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

triglav

Solvency and Financial Condition Report
Triglav Group
2021

Ljubljana, March 2022

This document is a translation of the original Slovenian version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the Slovenian original is binding.

Solvency capital requirement

€459.3 million

Investments

€2,555.1 million

Own funds

€1,007.1 million

Net profit in 2021

€113 million

Solvency ratio

219%

Triglav Group

Minimum capital requirementl

€174.6 million

Credit rating

"A"

with a stable medium – term outlook

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 2022

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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 16 associated companies at the end of 2021. 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 and internationally 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.

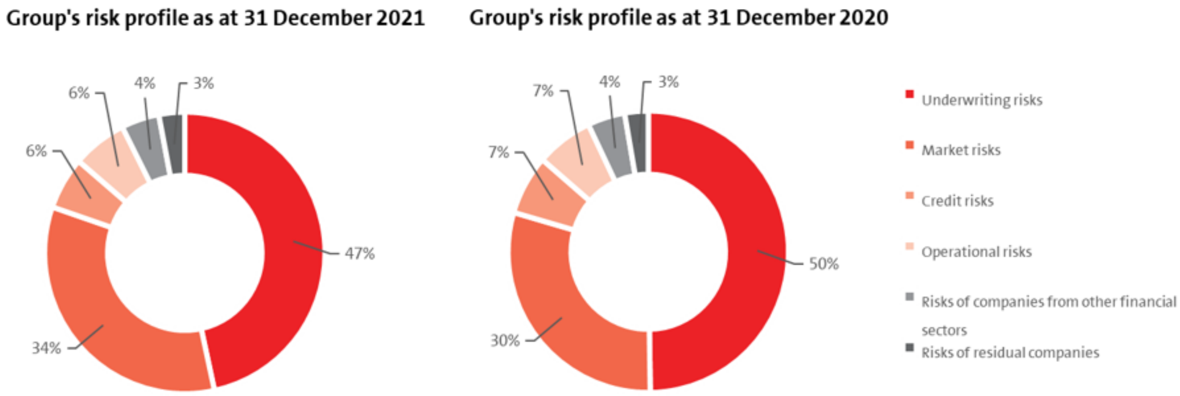
The strategic activities of the Triglav Group include the **insurance business** and **asset management**. The Group performs non-life, life, health and pension insurance activity as well as the reinsurance activity within the scope of the insurance business carried on by the Triglav Group’s (re)insurance 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 2021, both agencies gave the Group an independent **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 2021 financial year was the Deloitte revizija d.o.o. auditing firm.

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

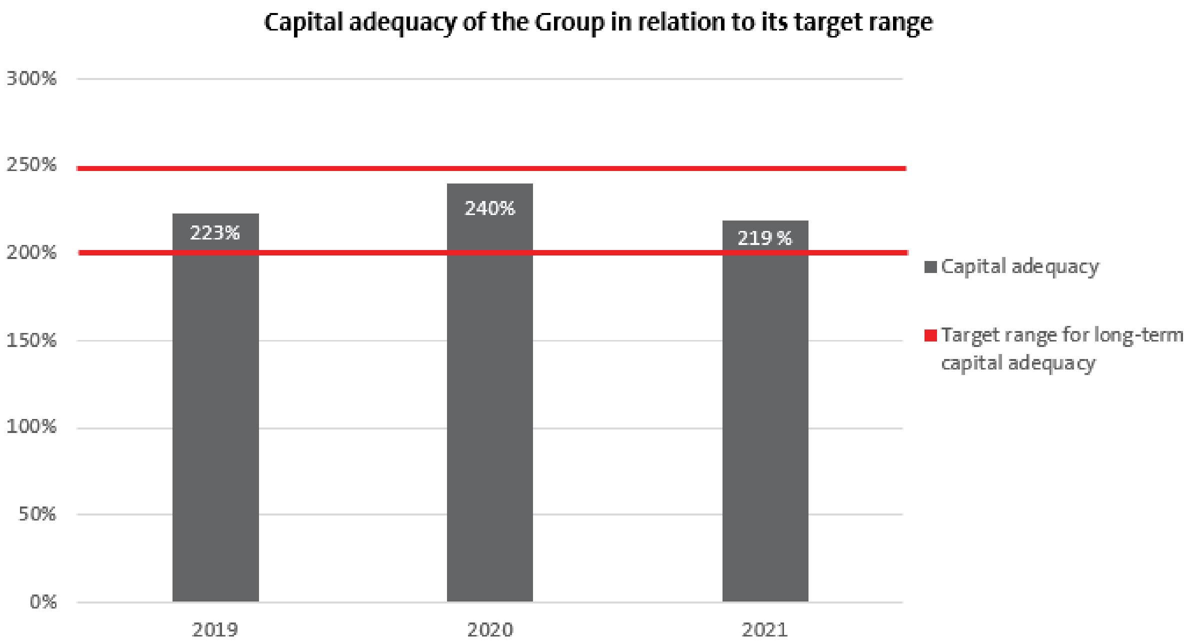
As regards risks and capital adequacy, the Group ended 2021 within the set targets, and the Group's capital adequacy was within the target range. The Group regularly monitored the risk profile and actively upgraded individual areas of the risk management system, mainly where it detected elevated risk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

The risk profile as at 31 December 2021 changed compared to the previous year, mainly due to an increase in market risks, the share of which increased by 4 percentage points compared to the previous year. The main reason is the increase in the capital requirement for equity risk due to additional investments in this investment class and the general growth of stock markets. Underwriting risks represent the largest share in the risk profile of the Triglav Group, which, despite an increase in absolute terms compared to the previous year, decreased by three percentage points.



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

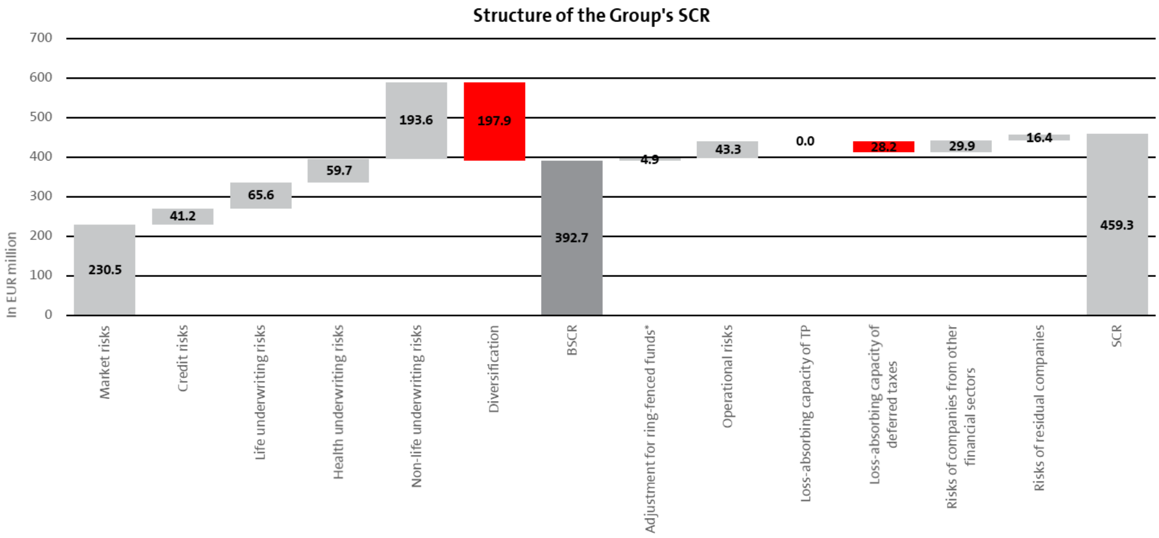
The Triglav Group was adequately capitalised as at 31 December 2021. It had sufficient own funds to cover both the SCR (219%) and the MCR (535%). With a value of 219 percent, **capital adequacy** was in the target value of 200 to 250 percent. Capital adequacy or the capital adequacy ratio is calculated according to the standard formula as the ratio between the total eligible own funds and the solvency capital requirement. The Group does not use adjustments or simplifications when determining capital adequacy.



Eligible own funds are calculated as the difference between assets and liabilities whereby the entire balance sheet is valued at fair value. The funds are composed of the Group's share capital (EUR 73.7 million), subordinated liabilities (EUR 51.7 million) and the reconciliation reserve (EUR 883.3 million). The calculation of eligible own funds takes into account the value of expected dividends for he 2021 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 a Tier 2 asset.

The solvency capital requirement of the Triglav Group is calculated using the standard formula and without any regulatory 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. SVPI[1] and SVPI renta[2], for which risks are calculated separately for each risk type under the standard formula, which is presented in more detail in section E of this Report.



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

At the end of 2021, 81% 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.

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

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

A. Business and performance

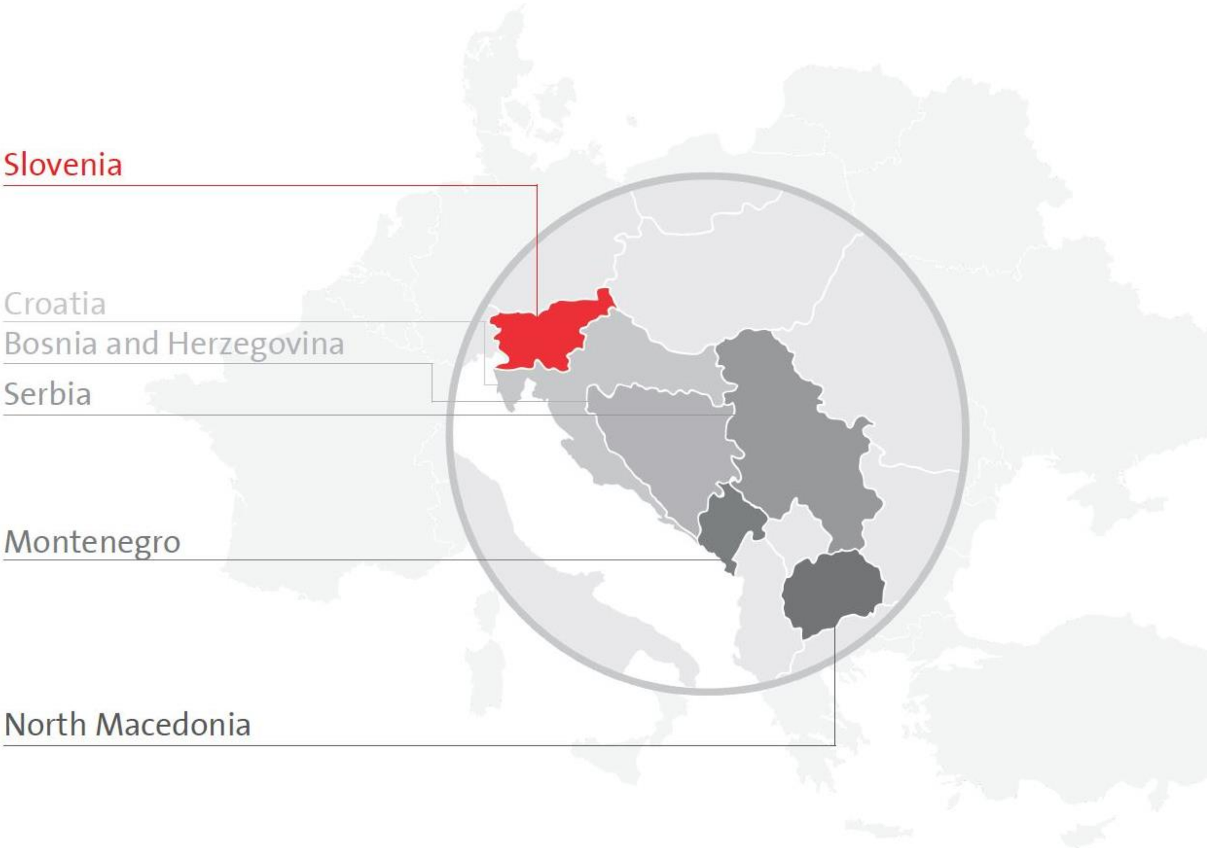
A. Business and performance

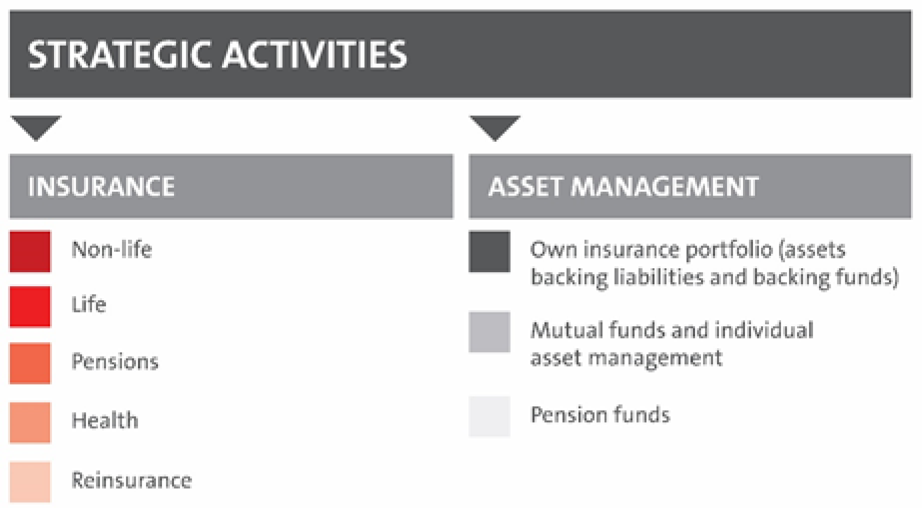
A.1 Business

A.1.1 About 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 on 7 markets in 6 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 16 associated companies at the end of 2021.

Figure 1: Insurance markets of the Group as at 31 December 2021





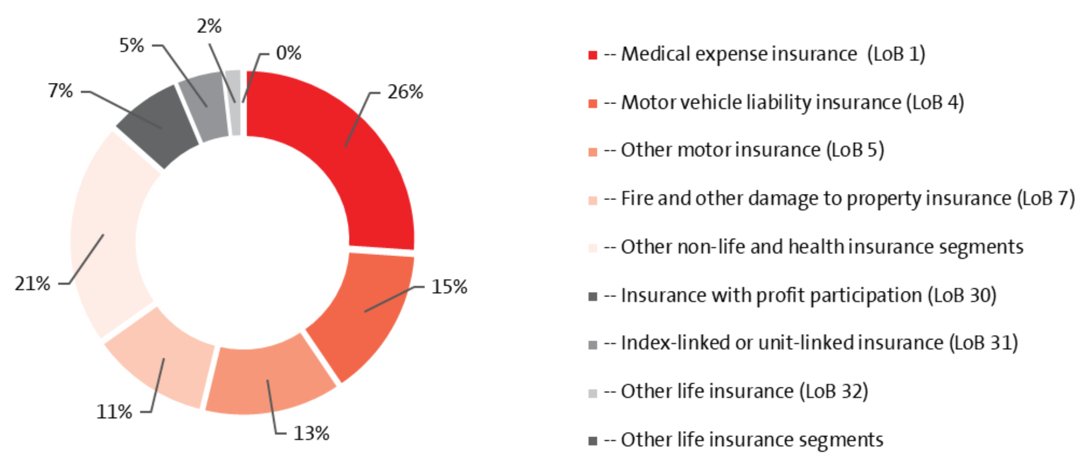
INSURANCE is the most extensive strategic activity of the Group. It includes non-life, life, health and pension insurance as well as the reinsurance activity.

