

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



Solvency and Financial Condition Report

Triglav Group

2020

Ljubljana, March 2021





Triglav Group

MEMBERS OF THE MANAGEMENT BOARD OF ZAVAROVALNICA TRIGLAV:

President of the Management Board:

Andrej Slapar



Members of the Management Board:

Uroš Ivanc



Tadej Čoroli



Barbara Smolnikar



David Benedek



Marica Makoter



Ljubljana, March 2021



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Summary



Summary

Triglav Group is the leading insurance and financial group in Slovenia and the Adriatic region as well as one of the leading groups in SE Europe. The parent company of the Triglav Group is Zavarovalnica Triglav, which was established more than 120 years ago. In addition to the parent company, the Group comprised 28 subsidiaries and 14 associated companies at the end of 2020. Within the Group, the subsidiaries do business with the parent company and among themselves on an arm's length basis whereby their operation is based on the principle of increasing the operating performance of each company individually as well of the Group as a whole. The Group and its members operate on 7 markets in 6 countries of the Adriatic region through partnership ties with foreign companies involved in insurance agency and brokerage as well as reinsurance. Its biggest market is Slovenia, whereby the share of the total premium generated outside of Slovenia is gradually increasing.

The strategic activities of the Triglav Group include the **insurance business** and **asset management**. The Group performs non-life, life, health and pension insurance activity as well as the reinsurance activity within the scope of the insurance business carried on by the Triglav Group's (re)insurance undertakings. Asset management at the Triglav Group includes savings via the insurance services provided by insurance undertakings of the Triglav Group as well as investment in mutual and pension funds. The Triglav Group pursues a relatively conservative investment policy that emphasises the safety and liquidity of investments as well as their adequate return. The major share of the Triglav Group's investments is held in the form of debt securities and other fixed-income securities.

The Triglav Group is rated by two recognised ratings agencies, S&P Global Ratings and A.M. Best. In 2020, both agencies gave the Group an independent **credit rating of "A"** with a stable medium-term outlook thus confirming its financial stability, high capital adequacy and profitability of its operations. The Group's activity is supervised by the Slovenian regulator, the Insurance Supervision Agency, while its external auditor for the 2020 financial year was the Deloitte revizija d.o.o. auditing firm.

The year 2020 was marked by the outbreak of the COVID-19 pandemic that started in the first quarter. Financial markets responded to the pandemic, especially after countries began adopting restrictive measures to stem the spread of the virus, which in turn affected economic activity. In response to the situation, the Group carried out several analyses during the year to assess the impact of the pandemic on its operations, including an ad hoc ORSA for both the parent company and the Group. It was found within the scope of the ORSA process that the risk profile did not change materially and that the Group's capital adequacy was still high despite the unchanged dividend policy. As part of the preparation of the regular business plan within the scope of the regular ORSA process, the Group confirmed that the insurance and investment portfolios of the Triglav Group are sufficiently resilient and that the capital position is adequate for the Group to continue to successfully tackle the elevated risks brought about by the pandemic. Details on the ORSA process are presented in section B.3.6.

The pandemic also had an effect on the way of doing business. The Group focused on the prevention of infection and protection of the health of employees, customers and other

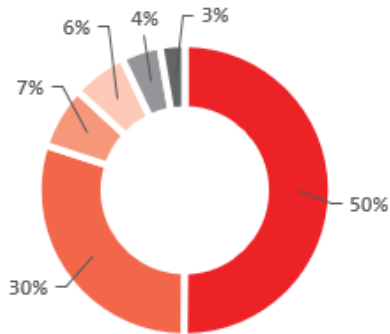
stakeholders as well as adjustment of the organisation so as to successfully perform as many key business processes as possible remotely.

The Group regularly monitored conditions and the responded to events which is why no material pandemic-related operational risk was realised in 2020. Despite the restrictions on people's movement that prevented us from doing business as we usually do, Group companies adapted by offering broad accessibility and availability of services through various measures thus providing customers with modified methods of doing business. The pandemic accelerated the introduction of the already planned new features, which significantly strengthened digital sales-communication and distribution channels and tools. Additional information on operational risks is presented in section C.5 of this Report.

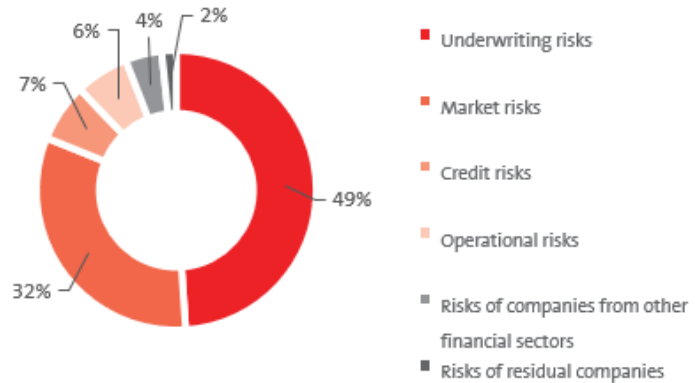
As regards risks and capital adequacy, the Group ended 2020 within the targets it had set for itself in the Risk Appetite Statement. The Group regularly monitored the risk profile and actively upgraded individual areas of the risk management system, mainly where it detected elevated risk or higher exposures. The pandemic ushered in greater caution and lower consumption on the part of the population in certain economic segments. Despite all of the above, the premium at the Group level increased mainly in fire and motor vehicle insurance which contributed to the higher underwriting risk estimate. The underwriting risk estimate rose additionally over the course of 2020 as a result of major claims on account of natural disasters and the additional claim provisions set aside for claims for business interruption. Owing to the Group's higher exposure to debt instruments, the risks from financial markets stemmed mainly from the extremely low risk-free interest rate and the higher amount and volatility of spreads. Liquidity risk gained in importance during the first wave of the pandemic in 2020, but the situation subsided subsequently owing to the measures taken by central banks. Despite all of this, the parent company performed due diligence and also updated parts of the liquidity risk management system and tested uninterrupted liquidity assurance. No visible deterioration of the payment discipline or the credit quality of counterparties was observed in the area of credit risk. Despite this, however, this important risk stemming from higher borrowing remains in the environment and will be carefully monitored by the Group in the future as well. The pandemic also meant that individual operational risks were gaining in importance; they are mostly related to the changed method of work, i.e. remote work, which is suitably addressed by the Group whereby its scope is dropping.

The risk profile of the Triglav Group according to the state of affairs as at 31 December 2020 did not change materially compared to the year before with underwriting risks representing the biggest risk segment followed by market risks.

Group's risk profile as at 31 December 2020



Group's risk profile as at 31 December 2019



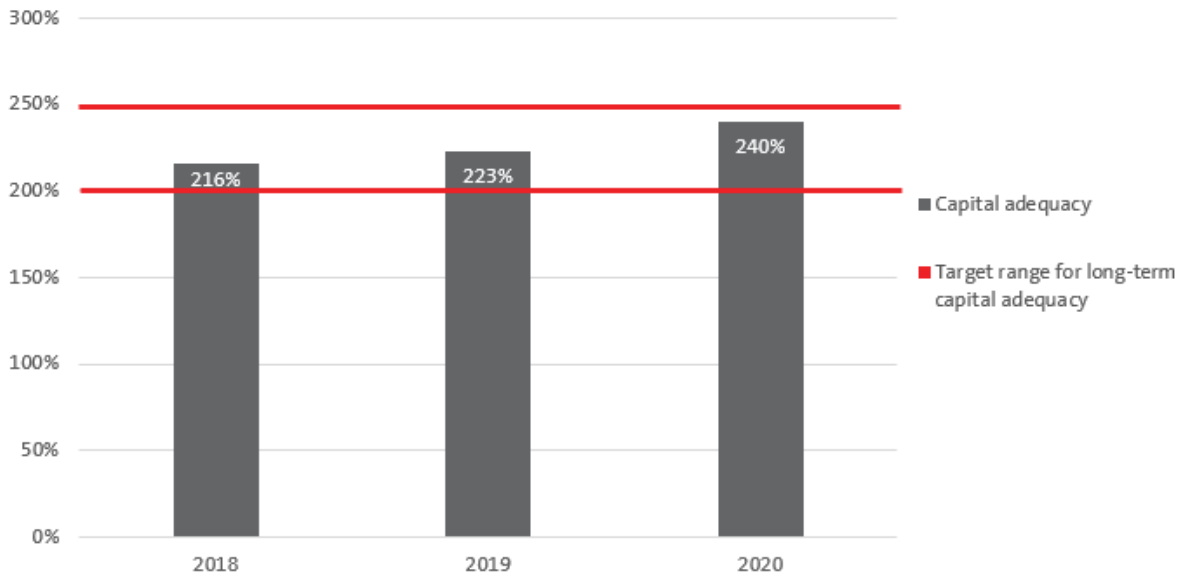
Additional information on the risk estimate is presented in section C of this Report.

In order to ensure financial stability in the conditions of a spreading pandemic, the Insurance Supervision Agency invited all (re)insurance companies and pension companies during the course of the year to temporarily suspend the distribution of dividends. The General Meeting of Shareholders of Zavarovalnica Triglav that was held on 2 June 2020, at the proposal of the Management Board and the Supervisory Board of Zavarovalnica Triglav, decided that the distributable profit for 2019 would remain undistributed and thus intended for future shareholder dividends or other purposes, in accordance with the resolution of the General Meeting of Shareholders. In its decision-making, the General Meeting of Shareholders followed the previous calls and recommendations of the Insurance Supervision Agency. Despite the elevated uncertainty, the Group ended the year with capital adequacy of 240% within the target range between 200% and 250%. Additional information on capital management is presented in section E of this Report.

Detailed information on the effect of the pandemic on the Group's operations is presented in the Annual Report of the Triglav Group and Zavarovalnica Triglav, d.d, 2020, i.e. in section 7.2 of the Business 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. The Triglav Group was adequately capitalised as at 31 December 2020. It had sufficient own funds to cover both the MCR (549%) and the SCR (240%).

Capital adequacy of the Group in relation to its target range



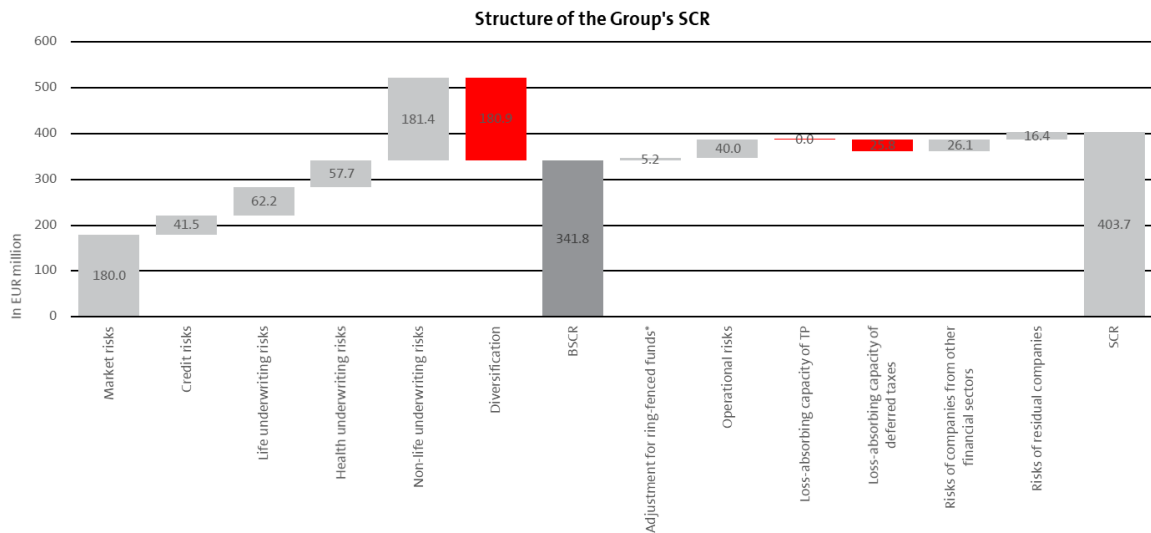
Eligible own funds are calculated as the difference between assets and liabilities whereby the entire balance sheet is valued at fair value. The balance sheet is composed of the Group's share capital (EUR 73.7 million), subordinated liabilities (EUR 53.5 million) and the reconciliation reserve (EUR 841.5 million). The calculation of eligible own funds takes into account the value of expected dividends for the 2020 financial year. The Triglav Group 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 Triglav Group 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.

The parent company has formed two ring-fenced funds, i.e. SVPI¹ and SVPI renta², 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.

¹ Supplementary voluntary pension insurance

² Supplementary voluntary pension insurance during the payment phase



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

At the end of 2020, 80% of the Triglav Group's SCR came from underwriting and market risks, while practically all of its own funds were classified as Tier 1 in terms of quality. Despite the challenging operating conditions and unfavourable financial market conditions, the Group operated well in 2020 and continued to prudently follow the set strategic guidelines and goals.

A. Business and performance

A.1 Business

A.2 Underwriting performance

A.3 Investment performance

A.4 Performance of other activities

A.5 Any other information

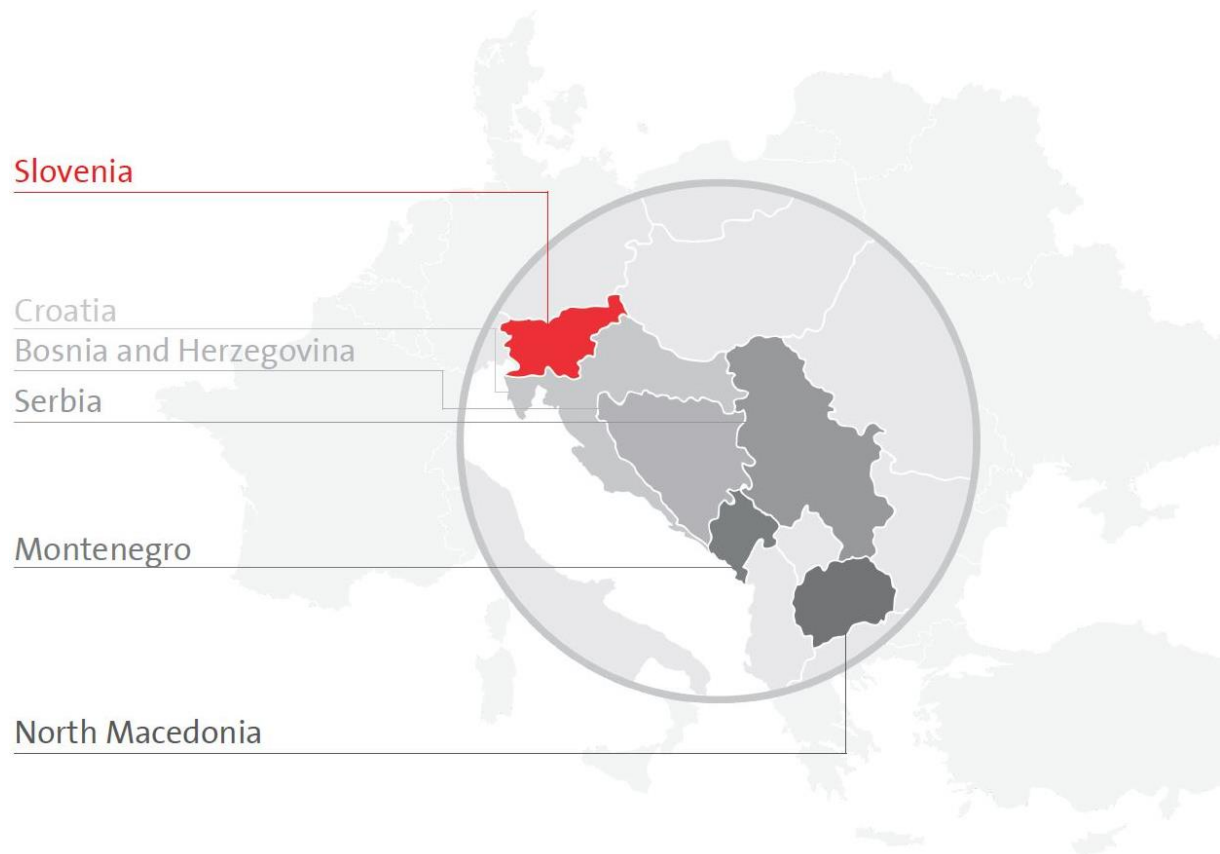
A. Business and performance

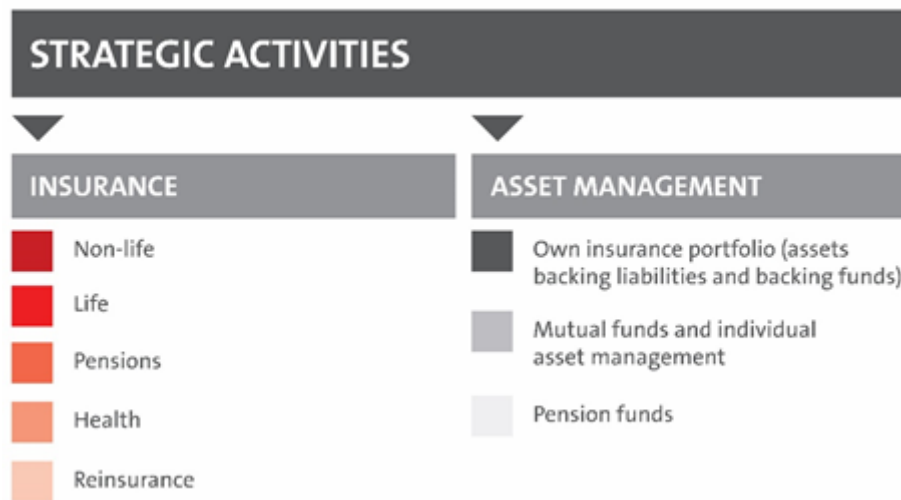
A.1 Business

A.1.1 About the Triglav Group

Triglav Group (hereinafter: Group) is the leading insurance-financial group in Slovenia and the Adriatic region as well as one of the leading in South-Eastern Europe. The Group and its members operate in seven markets of six countries, while the Group itself operates in the broader international environment through partnership ties with foreign companies involved in insurance agency and brokerage as well as reinsurance. The Group's parent company is Zavarovalnica Triglav d.d. (hereinafter: Company). In addition to the Company, the Group comprised 28 subsidiaries and 14 associated companies at the end of 2020.

Figure 1: Insurance markets of the Group as at 31 December 2020





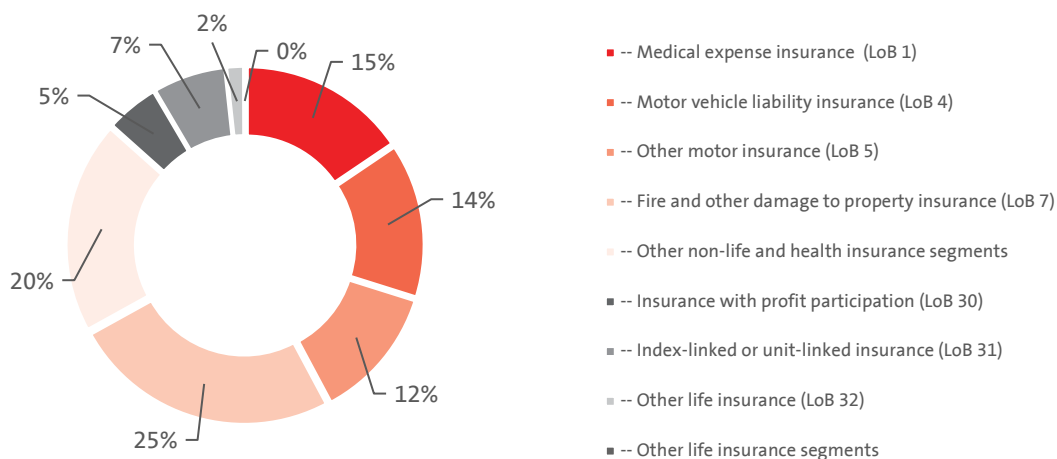
INSURANCE is the most extensive strategic activity of the Group. It includes non-life, life, health and pension insurance as well as the reinsurance activity.

The insurance portion of the Group includes:

- **in Slovenia:** Zavarovalnica Triglav, d.d., Triglav, Zdravstvena zavarovalnica, d.d. (hereinafter: Triglav Zdravstvena), Pozavarovalnica Triglav Re, d.d. (hereinafter: Triglav Re) and Triglav, pokojninska družba, d.d. (hereinafter: Triglav pokojninska družba),
- **outside Slovenia:** 8 insurance undertakings in Croatia, Serbia, Montenegro, Bosnia and Herzegovina and in North Macedonia.

In 2020, the Group operated in all segments of non-life insurance with the exception of the segment of workers' compensation insurance (LoB 3). Of all the insurance segments, the Group earns most of the total premium from fire and other damage to property insurance (LoB 7), medical expense insurance (LoB 1) and motor vehicle liability insurance (LoB 4).

Chart 1: The Group's non-consolidated gross insurance, co-insurance and reinsurance written premium in 2020



The **ASSET MANAGEMENT** activity is performed at the Group by the Company, life insurers and pension companies as well as Triglav Skladi d.o.o. (hereinafter: Triglav Skladi), Triglav,

Upravljanje nepremičnin d.o.o. (hereinafter: Triglav, Upravljanje nepremičnin) and TRIGAL d.o.o. Asset management involves saving via the Group's insurance services and investing in the Group's mutual and pension funds as well as private equity funds.

Table 1: Group companies that carry on or support the Group's strategic activities

	Insurance	Asset management	Other
Slovenia	<ul style="list-style-type: none"> ▪ Zavarovalnica Triglav d.d. ▪ Pozavarovalnica Triglav Re d.d. ▪ Triglav, Zdravstvena zavarovalnica d.d. ▪ Triglav, pokojninska družba d.d. 	<ul style="list-style-type: none"> ▪ Triglav Skladi d.o.o. ▪ Triglav, Upravljanje nepremičnin d.o.o. ▪ TRIGAL d.o.o. 	<ul style="list-style-type: none"> ▪ Triglav INT d.d. ▪ Triglav Svetovanje d.o.o. ▪ Triglav Avtoservis d.o.o. ▪ Triglavko d.o.o. ▪ ZTSR d.o.o. ▪ Alifenet d.o.o.
Croatia	<ul style="list-style-type: none"> ▪ Triglav Osiguranje d.d., Zagreb 		<ul style="list-style-type: none"> ▪ Triglav Savjetovanje d.o.o.
Serbia	<ul style="list-style-type: none"> ▪ Triglav Osiguranje a.d.o., Beograd 		<ul style="list-style-type: none"> ▪ Triglav Savetovanje d.o.o.
Montenegro	<ul style="list-style-type: none"> ▪ Lovćen Osiguranje a.d., Podgorica ▪ Lovćen životna osiguranja a.d., Podgorica 		<ul style="list-style-type: none"> ▪ Lovćen auto d.o.o.
Bosnia and Herzegovina	<ul style="list-style-type: none"> ▪ Triglav Osiguranje d.d., Sarajevo ▪ Triglav Osiguranje a.d., Banja Luka 	<ul style="list-style-type: none"> ▪ PROF-IN d.o.o. ▪ Društvo za upravljanje EDPF a.d., Banja Luka 	<ul style="list-style-type: none"> ▪ Triglav Savjetovanje d.o.o. ▪ Autocentar BH d.o.o.
North Macedonia	<ul style="list-style-type: none"> ▪ Triglav Osiguruvanje a.d., Skopje ▪ Triglav Osiguruvanje Život a.d., Skopje 	<ul style="list-style-type: none"> ▪ Triglav penzisko društvo a.d., Skopje 	

The composition of the Group as at 31 December 2020 is shown in the figure below.

Figure 2: Schematic of the Group's subsidiaries and associated companies and their respective equity interests as at 31 December 2020



A.1.2 Supervisory body

The Group's supervisory body is:

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

A.1.3 External audit

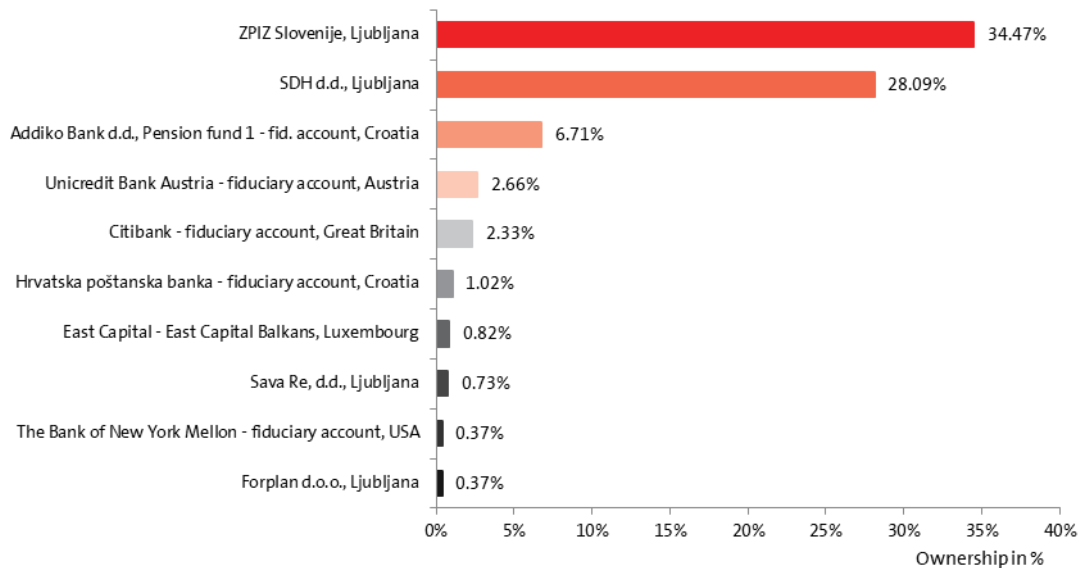
Based on the resolution of the General Meeting of Shareholders of the Company (hereinafter: General Meeting of Shareholders), the following audit firm was appointed as the external auditor of the Company for the 2020 financial year:

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

A.1.4 Ownership structure of Zavarovalnica Triglav

There were no major changes to the ownership structure of the Company in 2020. The two biggest owners, i.e. funds owned by the Republic of Slovenia, kept their shareholdings unchanged, whereby the total share of the top ten shareholders stood at 77.6% (77.1% in 2019). The Kuwait Investment Authority retracted, while the other large shareholders adjusted their positions somewhat.

Chart 2: Top ten shareholders of the Company as at 31 December 2020



At the end of 2020, 30.7% of the shares of the Company were in free-float and dispersed globally among 12,982 shareholders/subscribers registered in the share register coming from 36 countries, mostly Europe and the US. Individual international shareholders/subscribers registered in the share register of the Company adjusted their positions in 2020, with their total shareholding remaining stable as compared to previous years at 16.8% of all shares or 32.7% of the free-float shares.

