, the risk estimate for the market risks of both ring-fenced funds came in at EUR 21.9 million.

RISK EXPOSURE

The Company is exposed to market risks mainly through investment portfolios and with interests in associated companies, including participations. In determining the amount of market risks of insurance investment portfolios, compliance with insurance liabilities is also taken into account for individual sub-modules of market risks. Under the investment portfolio, it may be exposed to market risks through direct investments in financial instruments or indirectly via investments in collective investment undertakings. In view of the structure of investments, the Company is most exposed to spread risk and equity risk.

Table 16: Company's assets exposed to market risk as at 31 December 2021 and 31 December 2020

In EUR thousand

	2021	2020
Property, plant and equipment held for own use	77,422	76,556
Real estate (except real estate held for own use)	61,387	59,838
Holdings in related undertakings, including participations	445,107	413,525
Equities	69,559	54,808
Bonds	1,594,285	1,673,761
- Government bonds	*1,037,523*	*1,085,297*
- Corporate bonds	*555,745*	*587,404*
- Structured notes	*1,017*	*1,059*
Collective investment undertakings	104,399	58,882
Derivatives	20	113
Deposits other than cash and cash equivalents	19,604	19,432
Other investments	1,697	1,689
Assets held for index-linked and unit-linked contracts	751,800	656,749
Loans and mortgages	4,866	8,110
Deposits to cedants	16	0
Assets exposed to market risk	**3,130,163**	**3,023,462**

Table 17: Company's liabilities exposed to market risk as at 31 December 2021 and 31 December 2020

In EUR thousand

	2021	2020
Exposure to interest rate risk	1,754,128	1,723,131
Exposure to equity risk	441,389	379,203
Exposure to property risk	4,644	3,676
Exposure to spread risk	441,389	379,203
Exposure to currency risk	336,529	*274,609*
Liabilities exposed to market risk	**2,978,078**	**2,759,823**

INTEREST RATE RISK arising from assets is decreased to a large extent by the interest rate risks from liabilities. All assets and liabilities, the value of which depends on the change in the risk-free market interest rate (bonds, loans, deposits, interest-sensitive derivatives, cash flows from insurance policies), are exposed to interest rate risk. The Company manages interest rate risk mainly by matching assets and liabilities according to maturity. The duration gap of interest-sensitive items is monitored by the Company based on the market valuation, whereby investments to the benefit of unit-linked life insurance policyholders are excluded. The interest rate risk estimate decreased compared to the year before. Due to the expected gradual rise in interest rates, the Company reduced the sensitivity of investment portfolios to interest rate movements. With the changed assumptions for life insurance liabilities, due to which the duration of insurance liabilities was extended, the gap in the duration of assets and liabilities of the Company increased by approximately two years, from 0.7 to -1.8. The calculation of the risk assessment to cover interest rate risk takes into account the lower shift of the interest rate curve than last year, which results in a lower risk assessment. The Company implements a policy of a high level of asset and liability matching, and maintains the interest rate gap within the agreed ranges.

SPREAD RISK is associated with an important source of returns generated by the Company through debt portfolio management. Compared to the previous year, the Company reduced its exposure to investments exposed to this risk by EUR 97 million. The decrease in exposure is particularly noticeable in the segment of government bonds of issuers from the European Economic Area in local currency, which do not generate a risk assessment with the regulatory method, namely by EUR 82.7 million. With longer-term government bonds and the best credit ratings, the Company regulates the interest rate sensitivity of the most long-term liabilities. In contrast, exposure in the segment of bonds and loans that generate capital requirements increased slightly as a result of higher exposure to government bonds not included in the above category. The credit rating structure of the bond part of the Company's portfolio remained virtually unchanged compared to the previous year. There has been an increase in BBB-rated investments, by a total of around 3 percentage points, mainly due to investments below the investment grade and unrated investments. The duration of the debt investment portfolio decreased by 2 years compared to the previous year. Despite the higher exposure to risky debt securities, the risk assessment to cover the spread risk is lower compared to last year's amount, given the comparable credit quality of the portfolio, due to the lower maturity of investments.

The Company treats bonds issued by countries in the European Economic Area that are not denominated in the issuer's own currency for the purpose of calculating the risk assessment as ordinary corporate bonds. Only assets are exposed to the spread risk, as liabilities, with the exception of investments related to index-linked or unit-linked contracts, are valued using a risk-free curve. All assets whose value depends on the change in the part of the interest rate that represents the credit mark-up are exposed to the spread risk. These are mainly bonds, loans and deposits.

EQUITY RISK represents all exposures under investments, the value of which is sensitive to a change in the level or volatility of stock market values. These are mainly stocks, undertakings for collective investment into shares and derivatives associated with stock markets. An important part of the Company's exposure to stock markets is the result of investments into associated companies. The Company holds equity investments in order to generate higher long-term returns and for diversification purposes. The Company increased its exposure in the segment of equities and the segment of collective investment undertakings in 2021. The successful operation of associated companies increases the exposure to equity risk in the segment of associated companies. The risk assessment for equity risk thus increased compared to the previous year, which is largely due to the 7.4 percentage point higher value of the symmetric adjustment compared to the end of the previous year. Investment risk, where the investment risk is borne by policyholders, has little effect on the capital requirement for equity risk.

PROPERTY RISK arises from investment properties, real estate held for own use, property, plant and equipment held for own use by the Company and lease rights (since the introduction of IFRS 16). The property risk estimate did not change materially compared to the year before.

The Company's CURRENCY RISK arises from the mismatched asset and liability currency positions. The Company's liabilities are denominated almost entirely in euros. The Company pursues the policy of currency matching and invests the majority of its assets into euro-denominated investments. The risk estimate for currency risk is derived mainly from USD-denominated bonds, money accounts denominated in a foreign currency and non-euro investments through collective investment undertakings with a global and non-European geographic orientation. The currency risk estimate decreased immaterially compared the year before. The Company hedges a portion of the foreign currency-denominated exposure using currency swap derivatives.

CONCENTRATION RISK

The major share of the Company's assets is held in the form of bonds. Compared to the previous year, the share of government and corporate bonds decreased, while in the corporate bond segment there was a slight increase in the financial sector. At the level of the issuer or groups of related issuers the Company continuously monitors exposure and compliance with the limit system of exposure to issuers. The standard formula with limit values according to the credit rating has a significant impact on the limit system.

Table 18: Company's exposure according to the security issuers' NACE classification sector

	2021	2020
Financial and insurance activities	49.8%	42.2%
Public administration and defence, compulsory social security	28.1%	38.8%
Manufacturing	6.2%	5.8%
Activities of extraterritorial organizations and bodies	4.3%	0.9%
Real estate activities	1.7%	2.0%
Information and communication	1.3%	1.9%
Other sectors	8.6%	8.4%
Total	**100.0%**	**100.0%**

Table 19: Company's exposure according to the security issuers' country

	2021	2020
Slovenia	44.2%	42.4%
Germany	9.8%	12.4%
France	5.4%	5.2%
Spain	4.4%	4.3%
Italy	3.5%	3.6%
USA	3.4%	3.1%
Netherlands	2.1%	3.3%
Other countries	27.2%	25.7%
Total	**100.0%**	**100.0%**

The biggest exposure to a single issuer is represented by the exposure to the Republic of Slovenia. Exposures where the threshold value for concentration risk according to the standard formula is exceeded are mainly the exposures to non-strategic associates in the Group and strategic financial companies Triglav, pokojninska družba, d.d. (hereinafter: Triglav pokojninska družba), Triglav Skladi, d.o.o. ((hereinafter: Triglav Skladi) and Triglav penzisko društvo, a.d., Skopje ((hereinafter: Triglav penzisko društvo Skopje) that are not fully consolidated for solvency purposes.

RISK MITIGATION TECHNIQUES

The Company has a limit system in place for market risk monitoring that defines the restrictions on the underwriting of risks at the highest level as well as the desired structure of the investment portfolio and the maximum acceptable exposure to counterparties, thus limiting the possibility of losses from underwritten risks to a level that is still acceptable considering the complexity of the business model, strategic goals and the capital strength of the Company. The basic principles for the setting of limits are derived from the identified risks that arise from the investment portfolio management and trading activity.

In addition to the adequately diversified investment portfolio, the Company also uses various derivative financial instruments as market risk mitigation techniques. The Company uses derivatives only when they enable additional flexibility in assets management and for the achievement of effects that would be relatively more difficult to achieve save for the said instruments.

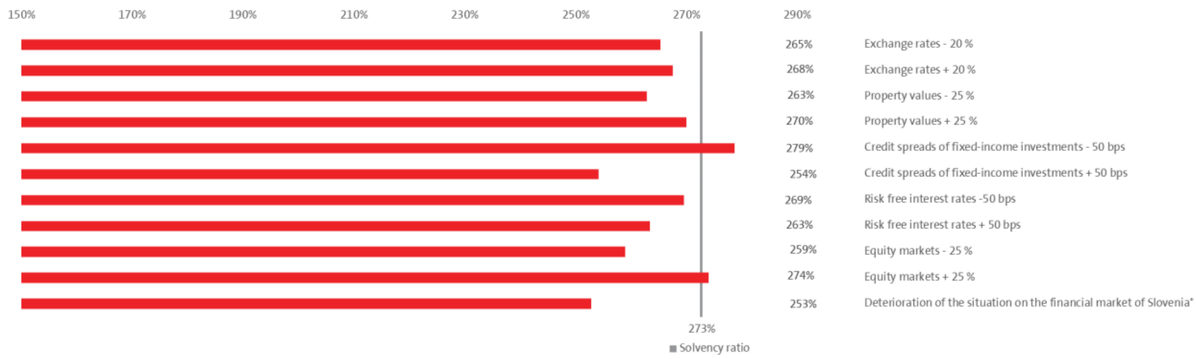
The use of such a range of instruments is assessed from various points of view, most often in terms of security, economy and the use of capital. The use of derivatives must focus on the comprehensive aspect of hedging individual portfolios whereby the derivatives used to hedge against currency risk are currently in the forefront.

The Company actively manages interest rate sensitivity of assets and liabilities. The expected cash flows for liabilities over the medium- and long-term period as well as liquidity needs over the short-term period are an important factor for the assessment of the suitability of investments.

SENSITIVITY

As part of the ORSA Process in 2021, the Company conducted stress tests where it verified the sensitivity to extreme changes in market parameters. The Company's stress test results show that the Company would remain adequately capitalised even after stress events. The Company's solvency ratio sensitivity analysis as at 31 December 2021 shows how the solvency ratio would change under individual isolated market scenarios, taking into account only the impact on eligible own funds and not the impact on the Solvency Capital Requirement. The sensibilities shown in this way represent a prudent assessment of the impact on the Company's capital adequacy.

Chart 5: Company's investment portfolio sensitivity test as at 31 December 2021



*The scenario includes an increase in credit spreads of Slovenian government bonds by 300 basis points, corporate financial bonds by 350 basis points, corporate non-financial bonds by 400 basis points and a drop in Slovenian shares and the value of Slovenian collective investment undertakings by 50 percent

C.3 Credit risk

Credit risks are defined as the risk of loss or adverse change in the financial standing of the Company resulting from the fluctuation in the counterparties' and eventual debtors' ability to meet their financial or contractual obligations in part or in full as a result of fluctuation in their credit standing. The fluctuations in the debtors' credit standing cause changes to the Company's assets as they can cause a decrease in the value or write-off of receivables, ceded liabilities under reinsurance or can affect the risk assessment via the increase in potential exposure. The Company is exposed to credit risk as a result of the increased concentration to individual counter-parties or groups of related parties that are connected by common risk factors such as credit ratings or the country.

As at 31 December 2021, credit risk represents 7% of the Company's overall risk estimate, excluding diversification.

The risk estimate is calculated at the level of the entire Company whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2021, the risk estimate for the credit risks of both ring-fenced funds came in at EUR 1.1 million.

Exposures to type 1 credit risk arise from counterparty exposures that will generally have a credit rating. Exposures to type 2 credit risk arise from groups of counterparty exposures that will generally not have a credit rating and are adequately dispersed.

Table 20: Company's risk estimate for credit risks in 2021 and 2020

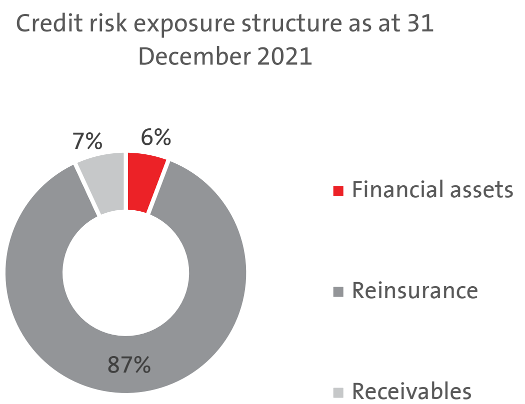
In EUR thousand

	2021	2020
Type 1	33,825	33,215
Type 2	5,581	5,870
Diversification	-120	2,322
Credit Risk	**39,286**	**41,407**

The credit risk estimate decreased by EUR 2.1 million in the reporting period. The decrease is mainly the result of the decrease in the risk estimate of both ring-fenced funds.

The calculation for certain unrated reinsurance partners (in accordance with the Delegated Regulation) observes their solvency ratio, which decreases the risk factor of these partners and thereby the the level of risk estimate.

RISK EXPOSURE



The Company's exposures to type 1 credit risks arise mainly from reinsurance companies arising from claims from accepted reinsurance and co-insurance, recoverable amounts from reinsurance and the effect of reinsurance arrangements in assessing insurance risks. Type 1 also includes exposure to banks for cash and cash equivalents and derivatives. The Company's exposures to type 2 credit risks are represented by past due receivables from direct insurance operations, receivables for the premium under accepted reinsurance and co-insurance as well as and other past-due receivables. The Company also observes the market value of insurance subrogations in past-due receivables from insurance operations.

When it comes to reinsurance partners, the Company is mostly exposed to its subsidiary Pozavarovalnica Triglav Re, d.d. (hereinafter: Triglav Re). On the other hand, exposure to banks is much more diversified as most of the Company's exposure to banks is tied to 4 different banking groups.

Over the course of 2021, no deterioration of the payment discipline or the credit quality of counterparties was observed.

CONCENTRATION RISK

The Company manages exposure concentration risk by individual segments of the operations, counterparty and its credit rating and country. Concentration risk from credit risk for the

Company according to the standard formula is the highest vis-à-vis the associated reinsurance partner through which it performs a major part of its reinsurance programme.

The table below shows the Company's exposure by country. The geographical diversification changed slightly during the observed period, mainly due to claims which were reported in 2021 and that are to some extent reinsured with Russian reinsurance partners.

Table 21: Company's exposure according to the reinsurers' country

	2021	2020
Slovenia	91.7%	92.1%
Russia	2.5%	0.6%
Germany	1.0%	4.4%
Other countries	4.8%	2.9%
Total	**100.0%**	**100.0%**

RISK MITIGATION TECHNIQUES

The Company's orientation in the area of credit risk underwriting is conservative and based on a predetermined risk appetite, a good overview of the risks taken, assurance of credit quality and diversification of the investment portfolio as well as the management of exposures arising from reinsurance, non-payment of premiums and subrogations.

The Company has a credit risk management process in place that is based on a well-defined risk appetite, main credit risk indicators, limits, risk measurement methodology, cooperation between all stakeholders in the process and the provision of information to all stakeholders. This enables optimum decision-making and, indirectly, also suitable credit risk management.

Credit risk from the Company's investment portfolio is balanced by depositing money, deposits and derivatives in banks with a suitable rating, whereby a professional analysis of the credit risk is performed for each bank and a sufficient rate of portfolio diversification is required. The Company has for this purpose put in place a limit system that observes both the internal and the external estimate for banks which is the basis for defining the maximum permitted exposures to an individual bank. The suitability of banks is also monitored regularly based on different publicly available information on the market.

When underwriting credit risks resulting from reinsurance, the Company actively manages credit risks through a diligent assessment of the adequacy of business partners for reinsurance and by regularly monitoring their adequacy (credit rating, maximum permissible exposures, and the partner's solvency ratio). When managing credit risk, it is important to have a suitable definition of counterparty creditworthiness where the Company relies on a robustly established process that is based on credit ratings from recognised rating agencies and the publicly available solvency ratios of those European reinsurers that do not have a rating. In order to ensure the suitability of reinsurance partners' credit ratings, the Company has a system in place which precisely defines rules for the naming of partners and determining their basic information and a precisely defined procedure for the determination of the partners' credit rating which is uniform for all partners.