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 2021, the Group operated in all segments of non-life insurance with the exception of the segment of employee accident 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 2021



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.

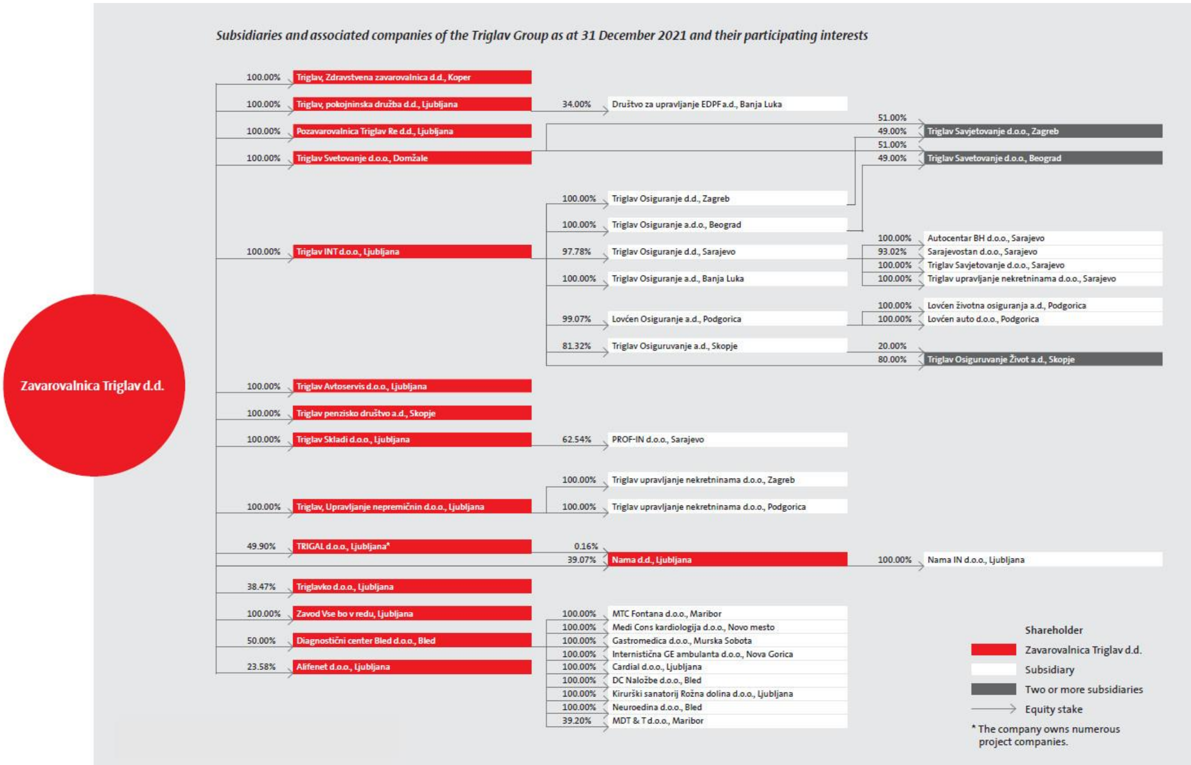
Asset management involves saving via the Group's insurance services and investing in the Group's mutual and pension funds as well as private equity funds.

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

	Insurance	Asset management	Other
Slovenia	▪ Zavarovalnica Triglav, d.d. ▪ Pozavarovalnica Triglav Re, d.d. ▪ Triglav, Zdravstvena zavarovalnica, d.d. ▪ Triglav, pokojninska družba, d.d.	▪ Triglav Skladi, d.o.o. ▪ Triglav, Upravljanje nepremičnin, d.o.o. ▪ Trigal, d.o.o	▪ Triglav INT, d.o.o. ▪ Triglav Svetovanje, d.o.o. ▪ Triglav Avtoservis, d.o.o. ▪ Triglavko, d.o.o. ▪ Diagnostični center Bled, d.o.o. ▪ Alifenet, d.o.o.
Croatia	▪ Triglav Osiguranje, d.d., Zagreb		▪ Triglav Savjetovanje, d.o.o.
Serbia	▪ Triglav Osiguranje, a.d.o., Beograd		▪ Triglav Savetovanje, d.o.o.
Montenegro	▪ Lovćen Osiguranje, a.d., Podgorica ▪ Lovćen životna osiguranja, a.d., Podgorica		▪ Lovćen auto, d.o.o.
Bosnia and Herzegovina	▪ Triglav Osiguranje, d.d., Sarajevo ▪ Triglav Osiguranje, a.d., Banja Luka	▪ PROF-IN, d.o.o. ▪ Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom, a.d, Banja Luka	▪ Triglav Savjetovanje, d.o.o. ▪ Autocentar BH, d.o.o.
North Macedonia	▪ Triglav Osiguruvanje, a.d., Skopje ▪ Triglav Osiguruvanje Život, a.d., Skopje	▪ Triglav penzisko društvo, a.d., Skopje	

The composition of the Group as at 31 December 2021 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 2021



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 2021 financial year:

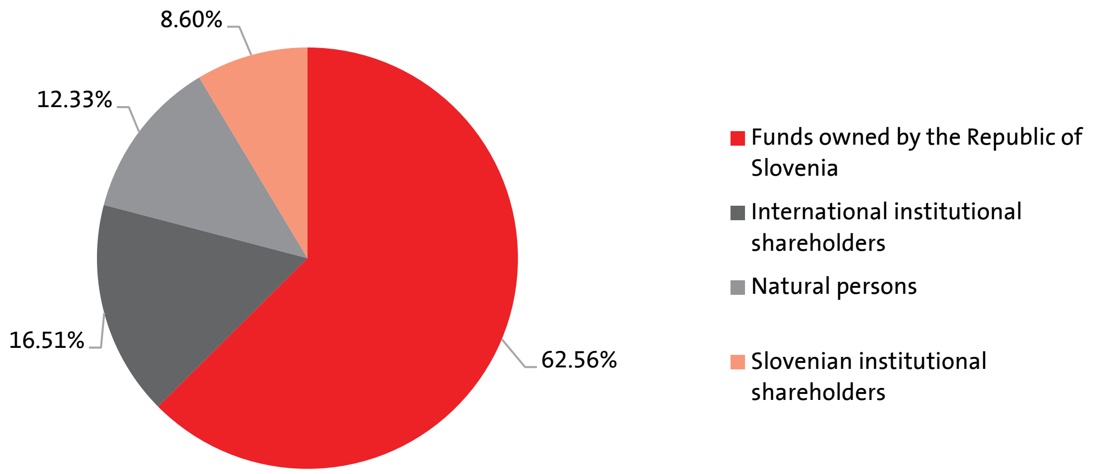
Deloitte revizija d.o.o.,
Dunajska cesta 165,
1000 Ljubljana,
Slovenia

A.1.4 Ownership structure of Zavarovalnica Triglav

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

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

Chart 2: Company's ownership structure as at 31 December 2021



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

CHANGES TO THE GROUP'S STRUCTURE

The following changes to the Group structure occurred in 2021:

- In the first quarter, the Company together with Sava Re, d.d. recapitalised the controlled company ZTSR, d.o.o., with a cash contribution of EUR 3.3 million, thus retaining a 50% ownership share. In the third quarter of 2021, ZTSR, d.o.o. was merged with its subsidiary Diagnostični center Bled, d.o.o. and was thus deleted from the register of companies, and Company acquired a 50% ownership share in Diagnostični center Bled. In the last quarter of 2021, the Company recapitalised the Diagnostični center Bled, d.o.o. company by EUR 1.25 million and retained a 50% ownership share.
- Diagnostic Center Bled, d.o.o., increased its strategic investment portfolio by purchasing a 100% stake in Kirurški sanatorij Rožna dolina, d.o.o
- In Q3, Triglav Svetovanje, d.o.o. and Triglav Osiguranje, a.d., Beograd performed recapitalised their subsidiary Triglav Savetovanje, d.o.o., Beograd in line with their respective proportional ownership interests in the company. Recapitalisation in the amount of 7.9 million Serbian dinars or 67 thousand euros was made with cash contributions, which meant that the companies kept their respective shares of 51% and 49%.
- Triglav Svetovanje, d.o.o., and Triglav Osiguranje, d.d., Zagreb, recapitalised their subsidiary Triglav Savjetovanje, d.o.o., Zagreb in line with their respective proportional ownership interests. Recapitalisation in the amount of 1.1 million Croatian kuna or 145 thousand euros was carried out with cash contributions. The companies thus kept their respective shares of 51% and 49%.

- Lovćen Osiguranje, a.d. recapitalised its subsidiary Lovćen Auto, d.o.o., Podgorica with cash contributions totalling EUR 700 thousand and thus remained its sole owner.
- The Company made subsequent capital payments to its subsidiary Triglav Avtoservis, d.o.o., in the total amount of EUR 194 thousand, thus retaining a 100% ownership share.
- Triglav Svetovanje, d.o.o., Domžale sold a 51% ownership share in Triglav Savjetovanje, d.o.o., Sarajevo to Triglav Osiguranje, d.d., Sarajevo. Triglav Osiguranje, d.d., Sarajevo thus became its sole owner. As a result of the transfer of the share, the share of the Triglav Group in the company in question decreased by 1.13 percentage points.
- Triglav Osiguranje, d.d., Sarajevo made a cash contribution in the amount of 30 thousand convertible marks or 15 thousand euros to establish Triglav, upravljanje nekretninama, d.o.o., Sarajevo and thus became its sole owner.
- The Company retained a 49.9% ownership share with subsequent capital payments to its associated company Trigal, d.o.o., in the total amount of EUR 2.3 million.
- Triglav INT, d.o.o. acquired a 0.50% stake in Triglav Osiguruvanje, a.d., Skopje from non-controlling owners, in the amount of 3.2 million Macedonian denars or 52 thousand euros. This increased its ownership share to 81.32 percent.
- Triglav INT, d.o.o., Ljubljana, bought a 0.12% stake in Triglav Osiguruvanje, a.d.o., Belgrade, from non-controlling owners, and thus became its sole owner. The value of the acquisition was 3.7 million Serbian dinars or 33 thousand euros.
- Triglav INT, holdinška družba, d.d., was transformed into Triglav INT, holdinška družba, d.o.o.
- Based on its strategic plans, the Company's associated company Nama, d.d., Ljubljana, carried out the spin-off of the retail business and transferred it to its newly established subsidiary, Nama IN, d.o.o., Ljubljana.

The changes in the Group's structure are presented in greater detail in point 2.8.4 of the business portion and point 2.1.4 of the financial portion of the Annual Report of the Triglav Group and Zavarovalnica Triglav, d.d. for 2021 (hereinafter: Annual Report).

A.1.5 Major business events and achievements in 2021

- Good business performance: Already in Q3, the Group raised the estimate of the originally planned annual profit. It achieved growth in the premium in all insurance markets and in all segments of the insurance business, and also increased the value of assets under management.
- Dividend payment: The Company has met the ISA requirements for the payment of dividends related to uncertainties in the markets due to the pandemic. At the May General Meeting, the shareholders adopted the proposed resolution of the Management Board and the Supervisory Board for the payment of dividends, which represent 53 percent of the Company's consolidated net profit for 2020 or 5% dividend yield.
- Confirmed high "A" credit rating: The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's A rating with a stable medium-term outlook.
- Changes in the Management Board and Supervisory Board of the Company: At the proposal of the Works' Council, the Supervisory Board reappointed Marica Makoter as a member of the Management Board, the Workers' Director. The General Meeting appointed Tomaž

Benčina, Branko Bračko, Jure Valjavec and Peter Kavčič as members of the Supervisory Board, representatives of shareholders, and renewed the term of office of Andrej Andoljšek.

- Revised strategy: With the revised strategy until 2025, the Group maintains its essential orientations and upgrades them in terms of development, while also emphasising its ambitions in the field of sustainable development.

A.1.6 Treatment of subsidiaries in consolidation for solvency purposes

The Company calculates capital adequacy at the Group level. The Company and all of its subsidiaries are included in the Group's solvency calculation[3]. 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 Skupna pokojninska is namely calculated according to the sector/industry regulations. 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 2021*

Companies in Group	Consolidation method for solvency purposes	Consolidation method for financial reporting purposes
Zavarovalnica Triglav, d.d. – Parent 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	Financial investment; sector rules	Full consolidation
Triglav, pokojninska družba, d.d., Ljubljana	Financial investment; 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

[3] COMMISSION DELEGATED REGULATION (EU) 2015/35, Article 1 (49)

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	Through the parent company	Financial investment - FV
Sarajevostan, d.d., Sarajevo	Financial investment - FV	Full consolidation
Triglav upravljanje nekretninama, d.o.o., Sarajevo	Full consolidation	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	Finančna naložba PV	Financial investment - EM
Nama IN, d.o.o., Ljubljana	Through the parent company	Through the parent company
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 Evropskim dobrovoljnim penzijskim fondom, a.d., Banja Luka	Through the parent company	Financial investment - EM
Triglav, penzisko društvo, a.d., Skopje	Financial investment - FV	Full consolidation
Alifenet, d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Diagnostični center Bled, d.o.o., Bled	Financial investment - FV	Financial investment - EM
Kirurški sanatorij Rožna dolina, d.o.o., Ljubljana	Through the parent company	Through the parent company
MTC Fontana, d.o.o., Maribor	Through the parent company	Through the parent company
Medi Cons kardiologija, d.o.o., Novo mesto	Through the parent company	Through the parent company
Gastromedica, d.o.o., Murska Sobota	Through the parent company	Through the parent company
Internistična GE ambulanta, d.o.o., Nova Gorica	Through the parent company	Through the parent company
Cardial, d.o.o., Ljubljana	Through the parent company	Through the parent company
MDT & T, d.o.o., Maribor	Through the parent company	Through the parent company
DC Naložbe, d.o.o., Bled	Through the parent company	Through the parent company
Neuroedina, d.o.o., Bled	Through the parent company	Through the parent company

*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 2021 amounted to EUR 113 million, up 53.4% compared to the year before. The good financial result was mainly due to the growth of the volume of operations, disciplined and prudent underwriting of insurance risks, relatively lower claims frequency as a result of the pandemic and the favourable development of claims provisions set aside in recent years.