CHANGES TO THE GROUP'S STRUCTURE

The following changes to the equity interests of Group companies occurred in 2020:

- The Croatian regulator refused issuing its consent for the Group to acquire a majority shareholding in the Croatian Raiffeisen mirovinsko osiguravajuće društvo pension insurance company. The acquisition of the shareholding was one of the suspensive conditions for the entry into force of an agreement concluded in April 2018 by Triglav INT d.d. with the seller Raiffeisen Bank Austria d.d., Zagreb.
- Triglav INT d.d. acquired a 0.38% equity interest in Triglav Osiguruvanje a.d., Skopje from non-controlling owners. The acquisition worth MKD 3,016,812 or EUR 48,951, meant that it increased its equity interest to 80.83%.
- ZTSR d.o.o., in which Zavarovalnica Triglav d.d. and Sava Re d.d. each hold a 50% ownership interest, completed the procedure for the acquisition of the Diagnostični center Bled d.o.o. health services provider on 19 March 2020 (which was started a year before).

- The Company made two capital injections into its associated company ZTSR d.o.o., thus retaining a 50.0% ownership interest. The first capital injection was made on 12 March 2020 with a contribution of EUR 13.5 million, while the second worth EUR 1.4 million was made on 22 October 2020.
- Lovćen Osiguranje a.d. made two capital injections (23 April and 28 September 2020) into its subsidiary Lovćen auto d.o.o., thus retaining a 100% ownership interest. The total cash contribution was EUR 700,000.
- Triglav INT d.d. performed a capital injection on 16 June 2020 and thus kept its 100% ownership interest in the subsidiary Triglav Osiguranje a.d., Banja Luka. The cash contribution was worth KM 3,912,000 or EUR 2,000,174.
- In Q3 2020, Triglav Svetovanje d.o.o. and Triglav Osiguranje a.d., Zagreb performed a capital injection into their subsidiary Triglav Savetovanje d.o.o., Zagreb in line with their proportional ownership interests in the company. The capital injection of HRK 570,000 or EUR 76,249 meant that the companies retained their 51% and 49% respective ownership interests.
- On 15 July 2020, Lovćen Osiguranje a.d. received the decision of the Capital Market Commission. Based on the said decision and in accordance with the general meeting resolution, the two existing series of Lovćen Osiguranje shares were replaced by a new series of 1,828,634 with the ticker LOVH and the nominal value of EUR 5.72. The implemented homogenisation of shares increased the equity interest of Triglav INT d.d. from 96.59% to 99.07%. The amendments of the articles of association resulting from the homogenisation of shares were entered in the register of companies on 30 September 2020.
- On 5 October 2020, Triglav, Upravljanje nepremičnin transformed to a private limited company.
- On 29 December 2020, Zavarovalnica Triglav converted the loan of EUR 73,202 into an equity interest of 23.58% in Alifenet, d.o.o.
- In 2020, Hotel grad Podvin d.o.o. was merged with Triglav, Upravljanje nepremičnin.

The changes in the Group's structure are presented in greater detail in the Business Report of the Annual Report of the Triglav Group and Zavarovalnica Triglav, d.d, 2020 (hereinafter: Annual Report), i.e. in section 2.7.4.

A.1.5 Major business events and achievements in 2020

- COVID-19 pandemic: The Group served its customers without interruption in the conditions of the COVID-19 pandemic. In doing so, it acted in accordance with the measures adopted to limit infection and protect the health of employees, customers and other stakeholders. Finding itself in an uncertain and volatile business environment, it regularly assessed the effects on operations according to diverse and most probable scenarios.
- Good business performance: Despite the difficult conditions caused by the pandemic, the Group's operations were profitable and it posted good performance figures. It maintained an unchanged strategy, market position and operation in all of its activities. It generated premium growth on the majority of insurance markets and in the health and non-life insurance. The profits achieved during the pandemic were affected by the situation on

financial markets and the increase in provisions on account of the operating conditions at the time.

- Dividend payment: At the June General Meeting of Shareholders the shareholders adopted the proposed resolution of the Management Board of the Company (hereinafter: Management Board) and Supervisory Board of the Company (hereinafter: Supervisory Board) in accordance with the ISA position for the 2019 distributable profit to remain undistributed. The Company's dividend policy shall remain unchanged.
- Confirmed high "A" credit rating: The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's "A" credit rating with a stable medium-term outlook.
- Mass loss events: Hail storms and two earthquakes in Croatia caused EUR 31.1 million worth of claims.
- Changes in the Management Board and Supervisory Board of the Company: The General Meeting of Shareholders appointed Igor Stebernak to the position of Supervisory Board member – shareholders' representative. Owing to commitments resulting from her new employment, Nataša Damjanovič tendered her resignation from the position of Supervisory Board member. The Supervisory Board appointed Andrej Andoljšek (Vice Chairman of the Supervisory Board at the time) to the position of Chairman of the Supervisory Board.

A.1.6 Treatment of subsidiaries in consolidation for solvency purposes

The Company of the Group calculates capital adequacy at the Group level. The Company and all of its subsidiaries are included in the Group's solvency calculation. All subsidiaries that perform the principal and ancillary activities are subject to full consolidation in the calculation of the Group's capital adequacy (method 1). Triglav Skladi and Triglav pokojninska družba are not consolidated for the purpose of determining the Group's solvency. The capital adequacy of Triglav Skladi and Triglav pokojninska družba is namely calculated according to the sector/industry rules. Both companies are consolidated for financial reporting purposes. Other associated companies of the Group that do not perform the principal or ancillary activity are not consolidated in the solvency calculation, with their capital requirements calculated separately and without any diversification effects.

The criterion for choosing a consolidation method for solvency purposes is the ownership interests and activities of individual associated companies of the Group.

Table 2: List of the Group's associated companies and the method of consolidation for solvency and financial reporting purposes as at 31 December 2020*

Companies in Group	Consolidation method for solvency purposes	Consolidation method for financial reporting purposes
Zavarovalnica Triglav, d.d. - Company	Full consolidation	Full consolidation
Pozavarovalnica Triglav Re d.d., Ljubljana	Full consolidation	Full consolidation
Triglav, Zdravstvena zavarovalnica d.d., Koper	Full consolidation	Full consolidation
Triglav Skladi d.o.o., Ljubljana	Sector rules	Full consolidation

Triglav, pokojninska družba d.d., Ljubljana	Sector rules	Full consolidation
Triglav, Upravljanje nepremičnin d.o.o., Ljubljana	Full consolidation	Full consolidation
Triglav Svetovanje d.o.o., Domžale	Full consolidation	Full consolidation
Triglav Avtoservis d.o.o., Ljubljana	Full consolidation	Full consolidation
Zavod Vse bo v redu, Ljubljana	Financial investment - FV	Financial investment - FV
Triglav INT d.d., Ljubljana	Full consolidation	Full consolidation
Triglav Osiguranje d.d., Zagreb	Full consolidation	Full consolidation
Triglav Osiguranje a.d., Banja Luka	Full consolidation	Full consolidation
Triglav Osiguranje d.d., Sarajevo	Full consolidation	Full consolidation
Triglav Osiguranje a.d.o, Beograd	Full consolidation	Full consolidation
Lovćen Osiguranje a.d., Podgorica	Full consolidation	Full consolidation
Lovćen životna osiguranja a.d., Podgorica	Full consolidation	Full consolidation
Triglav Osiguruvanje a.d., Skopje	Full consolidation	Full consolidation
Triglav Osiguruvanje Život a.d., Skopje	Full consolidation	Full consolidation
Lovćen auto d.o.o., Podgorica	Full consolidation	Full consolidation
Autocentar BH d.o.o., Sarajevo	Full consolidation	Full consolidation
Triglav Savjetovanje d.o.o., Zagreb	Full consolidation	Full consolidation
Triglav Savjetovanje d.o.o., Sarajevo	Full consolidation	Full consolidation
Triglav Savetovanje d.o.o., Beograd	Full consolidation	Full consolidation
PROF-IN d.o.o., Sarajevo	Consolidated within the Company	Financial investment - FV
Sarajevostan d.d., Sarajevo	Financial investment - FV	Full consolidation
Triglav upravljanje nekretninama d.o.o., Zagreb	Full consolidation	Full consolidation
Triglav upravljanje nekretninama d.o.o., Podgorica	Full consolidation	Full consolidation
Nama d.d., Ljubljana	Financial investment - FV	Financial investment - EM
Triglavko d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
TRIGAL, upravljanje naložb in svetovalne storitve d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Društvo za upravljanje EDPF a.d., Banja Luka	Consolidated within the Company	Financial investment - EM
ZTSR, dejavnost holdingov d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Ljubljana, finančne storitve d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Triglav, penzisko društvo a.d., Skopje	Financial investment - FV	Full consolidation
HGP Rest investicije d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Alifenet d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Diagnostični center Bled d.o.o., Bled	Financial investment - FV	Financial investment - EM
MTC Fontana d.o.o., Maribor	Financial investment - FV	Financial investment - EM
Medi Cons kardiologija d.o.o., Novo mesto	Financial investment - FV	Financial investment - EM
Gastromedica d.o.o., Murska Sobota	Financial investment - FV	Financial investment - EM
Internistična GE ambulanta d.o.o., Nova Gorica	Financial investment - FV	Financial investment - EM
Cardial d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
DC Naložbe d.o.o., Bled	Financial investment - FV	Financial investment - EM

*Financial investment - EM: investments in companies under consolidation are valued according to the equity method

*Financial investment - FV: investments in companies under consolidation are valued at fair value

The activity and equity interest of an individual associated company in the Group are presented in template S.32.01 in the Annex to this Report.

A.2 Underwriting performance

The insurance undertakings of the Group underwrite non-life, life and health insurance products, including supplementary health insurance, voluntary supplementary pension insurance and re-insurance.

The Group's net profit in 2020 amounted to EUR 73.7 million, down 12.2% compared to the year before. A comparison with 2019 shows that the decrease is mainly the result of lower income from financial assets, higher expenses from financial assets and liabilities as well as higher other expenses from insurance operations. The Group had a positive impact on the result through disciplined insurance risk taking, increased business volumes and careful cost management. The achieved result, on the other hand, was shaped by the situation on the financial markets (further decrease in interest income and increase in expenses due to long-term servicing of investment guarantees), mass loss events (hailstorms in three markets and earthquakes in Croatia) and increase in technical provisions due to current business conditions.

Table 3: Group's operating performance in 2020 and 2019

	In EUR thousand	
	2020	2019
Profit or loss before tax	90,903	100,937
Net profit or loss	73,665	83,864
- Non-life insurance	65,665	62,896
- Health insurance	6,299	4,373
- Life insurance with pension insurance	1,691	17,245
- Other	9	-649
Non-life insurance combined ratio	91.2%	91.5%
ROE	8.9%	10.9%

The insurance undertakings that are fully consolidated according to the segmentation for solvency purposes, including Triglav Re jointly booked EUR 1,321.2 million worth of non-consolidated gross insurance, co-insurance and reinsurance premium in 2020. EUR 1,144.1 million worth of the premium was booked in the non-life and health insurance segment, while the premium booked in the life insurance segment came in at EUR 171.1 million. The biggest share of the non-life and health insurance premium is derived from the fire and other damage to property insurance segment (LoB 7). These were followed by medical expense insurance (LoB 1) and motor vehicle liability insurance (LoB 4). The gross premium written increased by EUR 70.3 million compared to 2019, whereby the premium for non-life insurance and health insurance products rose by EUR 71.4 million, and the premium for life insurance products decreased by EUR 1.1 million.

According to the segmentation for solvency purposes, gross claims incurred in 2020 came in at EUR 759.7 million, whereby EUR 596.6 million came from non-life insurance and health insurance and EUR 163.1 million came from life insurance. The majority of the gross claims incurred among non-life and health insurance arose from claims in the medical expense

insurance (LoB1) and fire and other damage to property insurance (LoB7). The value of this item at the Group level increased by EUR 30.1 million when compared to 2019. Gross claims incurred from non-life and health insurance products increased by EUR 37.3 million, whereby gross claims incurred from life insurance decreased by EUR 7.2 million mainly because of the segment of index-linked or unit-linked insurance (LoB 31) where gross claims decreased by EUR 9.8 million in the period under consideration.

The Group's gross expenses in 2020 amounted to EUR 305.7 million. EUR 264.1 million of the abovementioned amount came from non-life insurance and health insurance and EUR 41.6 million came from life insurance. Subject to the segmentation for solvency purposes, the highest expenses under non-life and health insurance were incurred in the fire and other damage to property insurance segment (LoB 7). The Group's expenses decreased by EUR 8.8 million when compared to 2019. Other expenses incurred in 2020 came in at EUR 14 million, whereby EUR 12.6 million of the said amount came from non-life insurance and health insurance and EUR 1.4 million came from life insurance.

The table below presents the amounts of the non-consolidated gross written insurance, co-insurance and reinsurance 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 Annex to this Report.

Table 4: Premium, claims and expenses of the Group by major insurance segments for solvency purposes in 2020 and 2019

	In EUR thousand	
	2020	2019
Non-consolidated gross written premiums from insurance, co-insurance and reinsurance contracts	1,321,174	1,250,856
- Non-life and health insurance	1,144,119	1,072,681
-- Medical expense insurance (LoB 1)	205,367	186,813
-- Motor vehicle liability insurance (LoB 4)	188,939	186,884
-- Other motor insurance (LoB 5)	163,083	159,149
-- Fire and other damage to property insurance (LoB 7)	327,302	292,003
-- Other non-life and health insurance segments	259,429	247,831
- Life insurance	177,056	178,175
-- Insurance with profit participation (LoB 30)	65,216	67,102
-- Index-linked or unit-linked insurance (LoB 31)	89,184	92,177
-- Other life insurance (LoB 32)	21,741	17,982
-- Other life insurance segments	915	914
Gross claims incurred	759,704	729,613
- Non-life and health insurance	596,641	559,345
-- Medical expense insurance (LoB 1)	147,224	148,920
-- Motor vehicle liability insurance (LoB 4)	112,939	88,461
-- Other motor insurance (LoB 5)	96,791	100,361
-- Fire and other damage to property insurance (LoB 7)	143,226	130,957
-- Other non-life and health insurance segments	96,462	90,647
- Life insurance	163,063	170,268
-- Insurance with profit participation (LoB 30)	88,690	86,615

-- Index-linked or unit-linked insurance (LoB 31)	60,195	70,028
-- Other life insurance (LoB 32)	8,544	6,849
-- Other life insurance segments	5,634	6,775
Expenses	305,728	314,506
- Non-life and health insurance	264,111	277,674
-- Income protection insurance (LoB 2)	21,903	23,231
-- Motor vehicle liability insurance (LoB 4)	56,954	58,822
-- Other motor insurance (LoB 5)	41,961	42,100
-- Fire and other damage to property insurance (LoB 7)	82,185	81,428
-- Other non-life and health insurance segments	61,108	72,093
- Life insurance	41,617	36,832
-- Insurance with profit participation (LoB 30)	12,758	12,596
-- Index-linked or unit-linked insurance (LoB 31)	18,273	17,163
-- Other life insurance (LoB 32)	10,589	7,048
-- Other life insurance segments	-3	24
Other expenses	14,042	12,214

The Group operates in seven markets of six countries in the Adria region. The Group is expanding its operations outside the abovementioned markets by strengthening cross-border provision of insurance services in other EU Member States and additionally also by offering international reinsurance services.

The Group books the majority of the gross premium in Slovenia, i.e. as much as 74% of its total unconsolidated premium, while it is successfully increasing shares on other markets.

Similarly to the case of the gross written premium, the biggest share of gross claims incurred comes from Slovenia. Compared to 2019, the share of claims increased in Croatia and North Macedonia as a result of the smaller shares in all of the other countries.

The table below shows the Group's non-consolidated gross written premium from insurance, co-insurance and reinsurance contracts and incurred claims by country.

Table 5: Geographic distribution of the Group's premium and claims by country in 2020 and 2019

	In EUR thousand	
	2020	2019
Non-consolidated gross written premiums from insurance, co-insurance and reinsurance contracts	1,321,174	1,250,856
-- Slovenia	972,598	926,394
-- Croatia	83,944	76,408
-- Serbia	68,022	63,258
-- Montenegro	40,308	40,785
-- Bosnia and Herzegovina	35,707	32,689
-- North Macedonia	24,008	26,733
-- Other countries of operation	96,587	84,590
Gross claims incurred	759,704	729,613
-- Slovenia	571,164	560,465
-- Croatia	68,170	48,500
-- Serbia	25,680	26,830
-- Montenegro	15,366	18,682
-- Bosnia and Herzegovina	14,399	14,637
-- North Macedonia	17,231	12,689
-- Other countries of operation	47,695	47,810

Details on the geographic distribution of premiums and claims by country are provided in template S.05.02 in the Annex to this Report.

A.3 Investment performance

The Group pursues a relatively conservative investment policy that emphasises the safety and liquidity of investments as well as their adequate return. The basic goal is to maintain a high overall credit rating of the investment portfolio. The major share of the portfolio is represented by debt and other securities with a fixed income. The investment result is most affected by the structure of the Group's investments and the developments on capital markets. This chapter presents the Group's investment result broken down by the main sources of individual investment classes as well as a comparison with the year before. The investment result shown was also published by the Group in the Annual Report, i.e. in section 3.7 in the Accounting Report.

The returns on financial investments, including returns on the investments of unit-linked life insurance policyholders (who assume investment risk), represent the difference between the income and expenses from financial assets and decreased by EUR 84.2 million. The trend of the Group's falling interest income is continuing as a result of the persistent low interest rate environment. Interest income decreased YoY by EUR 12.3 million. Part of the issued debt matured in 2020, which does not yet affect the amount of interest expenses in that year. Dividend income in 2020 increased slightly when compared to the year before. Part of the increase also occurred on account of the payouts from alternative funds. The majority of dividends were paid to the Group's Company. The increase in fair value lags slightly behind the last year's amount, but still remains high. The increase in the value of debt instruments was mainly the result of the continued decrease in interest rates, while fair values of equities did not

change materially compared to the baseline at the start of the year. Based on the rather dynamic adjustment of the debt portfolio to the economic environment associated with the shock of the COVID-19 pandemic and a more active investment management policy, the Group achieved comparatively higher profits from sales. Compared to the previous year, the amount of permanent impairments is higher by EUR 1.1 million. Permanent impairment expenses remain low mainly thanks to all of the measures countries are implementing to mitigate the pandemic-related problems. The majority of other financial income is represented by the revaluation of unit-linked assets. The change compared to the year before is significant and has the highest impact on the Group's overall investment result. The general growth of stock indices from 2019 was stopped in 2020 by the pandemic-related crisis. The strong correction on stock markets in March 2020 was followed by a quick recovery that brought the values at the end of 2020 close to those from the beginning of 2020.

Table 6: Income and expenses from the investment activities of the Group for financial reporting purposes in 2020 and 2019

In EUR thousand		
Income and expenses from investing activities		
	31 December 2020	31 December 2019
Interest	43,871	56,027
- Income	46,809	59,125
- Expenses	2,938	3,099
Dividends	4,486	3,856
- Income	4,486	3,856
- Expenses	0	0
Changes in fair value*	9,249	12,783
- Income	15,306	19,675
- Expenses	6,057	6,892
Profit and loss from sales	33,222	27,799
- Income	40,163	38,129
- Expenses	6,941	10,330
Permanent impairments	-1,971	-849
- Income	0	0
- Expenses	1,971	849
Other financial income**	-4,658	66,652
- Income	21,505	73,267
- Expenses	26,163	6,616
Total	84,199	166,268

* Includes profit/loss on investments in the equity of associates and jointly controlled companies; account made using the equity method

** Includes unrealised net profits and losses from investments of unit-linked life insurance policyholders

No Group company is currently investing in securitisation instruments.

A.4 Performance of other activities

A.4.1 Other income and expenses

The Group's other income in 2020 including other insurance income and other income amounted to EUR 84.6 million, up EUR 7.9 million compared to the year before, which is mainly the result of the higher other insurance income (increase by EUR 3.8 million) and other income (increase by EUR 4.5 million).

The Group's other expenses in 2020 came in at EUR 108.8 million, up EUR 10.7 million compared to the year before. The increase mostly relates to the increase in other insurance expenses (increase in commission expenses by EUR 6.5 million), and the increase in other expenses (increase in the operating expenses of non-insurance companies by EUR 2 million and the increase in bonuses to employees by EUR 2.6 million).

Detailed information on the Group's other income and expenses are presented in the Accounting Report of the Annual Report, i.e. in sections 4.6, 4.7, 4.13 and 4.14.

Table 7: Other income and expenses of the Group for financial reporting purposes in 2020 and 2019

	In EUR thousand	
	2020	2019
Other income	84,620	76,705
- Other insurance income	41,007	37,184
- Other income	43,613	39,521
Other expenses	108,832	98,099
- Other insurance expenses	51,523	43,565
- Other expenses	57,309	54,534

A.4.2 Lease agreements

In the reporting period, Group members had several lease/rental agreements concluded both as lessors/landlords and as lessees/tenants.

Among the contractual relationships where the Group members act as the landlord, only investment property is considered material. Of the total value of investment properties of EUR 79 million, the annual rental income came in at EUR 5.7 million. The Company generated 71% of the said income, while Triglav, Upravljanje nepremičnin generated 23%.

Group members act as the tenant/lessee when renting business premises and parking spaces, leasing software and data lines, leasing multi-function devices and renting cars.

As at 31 December 2020, the right of use assets in the amount of EUR 9.8 million was recognised in the Group's consolidated financial statements. The total annual amortisation expense of these assets was EUR 3.5 million, while interest expenses came in at EUR 512 thousand. Rental costs not accounted according to IFRS 16, i.e. short-term leases and low-value leases, came in at EUR 0.7 million in 2020.

A.4.3 Material intra-group transactions within the Triglav Group

The most material intra-group transactions arise from reinsurance operations between Triglav Re on the one hand and the Company and subsidiaries on the other.

In reinsurance operations in 2020, the most material intra-group transactions where the total turnover from reinsurance operations³ between two companies exceeded EUR 3.5 million were:

- transactions between Triglav Re and the Company - EUR 110.7 million in turnover;
- transactions between Triglav Re and Triglav Osiguranje d.d., Zagreb - EUR 18.5 million in turnover;
- transactions between the Company and Triglav Re - EUR 17.8 million in turnover;
- transactions between the Company and Triglav Osiguranje d.d., Zagreb - EUR 6.5 million in turnover;
- transactions between the Company and Lovćen Osiguranje a.d., Podgorica - EUR 6.3 million in turnover;
- transactions between the Triglav Re and Lovćen Osiguranje a.d., Podgorica - EUR 6.3 million in turnover;
- transactions between Triglav Re and Triglav Osiguruvanje a.d., Skopje - EUR 4.8 million in turnover.

The total reinsurance transaction turnover with other individual companies did not exceed EUR 6.5 million.

Other material intra-group transactions include insurance contract acquisition and financial asset management. These transactions did not exceed the materiality threshold either.

A.5 Any other information

EVENTS IN 2021

On 2 March 2021, the Supervisory Board reappointed Marica Makoter as the Management Board member – Workers' Director at the proposal of the Company's Works Council. Her new five-year term will begin on 23 December 2021.

On 5 March 2021, the Company received a letter from ISA stating that due to the uncertain situation regarding the spread of the COVID-19 pandemic and the consequent unclear impacts on the economy and the insurance industry, ISA expects that until 30 September 2021 insurance, reinsurance and pension companies (supervised entities) suspend dividend payments and undertake no irrevocable commitments to pay out dividends. The Management Board is expected to inform its shareholders about the proposal for the distribution of accumulated profit for 2020 at the end of March when publishing the 2020 Annual Report. In their proposal, the Management Board and the Supervisory Board will take into account both the Company's dividend policy and the positions of the regulator.

³ Total reinsurance transactions include the reinsurance premium, reinsurance share for reinsurance claims settled and reinsurance fees and commissions.

OTHER RELEVANT INFORMATION

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

B. System of governance

B.1 General information on the system of governance

B.2 Fit and proper requirements

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

B.4 Internal control system

B.5 Internal audit function

B.6 Actuarial function

B.7 Outsourcing

B.8 Any other information

B. System of governance

B.1 General information on the system of governance

B.1.1 Corporate governance

The system of governance at the Group level takes the form of corporate governance involving the active exercise of management rights held by the Company and its subsidiary as the controlling company of the Group pursuant to the legislation that applies to each individual company whereby the internal rules of individual subsidiaries are also taken into account. As part of corporate governance, business management at the Group level is performed and is based on the assurance of effective monitoring or supervision of the subsidiaries' operations. Such management enables efficient and coordinated operations and the harvesting of synergies, mainly through activities that promote cooperation in professional fields, mutual provision of information and the transfer of knowledge at the Group level.

The Group's system of governance is established at the Company through the functioning of general meetings, supervisory bodies and the management of individual subsidiaries as well as standardisation and the unification of key rules and procedures in individual expert divisions at subsidiaries with the aim of establishing uniform minimum standards in the area of effective management, reporting and supervision at the level of the entire Group. The Group Subsidiary Management Department is responsible for the implementation of the system of governance at the Group's level; the said department works with the key functions, expert services and business lines of the Company to establish and maintain an effective and transparent system of governance of the Group.

The corporate governance system is implemented by having the Company as the holding company at the Group level carrying out activities in the area of management vis-à-vis its direct subsidiaries whereby the latter are responsible for transposing the system of governance and performing activities in the area of management vis-à-vis their direct subsidiaries. A portion of corporate governance also includes the harmonisation and preparation of the strategy and the design of a risk management system at the Group level. As part of the guidelines outlined in the Group strategy, each subsidiary designs its own strategy, generally for a five-year period, based on which long-term and strategic activities are carried out. The Group strategy involves the adoption of the principle of monitoring the implementation of the strategy according to the principle of the balanced scorecard which allows supervisory bodies to monitor operating performance on an ongoing basis as well as take appropriate measures in case of deviations from the plan.

The essential guidelines and objectives of the Group's strategy are to be conscientiously observed when managing and governing subsidiaries.

B.1.1.1 Parent Company's 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: coordinated 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.

The composition of the Management Board in 2020 was as follows:

Table 8: Composition of the Management Board and the competences of the members of the Management Board of the Company in the 2020 financial year

First and last name	Position	Area of work within the Management Board as at 31 December 2020
Andrej Slapar	President of the Management Board	<ul style="list-style-type: none"> - Management Board Office - Legal Office - Internal Audit Department - Corporate Communication Department - Compliance Office - Business Intelligence and CRM, - Corporate Accounts - Marketing - Senior Management Staffing - work of Arbitration - work of the Nuclear Insurance and Reinsurance Pool, GIZ (Commercial Association of Slovenian Insurance Companies) - representation of the Company in the Council of the Slovenian Insurance Association
Uroš Ivanc	Member of the Management Board	<ul style="list-style-type: none"> - Strategic Purchasing Department - Risk Management Department - Strategic Planning and Controlling Department - Non-Life Insurance Development and Actuarial Department - Accounting Division - Finance Division (except the Investment Department)
Tadej Čoroli	Member of the Management Board	<ul style="list-style-type: none"> - Digitalization, Processes and Technology - Insurance Sales Division - Non-Life Insurance - Non-Life Insurance Claims Division
Barbara Smolnikar	Member of the Management Board	<ul style="list-style-type: none"> - Life Insurance Division - Life Insurance Development and Actuarial Department - Money Laundering Prevention Division
David Benedek	Member of the Management Board	<ul style="list-style-type: none"> - Subsidiary Management Department - Investment Department
Marica Makoter	Member of the Management Board - Workers' Director	<ul style="list-style-type: none"> - representation of the interests of the workers within the Management Board as stipulated in the Worker Participation in Management Act - Fraud Prevention, Detection and Investigation Department

- Change and Project Portfolio Management Department
 - IT
 - Back Office Division
 - HRM Division (excluding HR matters related to the employees with special powers)
-

B.1.1.2 Parent Company's 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 Parent Company's Supervisory Board

The Supervisory Board of the Company 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 4 years, whereby they may be re-elected without limitation.