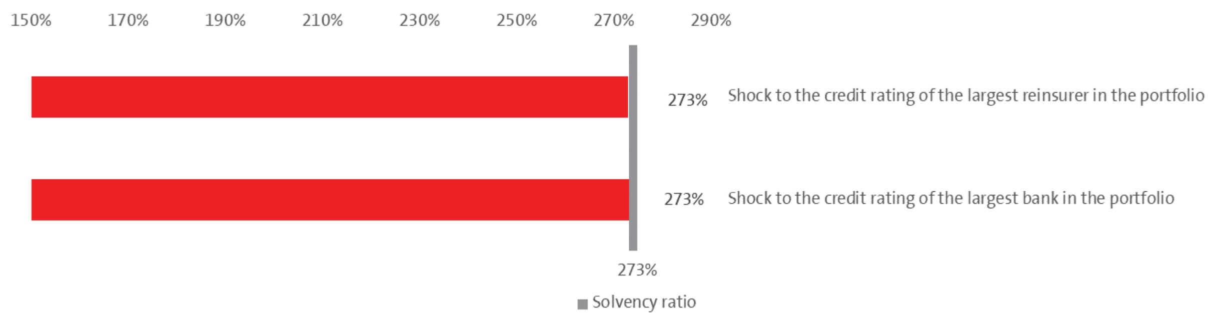
Exposure to counterparties without a credit rating is monitored and limited separately at the Company.

SENSITIVITY

The Company regularly analyses credit risk sensitivity. Exposure to credit risk resulting from the Company's reinsurance arises mainly from operations with the reinsurance subsidiary Triglav Re. As at 31 December 2021, the abovementioned subsidiary held an A rating from S&P.

Credit risk sensitivity from reinsurance is measured by the Company through the change of the rating of the main reinsurer outside the Group whereby all other risk estimate calculation parameters remain the same. It measures credit risk sensitivity arising from the operations with the bank, at which the Company has the biggest exposure, in a similar manner.

Chart 6: Company's credit risk sensitivity test as at 31 December 2021



C.4 Liquidity risk

Liquidity risk is the risk of incurring a loss due to a time mismatch between inflows and outflows, as a result of which the Company is unable to settle its liabilities or can only meet them with increased costs. Liquidity risk thus arises due to inadequate or insufficient available funds or due to the uncertainty of financial markets and the associated difficult access to the necessary financial resources to settle liabilities when they fall due. Redemption of financial investments is thus not possible or is carried out at a price lower than the market price.

The Company manages assets and liabilities with the aim of being able to settle all mature liabilities on time and without a material increase in the cost of liquidation. The Company also ensures an appropriate structure of assets whereby it invests its assets so as to ensure safety, quality, liquidity and profitability of the entire portfolio. The nature and duration of liabilities are also observes when investing assets. In order to ensure an adequate liquidity position, the Company monitors both its current and future asset and liability cash flows booth in ordinary and stress scenario conditions, whereby it holds an adequate amount and structure of liquid investments and maintains a surplus of liquid assets that enable the repayment of liabilities in extraordinary conditions.

Liquidity sources include mainly insurance premiums and cash flows from investments intended to cover liabilities. The most important liquidity needs include the payment of claims, costs and the payout of planned dividends. In the event of emergencies, procedures are in place for taking action, including the sale of liquid surplus investments over liabilities and additional security mechanisms (credit and repo lines). The Company regularly reviews stress scenarios and measures and adjusts them to exposures and market conditions on an annual basis. With the described operating system, it successfully assesses and manages liquidity risk and optimizes excess liquidity by investing in alternative sources with higher returns on the market.

The Company has defined a comprehensive liquidity risk management system, which includes internal rules for risk management, competencies and responsibilities of individual stakeholders, and liquidity risk management processes, including reporting. A key element of this system is the defined risk appetite. The Company regularly monitors liquidity risk and verifies whether the liquidity risk estimate is within the defined risk appetite by applying liquidity risk estimation methodologies and the limit system.

In 2021, the Company actively participated in the EIOPA stress test for insurance groups, which confirmed its liquidity strength in view of the severe consequences of the pandemic.

RISK EXPOSURE

The Company is most exposed to liquidity risk in case of catastrophic loss events, which can result in higher payments of indemnities and an increase in costs, and in case of an increased rate of early insurance policy terminations (lapses) resulting in higher surrender values and lower premium income to instability on financial markets. In 2021, despite the continuation of the emergency situation due to Covid-19, no significant instabilities were detected in the financial markets.

Monitoring of the exposure to liquidity risk includes a comprehensive overview of this risk. The Company monitors liquidity of both assets and liabilities as it takes into account liquidity sources (specifically cash flows from investments, insurance premiums and reinsurance claims) and liquidity needs (specifically compensation and indemnity as well as other operating expense payments) and allows the analysis in ordinary and extraordinary conditions.

The Company upgraded its liquidity risk management system in 2021 by also defining a lower liquidity limit according to needs, thus limiting its exposure upwards.

CONCENTRATION RISK

Concentration risk for liquidity risk arises from potential directly or indirectly related events that cause an increase in liquidity risk. A potential increase in liquidity risk occurs especially when such events occur within a very short period of time. The Company's liquidity management system also encompasses the management of liquidity risk concentration. Concentration that can affect the liquidity position is managed through the regular monitoring of liquidity risk taking into account the extraordinary circumstances both in the segment non-life and life insurance, while it is additionally managed using internal limits on banks and limits on the type and level of security risk. The Company did not detect major elevated liquidity risk-related concentration risk in the period under consideration.

RISK MITIGATION TECHNIQUES

In order to mitigate liquidity risk, regular investment management processes have been put in place at the Company in accordance with the defined investment policies. These ensure the maintenance of optimum liquidity and regular monitoring of risk at the time they are underwritten, whereby special attention is paid especially at insurance companies to the matching of cash flows from investments with those from liabilities, i.e. in terms of nature, duration and liquidity, which applies especially to those investment segments that are intended to cover technical provisions. The funds earmarked to cover these liabilities are adjusted to cover them in accordance with the investment policy in normal circumstances (ALM process), while maintaining the surplus of realisable assets, which allows repayment of liabilities even in emergency situations when liquidity needs are greater. The Company also has investment guidelines for other investment segments. These guidelines ensure that assets are of high credit quality, suitably diversified and liquid.

Liquidity risk is monitored regularly at the level of the second line of defence within the risk monitoring process, whereby uniform liquidity risk measurement methods are applied both in ordinary and extraordinary conditions. The Company has liquidity indicators with defined target values in place for the purpose of liquidity risk monitoring. Inflows from the Company's core operations are constant which positively affects its liquidity.

The Company has a liquidity assurance plan in place that predefines powers and activities if liquidity crises occur. A part of this plan includes the definition of extraordinary circumstances and the sequence of activities or measures to be implemented in case extraordinary circumstances occur.

In order to manage liquidity risk, the Company has concluded repo agreements with commercial banks, lines of credit and transaction account overdraft facilities, which are mechanisms for the hedging of liquidity risk in case of unexpected events. The Company also concludes reinsurance contracts with the "pay-as-paid" clause (clause providing for the payment of claims only after receiving payment under the reinsurance contract) for large insurance transactions, which allows it to manage the liquidity risk stemming from such transactions. The above ensures that liquidity risk is reduced even in the event of exceptional events.

SENSITIVITY

Sensitivity to liquidity tightening is monitored by the Company with internal indicators called LCR, which are also used to assess whether, in the event of exceptional circumstances, the Company has sufficient liquid assets to cover overdue liabilities for a period of one year. Indicators that measure liquidity risk sensitivity differ from one another both in terms of substance of stress conditions, the length of the stress period and the amount of deductions in financial investments.

EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

The amount of the expected profit included in future premiums is the opposite value of the best estimate of net liabilities arising from future premiums. It is merged at the level of insurance segments which enables eventual losses and profits to be compensated within the segment.

Expected profits included in the future premiums under existing insurance contracts are part of the Company's own funds and are estimated at EUR 101.4 million. They are equal to the sum of expected profits included in the future premiums under existing insurance contracts of the Company, i.e. by insurance segments.

The amount of the expected profit included in future premiums as at 31 December 2021 and 31 December 2020 is shown in the table below.

Table 22: Amount of the expected profit included in the Company's future premiums as at 31 December 2021 and 31 December 2020

In EUR thousand

	2021	2020
Life insurance	60,986	57,387
Non-life insurance including health insurance	40,455	33,368
Total	**101,441**	**90,755**

The main reason for the growth in the profit included in future life insurance premiums is the decrease in the number of SVPI policies entitled to guaranteed annuity factors compared to the previous year. The increase in expected profits from future non-life and health insurance premiums was mainly due to the increase in the fire and other property damage (LoB 4) and maritime, aviation and transport insurance (LoB 3) segments.

C.5 Operational risk

Operational risks are defined as the risks of loss resulting from inadequate or failed implementation of internal processes, conduct of employees, functioning of systems or the management of external events and their effects, both at the Company and other Group members. They include IT risk with a special emphasis on cyber risk and major business interruptions, legal process risk, model risk and non-compliance risk, conduct risk, project risk or outsourcing risk.

As at 31 December 2021, operational risk represents 4% of the Company's overall risk estimate, excluding diversification, and amounts to EUR 23.7 million.

The risk estimate is calculated at the level of the entire Company whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2021, the estimate of operational risks under both ring-fenced funds came in at EUR 1 million.

RISK EXPOSURE

The Company actively manages operational risks, identifying shortcomings, changes and movements in the internal and external environment that may potentially cause their increase. Such an approach allowed the Group to respond quickly even to Covid-19 emergencies. More attention and additional measures, where necessary, were paid to the risks perceived to be increased (absence of key employees or simultaneous absence of more employees due to illness, adjusted organisation of work and way of conducting business processes, additional information risks due to work from home and remote operations and regulatory changes due to government intervention measures).

Although the Company has not yet suffered a loss due to cyber events, it is aware of their growing dangers. The key to their management is regular maintenance and additional upgrading of the information security management system. In order to increase the recognition of vulnerabilities and better preparedness for such events, the largest cyber threats and business lines of the Company that would be most affected by the said threats were re-examined in more detail in the framework of the ORSA in 2021. Based on the findings, measures have been developed to improve security.

The Company is also exposed to regulatory risk and risks related to digital business solutions and remote operations with existing and potential customers. The latter include, among others, the risks in terms of regulatory compliance and information security. Managing them requires meeting information security standards and taking measures in the process of identifying and authenticating individuals, ensuring the accuracy and completeness of customer data, electronic signing and certification of documents, secure transmission and access to documents, ensuring confidentiality, transparency and other measures to achieve compliance with regulations governing electronic business, electronic signature and protection of personal data. The Company remains exposed to risks related to the outsourcing of operations and the performance of insurance operations in foreign markets. Regulatory risk is managed by prompt implementation of legislative amendments into its business processes, regular monitoring of business practices and positions of supervisory and other state bodies, and through involvement in regular and extraordinary procedures of the Slovenian Insurance Association.

CONCENTRATION RISK

The Company is aware that computerisation and digitalisation are increasing the influence of IT on operations from the point of view of operational risk concentration and importance. The Company and its operations are highly dependent on the suitable functioning of IT which is why a major IT security incident, other IT incident or the suspension of operations can severely affect the Company's operations. This is why the Company devotes special attention to the management of IT security risk with an emphasis on cyber risk as well as disruptions or suspension of operations which it manages via the business continuity management system. HR risk was highly elevated during the emergency related to Covid-19 because of the potential absence of key employees or the simultaneous absence of a large number of employees, which were mitigated by the setup of conditions for remote work (from home) and the business continuity management system (BCMS).

RISK MITIGATION TECHNIQUES

In order to manage operational risk, the Company has a formal process in place with clearly defined roles and responsibilities of individual stakeholders of the system which enables it to suitably manage operational risk. As part of the above, the Company has in place a register of operational risks and internal controls whereby each risk and control has a responsible person designated (custodian). The registers are updated regularly subject to the changes at the Company and in the business environment which ensures continuous reduction of operational risk exposure. The Company regularly monitors the actual exposure to operational risk based on the regular identification and assessment of potential operational risks, regular reporting of realised operational loss events and the monitoring of the key operational risk indicators which also include early warning signals. In the event of the occurrence of important (large) or repetitive operational loss events and if the operational risk appetite is exceeded, the Company starts the preparation of preventative and remedial risk mitigation measures or introduction of additional internal controls aimed at risk mitigation. Additional measures or upgraded internal controls have an effect on the decrease in exposure to potential operational risks that are assessed regularly. In these ways, the Company can verify the success of the implementation of risk mitigation measures. When managing operational risk, the greatest emphasis is placed on key business processes or segments of operational risks. When assessing the exposure to operational risks, internal controls for their management are inventoried for all business processes, which is an important lever for their management.

The main purpose of operational risk management is not the elimination of said risks, but rather their timely identification and cost-effective mitigation according to the defined tolerance.

Key progress in improving the management and consequent mitigation of operational risks was brought about by the new application-based support introduced in 2021, which enables more comprehensive management of data on these risks, including cyber and regulatory ones, which have been identified as the most pressing operational risks of the Company. The tool also supports internal audit processes for even more coordinated operation of key functions in risk management processes and more effective review of said operation. The tool also increases the completeness of the assessment of potential operational risks.

The Company transposes the operational risk management system according to the principle of proportionality and materiality to subsidiaries, which regularly report on realised operational loss events and other significant operational risks, and partly also on key indicators of operational risks.

SENSITIVITY

Operational risk is affected by many factors, both internal (employees, processes, internal systems) and external (external systems, external factors and events). Whereas the Company can influence internal factors through the improvement of processes and internal controls, it has no major effect on external factors which are also more difficult to foresee. This is why the Company additionally tests its sensitivity to operational risk by defining and executing stress scenarios such as regular test of the transfer of IT operations from the primary server location to the backup location, the scenario of an earthquake, and the cyber scenario (e.g. ransomware attack). Based on the test results, the Company continuously upgrades the information security management system. The results of the earthquake scenario were the starting point for updating and further upgrading business continuity plans for key processes. Regular implementation and testing of the systems in place is performed in order to raise awareness of vulnerabilities and thus ensure a higher level of preparedness.

C.6 Other material risks

NON-FINANCIAL RISK

In terms of the Company's operations, material non-financial risks include strategic risk, reputational risk, Group risks, sustainability risk and emerging risk. Non-financial risks usually come from the external environment and are very closely linked to other risks, especially operational. They usually arise from several realised factors inside and outside the Group.

Strategic risk is the risk of incurring loss due to inappropriate strategic decisions, inconsistent implementation of strategic decisions and insufficient responsiveness to changes in the business environment. They also include a part of legal and regulatory risk arising from the key changes in the Company's business environment.

Reputational risk is the risk of losing existing or future business or goodwill due to a negative image of the Company with its customers, business partners, employees, owners and investors as well as supervisory and other government bodies and other interested or general public. Effective reputational risk management enables the maintenance of market leadership, the maintenance or increase of market capitalisation, easier resolution of potential crises and resilience in uncertain situations. It also ensures the trust, loyalty and satisfaction of stakeholders.

Group risk arises from the business model of the Company, which operates as the controlling company or a group of related parties. It includes risks that may jeopardise the achievement of strategic goals due to an ineffective system of governance and insufficient knowledge of the business environment where the Group companies operate. The risk profile is also affected by the review and treatment of large transactions between associated companies and the complexity of managing concentration risks. All of the abovementioned risks may materialise in the form of larger or smaller deviations from the business or financial plan as a result of losses or lost business opportunities.

Sustainability risks (including ESG risks) represent a set of risks of the Company and the Group members that arise from environmental, social and managerial factors and may have a negative impact on the financial position or solvency of the Company and its companies.

- Environmental risks (E) are risks related to climate change and are divided into physical risks and transition risks or transitional climate risks. Physical risks represent the risks of financial losses due to extreme weather events or other environmental impacts related to climate change. Transition risk or transition climate risks are related to risks arising from changes in business operations or the environment as a result of measures to promote the transition to a low-carbon economy in order to reduce human impact on climate change (transition risks or transition climate risks include legal and regulatory risk, technological risk, market risk and reputational and goodwill risk).
- Social risks (S) mainly include risks arising from the way in which the Company and Group members operate subject to the requirements of the broader social environment, in particular ensuring diversity and equal opportunities for various stakeholders, safety, health and satisfaction of employee and good relations with customers, suppliers and contractual partners, care for local communities and society, care for human rights and at the same time care for the safety and quality of products.
- Governance risks (G) are risks associated with an inappropriately or inadequately established management system, in particular in the field of environmental and social aspects. They include the legality of operations, corporate governance standards, including the risk management system and the internal control system, the area of remuneration of the company's management, applied business practices and investor relations policy.