Table 3: Group's operating performance in 2021 and 2020

In EUR thousand

	2021	2020
Profit or loss before tax	**132,645**	**90,903**
Net profit or loss	**112,966**	**73,665**
- Non-life insurance	82,106	65,665
- Health insurance	6,516	6,299
- Life insurance including health insurance	18,654	1,691
- Other	5,690	9
Non-Life and health insurance combined ratio	**88.9%**	**91.2%**
- Loss ratio	61.4%	63.1%
- Expense ratio	27.5%	28.1%
ROE	**12.5%**	**8.9%**

The Group's insurance undertakings that are fully consolidated according to the segmentation for solvency purposes, including Triglav Re, d.d., jointly booked EUR 1,452.9 million worth of non-consolidated gross insurance, co-insurance and reinsurance premium in 2021. EUR 1,257.9 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 195 million. The biggest share of the non-life and health insurance premium is derived from the fire insurance and other damage to property insurance segment (LoB 7). These were followed by medical expense insurance (LoB 1) and motor vehicle liability insurance (LoB 4). The non-consolidated gross premium increased by EUR 131.7 million compared to 2020, whereby the premium for non-life insurance and health insurance products rose by EUR 113.8 million, and the premium for life insurance products increased by EUR 17.9 million.

According to the segmentation for solvency purposes, gross claims incurred in 2021 came in at EUR 793.5 million, whereby EUR 613.2 million came from non-life insurance and health insurance and EUR 180.3 million came from life insurance. The majority of the gross claims incurred among non-life and health insurance arose from claims in the fire insurance and other damage to property insurance (LoB7) and the medical expense insurance (LoB 1) segments. The value of this item at the Group level increased by EUR 33.8 million when compared to 2020. Gross claims incurred from non-life and health insurance products increased by EUR 16.6 million, whereby gross claims incurred from life insurance increased by EUR 17.3 million mainly because of the other life insurance (LoB 32) segment that increased by EUR 8.7 million in the period under consideration.

The Group's non-consolidated gross expenses in 2021 amounted to EUR 342 million. EUR 298.2 million of the abovementioned amount came from non-life insurance and health insurance and EUR 43.8 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 insurance and other damage to property insurance segment (LoB 7). The Group's expenses decreased by EUR 36.3 million when compared to 2020. Other expenses incurred in 2021 came in at EUR 11.1 million, whereby EUR 10.2 million of the said amount came from non-life insurance and health insurance and EUR 0.9 million came from life insurance.

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

Table 4: Premium, claims and expenses of the Group by major insurance segments for solvency purposes in 2021 and 2020

		In EUR thousand
	2021	**2020**
Non-consolidated gross written premiums from insurance, co-insurance and reinsurance contracts	**1,452,870**	**1,321,174**
- Non-life insurance including health insurance	**1,257,903**	**1,144,119**
-- Fire and other damage to property insurance (LoB 7)	378,960	327,302
-- Medical expense insurance (LoB 1)	210,057	205,367
-- Motor vehicle liability insurance (LoB 4)	192,376	188,939
-- Other motor vehicle insurance (LoB 5)	165,568	163,083
-- Other non-life and health insurance segments	310,942	259,429
- Life insurance	**194,967**	**177,056**
-- Index-linked and unit-linked insurance (LoB 31)	102,883	89,184
-- Insurance with profit participation (LoB 30)	65,812	65,216
-- Other life insurance (LoB 32)	25,312	21,741
-- Other life insurance segments	961	915
Non-consolidated gross claims incurred	**793,527**	**759,704**
- Non-life insurance including health insurance	**613,196**	**596,641**
-- Fire and other damage to property insurance (LoB 7)	171,574	143,226
-- Medical expense insurance (LoB 1)	163,888	147,224
-- Other motor vehicle insurance (LoB 5)	96,437	96,791
-- Motor vehicle liability insurance (LoB 4)	78,779	112,939
-- Other non-life and health insurance segments	102,518	96,462
- Life insurance	**180,332**	**163,063**
-- Insurance with profit participation (LoB 30)	92,427	88,690

-- Index-linked and unit-linked insurance (LoB 31)	62,122	60,195
-- Other life insurance (LoB 32)	14,073	5,348
-- Other life insurance segments	11,710	8,830
Non-consolidated expenses	**342,004**	**305,728**
- Non-life insurance including health insurance	**298,227**	**264,111**
-- Fire and other damage to property insurance (LoB 7)	96,128	82,185
-- Motor vehicle liability insurance (LoB 4)	55,097	56,954
-- Other motor vehicle insurance (LoB 5)	45,083	41,961
-- Income protection insurance (LoB 2)	23,162	21,903
-- Other non-life and health insurance segments	78,757	61,108
- Life insurance	**43,777**	**41,617**
-- Index-linked and unit-linked insurance (LoB 31)	20,183	18,273
-- Insurance with profit participation (LoB 30)	13,339	12,758
-- Other life insurance (LoB 32)	10,258	10,589
-- Other life insurance segments	-3	-3
Other expenses	**11,123**	**14,042**

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 countries and additionally also by offering international reinsurance services.

The Group books the majority of the gross premium in Slovenia, i.e. as much as 71% 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 2020, the share of claims in 2021 decreased in Slovenia and Croatia mainly as a result of the larger shares in all of the other countries where the Group operates.

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

Table 5: Geographic distribution of the Group's premium and claims by country in 2021 and 2020

	In EUR thousand	
	2021	**2020**
Non-consolidated gross written premiums from insurance, co-insurance and reinsurance contracts	**1,452,870**	**1,321,174**
-- Slovenia	1,027,395	972,598
-- Croatia	100,735	83,944
-- Serbia	76,968	68,022
-- Montenegro	42,473	40,308
-- Bosnia and Herzegovina	39,821	35,707
-- North Macedonia	27,738	24,008

-- Other countries of operation	137,739	96,587
Non-consolidated gross claims incurred	**793,527**	**759,704**
-- Slovenia	579,932	571,164
-- Croatia	60,316	68,170
-- Serbia	28,663	25,680
-- Montenegro	22,037	15,366
-- Bosnia and Herzegovina	19,555	14,399
-- North Macedonia	10,833	17,231
-- Other countries of operation	72,190	47,695

Details on the geographic distribution of premiums and claims by country are provided in template S.05.02 in the appendix 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 entire investment portfolio. The largest share, 68.5% of the financial investment portfolio, is held by bonds invested in developed markets, most of which have a high credit rating (90.9% of bond investments have a BBB rating and higher, 59.4% are rated at least "A"). 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 Group’s investment result is shown in the Annual Report, i.e. section 3.7 of the financial section of the 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 increased by EUR 126.3 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 by EUR 8.3 million YoY. Part of the issued debt matured in 2020 so interest expenses are slightly lower this year. Dividend income in 2021 increased when compared to those from the year before. A significant part of the increase is the result of payouts from alternative funds. The majority of dividends were paid to the Company. The increase in the fair value of investments lags behind the last year's amount. The item is increased by positive revaluations on equities, while it is reduced by debt instruments which decreased in value mainly due to the slow growth of interest rates. The Gains and losses from sales item was high last year mainly due to the adjustment of the debt portfolio to the economic environment, which was quite dynamic due to the turmoil associated with the Covid-19 pandemic, whereby investment management was consequently more active. 2021 was less stressful in this respect, but at the same time offered fewer revenue-generating opportunities. Revenues are thus significantly behind those from last year. Expenses from permanent impairments remain very low. This is linked to the general growth of stock markets and all the measures that countries are still taking to mitigate the problems related to the pandemic. The majority of other financial income is represented by the revaluation of unit-linked assets. The general growth of the stock markets, which followed the correction in early 2020, continued in 2021. The change in the item compared to the previous year is therefore significant and has the greatest impact on the Group's overall investment result.

Table 6: Income and expenses from the investment activities of the Group for financial reporting purposes in 2021 and 2020

In EUR thousand

Income and expenses from investing activities		
	31 December 2021	31 December 2020
Interest	**35,795**	**43,871**
- Income	38,524	46,809
- Expenses	2,729	2,938
Dividends	**6,070**	**4,486**
- Income	6,070	4,486
- Expenses	0	0
Changes in fair value*	**2,862**	**9,249**
- Income	16,275	15,306
- Expenses	13,413	6,057
Profit and loss from sales	**9,179**	**33,222**
- Income	16,301	40,163
- Expenses	7,123	6,941
Permanent impairments	**- 34**	**-1,971**
- Income	0	0
- Expenses	34	1,971
Other financial income**	**72,443**	**-4,658**
- Income	83,852	21,505
- Expenses	11,409	26,163
Total	**126,315**	**84,199**

* 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 2021 including other insurance income and other income amounted to EUR 102.1 million, up EUR 17.5 million compared to the year before, which is mainly the result of higher other insurance income (increase by EUR 7.8 million) and higher other income (increase in the operating revenues of non-insurance companies by EUR 4.9 million and income from other services by EUR 4.1 million).

The Group's other expenses comprising other insurance expenses and other expenses in 2021 came in at EUR 110.3 million, up EUR 1.5 million compared to the year before.

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

Table 7: Other income and expenses of the Group for financial reporting purposes in 2021 and 2020

		In EUR thousand
	2021	**2020**
Other income	**102,128**	**84,620**
- Other insurance income	48,794	41,007
- Other income	53,334	43,613
Other expenses	**110,296**	**108,832**
- Other insurance expenses	51,916	51,523
- Other expenses	58,380	57,309

A.4.2 Lease agreements

In the reporting period, Group members had several lease/rental agreements concluded both as lessors/landlors 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 75 million, the annual rental income came in at EUR 6.9 million. The Company generated 81% of the said income, while Triglav, Upravljanje nepremičnin, d.d. generated 19%. 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 2021, the right of use assets is stated at EUR 10.9 million in the Group's consolidated financial statements. The total annual depreciation expense of these assets was EUR 3.6 million, while interest expenses came in at EUR 489 thousand. Rental costs not accounted according to IFRS 16, i.e. short-term leases and low-value leases, came in at EUR 0.6 million in 2021.

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 2021, the most material intra-group transactions where the total turnover from reinsurance operations[4] between two companies exceeded internally determined level of materiality:

- transactions between Triglav Re and the Company - EUR 125.1 million in turnover;

[4] Total turnover from reinsurance operations includes the reinsurance premium, reinsurance share for reinsurance claims settled and reinsurance fees and commissions.

- transactions between Triglav Re and Triglav Osiguranje d.d., Zagreb - EUR 24.4 million in turnover;
- transactions between the Company and Triglav Re - EUR 19.5 million in turnover;
- transactions between the Company and Triglav Osiguranje d.d., Zagreb - EUR 6.6 million in turnover;
- transactions between the Company and Lovćen Osiguranje, a.d., Podgorica - EUR 6.1 million in turnover;
- transactions between the Triglav Re and Lovćen Osiguranje, a.d., Podgorica - EUR 6.6 million in turnover;
- transactions between Triglav Re and Triglav Osiguruvanje, a.d., Skopje - EUR 5.2 million in turnover.

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 2022

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

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

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

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

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

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

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

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

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. 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 and internal rules. 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.

In addition to the management bodies, the system of governance of the Company and individual subsidiaries includes key functions. Depending on the specifics of the activity, each subsidiary may have one or more key functions, i.e. the risk management function, the actuarial function for non-life and life insurance, the compliance function, and the internal audit function. They are organised at the Company and at individual subsidiaries as independent organisational units, which carry out their duties and responsibilities independently from one another and from the other organisational units of the Company.

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.

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

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

Table 8: Composition of the Management Board and the competences of the members of the Management Board of the Company in the 2021 financial year

First and last name	Function	Area of work within the Management Board as at 31 Dec. 2021
Andrej Slapar	President of the Management Board	Manages and directs the work of the Management Board and the operation of the headquarter departments (Cabinet of the Management Board, Legal Office, Internal Audit Department, Corporate Communication Department and Compliance). He is responsible for the Corporate Account Division, Non-Life Insurance, the Subsidiary Management Department (except subsidiaries outside Slovenia), HR matters related to employees with special powers, operation of the GIZ Arbitration and Nuclear Pool. He is also responsible for the preparation and implementation of the strategy of Zavarovalnica Triglav and the Triglav Group.
Uroš Ivanc	Member of the Management Board	He is responsible for the Risk Management Department and the Strategic Planning and Controlling Department, the independent Non-Life Insurance Development And Actuarial Department, and the Accounting and Finance Department, except for the Investment Department and the Group Non-Slovenian Subsidiary Management Department. He is also responsible for relations with investors (IR) and credit rating agencies as well as for environmental, social and corporate sustainable development (ESG) activities.
Tadej Čoroli	Member of the Management Board	He is responsible for Marketing, Business Intelligence and Customer Relations Management, Non-Life Insurance Claims, Insurance Sales and Digitization, Processes and Technology.

Barbara Smolnikar	Member of the Management Board	She is responsible for the Life Insurance Division and the independent Life Insurance Development and Actuarial Department. She is also responsible for anti-money laundering and banking insurance.
David Benedek	Member of the Management Board	He is responsible for the headquarter Strategic Purchasing Department, the IT Department and the Investment Department. He is also responsible for mergers and acquisitions (M&A).
Marica Makoter	Member of the Management Board - Workers' Director	She represents the interests of the workers as stipulated in the Worker Participation In Management Act. She is responsible for the Fraud Prevention, Detection and Investigation and the Project Portfolio and Change Management Department. She is responsible for the Back Office Division and the HRM Division (with the exception of personnel matters related to employees with special powers).

B.1.1.2 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 four 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 appoints and may also recall the members of the Management Board. In doing so, it strives to ensure the continuity of their work through prudent and timely selection of the President and other members of the Management Board.

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

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

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

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

Table 9: Supervisory Board members in the 2021 financial year

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

Jure Valjavec	Member, shareholders' representative (as of 14 June 2021 onwards)
Peter Kavčič	Member, shareholders' representative (as of 14 June 2021 onwards)
Peter Celar	Member, employee representative
Branko Gorjan	Member, employee representative
Igor Zupan	Member, employee representative

SUPERVISORY BOARD COMMITTEES

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

The following Supervisory Board committees operated at the Company in 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 2021 financial year

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

	- examination of the decision on the appointment, dismissal and remuneration of the Internal Audit Department Director.
APPOINTMENTS AND REMUNERATION COMMITTEE Composition: - Igor Stebernak, committee Chairman (up to 13 June 2021) - Tomaž Benčina, committee Chairman (as of 18 June 2021) - Žiga Škerjanec, member (up to 13 June 2021) - Jure Valjavec, member (as of 18 June 2021) - Peter Celar, member (up to 13 June and as of 18 June 2021 onwards)	- drafting proposals regarding the criteria for membership in the Management Board; - drafting proposals regarding the policy on remuneration, compensation and other benefits for the Management Board members; - preliminary consideration of proposals made by the President of the Management Board related to the management of the Company; - performance of the fit and proper assessment of the Management and Supervisory Board members; - support and drafting of proposals in areas that concern the Supervisory Board.
STRATEGIC COMMITTEE **Composition:** - Milan Tomaževič, committee Chairman (up to 13 June 2021) - Branko Bračko, committee Chairman (as of 18 June 2021) - Andrej Andoljšek, member (up to 13 June and as of 18 June 2021 onwards) - Peter Kavčič, member (as of 18 June 2021) - Žiga Škerjanec, member (up to 13 June 2021) - Branko Gorjan, member (up to 13 June and as of 18 June 2021 onwards)	- drafting and discussing proposals for the Supervisory Board with respect to the Group strategy and monitoring the implementation thereof; - drafting and discussing proposals and opinions for the Supervisory Board with respect to the Group's strategic development.
NOMINATIONS COMMITTEE (as a temporary committee formed for the period up to 25 May 2021) **Composition:** - Igor Stebernak, committee Chairman - Žiga Škerjanec, member - Peter Celar, member - Boštjan Kolar, external member	- conducting the nomination procedure for the appointment of a candidate/-s to the position of Supervisory Board member/-s – shareholders' representatives; - recording the candidate/-s for the position of Supervisory Board member/-s and inviting the Appointments and Compensation Committee to produce a fit and proper assessment of the candidates; - sending the proposal to the Supervisory Board for the appointment of a candidate/-s to the position of Supervisory Board member/-s – shareholders' representatives.