The Supervisory Board supervises the management of the Company. In addition to the powers granted to the Supervisory Board by 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 the Company's stakes in foreign or domestic companies (unless these are equity interests where 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 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 is not directly part of the three lines of defence within the Company's risk management system, but its role in the system is nevertheless essential. Just as the Management Board, the Supervisory Board 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 2 June 2020, the term of office of Supervisory Board Chairman Igor Stebernak, shareholders' representative, expired. The shareholders of the Company appointed him as Supervisory Board member for a four-year term of office that started on 3 June 2020.

Supervisory Board member Nataša Damjanovič tendered her resignation on 18 June 2020 on account of the commitments associated with her new employment. In accordance with paragraph 2 of Article 21 of the Articles of Association of Zavarovalnica Triglav, her term of office expired upon the expiry of the three-month notice period, i.e. on 18 September 2020.

At the session held on 18 August 2020, 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 2020 was as follows:

Table 9: Supervisory Board members in the 2020 financial year

First and last name	Position
Andrej Andoljšek	Chairman, shareholders' representative (as of 18 August 2020 onwards) Vice Chairman, shareholders' representative (up to 17 August 2020)
Milan Tomaževič	Vice Chairman, shareholders' representative (as of 18 August 2020 onwards) Member, shareholders' representative (up to 17 August 2020)
Igor Stebernak	Member, shareholders' representative (as of 3 June 2020 onwards) Chairman, shareholders' representative (up to 2 June 2020)
Žiga Škerjanec	Member, shareholders' representative

Nataša Damjanovič	Member, shareholders' representative (up to 18 September 2020)
Mario Gobbo	Member, shareholders' representative
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 2020: Audit Committee, Appointments and Remuneration Committee, Strategic Committee and two Nominations Committees, which represent 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 10: Composition and competences of Supervisory Board committees in the 2020 financial year

Supervisory Board committees	Competences
AUDIT COMMITTEE	- monitoring the financial reporting process, preparing reports and drafting proposals for ensuring its comprehensiveness;
Composition:	- monitoring the efficiency and effectiveness of internal controls, internal audit and risk management system;
- Mario Gobbo, committee Chairman	- monitoring the mandatory audit of annual and consolidated financial statements and reporting on the audit result to the Supervisory Board;
- Nataša Damjanovič, member (up to 18 September 2020)	- responsibility for the auditor selection procedure and proposing the appointment of 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;
- Igor Stebernak, member (as of 19 September 2020)	- 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;
- Igor Zupan, member	- 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;
- Simon Kolenc, independent external expert	- 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	- drafting proposals regarding the criteria for membership in the Management Board;
Composition: - Igor Stebernak, Committee Chairman (up to 2 June 2020 and as of 18 August 2020 onwards) - Nataša Damjanovič, member (up to 18 September 2020) - Žiga Škerjanec, member - Peter Celar, member	- 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; - 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 - Andrej Andoljšek, member - Žiga Škerjanec, member - Branko Gorjan, member	- 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 COMMITTEES 1. Composition: - Igor Stebernak, Committee Chairman - Andrej Andoljšek, member - Žiga Škerjanec, member - Peter Celar, member - Boštjan Kolar, external member 2. 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 at the Group

Group companies implement the remuneration policy to ensure the realisation of a solid and reliable governance system as well as the integrity and transparency of the operations. The aim of the policy is to design and implement such employee remuneration distribution systems that ensure the maintenance of adequate capital strength of Group companies, promote reliable and efficient risk management, do not encourage the underwriting of risks that exceed the threshold for permitted (acceptable) risk of Group companies, and enable the acquisition and retention of

suitably qualified, competent, responsible and dedicated employees. The remuneration policy applies to the Management Board, executive and managerial employees and the holders of key functions as well as other employees at Group companies. The remuneration of the members of the Supervisory Board and the Audit Committee (except the remuneration of members – external members) is set by way of resolutions adopted by the general meetings of Group companies. The remuneration of employees is set in proportion to the complexity, characteristics, scope of tasks or functions, authorisations, responsibilities and experiences so as to incentivise employees to take decisions that lead to the realisation of the objectives of an individual company as well as suitable risk management. The remuneration policy does not provide the management board and the employees of the Group's subsidiaries to acquire shareholdings (stock) in the Group's subsidiaries.

According to the rules of the Group remuneration policy, each Group company adopts its own remuneration policy.

MANAGEMENT BOARD OF THE PARENT COMPANY AND OF THE SUBSIDIARIES

The remuneration of the Company's 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. Management Board members are entitled to a perk in the form of the premium for voluntary pension insurance. No special pension schemes or early retirement schemes apply to Management Board members. The remuneration of the management boards of the Group's subsidiaries is set in accordance with the applicable local legislation and regulations in the country where the individual company operates.

EXECUTIVE AND MANAGERIAL EMPLOYEES AND OTHER EMPLOYEES WORKING UNDER INDIVIDUAL CONTRACTS

The basic salary (fixed part of pay) for executive and managerial employees as well as other employees working under an individual employment contract is stipulated in the employment contract, whereby the amount of the eventual bonus is subject to the attained results of an individual company in line with the bonus methodology applicable at any relevant time and is capped at the top.

EMPLOYEES WORKING UNDER A COLLECTIVE AGREEMENT

The rules that comply with the legislation applicable at any relevant time apply to other employees at individual companies, while the option of additional bonuses complies with strategic guidelines subject to the attained results.

B.1.3 Related party transactions

Related parties of the Group are:

- shareholders of the Company and of all subsidiaries;
- members of the Management Board of the Company and of all subsidiaries;
- members of the Supervisory Board of the Company and of all subsidiaries.

There were no material related-party transactions in 2020.

B.2 Fit and proper requirements

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 may be implemented at the Company prior to the appointment for the term of office (initial assessment), during the term of office (periodic assessment; presumably once per year) and in case of the occurrence of circumstances that raise doubt as to the 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.

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 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 covers all areas, focusing on those having a material impact on the Group's operations and set business objectives. The Company has set up a risk management system at the Group level that represents a set of harmonised rules, powers, responsibilities and activities. The aim of the system is to ensure that risks at all levels are underwritten in accordance with the set strategic goals and so that the key risks are appropriately identified, assessed, monitored and managed. The system is set up so as to enable continuous upgrading and adjustment to internal and external events as well as changes in the underwriting of risks arising from the operations of Group companies.

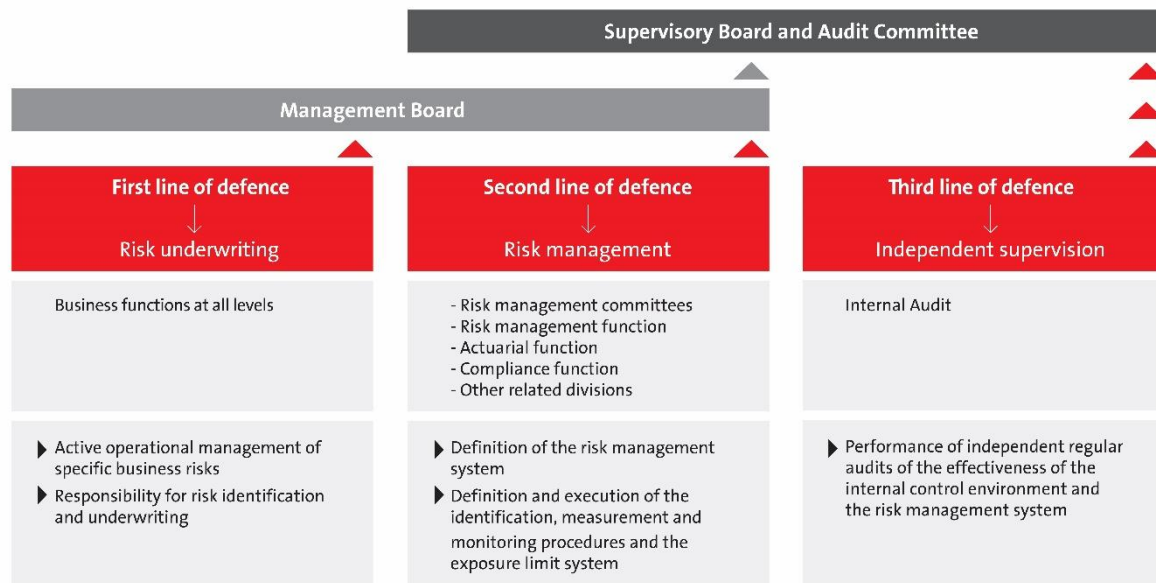
In order to effectively implement the risk management system at the Group level, each company has in place confirmed internal rules governing the risk management system that have been harmonised with the risk management standards of the Company which ensure a clear delimitation of internal relationships in terms of the responsibilities and competences of divisions in risk management processes and also define the risk consideration methods, measures and the reporting system. The aim is to coordinate the determination of an adequate level of risk exposure for individual subsidiaries and ensure timely reporting which in turn ensures the timely monitoring of risks at the Group level.

It is very important to build a suitable culture, mainly in terms of the awareness of risks as well as cooperation and open communication about the risks. In this respect, the Management Board of the Company and the Group's leadership play a key role.

The four key functions in the Company play an important role in the risk management system as they actively ensure coordinated risk management in the Group and for the transposition of knowledge and good practices to Group members. Key functions work with one another and regularly exchange information required for harmonized 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 Group are the Group Strategy and the Business Plan of Zavarovalnica Triglav. The risk management system at the Group is built in accordance with the principles of the Company and is based on the three lines of defence model. The functioning of the Company's system is transposed to the Group via minimum standards and business functions, taking into account the size, complexity and business profile of an individual company.

Figure 3: Risk management system at the Group level



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 guidelines of the Company's Management Board and the management teams of the Groups' subsidiaries 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. Key functions, such as risk management function, the actuarial function and the compliance function, work as 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 operations of individual subsidiaries and the Group by systematically and methodically auditing and assessing the adequacy and effectiveness of the governance of the subsidiaries and the Group, 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; they are simultaneously responsible for the functioning of the risk management system and control processes at the Group level.

The Company's 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 ORSA process at the Group level. It also grants consent to the Management Board for the Solvency and Financial Condition Report of Zavarovalnica Triglav

(hereinafter: Company SFCR) and Group Solvency and Financial Condition Report (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 Group.

The Company's Management Board formulates business objectives and the risk appetite, and also adopts the strategy and policies related to the management of the same. It is also competent for the assurance of the effectiveness of the risk management system at the Group level. All of the abovementioned acts serve as the basis for minimum standards that apply to risk management at the Group level. 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, including the Regular Supervisory Report of the Triglav Group (hereinafter: Group RSR) as well as both SFCR Reports.

The Company's Management Board participates independently and actively in risk management processes, guides the ORSA process and ensures it is harmonised and linked to capital planning and management at the Group level. The Company and individual subsidiaries observe the harmonised and confirmed objectives from the Strategy and thus decide on the exploitation of business opportunities, whereby an important consideration in this regard is the consideration of the assumed risks that are managed within the scope of the permitted exposure limits so as to realise the Group's strategy.

The risk management system at the Group level is implemented primarily at the level of the individual subsidiaries and secondarily at the Group level. The leaderships of subsidiaries and the responsible persons appointed by them are responsible for the setup and functioning of the risk management system at the level of individual subsidiaries. The drafting of the content and transposition of minimum standards for the area of risk management is the responsibility of the Risk Management Department which works in conjunction with the Subsidiary Management Department. This ensures an effective and transparent risk management system at the Group level. Effective communication and quality data and information exchange are especially important in this regard.

The risk management system at the Group level is composed of the following activities at all divisions and with respect to all risk categories:

- risk identification;
- assessment of detected risks and the definition of their materiality;
- clear definition of the objectives and limitations regarding the risks assumed and the establishment of a system of measures in the event of major deviations;
- monitoring and management of assumed and new emerging risks arising from operations by ensuring the compliance of operations with the Risk Management Strategy;
- reporting on the risks and provision of information to all key stakeholders;
- defining the procedures for action and taking action in the event of identified deviations and adverse operating conditions.

Business process-dependent activities are defined subject to the source and consequently the risk category.

The management system at subsidiaries includes the setup and regular adaptation of the internal risk management rules as well as risk identification, measurement, monitoring and reporting. The risk profile is also reported regularly in the event of any material change in exposure or any material risk type that could affect the capital or liquidity position of the individual company. Reporting is performed within the scope of regular meetings and in the form of standardised reports. Current issues in the internal and external environment in the area of risk management are monitored regularly in regular meetings of the Group's risk management functions. The reports include risk indicators for all risk and operations segments that are important for the comprehensive risk assessment and the overview of the important risks of an individual company. At the second level, the risk management system is implemented at the level of the Company where regular reporting to the key risk management function and the functioning of risk management system committees make it possible to perform a comprehensive review of the assumed risks, including their management and appropriate diversification through the monitoring of concentrations at the Group level. Suitable risk diversification is ensured through the setup of an exposure limit system that ensures a suitable risk level. Various measures have been put in place for cases when limits are exceeded whereby such measures ensure a suitable and manageable level of risks.

When managing risks, the Company and the Group's subsidiaries act preventively whereby they apply the approaches of decomposition (e.g. product) and diversification (e.g. investment) of individual risk types. When balancing risk exposure, the key measure is the setup of a suitable limit system that an individual company adjusts to the current external developments subject to the business opportunities, whereby they remain within the defined risk appetite at all times.

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

The subsidiaries and the Company of the Group have a risk management system in place that features a risk management strategy and the risk appetite that represent the basis and guidance for all other internal act governing risk management at individual companies. The risk management strategy clearly defines the principles and objectives of the risk management system as well as a comprehensive risk management process (including the delimitation of competences and responsibilities) and provides guidelines for the underwriting of individual risk types (appetite and tolerance). The risk appetite is one of the central building blocks of the risk management system that represents the maximum level of risk measured by the level of potential loss that an individual company is still willing to assume in the course of its business operations so as to attain the set business objectives and strategic goals.

B.3.3 Risk management function

The risk management function for an individual subsidiary of the Group is performed at each respective company. The person responsible for implementing the risk management function is tasked with identifying, measuring, monitoring and reporting the risks at the subsidiary in accordance with the minimum standards in the area of risk management at the Group level.

The risk management function operates at the Company within the framework of the headquarters department that is directly subordinated to the Management Board. It is not only autonomous and independent from the other business functions, but also one of the key

functions in the system of risk management at the Company and the Group level. Furthermore, it is part of the second line of defence in the three lines of defence risk management system. It monitors the Company's operations in terms of risk oversight, ensures optimum operations of the Company and the Group from the regulatory point of view of risk management and assesses the potential impacts of changes on the risk profile. The risk management function monitors the work of risk management system committees, coordinates the calculation of capital adequacy and the ORSA process, and prepares all of the required regulatory and internal reports that are associated with risk management.

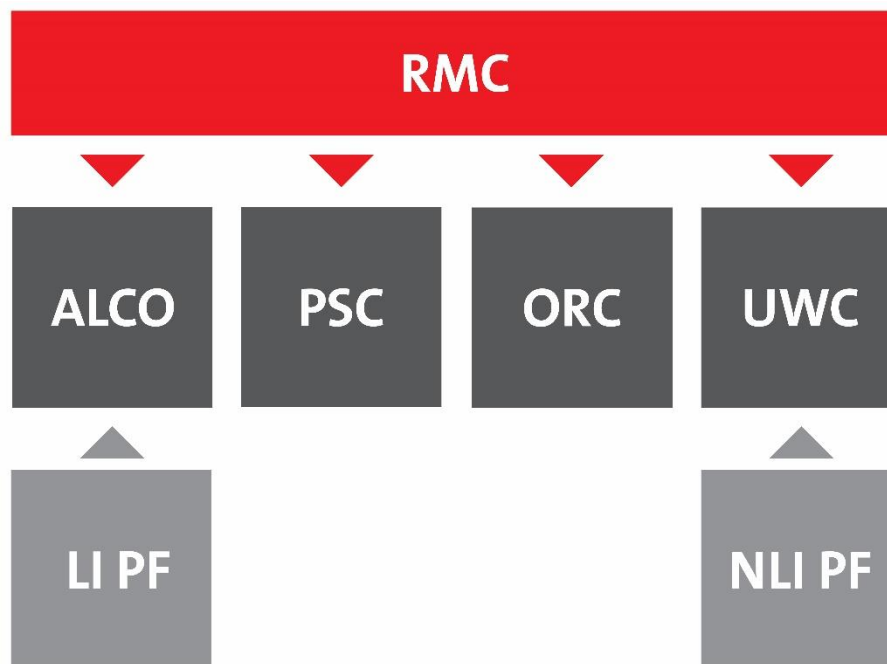
The risk management function at the level of the Company provides for the development and effectiveness of the risk management system at the Group level. To this end, it prepares risk management guidelines and minimum standards for the subsidiaries within the Group, monitors their implementation, advises on implementation and provides for uniform business practices. It has in place a system of regular and extraordinary reporting on risk management at subsidiaries to the Company. It regularly briefs the Company's Management Board, the competent risk management system committees, the Supervisory Board and the Audit Committee of the Company on the risk profile of the Group.

The Company's risk management function holder is incorporated into the organisational structure in a way, which allows them to supervise and impartially report on the implementation of the risk management system at the Group level.

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 Company's 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 Group. In the event of major changes to the risk profile, identified risks are also considered by the Risk Management Committee or the Management Board.

Figure 4: Organisational chart of the committees within the Company's and the Group's risk management system as at 31 December 2020



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 and the Group have 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 and at the Group level. The fundamental objectives of the committee are to assist the Management Board in assessing exposure to business risks, identifying material risks and weaknesses in the internal control environment at the Group level, controlling risk exposure, confirming the methodology for risk measurement and the setting of limits for individual risk types as well as verifying whether risk exposure complies with the risk appetite.

THE ASSETS AND LIABILITIES COMMITTEE (ALCO) is the committee that is responsible for the management of market risks, credit risks and liquidity risks in the investment portfolio segment as well as life underwriting risks at the level of the Company and the Group. An important task of the committee is the creation of the asset and liability management strategy aimed at achieving the strategic goals while taking into account the risk appetite, individual risk exposure limits and any other restrictions that affect the asset and liability management process at the Company and at the Group level.

THE UNDERWRITING COMMITTEE (UWC) is an integral part of the Company's and the Group'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, taking into account both the Company's and the Group's risk appetite and 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 provide a suitable and integrated operational risk management system that is tailored to the Company's and the Group'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 and the Group'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 committee also monitors the recommendations of the Internal Audit Department relating to the structure and implementation of the operational risk management system.

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 Group companies market their products. When developing and changing insurance products, it is necessary to ensure compliance with the Company's and the Group'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 and the Group.

B.3.5 Risk reporting system

The Company and the Group's subsidiaries regularly implement risk monitoring and report on risks in the form of standardized risk reports, which include regulatory and internal indicators for all risk and operation segments. All divisions at individual companies participate in the drafting of the reports. In addition to the recommendations of the LOCAL risk management departments, all reports also contain comments on trends and value indicators in relation to the set limits and target values. The management of individual subsidiaries discuss their risk reports as part of their respective powers, while the Company's risk reports are considered as part of their powers by committees in the risk management system as well as the Management Board and the Supervisory Board. The Risk Management Department of the Company formulates Group level risk reports based on the risk reports of the subsidiaries. The following reports are also part of the risk reporting system: annual reports, SFCR reports of (re)insurance subsidiaries, Group and Company SFCR, ORSA reports, 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 the risks arising from operations that impact the current or future capital requirements as well as to verify the suitability of the planned capital adequacy taking into account the strategic business plan and the impact of the exceptional circumstances defined through scenario stress tests from the point of view of capital adequacy assurance at the Group level. As part of the ORSA process, the adequacy of regulatory risk measurement is also checked.

The ORSA process builds on the basic elements of the risk management system and takes into account the risk profile, confirmed risk limits and the business strategy. The process produces findings regarding the retention or transfer/ceding of risk and verifies the adequacy of capital allocation at the Group level. Additionally, stress tests provide a new spectrum of the view of the risk profile and capital adequacy strength as well as the risk management at the Company and Group levels.

The Group's ORSA process is harmonised with that of the Company, whereby the materiality principle is applied in the ORSA process implementation at the Group level. This means that the ORSA overall result must include the findings and results of the ORSA of subsidiaries, whereby they are taken into account subject to their respective risk profile, the proportionality principle and the materiality criterion at the Group level.

The adequacy of own assets is taken into account in the Group level ORSA subject to the assessment of availability, transferability and replaceability of own assets and eventual needs for additional capital. In doing so, the information on the planned transfers of own assets within the Group are taken into account that can importantly affect any entity in the Group as well as their consequences, the effect of the harmonisation of strategies of Group companies with the Group's strategy, and all material risks to which the Group is exposed.

A portion of the ORSA process entails the definition of material risks, assessment of the suitability of the regulatory standard formula as the measure of risk, and the definitions and assessments of stress scenarios with an impact on capital adequacy. The ORSA process is reconciled with the strategic planning of the Company's and the Group's operations as the calculation of planned capital adequacy is prepared in a coordinated manner and based on a financial plan. At the same time, stress scenario tests for the Company and at the Group level are prepared and approved on the basis of current risks. Testing of the suitability of the standard formula is carried out on a regular basis throughout the year, and in the ORSA process more detailed analyzes 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. When the process has been completed, everything is documented, and a final report is compiled with the results reported to all stakeholders. This ensures the transfer and incorporation into the Group's operations. The Company additionally provides adequate information to the Supervisory Board about the course and important findings of the Group level ORSA process.

The ORSA process is implemented regularly at the Company and the Group levels, 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 or in case of the

identification of potential future events or scenarios on the markets where the Group operates that could have a material impact on the achievement of strategic goals or capital adequacy.

In light of the COVID-19 pandemic and all of its consequences, two ORSA processes were carried out in 2020 both at the Group level; these were an extraordinary ORSA process and the regular ORSA process. Both took into account all material risks to which the Group was exposed by the calculation date as well as potential risks that could have an impact on its future operations. The extraordinary ORSA process was carried out due to major changes as a result of the COVID-19 pandemic and was based on verifying the adequacy of the approved business plan for 2020 based on the situation at the time. In the second half of the year, in accordance with the preparation of the business plan for 2021, the regular ORSA process was carried out, within which it was re-assessed that the insurance and investment portfolio of the Group is sufficiently resilient, its capital position adequate and that it could continue to successfully face the increased risks of the COVID-19 pandemic.

B.4 Internal control system

The internal control at the Group is ensured through prudent management and the setup of business processes through the observation of all obligations and resulting risks, through the assurance of a risk management system, internal and external reporting, assurance of compliance with the regulations, the regulator's requirements and other undertaken commitments as well as the adopted Code of Conduct of the Group⁴. It comprises a clear organisational structure with a clear division of powers and responsibilities, effective policies and procedures as well as the monitoring, improvement and documentation of business processes. The internal control environment is reasonably transposed from the Company to the Group's subsidiaries considering the organisational special features of the individual companies and the regulatory framework in which they operate.

B.4.1 Compliance function

The compliance function is set up at all (re)insurance and financial companies of the Group as an autonomous function that is independent from the other business functions as well as one of the key functions in the system of governance of the individual companies of the Group. Furthermore, it is part of the second line of defence in the three-level internal control system. It supervises and monitors the compliance of the Company's operations with regulations and other commitments, and in this context assesses the compliance risks, educates, and assesses the potential impacts of changes in the legal environment and the associated circumstances on business operations. The compliance of operations at the Group is primarily ensured by the compliance function of the Company which operates within the framework of the headquarters department and is directly subordinated to the Management Board. It informs the Management Board and the Supervisory Board or its Audit Committee on compliance with regulations and other commitments. The compliance function at the Group level is also responsible for ensuring the compliance of the operations at the Group's subsidiaries, the 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.)

⁴ The Group's Code of Conduct is published on the Company's official website: <http://www.triglav.eu>

and for the implementation of ethical standards and the development of an ethical culture at the Group.

The compliance function has in place a system of regular and extraordinary reporting on the compliance of operations or compliance risk at subsidiaries to the Company as well as an agreed delimitation of powers and authorisations for the assurance of operational compliance between the Company and subsidiaries. The Company's compliance function holder is incorporated into the organisational structure in a way, which allows for their monitoring of and impartial reporting on the implementation of the risk and compliance management system at the Group level.

The compliance function at other Group companies is organised subject to the size or organisation structure and the corporate governance system of the individual company. At some companies, the function is organised as an independent department directly answerable to the company's management board, while it is performed elsewhere by an individual person authorised by the leadership. Notwithstanding the organisational placement, the holder of the compliance function is consistently afforded independence and autonomy from the other business functions at the company.

B.5 Internal audit function

The Group-level internal audit function is established at the Company and in insurance and other financial companies of the Group.

The internal audit function executes risk assessment-based control over the operations of Group companies by systematically and methodically reviewing and assessing the adequacy and effectiveness of the governance of companies and the Group, risk management and controls procedures as well as by making recommendations for their improvement. Apart from that, the internal audit function provides advice, cooperates with external auditors and other supervisory bodies, and monitors the realisation of internal and external auditors' recommendations.

The function is performed at individual companies by an organisational unit of the respective company or a person employed at the company or outside it (external internal audit services provider) who is functionally or organisationally separated from other parts of the company. The internal audit function of an individual company performs its tasks in compliance with the legal regulations and the professional and ethical rules of internal auditing that apply to each 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. It has unrestricted access to all persons at the company (including the members of the company's management and supervisory bodies), documents, data, records and other assets required for the successful and effective performance of its tasks. The internal audit function reports on its work directly to the management board of the company. The organisational placement, role, powers and responsibilities as well as other rules on the functioning of the internal audit function, including its reporting obligations and reporting lines, are suitably defined in the internal acts of individual companies.

In their work, internal auditors must be impartial and must avoid any conflict of interest. In line with the above, the internal auditors do not perform any other key functions and 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 subject to internal auditing. Internal auditors are required to inform the internal audit function holder who in turn informs the company's management and supervisory bodies of any circumstances that could cause a conflict of interest, thereby affecting their impartiality when performing the internal audit tasks. The function holder is obliged to inform the management and supervisory bodies of the company of potential limitation of the divisions and funds required for the execution of the risk-based internal audit plan.