EMERGING RISKS are risks that may or may not develop in the future, but are not yet materially important risks. They are characterised by being difficult to evaluate and can have a strong impact on the Company's operations. Based on past experience, they cannot be predicted, as there is often insufficient information to predict the frequency or amount of damage caused. Emerging risks are closely monitored, and their management system is simultaneously upgraded accordingly.

To manage non-financial risks, the Company has upgraded its reputational risk measurement method in 2021, which takes into account additional aspects that may adversely affect the Company's reputation. The negative impact on reputation can be internal or external. With a functioning internal control system, the Company ensures that its operations are legal, professional and ethical. It ensures the appropriate quality of services and products, achieves financial objectives, properly manages relationships with key stakeholders and fulfils sustainable commitments or sustainable aspects of business operations. It observes the set environmental goals and strives to respect unlimited and healthy competition in the market. Maintaining a low reputation risk estimate is crucial for the Company as it has set high goals in this area.

In 2021, the Company began to upgrade the sustainability risk management system, mainly by defining methodologies, indicators and reporting. Such risks mainly include emerging risks that may have long-term effects. In dealing with them, therefore, those business areas are identified that will be affected the most by change due to the greater role of sustainable operations in the company. At the moment, these risks are given attention mainly in the context of the ORSA, which examines the risks of climate change through the analysis of exposure to natural disasters and stress testing of the related portfolio.

C.7 Any other information

PRUDENT PERSON PRINCIPLE

The Company manages assets accordance with the requirements of the "prudent person principle" and in the best interest of all of their policyholders, beneficiaries and other stakeholders of the Company. The Company's property is represented by assets covering insurance liabilities as well as other excess assets and are allocated to various investment portfolios. The key guideline when investing assets is the diversification of investment risk.

There is an investment policy in place for every investment portfolio. In accordance with the mission and risk tolerance of individual portfolios, the policies define investment targets that provide long-term profitability in accordance with the expected risk appetite. The limit system, which is part of the investment policies, is primarily designed to take into account both the requirements and the capacity of individual insurance portfolios of the Company. Good practices in asset management are pursued in the management of assets at the level of the Company.

In line with good practices, the Company has set up a range of indicators that it uses to regularly monitor risks which enables it to take timely action. The Company ensure ongoing liquidity of individual portfolios. The assets of Company are invested in a manner that ensures their availability. The safety and profitability of investment portfolios as well as their compliance with the established limits are monitored daily, weekly and monthly. The structure of the Company's financial assets remains relatively conservative, focusing on fixed-return investments.

Each individual investment is treated from the point of view of the portfolio which requires the investment to be assessed primarily in terms of the effect on the existing invested assets, their variability and contribution to the return. Each investment is reviewed or analysed whereby the depth of the analysis depends on the complexity of the investment and its share in total assets.

The management of the assets in investment portfolios intended for the coverage of secured liabilities is performed so that it complies with the investment policy and so that the Company pursues the objectives that correspond as far as possible with the objectives of the policyholders. Regular monitoring of the range of indicators and active investment management aim to maximise safety, liquidity, diversification, profitability and provision coverage with investments.

When investing assets, the Company pursues the principle of asset and liability tenor matching. The observation of the interest of all policyholders and beneficiaries is ensured even in the case of the potential conflict of interest resulting from the assets of one Group member being managed by another member.

STRESS TESTS

The Company regularly performs stress tests for all important risk types and monitors and evaluates the potential impact of stress on its risk profile and solvency.

Stress testing and scenario analysis are part of the Company's own risk and solvency assessment (ORSA) process. In stress tests, the Company determines the effect of a simultaneous change in several parameters such as simultaneous changes in various risk types that affect the insurance business and the value of financial investments. When analysing the potential effects and exposure, the actual exposure to adverse circumstances that can last for an extended period, to sudden and major events, and to combinations of the aforementioned circumstances and events are taken into account.

In 2021, the Company carried out several tests of capital adequacy, whereby it applied stress scenario tests that reflected as much as possible the current and potential risks in the external environment and the operations of the Company. The scenarios assessed under the regular ORSA process included the scenario of the impact of changes in the macro-environment as a result of Covid-19, the Company's liquidity deterioration scenario, the climate change impact scenario for the Company's portfolio and the operational risk scenario.

OTHER RELEVANT INFORMATION

All other information relating to the risk profile was disclosed by the Company in sections C.1 through C.6.

D. Valuation for solvency purposes

D. Valuation for solvency purposes

The Company values its assets and liabilities for solvency purposes at fair value.

When assets and liabilities are valued, the risk-free interest rate curve published by EIOPA is used whereby no adjustments of the curve are applied.

The table below shows the balance sheet of the Company for solvency and financial reporting purposes. Details on the Company's balance sheet are shown in template S.02.01 in the Annex to this Report.

Table 23: Balance sheet of the Company as at 31 December 2021

2021			**In EUR thousand**
Balance sheet		**Value for solvency purposes**	**Value for financial reporting purposes**
Assets		**3,298,598**	**3,118,962**
Intangible assets	D.1.1	0	67,022
Deferred tax assets	D.1.2	21,546	0
Property, plant and equipment held for own use	D.1.3	77,422	69,692
Investments	D.1.4	2,296,059	1,974,165
Assets held for index-linked and unit-linked contracts	D.1.5	751,800	751,800
Loans and mortgages	D.1.6	4,866	5,156
Reinsurance recoverables	D.1.7	95,256	136,078
Deposits to cedants	D.1.8	16	16
Insurance and intermediaries receivables	D.1.9	30,365	93,764
Reinsurance receivables	D.1.10	7,589	7,589
Receivables (trade not insurance)	D.1.11	3,835	3,835
Cash and cash equivalents	D.1.12	8,333	8,333
Any other assets, not elsewhere shown	D.1.13	1,513	1,513
Liabilities		**2,260,793**	**2,443,740**
Technical provisions	D.2	2,069,365	2,280,508
Provisions, other than technical provisions	D.3.1	13,201	13,201
Deposits from reinsurers	D.3.2	16	16
Deferred tax liabilities	D.3.3	47,126	4,213
Financial liabilities other than debts owed to credit institutions	D.3.4	1,668	1,668
Insurance and intermediaries payables	D.3.5	22,613	22,613
Reinsurance payables	D.3.6	1,594	18,511
Payables (trade not insurance)	D.3.7	47,173	47,173
Subordinated liabilities	D.3.8	51,671	49,472
Any other liabilities, not elsewhere shown	D.3.9	6,365	6,365
Excess of assets over liabilities		**1,037,806**	**675,222**

The valuation methods for solvency purposes and financial reporting purposes by individual balance sheet items are described in greater detail below. A comparison with the results of the previous period is also shown.

D.1 Assets

Several valuation methods may be used for the valuation of assets for the Company's financial reporting purposes, whereby the methods comply with the IAS (e.g. fair value, amortised cost, cost, etc.), while assets may be valued for solvency purposes only according to the method that is consistent with the requirements of the Delegated Regulation and the EIOPA guidelines.

The assets disclosed in financial statements in a manner that is inconsistent with solvency requirements are revalued to fair value for solvency purposes. The best estimate of the fair value is the active market quotation. If this is not available, fair value is measured based on the latest transaction prices, if market conditions have not changed significantly since the last transaction, or using the expected cash flow discounting model. Equity instruments for which the price is not published in an active market and whose fair value cannot be measured reliably are measured at cost.

Asset-side balance sheet items are presented below.

D.1.1 Intangible assets

Intangible assets of the Company consist of software and property rights, which however are valued at zero for solvency purposes. This item includes deferred acquisition costs that are valued at zero for solvency purposes.

For financial reporting purposes, intangible assets are valued at cost. As at the balance sheet date, assets are disclosed at their cost less accumulated amortisation and any accumulated impairment loss. The amortisation period is determined subject to the useful life. Subsequent recognition of an intangible asset is possible in so far as it corresponds to the definition of an intangible asset and meets the recognition criteria. Intangible assets with an indefinite useful life are not amortised. An impairment test is performed for these assets every year.

Table 24: Company's intangible assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Intangible assets	0	0	67,022

D.1.2 Deferred tax assets

In financial statements, deferred tax assets are accounted for all temporary differences between the value of assets for tax purposes and their carrying amount. The net value of the assets and liabilities is shown for financial reporting purposes, but as the value on the liabilities side is higher than the value on the assets side, the net value on the assets side (deferred tax assets) is disclosed as zero. Deferred tax assets are valued for solvency purposes as the sum of deferred tax assets for financial reporting purposes and the product of the currently applicable tax rate and the difference between the accounting and market values of assets, whereby this excludes the values of holdings in related undertakings, including participations. For solvency purposes, the item is not netted against deferred tax liabilities as it is for financial reporting purposes.

The tax rate used to account deferred tax assets is 19% both for solvency and for financial reporting purposes.

Table 25: Company's deferred tax assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deferred tax assets	21,546	17,351	0

Deferred tax assets increased by EUR 4.2 million in 2021 because of the increase in the difference between the assets decreased by holdings in related undertakings, including participations, for financial reporting and solvency purposes, which is the basis for the calculation of deferred tax assets.

D.1.3 Property, plant and equipment held for own use

Property, plant and equipment held for own use at the Company represent plant, land and buildings. These items are valued at amortised cost for financial reporting purposes. With the introduction of the IFRS 16 standard, this category includes the rights of use assets. They are valued at amortised cost of contractual cash flows.

Items of property, plant and equipment held for own use are valued at fair value for solvency purposes. The right of use assets are valued in the same manner for financial reporting purposes.

The Company cooperates with a certified real estate appraiser who evaluates real estate every year. The fair value of real estate was determined as at 30 September 2021. In the period from the valuation to the reporting date, there were no changes that would significantly affect the fair value of real estate as at 31 December 2021.

Table 26: Company's property, plant and equipment held for own use

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Property, plant and equipment held for own use	77,422	76,556	69,692

The value of property, plant and equipment held for own use increased by EUR 0.9 million compared to the year before. The increase in the value of property, plant and equipment for own use compared to the previous year was due to lease rights in the amount of EUR 1 million, mainly due to the extension of the contract period to five years and a positive revaluation of land and buildings market for EUR 1.9 million. The reduction of property, plant and equipment other than land and buildings in the amount of EUR 2 million has the opposite effect on the amount of the total item.

D.1.4 Investments

Investments represent the major portion of balance sheet assets. Pursuant to the provisions of the Delegated Regulation and the relevant guidelines, these investments are valued at fair value.

The Company values financial assets using publicly available market prices on the active markets for the same instrument. If this is not possible, such valuation is performed using publicly available data from the active markets of similar instruments. Market activity, i.e. whether the market is functioning or not, is determined for each financial instrument according to the available information and circumstances. Factors that are important in assessing market activity include: low number of transactions in a given time period, high volatility of quoted prices in a given time period or between different market makers, high price difference between supply and demand, low number of market participants (less than 4). An important criterion, which includes all the above factors, for the activity of securities is the "Bloomberg Valuation Service (BVAL) score". Low values of the indicator (below 3) indicate that the market is not functioning.

Alternative methods include all methods that predominantly apply parameters in the valuation method, which are not obtained entirely from active markets and include a subjective component.

Table 27: Company's investments as at 31 December 2021

In EUR thousand

Assets	Value for solvency purposes	Value for financial reporting purposes
Investments	**2,296,059**	**1,974,165**
Real estate, except real estate held for own use	61,387	43,840
Holdings in related undertakings, including participations	445,107	173,619
Equities	69,559	69,559
Bonds	1,594,285	1,561,369
Collective investment undertakings	104,399	104,399
Derivatives	20	20
Deposits other than cash and cash equivalents	19,604	19,661
Other investments	1,697	1,697

D.1.4.1 Real estate (except real estate held for own use)

The same rules apply to the valuation of investment property, i.e. real estate not held for own use, as those that apply to the valuation of property, plant and equipment held for own use as presented in section D.1.3.

Table 28: Company's real estate (except real estate held for own use)

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Real estate (except real estate held for own use)	61,387	59,838	43,840

The value of real estate (except real estate held for own use) increased by EUR 1.5 million compared to 2020. The valuations/appraisals performed in 2021 deviate from the valuations used in the previous year, generally upwards, which is also the main reason for the increase of the item. There were no major purchase or sales transactions in the reporting period.

D.1.4.2 Holdings in related undertakings, including participations

Subsidiaries are disclosed in financial statements at cost adjusted for potential impairments. Associated companies are disclosed at fair value. Holdings in related undertakings are valued according to the following valuation method hierarchy for solvency purposes:

a. the default valuation method: the default valuation method (hereinafter: DVM) entails valuation using publicly available market prices on the active markets for the same assets;

b. the adjusted equity method: under the adjusted equity method, holdings in related undertakings are valued subject to the share of the participating entity in the excess of assets over liabilities of the related undertaking. When calculating the excess of assets over liabilities for related undertakings, the undertakings' individual assets and liabilities are valued according to the principles of Solvency II (adjusted equity method; hereinafter: AEM S2). When calculating the excess of assets over liabilities for related undertakings other than insurance or reinsurance undertakings, the equity method may be used as set out in the International Accounting Standards, where the value of goodwill and other intangible assets is deducted from the value of the related undertaking (adjusted equity method; hereinafter: AEM S1).

c. adjusted prices for similar assets in active markets or alternative valuation methods: if neither valuation method in accordance with paragraph a) nor the one in paragraph b) is possible and the undertaking is not a subsidiary undertaking, holdings in related undertakings are valued using an alternative valuation method (hereinafter: AVM), which the Company applies in the preparation of annual or consolidated financial statements. In such cases, the value of goodwill and other intangible assets is deducted from the value of an individual undertaking.

The holdings in related insurance undertakings, the insurance holding and all strategic companies for the provision of services ancillary to the Company's principal activity are valued according to the AEM. When calculating the excess of assets over liabilities for related undertakings, the assets and liabilities of these related undertakings are valued according to the basic principles in accordance with the Delegated Regulation. The strategic financial undertakings (Triglav Skladi, Triglav, pokojninska družba and Triglav penzisko društvo Skopje) and other related undertakings, with the exception of the shareholding in Nama, d.d. and Alifenet, d.o.o. are valued according to the AEM whereby the calculation of the excess of assets over liabilities applies the equity method in accordance with IAS less the value of goodwill and other intangible assets. The shareholding in Nama, d.d. is valued according to the AVM which basically closely follows the AEM using the fair value of assets and liabilities.

The table below provides the values of the Company's equity holdings in related undertakings according to the valuation methods for solvency purposes.

Table 29: Values of the Company's equity holdings in related undertakings according to valuation methods

In EUR thousand

Valuation method	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
AEM S2	340,720	319,694	118,225
AEM S1	95,222	84,666	46,229
AVM	9,165	9,165	9,165
Total	**445,107**	**413,525**	**173,619**

The biggest difference between the value of the item for financial reporting purposes and the value for solvency purposes is the calculation method. Associated companies are valued at fair value for solvency purposes, while they are valued at cost or impaired value for financial reporting purposes. The biggest difference from this at the Company arises from companies that previously disclosed positive operating results (Triglav INT, Pozavarovalnica Triglav Re, Triglav Skladi, Triglav, Zdravstvena zavarovalnica).

Table 30: Company's holdings in related undertakings, including participations

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Holdings in related undertakings, including participations	445,107	413,525	173,619

The value of holdings in related undertakings increased in 2021 by EUR 31.6 million. Good operating performance of Pozavarovalnica Triglav Re, Triglav Skladi, Triglav, Zdravstvena zavarovalnica and Triglav INT boosted their value significantly. The payment of a substantial dividend by Triglav, Upravljanje nepremičnin and change in the amount of goodwill due to the consolidation of ZTSR, d.o.o. and DCB, d.o.o. on the other hand reduce the amount of the total item.