B.1.2 Remuneration policy 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. Members of the Management Board are entitled to use assets owned by the Company (company car, business mobile phone) for business and private purposes, rights to health, pension (supplementary voluntary pension insurance - SVPI, voluntary pension insurance - VPI), accident insurance and liability insurance. No special pension schemes or early retirement schemes apply to Management Board members. 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.

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

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

B.2 Fit and proper requirements

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 that affect the Group's operations and set business objectives. The Company has set up a risk management system at the level of the entire Group as a set of harmonised rules, competences, responsibilities and activities that aim of which 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.

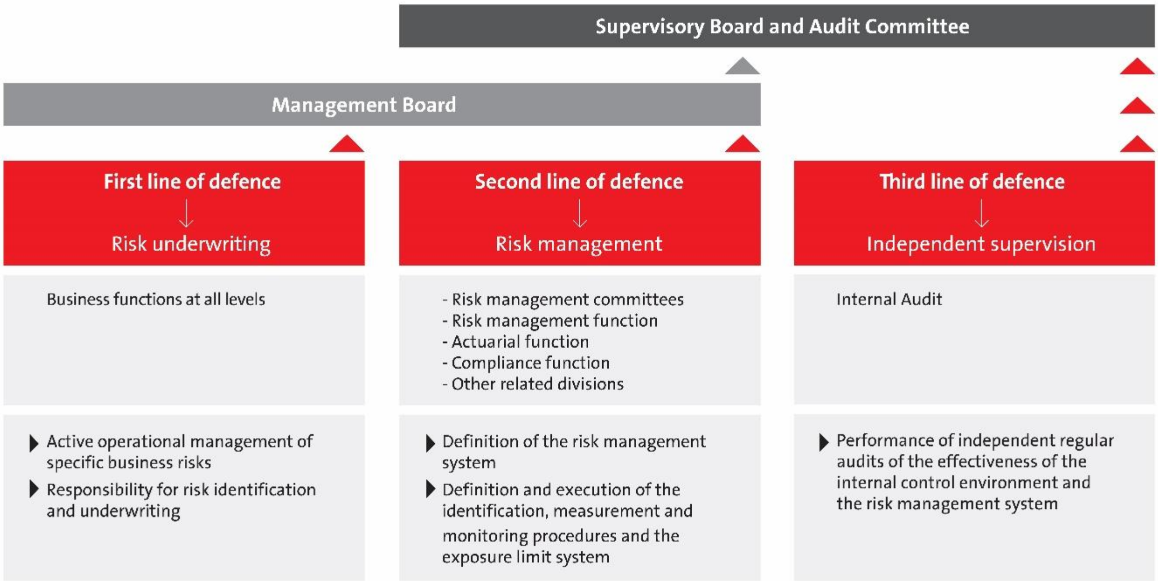
In order to effectively implement the risk management system at the Group level, each company has in place confirmed internal rules governing the risk management system that have been harmonised with the risk management standards of the Company which ensure a clear delimitation of internal relationships 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 risk management 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, assessment or measurement and monitoring procedures as well as the exposure limit system. Three key risk management functions (risk management function, the actuarial function and the compliance function) form the second line of defence. The second line of defence also includes the competent committees for the area of risk management, Fraud Prevention, Detection and Investigation, Project Portfolio and Change Management, and IT Management Support.

THE THIRD LINE OF DEFENCE includes the internal audit function which executes supervision of the 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. Just as the Management Board, the Supervisory Board is a primary stakeholder, to which all three lines of defence report, and it is 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 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 and capital adequacy. As part of its powers and responsibilities it keeps abreast of key function reports and the findings of the Own Risk and Solvency Assessment process (hereinafter: ORSA) at the Group level and also grants consent to the Management Board for the Solvency and Financial Condition Report of Zavarovalnica Triglav (hereinafter: Company SFCR) and the Solvency and Financial Condition Report of the Triglav Group (hereinafter: Group SFCR).

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

The 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. It confirms the work plans of the individual key functions and is regularly briefed on the capital adequacy of the Company and the Group. It confirms the more important reports by key functions, including the Regular Supervisory Report of the Triglav Group (hereinafter: Group RSR) and the Regular Supervisory Report of Zavarovalnica Triglav, d.d. (hereinafter: Company RSR), the ORSA Report and the SFCR.

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.

In 2021, great emphasis was placed on upgrading the risk management system at the level of subsidiaries, namely by consistent monitoring of the main risks at Group subsidiaries.

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.

In 2021, the Group placed great emphasis on upgrades in the area of sustainability. Sustainability risks have been identified in previous years as part of other risks, but now, with an increasing emphasis on their importance in the economy, they are more prominently included in the risk management system as a special category within non-financial risks. They are described in more detail in section C.6 of this Report.

B.3.3 Risk management function

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.

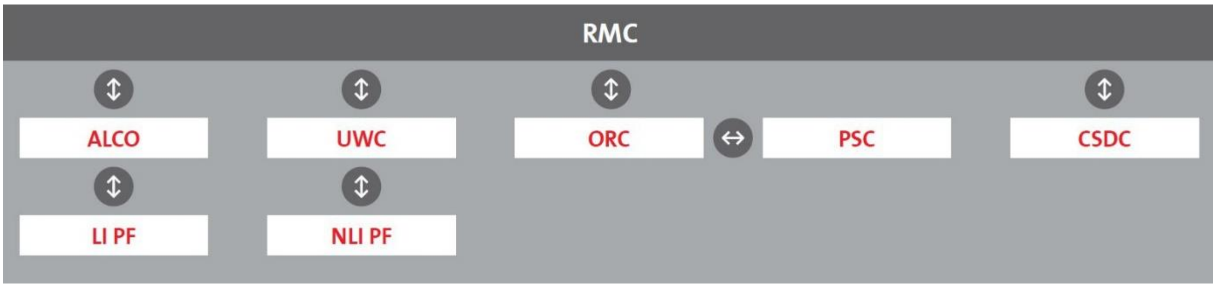
The Company's risk management function holder is incorporated into the organisational structure in a way, which allows them to supervise and impartially report on the implementation of the risk management system at the Group level.

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 by delegating tasks to divisions, monitoring realisation and deciding on the limits. In the event of major changes to the risk profile, identified risks are also considered by the Risk Management Committee or the Management Board.

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

Figure 4: Organisational chart of the committees within the Company's and the Group's risk management system as at 31 December 2021



The Risk Management Committee (RMC) is the committee of the Management Board which is tasked with verifying the effectiveness of the functions that manage risk and ensuring that the Company 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 and the role of the committee are to assist the Management Board in assessing exposure to all material risks (specifically equity and non-financial not monitored by the Compliance and Sustainable Development Committee), establishing weaknesses in the internal control environment at the Group level, confirming and reviewing methodologies for the measurement of all risk categories and the setting of limits for individual risk categories as well as verifying whether risk exposure complies with the 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.

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

NON-LIFE AND LIFE INSURANCE PRODUCT FORUMS (NLI PF AND LI PF) are tasked with pursuing the principal objective of assurance of continuous development and modification of insurance products for the Slovenian and other markets in which the 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.

Despite the persistence of the Covid-19 epidemic in 2021, only the regular ORSA process was carried out both at the Company and all subsidiaries. The implementation of the regular ORSA process included all identified material risks of the Group members up to the calculation date were taken into account as were all potential risks that could affect their future operations. The regular ORSA process confirmed that the Group remains strong in terms of liquidity and solvency, that its capital position is adequate and that it can continue to successfully face the risks and challenges of the uncertain future posed by the Covid-19 epidemic and possible political-economic turmoil.

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 Group[5]. 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

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

business operations. The development and functioning of Group Compliance are 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 operates in individual areas (e.g. personal data protection, prevention of conflicts of interest and corruption, management of internal fraud and violations of the Group Code), assesses compliance risks, conducts targeted inspections, monitors compliance indicators, manages the work of the Compliance and Sustainable Development Committee, carries out consulting activities, issues opinions on compliance, prepares educational content and provides for the development of the Group's compliance system and ethical culture. In order to monitor and ensure the compliance of the Group's subsidiaries, coordinators have been appointed in the companies who report to the Company and ensure the transfer of minimum standards for the compliance of operations to the local environment.

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, and also develops standards of compliance, corporate ethics and respect for human rights.

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 functions at the Group level and at the level of an individual (re)insurance company operate 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 they require to perform their tasks.

The key tasks of both actuarial functions at the Group level include monitoring the adequacy of technical provisions at the Group level, monitoring the adequacy of the general policy of insurance risk assumption and verifying the adequacy of reinsurance at the Group level. In addition, the actuarial functions are also responsible for setting minimum standards for the preparation of rules, policies and processes in the field of actuarial. They ensure their transfer to subsidiaries, transfer relevant knowledge and good practices, and provide professional assistance in the implementation of agreed minimum standards and provide assistance in product development and upgrades as appropriate. Actuarial functions at the Group level also provide for the development, use and monitoring of the adequacy of models for calculating capital requirements and the implementation of the ORSA process. They also participate in and coordinate the activities of the actuarial function in the implementation of the risk management system at subsidiaries.

The actuarial function holders at the Company are authorised by the Company's Management Board and Supervisory Board and perform the tasks of the actuarial function holders at the Group level as well. They oversee the minimum standards required for the performance of actuarial function tasks at the Group level and are responsible for the performance of actuarial function tasks at the Group level. This is enabled by the way they are incorporated into the organisational structure. They are namely positioned in the organisational structure in a way, which allows them to supervise and objectively and independently report on the implementation of actuarial tasks. They participate in the RMC, ALCO and UWC committees, which they regularly brief on important findings, and they carry out the tasks assigned to them by these committees. If necessary, they also work with other committees that are part of the Company's risk management system. 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.

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. Risk profile

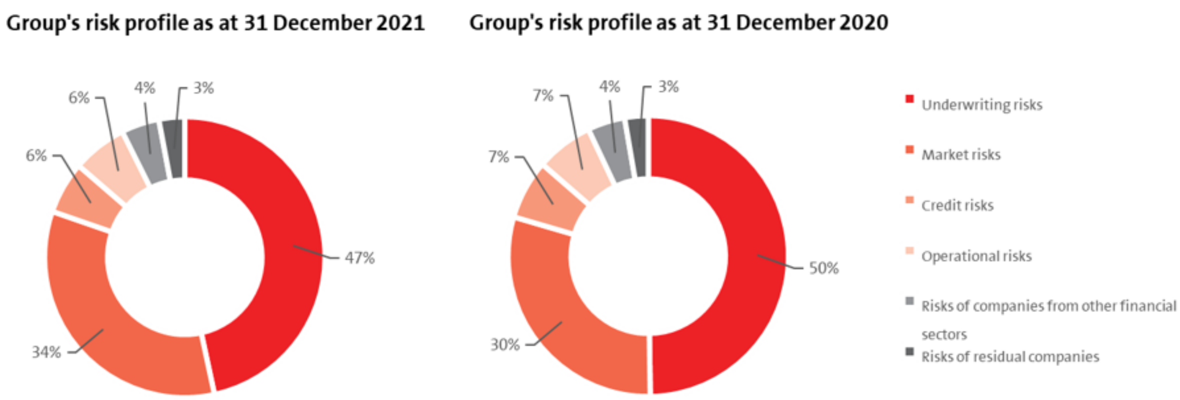
As part of their operations, the Group's insurance undertakings are exposed to underwriting, market, credit, liquidity, operational and other risks. The Company and its subsidiaries jointly monitor and manage risk at the Group level in accordance with the processes described in section B of this Report.

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 regulates the risk profile at the Group level so that, based on the defined risk appetite, it has established limits on individual risks in the Group, through which capacities for individual Group companies are allocated. The Company monitors the utilization of exposure to individual risks by companies and as a whole at the Group level and, if necessary, appropriately allocates capacities among the Group companies according 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 2021, the overall risk estimate of the Group, which does not take into account mutual risk effects (i.e. diversification), amounted to EUR 633.9 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 197.9 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 680.5 million.

Chart 3: Group's risk profile as at 31 December 2021 and 31 December 2020



The Group has formed two ring-fenced funds, i.e. PDPZ and PDPZ 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 28.3 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 2021, underwriting risk represents 47% 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 2021, the Group's risk estimate under non-life and health insurance represents 37% of the Group's overall risk estimate, excluding diversification.

Table 11: Group's risk estimate for underwriting risks under non-life insurance for 2021 and 2020

		In EUR thousand
	2021	**2020**
Premium and reserve risks	167,033	157,685
Lapse risk	44,887	40,397
Catastrophe risk	54,723	49,744
Diversification	-73,046	-66,462
Non-life underwriting risk	**193,597**	**181,364**

Table 12: Group's risk estimate for underwriting risks under health insurance for 2021 and 2020

		In EUR thousand
	2021	**2020**
Health insurance risk valued as life insurance risk	8	7
Premium and reserve risks	57,395	55,718
Lapse risk	9,464	9,148
Catastrophe risk	5,170	4,316
Diversification	-12,361	-11,491
Health underwriting risk	**59,677**	**57,699**

The estimate for underwriting risk under non-life insurance increased in 2021 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, marine, aviation and transport insurance as well as non-proportional non-life insurance. The growth of the volume measure of provisions is the result of the increase in reported claims and additionally set aside provisions for epidemic-related Government measures. The growth of the volume measure of the premium also causes the growth in the risk estimate for lapse risk. The non-life catastrophe risk estimate increased compared to the year before mainly as a result of the increase in the non-proportional non-life insurance risk. Coupled with the growth of the portfolio, the estimate for underwriting risk under health insurance increased slightly compared to the year before mainly as the result of the increase in the premium and reserve risks. The catastrophe risk estimate under 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 written premium being 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 or more numerous (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 fire insurance and other damage to property insurance (LoB 7) segment and the motor vehicle liability insurance segment (LoB 4) 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 37.8 million compared to the previous period. Details on the net earned premium of the Group as at 31 December 2021 are shown in template S.05.01 in the Appendix 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 2021 and 2020

In EUR thousand

	2021	2020
Net earned premium	**907,083**	**869,332**
-- Medical expense insurance (LoB 1)	206,242	202,158
-- Fire and other damage to property insurance (LoB 7)	197,967	174,699
-- Motor vehicle liability insurance (LoB 4)	161,314	164,463
-- Other motor vehicle insurance (LoB 5)	145,062	144,251
-- Other non-life and health insurance segments	196,498	183,761

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 26 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 2021 and 2020

In EUR thousand

	2021	2020
Net claim provisions	**353,235**	**327,213**
- Motor vehicle liability insurance (LoB 4)	123,925	123,237
- General liability insurance (LoB 8)	72,110	63,670
- Fire and other damage to property insurance (LoB 7)	40,547	38,007
- Income protection insurance (LoB 2)	34,470	33,366
- Other non-life and health insurance segments	82,183	68,932

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 set at the Group level. 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 fire and other property insurance, medical expense insurance, mandatory third-party liability insurance and other motor vehicle 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 earthquake in Croatia.