The internal audit function of the Company is in charge of the implementation of the internal audit function at the Group level. The department performs continuous and comprehensive control of the operations of the Company, whilst paying due attention to the areas and risks that are material at the Group level. Apart from that, it is responsible for developing and maintaining an adequate level of internal audit quality at the Group which is why it prepares minimum standards and detailed methodological guidelines for the operation of the internal audit function at the Group, which are designed in accordance with the International Standards for the Professional Practice of Internal Auditing, ethical rules and the good practices in internal auditing. It advises subsidiaries on the implementation of these standards and guidelines, monitors their implementation and, as appropriate, performs internal audits at subsidiaries. The internal audit function of an individual subsidiary is required to submit the adopted work plans and periodic internal audit reports to the Company's internal audit function as well as inform it of all matters that could have a significant impact on the compliance, effectiveness and efficiency of the function. The internal audit function holder at the Company regularly communicates with the internal audit function holders at subsidiaries, participates in the drafting of the annual plans of the function and monitors the operation of this function at subsidiaries and, as appropriate, provides additional guidance and assistance.

The Company's internal audit function reports to the Management Board, the Audit Committee and the Supervisory Board of the Company on the work of the internal audit function at the Group level as well as the key findings of performed internal audits.

B.6 Actuarial function

The actuarial function for a particular (re)insurance company of the Group is implemented in each individual company within the scope of organisational units responsible for actuarial matters. Each (re)insurance undertaking within the Group has designated an actuarial function holder or appointed a certified actuary. They are in charge of ensuring suitable calculations in accordance with the prescribed methodology and deadlines.

The actuarial function is organised at the levels of the Company and the Group and is separate for non-life and life insurance. The actuarial function at the Group level and at the level of an individual (re)insurance company operates autonomously and independently of the other business functions and has full, free and unlimited access to all information, data, activities and personnel of individual companies that it requires to perform its tasks.

Another key task of this function at the Group level is the monitoring of the suitability of the amount of technical provisions at the Group level, the monitoring of the general underwriting

risk assumption policy as well as the verification of the suitability of reinsurance at the Group level. The key tasks include the setting of minimum standards for the drafting of rules, policies and processes relating to actuarial activities and transposing them to subsidiaries; care for the transfer of the relevant know-how and good practices and, as appropriate, provision of professional assistance in the implementation of the agreed minimum standards as well as the provisions of assistance in the development and upgrading of products. The Group-level actuarial function also participates in the implementation of the risk management system. In doing so, it mainly provides for the development, application and monitoring of models for the calculation of capital requirements and the implementation of the ORSA process at the Group level.

The actuarial function holders at the Company level who are authorised by the Company's Management Board and Supervisory Board also perform the tasks of the actuarial function holder at the Group level. They are responsible for the performance of the actuarial function tasks at the Group level and are the custodian of the minimum standards required for the performance of the actuarial function at the Group level. They are positioned in the organisational structure in a way, which allows them to supervise and objectively and independently report on the implementation of actuarial tasks. The actuarial function holders report regularly to the Management Board and the Supervisory Board of the Company on the major findings in relation to the reliability and relevance of the methods, models and assumptions used in the calculation of consolidated technical provisions, the underwriting risk assumption policy at the Group level, and the adequacy of reinsurance at the Group level. They regularly report the more important findings to RMC, ALCO and UWC. They perform tasks delegated by the abovementioned committees and also work with other committees, which are part of the risk management system of the Company, as appropriate.

B.7 Outsourcing

The management of outsourced operations at the Group level is arranged in accordance with the legislation that is binding on the Company as well as the local legislation that is binding on individual Group companies. The said management encompasses both the operations that are outsourced to third parties and those that are outsourced within the Group. All providers of outsourced operations are thus bound to perform the same level of supervision and are obliged to comply with the defined standards applying to the company that is outsourcing the operation. Based on the Group Outsourcing Policy, outsourced operations are broken down into two categories, outsourced and partially outsourced operations where the level of risk or exposure to an external provider is lower than in the case of outsourced operations.

Special attention with respect to outsourcing is paid to the risks arising from an outsourced operation or the outsourced operation provider. Outsourcing risks are considered both in making a decision to outsource an operation and in the selection of a provider, thereby ensuring that – despite a certain service being outsourced – the same level of service is provided to the policyholders as well as the same level of stability of operations as if the services were provided using own resources of Group companies.

Outsourced services are regularly monitored and managed by the respective responsible persons who are responsible for the functioning of the outsourced portion of the business process.

Supervision is also performed by assessing the ability of the provider and the risks arising from an outsourced process. In the event of increased risk from an outsourced service, the person responsible for the outsourced service is obliged to notify the relevant risk management body at the company which then decides on the proposal of measures for the management of the risk in question.

The Company keeps an up-to-date record of all operations or concluded agreements by way of which the individual Group companies transfer the performance of a particular business process or service, which is considered a key function or important operational function at the company, to another provider (external provider or another Group company). Within the Group, the outsourcing of operations among the members is performed on the basis of mutual outsourced service-level agreements. Both the needs of the individual company outsourcing an operation and the needs of the company providing the operation are taken into account so as not to jeopardize the operations of any individual company or the Group as a whole. Group companies thus outsource several materially important operations to one another, i.e. operations that relate mainly to the management of own assets or assets covering technical provisions of the individual Group companies, performance of the major portion of the process for the sale of insurance and maintenance of IT systems for the support of key processes in an individual company. Two Group companies also outsource the performance of key functions, i.e. the internal audit function and the actuarial function. Outsourced and partially outsourced operations that are performed for Group companies by external provider relate mainly to the maintenance of key IT systems and the distribution of insurance via contractual points of sale.

B.8 Any other information

SYSTEM OF GOVERNANCE ADEQUACY ASSESSMENT

The Company has set up an adequate system of governance of the Group, which is proportionate to both the nature and the scope of the Group's 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 Group in sections B.1 through B.7.

C. Risk profile

C.1 Underwriting risk

C.2 Market risk

C.3 Credit risk

C.4 Liquidity risk

C.5 Operational risk

C.6 Other material risks

C.7 Any other information

C. Risk profile

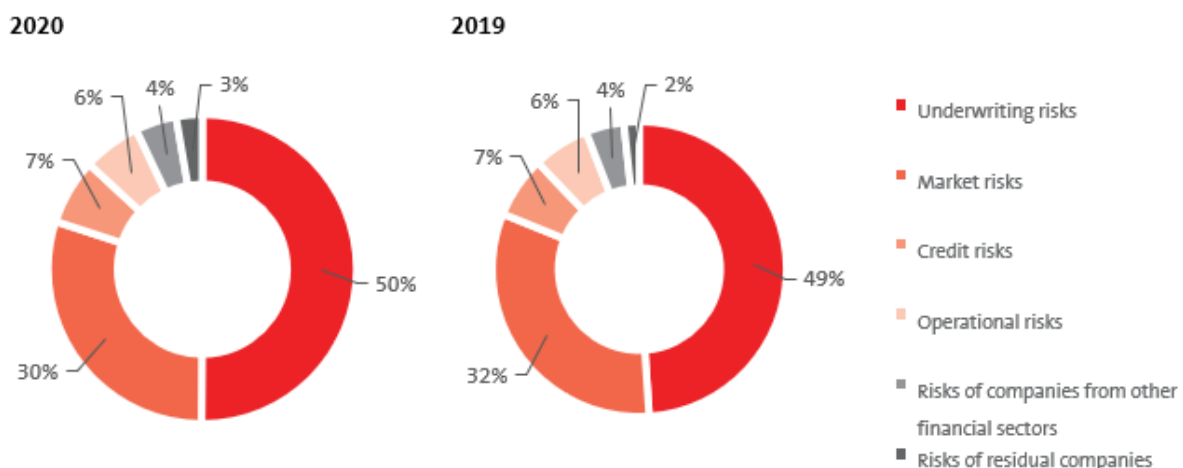
As part of their operations, the Group's insurance undertakings are exposed to underwriting, market, credit, liquidity, operational and other risks. The Company and its subsidiaries jointly monitor and manage risk at the Group level in accordance with the processes described in section B of this Report.

In order to ensure adequate familiarity with the risk, each risk category has processes in place and definitions of exposure as well as the measures of risk that are used to assess the level of risk which enables the comparison of different risks. Appropriate exposure limits that prevent excessive risk underwriting and ensure adequate portfolio diversification are also defined as appropriate. The Company monitors and balances the risk profile at the Group level by monitoring the utilisation of exposure to individual risks at the Group and adjusting limits at the Group level subject to the circumstances. 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.

The Group measures risk using the standard formula defined in Commission Delegated Regulation EU (hereinafter: Delegated Regulation), which measures risk as the value-at-risk of the Company's eligible own funds with the confidence level of 99.5% over a period of one year.

As at the end of 2020, the overall risk estimate of the Group, which does not take into account mutual risk effects (i.e. diversification), amounted to EUR 562.7 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 180.9 million. Taking into account the SCR of the subsidiaries from other financial sectors and other non-financial companies, the undiversified overall risk estimate of the Group's portfolio is EUR 605.3 million.

Chart 3: Group's risk profile as at 31 December 2020 and 31 December 2019



The Group has formed two ring-fenced funds, i.e. SVPI and SVPI renta, for which risks are calculated separately 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 14.4 million to the overall solvency capital requirement of the Group. 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 insurance undertakings of the Group assume underwriting risks when concluding insurance transactions.

The main objective of underwriting risk management is to achieve and maintain such quality of the portfolio that provides for stable and safe operations. Every type of insurance has its own specific underwriting risks, which the Group members suitably identify and manage. In order to achieve the main objective, the Group has put in place procedures for monitoring and the taking of measures that ensure an appropriate level of underwriting risk exposure at the Group level.

As at 31 December 2020, underwriting risk represents 50% of the overall risk estimate of the Group's portfolio, excluding diversification.

Using the standard formula for underwriting risks, the Group identifies the following 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 and health insurance, individual insurance and reinsurance undertakings of the Group underwrite premium and reserve risks, lapse risks and catastrophe risks.

As at 31 December 2020, the Group's risk estimate under non-life and health insurance represents 40% of the Group's overall risk estimate, excluding diversification.

Table 11: Group's risk estimate for underwriting risks under non-life insurance for 2020 and 2019

	In EUR thousand	
	2020	2019
Premium and reserve risks	157,685	150,895
Lapse risk	40,397	36,059
Catastrophe risk	49,744	49,823
Diversification	-66,462	-62,677
Non-life underwriting risk	181,364	174,100

Table 12: Group's risk estimate for underwriting risks under health insurance for 2020 and 2019

	In EUR thousand	
	2020	2019
Health insurance risk valued as life insurance risk	7	10
Premium and reserve risks	55,718	56,094
Lapse risk	9,148	8,411
Catastrophe risk	4,316	4,409
Diversification	-11,490	-10,938
Health underwriting risk	57,699	57,986

The estimate for underwriting risk under non-life insurance increased in 2020 mainly as the result of growth in the volume measure for premium and reserve risks. The growth of the volume measure of the premium is the result of portfolio growth, mainly in fire and motor vehicle insurance. The growth of the volume measure of provisions is the result of higher claims after natural disasters and additionally set aside provisions for claims resulting from business interruptions. The growth of the volume measure of the premium also causes the growth in the risk estimate for lapse risk. The underwriting risk estimate for health insurance did not change materially compared to the year before. The catastrophe risk estimate under non-life and health insurance remains on a level similar to the one from the year before.

RISK EXPOSURE

Underwriting risk under non-life and health insurance at the Group level can result from the calculated premium being set too low considering the underwritten risks, too high realised claims considering the provisions set aside, the number of withdrawals from concluded profitable agreements being higher than expected and from larger (catastrophe) events.

The Group is most exposed to premium risk in the medical expense insurance segment (LoB 1) which includes mainly supplementary health insurance products. The Group is materially exposed to premium risk in the motor vehicle liability insurance segment (LoB 4) segment and the fire insurance and other damage to property insurance (LoB 7) segment. The exposure of the volume measure for premium risk ranges in accordance with the net earned premium that increased at the Group by EUR 45.5 million compared to the previous period. Details on the net earned premium of the Group as at 31 December 2020 are shown in template S.05.01 in the Annex to this Report.

Table 13: Group's premium risk exposure measured as the annual volume of net earned premium under non-life and health insurance for 2020 and 2019

	In EUR thousand	
	2020	2019
Net earned premium	869,332	823,863
- Motor vehicle liability insurance (LoB 4)	164,463	162,281
- Fire and other damage to property insurance (LoB 7)	174,699	161,967
- Medical expense insurance (LoB 1)	202,158	182,889
- Other motor vehicle insurance (LoB 5)	144,251	137,956
- Other non-life and health insurance segments	183,761	178,768

The Group is most exposed to reserve risk in the motor vehicle liability insurance segment (LoB 4). The Group's exposure is measured using the volume measure for reserve risk that is calculated based on the amount of claim provisions taking into account the reinsurance or based on net claim provisions. At the Group level, exposure is determined as the sum of the volume measure for reserve risk of all insurance undertakings of the Group; it increased by EUR 2.5 million compared to the previous period.

Table 14: Exposure of the volume measure for reserve risk at the Group level for underwriting risks under non-life and health insurance for 2020 and 2019

	In EUR thousand	
	2020	2019
Net claim provisions	327,213	324,678
- Motor vehicle liability insurance (LoB 4)	123,237	129,635
- General liability insurance (LoB 8)	63,670	44,566
- Fire and other damage to property insurance (LoB 7)	38,007	45,105
- Income protection insurance (LoB 2)	33,366	35,045
- Other non-life and health insurance segments	68,932	70,328

Catastrophic events according to the standard formula are divided at the Group level into natural disasters and catastrophes caused by human actions, catastrophes under non-proportional reinsurance and other catastrophes. The overall capital requirement under this item mostly arises from credit and surety insurance as well as non-life claim insurance that may result from the flood peril.

CONCENTRATION RISK

The concentration of underwriting risks is managed by individual (re)insurance undertakings of the Group by using a suitable form of reinsurance that is based on the tables of maximum own shares of individual companies. These may not exceed the maximum own shares stipulated at the Group level because even the occurrence of such an event in a particular segment of operations may have a material effect on the ability to settle liabilities. When managing concentration risk, individual (re)insurance companies strive to set up functioning procedures for the mitigation of the probability of the occurrence of loss and mitigation of loss as a result of underwriting risk concentration.

The concentration of the gross insurance and co-insurance premium written at the Group level is represented by the insurance segments of land vehicle insurance (except rail), vehicle liability insurance (liability from the use of self-propelled land vehicles) and other damage insurance. In terms of profitability of insurance products, the largest concentration at the Group level is represented by credit and accident insurance.

The most non-life and health underwriting risks at the Group level are underwritten in the territory of Slovenia which is the Group's operations are most exposed to the economic situation in Slovenia.

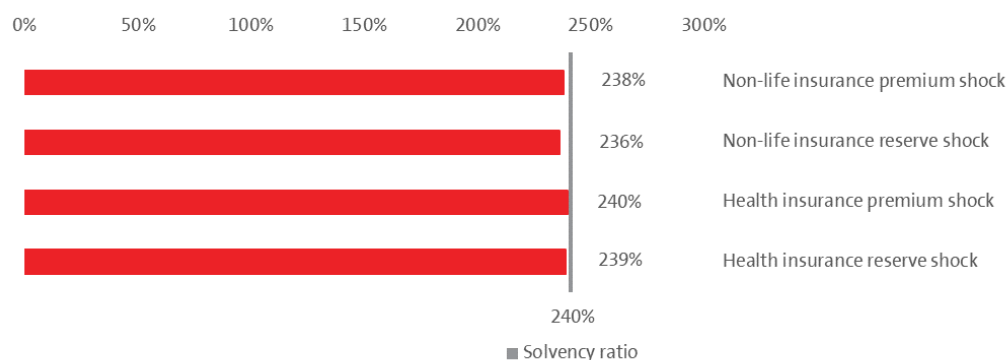
The biggest concentration of the Group in the natural disaster segment is under the flood peril in Ljubljana and its surroundings, followed by the earthquake exposure in Ljubljana and its surroundings and the exposure to hail and storm in Germany.

RISK MITIGATION TECHNIQUES

The Group's insurance undertakings mitigate risk mainly by purchasing various forms of reinsurance protection. Reinsurance protection for certain insured peril types at the Group level is also arranged through the reinsurance undertaking within the Group provided this is allowed by local legislation. In larger insurance transactions, risks are underwritten based on consideration on a case by case basis, whereby individual Group members transfer a part of the risk to reinsurance partners outside the Group by purchasing facultative reinsurance protection. In doing so, they take into account both the maximum own shares and the PML which must be in line with the risk appetite. The risk of the remainder of the portfolio is transferred to reinsurance by purchasing various forms of proportional and non-proportional reinsurance. Risk mitigation at the Group level is managed by transferring risks to reinsurance companies with a good credit rating. The Group regularly monitors the effectiveness of the risk mitigation techniques and reconciles the amount of the transferred/ceded risks with the risk appetite no less than once a year.

SENSITIVITY

The Company performs sensitivity tests regularly in order to ensure risks are managed suitably at the Group level as well. 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 4: Group's capital adequacy sensitivity test as at 31 December 2020

C.1.2 Life insurance

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

Exposure to individual life insurance underwriting risks is measured based on the best estimate of provisions under the policies, which are affected by this risk.

At the Group level, risks are measured according to three separate life insurance 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 Group's life insurance portfolio comprising the life insurance portfolios of the Group's insurance undertakings. Risks of these portfolios are valued without any diversification effects between the remainder of the portfolio and the two aforementioned portfolios.

As at 31 December 2020, the risk estimate under life insurance represents 10% of the Group's overall risk estimate, excluding diversification.

Table 15: Group's risk estimate for underwriting risks under life insurance for 2020 and 2019

	In EUR thousand	
	2020	2019
Mortality risk	8,664	7,797
Longevity risk	15,700	13,468
Disability and morbidity risk	361	468
Lapse risk	25,268	19,025
Expense risk under life insurance	22,017	21,964
Revision risk	1,491	1,356
Catastrophe risk under life insurance	5,486	4,952
Diversification	-16,758	-9,559
Life insurance underwriting risks	62,231	59,470

The risk estimate for 2020 increased by EUR 2.8 million compared to the year before. The change was mainly the result of the increase in lapse risk which resulted from the changes to the

expected lapse rates and portfolio structure changes. Mortality risk increased as a result of the increase in the volume of business. The risk estimate for expense risk resulting from higher expense assumptions also increased. The increase in longevity risk is the result of the increase of the pension and annuity portfolio.

As at 31 December 2020, the risk estimate for risks under life insurance contracts of both ring-fenced funds came in at EUR 10.8 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 16: Group's exposure to underwriting risks under life insurance for 2020 and 2019

	In EUR thousand	
	2020	2019
Mortality risk	1,364,205	1,329,214
Longevity risk	1,414,931	1,378,016
Disability and morbidity risk	21,362	21,061
Lapse risk	1,243,446	1,224,884
Expense risk under life insurance	1,423,395	1,389,367
Revision risk	54,154	50,993
Catastrophe risk under life insurance	1,249,261	1,229,052

The Group's exposure to life insurance underwriting risks increased in 2020, mainly as a result of the increase in technical provisions.

The Group 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.

LONGEVITY RISK at the Group level is represented by the exposure to 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 the overall life expectancy of the insured population increases significantly, the probability of death is decreased, which increases the liabilities arising from the exposed policies

Policies that cover critical and serious diseases and disability, which are concluded by the Group's insurance undertakings, are exposed to **DISABILITY AND MORBIDITY RISK**. The problem of the exposure of these policies to the risk in question is similar to the abovementioned exposure of policies that cover the peril of death, i.e. 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 detrimental operational event for the Group.

The Group is exposed to **EXPENSE RISK** in all life insurance policies and in case of 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 irrespective of the type of policy, which has a negative effect on the return of the Group'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 Group's liability. The Group is exposed to this risk only in case of non-life insurance claims, which are paid out as annuities.

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 system increase in mortality as described above.

CONCENTRATION RISK

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

A broad range of life insurance products ensures the simultaneous servicing 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.

The concentration of risks is managed by the Group also by using reinsurance protection: reinsurance of the excess risk eliminates exposure to individual high-level risks.

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.

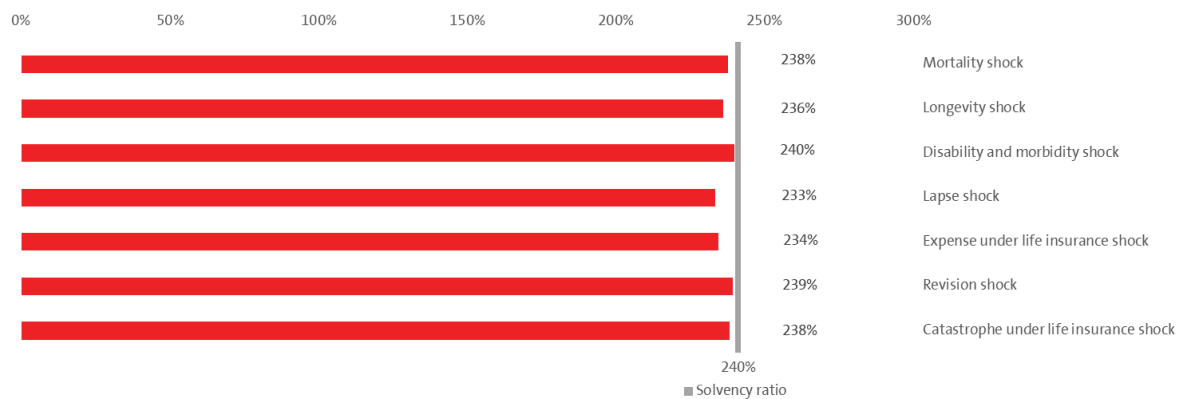
The second part of risk management is performed in the claim adjustment phase where the medical documentation from the claim report is cross-referenced with the data from the concluded policy.

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

SENSITIVITY

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

Chart 5: Group's capital adequacy sensitivity test as at 31 December 2020



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

C.2 Market risk

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

Table 17: Group's risk estimate for market risks for 2020 and 2019

	In EUR thousand	
	2020	2019
Interest rate risk	27,655	11,391
Equity risk	40,462	43,149
Property risk	53,995	53,759
Spread risk	86,830	97,513
Market concentration risk	10,075	4,027
Currency risk	36,523	28,478
Diversification	-75,589	-46,640
Market risk	179,951	191,677

As at 31 December 2020, market risks represent 30% of the Group's overall risk estimate, excluding diversification.

The risk estimate is calculated at the Group level 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 2020, the risk estimate for the market risks of both ring-fenced funds came in at EUR 2.9 million.

Market risks decreased by EUR 11.7 million compared to the previous reporting period. Changes in the investment portfolio composition, including on account of the pursuit of optimum matching of assets and liabilities, resulted in changed contributions of individual market risk types to the overall risk estimate. The improvement in the credit quality of debt investments was reflected in lower spread risk despite the increase in duration aimed at approximating the duration of liabilities. The increase in the capital requirement for interest rate risk is technical in nature: as opposed to previous years, the pursuit of the matching of assets and liabilities in a low interest rate environment meant that it was mainly in the life portfolio that the exposure changed from a downward shock to an upward shock (which is higher according to the standard formula), which in turn increased the interest rate risk estimate and consequently the diversification.

Equity and real estate risks remain at the levels from the previous year. Currency risk increased slightly, mainly because of the enlargement of the portfolios of Group members whose main currency is the euro. Market concentration risk also increased slightly.

RISK EXPOSURE

The Group is exposed to market risks mainly under the investments that cover insurance liabilities or own funds of Group companies. The Company may be exposed to market risk through direct investments in financial instruments or via investments in collective investment undertakings. The main contribution to market risk exposure comes from the Company's portfolios. In view of its investment structure, the Group is most exposed to spread risk, property risk and equity risk. The table below shows market risk exposure, however, only the exposure on the assets side.

Table 18: Group's exposure to market risk as at 31 December 2020 and 31 December 2019

	In EUR thousand	
	2020	2019
Property, plant and equipment held for own use	123,653	125,678
Real estate (except real estate held for own use)	96,700	94,428
Holdings in related undertakings, including participations	94,855	73,760
Equities	59,140	63,607
Bonds	2,135,930	2,026,504
- Government bonds	1,443,023	1,235,972
- Corporate bonds	691,848	789,380
- Structured notes	1,059	1,152
Collective investment undertakings	66,041	54,857
Derivatives	113	0
Deposits other than cash and cash equivalents	61,874	61,413
Other investments	2,664	3,688
Assets held for index-linked or unit-linked contracts	679,522	664,623
Loans and mortgages	5,107	5,325
Deposits to cedants	11,211	8,602
Exposure of assets to market risk	3,336,808	3,182,485

INTEREST RATE RISK depends on the matching of assets and 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. Interest rate risk is balanced at the Group level through the management of assets vis-à-vis liabilities at the level of an individual company or portfolio. The extension of the investment portfolio duration is most visible at the Company, while the biggest contribution to portfolio duration came from government bonds. The capital requirement for interest rate risk increased compared to the year before as its calculation takes into account a different, significantly higher move of the interest rate curve.

Investments, the value of which is sensitive to a change in the level or volatility of stock market values, are exposed to **EQUITY RISK**. These are mainly stocks, investments in participations, undertakings for collective investment into shares and derivatives associated with stock markets. The Company holds equity investments at the Group level in order to generate higher long-term returns and for diversification purposes. The Company's capital requirement for equity risk remains in the range from the previous year. The Company's exposure to equity risk increased only in the segment of non-strategic associated companies. The capital requirement for these is added without the positive effects of diversification to the overall capital requirement of the Group. The Company has carried out the comprehensive approach at the Group level, i.e. approach for the review of the entire portfolio of collective investment undertakings.

PROPERTY RISK arises from investment properties, real estate held for own use, other property, plant and equipment and leased property held by the Group's companies for own use. The total value of the Group's immovable property remained practically unchanged compared to the year

before which meant that the capital requirement for this type of market risk is also unchanged. The Group is also exposed to property risk through the investments of the alternative investment fund. A part of the property risk resulting from the rights of use is neutralised on the liabilities side.

SPREAD RISK is associated with an important source of returns generated by the Group through bond portfolio management. Only assets are exposed to spread risk because liabilities, with the exception of investments associated with index-linked or unit-linked contract, are valued according to the risk-free interest rate curve. These are mainly bonds, loans and deposits. The Group increased its exposure to investments, which are exposed to spread risk, compared to the year before, i.e. by EUR 102.9 million, whereby exposure to government bonds increased by somewhat over EUR 214 million and exposure to corporate bonds decreased by approximately EUR 111.5 million. The Group's exposure to spread risk also increased via investments into investment undertakings of a debt nature, i.e. by a total of EUR 3 million. The capital requirement for spread risk decreased significantly compared to the year before. The main portion of the decrease is explained by the move in investments from the corporate sector to the government sector that mostly does not have a capital requirement according to the standard solvency formula. The credit rating of the corporate portion of the portfolio improved slightly, while the duration of this portion was slightly extended. The main contribution to change comes from the Company's portfolios. The Group considers the bonds, which are issued by the governments from the EEA and not denominated in the currency of the issuer country, to be ordinary corporate bonds for risk assessment calculation purposes at the Group level.