D.1.4.3 Equities

Investments into equities (except related undertakings) are valued – provided there is an active market for such equities – according to the closing ask price on the stock exchange. In the event of an inactive market, the value of the investment is determined by the last known price – provided that the assessment that the economic circumstances since the last transaction have not changed substantially remains valid – by the price in a liquid grey market or by a valuation model. Estimating the value using a valuation model is performed internally or through certified valuers, whereas the appropriate valuation methods subject to the features of the asset being valued will include the discounted cash flow method, the comparable company analysis (public market multiples) and the net asset value method. Exceptionally, in cases of immateriality of an individual investment and the total value of assets valued in such a manner, the cost value is important for determining the value of the asset. Valuation for financial reporting purposes generally does not deviate from the valuation for solvency purposes.

Table 31: Company's equities

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Equities	**69,559**	**54,808**	**69,559**
Listed equities	64,149	48,945	64,149
Unlisted equities	5,410	5,863	5,410

The value of equities increased by EUR 14.8 million in 2021. The increase in the listed securities category is mainly the result of the general positive revaluation on the Ljubljana Stock Exchange. The decrease in the category of unlisted equity securities is due to the lower estimated value of investments in Nervtech and Erste d.o.o. - a company for the management of mandatory and voluntary pension funds.

D.1.4.4 Bonds

Bonds are valued for financial reporting purposes in accordance with the requirements for the financial statement category in which they are classified upon recognition (at fair value through profit or loss, available-for-sale, held to maturity, and loans and receivables). Investments in the “available for sale” or "at fair value through profit or loss" category are valued at fair value. Investments classified as “held-to-maturity” or “loans and receivables” are valued at amortised cost.

When an investment is a market investment (listed on an active market), its fair value is represented by its closing ask price on that market (Bloomberg Valuation Service - BVAL, local stock exchange, market operator's price). If the market is not functioning - transactions are not carried out frequently enough and to a sufficient extent to provide price information on a regular basis, fair value is determined by valuation techniques:

a) the price is determined by the last concluded transaction provided the economic circumstances have not changed materially since the last transaction;

b) valuation model.

The main parameter of the model for the valuation of investments in the monetary item set (present value of contractual cash flows) is the discount curve composed of the risk-free interest rate for an individual currency and credit spread characteristic of the issuer or group of issuers. When determining an individual discount curve, the Group relies on unadjusted data from financial markets to the greatest possible extent. In the case of complex financial instruments, such as compound securities or bonds with call options, specialised models are used for valuation, which may require additional parameters (volatility, correlation, etc.). All bond investments are valued at fair value for solvency purposes.

Table 32: Company's bonds

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Bonds	**1,594,285**	**1,673,761**	**1,561,369**
Government bonds	1,037,523	1,085,297	1,012,007
Corporate bonds	555,745	587,404	548,346
Structured notes	1,017	1,059	1,017
Collateralised securities	0	0	0

The value of bonds decreased in 2021. The effect of the decrease of nearly EUR 80 million is broken down into the negative cash flow of EUR 32.5 million and the negative revaluation of nearly EUR 47 million. The major portion of the negative revaluation comes from the government bond segment. As they primarily cover insurance liabilities with the longest maturities, this segment of investments is most subject to the movement of risk-free interest rates. In the period under review, the government bond segment recorded EUR 2.4 million in outflows, while the corporate bond segment recorded EUR 30.1 million in outflows.

Owing to the different valuation of investments that are classified in financial statements as “held-to-maturity” or “loans and receivables”, there is a difference of EUR 32.9 million up to the value for solvency purposes. The fair value of these investments is generally higher than the amortised cost due to the low interest rates and small credit spreads. The major portion of the revaluation comes from the government bond segment.

D.1.4.5 Collective investment undertakings

Collective investment undertakings are valued for financial reporting purposes and solvency purposes as provided in section D.1.4.3. The price of unlisted funds is additionally set by the closing price of the fund issuer.

Table 33: Company's collective investment undertakings

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Collective investment undertakings	104,399	58,882	104,399

The value of the item increased by EUR 45.5 million in 2021. Approximately 12 million euros was invested in equity-oriented collective investment undertakings and about 15 million euros for debt-oriented collective investment undertakings. The rest of the item increase is represented by capital calls and new investments in alternative funds.

D.1.4.6 Derivatives

The value of derivatives is determined by the closing ask price in an active market (the stock exchange, price of the market operator). In the event that the market is not active, the value is determined by a specialised valuation model (Black-Scholes, network models). Model parameters (the discount rate, volatility, correlation, etc.) are defined as unadjusted data from financial markets to the greatest possible extent.

Table 34: Company's derivatives

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Derivatives	20	113	20

D.1.4.7 Deposits other than cash and cash equivalents

For financial reporting purposes, deposits other than cash and cash equivalents are valued at amortised cost. These investments are valued at fair value for solvency purposes. The fair value is estimated using the valuation model outlined in section D.1.4.4.

Table 35: Company's deposits other than cash and cash equivalents

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deposits other than cash and cash equivalents	19,604	19,432	19,661

D.1.4.8 Other investments

Other Company investments represent works of art and funds in the uninsured motorist fund. For solvency purposes, the value of these assets follows the value as used for the preparation of financial statements.

Table 36: Company's other investments

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Other investments	1,697	1,689	1,697

D.1.5 Assets held for index-linked and unit-linked contracts

Assets held for index-linked or unit-linked contracts are assets arising from insurance or investment products where the policyholder assumes investment risk. These assets are valued at fair value for solvency purposes while other valuation methods may be used for financial reporting purposes, whereby these methods comply with the requirements for individual financial reporting categories (e.g. valuation at amortised cost for assets classified under "Loans and receivables").

Table 37: Company's assets held for index-linked and unit-linked contracts

In EUR thousand

Balance sheet	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Assets held for index-linked and unit-linked contracts	751,800	656,749	751,800

The changes in assets under this item are primarily linked to the changes in the amount of insurance liabilities. These may be volatile owing to the inflows or outflows from premiums and payments respectively and partly also because of the changes in the value of liabilities that are subject to the changes in indices or reference values applying to the respective liability. The increase in the value of the investments by EUR 95 million comprises EUR 74.4 million worth of positive revaluation and EUR 20.6 million in inflows.

D.1.6 Loans and mortgages

Loans and mortgages are valued at amortised cost for financial reporting purposes. For solvency purposes, these assets are valued using the valuation model that is mainly based on the market assumptions regarding the discount rate. The credit spread that is a component part of the discount rate is determined for each issuer separately.

Table 38: Company's loans and mortgages

In EUR thousand

Balance sheet	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Loans and mortgages	**4,866**	**8,110**	**5,156**
Loans on policies	3,008	2,681	3,008
Loans and mortgages to individuals	1	2	1
Other loans and mortgages	1,857	5,426	2,147

The assets listed under the loans and mortgages item decreased in 2021. The decrease is the result of the early repayment of loans by insurance subsidiaries: Triglav, Zdravstvena zavarovalnica repaid a subordinated debt in its entirety and Lovćen Osiguranje, Montenegro made a partial repayment of the loan.

D.1.7 Reinsurance recoverables

Reinsurance recoverables are determined for financial reporting purposes based on reinsurance contracts the Company has concluded with reinsurers. They are formed for unearned premiums and claim provisions according to the prudence principle.

For solvency purposes, reinsurance recoverables are calculated separately for premium and claim provisions.

The Company determines reinsurance recoverables for non-life annuities and presents them (similarly as in the case of provisions for the same) among life insurance. For both purposes, reinsurance recoverables are determined based on recoverable amounts from reinsurance contracts that are calculated in accordance with the thresholds from insurance and reinsurance contracts to which the amounts relate.

Table 39: Company's reinsurance recoverables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Reinsurance recoverables	**95,256**	**67,055**	**136,078**
Non-life and health insurance	80,283	46,643	136,078
Life insurance	14,972	20,412	0

The value of reinsurance recoverables increased in 2021 which is in line with the increase in premium and claim provisions compared to the year before. Their movement thus corresponds with the amount of the provisions and the dynamics of the Company's payment of indemnities.

D.1.8 Deposits to cedants

For financial reporting purposes, deposits to cedants are valued at amortised cost using the effective interest rate method. They are valued in the same manner for solvency purposes.

Table 40: Deposits to cedants

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deposits to cedants	16	0	16

D.1.9 Insurance and intermediaries receivables

Insurance & intermediaries receivables are measured for financial reporting purposes at amortised cost using the effective interest rate method.

Items are valued in the same manner for solvency purposes, while the data included in the calculation differ. For solvency purposes, this item only includes past due receivables because non-past due receivables from policyholders are included for solvency purposes into the calculation of the best estimate of provisions and are correspondingly excluded from this item.

Additionally, this items includes all past due receivables from reinsurance and coinsurance for solvency purposes, while such receivables are accounted under reinsurance receivables for financial reporting purposes. Non past due receivables from reinsurance and coinsurance are included for solvency purposes into the calculation of the best estimate of provisions.

Table 41: Company's insurance and intermediaries receivables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Insurance & intermediaries receivables	30,365	32,970	93,764

Insurance and intermediaries receivables at the Company decreased by EUR 2.6 million in 2021 due to the decrease in past due receivables from accepted insurance and reinsurance.

D.1.10 Reinsurance receivables

For financial reporting purposes, reinsurance receivables are valued at amortised cost using the effective interest rate method. For solvency purposes, reinsurance receivables are valued the same.

Table 42: Company's reinsurance receivables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Reinsurance receivables	7,589	7,879	7,589

D.1.11 Receivables (trade not insurance)

Receivables (trade not insurance) at the Company comprise receivables from financing activities and receivables from operating activities. For financial reporting purposes, these receivables are generally measured at amortised cost using the effective interest rate method. They are valued in the same manner for solvency purposes.

Table 43: Company's receivables (trade not insurance)

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Receivables (trade not insurance)	3,835	3,479	3,835

D.1.12 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand. This item is valued according to its nominal value for both valuation purposes.

Table 44: Company's cash and cash equivalents

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Cash and cash equivalents	8,333	15,461	8,333

The values under this item decreased in 2021 as assets were invested in various investment classes.

D.1.13 Any other assets, not elsewhere shown

The item includes short-term deferred costs and accrued revenue, inventories and other assets. Valuation for financial reporting purposes is the same as for solvency purposes.

Table 45: Company's any other assets, not elsewhere shown

In EUR thousand

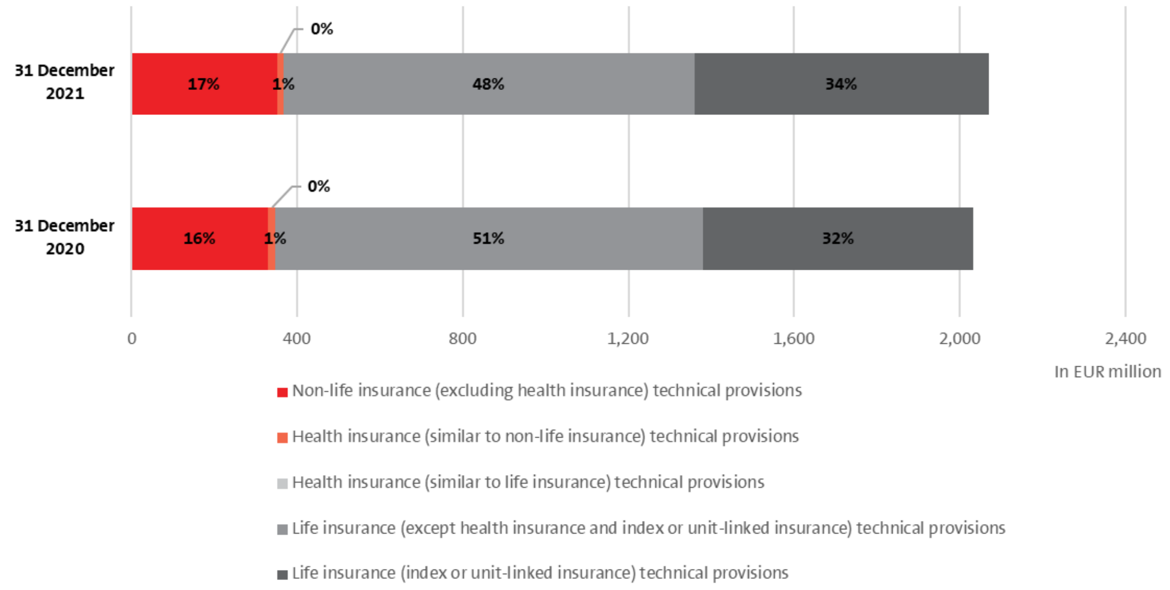
Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Any other assets, not elsewhere shown	1,513	3,742	1,513

The value of any other assets not elsewhere shown changed in 2021 as a result on non-current deferred costs.

D.2 Technical provisions

The Company's technical provisions represent the amount of the Company's liabilities arising from insurance contracts. Their value for solvency purposes is equal to the sum of the best estimate and the risk margin. The best estimate and the risk margin are calculated separately. The best estimate corresponds to the present value of expected future cash flows from the Company's insurance contracts. The Company calculates technical provisions separately for non-life and health as well as life insurance separately and allocates them according to the selected calculation method.

Chart 7: Company's technical provisions as at 31 December 2021 and 31 December 2020



CONTRACT BOUNDARIES AND HOMOGENEOUS RISK GROUPS

The Company recognises an insurance liability immediately upon the entry into force of a contract. A recognised insurance liability is derecognised when it is extinguished, discharged, cancelled or expires. Insurance contract boundaries are applied mutatis mutandis in the valuation.

The Company's technical provisions are broken down subject to the property of insurance and subsequently the actuarial methods used to value the liabilities. Non-life insurance liabilities are thus broken down into non-life and health insurance liabilities and also comprise the segment of liabilities that are allocated to life insurance liabilities for solvency purposes. Life insurance actuarial techniques are applied for the valuation of life insurance liabilities. This part of technical provisions is represented by non-life insurance claims, which are paid out in the form of annuities. Other liabilities from the non-life insurance portfolio are divided at least subject to lines of business.

The life insurance portfolio liabilities are mostly allocated to the segment of life insurance liabilities and partly to the health insurance segment. This group includes additional accident insurance that is concluded on top of basic life insurance and liabilities are determined using techniques characteristics of non-life insurance. Life insurance liabilities are divided into at least into life insurance segments.

Technical provisions of the Company are divided into homogeneous risk groups in accordance with the nature of the risks covered by the policies, actuarial judgement and historical developments subject to an empirical analysis.

When calculating the present market value of calculated nominal cash flows, the Company uses the basic risk-free interest rate term structure without a matching adjustment, transitional measure for adjustment or volatility adjustment.

The Company does not use adjustments in the calculation of capital adequacy.

D.2.1 Technical provisions for non-life and health insurance

Non-life and health technical provisions at the Company comprise claim provisions, premium provisions and the risk margin. They are set aside based on the generally recognised actuarial techniques, whereby the costs of acquisition, administrative costs and claim adjustment costs are taken into account in accordance with the Delegated Regulation.

The basis for the calculation of technical provisions for non-life and health insurance is data that meets the criteria of adequacy, completeness and suitability as the Company has established a data quality monitoring and assurance system. Non-life and health insurance technical provisions are segmented at least into the insurance segments prescribed by Commission Delegated Regulation (EU).

The table below shows the results of technical provisions by the largest insurance segments as at 31 December 2021. The results are broken down into premium and claim provisions, and the risk margin. Non-life and health insurance technical provisions are shown in greater detail in template S.17.01, which is appended to this Report.

Table 46: Non-life and health insurance technical provisions of the Company for solvency purposes as at 31 December 2021 with a comparison with the balance as at 31 December 2020

2021 — **In EUR thousand**

Non-life and health insurance technical provisions	Claims provision	Premium provision	Risk margin	Technical provisions
-- Motor vehicle liability insurance (LoB 4)	81,320	18,031	3,183	102,533
-- Fire and other damage to property insurance (LoB 7)	71,087	29,336	7,247	107,670
-- General liability insurance (LoB 8)	49,500	3,877	1,676	55,053
-- Other non-life insurance segments	59,126	34,543	9,423	103,092
Total	**261,032**	**85,787**	**21,530**	**368,349**

2020 — **In EUR thousand**

Non-life and health insurance technical provisions	Claims provision	Premium provision	Risk margin	Technical provisions
-- Motor vehicle liability insurance (LoB 4)	79,888	19,565	3,428	102,880
-- Fire and other damage to property insurance (LoB 7)	46,871	30,306	7,657	84,835
-- General liability insurance (LoB 8)	45,473	4,429	1,740	51,642
-- Other non-life insurance segments	56,089	42,974	8,904	107,967
Total	**228,321**	**97,274**	**21,728**	**347,323**

The Company recorded a premium provision drop and claim provision growth in the non-life and health insurance segment in 2021. Claims provisions increased mainly due to an increase in incurred reported claims in the fire and other damage to property insurance segment (LoB 7) and portfolio growth. Despite the increase in the volume of operations, the premium provision decreased compared to last year due to a decrease in expected claims from non-expired transactions and an increase in future premiums, which lowers the estimate of the provision.The increase in future premium stems from portfolio growth.