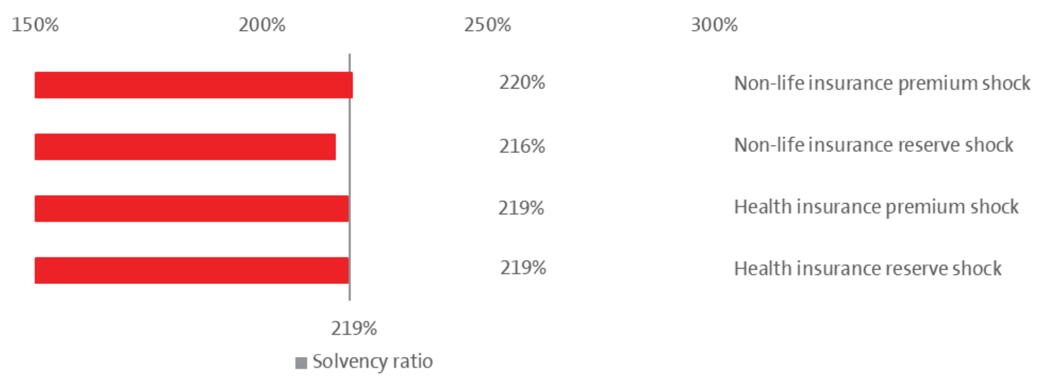
RISK MITIGATION TECHNIQUES

The Group's insurance undertakings mitigate risk mainly by using 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 2021



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 voluntary supplementary pension insurance (VSPI) in the saving phase, portfolio of VSPI 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 2021, 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 2021 and 2020

	In EUR thousand	
	2021	**2020**
Mortality risk	9,422	8,664
Longevity risk	14,876	15,700
Disability and morbidity risk	340	361
Lapse risk	28,306	25,268
Expense risk under life insurance	22,958	22,017
Revision risk	1,548	1,492
Catastrophe risk under life insurance	6,037	5,486
Diversification	-17,880	-16,759
Life insurance underwriting risks	**65,608**	**62,231**

The risk estimate for 2021 increased by EUR 3.4 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 and catastrophe 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 reduction in the risk of longevity is due to the reduced number of SVPI policies entitled to guaranteed annuity factors compared to the previous year.

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

RISK EXPOSURE

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

Table 16: Group's exposure to underwriting risks under life insurance (best estimate) for 2021 and 2020

In EUR thousand

	2021	2020
Mortality risk	1,384,207	1,364,205
Longevity risk	1,437,503	1,414,931
Disability and morbidity risk	19,154	21,362
Lapse risk	1,261,042	1,243,446
Expense risk under life insurance	1,445,669	1,423,395
Revision risk	57,004	54,154
Catastrophe risk under life insurance	1,267,943	1,249,261

The Group's exposure to life insurance underwriting risks increased in 2021, 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.

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

CONCENTRATION RISK

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

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. The process for acceptance into insurance involves a medical questionnaire, financial reasoning, review of existing medical documentation and medical tests. The scope and depth of the process depend on the sum insured. Low sums insured and waiting periods are prescribed for protection against pre-contractual opportunism (adverse selection) for insurance products without an underwriting process.

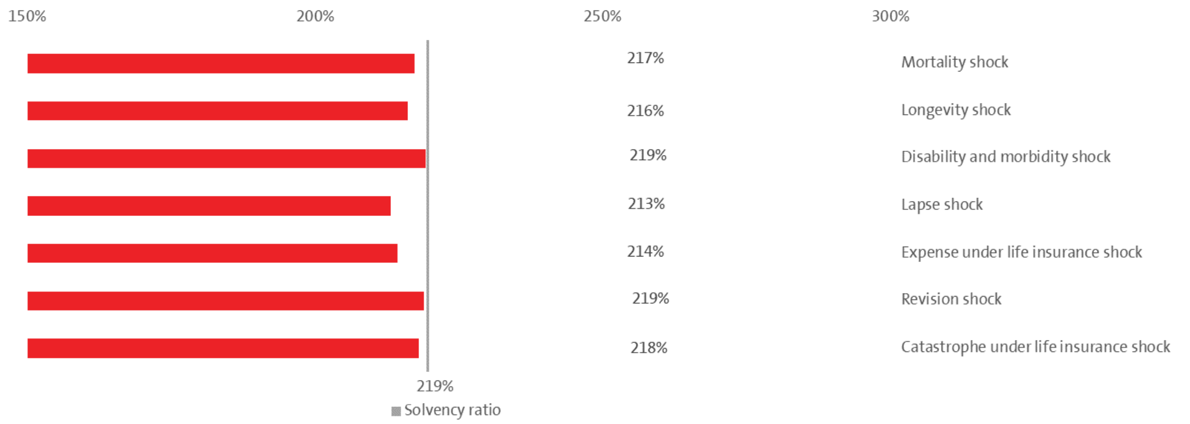
The second part of risk management is performed in the claim adjustment phase where the medical documentation from the claim report is cross-referenced with the data from the concluded policy.

Risk monitoring is performed regularly using the analysis of portfolio mortality, morbidity and market practices. The result of these analyses is a 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 2021



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 Group invests the collected premiums and own assets of Group members. The investment portfolio of Group members contains a broad range of various financial instruments, the value of which depends on the situation on financial markets. Market risk is the risk 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 2021 and 2020

		In EUR thousand
	2021	**2020**
Interest rate risk	7,685	27,655
Equity risk	70,118	40,462
Property risk	53,692	53,995
Spread risk	87,183	86,830
Currency risk	14,935	10,075
Market concentration risk	43,859	36,523
Diversification	-46,973	-75,589
Market risk	**230,498**	**179,951**

As at 31 December 2021, market risk represents 34% 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 2021, the risk estimate for the market risks of both ring-fenced funds came in at EUR 21.9 million.

Market risk increased by EUR 50.5 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 maintenance of the credit quality of the high-quality debt investments portfolio alongside the expectations of the increase in risk-free interest rates and decrease in duration was reflected in a nearly unchanged spread risk. The decrease in the capital requirement for interest rate risk is due to the Group's sensitivity to falling risk-free interest rates, as well as the impact of reducing the diversification between risk sub-modules, which is EUR 28.6 million lower than last year. Real estate market risk is at last year's levels. Equity risk increased significantly, mainly due to additional investments in this investment class and the general growth of stock markets. The increase in currency risk is due to the increase in the portfolios of Group members whose base currency is not the euro and the increase in non-euro investments, to which the Group is exposed through collective investment undertakings. The increase in market concentration risk is due to the additional positive revaluation of companies that exceed the threshold at the level of the group of related parties.

RISK EXPOSURE

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

Table 18: Group's assets exposed to market risk as at 31 December 2021 and 31 December 2020

In EUR thousand

	2021	2020
Property, plant and equipment held for own use	126,508	123,653
Real estate (except real estate held for own use)	93,773	96,700
Holdings in related undertakings, including participations	105,214	94,855
Equities	74,009	59,140
Bonds	2,091,892	2,135,930
- Government bonds	*1,411,494*	*1,443,023*
- Corporate bonds	*679,381*	*691,848*
- Structured notes	*1,017*	*1,059*
Collective investment undertakings	122,306	66,041
Derivatives	20	113
Deposits other than cash and cash equivalents	65,236	61,874
Other investments	2,650	2,664
Assets held for index-linked or unit-linked contracts	778,964	679,522
Loans and mortgages	5,548	5,107
Deposits to cedants	13,340	11,211
Assets exposed to market risk	**3,479,459**	**3,336,808**

Table 19: Group's liabilities exposed to market risk as at 31 December 2021 and 31 December 2020

In EUR thousand

	2021	2020
Exposure to interest rate risk	2,150,891	2,093,232
Exposure to equity risk	463,489	396,998
Exposure to property risk	10,953	9,632
Exposure to spread risk	463,489	396,998
Exposure to currency risk	573,359	493,707
Liabilities exposed to market risk	**3,662,182**	**3,390,565**

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. At the Group level, interest rate risk is regulated by managing assets in relation to liabilities at the level of individual companies or portfolio. In anticipation of a gradual rise in interest rates, the duration of the investment portfolio was reduced accordingly, most notably at the Group's Company, with the largest contribution to the portfolio duration shortening being recorded in the government bond segment. With the changed assumptions for life insurance liabilities, due to which the duration of insurance liabilities was extended (most also in the Group's parent company), the spread in the duration of the Group's assets and liabilities increased by approximately one year, from 0.1 to - 1.0. The capital requirement for interest rate risk decreased compared to the year before as its calculation takes into account a different, significantly lower 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, undertakings for collective investment into shares and derivatives associated with stock markets. The Group holds equity investments in order to generate higher long-term returns and for diversification purposes. The equity risk assessment increased compared to the previous year, which is largely due to the 7.4 percentage point higher value of the symmetric adjustment compared to the end of the previous year. Exposure to equity risk increased in the segment of affiliated companies, which, however, does not affect the assessment of equity risk. Namely, the risk assessment of associated companies is added to the total capital requirement of the Group without the positive effects of diversification. The increase in exposure to stock markets is also significant in the collective undertakings portions, some on account of market growth, but mainly due to additional payments. 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 decreased its exposure to investments, which are exposed to spread risk, compared to the year before, i.e. by EUR 45.5 million, whereby exposure to government bonds decreased by somewhat over EUR 88 million and exposure to covered bonds decreased by EUR 18.5 million, while exposure to corporate bonds[6] increased by approximately EUR 58 million. These changes include changes in the exposure to spread risk through investments in collective investment undertakings of a debt nature. The capital requirement for spread risk remained nearly unchanged compared to the year before. The increase in exposure in the segment that attracts capital requirements according to the standard solvency formula is offset by a decrease in duration, i.e. by somewhat over a year in the corporate portion, and the credit rating of this part of the investment portfolio improved slightly. 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, USD 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 60% of the investment portfolio. Government bonds account for 61% of the bond portion of the portfolio, while 64.2% of the corporate portion of the portfolio is represented by financial sector bonds. Compared to the year before, the relative exposure to the government sector in the bond portion of the portfolio decreased by 1.5 pp, while exposure to the financial sector in the bond portion of the portfolio increased only slightly.

The Company continuously monitors (at the Group level, the issuer level or the related issuer group level) exposure and compliance with the system of limits on exposure to issuers. The basis

[6] It also includes bonds issued by countries of the European Economic Area that are not denominated in the issuer's own currency.

for the limit system is the standard formula with threshold values for concentration risk subject to the credit rating.

Table 20: Company's exposure according to the NACE security issuers' sector

	2021	2020
Financial and insurance activities	41.5%	34.0%
Public administration and defence, compulsory social security	34.2%	45.4%
Manufacturing	6.5%	6.1%
Activities of extraterritorial organizations and bodies	4.6%	0.9%
Information and communication activities	1.5%	1.9%
Electricity, gas, steam and air conditioning supply	1.3%	1.6%
Other sectors	10.4%	10.1%
Total	**100.0%**	**100.0%**

Table 21: Group's exposure according to the security issuers' country

	2021	2020
Slovenia	32.7%	31.9%
Germany	10.3%	12.8%
Croatia	5.5%	5.1%
France	5.3%	5.1%
Spain	4.3%	4.2%
USA	3.7%	3.4%
Italy	3.5%	3.6%
Netherlands	2.4%	3.3%
Other countries	32.3%	30.6%
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.

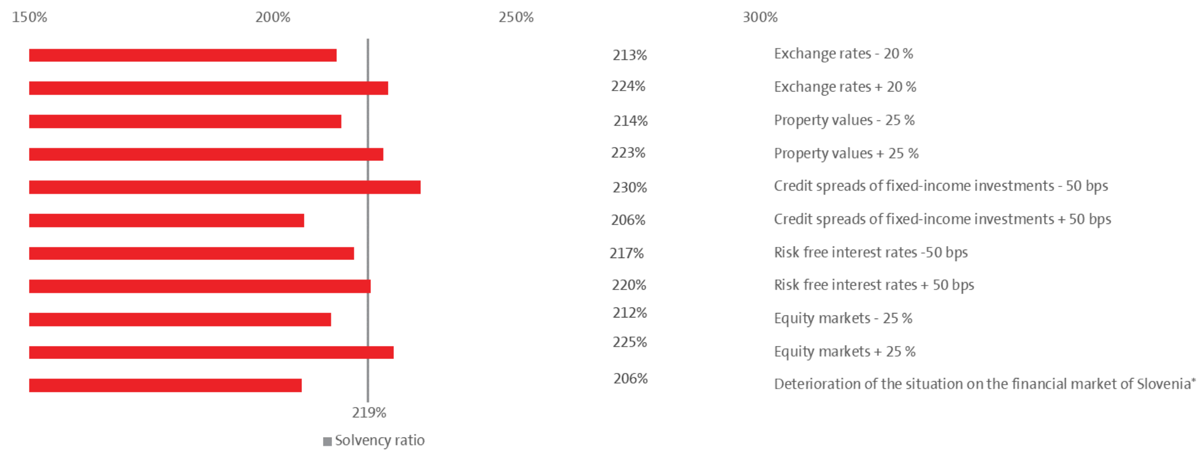
In order to mitigate market risk, the Group has a suitably diversified investment portfolio that mimics or neutralises the market characteristics of insurance liability portfolios in terms of maturity and currency exposure. In order to mitigate market risk, various types of derivatives are used as appropriate. 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 2021, 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 2021 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 2021



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

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 in case of the increased concentration to individual counter-parties or groups of related parties that are connected by common risk factors such as credit ratings or the country.

As at 31 December 2021, credit risk represents 6% 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 2021, the risk estimate for the credit risks of both ring-fenced funds came in at EUR 1.1 million.

Exposures to type 1 credit risk arise from counterparty exposures that will generally have a credit rating. Exposures to type 2 credit risk arise from counterparty exposures that will generally not have a credit rating.