The Group's **CURRENCY RISK** arises from the mismatched asset and liability currency positions. The Group's liabilities are denominated in the currencies of the countries, in which the Group operates, i.e. mostly in euros. The Company pursues the policy of currency matching and invests the majority of its assets in accordance with the currency structure of liabilities. The capital requirement for currency risk arises mainly from HRK, BAM, RSD and MKD long positions, which comes mainly from the excess of assets over liabilities of the Group's subsidiaries that operate in environments where the local currency is not the euro. Open positions in other currencies are mainly the result of non-euro investments through collective investment undertakings with a global and non-European geographic orientation. The Group's open position is controlled. Some Group companies hedge a portion of the foreign currency-denominated exposure using currency derivatives.

CONCENTRATION RISK

The major share of the Group's assets is held in the form of debt securities that account for approximately 64% of the investment portfolio. Government bonds account for 62% of the bond portion of the portfolio, while 60% of the corporate portion of the portfolio is represented by financial sector bonds. Relative exposure to the abovementioned sectors increased by somewhat over 3 pp compared to the year before. The Company continuously monitors (at the Group level) exposure and compliance with the system of limits on exposure to issuers at the level of individual issuers or groups of related issuers. The basis for the limit system is the standard formula with threshold values for concentration risk subject to the credit rating.

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

	31 December 2020	31 December 2019
Public administration and defence, compulsory social security	45.4%	42.9%
Financial and insurance activities	34.0%	35.1%
Manufacturing	6.1%	6.8%
Information and communication	1.9%	2.3%
Electricity, gas, steam and air conditioning supply	1.6%	1.8%
Other sectors	11.0%	11.1%
Total	100.0%	100.0%

Table 20: Group's exposure according to the security issuers' country

	31 December 2020	31 December 2019
Slovenia	31.9%	34.0%
Germany	12.8%	7.0%
France	5.1%	7.3%
Croatia	5.1%	5.2%
Spain	4.2%	4.1%
Italy	3.6%	4.1%
USA	3.4%	3.1%
Netherlands	3.3%	5.1%
Other countries	30.6%	30.1%
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 other Group members that are not fully consolidated. The Group considers the bonds, which are issued by the governments from the EEA and not denominated in the currency of the issuer country, to be ordinary corporate bonds for risk assessment calculation purposes.

RISK MITIGATION TECHNIQUES

The Company has put in place methods and processes with clearly defined powers and responsibilities regarding market risk management. The said methods and processes allow it to identify, measure, manage and monitor market risk on an ongoing basis. The system that is in place allows the Company to perform quality analyses and reporting on market risks as well as to draft proposals and implement measures for the prevention of a sudden decrease in the excess of assets over its liabilities owing to changes on financial markets, including the real estate market. Such established good practices are suitably transposed via minimum standards in the area of risk management to the subsidiary insurance companies of the Group subject to the size and complexity of an individual company.

The Company and Group members have 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 Group. The basic principles for the setting of limits are derived from the identified risks that arise from the investment portfolio management and trading activity.

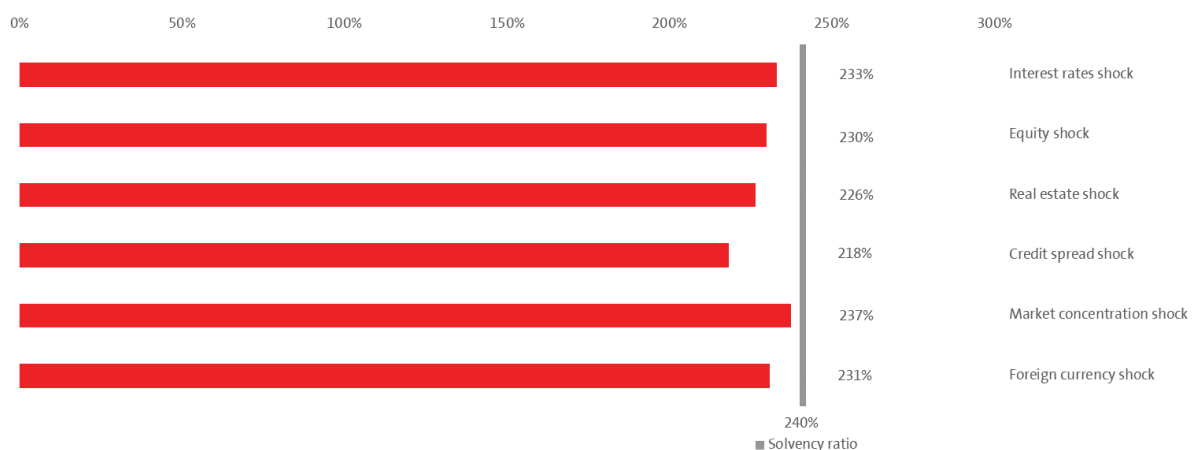
In order to mitigate market risk, the Group has a suitably diversified investment portfolio that mimics or neutralises the market characteristics of insurance liability portfolios in terms of maturity and currency exposure. In order to mitigate market risk, various types of derivatives are used as appropriate. Derivatives are only used when they contribute to market risk mitigation or enable additional flexibility in assets management and in 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 the point of view of safety, economy and use of the capital. The use of derivatives must focus on the comprehensive aspect of hedging individual portfolios whereby the derivatives used to hedge against interest rate and currency risk are currently in the forefront.

SENSITIVITY

As part of the ORSA process in 2020, the Group tested stress scenarios where it verified the sensitivity to extreme changes in market parameters. The Group's stress scenario results show that the Group would remain adequately capitalised even after stress events.

The Group's solvency ratio sensitivity analysis as at 31 December 2020 shows how the solvency ratio would change under individual isolated market scenarios. Market scenarios are taken from the stress scenarios used in the calculation of the capital requirement for market risk according to the standard formula.

Chart 6: Group's capital adequacy sensitivity test as at 31 December 2020



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

C.3 Credit risk

Credit risks are defined as the risk of loss or adverse change in the financial standing of any Group member 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 Group'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 Group is exposed to credit risk as a result of the increased concentration to individual counterparties or groups of related parties that are connected by common risk factors such as credit ratings or the country.

As at 31 December 2020, credit risks represent 7% of the Group's overall risk estimate, excluding diversification.

The risk estimate is calculated at the Group level 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 2020, the risk estimate for the credit risks of both ring-fenced funds came in at EUR 3.6 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 counterparty exposures that will generally not have a credit rating.

Table 21: Group's risk estimate for credit risks in 2020 and 2019

	In EUR thousand	
	2020	2019
Type 1	30,299	26,554
Type 2	9,441	12,922
Diversification	1,747	838
Credit risk	41,487	40,314

The risk estimate in 2020 increased by EUR 1.2 million despite the decrease in exposure under receivables and mainly because of the increase in the Group's exposure to banks with a lower credit rating than reinsurance partners. The calculation for unrated European reinsurance partners (in accordance with the Delegated Commission Regulation) observes their solvency ratio, which decreases the risk factor of these partners and thereby the amount of the risk estimate.

The effect of diversification is positive because of the risk estimate calculation method where the value from the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. Because the sum of the risk estimates for both of the ring-fenced funds is greater than the effect of diversification on the remaining part, the diversification effect is positive.

RISK EXPOSURE

The Group's exposure to type 1 credit risks comes from reinsurance companies and banks. The exposures to type 2 credit risks at the Group level are represented by past due receivables from direct insurance operations and other past-due receivables. The Group also observes the market value of insurance subrogations of the Company in past-due receivables from insurance operations.

At the Group level, the exposure to reinsurers increased compared to the year before, whereby the biggest effect on the increase in exposure comes from catastrophe events around the world that are reinsured by Triglav Re. The Group is also more exposed to banks than it was in 2019, which is the result of the provision of liquidity to certain companies during the pandemic. Exposure to past due insurance receivables decreased largely due to the movements at the Company.

Over the course of 2020, no deterioration of the payment discipline or the credit quality of counterparties was observed at the Group level.

CONCENTRATION RISK

At the Group level, the Company manages exposure concentration risk by individual segments of the operations, counterparty and its credit rating or country. Concentration risk arising from credit risks is suitably balanced at the Group level through the adequate diversification of reinsurance partners subject to the exposure, the partner's controlling company and the credit rating.

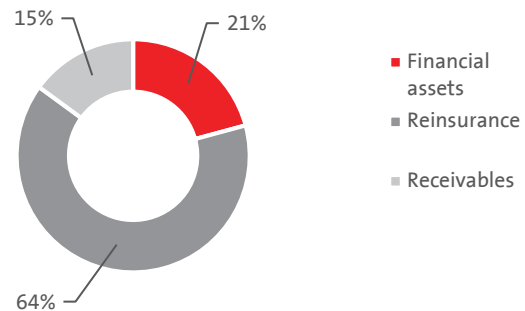
Partner concentration arising from financial investments is also managed in a similar manner at the Group level.

The table below shows the Group's exposure by country.

Table 22: : Group's exposure to reinsurance and financial partners by country

	2020	2019
Germany	24.8%	47.9%
Slovenia	21.2%	24.3%
Luxembourg	19.4%	0.1%
France	6.0%	5.0%
Bosnia and Herzegovina	5.2%	4.4%
Other countries	23.4%	18.3%
Total	100.0%	100.0%

Credit risks exposure structure as at 31 December 2020



The exposure to credit risk is usually most affected by the change in reported insurance claims and potential claims under catastrophe insurance. However, there was a restructuring of the Group's credit exposure by country at the Group level in 2020, mainly because of the

replacement of the large reinsurance partner from the German office to the headquarters in Luxembourg. Brexit also affected the restructuring which resulted in the Group's higher exposure to partners in France and Luxembourg upon the move of British branch offices to these countries.

RISK MITIGATION TECHNIQUES

At the Group level, the orientation in the area of credit risk underwriting is conservative and based on a predetermined risk appetite, assessment of underwritten risks, 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 recourse.

Credit risk management at the Group level takes place according to the process that is based on a well-defined risk appetite and limits, main credit risk indicators, limits, risk measurement methodology and effective information sharing by all participants, especially underwriters. This enables optimum decision-making and, indirectly, also suitable credit risk management.

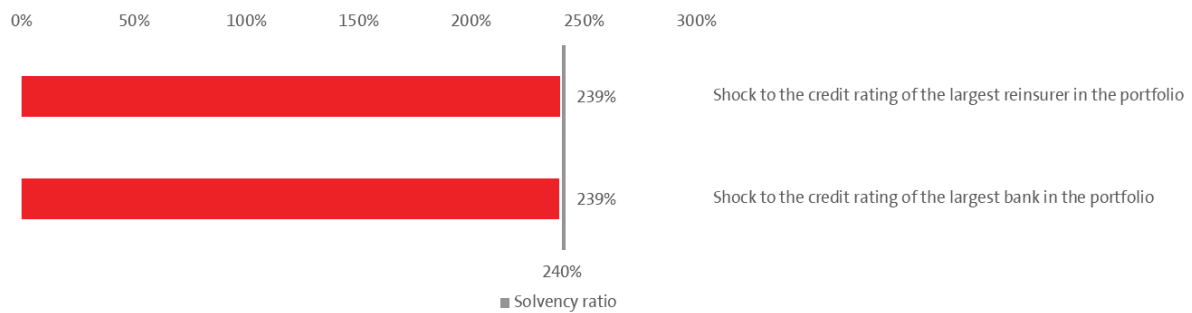
Credit risk from the investment portfolio is balanced by depositing money, deposits and derivatives in banks with a suitable rating, whereby a professional analysis of the credit risk is performed for each bank and a sufficient rate of portfolio diversification is pursued. The Group has for this purpose 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 and banking groups is also monitored regularly based on different publicly available information on the market. A process has been set up at the level of each subsidiary for the monitoring and reporting of exposures to the Company based on which their exposure to banks and consequently at the Group level is determined.

When underwriting credit risks resulting from reinsurance at the Group level, credit risk is managed through a diligent assessment of the adequacy of business partners for reinsurance and by regularly monitoring their adequacy (credit rating, maximum permissible exposures, diversification, and solvency ratio). When measuring credit risk, it is important to have a suitable definition of counterparty creditworthiness where the assessment 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 Group 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' second best credit rating. Thus, all Group members are aligned when it comes to the naming and rating of reinsurance partners which enables effective consolidation of exposures at the Group level.

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

SENSITIVITY

The Company regularly analyses credit risk sensitivity at the Group level. Credit risk sensitivity from reinsurance is measured through the change of the rating of the main reinsurer whereby all other risk estimate calculation parameters remain the same. The sensitivity to credit risk vis-à-vis the bank to which the Group is most exposed is measured in a similar manner.

Chart 7: Group's capital adequacy sensitivity test as at 31 December 2020

C.4 Liquidity risk

Liquidity risk is the risk of loss resulting from a Group company's inability to liquidate investments and other assets in order to settle its financial liabilities as they fall due. This risk usually materialises in the form of the inability to liquidate or in the form of a sale of financial assets at prices that are significantly lower than the current market prices.

Group companies manage assets and liabilities with the aim of these companies being able to settle all mature liabilities on time and without a material increase in the cost of liquidation. They also ensure an appropriate structure of assets whereby they invest their assets so as to ensure safety, quality, liquidity and profitability of the entire portfolio. The nature and duration of liabilities are also observed when investing assets. In order to ensure an adequate liquidity position, Group members generally monitor both their current and future asset and liability cash flows, whereby they hold an adequate amount and structure of liquid investments and maintain a surplus of liquid assets. The Company also ensures the required liquidity to subsidiaries as appropriate.

When managing liquidity, Group members observe the local regulations and the minimum standards relating to risk management applying at the Group and which also establish a harmonised liquidity risk management system. In addition to internal indicators and indicators resulting from local regulations, the Group's insurance undertakings also monitor indicators that are common for all insurance undertakings of the Group.

RISK EXPOSURE

In terms of liquidity risk, the (re)insurance companies of the Group are most exposed to catastrophic loss events, which can result in higher payments of indemnities and an increase in costs, to an increased rate of early insurance policy terminations (lapses) resulting in higher surrender values and lower premium income as well as to instability on financial markets. The liquidity risk of the other Group members is affected mainly by financial market instability and other events that are specific to Group members. The instability on financial markets in 2020 came about upon the start of the COVID-19 pandemic. Lower liquidity of debt securities was observed at the time, but the situation improved already at the end of April.

Liquidity risk exposure is monitored at the level of an individual Group company which is how liquidity is also managed. This provides a comprehensive overview of liquidity risk which takes into account the sources of liquidity and liquidity requirements.

CONCENTRATION RISK

Concentration risk for liquidity risk arises from potential directly or indirectly related events that cause an increase in liquidity risk. Liquidity risk concentration at the Group level is most pronounced in case of elevated liquidity risk at the Company which however has regular control processes in place that enable timely detection of an uptick in such risk and corresponding action to be taken.

RISK MITIGATION TECHNIQUES

In order to mitigate liquidity risk, regular investment management processes have been put in place 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.

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.

The Company has a Liquidity Assurance Plan in place that predefines activities in case of the occurrence of liquidity crises; it also has repo agreements concluded that are one of the mechanisms for hedging 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 remains within the target risk appetite for this risk.

SENSITIVITY

Liquidity risk sensitivity is monitored at all Group members using internal indicators that allow each individual company to measure whether it has sufficient liquid assets in stress scenarios to cover past due liabilities in a given period. Indicators that measure liquidity risk sensitivity differ from one another mainly in terms of the stress scenario content, the length of measurement of the stress period and in some cases also the amount of the amount of the observed deductions in financial investments as well as the rules set by the local regulators. Stress indicators are regularly calculated and included in risk reports as well as the ORSA.

EXPECTED PROFIT FROM FUTURE PREMIUMS

A portion of the Group's own funds is represented by expected profits included in the future premiums under existing insurance contracts. These are estimated at EUR 127.5 million at the Group level. They are equal to the sum of expected profits included in the future premiums under existing insurance contracts of the individual Group members. The profit of an individual company is calculated by calculating the best estimate of cash flows both by taking into account and by disregarding the expected premiums from concluded insurance contracts with other assumptions remaining unchanged.

Table 23: Expected profit included in future premiums

	In EUR thousand	
	2020	2019
Life insurance	67,923	76,683
Non-life and health insurance	59,594	65,112
Total	127,517	141,795

The amount of expected profit included in future premiums decreased by EUR 14.3 million compared to the year before. The main reason for the decrease in the expected profit included in future premiums under non-life and health insurance is the change of the calculation at a reinsurance company in the Group. The movement throughout the year is additionally affected by the rebooking of the value for accident insurance contracts that are concluded on top of basic life insurance. In 2019, they were included under life insurance, while they were included under non-life and health insurance in 2020.

C.5 Operational risk

Operational risks are defined as the risks of loss resulting from inadequate or failed internal processes, conduct of employees, functioning of systems or the management of external events and their effects. 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, and outsourcing risk.

As at 31 December 2020, operational risk represents 6% of the Group's overall risk estimate, excluding diversification, and amounts to EUR 40 million.

The risk estimate is calculated at the Group level 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 2020, the risk estimate for operational risks of both ring-fenced funds came in at EUR 0.8 million.

RISK EXPOSURE

The Group monitors its operational risk exposure mainly based on regular reporting of realised operational risk loss events and partly also via key operational risk indicators.

Owing to the changes in operations resulting from COVID-19, major operational risk exposures were identified. These came mainly from the elevated probability of the absence of key employees or the simultaneous absence of a large number of employees due to sickness, adjusted organisation of work and the method of implementation of processes (internal, regulatory and customer-facing), new vulnerabilities resulting from remote work and the associated IT risks as well as additional regulatory changes resulting from the intervention legislation. As a result of the appropriate monitoring of conditions and the response to the same, no material pandemic-related operational risk was realised at the Group level. Based on the collected data, the Group recognised regulatory risk and cyber risk as the key types of operational risk. In view of the identified higher exposure to cyber risk, the Group performs activities aimed at upgrading its management and upgrading the IT risk management system in general.

Vulnerability resulting from these types of risk was verified at the Group level. Additional methods for their measurement and monitoring as well as new security mechanisms, which will be continuously upgraded in the future, were additionally introduced. The increasingly more demanding reporting requirements pursuant to the existing regulatory requirements and a high rate of amendments to the legislation and new legislation in the legislative environment in recent times as well as the prescribed new, very high fines are bringing regulatory risk to the forefront. Group companies are preparing intensively for the compliance with the legislation and are devoting adequate resources to these efforts. They are also adapting and putting in place the necessary processes and internal controls.

CONCENTRATION RISK

The Group 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 operations at the Group level are highly dependent on the suitable functioning of IT, which is why a major cyber or other IT incident or suspension of operations can severely affect the operations of Group members. This is why the Group 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 elevated during the pandemic 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).

RISK MITIGATION TECHNIQUES

Group members have an internal controls system in place that allows them to ensure the mitigation of exposure to operational risk. By applying risk-related minimum standards, Group members gradually introduce an effective system for operational risk management such as the one that has been set up at the Company. The Group regularly monitors operational risk exposure mainly based on regular reporting of realised operational risk loss events. In the event of the occurrence of important (large) or repetitive operational loss events and if the operational risk appetite is exceeded, preparation of preventative and remedial risk mitigation measures or additional internal controls aimed at risk mitigation is begun. If the risk is mitigated to an appropriate level, i.e. it does not repeat or the frequency of reoccurrences of minor loss events of this type is reduced, measures are assessed as successful. The success of the implementation of risk mitigation measures is thus verified at the Group level.

The Group is acutely aware of the threat posed by cyber risk and the subsequent need to upgrade and regularly maintain the IT security management system. In order to be able to better identify vulnerabilities and preparedness for cyber events, the Company as well as other Group members performed a detailed analysis in 2020 of the most pressing scenario involving cyber risk and prepared key measures for the mitigation of risks arising from the scenario. The Group also performs activities aimed at upgrading the business continuity management system which includes prevention and subsequent measures in case of various events such as natural disasters (earthquake, flood, etc.) and pandemics. A part of that system is the business continuity plans for critical business processes and IT recovery plans. Business continuity plans also included HR risk of the simultaneous terminations of employment of a large number of employees, which were mitigated during the pandemic by the setup of conditions for remote work (from home).

This solution also lowered the risk of the inaccessibility of work locations, e.g. due to natural disasters. In 2020, many activities were geared towards the centralisation of IT and the preparation of additional recovery plans for individual Group members. Group members will continue these activities in the future as well.

SENSITIVITY

Operational risk is affected by many factors, both internal (employees, processes, internal systems) and external (external systems, external factors and events). Whereas it is possible to influence internal factors through the improvement of processes and internal controls, it is not possible to influence external factors which are also more difficult to foresee. This is why the Group 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 (intrusion into the Group's IT system and theft of its highly sensitive business information and personal data). 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 RISKS

Within the scope of non-financial risks affecting the Group's operations, the following risks are material: strategic risk, capital risk, reputational risk, Group risks and other potential risks. Non-financial risks are very closely connected to other risks at the Group, especially operational risks, and they usually result from several factors within and outside the Group.

The non-financial risk management system is set up at the Group members in accordance with the arrangement of the Company in line with the principles that were prescribed within the scope of the minimum standards that apply to all Group companies for the area of risk management subject to the size, complexity and the business profile of an individual company.

STRATEGIC RISK is the risk of loss due to inappropriate business decisions by the management body, inconsistent implementation of strategic decisions and insufficient responsiveness to key changes in the business environment.

Strategic risks are risks that are difficult to quantify but can in the event of sub-optimal strategic decisions importantly affect the financial position and solvency of the Group in the future. The Company manages risks through the effective implementation of the strategy that includes clearly measurable strategic goals. The ORSA process is essential in this regard as it assesses the effect on the Group's solvency.

CAPITAL RISK represents the possibility of loss due to an inappropriate capital structure given the volume and manner of operations or the problems that the Company faces when acquiring fresh capital, particularly in adverse operating conditions or if required so as to increase capital fast.

The Company manages capital risk from the point of view of the effect of external events on the capital adequacy of the Company and the entire Group. External events that can importantly

affect the Group's capital adequacy include legislative amendments and changes to financial reporting standards. Unfavourable conditions on capital markets that could negatively affect the acquisition of additional capital, which the Company monitors regularly as part of the capital management process, can also have a significant impact.

REPUTATIONAL RISK is the risk of damage to the Triglav brand and its reputation that can have a negative effect on the operations of the Company and Group companies. It results from negative image of the Company and the Group in the eyes of their policyholders, business partners, employees, owners, investors and/or competent or the competent or supervisory bodies and other interested public.

There are numerous causes for reputational risk, i.e.: inability to ensure a suitable standard of quality of services and products; unethical business practices; failure to achieve the set financial targets; deterioration in relations with internal stakeholders or employees; causing environmental pollution; act by a competitor that can negatively affect the image of the entire insurance sector.

The basic element of the Group's reputational risk management system is a good corporate governance system that is monitored and supported at the Group by various activities or surveys that assesses the view of the Group held by the external public.

Reporting on reputational risk is performed mainly through analyses of the publications of external media, analyses of the strength of the Triglav brand, customer satisfaction analyses and other quarterly analyses.

GROUP RISK arises from the Company's business model. They include risks that may jeopardise the achievement of strategic goals due to an ineffective system of governance at the Group level and insufficient knowledge of the business environment where the Group's associated companies operate. The Company's risk profile is also affected by transactions between associated companies and the increased complexity of concentration risk management. 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

Sustainability risks have been gaining in importance recently. They include environmental, social and governance factors (ESG – environmental, social, governance). These risks are considered to represent key global challenges. From the point of view of insurance companies, the central role within sustainability risks is attributed to climate change and the associated risks that are reflected mainly in two ways: as a trend of the rising average temperature and the increase in the intensity and frequency of extreme events. Climate change in combination with sustainability risks (ageing of the population, bacteria resistance to antibiotics, pandemics, etc.) will affect the operations of insurance companies both through its liabilities and its assets. The Sustainability Commitment was also adopted in 2020 that is presented in detail in the Business Report of the Annual Report, i.e. in section 12.

The operating performance of the entire Group depends on the comprehensive management of sustainability risk and the improvement of the confidence of all key stakeholders. The Group is committed to long-term successful management and transparent governance.

C.7 Any other information

PRUDENT PERSON PRINCIPLE

Group members manage assets with the due skill, care and diligence of a good businessman and in the best interest of all of their policyholders, beneficiaries and other stakeholders of companies. The Group'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.

Asset management is performed by pursuing the objectives aligned with policyholders' objectives: to maximise safety, liquidity, diversification, profitability and provision coverage with investments as well as the objectives of the Group's other stakeholders.

The assets of Group members are invested in a manner that ensures their availability.

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 and secondarily those of the Company and then the Group.

Investment portfolio assets of associated companies are for the most part managed centrally in accordance with the guidelines and limitations laid down in the investment policies of Group members. Good practices in asset management are pursued in the management of assets at the Group level.

Current liquidity is ensured by individual Group members in coordination with the manager. The valuation of investments in the Group's portfolios is centralised and performed by the competent departments of the Company, i.e. according to the same standards at the level of the entire Group.

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 Group's financial assets remains relatively conservative, focusing on fixed-return investments. Such are also the individual portfolios of subsidiaries.

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.

When investing assets, Group members pursue 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

Stress tests are regularly performed at the Group level for all important risk types, and monitoring and evaluation of the potential impact of stress on the risk profile and solvency are performed.

Stress testing and scenario analysis are part of the Group's own risk and solvency assessment (ORSA) process. In stress tests, the Company determines (at the Group level) 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.

The stress test framework that has been set up enables the preparation of stress test scenarios based on workshops conducted with business lines where relevant scenarios for current and future operations are assessed.

In 2020, the Company carried out several tests of capital adequacy at the Group level because of the elevated uncertainty brought on by the COVID-19 pandemic, whereby it applied stress scenario tests that were prepared so as to as much as possible reflect the current and potential risks in the external environment and the operations of the Group. The scenarios tested within the scope of the ORSA included two financial scenarios, two insurance scenarios, a scenario of the deterioration of the Company's liquidity, a cyber scenario and a scenario of the failure of cloud services.

PANDEMIC

Over the course of 2020 and as a result of the consequences of the pandemic, the Group regularly monitored the risk profile and actively upgraded individual areas of the risk management system, mainly where it detected elevated risk or higher exposures. Despite the pandemic and the subsequently lower economic activity, the (re)insurance premium at the Group level increased mainly in fire and motor vehicle insurance which contributed to the higher underwriting risk estimate. The estimate rose over the course of 2020 as a result of major claims on account of natural disasters and the additional claim provisions set aside for claims for business interruption. Owing to the Group's higher exposure to debt instruments, market risks increased and were coupled with a very low risk-free interest rate and the higher amount and volatility of spreads. Liquidity risk gained in importance during the first wave of the pandemic, but the situation subsided subsequently owing to the measures taken by central banks. Despite all of this, updating of some parts of the liquidity risk management system and testing of the uninterrupted liquidity assurance were carried out at the Group level. In the area of credit risk from the Group's portfolio of receivables, no noticeable deterioration of payment discipline or the credit quality of counterparties was observed during the year. Despite this, however, this

important risk stemming from higher borrowing remains in the environment and will be carefully monitored at the Group level in the future as well. The pandemic also meant that individual operational risks were gaining in importance; they are mostly related to the changed method of work, i.e. remote work, which is suitably addressed at the Group level whereby its scope is dropping.