D.2.1.1 Best estimate of non-life and health insurance technical provisions

The best estimate of technical provisions is calculated separately for claims incurred after the calculation date and for claims incurred already as at the calculation date. The first calculation is termed the best estimate of the premium provision and the second is termed the best estimate of the claims provision.

The best estimate of the premium provision as at 31 December 2021 amounted to EUR 85.8 million.

The basis for the best estimate of the premium provision is future cash flows from premiums, claims, subrogations, costs, bonuses and discounts, terminations and commissions. The main assumption in the calculation is matching the pattern of development of future cash flows from the premium provision with the pattern that is calculated and used in claim provisioning. Unearned premium calculated as at the calculation date is used as the measure of exposure.

The best estimate of the claim provision as at 31 December 2021 amounted to EUR 261 million.

The best estimate of the claims provisions is calculated separately for incurred reported claims, i.e. all claims incurred up to the last day of the reporting period, and for incurred unreported claims, i.e. claims incurred but not sufficiently reported and reopened claims, which are claims that have not been finally resolved by the last day of the reporting period.

The best estimate of incurred reported claims is monitored at the level of an individual claim file. Individual claim adjustment departments are responsible for estimating individual claims, whereby data that affect the estimates are entered concurrently.

Provisions for incurred unreported claims are calculated at the level of insurance segments, for which a combination of established actuarial techniques is used, i.e. Chain-ladder and Bornhuetter-Ferguson. Inflation is also taken into account appropriately in the calculation.

The best estimate of the claims provision is increased by the expected claim adjustment costs and decreased by the best estimate of subrogations. The best estimate of expected subrogations refers to the claims in the part for which the best estimate of the claims provision was made.

When calculating non-life and health insurance liabilities, the following parameters are used: future inflation, expected claim development pattern, final claims ratio and costs. The parameters are determined based on past experience and are, as appropriate, adjusted so as to best correspond with the expected development of insurance liabilities. If there is a suspicion for an individual segment or specific insured group of insurance products that the past will not reflect the future development, professional actuarial judgement is applied in the selection of parameters. This ensures that insurance liabilities reflect the amount of insurance liabilities as much as possible.

D.2.1.2 Risk margin for non-life and health insurance

As at 31 December 2021, the risk margin amounted to EUR 21.5 million.

The risk margin comprises the separate calculation for the portfolio of non-life and health insurance and the calculation for non-life insurance claims that are paid out in the form of annuities that are calculated using life insurance techniques. The basis for the calculation is the estimated future capital requirements of the selected portfolio, i.e. separately for individual risk types. The approach used is the one under the first method according to the hierarchy of the EIOPA Guidelines on the valuation of provisions (section 1.113).

D.2.1.3 Material differences between the bases, methods and main assumptions used for valuation for solvency purposes and the bases, methods and key assumptions used for valuation in financial statements

Table 47: Difference between technical provisions for non-life and health insurance for solvency purposes and for financial reporting purposes

In EUR thousand

Liabilities	Value for solvency purposes	Value for financial reporting purposes*
Non-life and health technical provisions	368,349	696,332

* The value relates to technical provisions presented in the Annual Report, section 3.16 in the Accounting Report

As at 31 December 2021, non-life and health insurance technical provisions for financial reporting purposes amounted to EUR 696.3 million, while they stood at EUR 368.3 million for solvency purposes. The basic difference between both valuation methods lies in the level of prudence that is used in the calculation of insurance liabilities and is higher in the valuation of technical provisions for financial reporting purposes. When valuing the best estimate for solvency purposes, the prudence level is not applied in the calculation. When calculating provisions, slightly different portfolio segmentation is used under the two valuation methods for each purpose.

Other reasons for the higher value of technical provisions for financial reporting purposes include:

- in the valuation of the unearned premium for financial reporting purposes, the basis for the calculation is the deferred gross written insurance premium. Gross written insurance premiums are not deferred for solvency purposes as future cash flows are rather taken into account, including future cash flows from premiums;
- application of discounting for solvency purposes;
- the valuation of the claims provision for financial reporting purposes takes into account the claims ratios on a more conservative basis mainly for the insurance segments of motor vehicle liability insurance and general liability;

- non-past due receivables from direct insurance operations are not taken into account for the provision for financial reporting purposes, whereas these receivables decrease the provisions for solvency purposes;
- in the calculation of the provisions for incurred unreported claims for financial reporting purposes, the list of provisioned claims is additionally reduced by large claims. the entire list is thus added to the provisions for incurred unreported claims calculated in this manner so as to arrive at the claims provision;
- non-life insurance annuities are disclosed for solvency reporting purposes under non-life insurance, while they are disclosed under life insurance for financial reporting purposes; the difference amounts to EUR 69.7 million.

D.2.2 Technical provisions for life insurance

Two types of liabilities are valued within the scope of life insurance technical provisions at the Company: life insurance liabilities and liabilities under health insurance that is provided on a similar technical basis as life insurance. The Company calculates the best estimate of technical provisions separately for expired perils, i.e. claims provisions, and for unexpired covered perils, i.e. premium provision.

The table below shows the life insurance technical provisions for solvency purposes.

Table 48: Life insurance technical provisions for solvency purposes as at 31 December 2021 and 31 December 2020

2021 — In EUR thousand

Life insurance technical provisions	Claims provision	Premium provision	Risk margin	Technical provisions
Insurance with profit participation (LoB 30)	1,157	897,182	24,105	922,443
Index-linked and unit-linked insurance (LoB 31)	679	692,064	16,761	709,505
Other life insurance (LoB 32)	272	-6,998	6,098	-628
Annuities from non-life insurance contracts (LoB 34)	69,393	0	302	69,696
Total	**71,502**	**1,582,247**	**47,266**	**1,701,016**

2020 — In EUR thousand

Life insurance technical provisions	Claims provision	Premium provision	Risk margin	Technical provisions
Insurance with profit participation (LoB 30)	1,069	940,743	24,906	966,719
Index-linked and unit-linked insurance (LoB 31)	627	635,452	16,923	653,003
Other life insurance (LoB 32)	251	-11,385	5,583	-5,551
Annuities from non-life insurance contracts (LoB 34)	70,883	0	330	71,213
Total	**72,830**	**1,564,810**	**47,741**	**1,685,384**

Life insurance technical provisions of the Company are shown in greater detail in template S.12.01 in the Appendix to this Report.

D.2.2.1 Best estimate of life insurance technical provisions

The best estimate of life insurance technical provisions is determined based on the estimated future cash flows from concluded insurance. For the purpose of the best projection of cash flows, the Company uses an appropriate set of assumptions relevant for the homogenous risk group taking into account its specificity. For unexpired perils, the best estimate of liabilities is calculated using future cash flow projections, subject to the associated assumption, i.e. separately for each policy. For expired perils, the Company recognises the best estimate of liabilities separately subject to the insured event – in the case of endowments, the best estimate of liabilities is calculated by policy; in the case of other risks, it is calculated at the level of homogenous risk groups using the Bornhuetter-Ferguson (BF) methodology of actuarial triangles, which is a loss reserving technique used for non-life insurance. The theoretical concept defines the best estimate of liabilities as the market value of technical provisions, which is difficult to realise in practice on the market. Therefore, the best estimate of liabilities is calculated as the present value of all estimated future income and expenses, separately by insurance policy and weighted by the probability of occurrence. Income includes gross premiums, charged costs and other income (e.g. refunds), while expenses include actual costs, fees and commissions, claims and other eventual expenses. Return on assets is not included in income. The risk-free interest rate curve published by EIOPA is used for discounting cash flows.

Expenses related to future actual costs are calculated using a cost model that contains the following cost types required to the performance of insurance contracts, i.e. insurance management costs, investment management costs, claim management costs, and insurance acquisition costs

With regard to cash flows, due account is taken of the expected future developments in the external environment such as mortality, interest rates, inflation and other types of uncertainty:

- uncertainty regarding the timing and probability of insured events;
- uncertainty regarding the amounts of claims;
- uncertainty regarding the amount of actual costs;
- uncertainty regarding the expected future development of the external environment;
- uncertainty regarding policyholder behaviour.

The above uncertainties are included in the assessment of future cash flows using basic input assumptions regarding the probability of distribution of relevant insurance events such as probability tables for mortality, policy capitalisation, policy surrenders, etc.). The default probability distributions depend on the relevant risk factors and may change over time. These are probability tables for longevity depend on the gender, age and generation to which a person belongs.

The Company performs separate calculations of the best estimate of liabilities for the guaranteed and the discretionary part of entitlements from concluded insurance.

The calculation of cash flows also takes into account certain future measures for the management of the Company with regard to the distribution of profits to policyholders, depending on the economic situation and in accordance with the existing internal acts and rules.

Using a range of economic scenarios that correspond to market conditions and are risk-neutral, the Company calculates the part of the best estimate of technical provisions that represents the time value of embedded contractual options and financial guarantees. This allows it to estimate the present value of uncertainties that arise from them.

The assumptions regarding policyholder behaviour are considered in a deterministic manner, meaning that the actions of insurers are not dependent on the economic scenario, but rather depends on other risk factors such as age of the policy, type of insurance product, etc. The calibration of dependencies between economic conditions and policyholder behaviour must be based on a statistically characteristic result that is derived from relevant statistical analyses of empirical data from both sources (past policyholder behaviour and economic conditions). Based on the currently available data, such a connection cannot be derived correctly.

The best estimate for non-life insurance claims that are paid in the form of annuities is the sum of the best estimates for the existing and expected future annuity. The best estimates are calculated using life insurance valuation techniques. In doing so, relevant mortality tables are observed, i.e. those that are also used for the valuation of capitalised annuities. The provision for planned annuities for insurance cases, for which no claim was yet filed, but can justifiably be expected, is also calculated. These are generally annuities of underage persons who already receive an annuity and will be entitled to an income protection annuity when turning a certain age. The calculation includes the claim adjustment costs.

The best estimate of liabilities changed in the following segments in the reporting period:

-insurance with profit participation where it decreased by EUR 44.3 million as a result of maturities and surrenders, the rising risk-free interest rate curve, changes in non-economic assumptions and the newly underwritten risks in the reporting period;
-index or unit-linked insurance where it increased by EUR 56.5 million mainly as a result of actual investment and non-investment movements in the period and the change in the risk-free interest rate curve;
-other life insurance where it increased by EUR 4.9 million mainly as a result of the actual cash flows in the reporting period and changes to economic assumptions;
- non-life insurance annuities where it decreased by EUR 1.5 million. The decrease was the result of the change in the risk-free interest rate curve in the amount of EUR 4 million and 37 completed annuities in the amount of EUR 3.3 million. Meanwhile, 40 new annuities raised the estimate by EUR 6 million.

D.2.2.2 Risk margin for life insurance

The definition of the risk margin contains difficult to calculate future solvency capital requirements for all future periods until the maturity of the existing portfolio of liabilities. Therefore, the Company calculates them by applying a simplification based on the calculation of the future values of partial solvency capital requirements for individual types of life insurance risks (e.g. mortality, longevity, costs, etc.) on the basis of values of substitutes which can be calculated in practice.

An appropriate substitute is therefore determined for every risk included in the standard formula, which is expected based on an actuarial assessment and empirical evidence to develop with roughly the same dynamic as the capital requirement for the relevant risk. In this manner, the risk margin is calculated for the entire life insurance portfolio within an individual ring-fenced fund or within the remaining part of the portfolio. This risk margin is then broken down by individual line of business in proportion to their virtual isolated risk margins.

D.2.2.3 Material differences between the bases, methods and main assumptions used for valuation for solvency purposes and the bases, methods and key assumptions used for valuation in financial statements

The reasons for differences between the valuations of technical provisions for solvency purposes and for financial reporting purposes are the discrepancies between the bases, methods and main assumptions.

The methodology and the bases used for the valuation of technical provisions for financial reporting purposes state that the greater of the estimate of realistic technical provisions (according to the LAT methodology) or the conservative value of technical provisions is selected in certain segments of the portfolio. The said conservative calculation of technical provisions is based either on a prospective method using the net Zillmer premium (traditional life insurance) or on a retrospective method (unit-linked life insurance and pension insurance).

The first method takes into account the present value of the limited set of expected future cash flows relating to an insurance contract, while the other takes the accumulated value of realised past cash flows (premium payments, claim payouts, imputation of the return, valorisation, etc.).

Table 49: Differences between technical provisions for life insurance for solvency purposes and for financial reporting purposes

In EUR thousand

Liabilities	Value for solvency purposes	Value for financial reporting purposes*
Life insurance technical provisions	1,701,016	1,584,176

* The value relates to technical provisions presented in the Annual Report, section 3.16 in the Accounting Report

The methodology and bases for the valuation of technical provisions for solvency purposes stipulate the method for the calculation of the present value of a realistic estimate of all relevant cash flows, which is also referred to as the "best estimate of liabilities", including the risk margin.

In addition to the differences in the bases and methodologies, the two valuation approaches also differ in terms of the set of assumptions used. As a rule, technical parameters defining the premium are used in the prospective valuation of technical provisions (traditional life insurance) for financial reporting purposes, but with certain exceptions. The constant technical interest rate embedded in the individual tariff or the selected interest rate, provided the latter is lower, is applied for discounting. The Slovenian annuity tables are used for the valuation of technical provisions arising from annuity and pension insurance in the annuity pay-out period.

The assumptions about cost parameters are generally identical to those set in the tariff of a product upon the conclusion of an insurance contract, while an empirical valuation parameter needs to be applied in certain cases. Policyholder behaviour, such as surrender, capitalisation, cancellation, and annuitisation, is not taken into account in the valuation of technical provisions for financial reporting purposes. Technical provisions are calculated using actuarial mathematical formulas consisting of traditional actuarial factors.

When it comes to the valuation for solvency purposes, all selected assumptions are of the best estimates type, meaning that the values are neither overestimated nor underestimated, allowing for a realistic valuation. It is important to note the fact that the regulator prescribes the basic risk-free interest rate term structure for each relevant currency, meaning that this rate is uniform for all insurance companies.

For insurance with profit participation, the positive difference between the valuation of technical provisions for solvency and the valuation for financial reporting purposes is mainly the result of the use of the abovementioned term structure, which is generally lower that the interest rates applied for discounting in financial statements. In index-linked or unit-linked insurance, the negative difference occurs as a result of using the best estimate of parameters (which generally result in lower technical provisions compared to the parameters used in the calculation for financial reporting purposes) and permitting negative technical provisions for profitable insurance for solvency purposes. A similar explanation is also applicable to other types of life insurance.

The material difference between the two valuations results from annuities under non-life insurance, which are presented under life insurance for solvency purposes and amount to EUR 69.4 million. They are presented under non-life insurance for financial reporting purposes.

D.3 Other liabilities

D.3.1 Provisions, other than technical provisions

The calculation of provisions for long-term employee benefits such as jubilee benefits and severance pay upon retirement is performed in accordance with the actuarial mathematics methodology taking into account the relevant International Accounting Standard.

The calculation of provisions refers to two categories of employee entitlements:

- post-employment benefits which represent an employee entitlement upon retirement in the form of a lump sum payment. The amount of the entitlement is determined in advance and risks with regard to the final amount of the payment are borne by the company, which is why this scheme is classified under "DBF"[4];
- jubilee benefits which represent other long-term employee benefits during the time of employment (Other long-term employee benefits).

The total cost of the pre-determined employee entitlement is affected by a number of variables, such as wage growth, inflation, the termination of employment contract and the mortality of employees. The total cost of the entitlement remains uncertain throughout the period, which is

[4] Defined Benefit Plan

why the valuation of the present value of post-employment benefits and related costs during the time of employment takes into account the following:

- actuarial valuation methods;
- attribution of benefits during the time of employment;
- defined actuarial assumptions.

Provisions for jubilee benefits and severance pay upon retirement are calculated for each individual employee separately based on the methodology described above, the applied parameters and employee data.