Table 22: Group's risk estimate for credit risks in 2021 and 2020

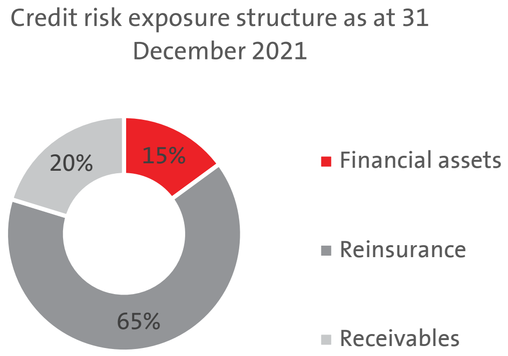
		In EUR thousand
	2021	**2020**
Type 1	29,054	30,299
Type 2	13,441	9,441
Diversification	-1,267	1,747
Credit risk	**41,228**	**41,487**

The risk estimate decreased by EUR 0.2 million in 2021, mainly due to the improvement of the credit rating of Slovenian banks, which consequently lowers the estimate of type 1 risks. The risk estimate of both ring-fenced funds also decreased compared to 2020 which neutralises exposure under receivables.

The calculation takes into account the solvency ratio of unrated European reinsurance partners (in accordance with the Delegated Regulation), which reduces the risk factor of these partners and thus the level of risk assessment.

RISK EXPOSURE

The Group's exposures to type 1 credit risks arise from reinsurance companies arising from claims from accepted reinsurance and co-insurance, recoverable amounts from reinsurance and the effect of reinsurance arrangements. Type 1 also includes exposures to banks for cash and cash equivalents and derivatives. The exposures to type 2 credit risks at the Group level are represented by past due receivables from direct insurance operations, receivables for the premium under accepted reinsurance and co-insurance as well as and other past-due receivables. The 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 as well as major claims reinsured by the Company. The Group is also less exposed to banks than it was in 2020, which is the result of the use of cash reserves for new investments.

Over the course of 2021, 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 23: : Group's exposure to reinsurance and financial partners by country

	2021	2020
Germany	21.6%	24.8%
Luxembourg	20.1%	19.4%
Slovenia	15.5%	21.2%
Bosnia and Herzegovina	6.1%	5.2%
France	5.2%	6.0%
Other countries	31.5%	23.4%
Total	**100.0%**	**100.0%**

The exposure to credit risk is usually most affected by the change in reported insurance claims and potential claims under catastrophe insurance. In 2021, there was a slight restructuring of the Group's exposure by country, mainly due to a reduction in exposure to Slovenian banks.

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.

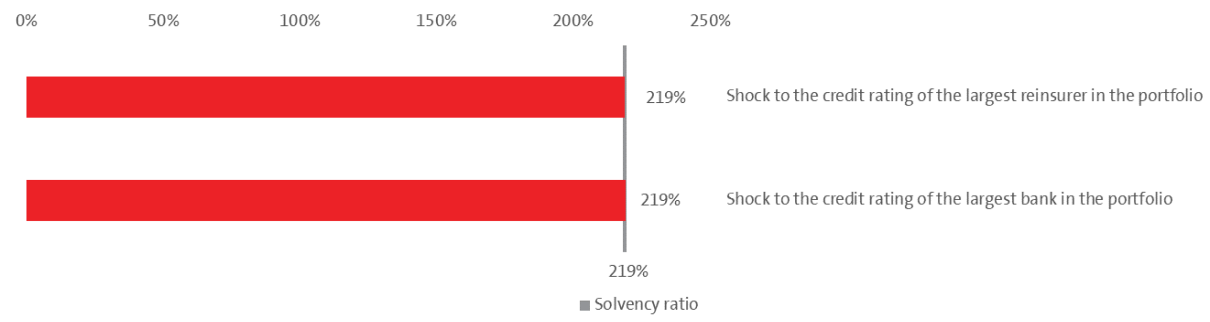
When underwriting credit risks resulting from reinsurance at the Group level, credit risk is managed through a diligent assessment of the adequacy of business partners for reinsurance and by regularly monitoring their adequacy (credit rating, maximum permissible exposures, diversification, and solvency 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 2021



C.4 Liquidity risk

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

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 observes 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.

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

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. In 2021, despite the continuation of the emergency situation due to Covid-19, no significant instabilities were detected in the financial markets.

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

CONCENTRATION RISK

Concentration risk for liquidity risk arises from potential directly or indirectly related events that cause an increase in liquidity risk. 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. The funds earmarked to cover these liabilities are adjusted to cover them in accordance with the investment policy in normal circumstances (ALM process), while maintaining the surplus of realisable assets, which allows repayment of liabilities even in emergency situations when liquidity needs are greater.

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 also established a liquidity plan, which defines in advance the responsibilities and activities in the event of liquidity crises, and concluded repo lines with commercial banks, credit lines and overdraft facilities on transaction accounts, which are one of the mechanisms for hedging against liquidity risk in the 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 monitored and are included in quarterly 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 135.9 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 24: Expected profit included in future premiums

In EUR thousand

	2021	2020
Life insurance	69,923	67,923
Non-life insurance including health insurance	65,992	59,594
Total	**135,915**	**127,517**

The amount of expected profit included in future premiums increased by EUR 8.4 million compared to the year before. The main reason for the growth in the profit included in future life insurance premiums is the decrease in the number of SVPI policies entitled to guaranteed annuity factors compared to the previous year. The increase in the expected profit of non-life and health insurance is most influenced by the growth of the portfolio of the Company and the subsidiary Triglav Osiguranje, Belgrade.

C.5 Operational risk

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

As at 31 December 2021, operational risk represents 6% of the Group's overall risk estimate, excluding diversification, and amounts to EUR 43.3 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 2021, the estimate of operational risks under both ring-fenced funds came in at EUR 1 million.

RISK EXPOSURE

The Group monitors it operational risk exposure mainly based on regular reporting of realised operational risk loss events and partly also via key operational risk indicators. At the Group level, operational risks are proactively managed, identifying shortcomings, changes and movements in the internal and external environment that may potentially cause their increase. Such an approach allowed the Group to respond quickly even to Covid-19 emergencies. More attention and additional measures, where necessary, were paid to the risks perceived to be increased (absence of key employees or simultaneous absence of more employees due to illness, adjusted organisation of work and way of conducting business processes, additional information risks due to work from home and remote operations and regulatory changes due to government intervention measures).

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

The Group is also exposed to regulatory risk and risks related to digital business solutions and remote operations with existing and potential customers. Risks are adequately managed.

CONCENTRATION RISK

The Group is aware that the influence of IT on operations is increasing in the age of computerisation and digitalisation from the point of view of concentration and importance of operational risk. The Group and its operations are highly dependent on the suitable functioning of IT which is why a major IT security incident, other IT incident or the suspension of operations can severely affect the Company's operations. This is why the 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 highly elevated during the epidemic because of the potential absence of key employees or the simultaneous absence of a large number of employees, which were mitigated by the setup of conditions for remote work (from home) and the business continuity management system (BCMS).

RISK MITIGATION TECHNIQUES

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 2021 of the most pressing scenario involving cyber risk and prepared key measures for the mitigation of risks identified under this 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 2021, 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 (e.g. ransomware attack). 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 of Group members.

C.6 Other material risks

NON-FINANCIAL RISKS

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

STRATEGIC RISKS are the risks of incurring loss due to inappropriate strategic decisions, inconsistent implementation of strategic decisions and insufficient responsiveness to changes in the business environment. They include a part of legal and regulatory risk arising from the key changes in the business environment.

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

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

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

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

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

The negative impact on reputation can be internal or external. With a functioning internal control system, the Group ensures that its operations are legal, professional and ethical. It ensures the appropriate quality of services and products, achieves financial objectives, properly manages relationships with key stakeholders and fulfils sustainable commitments or sustainable aspects of business operations. It observes the set environmental goals and strives to respect unlimited and healthy competition in the market. Maintaining a low reputational risk estimate is crucial for the Group as it has high goals in this area.

The success of the entire Group's operations depends on the integrated management of sustainability risks and the strengthening of the trust of all key stakeholders. The Group is committed to long-term successful management and transparent governance. Following the adoption of the Triglav Group's Sustainability Commitment in 2020, the Group upgraded its content related to sustainability and sustainability risks with the Group's strategic ambitions in this area in 2021, while care for sustainable development was incorporated into the organisation of all Group members. The Group is building a comprehensive sustainability risk management system. Risk appetite was defined for sustainability risks as well as internal rules for managing these risks.

C.7 Any other information

PRUDENT PERSON PRINCIPLE

Group members manage assets in accordance with the legislative requirements, in the best interest of all of their policyholders, beneficiaries and other stakeholders of the companies. The Group's property is represented by assets covering insurance liabilities as well as other excess assets that 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 on 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.

In 2021, the Company carried out several tests of capital adequacy at the Group level, whereby it applied stress scenario tests that reflected as much as possible the current and potential risks in the external environment and the operations of the Company and at the Group level. The scenarios assessed under the regular ORSA process included the scenario of the impact of changes in the macro-environment as a result of Covid-19, the Company's liquidity deterioration scenario, the climate change impact scenario for the Company's portfolio and the operational risk scenario. In addition to the Company, the regular ORSA process was also performed by all subsidiaries of the Group, which assessed their business performance and capital adequacy through their own stress scenario tests.

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. 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 25: Balance sheet of the Group as at 31 December 2021

2021			In EUR thousand
Balance sheet		**Value for solvency purposes**	**Value for financial reporting purposes**
Assets		**3,760,144**	**4,374,354**
Intangible assets	D.1.1	0	107,184
Deferred tax assets	D.1.2	50,432	927
Property, plant and equipment held for own use	D.1.3	126,508	119,589
Investments	D.1.4	2,555,100	2,875,836
Assets held for index-linked and unit-linked contracts	D.1.5	778,964	778,856
Loans and mortgages	D.1.6	5,548	5,543
Reinsurance recoverables	D.1.7	95,680	174,840
Deposits to cedants	D.1.8	13,340	13,340
Insurance and intermediaries receivables	D.1.9	57,584	178,228
Reinsurance receivables	D.1.10	13,729	13,729
Receivables (trade not insurance)	D.1.11	13,056	20,420
Cash and cash equivalents	D.1.12	41,971	77,240
Any other assets, not elsewhere shown	D.1.13	8,234	8,621
Liabilities		**2,718,901**	**3,441,367**
Technical provisions	D.2	2,430,274	3,198,672
Other technical provisions		0	0
Provisions, other than technical provisions	D.3.1	18,460	20,266
Deposits from reinsurers	D.3.2	842	842
Deferred tax liabilities	D.3.3	87,524	9,377
Derivatives	D.3.4	0	0
Debts owed to credit institutions	D.3.5	377	377
Financial liabilities other than debts owed to credit institutions	D.3.6	1,841	1,835
Insurance and intermediaries payables	D.3.7	35,865	37,105
Reinsurance payables	D.3.8	7,193	33,219
Payables (trade not insurance)	D.3.9	67,431	71,233
Subordinated liabilities	D.3.10	51,671	49,472
Any other liabilities, not elsewhere shown	D.3.11	17,422	18,968
Excess of assets over liabilities		**1,041,243**	**932,987**

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 fair value is the active market quotation, but if this is not available, fair value is measured on the basis of recent transaction prices, if market conditions have not changed significantly since the last transaction, or using the expected cash flow discounting model. Equity instruments for which the price is not published in an active market and whose fair value cannot be measured reliably are measured at cost.

Asset-side balance sheet items are presented below.

D.1.1 Intangible assets

Intangible assets 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 26: Group's intangible assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Intangible assets	0	0	107,184

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 for solvency purposes as the sum of the value of deferred tax assets by companies in the Group. At the level of individual subsidiaries in the Group, the latter is determined as the sum of deferred receivables for the purpose of financial statements and the product of the currently applicable local tax rate where the company operates and differences between the active part of the company's balance sheet and market balance to related companies and 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.

Table 27: Group's deferred tax assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	**2020**	**2021**
Deferred tax assets	50,432	44,271	927

Compared to the previous period, the value of deferred tax assets increased by EUR 6.2 million, mainly due to an increase at the Company, at Triglav Osiguranje, Belgrade and Triglav Osiguranje, Zagreb.

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. In accordance with the IFRS 16 accounting standard, rights to use assets are also included in this category. 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 the purpose of financial statements and solvency is in the different coverage of subsidiaries, which are fully consolidated for the purpose of financial statements, but not for the purpose of solvency. The biggest contribution to the abovementioned difference is represented by the real estate of Triglav Skladi and Sarajevostan. The difference between the two items additionally occurs because of the different valuation method.

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

Table 28: Group's property, plant and equipment held for own use

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Property, plant and equipment held for own use	126,508	123,653	119,589

The value of the item increased by EUR 2.9 million compared to the year before. The increase in the value of land and buildings by EUR 3.4 million is the main contributor to the increase. Property, plant and equipment other than land and buildings decreased by EUR 2.2 million in the period, while the right of use for assets under leases due to the extension of contracts increased by EUR 1.7 million.

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.

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

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

Table 29: Group's investments as at 31 December 2021

In EUR thousand

Assets	Value for solvency purposes	Value for financial reporting purposes
Investments	**2,555,100**	**2,875,836**
Real estate (except real estate held for own use)	93,773	75,110
Holdings in related undertakings, including participations	105,214	39,230
Equities	74,009	115,777
Bonds	2,091,892	2,352,972
Collective investment undertakings	122,306	220,078
Derivatives	20	20

Deposits other than cash and cash equivalents	65,236	69,890
Other investments	2,650	2,758

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 described 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 2021.

Table 30: Group's real estate (except real estate held for own use)

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Real estate (except real estate held for own use)	93,773	96,700	75,110

The value of real estate (except real estate held for own use) decreased by EUR 2.9 million in 2021. The decrease is mainly the result of the sale of certain real estate, mainly from the portfolio of Triglav, Upravljanje nepremičnin, among assets held for sale. The decrease at the Group level is partly offset by the positive revaluation of the real estate portfolio under a new valuation.

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

a. <u>the adjusted equity method</u>: 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.

Holdings in other related undertakings that are not fully consolidated are valued according to the AEM. 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 table below provides the values of the Group's equity holdings in related undertakings according to the valuation methods for solvency purposes.

Table 31: Values of the Group's equity holdings in related undertakings according to valuation methods

In EUR thousand

Valuation method	Value for solvency purposes		Value for financial reporting purposes
	2021	**2020**	**2021**
DVM	0	0	0
AEM S1	96,049	85,689	0
AVM	9,165	9,166	39,230
Total	**105,214**	**94,855**	**39,230**

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, Skopje. The equity method for financial reporting purposes is provided under AVM in the table above.

Table 32: Group's holdings in related undertakings, including participations

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	**2020**	**2021**
Holdings in related undertakings, including participations	105,214	94,855	39,230

The value of holdings in related undertakings increased in 2021 by EUR 10.4 million. The revaluation of Triglav Skladi contributes the most to the increase. The biggest counter-effect on the amount of the item is the revaluation of the share in ZTSR, d.o.o., or its successor DCB, d.o.o., with which it was consolidated. The decrease in the value of the investment is due to the recognition of intangible assets in accordance with the principles of Solvency 2.