OTHER RELEVANT INFORMATION

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

D. Valuation for solvency purposes

D.1 Assets

D.2 Technical provisions

D.3 Other liabilities

D.4 Alternative methods for valuation

D.5 Any other information

D. Valuation for solvency purposes

Assets and liabilities at the Group are valued for solvency purposes at fair value.

When assets and liabilities are valued, the Group uses the risk-free interest rate curve published by EIOPA and does not apply any adjustments of the curve. The table below shows the balance sheet of the Group for solvency and financial reporting purposes. Details on the Group's balance sheet are shown in template S.02.01 in the Annex to this Report.

Table 24: Balance sheet of the Group as at 31 December 2020

31 December 2020		In EUR thousand	
Balance sheet		Value for solvency purposes	Value for financial reporting purposes
Assets		3,589,446	4,139,441
Intangible assets	D.1.1	0	100,975
Deferred tax assets	D.1.2	44,271	779
Property, plant and equipment held for own use	D.1.3	123,653	122,992
Investments	D.1.4	2,517,316	2,806,442
Assets held for index-linked and unit-linked contracts	D.1.5	679,522	679,522
Loans and mortgages	D.1.6	5,107	5,412
Reinsurance recoverables	D.1.7	72,554	125,874
Deposits to cedants	D.1.8	11,211	11,211
Insurance and intermediaries receivables	D.1.9	51,355	105,485
Reinsurance receivables	D.1.10	12,866	72,355
Receivables (trade not insurance)	D.1.11	11,288	25,344
Cash and cash equivalents	D.1.12	53,648	76,050
Any other assets, not elsewhere shown	D.1.13	6,657	7,000
Liabilities		2,617,284	3,269,289
Technical provisions	D.2	2,353,982	2,957,101
Other technical provisions		0	76,113
Provisions, other than technical provisions	D.3.1	19,068	20,590
Deferred tax liabilities	D.3.2	81,289	14,540
Derivatives	D.3.3	37	37
Debts owed to credit institutions	D.3.4	520	520
Financial liabilities other than debts owed to credit institutions	D.3.5	2,098	2,376
Insurance and intermediaries payables	D.3.6	21,543	16,802
Reinsurance payables	D.3.7	17,602	48,941
Payables (trade not insurance)	D.3.8	53,736	14,596
Subordinated liabilities	D.3.9	53,545	49,424
Any other liabilities, not elsewhere shown	D.3.10	13,865	68,250
Excess of assets over liabilities		972,162	870,152

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 are used for the valuation of assets at the Group level for financial reporting purposes, whereby the methods comply with the IAS (e.g. fair value, amortised cost, cost, etc.), while assets are 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 or if such is not available the valuation models that reflect raw data from financial markets as much as possible are used to arrive at the fair value.

Asset-side balance sheet items are presented below.

D.1.1 Intangible assets

Intangible assets consist of software and property rights, which however are valued at zero for solvency purposes due to the problem of demonstrating their true value.

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 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 25: Group's intangible assets

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Intangible assets	0	0	100,975

D.1.2 Deferred tax assets

For financial reporting purposes, deferred tax assets are accounted for all temporary differences between the value of assets for tax purposes and their carrying amount. The calculation of deferred tax assets is made at the tax rate, which is expected to be applied when the tax asset is refunded.

Deferred tax assets are valued in two stages for solvency purposes. In the first stage, the product of the currently applicable local tax rate of where the company operates and the differences

between the active portion of the financial reporting and market valued balance sheet of the individual company are added to the net deferred claims for financial reporting purposes at the level of an individual Group subsidiary, without taking into account the financial assets (investments) in related undertakings and deferred tax assets. In the second stage, deferred tax assets of the companies are summed up, thus arriving at the value for the entire Group.

For financial reporting purposes, deferred tax assets are accounted for all temporary differences between the value of assets for tax purposes and their carrying amount. The calculation of deferred tax assets is made at the tax rate, which is expected to be applied when the tax asset is refunded.

Table 26: Group's deferred tax assets

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Deferred tax assets	44,271	35,656	779

The value of deferred tax assets increased by EUR 8.6 million compared to the previous reporting period, mainly due to the increase at the Company and at Triglav Re.

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

Property, plant and equipment held for own use at the Group level represent plant, land and buildings, and – as of the introduction of the IFRS 16 standard – also the right to use assets. These items are valued at amortised cost for financial reporting purposes. Items of property, plant and equipment held for own use are valued at fair value for solvency purposes, with the exception of the rights of use assets which follow the valuation for financial reporting purposes.

The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. The biggest contribution to the abovementioned difference is represented by the immovable property of Triglav Skladi, Sarajevostan, Triglav pokojninska družba and Triglav penzisko društvo. The difference between the two items additionally occurs because of the different valuation method.

The Company performs the valuation through a certified real estate valuer who values the Group's real estate over a two-year cycle. The last valuation was performed for 31 December 20120. In the interim period, own appraisals (e.g. adjustments of appraised values in the event of significant changes of conditions on local real estate markets, adjustments in case of significant investments and other one-off events) can represent the estimated fair value.

Table 27: Group's property, plant and equipment held for own use

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Property, plant and equipment held for own use	123,653	125,678	122,992

The value of the item decreased by approximately EUR 2 million compared to the year before. The biggest contribution to the decrease came from the change in the value of property, plant and equipment, except land and right of use assets, i.e. at the Company.

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 Group 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. The activity of the market or the question of whether it is an active market or not is determined for an individual financial instrument subject to the available information and circumstances. Factors that need to be heeded in case the market activity is assessed as low include the following among others: low number of transactions in the period, extensive differences between bid and ask prices, high-level price volatility in the period and between sellers. Low market activity requires an additional analysis of transactions or quoted prices.

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 28: Group's investments as at 31 December 2020

Assets	In EUR thousand	
	Value for solvency purposes	Value for financial reporting purposes
Investments	2,517,316	2,806,442
Real estate (except real estate held for own use)	96,700	78,977
Holdings in related undertakings, including participations	94,855	31,786
Equities	59,140	73,770
Bonds	2,135,930	2,378,915
Collective investment undertakings	66,041	168,768
Derivatives	113	113
Deposits other than cash and cash equivalents	61,874	71,309
Other investments	2,664	2,803

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.

The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. The difference from the above is represented by the real estate of the Sarajevostan company. The difference between the two items additionally occurs because of the different valuation method.

The valuation of the major portion of the real estate portfolio by a certified real estate valuer was last made on 31 December 2020.

Table 29: Group's real estate (except real estate held for own use)

Investments	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Real estate (except real estate held for own use)	96,700	94,428	78,977

The value of real estate (except real estate held for own use) increased by EUR 2.3 million in 2020, mainly due to the higher value of the properties in the portfolio of Triglav, Upravljanje nepremičnin, which compensated for the slight decreases in the majority of the real estate portfolios of other Group companies.

D.1.4.2 Holdings in related undertakings, including participations

Subsidiaries are fully consolidated in the consolidated financial statements. Related undertakings are consolidated in the consolidated financial statements according to the equity method. The holdings in subsidiary insurance companies, reinsurance companies, insurance holdings and companies for the provision of ancillary services are fully consolidated in the balance sheet for solvency purposes. The holdings in strategic financial companies, non-strategic subsidiaries and affiliates are valued according to the following valuation method hierarchy:

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;

a. 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 Group applies in the preparation of consolidated financial statements. In such cases, the value of goodwill and other intangible assets is deducted from the value of the related undertaking.

The holdings in subsidiary insurance companies, reinsurance companies, insurance holdings and companies for the provision of ancillary services are fully consolidated for the Group's solvency purposes. Holdings in other related undertakings that are not fully consolidated 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 exceptions are the participating interests in Nama, d.d. and Alifenet, d.o.o. that are valued according to the alternative valuation method. In the case of Nama, d.d., the alternative valuation model closely follows the adjusted equity method using the fair value of assets and liabilities. The shareholding in Alifenet, d.o.o. was obtained through a debt-to-equity swap at the end of the year, whereby its value is somewhat more than EUR 70,000.

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

Table 30: Values of the Group's equity holdings in related undertakings according to valuation methods

Valuation method	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
DVM	0	0	0
AEM S1	85,689	64,295	0
AVM	9,166	9,465	31,786
Total	94,855	73,760	31,786

The biggest difference between the value of the item for financial reporting purposes and the value for solvency purposes arises from the different inclusion of subsidiaries that are fully consolidated within the Group. The item for solvency purposes includes the following in addition to associated companies: non-strategic subsidiaries and strategic financial companies, i.e. Triglav Skladi, Triglav pokojninska družba and Triglav penzisko društvo. The equity method for financial reporting purposes is provided under AVM in the table above.

Table 31: Group's holdings in related undertakings, including participations

Investments	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Holdings in related undertakings, including participations	94,855	73,760	31,786

The value of holdings in related undertakings increased in 2020 by EUR 21.1 million. The most was contributed to this increase by the revaluation of Triglav Skladi and the capital injection in ZTSR, d.o.o. The biggest opposite effect on the amount of the item came from the decrease in the value of the holding in Sarajevostan d.o.o.

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 offered buying price on that market (local stock exchange). In the event of an inactive market, the value of the investment is determined by the last known quoted 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.

The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. The biggest contribution to the difference is represented by the portfolio of Triglav pokojninska družba.

Table 32: Group's equities

Investments	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Equities	59,140	63,607	73,770
Listed equities	52,815	57,120	67,445
Unlisted equities	6,325	6,487	6,325

The value of equities decreased in 2020 by EUR 4.5 million, mainly in the segment of listed securities. The decrease is mainly the result of the sale of investments in Krka, d.d. Other changes are mainly the result of portfolio revaluation.

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 listed on an active market, its fair value is represented by its closing offered buying price on that market (Bloomberg Valuation Service - BVAL, local stock exchange, market operator's price). If the market is not active or is not deep enough, fair value is determined using valuation techniques:

- a) the price is determined by the last concluded transaction provided the assessment that economic circumstances have not changed materially since the last transaction is true;
- 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.). Bond investments are valued at fair value for solvency purposes.

Table 33: Group's bonds

Investments	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Bonds	2,135,930	2,026,504	2,378,915
Government bonds	1,443,023	1,235,972	1,551,706
Corporate bonds	691,848	789,380	826,150
Structured notes	1,059	1,152	1,059
Collateralised securities	0	0	0

The value of bonds increased in 2020. The growth of the item comprises inflows worth EUR 34 million and EUR 75.4 million in positive revaluation. Most of the inflows in this investment class were recorded by the subsidiary insurance undertakings with registered office in the Republic of Slovenia. The increase in the government bonds segment is mainly the result of the decrease in the corporate bonds segment.

The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. The biggest contribution to the difference is represented by the predominant bond portfolio of Triglav pokojninska družba. Owing to investments classified as "held-to-maturity" "loans and receivables" in financial statements, there is a difference of EUR 41.8 million up to the value for solvency purposes as a result of the different investment valuation method.

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 34: Group's collective investment undertakings

Investments	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Collective investment undertakings	66,041	54,857	168,768

The value of the item increased in 2020 mainly as a result of the capital calls and additional investments into alternative investment funds. The major portion of the decrease comes from the Company.

The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. The biggest contribution to the difference is represented by the portfolio of Triglav Skladi, d.o.o., which comprises predominantly collective investment undertakings, and the portfolio of Triglav pokojninska družba.

D.1.4.6 Derivatives

The value of derivatives is determined by the closing offered buying price in an active market (the stock exchange, price of the market operator). In the event that there is no active market, 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 35: Group's derivatives

Investments	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Derivatives	113	0	113

Group companies only held derivatives in their books at the end of 2020 that were intended for the hedging of the value of the Croatian kuna or the euro. Items with positive values are shown on the assets side, while those with a negative value are shown on the liabilities side. The derivative used for hedging against the changes in the Croatian kuna and concluded by the Company was slightly positive as at 31 December 2020 which is why it is disclosed under assets.

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.

The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group.

Table 36: Group's deposits other than cash and cash equivalents

Investments	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Deposits other than cash and cash equivalents	61,874	61,413	71,309

The value of the item in 2020 remained practically the same compared to the year before. The exposure to this investment class increased at the company headquartered in Bosnia and Herzegovina where the range of investments is very small, while exposure at other Group companies mostly decreased.

D.1.4.8 Other investments

Other investments in the Group represent works of art, funds in the uninsured motorist funds and financial assets not classified in any of the other categorised from preceding sections of this Report. For solvency purposes, the value of these assets follows the value as used for the preparation of financial statements.

Table 37: Group's other investments

Investments	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Other investments	2,664	3,688	2,803

The value of the item decreased in 2020 as a result of the reclassification of the item in the portfolio of the company headquartered in Montenegro to loans. Absent this technical change, the amounts would have remained practically unchanged compared to the year before.

D.1.5 Assets held for index-linked or 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 are 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 38: Group's assets held for index-linked or unit-linked contracts

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Assets held for index-linked or unit-linked contracts	679,522	664,623	679,522

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 investment is mostly the result of the positive revaluation of investments.

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 39: Group's loans and mortgages

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Loans and mortgages	5,107	5,325	5,412
Loans on policies	3,948	3,679	3,945
Loans and mortgages to individuals	1,152	87	1,152
Other loans and mortgages	7	1,560	315

In 2020, the total amount of the loans and mortgages item did not change materially. The change to the »Loans and mortgages to individuals« item is the result of the reclassification mentioned in section D.1.4.8. The decrease in the »Other loans and mortgages« item is the result of the merger of the Hotel Grad Podvin, d.o.o. company.

D.1.7 Reinsurance recoverables

Each Group member determines the value of reinsurance recoverables using its own methodology.

Subject to the insurance and reinsurance contract boundaries, reinsurance recoverables relating to the said contracts are determined for solvency purposes. Reinsurance recoverables for non-

life insurance liabilities are calculated separately for premium and claims liability provisions. Recoverable amounts from reinsurance contracts for claims under non-life insurance that are paid in the form of annuities are disclosed at the Group level under the life insurance item.

Table 40: Group's reinsurance recoverables

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Reinsurance recoverables	72,554	69,648	125,874
Non-life and health insurance	69,151	68,110	125,874
Life insurance	3,403	1,538	0

Recoverable amounts from reinsurance increased compared to the year before as a result of the growth of the best estimate of non-life insurance claims.

D.1.8 Deposits to cedants

Deposits to cedants at the Group include deposits of reinsurance companies provided to cedants under reinsurance contracts.

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 41: Group's deposits to cedants

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Deposits to cedants	11,211	8,602	11,211

In 2020, the growth in the volume of the operations of the Group's reinsurance company meant that deposits to cedants increased compared to the year before.

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 data gathering differs. 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 accepted reinsurance and coinsurance for solvency purposes, while such receivables are accounted under reinsurance receivables for financial reporting purposes.

Non past due receivables from accepted reinsurance and coinsurance are included for solvency purposes into the calculation of the best estimate of provisions.

Table 42: Group's insurance and intermediaries receivables

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Insurance and intermediaries receivables	51,355	44,740	105,485

Insurance and intermediaries receivables increased in 2020 mainly due to the rebooking of past due receivables from reinsurance and coinsurance to this item from the reinsurance receivables item.

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. The difference in the values for solvency purposes and financial reporting purposes arises because the value for financial reporting purposes shows the receivables for both active and passive reinsurance transactions, while the value for solvency purposes only shows past-due receivables from passive reinsurance transactions.

Table 43: Group's reinsurance receivables

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Reinsurance receivables	12,866	9,981	72,355

Reinsurance receivables increased in 2020 by EUR 2.9 million mainly as a result of the decrease in intragroup transactions.

D.1.11 Receivables (trade not insurance)

Receivables (trade not insurance) comprise receivables from financing activities with the remaining part represented by receivables from operating activities (trade receivables). 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. The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. A different classification of balance sheet items is also used for the two valuation methods.

Table 44: Group's receivables (trade not insurance)

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Receivables (trade not insurance)	11,288	11,551	25,344

Compared to the previous period, receivables (trade not insurance) decreased immaterially.

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 whereby the values differ because of the different inclusion of companies into consolidation.

Table 45: Group's cash and cash equivalents

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Cash and cash equivalents	53,648	46,771	76,050

The amount of cash and cash equivalents grew by EUR 6.9 million over the course of the year and reflects the liquidity needs of Group companies in the beginning of the new year. Owing to the sales activities during Q4, the balance of cash and cash equivalents increased significantly compared to the year before at Triglav, Upravljanje nepremičnin. The biggest contribution to the item total comes from the Company and the insurance company headquartered in Bosnia and Herzegovina.

D.1.13 Any other assets, not elsewhere shown

The item includes short-term deferred costs and accrued revenue, assets invested into software for the Group, inventories and other assets. Valuation for financial reporting purposes is the same as for solvency purposes. The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. A different classification of balance sheet items is also used for the two valuation methods.

Table 46: Group's any other assets, not elsewhere shown

Assets	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Any other assets, not elsewhere shown	6,657	9,109	7,000

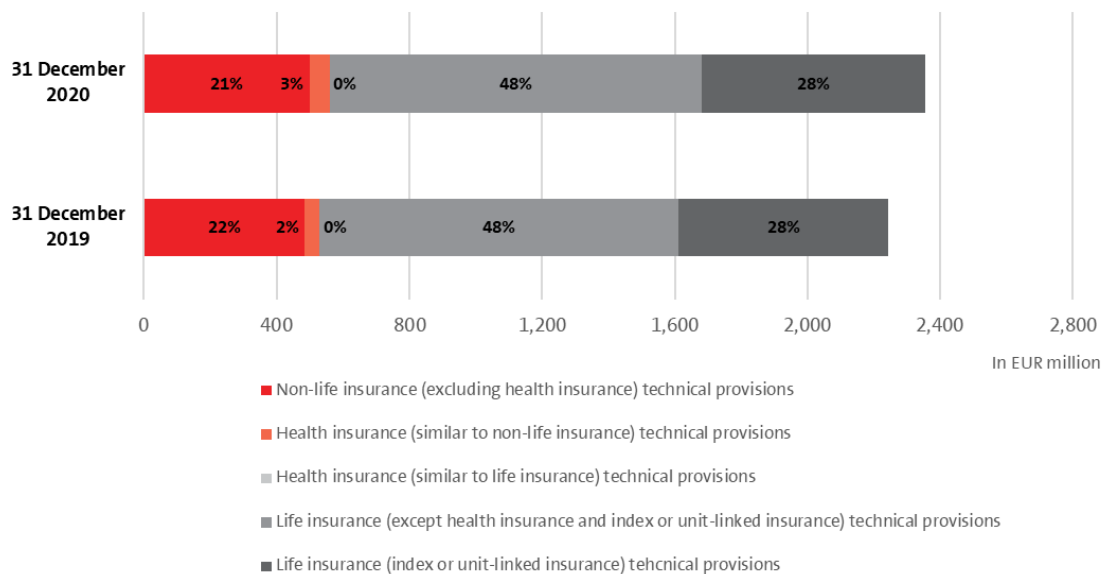
The value of the Group's any other assets not elsewhere shown decreased in 2020 because of the decrease in held-for-sale non-current assets.

D.2 Technical provisions

Technical provisions represent the amount of the Group's liabilities under insurance contracts. At the level of an individual insurance undertaking, the value of technical provisions for solvency purposes is equal to the sum of the best estimate and risk margin, both of which are calculated separately. The best estimate corresponds to the present value of expected future cash flows from insurance contracts. The present value of future cash flows is calculated using the relevant risk-free interest rate curve. Group members calculate technical provisions separately for non-life and health as well as life insurance and allocate them according to the selected calculation method.

At the Group level, technical provisions are calculated as the sum of the best estimates of insurance liabilities of individual (re)insurance undertakings within the Group less intra-group transactions.

Chart 8: Group's technical provisions as at 31 December 2020



CONTRACT BOUNDARIES AND HOMOGENEOUS RISK GROUPS

The Group's insurance undertakings recognise 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 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.

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

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

Non-life and health technical provisions amount to EUR 559.6 million.

The Group has established a data quality monitoring and quality assurance system for the data which are the basis for the calculation of technical provisions for non-life and health insurance whereby the data comply with the criteria regarding suitability, completeness and adequacy.

Each Group member segments its non-life and health insurance portfolio for the purpose of calculating technical provisions at least into prescribed lines of business as set out in Delegated Regulation. Some companies further break down their business lines into further homogenous groups subject to the statistical characteristics of the portfolio. The segmentation itself is linked to the process of the calculation of technical provisions for financial reporting purposes, also taking into account the homogeneity of the risk profiles and the availability of the data required to calculate the provisions, and the analyses of the samples of cash flows and the volatility of insurance groups.

The value of intragroup transactions in the Group involving non-life and health insurance amounts to EUR 68.6 million as at 31 December 2020.

Table 47: Group's technical provisions for non-life and health insurance for solvency purposes as at 31 December 2020 and 31 December 2019

31 December 2020	In EUR thousand		
Non-life and health insurance technical provisions	Best estimate	Risk margin	Technical provisions
-- Non-life insurance	468,031	30,801	498,831
-- Health insurance	57,267	3,377	60,644
Total	525,297	34,178	559,475

31 December 2019		In EUR thousand	
Non-life and health insurance technical provisions	Best estimate	Risk margin	Technical provisions
-- Non-life insurance	455,166	30,028	485,194
-- Health insurance	40,665	3,794	44,460
Total	495,832	33,822	529,654

The main reason for the increase in the technical provisions at the Group level is portfolio growth.

D.2.1.1 Best estimate of the claims provision for non-life and health insurance

The best estimate of non-life and health insurance technical provisions comprises claim provisions, premium provisions and the risk margin.

The best estimate of the claim provision is calculated as at the end of the period. In doing so, claims are classified into two groups. The first includes incurred reported claims, i.e. all claims that occurred up to the last day of the reporting period. The second includes incurred unreported claims, i.e. incurred but not sufficiently reported claims and reopened claims, namely claims that have not been finally resolved by the last day of the reporting period.

The source of the best estimate of incurred reported claims is the discounted value of the list of provisioned claims which is the result of monthly processing and is monitored at the level of an individual claim file. Individual claim adjustment departments are responsible for compiling the list of estimates for individual claims, whereby data that affect the estimates are entered concurrently. The lists exclude annuity applications that are included in the best estimate of the annuity provision. Provisions for incurred unreported claims are calculated at the level of insurance segments, for which established actuarial techniques are used.

The calculation must take into account the past inflation, while future cash flows from incurred claims take into account the estimated future inflation rate.

The best estimate of the premium provision is based on the projections of the future cash flows from premiums, claims, subrogations, costs, bonuses and discounts, terminations and commissions as well as other eventual cash flows specific to an individual Group member. Unearned premium calculated as at the calculation date is used as the measure of exposure. The pattern of development of future cash flows from the premium provision matches the pattern that is calculated and used in claim provisioning which is one of the key assumptions of the model.

Material assumptions also include the future inflation rate and the discounting curve. The assumption of the future inflation rate is based on the estimates published by the IMF for the countries, in which an individual Group member operates.

The premium and claim provision calculation methodology is harmonised among the Group's (re)insurance undertakings, whereby the size, complexity and business profile of each company is taken into account.

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

As at 31 December 2020, the Group's risk margin amounted to EUR 34.2 million.

At the Group level, it is calculated as the sum of the risk margins of the same insurance segments of the operations of individual Group members. Projections of future capital requirements for individual risks by module and sub-module are made for the calculation of the risk margin. The approach used is the one under the first method according to the hierarchy of the EIOPA Guidelines on the valuation of provisions (guideline 62). The calculation observes cost of capital of 6%.

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

As at 31 December 2020, non-life and health insurance technical provisions for financial reporting purposes amounted to EUR 1,024 million, while they were calculated at EUR 559.6 million for solvency purposes. The basic difference between both valuation methods lies in the fact that the precautionary estimate of liabilities is used for financial reporting purposes, whilst the best estimate is used for solvency purposes. Provision calculation applies slightly different portfolio segmentation.

Table 48: Difference between technical provisions for non-life insurance for solvency purposes and for financial reporting purposes

31 December 2020	In EUR thousand	
	Value for solvency purposes	Value for financial reporting purposes*
Non-life and health insurance technical provisions	559,637	1,024,029

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

In addition to the valuation method for technical provisions, the inclusion of non-past due receivables from direct insurance operations also importantly contributes to the difference in the amount of premium provisions.

The Group recognises the insurance contract result during the term of the contract in the financial statements it (re)insurance companies, whereby the result of an insurance contract in solvency calculations is recognised immediately upon the conclusion of the contract. As opposed to the unearned premium, the premium provision also takes into account the claims ratio for individual segments as well as the cash flows from contract cancellations and bonus repayments that are separately provisioned in financial statements. The cash flows of future liabilities are discounted using the risk-free interest rate curve.

The prescribed segmentation is also used for solvency purposes in the calculation of the claims provision in the part relating to incurred but not reported or under-reported claims. The methodology is identical in both calculations. In the calculation for solvency purposes, development factors are not smoothed, and the used claims ratios do not contain any precautionary margin. In the calculation of incurred unreported or incurred under-reported claims for financial reporting purpose, large claims are excluded from the list of incurred and

reported claims and are then added separately which leads to a higher value of provisions. Expenses and subrogations are calculated using the same method under both valuation methods. Similarly as with the premium provision, cash flows from claims provisions are discounted for solvency purposes; however, due to negative interest rates, it may occur that the discounting results in higher provisions.

D.2.2 Technical provisions for life insurance

Two types of liabilities are valued within the scope of life insurance technical provisions at the Group level: life insurance liabilities and liabilities under health insurance that is provided on a similar technical basis as life insurance. The best estimate of liabilities is calculated at the Group level separately for expired and non-expired perils.

The calculation methodology is harmonised among the Group's (re)insurance undertakings that do not perform intra-group transactions when it comes to life insurance technical provisions.

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

Table 49: Life insurance technical provisions for solvency purposes as at 31 December 2020 and 31 December 2019

31 December 2020		In EUR thousand	
Life insurance technical provisions	Best estimate of liabilities	Risk margin	Technical provisions
Insurance with profit participation (LoB 30)	1,016,420	26,686	1,043,107
Index-linked and unit-linked insurance (LoB 31)	653,961	18,279	672,240
Other life insurance (LoB 32)	-2,451	6,411	3,960
Annuities from non-life insurance contracts (LoB 34)	74,674	526	75,200
Total	1,742,604	51,904	1,794,507

31 December 2019		In EUR thousand	
Life insurance technical provisions	Best estimate of liabilities	Risk margin	Technical provisions
Insurance with profit participation (LoB 30)	996,167	18,252	1,014,419
Index-linked and unit-linked insurance (LoB 31)	616,631	17,238	633,870
Other life insurance (LoB 32)	-8,832	4,978	-3,854
Annuities from non-life insurance contracts (LoB 34)	69,564	474	70,038
Total	1,673,531	40,942	1,714,473

D.2.2.1 Best estimate of life insurance liabilities

For the purpose of projecting cash flows at the level of an individual insurance undertaking, the Group uses an appropriate set of assumptions relevant for homogenous risk groups, to which the respective insurance policy belongs. For unexpired perils, the best estimate of liabilities is calculated using cash flow projections, taking due account of the relevant assumptions for every individual policy. For expired perils, the best estimate of liabilities is recognised in the following manner: in the case of endowments, the best estimate is calculated by policy; in the case of other

risks, it is calculated at the level of homogenous risk groups using the 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 liabilities, but in practice it can hardly ever be measured in the market. Therefore, the best estimate of liabilities is calculated as the present value of all income and expenses arising from an insurance policy, 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 any other 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: insurance management costs, investment management costs, claim management costs, insurance acquisition costs (which are not included under brokers' fees - brokers' fees represent a specific cash flow type).