Provisions for jubilee benefits and severance pay upon retirement for solvency purposes match the provisions calculated for financial reporting purposes. The calculation applies the interest rate curve for Eurozone debt securities rated AAA, which is published by the ECB. The application of the abovementioned curve has no material effect on the amount of provisions.

This class of liabilities also includes provisions for unused annual leave which are valued in the same manner for both solvency and financial reporting purposes. Similar is true of other provisions included here – mostly provisions for legal disputes.

Table 50: Company's provisions, other than technical provisions

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Provisions, other than technical provisions	13,201	13,843	13,201

Other technical provisions did not change materially in the reporting period.

D.3.2. Deposits from reinsurers

Deposits from reinsurers are valued at amortized cost, using the effective interest method, for both financial reporting and solvency purposes.

Table 51: Deposits from reinsurers

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deposits from reinsurers	16	0	16

D.3.3 Deferred tax liabilities

In accordance with International Accounting Standards, deferred tax liabilities are accounted for all temporary differences between the value of liabilities for tax purposes and their carrying amounts. For financial reporting purposes, deferred tax liabilities are the positive netted value for deferred tax assets for financial reporting purposes.

Deferred tax liabilities are valued for solvency purposes as the sum if deferred tax liabilities for financial reporting purposes and the product of the tax rate and the difference between the value of liabilities for financial reporting and solvency purposes. The tax rate of 19% is applied in the calculation of deferred tax liabilities. For solvency purposes, the item is not netted against deferred tax assets as it is for financial reporting purposes.

Table 52: Company's deferred tax liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deferred tax liabilities	47,126	44,196	4,213

As at 31 December 2021, deferred tax liabilities for solvency purposes increased compared to the previous year, mainly due to an increase in the difference between total pre-tax liabilities for financial statements and total pre-tax liabilities for solvency purposes.

D.3.4 Financial liabilities other than debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions are liabilities arising from the purchase of securities. For financial reporting and solvency purposes, these liabilities are measured at cost.

Table 53: Company's financial liabilities other than debts owed to credit institutions

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Financial liabilities	1,668	1,628	1,668

D.3.5 Insurance and intermediaries payables

Insurance & intermediaries payables represent liabilities from direct insurance operations, reinsurance liabilities from accepted reinsurance and coinsurance and other current liabilities from insurance operations.

For financial reporting purposes, they are valued at amortised cost using the effective interest rate method. They are valued in the same manner for solvency purposes.

Table 54: Company's insurance and intermediaries payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Insurance and intermediaries payables	22,613	14,641	22,613

The Company's insurance and intermediaries payables increased in 2021 by EUR 8 million. The increase stems from an increase in liabilities for the amounts of indemnities for both non-life insurance and life insurance.

D.3.6 Reinsurance payables

For financial reporting purposes, reinsurance payables are valued at amortised cost using the effective interest rate method.

Valuation for solvency purposes is the same as for financial reporting purposes. The value of payables from reinsurance operations for solvency purposes is equal to the past due payables under passive reinsurance, while their value for financial reporting purposes contains both past due and non-past due payables from passive reinsurance.

Table 55: Company's reinsurance payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Reinsurance payables	1,594	1,343	18,511

D.3.7 Payables (trade not insurance)

The biggest component of these payables is the current liabilities to employees, trade payables and other current liabilities.

For both financial reporting and solvency purposes, they are valued at amortised cost using the effective interest rate method.

Table 56: Company's payables (trade not insurance)

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Payables (trade not insurance)	47,173	37,349	47,173

In 2021, payables (trade not insurance) increased by EUR 9.8 million due to the increase in trading liabilities and operation-based tax liabilities.

D.3.8 Subordinated liabilities

Subordinated liabilities are disclosed in financial statements at amortised cost without accrued interest. For solvency purposes, subordinated liabilities are valued at market value whereby the change in the issuer's creditworthiness is not taken into account.

Table 57: Company's subordinated liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Subordinated liabilities	51,671	53,545	49,472

Subordinated liabilities decreased in 2021 due to revaluation, mainly at the expense of raising the level of risk-free interest rates.

D.3.9 Any other liabilities, not elsewhere shown

The item includes all other liabilities of the Company that are not included in any of the previous liability items of the balance sheet. Valuation for financial reporting purposes is the same as for solvency purposes.

Table 58: Company's any other liabilities, not elsewhere shown

In EUR thousand

Balance sheet	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Any other liabilities, not elsewhere shown	6,365	4,479	6,365

The value of any other assets not elsewhere shown changed in 2021 as a result of the increase in other accrued costs and deferred revenues.

D.3.10 Lease agreements

Lease liabilities in 2021 are recognised in the amount of the current value of future payments whereby the Company only has operating leases. Details are presented in A.4.2 of this Report.

D.4 Alternative methods for valuation

In the reporting period, the Company did not use any alternative valuation methods for solvency purposes other than those disclosed in the previous sections of this Report.

D.5 Any other information

This section outlines additional data on the Company as per the requirements stipulated in Article 296 (4) of the Delegated Regulation.

The Company's largest off-balance-sheet exposure is to unclaimed subrogation receivables, unpaid commitments for payments in alternative investments and receivables from futures contracts. Detailed information on off-balance sheet items not reported by the Company is presented in the Annual Report, i.e. in section 5.7 of the Accounting Report.

OTHER RELEVANT INFORMATION

All other information relating to the valuation for solvency purposes was disclosed by the Company in sections D.1 through D.4.

E. Capital management

E. Capital management

The capital management system and related processes are based on strategic goals, regulatory requirements, good practices and internally established methodologies that take into account the characteristics of the Company as a whole, especially the nature, volume and complexity of operations.

Capital management is a continuous process involving the assurance of an optimum volume and structure of quality capital and the optimisation of the use of such capital. The capital management system also encompasses regular monitoring of regulatory capital adequacy and the management of capital risks, which also include potential legislative amendments and amendments of financial reporting standards that may affect the Company's capital adequacy.

The objective of the capital management system that has been put in place is the efficient use of available own funds (also termed economic capital), which provides for:

- safety and profitability of operations;
- a high level of confidence of all stakeholders;
- continuous meeting of the regulatory capital adequacy requirements;
- assurance of appropriate exposure to capital risk through consistent testing of capital adequacy within the scope of the ORSA process;
- meeting the criteria of external rating agencies to maintain at least the A credit rating.

In order to achieve its strategic objectives, the Company has a capital management system in place that ensures transparent and optimum allocation of economic capital by functional area that is harmonised with the risk-adjusted profitability criteria. In this way, consistent implementation of the capital management system ensures long-term and stable returns on the owners' investment. Dividend distributions are carried out based on the pre-defined criteria of the dividend policy which enables the Company to ensure stable operations, growth, attainment of strategic goals over the long-term, satisfaction of all stakeholders and a stable ownership structure of the Company.

The Company maintains a surplus of available capital in excess of the capital requirements for the performance of the core activity and the coverage of potential losses. The surplus provides protection against losses resulting from unforeseen unfavourable events and the volatility of capital requirements. In addition to the capital adequacy, the future adequacy of the amount of capital and capital adequacy are planned and assessed regularly. Potential future capital risks and future solvency requirements are estimated based on scenarios from the strategic business plan within the scope of the regular ORSA process. The Company consistently pursues the set capital management objectives and observes the existing dividend policy. The Company manages capital in a centralised manner at the Group level by ensuring optimum and cost-effective capital allocation and use through capital concentration at the parent company. Within the scope of the capital management process, the Company takes into account the capital needs as well as the options and restrictions for capital transfer between individual insurance segments and from subsidiaries to the parent company and vice versa. Capital management relies on the established risk management system and is based on the strategic goals of the Group, regulatory requirements, good practices and internally established methodologies.

In the context of monitoring and measurement of economic capital value, profitability and use for each functional area as well as analysing the changes in the risk profile of the Company, regular implementation of the ORSA process, which defines the guidelines and measures for the optimisation of operations and use of capital in accordance with the Company's strategic goals, is of the utmost importance. The ORSA process is explained in detail in section B.3.6 of this Report.

CAPITAL ADEQUACY OF THE COMPANY

As at 31 December 2021, the Company was adequately capitalised and had sufficient own funds available to meet both the solvency capital requirement (273%) and the minimum capital requirement (928%).

Capital adequacy is defined as the ratio between the eligible own funds and the solvency capital requirement.

Eligible own funds include all Tier 1 own fund items, and Tier 2 and Tier 3 own fund items up to the regulatory specified amounts.

Only eligible own funds, which are without restrictions, are used to meet the MCR, whereby they comprise all Tier 1 own fund items, and Tier 2 own fund items, which may not exceed 20% of the MCR within the scope of the regulatory restriction.

Table 59: Capital adequacy of the Company as at 31 December 2021 and 31 December 2020

In EUR thousand

Capital adequacy of the Company	2021	2020
Total eligible own funds to meet the SCR	1,022,243	982,561
Total eligible own funds to meet the MCR	991,953	950,681
Solvency capital requirement (SCR)	374,338	317,986
Minimum capital requirement (MCR)	106,903	108,322
Solvency capital requirement (SCR)	273%	309%
Minimum capital requirement (MCR)	928%	878%

The Company's capital adequacy decreased by 36 pp in the reporting period, which is the result of the increase in the SCR despite the increase in total eligible own funds. The movement of the SCR is explained in section E.2 of this Report and the movement of eligible own funds in section E.1 of this Report.

Details on the values of items for the calculation of the Company's capital adequacy are provided in template S.23.01 in the Appendix to this Report.

E.1 Own funds

As at 31 December 2021, the Company only had basic own funds totalling EUR 1,022.2 million. They were composed of the Company's share capital (EUR 73.7 million), subordinated liabilities (EUR 51.7 million) and the reconciliation reserve (EUR 896.9 million). The reconciliation reserve consists of the excess of assets over liabilities in the amount of EUR 1,037.8 million less the value of expected dividends for the 2021 financial year (EUR 67.2 million) and the Company's share capital.

The Company did not have any ancillary own funds as at 31 December 2021.

The structure of the Company's own funds according to tier as at 31 December 2021 and 31 December 2020 is shown in the table below and in template S.23.01 of the Appendix to this Report.

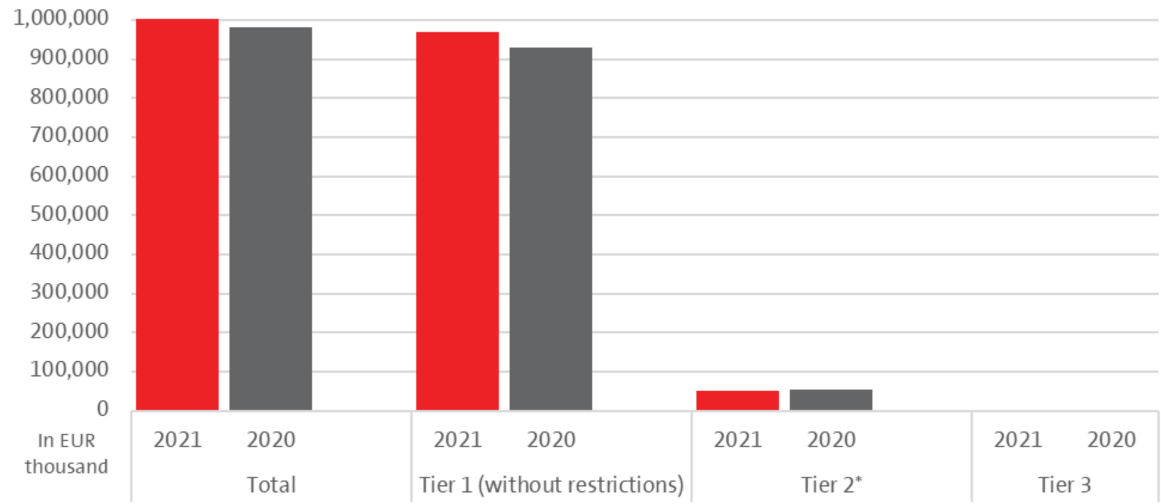
Table 60: Structure of own funds according to tier as at 31 December 2021 and 31 December 2020

Eligible own funds to meet the SCR in EUR thousand	2021	2020
Tier 1	**970,572**	**929,016**
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	896,871	855,315
Deductions	0	0
Tier 2	**51,671**	**53,545**
Subordinated liabilities	51,671	53,545
Deductions	0	0
Tier 3	**0**	**0**
Deductions	0	0
Total eligible own funds to meet the SCR	**1,022,243**	**982,561**

Eligible own funds to meet the MCR in EUR thousand	2021	2020
Tier 1	**970,572**	**929,016**
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	896,871	855,315
Deductions	0	0
Tier 2 (maximum of 20% of the MCR)	**21,381**	**21,664**
Subordinated liabilities	21,381	21,664
Deductions	0	0
Total eligible own funds to meet the MCR	**991,953**	**950,681**

The Company's total eligible own funds to meet the SCR increased by EUR 39.7 million in the reporting period as a result of the increase in the reconciliation reserve by EUR 41.9 million. Subordinated liabilities decreased by EUR 1.9 million in the reporting period.

Chart 8: Comparison of available eligible own funds to meet the SCR as at 31 December 2021 and 31 December 2020

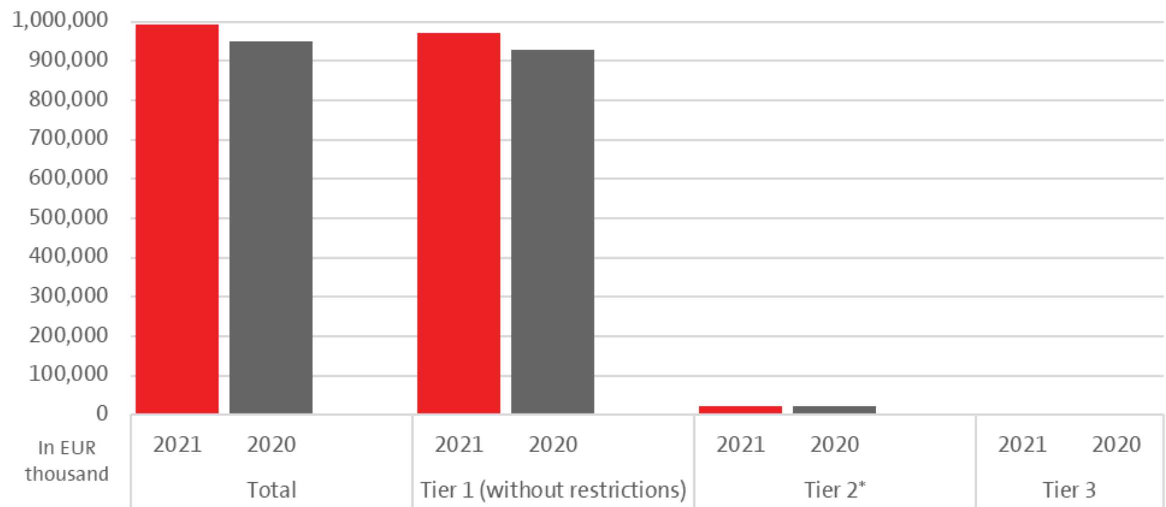


* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR.

The Company's total eligible own funds to meet the MCR as at 31 December 2021 amounted to EUR 992 million, whereby Tier 2 funds that exceed 20% of the MCR are already excluded from the said amount.

The Company holds the highest quality own funds and thus classifies its entire share capital and the reconciliation reserve as Tier 1 assets, while it classifies subordinated bonds as Tier 2 assets.