D.1.4.3 Equities

Investments into equities (except related undertakings) are valued – provided there is an active market for such equities – according to the closing ask price on the stock exchange. In the event of an inactive market, the value of the investment is determined by the last known 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 33: Group's equities

In EUR thousand

Investments	**Value for solvency purposes**		**Value for financial reporting purposes**
	2021	**2020**	**2021**
Equities	**74,009**	**59,140**	**115,777**
Listed equities	68,170	52,815	109,939
Unlisted equities	5,838	6,325	5,838

The value of equities increased in 2021 by EUR 14.9 million. The increase in the listed securities segment is mainly the result of the positive revaluation of the companies listed on the Ljubljana Stock Exchange.

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, loans and receivables). Investments in the “available for sale” or "at fair value through profit or loss" category are valued at fair value. Investments classified as “held-to-maturity” or “loans and receivables” are valued at amortised cost.

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

a) the price is determined by the last concluded transaction provided the 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 34: Group's bonds

In EUR thousand

Investments	**Value for solvency purposes**		**Value for financial reporting purposes**
	2021	**2020**	**2021**
Bonds	**2,091,892**	**2,135,930**	**2,352,972**
Government bonds	1,411,494	1,443,023	1,529,939
Corporate bonds	679,381	691,848	822,016
Structured notes	1,017	1,059	1,017
Collateralised securities	0	0	0

The value of bonds decreased by EUR 44 million in 2021. The decrease in the item consists of a negative revaluation of EUR 46 million and inflows of EUR 2 million. The major portion of the negative revaluation arises from the government bond segment, which primarily covers the longest insurance liabilities. Due to longer maturities, this segment was the hardest hit due to the rise in the risk-free interest rate. Inflows into the government bond segment in the period amounted to EUR 13 million, while outflows in the corporate segment amounted to EUR 11 million.

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” or “loans and receivables” in financial statements, there is a difference of EUR 32.9 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 35: Group's collective investment undertakings

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Collective investment undertakings	122,306	66,041	220,078

The value of the item increased in 2021 as a result of the capital calls and additional investments into alternative investment funds. Approximately EUR 13 million was invested in equity-oriented collective investment undertakings and approximately € 24 million in debt-oriented funds. The majority of this 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 ask price in an active market (the stock exchange, price of the market operator). In the event that the market is not active, the value is determined by a specialised valuation model (Black-Scholes, network models). Model parameters (the discount rate, volatility, correlation, etc.) are defined as unadjusted data from financial markets to the greatest possible extent.

At the end of 2021, Group companies had only derivative financial instruments at their disposal intended to hedge the exchange rate of the Croatian kuna against the euro. Items with a positive value are shown on the assets side and items with a negative value are shown on the liabilities side.

Table 36: Group's derivatives

In EUR thousand

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

D.1.4.7 Deposits other than cash and cash equivalents

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

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 37: Group's deposits other than cash and cash equivalents

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deposits other than cash and cash equivalents	65,236	61,874	69,890

The value of the item increased slightly in 2021 compared to the previous year. The exposure to this investment class increased at the company headquartered in Bosnia and Herzegovina where the range of investments on the local market is very small, while exposure at other Group companies remained unchanged.

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 38: Group's other investments

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Other investments	2,650	2,664	2,758

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 39: Group's assets held for index-linked or unit-linked contracts

In EUR thousands

Asstes	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Assets held for index-linked or unit-linked contracts	778,964	679,522	778,856

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 40: Group’s loans and mortgages

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Loans and mortgages	**5,547**	**5,107**	**5,543**
Loans on policies	4,453	3,948	4,447
Loans and mortgages to individuals	1,094	1,152	1,096
Other loans and mortgages	0	7	0

D.1.7 Reinsurance recoverables

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

For solvency purposes, the recoverable amounts of reinsurance contracts are determined according to the limits of the insurance and reinsurance contracts. For non-life and health insurance liabilities, these amounts are calculated separately for premium and claims 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 under the life insurance item.

Table 41: Group's reinsurance recoverables

In EUR thousand

Asstets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Reinsurance recoverables	**95,680**	**72,554**	**174,840**
Non-life and health insurance	90,303	69,151	174,840
Life insurance	5,377	3,403	0

Compared to the previous period, the values of recoverable amounts from reinsurance increased due to the growth of the best estimate for non-life and health insurance claim.

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 42: Group's deposits to cedants

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deposits to cedants	13,340	11,211	13,340

In 2021, 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 reinsurance and coinsurance for solvency purposes, while such receivables are accounted under reinsurance receivables for financial reporting purposes. Non past due receivables from reinsurance and coinsurance are included for solvency purposes into the calculation of the best estimate of provisions.

Table 43: Group's insurance and intermediaries receivables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Insurance and intermediaries receivables	57,584	51,355	178,228

At the end of 2021, receivables from insurance and receivables from intermediaries increased by EUR 6.2 million compared to the previous year, mainly due to the growth of overdue insurance receivables in the Group companies.

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 44: Group's reinsurance receivables

In EUR thousand

Balance sheet	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Reinsurance receivables	13,729	12,866	13,729

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 45: Group's receivables (trade not insurance)

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Receivables (trade not insurance)	13,056	11,288	20,420

Compared to the previous period, receivables (trade not insurance) increased by EUR 1.8 million.

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 46: Group's cash and cash equivalents

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Cash and cash equivalents	41,971	53,648	77,240

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

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 47: Group's any other assets, not elsewhere shown

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Any other assets, not elsewhere shown	8,234	6,657	8,621

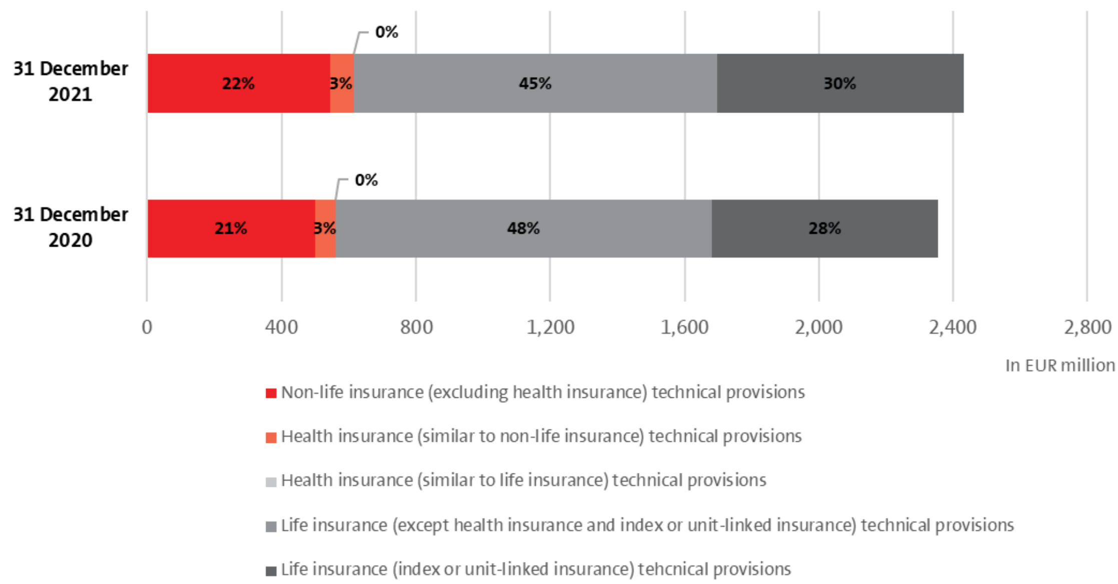
The value of the Group's any other assets not elsewhere shown increased in 2021 because of the held-for-sale or discontinued operations non-current assets. The increase was mitigated by the drop in non-current deferred costs.

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 2021



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.

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 614.1 million.

The basis for the calculation of technical provisions for non-life and health insurance is data that meets the criteria of adequacy, completeness and suitability as the Group has established a data quality monitoring and assurance system. 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 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 54.1 million as at 31 December 2021.

Table 48: Group's technical provisions for non-life and health insurance for solvency purposes as at 31 December 2021 and 31 December 2020

2021			**In EUR thousand**
Non-life and health insurance technical provisions	**Best estimate**	**Risk margin**	**Technical provisions**
-- Non-life insurance	513,397	31,950	545,347
-- Health insurance	65,539	3,188	68,726
Total	**578,935**	**35,138**	**614,073**

2020			In EUR thousand
Non-life and health insurance technical provisions	Best estimate	Risk margin	Technical provisions
-- Non-life insurance	468,031	30,958	498,988
-- Health insurance	57,267	3,382	60,648
Total	**525,297**	**34,340**	**559,637**

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 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 second group includes incurred reported claims, i.e. all claims that occurred up to 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 also takes into account the past inflation. 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 claim and premium 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 2021, the Group's risk margin amounted to EUR 35.1 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 2021, non-life and health insurance technical provisions for financial reporting purposes amounted to EUR 1,050.6 million, while they stood at EUR 614.1 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 49: Difference between technical provisions for non-life insurance for solvency purposes and for financial reporting purposes

2021		In EUR thousand
	Value for solvency purposes	Value for financial reporting purposes*
Non-life and health insurance technical provisions	614,073	1,050,560

* 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 provisions subject to their intended use.

In the financial statements, each (re) insurance company in the Group recognises the result of the insurance contract for the duration, whereby the result of the insurance contract in the calculations for solvency purposes 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 and incurred 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 and incurred under-reported claims for financial reporting purposes, 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, negative interest rates may lead to 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 50: Life insurance technical provisions for solvency purposes as at 31 December 2021 and 31 December 2020

2021 — **In EUR thousand**

Life insurance technical provisions	Best estimate of liabilities	Risk margin	Technical provisions
Insurance with profit participation (LoB 30)	971,974	25,438	997,412
Index-linked and unit-linked insurance (LoB 31)	715,013	18,023	733,036
Other life insurance (LoB 32)	6,051	7,146	13,196
Annuities from non-life insurance contracts (LoB 34)	72,125	432	72,556
Total	**1,765,162**	**51,038**	**1,816,201**

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**

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 includes the claim adjustment costs.

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

-insurance with profit participation where it decreased by EUR 45.7 million mainly as a result of maturities and surrenders, the rising risk-free interest rate curve, changes in non-economic assumptions and the newly underwritten risks in the reporting period;
-index or unit-linked insurance where it increased by EUR 60.8 million mainly as a result of actual investment movements in the period, newly underwritten risks in the period and the change in the risk-free interest rate curve;
-other life insurance where it increased by EUR 9.2 million as a result of the newly underwritten risks in the period and changes to economic and non-economic assumptions;
- non-life insurance annuities where it decreased by EUR 2.6 million. Most of the difference comes from the Company where the provisions for this item decreased by EUR 1.5 million mainly as a result of the change in the risk-free interest rate curve and the decrease in annuity liabilities.

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

2021		In EUR thousand
	Value for solvency purposes	Value for financial reporting purposes*
Life insurance technical provisions	1,816,201	2,094,717

* 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 that the interest rates applied for discounting in financial statements. In index-linked or unit-linked insurance, the negative difference occurs as a result of using the best estimate of parameters (which generally result in lower 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 posted under life insurance for solvency purposes and amount to EUR 72.1 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"[7];
- 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.

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.

[7] Defined Benefit Plan

Table 52: Group's provisions, other than technical provisions

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Provisions, other than technical provisions	18,460	19,068	20,266

D.3.2 Deposits from reinsurers

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

Table 53: Deposits from reinsurers

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deposits from reinsurers	842	0	842

D.3.3 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 that is expected to apply when the liability is settled and is recognized according to the jurisdiction of each company.

Deferred tax liabilities for solvency purposes are valued as the sum of the value of deferred tax liabilities by companies in the Group. The latter is determined at the level of individual subsidiaries in the Group as the sum of deferred liabilities for the purpose of financial statements and the product of the currently applicable local tax rate where the company operates and the differences between the active part of the individual company's balance sheet, whereby no deferred tax liability is included in the calculation.

Table 54: Group's deferred tax liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Deferred tax liabilities	87,524	81,289	9,377

Compared to the previous period, deferred tax liabilities for solvency purposes increased due to the increase at the Company, the Triglav Osiguranje, Belgrade company and the Triglav Osiguranje, Zagreb company. For all companies, the increase is due to an increase in the difference between total pre-tax liabilities for the purpose of the financial statements and total pre-tax liabilities for the purpose of solvency.

D.3.4 Derivatives

The value of derivatives is determined by the closing offered ask 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.

At the end of 2021, the companies in the Group had only derivative financial instruments at their disposal intended to hedge the exchange rate of the Croatian kuna against the euro. Items with a positive value are shown on the assets side and items with a negative value are shown on the liabilities side.

Table 55: Group's derivatives

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Derivatives	0	37	0

D.3.5 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 56: Group's debts owed to credit institutions

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Debts owed to credit institutions	377	520	377

D.3.6 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 57: Group's financial liabilities other than debts owed to credit institutions

In EUR thousand

Balance sheet	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Financial liabilities other than debts owed to credit institutions	1,841	2,098	1,835

D.3.7 Insurance and intermediaries payables

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

For financial reporting purposes, they are valued at amortised cost using the effective interest rate method. They are valued in the same manner for solvency purposes. 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 co-insurers' shares in claims. Non past due liabilities for reinsurers' and co-insurers' 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 co-insurers' shares in claims are taken into account for financial reporting purposes in the calculation of reinsurance liabilities.

Table 58: Group's insurance and intermediaries payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Insurance and intermediaries payables	35,865	21,543	37,105

At the end of 2021, liabilities from insurance and liabilities to intermediaries increased by EUR 14.3 million compared to the previous year, which is largely due to the increase in liabilities in the Company.

D.3.8 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 59: Group's reinsurance payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Reinsurance payables	7,193	17,602	33,219

These liabilities decreased by EUR 10.4 million in the previous period due to the decrease at Triglav Osiguranje, Zagreb.

D.3.9 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 60: Group's payables (trade not insurance)

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Payables (trade not insurance)	67,431	53,736	71,233

Other liabilities increased by EUR 13.7 million in 2021, mostly as a result of the increase in liabilities at the Company.

D.3.10 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 61: Group's subordinated liabilities

In EUR thousand

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

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

D.3.11 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 62: Group's any other liabilities, not elsewhere shown

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2021	2020	2021
Any other liabilities, not elsewhere shown	17,422	13,865	18,968

The value of the Group's any other liabilities not elsewhere shown increased compared to the previous period as a result of other increase in accrued costs and deferred revenues.