With regard to cash flows, due account is taken of the expected future developments in the external environment (mortality, interest rates, inflation, etc.) and of the following types of uncertainties:

- 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 as far as it is possible to predict it;
- uncertainty regarding policyholder behaviour.

The above uncertainties are included in the projection using basic input assumptions regarding the probability of distribution of relevant insurance events (e.g. probability tables for mortality, policy capitalisation, policy surrenders, etc.). The default probability distributions depend on the relevant risk factors and may change over time (e.g. probability tables for longevity depend on the gender, age and generation to which a person belongs). The Group performs separate calculations of the best estimate of liabilities for the guaranteed and the discretionary part of liabilities.

The calculation of cash flows takes into account certain future management measures with regard to the distribution of profits to policyholders, depending on the economic situation of the country where the company operates and in accordance with internal rules of the company.

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

The assumptions regarding policyholder behaviour are considered in a deterministic manner, in the sense that behaviour is not dependent on the economic scenario, but rather depends on other risk factors (e.g. 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 as annuities is the sum of the best estimates for the existing and expected claims from this line of business. The best estimates are calculated using life valuation techniques. In doing so, relevant mortality tables that are also used for the valuation of capitalised annuities for the purpose of the making of lists are observed. This is how the provision for planned annuities for insurance cases, for which no claim was yet filed, but can justifiably be expected, is 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 takes into account the costs of claim adjustment.

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

- insurance with profit participation where it increased by EUR 20.3 million mainly as a result of changes of the risk-free interest rate curve and the newly underwritten risks in the reporting period;
- index or unit-linked insurance where it increased by EUR 37.3 million mainly as a result of actual investment movements in the period and the change in the risk-free interest rate curve;
- other life insurance where it increased by EUR 6.4 million as a result of the actual cash flows in the reporting period, new risks underwritten in the reporting period and changes in non-economic assumptions;
- non-life insurance annuities where it increased by EUR 5.1 million. Most of the difference comes from the Company where the provisions for this item increased by EUR 4.8 million mostly as a result of the increase in annuity liabilities and the change in the risk-free interest rate curve.

D.2.2.2 Risk margin for life insurance

The definition of the risk margin is based on the estimated value of the solvency capital requirement for all future periods until the maturity of the existing portfolio of liabilities. Therefore, the Group calculates them by applying a simplification based on the calculation of the future values of partial solvency capital requirements for individual risk sub-types (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 financial reporting purposes determine the value of technical provisions within certain segments of the portfolio as the higher of the following: the realistic value of liabilities (according to the LAT methodology) or a conservative value of liabilities. The conservative calculation of liabilities 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 50: Differences between technical provisions for life insurance for solvency purposes and for financial reporting purposes

31 December 2020	In EUR thousand	
	Value for solvency purposes	Value for financial reporting purposes*
Life insurance technical provisions	1,794,507	2,009,185

* 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 liabilities (traditional life insurance) for financial reporting purposes, but with certain exceptions. The constant technical interest rate embedded in the individual tariff or the valuation interest rate, provided the latter is lower, is applied for discounting.

The assumptions about cost parameters are generally identical to those embedded in the tariff of a product, while an empirical valuation parameter needs to be applied in certain cases. Policyholder behaviour (surrender, capitalisation, cancellation, and annuitisation) is not taken into account in the valuation of liabilities for financial reporting purposes. Liabilities are calculated using actuarial mathematical formulas consisting of traditional actuarial factors.

When it comes to the valuation for solvency purposes, all 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 within a given country.

For insurance with profit participation, the positive difference between the valuation of liabilities 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 than 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 liabilities compared to the parameters used in the calculation for financial reporting purposes) and permitting negative liabilities 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 75.2 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"⁵;
- 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 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.

⁵ Defined Benefit Plan

Provisions for jubilee benefits and pensions and severance pay upon retirement (post-employment benefits) for solvency reporting purposes match the provisions calculated for financial reporting purposes.

Table 51: Group's provisions, other than technical provisions

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Provisions, other than technical provisions	19,068	17,199	20,590

Provisions, other than technical provisions, increased compared to the year before as a result of the drop in the interest rate curve.

D.3.2 Deferred tax liabilities

For financial reporting purposes, deferred tax liabilities are accounted for all temporary differences between the value of liabilities for tax purposes and their carrying amount. The calculation of deferred tax liabilities is made at the tax rate, which is expected to be applied when the respective liability is settled.

Deferred tax liabilities are valued in two stages for solvency purposes. In the first stage, the product of the currently applicable local tax rate applicable in the country where the company operates and the differences between the passive portion of the financial reporting and market balance sheet value of an individual company is added to the deferred tax liabilities for financial reporting purposes at the level of an individual subsidiary in the Group. We thus get the value of deferred tax liabilities at the level of an individual subsidiary. In the second stage, individual values of deferred tax liabilities of individual subsidiaries are summed up thus arriving at the value applicable at the Group level.

Table 52: Group's deferred tax liabilities

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Deferred tax liabilities	81,289	71,800	14,540

The value of deferred tax assets for solvency purposes increased compared to the previous reporting period due to the increase at the Company and at Triglav Re.

D.3.3 Derivatives

The value of derivatives is determined by the closing offered buying price in an active market (the stock exchange, price of the market operator). In the event that there is no active market, 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 53: Group's derivatives

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Derivatives	37	29	37

At the end of 2020, there were some derivatives used for hedging against currency risk at the Group level that had a slightly negative value. These instruments are therefore shown under liabilities.

D.3.4 Debts owed to credit institutions

Debts owed to credit institutions are liabilities arising from received bank loans. For financial reporting and solvency purposes, these liabilities are measured at cost.

Table 54: Group's debts owed to credit institutions

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Debts owed to credit institutions	520	0	520

The value of these liabilities is positive compared to the previous reporting period and amounts to EUR 0.5 million as a result of revolving loans used by the subsidiary Triglav, Osiguranje Beograd.

D.3.5 Financial liabilities other than debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions include bonds issued by a Group member (either held by credit institutions or not), structured notes issued by a Group member as well as mortgages owed to entities other than credit institutions. Subordinated liabilities are not included in this category. For financial reporting and solvency purposes, these liabilities are measured at cost.

Table 55: Group's financial liabilities other than debts owed to credit institutions

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Financial liabilities	2,098	1,820	2,376

The value of financial liabilities other than debts owed to credit institutions increased immaterially compared to the year before.

D.3.6 Insurance and intermediaries payables

Insurance and intermediaries payables represent liabilities from direct insurance operations 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. The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. Different classification of balance sheet items is also used for the two valuation methods. For solvency purposes, this item also includes all past due liabilities for reinsurers' and coinsurers' shares in claims. Non past due liabilities for reinsurers' and coinsurers' shares in claims are taken into account for solvency purposes in the calculation of reinsurance recoverables. Non past due and past due liabilities for reinsurers' and coinsurers' shares in claims are taken into account for financial reporting purposes in the calculation of reinsurance liabilities.

Table 56: Group's insurance and intermediaries payables

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Insurance and intermediaries payables	21,543	35,607	16,802

Insurance and intermediaries payables decreased in 2020 mainly because of the decrease in liabilities at the Company and the increase in intragroup transactions.

D.3.7 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 payables under passive reinsurance, while their value for financial reporting purposes contains both payables from active and passive reinsurance.

Table 57: Group's reinsurance payables

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Reinsurance payables	17,602	4,312	48,941

These liabilities increased in the previous period due to the decrease in intragroup transactions.

D.3.8 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. The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. Different classification of balance sheet items is also used for the two valuation methods.

Table 58: Group's payables (trade not insurance)

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Payables (trade not insurance)	53,736	56,623	14,596

Other payables decreased in 2020 because of the decrease in trade payables.

D.3.9 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 59: Group's subordinated liabilities

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Subordinated liabilities	53,545	68,081	49,424

Subordinated liabilities decreased by EUR 14.5 million in 2020, whereby EUR 16 million went towards the repayment (maturity in March 2020) of the ZT02 subordinated bond. The value of the only remaining subordinated bond of the Company as calculated for solvency purposes increased because of the decrease in the risk-free interest rate.

D.3.10 Any other liabilities, not elsewhere shown

Any other liabilities, not elsewhere shown are all of the Group's other liabilities not included in any of the previous liability items in the balance sheet. Valuation for financial reporting purposes is the same as for solvency purposes.

The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within

the Group. Different classification of balance sheet items is also used for the two valuation methods.

Table 60: Group's any other liabilities, not elsewhere shown

Liabilities	In EUR thousand		
	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Any other liabilities, not elsewhere shown	13,865	14,283	68,250

The amount of the Group's other liabilities not elsewhere shown did not decrease materially compared to the previous reporting period.

D.4 Alternative methods for valuation

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

D.5 Any other information

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

Group members have a system in place for regular (at least annual) verification of the suitability of investment policies. This takes into account the conditions of financial markets and other important factors that affect investing. The correlation between the risks arising from various classes of assets and liabilities are monitored on a regular basis using stress tests by credit rating agencies, stress tests initiated by the regulator or stress tests prescribed by EIOPA.

The Group's largest off-balance-sheet exposure is to claimed subrogation receivables and alternative investments items. Detailed information on off-balance sheet items not reported by the Group 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 Group in sections D.1 through D.4.

E. Capital management

E.1 Own funds

E.2 Solvency capital requirement and minimum capital requirement

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

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

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

E.6 Any other information

E. Capital management

The Group's capital management system is based on strategic goals, regulatory requirements, good practices and the internally established methodology that takes into account the characteristics and special features of the operations of the company as a whole as well as the local requirements of individual Group companies.

Capital management at the Group level is established by a continuous process involving the determination and maintenance of a sufficient volume and quality of capital required to cover the underwritten risk so as to ensure efficient operations. The capital management system also encompasses the management of regulatory capital risk, which also includes risks arising from legislative amendments and amendments of financial reporting standards that affect capital adequacy and consequently dividend distribution.

The objective of the capital management system is the efficient use of available own funds (also termed economic capital), which provides for:

- a high level of confidence of all stakeholders;
- continuous meeting of the regulatory capital adequacy requirements;
- the security and profitability of the operations of Group companies taking into account the defined risk appetite which includes the assurance of an adequate amount of capital and its efficient use;
- assurance of appropriate exposure to capital risk through consistent testing of capital adequacy within the scope of the ORSA process;
- assurance of long-term and stable returns on the owners' investment;
- meeting the criteria of external rating agencies to maintain at least the A credit rating.

Through its capital management system, the Company has also established a process for transparent and optimum economic allocation of capital by individual functional areas and Group companies based on risk-adjusted profitability criteria for the optimum achievement of strategic goals.

As part of the capital management system, the Company of the Group implements an attractive and sustainable dividend policy. The share of consolidated net profit from the previous year that is allocated for dividend distribution is at least 50%, whereby the Company strives to pay shareholders a dividend that is not lower than the one paid in the previous year. The implementation of the dividend policy is subordinated to the medium-term sustainable assurance of the Group's capital adequacy in the target range between 200 and 250%. The Management Board and Supervisory Board submit a proposal each year to the General Meeting of Shareholders of the Company regarding the distribution of the Company's distributable profit based on the balanced consideration of three objectives: prudent management of the Group's capital and assurance of its financial stability, reinvestment of net profits into the implementation of the strategy for the Group's growth and development, and distribution of an attractive dividend to the shareholders.

The capital management strategic objectives and the dividend policy criteria are shown in the figure below.

Figure 5: Capital management strategic objectives and dividend policy criteria

> 250%	Surplus capital adequacy	Possibility of a more aggressive growth of business volume, assessment of potential changes in the business strategy
200–250%	Target capital adequacy	Regular performance of risk management activities
150–200%	Sub-optimum level of capital adequacy	Analyzing possible medium and long-term measures to improve capital adequacy and emphasized monitoring of risks
130–150%	Warning level of capital adequacy	Implementation of measures to improve capital adequacy
< 130%	Insufficient capital adequacy	

The Company manages capital centrally by ensuring optimum and cost-effective capital allocation and use through capital concentration at the Company. Within the scope of the capital management process, capital needs of all Group companies are taken into account as well as the options and restrictions for capital transfer between individual insurance segments and from subsidiaries to the Company and vice versa. The criterion for capital transfer from subsidiaries to the Company is long-term stability and safety of the subsidiaries' operations, taking into account the local regulations on capital requirements applying to individual insurance undertakings.

The aim of the capital management process is to achieve an optimum return according to the use of economic capital criterion at the Group level and represents continuous implementation of the following activities:

- setting of mutually coordinated and clearly communicated objectives, and defining the long-term business strategy of each insurance segment and subsidiary;
- adoption of business decisions that are suitable in terms of profitability and assumed risk as well as strategic guidelines for capital management;
- monitoring and measurement of economic capital value, profitability and use for each insurance segment and subsidiary as well as analysing changes in the risk profile;
- evaluation of operating results;
- implementation of measures for optimum economic capital allocation and monitoring of its use.

In the context of monitoring and measurement of economic capital value, profitability and use for each insurance segment and subsidiary as well as analysing the changes in the risk profile, regular implementation of the ORSA process, which defines the guidelines and measures for the optimisation of operations, is of the utmost importance. The ORSA process is explained in detail in section B.3.6 of this Report.

CAPITAL ADEQUACY OF THE GROUP

As at 31 December 2020, the Group was adequately capitalised and had sufficient capital available to meet both the solvency capital requirement (240%, within the target range between 200% and 250 %) and the minimum capital requirement (549%).

The capital adequacy ratio is defined as the ratio between the total 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 61: Capital adequacy of the Group as at 31 December 2020 and 31 December 2019

Capital adequacy of the Group	In EUR thousand	
	31 December 2020	31 December 2019
Total eligible own funds to meet the SCR	967,524	891,889
Total eligible own funds to meet the MCR	948,518	856,845
Solvency capital requirement (SCR)	403,703	399,614
Minimum capital requirement (MCR)	172,693	165,186
Capital adequacy to SCR	240%	223%
Capital adequacy to MCR	549%	519%

The Group's capital adequacy increased by 17 pp compared to the year before, which is the result of the increase in eligible own funds that increased by EUR 75.6 million compared to the year before.

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

E.1 Own funds

As at 31 December 2020, the Group only had basic own funds totalling EUR 967.5 million. They were composed of the Group's share capital (EUR 73.7 million), subordinated liabilities (EUR 53.5 million) and the reconciliation reserve (EUR 841.5 million). The reconciliation reserve consists of the excess of assets over liabilities in the amount of EUR 972.2 million less the value of expected dividends for the 2020 financial year (EUR 38.6 million), share capital (EUR 73.7 million) and other unavailable funds (EUR 18.3 million). Other unavailable funds are represented by the deductible item representing the difference between the market values of the Triglav Skladi and Triglav pokojninska družba companies and the sectoral value of their available eligible capital to meet the sectoral capital requirement of the company. An additional deductible item from capital is represented by the minority holdings totalling EUR 1.3 million and additionally set aside mathematical provisions at the Group level, i.e. for Triglav pokojninska družba (sectoral regulations of consolidation) because of the deficit identified based on the liability adequacy test (LAT) and amounting to EUR 8.7 million. Details are presented in the Accounting Report of the Annual Report, i.e. in section 2.11.4.

The Group did not have any ancillary own funds as at 31 December 2020.

The structure of the Group's own funds according to tier as at 31 December 2020 and 31 December 2019 is shown in the table below and in template S.23.01 of the Annex to this Report.

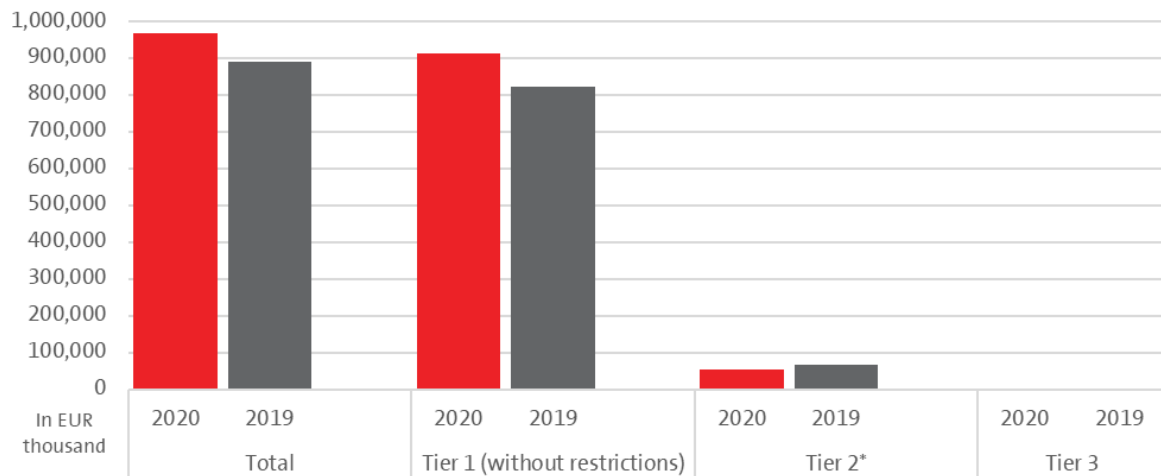
Table 62: Structure of own funds by tier as at 31 December 2020 and 31 December 2019

In EUR thousand	31 December 2020	31 December 2019
Tier 1	913,980	823,808
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	841,550	750,106
Deductions	1,271	0
Tier 2	53,545	68,081
Subordinated liabilities	53,545	68,081
Deductions	0	0
Tier 3	0	0
Deductions	0	0
Total eligible own funds to meet the SCR	967,524	891,889

In EUR thousand	31 December 2020	31 December 2019
Stopnja 1	913,980	823,808
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	841,550	750,106
Deductions	1,271	0
Tier 2 (maximum of 20% of the MCR)	34,539	33,037
Subordinated liabilities	34,539	33,037
Deductions	0	0
Total eligible own funds to meet the MCR	948,518	856,845

The Group's total eligible own funds to meet the SCR increased by EUR 75.6 million in the reporting period. Growth is the result of the increase in the reconciliation reserve by EUR 91.4 million, mainly because of the increase in the excess of assets over liabilities. The value of subordinated liabilities decreased on the other hand by EUR 14.5 million as a result of the maturity of the ZT02 bond.

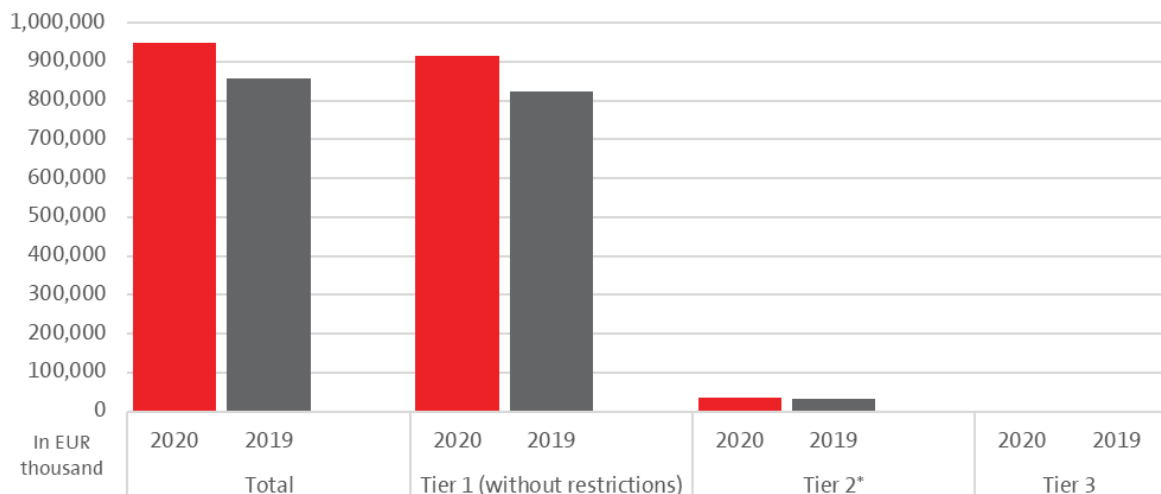
In order to ensure financial stability in the conditions of a spreading pandemic, ISA invited all (re)insurance companies and pension companies during the course of the year to temporarily suspend the distribution of dividends. Despite the suitable capital strength of the Group, which the Company justified quantitatively and qualitatively by calculations during the testing of capital adequacy under stress conditions, including in the event of the distribution of planned dividends, the renewed deterioration of conditions during the second wave of the COVID-19 pandemic meant that dividends were not distributed in 2020. The reconciliation reserve increased accordingly.

Chart 9: Comparison of eligible own funds to meet the SCR as at 31 December 2020 and 31 December 2019

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

The Group's total eligible own funds to meet the MCR as at 31 December 2020 amounted to EUR 948.5 million, whereby Tier 2 own funds that exceed 20% of the MCR are already excluded from the said amount.

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

Chart 10: Comparison of eligible own funds to meet the MCR as at 31 December 2020 and 31 December 2019

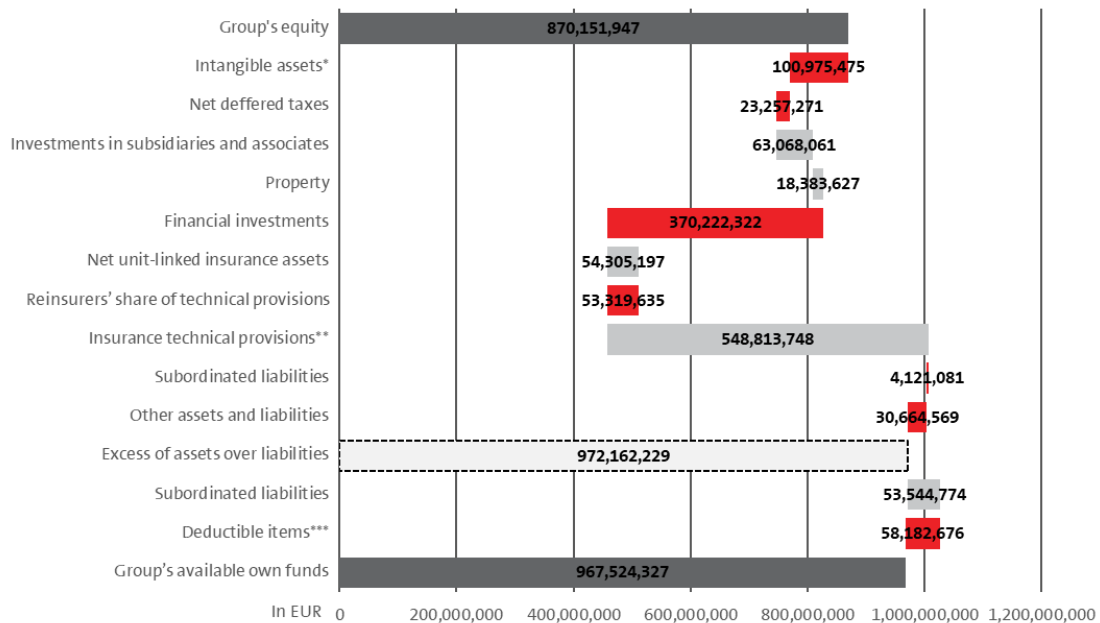
* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR.

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

The differences between capital for financial reporting purposes and own funds calculated for solvency purposes arise from 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 11: Explanation of differences in capital valuation in the balance sheet for solvency and financial reporting purposes for the Group as at 31 December 2020



Note*: The fair value of intangible assets is valued at 0.

Note**: Consolidation method for solvency purposes differs for Triglav Skladi and Triglav pokojninska družba.

Note***: In this item interests in companies with sectoral rules, foreseeable dividends and non-available minority interests at group level are included.

Capital for financial reporting purposes as at 31 December 2020 amounted to EUR 870.2 million, while the available own funds amounted to EUR 967.5 million. Triglav Skladi and Skupna pokojninska družba are fully consolidated for financial reporting purposes and included according to the equity method for solvency purposes. The difference in the inclusion of companies has a major effect on the difference in financial assets. The difference in the value of technical provisions affects their different valuations (details provided in section D.2 of this Report) and the inclusion of liabilities as technical provisions of Triglav pokojninska družba are included in financial statements.

E.2 Solvency capital requirement and minimum capital requirement

The Company calculates capital adequacy based on the standard formula in accordance with the ZZavar-1 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 or the Group.

The legislation does not prescribe the minimum capital requirement at the Group level. The floor for the SCR at the Group level must equal the minimum capital requirement at the Group level and is the sum of the minimum capital requirement of the Company and the proportionate share of the minimum capital requirement of all associated (re)insurance companies. The calculation

for the Group insurance companies that are not subject to the Delegated Regulation takes into account the local MCRs in proportionate amounts.

E.2.1 Solvency capital requirement

The Group's SCR as at 31 December 2020 amounted to EUR 403.1 million, an increase of EUR 3.5 million compared to the year before. The main reason for the increase in the SCR is the increase in the capital requirements for underwriting risk, mainly the non-life insurance risk, and the increase in the capital requirement for the remaining (associated) companies that are not fully consolidated.

Table 63: SCR of the Group as at 31 December 2020 and 31 December 2019

Group's SCR	In EUR thousand	
	31 December 2020	31 December 2019
Underwriting risks	301,293	291,556
Market risks	179,951	191,677
Credit risks	41,487	40,314
Diversification	-180,902	-179,321
Basic solvency capital requirement	341,829	344,226
Operational risks	40,007	37,021
Loss-absorbing capacity of technical provisions	-22	-73
Loss-absorbing capacity of deferred taxes	-25,815	-23,971
Adjustment for ring-fenced fund risk diversification	5,175	7,214
SCR (excluding capital add-ons)	361,174	364,417
Capital requirement for Triglav Skladi	12,555	12,344
Capital requirement for Triglav pokojninska družba	13,546	12,789
Capital requirement for other companies (non-ancillary activity, associates)	16,428	10,064
SCR	403,703	399,614

The increase in the capital requirement for underwriting risk by EUR 9.7 million compared to the year before is the result of the increase in the capital requirement for non-life insurance risks that mostly rose because of the growth of the portfolio and provisions.

The capital requirement for market risk decreased by EUR 11.7 million compared to the previous reporting period. The reason for this is the changes in the investment portfolio composition where the improvement in the credit quality of debt investments and the switch from corporate to government debt was reflected in the reduction of the capital requirement for spread risk.

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

Owing to the above, the BSCR decreased by EUR 2.4 million.