Chart 9: Comparison of eligible own funds to meet the MCR as at 31 December 2021 and 31 December 2020

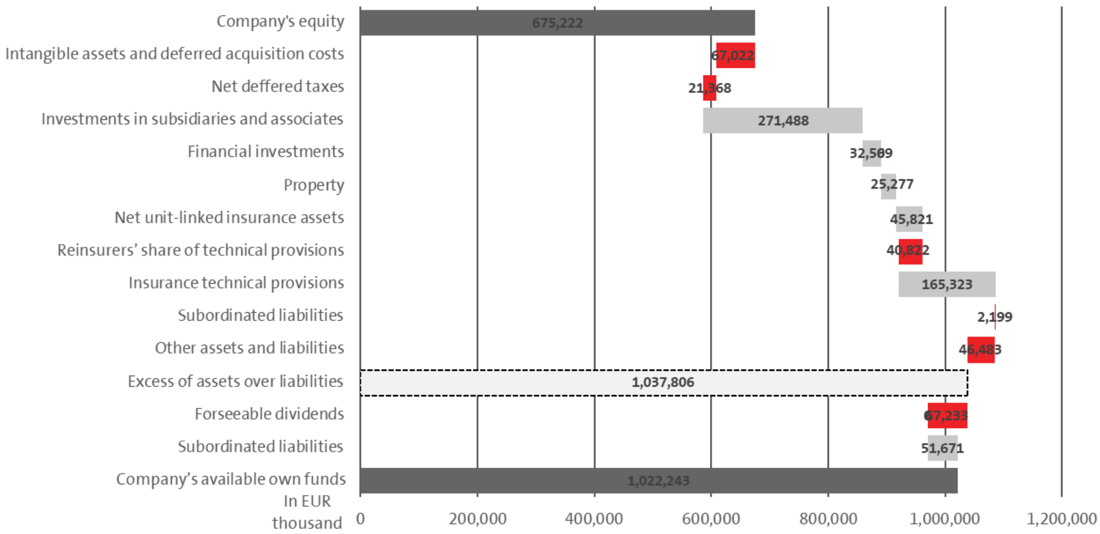


* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR.

DIFFERENCES IN THE VALUATION OF CAPITAL FOR FINANCIAL REPORTING PURPOSES AND OWN FUNDS

The differences between capital for the Company's financial reporting purposes and own funds calculated for solvency purposes arise from the difference in the valuation of assets and liabilities. Own funds are namely calculated as the difference between assets and liabilities whereby both sides of the balance sheet are valued at market value. Subordinated liabilities and eventual own fund items are additionally added to this difference.

Chart 10: Explanation of differences in capital valuation in the balance sheet for solvency and financial reporting purposes for the Company as at 31 December 2021



Capital for financial reporting purposes as at 31 December 2021 amounted to EUR 675.2 million, while the available own funds amounted to EUR 1,022.2 million. The difference is most affected by the different valuation of investments in subsidiaries and associated companies (EUR 271.5 million) and technical provisions (EUR 165.3 million). The difference is lowered the most by intangible assets (EUR 67 million), the change in technical provisions transferred to reinsurance (EUR 40.8 million) and projected dividends (EUR 67.2 million).

E.2 Solvency capital requirement and minimum capital requirement

The Company calculates capital adequacy based on the standard formula in accordance with the Insurance Act and the Delegated Regulation. In order to calculate the solvency capital requirement, the Company applies the standard formula using the prescribed parameters and not using any simplifications and parameters specific for the Company.

In accordance with the provisions of the Insurance Act, the Company reports at least once a year to the Insurance Supervision Agency (AZN) on the amount of the SCR and at least once every quarter on the MCR.

E.2.1 Solvency capital requirement

The Company's SCR as at 31 December 2021 amounted to EUR 374.3 million, an increase of EUR 56.4 million compared to the year before. The main reason for the increase in the SCR is the increase in the BSCR by EUR 58.2 million, mainly due to the increase in market risk by EUR 60.6 million.

Table 61: SCR of the Company as at 31 December 2021 and 31 December 2020

		In EUR thousand
Company's required capital	**2021**	**2020**
Underwriting risk	207,463	197,427
Market risk	275,846	215,208
Credit risk	39,287	41,407
Diversification	-151,179	-140,791
Basic solvency capital requirement	**371,417**	**313,252**
Operational risk	23,701	21,947
Loss-absorbing capacity of technical provisions	0	0
Loss-absorbing capacity of deferred taxes	-23,474	-22,080
Adjustment for ring-fenced fund risk diversification	2,695	4,867
SCR	**374,338**	**317,986**

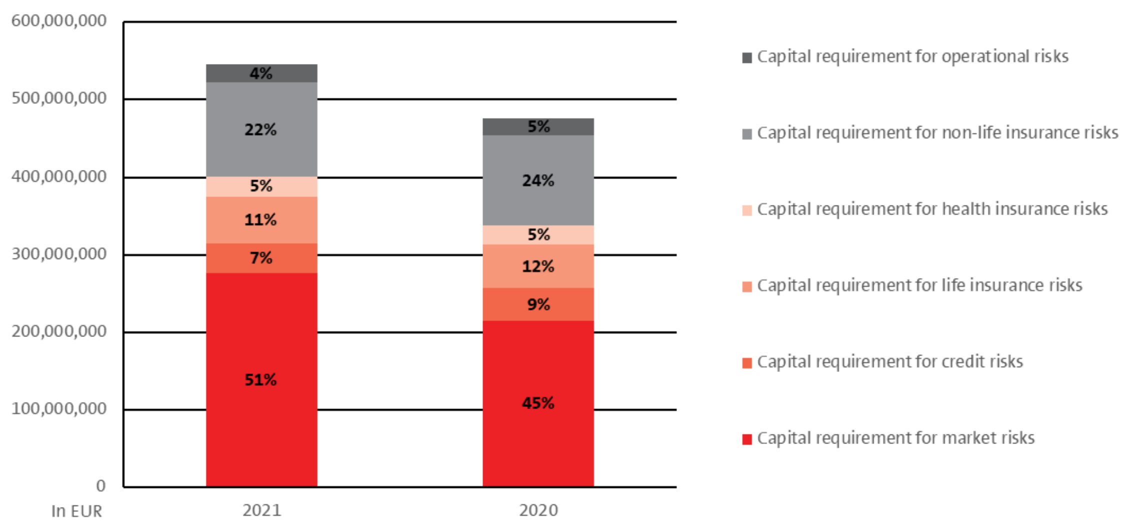
Changes in the BSCR result from increased capital requirements for market and underwriting risks. The main reason for the increase in market risks stems mainly from the increase in equity risk. The increase is due to higher exposures on equity securities, collective investment undertakings and, in the case of successful operations, an increase in the value of the Company's related companies, as well as higher values of symmetric adjustment. The increase in the capital requirement for underwriting risks is the result of the increase in the capital requirement for non-life and life insurance risks. Underwriting risks increased largely due to portfolio growth.

The capital requirement for credit risk did not change materially in the reporting period.

The loss-absorbing capacity of deferred taxes at the end of 2021 amounted to EUR 23.5 million, up EUR 1.4 million YOY. The adjustment for the loss-absorbing capacity of deferred taxes is recalculated based on the net deferred tax liabilities, which are valued based on the difference between the valuation for financial reporting purposes and the valuation for solvency purposes. When calculating the adjustment for the loss-absorbing capacity of deferred taxes, the Company does not take into account the probable future taxable profits.

The chart below shows the structure of capital requirements for individual risks whereby the presentation also takes into account the capital requirement for operational risk that is not an element of the basic SCR.

Chart 11: Company's capital requirements excluding diversification as at 31 December 2021 and 31 December 2020



In the reporting period, the Company took into account the ring-fenced funds and calculated the SCR using method 3 – simplification at risk module level defined in the EIOPA Guidelines on ring-fenced funds. This means that capital requirements for ring-fenced funds and the remaining part of the Company's portfolio are only summed up, while the effects of diversification between funds are not taken into account. When calculating the SCR, it is necessary to additionally calculate the adjustment for the aggregation of the theoretical SCR of ring-fenced funds. Details on the calculation are shown in template S.25.01 in the appendix to this Report.

E.2.2 Minimum capital requirement

The Company calculates the minimum capital requirement in accordance with the Delegated Regulation methodology. The minimum capital requirement is calculated as a linear function of technical provisions, written insurance premium, venture capital, deferred taxes and management costs. The Company calculates the minimum capital requirement using the method for composite insurance companies, where the linear minimum capital requirements are calculated first. The linear minimum capital requirement for non-life and health insurance is linked to the activities from non-life and health insurance, also taking into account accident insurance that are added to life insurance. The linear minimum capital requirement for life insurance is calculated including the activities related to non-life insurance annuities that are already being paid out. The Company's minimum capital requirement is calculated from linear minimum capital requirements for non-life and life insurance so that the requirement is never lower than 25% or higher than 45% of the solvency capital requirement and that the absolute floor of the minimum capital requirement for non-life insurance (EUR 3.7 million) and life insurance (EUR 3.7 million) is exceeded.

Table 62: Notional MCR of the Company as at 31 December 2021 and 31 December 2020

2021		In EUR thousand
Notional minimum capital requirement	**Non-life and health insurance**	**Life insurance**
Notional linear minimum capital requirement	64,919	41,984
Notional SCR (excluding capital add-ons)	227,325	147,013
Notional minimum capital requirement cap	102,296	66,156
Notional minimum capital requirement floor	56,831	36,753
Notional combined minimum capital requirement	64,919	41,984
Absolute cap for notional minimum capital requirement	3,700	3,700
Notional minimum capital requirement	**64,919**	**41,984**

31 December 2020		In EUR thousand
Notional minimum capital requirement	**Non-life and health insurance**	**Life insurance**
Notional linear minimum capital requirement	65,269	43,053
Notional SCR (excluding capital add-ons)	191,601	126,385
Notional minimum capital requirement cap	86,220	56,873
Notional minimum capital requirement floor	47,900	31,596
Notional combined minimum capital requirement	65,269	43,053
Absolute cap for notional minimum capital requirement	3,700	3,700
Notional minimum capital requirement	**65,269**	**43,053**

The notional MCR for non-life and health insurance decreased in the reporting period by EUR 0.4 million, while the MCR for life insurance decreased by EUR 1.1 million. The latter is the result of the decrease in technical provisions for life insurance with profit participation.

Details on the MCR are shown in template S.28.02 in the appendix to this Report.

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

The Company does not use the duration-based equity risk sub-module to calculate and monitor capital adequacy.

E.4 Difference between the standard formula and any internal model used

The Company does not use internal models to calculate and monitor capital adequacy.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

According to the balance as at 31 December 2021, the Company did not find any non-compliance with the minimum capital requirement and the solvency capital requirement.

E.6 Any other information

All relevant information relating to the management of capital was disclosed by the Company in sections E.1 through E.5.

Annexes

Annexes

Quantitative Reporting Templates (QRT) of the Company as at 31 December 2021:

1. S.02.01.02 - Balance sheet for solvency purposes
2. S.05.01.02 - Premiums, claims and expenses by line of business
3. S.05.02.02 - Premiums, claims and expenses by country
4. S.12.01.02 - Technical provisions for life insurance and health insurance
5. S.17.01.02 - Technical provisions for non-life insurance
6. S.19.01.21 - Information on non-life insurance claims
7. S.23.01.01 - Own funds
8. S.25.01.21 - Solvency capital requirement for undertakings using the standard formula
9. S.28.02.01 - Minimum capital requirement for life and non-life insurance products

All values in Quantitative Reporting Templates below are shown in thousands of euros (EUR thousand).

Annex 1: S.02.01.02 - Balance sheet for solvency purposes

Assets	Solvency II value
Intangible assets	
Deferred tax assets	21,546
Pension benefit surplus	
Property, plant and equipment held for own use	77,422
Investments (other than assets held for index-linked and unit-linked contracts)	**2,296,059**
Property (other than for own use)	61,387
Holdings in related undertakings, including participations	445,107
Equities	*69,559*
Equities - listed	64,149
Equities - unlisted	5,410
Bonds	*1,594,285*
Government Bonds	1,037,523
Corporate Bonds	555,745
Structured notes	1,017
Collateralised securities	0
Collective Investments Undertakings	104,399
Derivatives	20
Deposits other than cash equivalents	19,604
Other investments	1,697
Assets held for index-linked and unit-linked contracts	751,800
Loans and mortgages	**4,866**
Loans on policies	3,008
Loans and mortgages to individuals	1
Other loans and mortgages	1,857
Reinsurance recoverables from:	**95,256**
Non-life and health similar to non-life	80,283
Non-life excluding health	80,140
Health similar to non-life	143
Life and health similar to life, excluding health and index-linked and unit-linked	14,972
Health similar to life	
Life excluding health and index-linked and unit-linked	14,972
Life index-linked and unit-linked	
Deposits to cedants	16
Insurance and intermediaries receivables	30,365
Reinsurance receivables	7,589
Receivables (trade, not insurance)	3,835
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	
Cash and cash equivalents	8,333
Any other assets, not elsewhere shown	1,513
Total assets	**3,298,598**

Liabilities	Solvency II value
Technical provisions - non-life	**368,349**
Technical provisions - non-life (excluding health)	**351,697**
TP calculated as a whole	
Best estimate	331,092
Risk margin	20,604
Technical provisions - health (similar to non-life)	**16,652**
TP calculated as a whole	
Best estimate	15,727
Risk margin	925
TP - life (excluding index-linked and unit-linked)	**991,511**
Technical provisions - health (similar to life)	**149**
TP calculated as a whole	
Best estimate	148
Risk margin	1
TP - life (excluding health and index-linked and unit-linked)	**991,363**
TP calculated as a whole	
Best estimate	960,858
Risk margin	30,504
TP - index-linked and unit-linked	**709,505**
TP calculated as a whole	
Best estimate	692,743
Risk margin	16,761
Other technical provisions	
Contingent liabilities	
Provisions other than technical provisions	13,201
Pension benefit obligations	
Deposits from reinsurers	16
Deferred tax liabilities	47,126
Derivatives	
Debts owed to credit institutions	
Financial liabilities other than debts owed to credit institutions	1,668
Insurance and intermediaries payables	22,613
Reinsurance payables	1,594
Payables (trade, not insurance)	47,173
Subordinated liabilities	**51,671**
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	51,671
Any other liabilities, not elsewhere shown	6,365
Total liabilities	**2,260,793**
Excess of assets over liabilities	**1,037,806**

Annex 2: S.05.01.02 - Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
Premiums written						
Gross - Direct Business	549	54,475		102,708	127,852	20,363
Gross - Proportional reinsurance accepted	313	662		3,364	1,242	9,956
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	385	1,282		13,719	10,552	13,490
Net	**478**	**53,854**		**92,353**	**118,542**	**16,829**
Premiums earned						
Gross - Direct Business	554	54,417		100,506	126,540	18,082
Gross - Proportional reinsurance accepted	313	663		3,363	1,243	9,418
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	387	1,222		12,375	10,480	12,886
Net	**480**	**53,859**		**91,495**	**117,304**	**14,614**
Claims incurred						
Gross - Direct Business	-28	18,540		34,704	73,085	5,926
Gross - Proportional reinsurance accepted	249	421		1,791	1,040	963
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	7	630		6,891	4,662	1,135
Net	**214**	**18,331**		**29,604**	**69,462**	**5,753**
Changes in other technical provisions						
Gross - Direct Business	4	0		10	4	-51
Gross - Proportional reinsurance accepted						-98
Gross - Non-proportional reinsurance accepted						
Reinsurers' share						
Net	**4**	**0**		**10**	**4**	**-149**
Expenses incurred	**456**	**16,228**		**28,026**	**32,845**	**3,417**
Other expenses						
Total expenses						

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
	Fire and other damage to property insurance	**General liability insurance**	**Credit and suretyship insurance**	**Legal expenses insurance**	**Assistance**	**Miscellaneous financial loss**
Premiums written						
Gross - Direct Business	162,738	37,625	21,350	595	17,886	2,372
Gross - Proportional reinsurance accepted	43,965	5,046	4,134	1	335	574
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	104,179	16,360	8,144	116	1,039	3,644
Net	**102,524**	**26,312**	**17,340**	**480**	**17,182**	**-698**
Premiums earned						
Gross - Direct Business	157,519	36,068	23,457	601	17,554	2,318
Gross - Proportional reinsurance accepted	45,481	5,059	3,216	1	335	534
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	103,630	15,010	7,599	117	972	3,277
Net	**99,370**	**26,118**	**19,074**	**485**	**16,917**	**-425**
Claims incurred						
Gross - Direct Business	47,128	1,271	9,037	-16	12,499	2,456
Gross - Proportional reinsurance accepted	36,763	1,183	741	0	351	-243
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	34,561	2,093	717	3	628	1,431
Net	**49,329**	**361**	**9,061**	**-20**	**12,221**	**782**
Changes in other technical provisions						
Gross - Direct Business	3	2	1	0	-15	-17
Gross - Proportional reinsurance accepted	2	0				-6
Gross - Non-proportional reinsurance accepted						
Reinsurers' share						
Net	**5**	**3**	**1**	**0**	**-15**	**-23**
Expenses incurred	**42,434**	**16,052**	**7,520**	**515**	**6,688**	**205**
Other expenses						
Total expenses						