The increase in the SCR in the reporting period was the result of the increase in the capital requirement for operational risks as well as the other Group companies that are not consolidated. The capital requirement for operational risk increased by EUR 3 million as a result

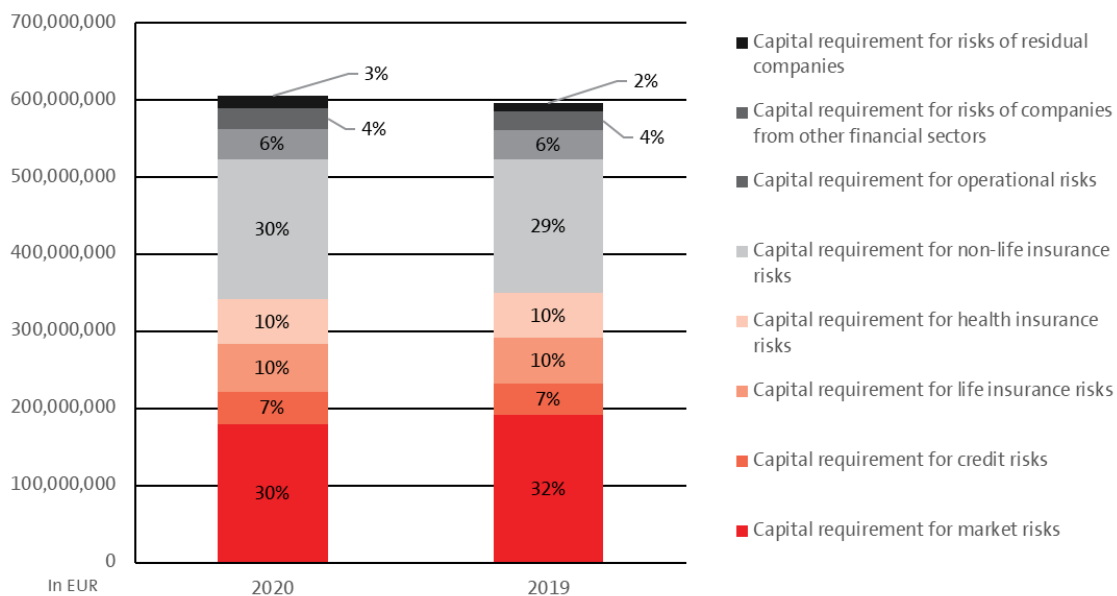
of the increase in the premium volume. The capital requirement for other companies increased by EUR 6.4 million because of the increase in the market value of Triglav Skladi and ZTSR, d.o.o.

The loss-absorbing capacity of deferred taxes at the end of 2020 amounted to EUR 25.8 million, up EUR 1.8 million YOY. The adjustment for the loss-absorbing capacity of deferred taxes is recalculated based on the net deferred tax liabilities weighted by individual (re)insurance subsidiaries of the Group, 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, probable future taxable profits are not taken into account at the Group level.

The values of individual risk categories are shown in greater detail section C of this Report and in template S.25.01 in the Annex to this Report.

The chart below shows the structure of the individual capital requirements by risk category, whereby the presentation also takes into account the capital requirement for operational risk and the capital requirements of companies from other financial sectors as well as the capital requirements of the remaining companies that are not part of the basic capital requirement.

Chart 12: Group's capital requirements excluding diversification as at 31 December 2020 and 31 December 2019



In the reporting period, the Group took into account the ring-fenced funds and calculated the SCR using method 3 – simplification at risk module level defined in the EIOPA Guideline on ring-fenced funds. This means that capital requirements for ring-fenced funds and the remaining part of the Group'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 Annex to this Report.

E.2.2 Minimum capital requirement

The minimum capital requirement at the Group level as at 31 December 2020 amounted to EUR 172.7 million.

The table below shows the calculation of the minimum capital requirement of the Group as at 31 December 2020 and 31 December 2019.

Table 64: MCR of the Group as at 31 December 2020 and 31 December 2019

	In EUR thousand	
	2020	2019
Group's MCR	172,693	165,186
Zavarovalnica Triglav	108,322	106,359
Pozavarovalnica Triglav Re	18,664	16,309
Triglav Zdravstvena zavarovalnica	10,360	8,846
Triglav Osiguranje, Zagreb	9,773	8,608
Triglav Osiguranje, Sarajevo	4,090	4,090
Lovčen Osiguranje, Podgorica	3,000	3,000
Triglav Osiguranje, Beograd	6,403	6,412
Triglav Osiguranje, Banja Luka	3,068	2,556
Triglav Osiguruvanje, Skopje	3,007	3,003
Lovčen životno osiguranje, Podgorica	3,000	3,000
Triglav Osiguruvanje Život, Skopje	3,007	3,003

The Group's MCR was up EUR 7.5 million compared to the previous reporting period, whereby EUR 2.4 million of the said amount came from Triglav Re and EUR 2 million from the Company.

E.2.3 Diversification effects in the Group

Material diversification effects in the Group arise from the relative size of the risks and the correlation between them. To calculate the diversification effects, correlation factors prescribed with the standard formula are used. Given that the insurance portfolio of the Group is large and well diversified between non-life, health, life insurance and reinsurance, the diversification effects are greater than at the level of an individual company. Diversification is not taken into account for companies that are not fully consolidated.

The diversification ratio at the Group level in 2020 stood at 83.9%, which is less than a percentage point lower than the year before when it was 84.5%.

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

The Group does not use internal models to calculate and monitor capital adequacy for solvency purposes.

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

The Group does not use internal models to calculate and monitor capital adequacy for solvency purposes.

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

In the reporting period, the Group did not find any non-compliance with the minimum consolidated 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 Group in sections E.1 through E.5.

Annexes



Annexes

Quantitative Reporting Templates (QRT) of the Group as at 31 December 2020:

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.23.01.22 - Own funds
5. S.25.01.22 - Solvency capital requirement for undertakings using the standard formula
6. S.32.01.22 - Undertakings in the scope of the Group

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	44,271
Pension benefit surplus	
Property, plant and equipment held for own use	123,653
Investments (other than assets held for index-linked and unit-linked contracts)	2,517,316
Property (other than for own use)	96,700
Holdings in related undertakings, including participations	94,855
<i>Equities</i>	<i>59,140</i>
Equities - listed	52,815
Equities - unlisted	6,325
<i>Bonds</i>	<i>2,135,930</i>
Government Bonds	1,443,023
Corporate Bonds	691,848
Structured notes	1,059
Collateralised securities	
Collective Investments Undertakings	66,041
Derivatives	113
Deposits other than cash equivalents	61,874
Other investments	2,664
Assets held for index-linked and unit-linked contracts	679,522
Loans and mortgages	5,107
Loans on policies	3,948
Loans and mortgages to individuals	1,151
Other loans and mortgages	7
Reinsurance recoverables from:	72,554
Non-life and health similar to non-life	69,151
Non-life excluding health	68,734
Health similar to non-life	417
Life and health similar to life, excluding health and index-linked and unit-linked	3,374
Health similar to life	
Life excluding health and index-linked and unit-linked	3,374
Life index-linked and unit-linked	28
Deposits to cedants	11,211
Insurance and intermediaries receivables	51,355
Reinsurance receivables	12,866
Receivables (trade, not insurance)	11,288
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	53,648
Any other assets, not elsewhere shown	6,657
Total assets	3,589,446

Liabilities	Solvency II value
Technical provisions - non-life	559,475
Technical provisions - non-life (excluding health)	498,831
TP calculated as a whole	
Best estimate	468,031
Risk margin	30,801
Technical provisions - health (similar to non-life)	60,644
TP calculated as a whole	
Best estimate	57,267
Risk margin	3,377
TP - life (excluding index-linked and unit-linked)	1,122,267
Technical provisions - health (similar to life)	108
TP calculated as a whole	
Best estimate	108
Risk margin	1
TP - life (excluding health and index-linked and unit-linked)	1,122,159
TP calculated as a whole	
Best estimate	1,088,535
Risk margin	33,623
TP - index-linked and unit-linked	672,240
TP calculated as a whole	
Best estimate	653,961
Risk margin	18,279
Contingent liabilities	
Provisions other than technical provisions	19,068
Pension benefit obligations	
Deposits from reinsurers	
Deferred tax liabilities	81,289
Derivatives	37
Debts owed to credit institutions	520
Financial liabilities other than debts owed to credit institutions	2,098
Insurance and intermediaries payables	21,543
Reinsurance payables	17,602
Payables (trade, not insurance)	53,736
Subordinated liabilities	53,545
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	53,545
Any other liabilities, not elsewhere shown	13,865
Total liabilities	2,617,284
Excess of assets over liabilities	972,162

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	203,615	69,643		168,357	152,083	22,495
Gross - Proportional reinsurance accepted	1,752	4,158		20,582	11,000	13,457
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	2,539	3,902		26,406	18,126	12,856
Net	202.828	69.898		162.533	144.957	23.096
Premiums earned						
Gross - Direct Business	203,428	70,361		170,080	151,591	21,757
Gross - Proportional reinsurance accepted	1,621	4,151		20,673	10,797	12,127
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	2,891	3,907		26,291	18,137	12,268
Net	202,158	70,604		164,463	144,251	21,615
Claims incurred						
Gross - Direct Business	145,749	23,586		100,310	90,364	15,354
Gross - Proportional reinsurance accepted	1,474	1,234		12,628	6,427	6,429
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	1,827	1,541		15,528	10,365	11,569
Net	145,397	23,280		97,411	86,426	10,214
Changes in other technical provisions						
Gross - Direct Business	22,043	241		-39	374	32
Gross - Proportional reinsurance accepted	-131	0		0	119	-11
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	-178					
Net	22,089	241		-39	493	21
Expenses incurred	21,291	21,596		54,108	40,460	7,713
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	182,144	43,697	24,930	661	19,497	5,251
Gross - Proportional reinsurance accepted	145,157	8,070	9,473	89	1,350	2,309
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	145,827	18,916	13,913	214	1,502	5,506
Net	181,474	32,851	20,490	537	19,344	2,054
Premiums earned						
Gross - Direct Business	178,291	43,054	27,454	678	19,627	5,245
Gross - Proportional reinsurance accepted	137,864	7,960	8,769	100	1,379	2,230
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	141,457	18,940	13,233	211	1,553	5,440
Net	174,699	32,075	22,990	567	19,453	2,035
Claims incurred						
Gross - Direct Business	83,126	-1,586	12,949	30	12,674	337
Gross - Proportional reinsurance accepted	60,100	-6,334	3,692	9	772	7,989
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	50,668	-11,972	4,733	22	875	434
Net	92,558	4,053	11,908	18	12,572	7,892
Changes in other technical provisions						
Gross - Direct Business	202	-10	-65	0	-168	2
Gross - Proportional reinsurance accepted	-134	2	144	12	7	126
Gross - Non-proportional reinsurance accepted						
Reinsurers' share			-32			
Net	68	-9	110	12	-161	128
Expenses incurred	71,150	10,252	6,357	475	7,447	1,529
Other expenses						
Total expenses						

	Line of Business for: accepted nonproportional reinsurance				
	Health	Casualty	Marine, aviation, transport	Property	Total
Premiums written					
Gross - Direct Business					892,373
Gross - Proportional reinsurance accepted					217,398
Gross - Non-proportional reinsurance accepted	240	4,823	2,532	26,752	34,348
Reinsurers' share	67	4,352	637	12,497	267,260
Net	173	472	1,896	14,255	876,859
Premiums earned					
Gross - Direct Business					891,567
Gross - Proportional reinsurance accepted					207,671
Gross - Non-proportional reinsurance accepted	214	4,812	2,320	24,768	32,114
Reinsurers' share	67	4,512	672	12,442	262,020
Net	147	301	1,649	12,325	869,332
Claims incurred					
Gross - Direct Business					482,894
Gross - Proportional reinsurance accepted					94,423
Gross - Non-proportional reinsurance accepted	104	2,112	123	16,986	19,324
Reinsurers' share		2,026	223	11,001	98,839
Net	104	85	-100	5,985	497,803
Changes in other technical provisions					
Gross - Direct Business					22,613
Gross - Proportional reinsurance accepted					132
Gross - Non-proportional reinsurance accepted					0
Reinsurers' share					-209
Net					22,954
Expenses incurred	15	-76	140	1,482	243,939
Other expenses					12,648
Total expenses					256,587

Line of Business for: life insurance 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	9	65,216	89,184	21,741				906	177,056
Reinsurers' share		37	65	3,798				971	4,872
Net	9	65,178	89,119	17,942				-65	172,184
Premiums earned									
Gross	8	65,230	89,184	21,733				906	177,061
Reinsurers' share		37	65	3,798				971	4,872
Net	8	65,192	89,119	17,935				-65	172,189
Claims incurred									
Gross		88,690	60,195	8,544	-41	5,348		327	163,063
Reinsurers' share		8	29	464		10		333	845
Net		88,682	60,166	8,080	-41	5,338		-6	162,218
Changes in other technical provisions									
Gross		498	27,541	2,741					30,780
Reinsurers' share									0
Net		498	27,541	2,741					30,780
Expenses incurred		12,655	18,270	10,587		39		-42	41,509
Other expenses									1,395
Total expenses									42,904

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
		HR	RS	ME	BA	MK	
Premium written							
Gross - Direct Business	684,812	63,420	54,644	32,125	24,267	19,994	879,263
Gross - Proportional reinsurance accepted	126,900	9,121	6,250	3,529	2,224	2,605	150,628
Gross - Non-proportional reinsurance accepted	14,479	1,198	992	490	74	408	17,641
Reinsurers' share	144,695	14,631	19,476	10,132	8,345	5,903	203,182
Net	681,496	59,107	42,411	26,012	18,220	17,104	844,350
Premium earned							
Gross - Direct Business	686,296	59,557	54,811	32,174	24,108	21,463	878,410
Gross - Proportional reinsurance accepted	121,703	8,785	6,214	3,554	2,224	2,654	145,135
Gross - Non-proportional reinsurance accepted	14,188	1,197	992	490	74	408	17,348
Reinsurers' share	140,387	14,409	18,961	9,542	8,034	6,589	197,922
Net	681,800	55,130	43,057	26,676	18,372	17,936	842,971
Claims incurred							
Gross - Direct Business	375,477	47,405	19,226	10,936	10,376	16,271	479,691
Gross - Proportional reinsurance accepted	39,336	13,150	2,140	1,325	1,092	1,191	58,235
Gross - Non-proportional reinsurance accepted	9,993	1,240	237	-11	10	-449	11,020
Reinsurers' share	42,590	18,005	4,717	1,808	3,896	9,276	80,292
Net	382,216	43,790	16,887	10,441	7,583	7,738	468,655
Changes in other technical provisions							
Gross - Direct Business	21,441	902	44	157	-76	154	22,622
Gross - Proportional reinsurance accepted	132						132
Gross - Non-proportional reinsurance accepted							0
Reinsurers' share	-178					-32	-209
Net	21,750	902	44	157	-76	186	22,963
Expenses incurred	148,174	19,001	9,260	8,954	6,749	7,157	199,296
Other expenses							11,600
Total expenses							210,896

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		HR	BA	RS	ME	MK	
Premium written							
Gross	146,407	10,205	9,142	6,135	4,165	1,002	177,056
Reinsurers' share	610	354	1,851	1,023	40	2	3,880
Net	145,797	9,852	7,291	5,112	4,124	1,000	173,176
Premium earned							
Gross	146,405	10,205	9,142	6,135	4,173	1,001	177,061
Reinsurers' share	610	354	1,851	1,023	40	2	3,880
Net	145,795	9,852	7,291	5,112	4,133	999	173,181
Claims incurred							
Gross	146,358	6,376	2,920	4,076	3,116	218	163,063
Reinsurers' share	222	4	232	-6	31		483
Net	146,136	6,371	2,688	4,082	3,085	218	162,580
Changes in other technical provisions							
Gross	27,120	3,522			138		30,780
Reinsurers' share							0
Net	27,120	3,522			138		30,780
Expenses incurred	29,101	6,627			547	705	36,980
Other expenses							1,389
Total expenses							38,369

Annex 4: S.23.01.22 - Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares)	73,701	73,701			
Non-available called but not paid in ordinary share capital at group level					
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					
Non-available subordinated mutual member accounts at group level					
Surplus funds					
Non-available surplus funds at group level					
Preference shares					
Non-available preference shares at group level					
Share premium account related to preference shares					
Non-available share premium account related to preference shares at group level					
Reconciliation reserve	841,550	841,550			
Subordinated liabilities	53,545			53,545	
Non-available subordinated liabilities at group level					
An amount equal to the value of net deferred tax assets					
The amount equal to the value of net deferred tax assets not available at the group level					
Other items approved by supervisory authority as basic own funds not specified above					
Non available own funds related to other own funds items approved by supervisory authority					
Minority interests (if not reported as part of a specific own fund item)					
Non-available minority interests at group level	1,271	1,271			
Own funds from the financial statements that shall 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 shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Deductions					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities					
whereof deducted according to art 228 of the Directive 2009/138/EC					
Deductions for participations where there is non-availability of information (Article 229)					
Deduction for participations included by using D&A when a combination of methods is used					
Total of non-available own fund items	1,271	1,271			
Total deductions	1,271	1,271			
Total basic own funds after deductions	967,524	913,980		53,545	

	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					
Non available ancillary own funds at group level					
Other ancillary own funds					
Total ancillary own funds					
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, financial institutions					
Institutions for occupational retirement provision					
Non regulated entities carrying out financial activities					
Total own funds of other financial sectors					
Own funds when using the D&A, exclusively or in combination of method 1					
Own funds aggregated when using the D&A and combination of method					
Own funds aggregated when using the D&A and a combination of method net of IGT					

Available and eligible own funds	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	967,524	913,980		53,545	
Total available own funds to meet the minimum consolidated group SCR	967,524	913,980		53,545	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	967,524	913,980		53,545	
Total eligible own funds to meet the minimum consolidated group SCR	948,518	913,980		34,539	
Minimum consolidated Group SCR	172,693				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	549%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	967,524	913,980		53,545	
Group SCR	403,703				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	240%				

Reconciliation reserve

Excess of assets over liabilities	972,162
Own shares (included as assets on the balance sheet)	
Foreseeable dividends, distributions and charges	38,650
Other basic own fund items	73,701
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
Other non available own funds	18,262
Reconciliation reserve before deduction for participations in other financial sector	841,550
Expected profits	
Expected profits included in future premiums (EPIFP) - Life Business	67,923
Expected profits included in future premiums (EPIFP) - Non- life business	59,594
Total EPIFP	127,517

Annex 5: S.25.01.22 - Solvency capital requirement for undertakings using the standard formula

	Gross solvency capital requirement
Market risks	179,951
Credit risks	41,487
Life underwriting risks	62,231
Health underwriting risks	57,699
Non-life underwriting risks	181,364
Diversification	-180,902
Intangible asset risk	
Basic Solvency Capital Requirement	341,829
Calculation of Solvency Capital Requirement	
Operational risks	40,007
Loss-absorbing capacity of technical provisions	-22
Loss-absorbing capacity of deferred taxes	-25,815
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
Adjustment for ring-fenced fund risk diversification	5,175
Solvency capital requirement excluding capital add-on	361,174
Capital add-on already set	
Solvency capital requirement	403,703
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	14,445
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	
Minimum consolidated group solvency capital requirement	172,693
Information on other entities	
Capital requirement for other financial sectors (Non-insurance capital requirements)	26,101
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	12,555
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	13,546
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	
Capital requirement for non-controlled participation requirements	
Capital requirement for residual undertakings	16,428
Overall SCR	
SCR for undertakings included via D and A	
Solvency capital requirement	403,703

Annex 6: S.32.02.22 - Undertakings in the scope of the Group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
SI	549300KGI78M KHO38N42	1 - LEI	Zavarovalnica Triglav, d.d.	Composite undertaking	Public limited company	Non-mutual	Insurance Supervision Agency				Included in the scope	1 January 2016	Full consolidation
SI	549300XGYWQ T0XWO4R05	1 - LEI	Pozavarovalnica Triglav Re, d.d., Ljubljana	Reinsurance undertaking	Public limited company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
SI	4851000094PJJ Q1E0T23	1 - LEI	Triglav, Zdravstvena zavarovalnica, d.d., Koper	Non life insurance undertaking	Public limited company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
SI	48510000PUFO PHJMW31	1 - LEI	Triglav, pokojninska družba, d.d.	Institution for occupational retirement provision	Public limited company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Sectoral rules
HR	74780000H0HH L10VM657	1 - LEI	Triglav Osiguranje, d.d., Zagreb	Composite undertaking	Public limited company	Non-mutual	Croatian Financial Services Supervisory Agency	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
BA	485100004VIB WAYZM123	1 - LEI	Triglav Osiguranje, d.d., Sarajevo	Composite undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	97.78%	98.87%	Dominant	Included in the scope	1 January 2016	Full consolidation
BA	485100007Q6X SLF2XO57	1 - LEI	Triglav Osiguranje, a.d., Banja Luka	Non life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
RS	48510000D1F4 7ICK5Q68	1 - LEI	Triglav Osiguranje, a.d.o, Beograd	Composite undertaking	Public limited company	Non-mutual	National bank of Serbia	99.88%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
ME	OP-06	2 - Specific code	Lovćen Osiguranje, a.d., Podgorica	Non life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	99.07%	99.07%	Dominant	Included in the scope	1 January 2016	Full consolidation

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
ME	OP-39	2 - Specific code	Lovćen životna osiguranja, a.d., Podgorica	Life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	99.07%	99.07%	Dominant	Included in the scope	1 January 2016	Full consolidation
MK	48510000WZ59RG TJVR81	1 - LEI	Triglav Osiguruvanje, a.d., Skopje	Non life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	80.38%	80.38%	Dominant	Included in the scope	1 January 2016	Full consolidation
MK	OP-56	2 - Specific code	Triglav Osiguruvanje Život, a.d, Skopje	Life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	96.17%	96.17%	Dominant	Included in the scope	30 September 2017	Full consolidation
BA	PP-90DE	2 - Specific code	Društvo za upravljanje EDPF, a.d., Banja Luka	Institution for occupational retirement provision	Public limited company	Non-mutual	Local Insurance Supervision Agency	34,00%	34,00%	Significant	Included in the scope	30 September 2017	Other method
SI	48510000NK Z3E6LSZM73	1 - LEI	Triglav Skladi, d.o.o., Ljubljana	Credit institution, investment firm and financial institution	Private limited-liability company	Non-mutual	0	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Sectoral rules
SI	OP-19	2 - Specific code	Triglav, Upravljanje nepremičnin, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Public limited company	Non-mutual	0	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
SI	OP-13	2 - Specific code	Triglav Svetovanje, d.o.o., Domžale	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
SI	OP-12	2 - Specific code	Triglav Avtoservis, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
SI	PP-21	2 - Specific code	HGP Rest investicije, d.o.o., Ljubljana	Other	Private limited-liability company	Non-mutual	0	100.00%	100.00%	Dominant	Included in the scope	29 March 2019	Other method
SI	PP-90	2 - Specific code	Zavod Vsebov redu, Ljubljana	Other	Social responsibility institute	Non-mutual	0	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Other method
SI	485100000Z4BS9C24Q46	1 - LEI	Triglav INT, d.d., Ljubljana	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Public limited company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
ME	OP-28	2 - Specific code	Lovčen auto, d.o.o., Podgorica	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	99.07%	99.07%	Dominant	Included in the scope	1 January 2016	Full consolidation
BA	OP-24	2 - Specific code	Autocentar BH, d.o.o., Sarajevo	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	97.78%	98.87%	Dominant	Included in the scope	1 January 2016	Full consolidation
SI	485100BVIL6S7PXGWM56	1 - LEI	Ljubljana, finančne storitve, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	49.90%	49.90%	Significant	Included in the scope	31 December 2018	Other method
HR	OP-52	2 - Specific code	Triglav Savjetovanje, d.o.o., Zagreb	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Croatian Financial Services Supervisory Agency	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
BA	OP-22	2 - Specific code	Triglav Savjetovanje, d.o.o., Sarajevo	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Agencija za nadzor osiguranja	98.91%	98.91%	Dominant	Included in the scope	1 January 2016	Full consolidation
RS	OP-53	2 - Specific code	Triglav Savetovanje, d.o.o., Beograd	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Narodna Banka Srbije	99.94%	99.94%	Dominant	Included in the scope	1 January 2016	Full consolidation
BA	OP-26	2 - Specific code	PROF-IN, d.o.o., Sarajevo	Credit institution, investment firm and financial institution	Private limited-liability company	Non-mutual	0	62.54%	62.54%	Dominant	Included in the scope	1 January 2016	Other method
BA	PP-13	2 - Specific code	Sarajevostan, d.d., Sarajevo	Other	Public limited company	Non-mutual	0	90.95%	91.97%	Dominant	Included in the scope	1 January 2016	Other method
HR	OP-54	2 - Specific code	Triglav upravljanje nekretninama, d.o.o., Zagreb	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
ME	OP-55	2 - Specific code	Triglav upravljanje nekretninama, d.o.o., Podgorica	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
SI	747800POD13G4YJHYI09	1 - LEI	Nama, d.d., Ljubljana	Other	Public limited company	Non-mutual	0	39.07%	39.07%	Significant	Included in the scope	1 January 2016	Other method
SI	PP-03	2 - Specific code	Triglavko, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	38.47%	38.47%	Significant	Included in the scope	1 January 2016	Other method

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Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
SI	4851006WX90 N1MWW9471	1 - LEI	TRIGLAV, upravljanje naložb in svetovalne storitve, d.o.o., Ljubljana	Other	Private limited-liability company	Non-mutual	0	49.90 %	49.90 %	Significant	Included in the scope	10 January 2018	Other method
MK	OP-59	2 - Specific code	Triglav penzisko društvo, a.d., Skopje	Institution for occupational retirement provision	Public limited company	Non-mutual	Agencija za nadzor osiguranja	100.00%	100.00%	Dominant	Included in the scope	27 March 2019	Other method
SI	PP-19	2 - Specific code	ZTSR, dejavnost holdingov, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	50.00%	50.00%	Significant	Included in the scope	25 September 2018	Other method
SI	Alifenet	2 - Specific code	Alifenet, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Insurance Supervision Agency	23.58%	23.58%	Significant	Included in the scope	31 December 2020	Other method
SI	Diagnostični center Bled	2 - Specific code	Diagnostični center Bled, d.o.o., Bled	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method
SI	MTC Fontana	2 - Specific code	MTC Fontana, d.o.o., Maribor	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	0	50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method
SI	MEDI CONS	2 - Specific code	Medi Cons kardiologija, d.o.o., Novo mesto	Other	Private limited-liability company	Non-mutual	0	50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method
SI	GASTROMEDICA	2 - Specific code	Gastromedica, d.o.o., Murska Sobota	Other	Private limited-liability company	Non-mutual	0	50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method
SI	INTERNISTIČNA GE AMBULANTA	2 - Specific code	Internistična GE ambulanta, d.o.o., Nova Gorica	Other	Private limited-liability company	Non-mutual	0	50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method

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SI	CARDIAL	2 - Specific code	Cardial, d.o.o., Ljubljana	Other	Private limited-liability company	Non-mutual	0	50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method
SI	DC NALOŽBE	2 - Specific code	DC Naložbe, d.o.o., Bled	Other	Private limited-liability company	Non-mutual	0	50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method