	Line of Business for: accepted non-proportional reinsurance				
	Health	Casualty	Marine, aviation, transport	Property	Total
Premiums written					
Gross - Direct Business					548,514
Gross - Proportional reinsurance accepted					69,592
Gross - Non-proportional reinsurance accepted		64	200	17,541	17,805
Reinsurers' share		40	73	14,280	187,303
Net		**23**	**127**	**3,261**	**448,608**
Premiums earned					
Gross - Direct Business					537,617
Gross - Proportional reinsurance accepted					69,627
Gross - Non-proportional reinsurance accepted		61	205	17,552	17,818
Reinsurers' share		40	78	13,276	181,348
Net		**21**	**127**	**4,276**	**443,713**
Claims incurred					
Gross - Direct Business					204,601
Gross - Proportional reinsurance accepted					43,257
Gross - Non-proportional reinsurance accepted		-25		29	5
Reinsurers' share			10	7,032	59,802
Net		**-25**	**-10**	**-7,003**	**188,062**
Changes in other technical provisions					
Gross - Direct Business					-59
Gross - Proportional reinsurance accepted					-102
Gross - Non-proportional reinsurance accepted					0
Reinsurers' share					0
Net					**-161**
Expenses incurred		**-357**	**-59**	**681**	**154,651**
Other expenses					**9,917**
Total expenses					**164,568**

	Line of Business for: life insurance obligations						Life reinsurance obligations		
	Health insurance	**Insurance with profit participation**	**Index-linked and unit-linked insurance**	**Other life insurance**	**Annuities stemming from non-life insurance contracts and relating to health insurance obligations**	**Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations**	**Health reinsurance**	**Life reinsurance**	**Total**
Premiums written									
Gross		51,564	99,524	7,352					158,441
Reinsurers' share		30	35	531					596
Net		**51,534**	**99,489**	**6,822**					**157,845**
Premiums earned									
Gross		51,591	99,524	7,348					158,463
Reinsurers' share		30	35	531					596
Net		**51,561**	**99,489**	**6,817**					**157,867**
Claims incurred									
Gross		83,914	60,244	1,814	46	13,026			159,044
Reinsurers' share			5	300					305
Net		**83,914**	**60,239**	**1,514**	**46**	**13,026**			**158,739**
Changes in other technical provisions									
Gross		-19,751	96,935	848					78,033
Reinsurers' share									0
Net		-19,751	96,935	848					78,033
Expenses incurred		**8,621**	**19,352**	**4,399**		**18**			**32,390**
Other expenses									**944**
Total expenses									**33,334**

Annex 3: S.05.02.02 - Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		GR	IT	BG	DE	PL	
Premium written							
Gross - Direct Business	503,133	10,024	9,310	6,047	5,099	3,292	536,905
Gross - Proportional reinsurance accepted	69,592						69,592
Gross - Non-proportional reinsurance accepted	17,805						17,805
Reinsurers' share	170,927	3,617	3,360	2,182	1,840	1,188	183,114
Net	**419,603**	**6,407**	**5,951**	**3,865**	**3,259**	**2,104**	**441,188**
Premium earned							
Gross - Direct Business	493,189	9,813	9,115	5,920	4,992	3,222	526,252
Gross - Proportional reinsurance accepted	69,627						69,627
Gross - Non-proportional reinsurance accepted	17,817		0	0	0	0	17,817
Reinsurers' share	165,493	3,502	3,253	2,113	1,781	1,150	177,292
Net	**415,140**	**6,311**	**5,862**	**3,808**	**3,210**	**2,072**	**436,404**
Claims incurred							
Gross - Direct Business	197,889	4,760	242		-4	284	203,171
Gross - Proportional reinsurance accepted	43,257						43,257
Gross - Non-proportional reinsurance accepted	5						5
Reinsurers' share	57,752	1,454	74		-1	87	59,365
Net	**183,399**	**3,307**	**168**		**-3**	**198**	**187,068**
Changes in other technical provisions							
Gross - Direct Business	-54	-1	-1	-1	-1	0	-58
Gross - Proportional reinsurance accepted	-102						-102
Gross - Non-proportional reinsurance accepted							0
Reinsurers' share							0
Net	**-156**	**-1**	**-1**	**-1**	**-1**	**0**	**-160**
Expenses incurred	**141,953**	**2,805**	**2,605**	**1,692**	**1,427**	**921**	**151,403**
Other expenses							**9,917**
Total expenses							**161,320**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations	Total Top 5 and home country
Premium written			
Gross	158,441		158,441
Reinsurers' share	596		596
Net	**157,845**		**157,845**
Premium earned			**0**
Gross	158,463		158,463
Reinsurers' share	596		596
Net	**157,867**		**157,867**
Claims incurred			**0**
Gross	159,044		159,044
Reinsurers' share	305		305
Net	**158,739**		**158,739**
Changes in other technical provisions			**0**
Gross	78,033		78,033
Reinsurers' share	0		0
Net	**78,033**		**78,033**
Expenses incurred	**32,390**		**32,390**
Other expenses			**944**
Total expenses			**33,334**

Annex 4: S.12.01.02 - Technical provisions for life insurance and health insurance

		Index-linked and unit-linked insurance			Other life insurance		
	Insurance with profit participation		**Contracts without options and guarantees**	**Contracts with options or guarantees**		**Contracts without options and guarantees**	**Contracts with options or guarantees**
Technical provisions calculated as a whole							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole							
Technical provisions calculated as a sum of BE and RM							
Best Estimate	**898,339**			**692,743**			**-6,726**
Gross Best Estimate							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							
Best estimate minus recoverables from reinsurance/SPV and Finite Re	898,339			692,743			-6,726
Risk margin	**24,105**	**16,761**			**6,098**		
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole							
Best estimate							
Risk margin							
Technical provisions - total	**922,443**	**709,505**			**-628**		

	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Lifeother thanhealth insurance, includingUnit -Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
					Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole			**0**						**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole			0						0
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	**69,246**		**1,653,602**				**148**		**148**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	14,972		14,972						0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	54,273		1,638,629				148		148
Risk margin	**302**		**47,266**				**1**		**1**
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole			0						0
Best estimate			0						0
Risk margin			0						0
Technical provisions - total	**69,547**		**1,700,868**				149		149

Annex 5: S.17.01.02 - Technical provisions for non-life insurance

	Direct business and accepted proportional reinsurance					
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
Technical provisions calculated as a whole						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole						
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross - Total	-91	-12,476		18,031	25,867	201
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-16	-155		-1,218	1,052	-595
Net Best Estimate of Premium Provisions	**-75**	**-12,320**		**19,249**	**24,814**	**795**
Claims provisions						
Gross - Total	8	28,285		81,320	16,536	8,027
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	3	311		11,218	1,749	2,023
Net Best Estimate of Claims Provisions	**5**	**27,974**		**70,102**	**14,787**	**6,004**
Total Best estimate - gross	**-83**	**15,810**		**99,350**	**42,402**	**8,228**
Total Best estimate - net	**-71**	**15,654**		**89,351**	**39,601**	**6,799**
Risk margin	**9**	**916**		**3,183**	**2,859**	**973**
Amount of the transitional on Technical Provisions						
TP as a whole						
Best estimate						
Risk margin						
Technical Provisions						
Technical provisions - total	**-74**	**16,725**		**102,533**	**45,262**	**9,201**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**-12**	**156**		**10,000**	**2,801**	**1,429**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**-61**	**16,570**		**92,534**	**42,461**	**7,772**

	Direct business and accepted proportional reinsurance					
	Fire and other damage to property insurance	**General liability insurance**	**Credit and suretyship insurance**	**Legal expenses insurance**	**Assistance**	**Miscellaneous financial loss**
Technical provisions calculated as a whole						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole						
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross - Total	29,336	3,877	14,182	90	6,711	38
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-440	1,134	-372	-14	1	-353
Net Best Estimate of Premium Provisions	**29,777**	**2,743**	**14,554**	**104**	**6,710**	**391**
Claims provisions						
Gross - Total	71,087	49,500	1,635	91	1,812	2,358
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	47,212	15,346	1,004	13	62	2,319
Net Best Estimate of Claims Provisions	**23,875**	**34,154**	**632**	**77**	**1,751**	**39**
Total Best estimate - gross	**100,423**	**53,377**	**15,817**	**181**	**8,524**	**2,396**
Total Best estimate - net	**53,651**	**36,897**	**15,185**	**182**	**8,461**	**430**
Risk margin	**7,247**	**1,676**	**3,274**	**12**	**382**	**56**
Amount of the transitional on Technical Provisions						
TP as a whole						
Best estimate						
Risk margin						
Technical Provisions						
Technical provisions - total	**107,670**	**55,053**	**19,091**	**192**	**8,906**	**2,453**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**46,772**	**16,480**	**632**	**-1**	**63**	**1,966**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**60,898**	**38,573**	**18,459**	**194**	**8,843**	**487**

	Accepted non-proportional reinsurance				
	Non-proportional health reinsurance	**Non-proportional casualty reinsurance**	**Non-proportional casualty reinsurance**	**Non-proportional property reinsurance**	**Total Non-Life obligations**
Technical provisions calculated as a whole					**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole					**0**
Technical Provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross - Total		1		20	85,787
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					-977
Net Best Estimate of Premium Provisions		**1**		**20**	**86,764**
Claims provisions					
Gross - Total		16		357	261,032
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					81,260
Net Best Estimate of Claims Provisions		**16**		**357**	**179,772**
Total Best estimate - gross		**17**		**377**	**346,819**
Total Best estimate - net		**17**		**377**	**266,536**
Risk margin		**151**		**791**	**21,530**
Amount of the transitional on Technical Provisions					
TP as a whole					0
Best estimate					0
Risk margin					0
Technical Provisions					
Technical provisions - total		**168**		**1,168**	**368,349**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total					**80,283**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total		**168**		**1,168**	**288,065**

Annex 6: S.19.01.21 - Information on non-life insurance claims

Gross Claims Paid (non-cumulative)	Development year (absolute amount)											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior	1,101,447	382,160	76,686	34,874	15,887	10,329	7,321	6,502	4,032	2,641	2,413	2,413	1,647,439
2012	176,509	62,220	10,185	6,361	2,899	1,411	1,786	778	3,652	364		364	266,166
2013	165,396	52,139	10,584	4,699	1,997	1,749	637	553	251			251	238,005
2014	176,349	51,002	9,266	5,679	4,535	1,091	809	1,479				1,479	250,210
2015	155,631	47,364	10,561	6,039	2,112	1,709	1,129					1,129	224,546
2016	157,054	50,315	13,577	6,193	2,137	2,107						2,107	231,382
2017	165,632	70,588	16,667	6,187	3,812							3,812	262,886
2018	171,504	64,605	13,018	5,128								5,128	254,254
2019	171,280	66,024	15,281									15,281	252,585
2020	162,793	57,619										57,619	220,412
2021	160,601											160,601	160,601
											Total	**250,182**	**4,008,485**

	Development year (absolute amount)											
Gross undiscounted Best Estimate Claims Provisions	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	**Year end (discounted data)**
Prior						5,733	8,594	8,695	9,352	8,257	8,937	8,962
2012					19,352	16,481	12,205	11,726	828	926		928
2013				11,848	9,333	7,799	7,859	2,153	1,592			1,596
2014			15,044	11,607	7,009	6,525	7,321	2,807				2,812
2015		20,726	13,012	8,260	4,610	4,708	4,266					4,278
2016	79,936	31,108	16,284	9,757	7,185	3,585						3,593
2017	102,780	34,550	19,490	13,943	9,291							9,312
2018	98,054	35,498	17,467	11,661								11,704
2019	105,789	40,079	22,158									22,250
2020	99,152	41,385										41,496
2021	119,801											120,179
											Total	**212,561**

Annex 7: S.23.01.01 - Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	**73,701**	73,701			
Share premium account related to ordinary share capital					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
Subordinated mutual member accounts					
Surplus funds					
Preference shares					
Share premium account related to preference shares					
Reconciliation reserve	**896,871**	896,871			
Subordinated liabilities	**51,671**			51,671	
An amount equal to the value of net deferred tax assets					
Other own fund items approved by the supervisory authority as basic own funds not specified above					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Deductions					
Deductions for participations in financial and credit institutions					
Total basic own funds after deductions	**1,022,243**	**970,572**		**51,671**	

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
Unpaid and uncalled preference shares callable on demand					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Other ancillary own funds					
Total ancillary own funds					

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds					
Total available own funds to meet the SCR	**1,022,243**	**970,572**		**51,671**	
Total available own funds to meet the MCR	**1,022,243**	**970,572**		**51,671**	
Total eligible own funds to meet the SCR	**1,022,243**	**970,572**		**51,671**	
Total eligible own funds to meet the MCR	**991,953**	**970,572**		**21,381**	
SCR	**374,338**				
MCR	**106,903**				
Ratio of Eligible own funds to SCR	**273%**				
Ratio of Eligible own funds to MCR	**928%**				

Reconciliation reserve	
Excess of assets over liabilities	1,037,806
Own shares (held directly and indirectly)	
Foreseeable dividends, distributions and charges	67,233
Other basic own fund items	73,701
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
Reconciliation reserve	**896,871**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life Business	60,986
Expected profits included in future premiums (EPIFP) - Non- life business	40,455
Total Expected profits included in future premiums (EPIFP)	**101,441**

Annex 8: S.25.01.21 - Solvency capital requirement for undertakings using the standard formula

	Gross solvency capital requirement	USP	Simplifications
Market risks	275,846		
Credit risks	39,287		
Life underwriting risks	60,202		
Health underwriting risks	25,785		
Non-life underwriting risks	121,477		
Diversification	-151,179		
Intangible asset risk			
Basic Solvency Capital Requirement	**371,417**		

Calculation of Solvency Capital Requirement	
Operational risks	23,701
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	-23,474
Capital requirement for business operated in accordance with Art, 4 of Directive 2003/41/EC	
Adjustment for ring-fenced fund risk diversification	2,695
Solvency capital requirement excluding capital add-on	374,338
Capital add-on already set	
Solvency capital requirement	**374,338**
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF SCR aggregation for article 304	

Annex 9: S.28.02.01 - Minimum capital requirement for life and non-life insurance products

	Non-life activities	Life activities
Linear formula component for non-life insurance and reinsurance obligations	63,776	2,528

	Non-life activities		Life activities	
MCR calculation Non Life	**Net (of reinsurance /SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**	**Net (of reinsurance /SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**
Medical expense insurance and proportional reinsurance	-71	478		
Income protection insurance and proportional reinsurance	16,070	24,111	0	29,743
Workers' compensation insurance and proportional reinsurance				
Motor vehicle liability insurance and proportional reinsurance	89,351	92,353		
Other motor insurance and proportional reinsurance	39,601	118,542		
Marine, aviation and transport insurance and proportional reinsurance	6,799	16,829		
Fire and other damage to property insurance and proportional reinsurance	53,651	102,524		
General liability insurance and proportional reinsurance	36,897	26,312		
Credit and suretyship insurance and proportional reinsurance	15,185	17,340		
Legal expenses insurance and proportional reinsurance	182	480		
Assistance and proportional reinsurance	8,461	17,182		
Miscellaneous financial loss insurance and proportional reinsurance	430			
Non-proportional health reinsurance				
Non-proportional casualty reinsurance	17	23		
Non-proportional marine, aviation and transport reinsurance		127		
Non-proportional property reinsurance	377	3,261		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life	Non-life activities: Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance/ SPV) total capital at risk	Life activities: Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Life activities: Net (of reinsurance/ SPV) total capital at risk
Obligations with profit participation - guaranteed benefits			893,858	
Obligations with profit participation - future discretionary benefits			4,481	
Index-linked and unit-linked insurance obligations			692,743	
Other life (re)insurance and health (re)insurance obligations	54,421			
Total capital at risk for all life (re)insurance obligations				2,523,812

	Non-life activities	Life activities
Linear formula component for life insurance and reinsurance obligations	1,143	39,456
Calculation of minimum capital requirement (MCR)		
Linear MCR		106,903
SCR		374,338
MCR cap		168,452
MCR floor		93,585
Combined MCR		106,903
Absolute floor of the MCR		7,400
Minimum Capital Requirement		**106,903**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	64,919	41,984
Notional SCR excluding add-on (annual or latest calculation)	227,325	147,013
Notional MCR cap	102,296	66,156
Notional MCR floor	56,831	36,753
Notional Combined MCR	64,919	41,984
Absolute floor of the notional MCR	3,700	3,700
Notional MCR	64,919	41,984