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 companies 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 has the largest off-balance sheet exposure to claimed subrogation receivables, unpaid commitments for payments in alternative investments, receivables from futures contracts and contingent receivables. 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. 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:

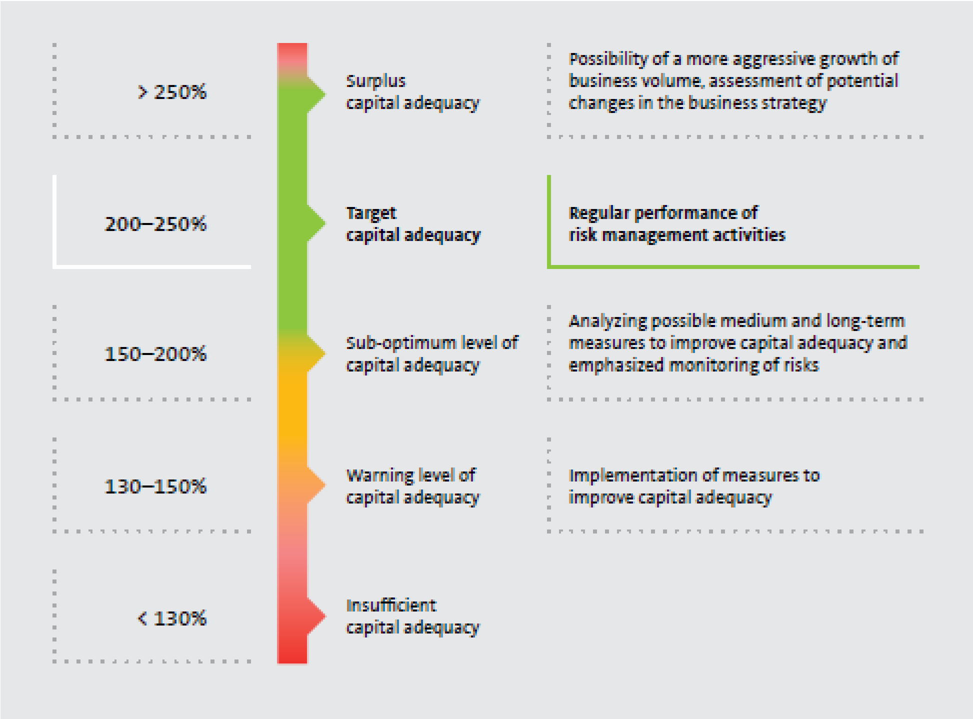
- a high level of confidence of all stakeholders;
- continuous meeting of the regulatory capital adequacy requirements;
- the security and profitability of the operations of Group companies taking into account the defined risk appetite which includes the assurance of an adequate amount of capital and 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 Company's Management Board and Supervisory Board submit a proposal each year to the General Meeting 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



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 2021, the Group was adequately capitalised and had sufficient capital available to meet both the solvency capital requirement (219% and thereby in the target range of between 200 and 250%) and the minimum capital requirement (535%).

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 63: Capital adequacy of the Group as at 31 December 2021 and 31 December 2020

		In EUR thousand
Capital adequacy of the Company	**2021**	**2020**
Total eligible own funds to meet the SCR	1,007,106	967,524
Total eligible own funds to meet the MCR	933,686	948,518
Solvency capital requirement (SCR)	459,283	403,703
Minimum capital requirement (MCR)	174,644	172,693
Capital adequacy to SCR	219%	240%
Capital adequacy to MCR	535%	549%

The Group's capital adequacy decreased by 20 pp compared to the year before, which is the result of the increase in the solvency capital requirement despite the increase in eligible own funds that increased by EUR 39.6 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 Appendix to this Report.

E.1 Own funds

As at 31 December 2021, the Group only had basic own funds totalling EUR 1,007.1 million. They were composed of the Group's share capital (EUR 73.7 million), subordinated liabilities (EUR 51.7 million) and the reconciliation reserve (EUR 883.3 million). The reconciliation reserve is the surplus of assets over liabilities in the amount of EUR 1,041.2 million, reduced by the value of expected dividends for the 2021 financial year in the amount of EUR 67.2 million, share capital in the amount of EUR 73.7 million and other unavailable assets in the amount of EUR 17 million. A deductible item is added to the unavailable assets, which represents the difference between the market value of Triglav Skladi and Triglav pokojninska and the sectoral value of their available eligible capital to meet the Company's sectoral capital requirement.

The Company's eligible own funds to meet the SCR as at 31 December 2021 amounted to EUR 1,007.1 million, whereby the deductible item also includes minority interests of EUR 1.3 million.

The Company's eligible own funds to meet the MCR as at 31 December 2021 amounted to EUR 933.7 million, whereby Tier 2 funds that exceed 20% of the MCR are already excluded from the said amount and are EUR 14.8 million lower compared to the year before.

As at 31 December 2021, the Group had no ancillary own funds.

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

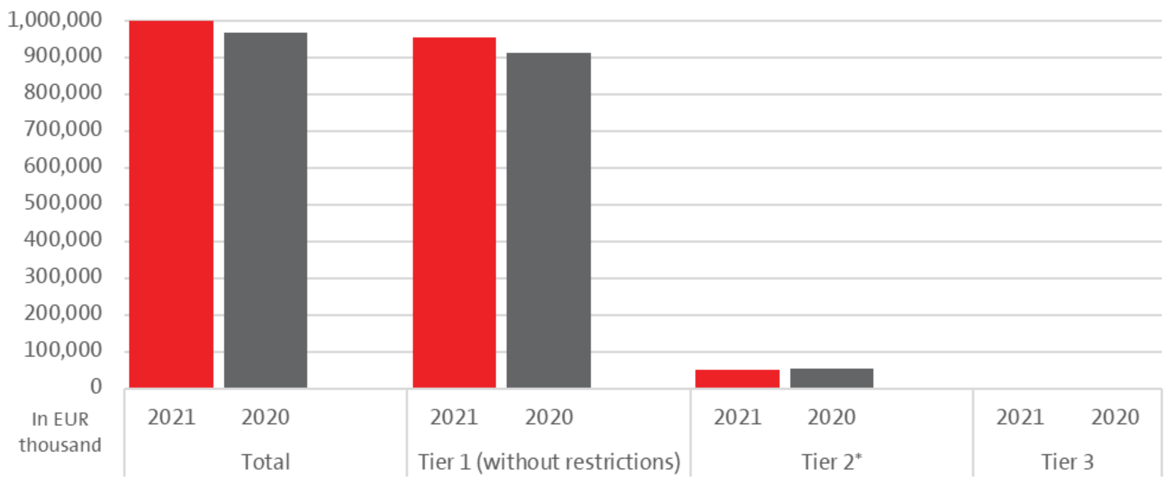
Table 64: Structure of own funds by tier as at 31 December 2021 and 31 December 2020

Eligible own funds to meet the SCR in EUR thousand	2021	2020
Tier 1	**955,434**	**913,980**
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	883,272	841,550
Deductions	1,539	1,271
Tier 2	**51,671**	**53,545**
Subordinated liabilities	51,671	53,545
Deductions	0	0
Tier 3	**0**	**0**
Deductions	0	0
Total eligible own funds to meet the SCR	**1,007,106**	**967,524**

Eligible own funds to meet the MCR in EUR thousand	2021	2020
Stopnja 1	**898,758**	**913,980**
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	883,272	841,550
Deductions	58,216	1,271
Tier 2 (maximum of 20% of the MCR)	**34,929**	**34,539**
Subordinated liabilities	34,929	34,539
Deductions	0	0
Total eligible own funds to meet the MCR	**933,686**	**948,518**

The Group's total eligible own funds to meet the SCR increased by EUR 39.6 million in the reporting period. Growth is the result of the increase in the reconciliation reserve by EUR 41.7 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 1.9 million.

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

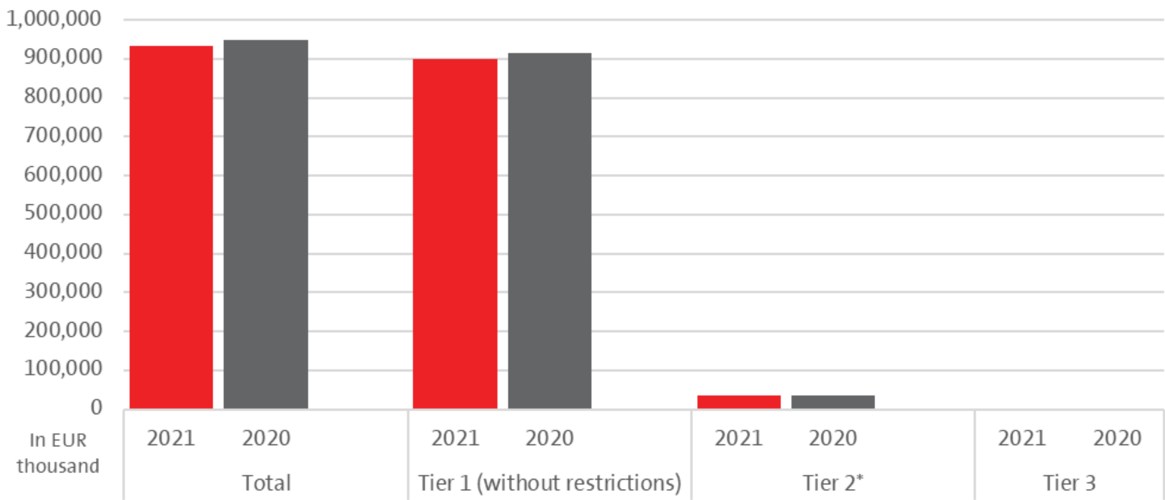


* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR.

The Group's total eligible own funds to meet the MCR as at 31 December 2021 amounted to EUR 933.7 million, whereby Tier 2 own funds that exceed 20% of the MCR are already excluded from the said amount.

Own funds at the Group level are mostly of the highest quality and meaning that its entire share capital and reconciliation reserve are classified as Tier 1 own funds, while the subordinated bond is classified as Tier 2 own funds.

Chart 10: Comparison of eligible own funds to meet the MCR as at 31 December 2021 and 31 December 2020



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

The Company performed a calculation on the part of the transferability of own funds in order to determine whether the total own funds of individual subsidiaries, which are fully consolidated, are available to cover the solvency capital requirement of the Group. Potential deductions from the Group's available own funds are determined on the basis of restrictions on the transferability of subsidiaries' own funds in order to ensure the required amount of own funds to ensure capital adequacy and liquidity in the company and other perceived restrictions. These are calculated separately for (re)insurance subsidiaries and other subsidiaries that do not have legal restrictions. Based on the sum of the potential deductions thus determined, the total potential deduction for each company is determined. The latter is compared with the threshold value represented by the proportional Solvency Capital Requirement of the company, which it contributes to the Solvency Capital Requirement of the Group. If the total potential deduction is higher than the threshold, the excess of the sum of the deductions is considered as a deduction due to the limited transferability of own funds, otherwise no deduction is formed.

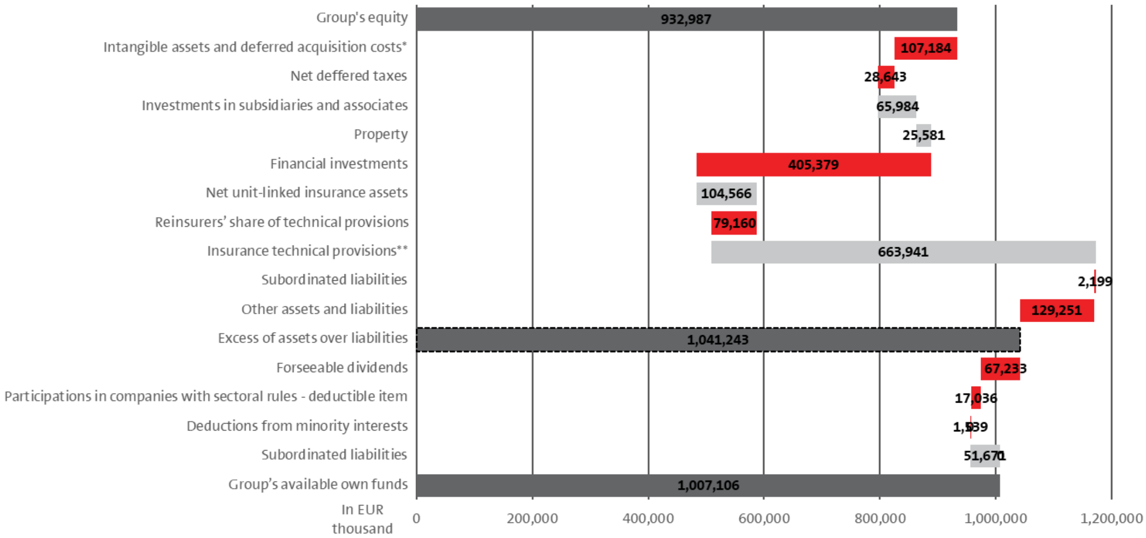
Own funds that are not considered to be actually available to cover the Group's solvency capital requirement are ancillary own funds, preference shares, funds in subordinated accounts of members of the mutual insurance company, subordinated liabilities and an amount equal to the value of net deferred tax assets.

The additional deduction is also calculated for minority interests, which is calculated as the minority share of the surplus of own funds over the proportional Solvency Capital Requirement after all previously determined deductions. As at 31 December 2021, the Group formed only deductions from minority interests, which amounted to EUR 1.5 million. This is EUR 0.3 million more than at the end of 2020. The increase is due to an increase in potential deductions of Triglav Osiguruvanje, Skopje.

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 2021



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.

Capital for financial reporting purposes as at 31 December 2021 amounted to EUR 933 million, while the available own funds amounted to EUR 1,007.1 million. Triglav Skladi, Sarajevostan, d.d., Triglav, penzisko društvo, a.d., Skopje, and Triglav 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 the mentioned companies has a major effect on the difference in financial assets and technical provisions, mainly from Triglav pokojninska družba. The difference in the value of technical provisions additionally affects their different valuations (details provided in section D.2 of this Report).

E.2 Solvency capital requirement and minimum capital requirement

The Company calculates capital adequacy based on the standard formula in accordance with the Insurance Act and the Delegated Regulation. In order to calculate the solvency capital requirement, the Company applies the standard formula using the prescribed parameters and not using any simplifications and parameters specific for the Company 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 2021 amounted to EUR 459.3 million, an increase of EUR 55.6 million compared to the year before. The main reason for the increase in the SCR is the increase in the capital requirement for market risk and underwriting risk.

Table 65: SCR of the Group as at 31 December 2021 and 31 December 2020

		In EUR thousands
Group's capital requirement	**2021**	**2020**
Underwriting risks	318,881	301,293
Market risk	230,498	179,951
Credit risk	41,228	41,487
Diversification	-197,926	-180,902
Basic solvency capital requirement	**392,682**	**341,829**
Operational risk	43,278	40,007
Loss-absorbing capacity of technical provisions	0	-22
Loss-absorbing capacity of deferred taxes	-28,204	-25,815
Adjustment for ring-fenced fund risk diversification	4,919	5,175
Consolidated SCR	**412,674**	**361,174**
Capital requirement for Triglav Skladi	15,887	12,555
Capital requirement for Skupna pokojninska družba	14,028	13,546
Capital requirement for other companies (non-ancillary activity, associates)	16,694	16,428
SCR	**459,283**	**403,703**

The increase in the capital requirement for underwriting risk by EUR 17.6 million compared to the year before is mainly the result of the increase in the capital requirement for non-life insurance risks that mostly rose because of the growth of the portfolio of insurance companies of the Group.

The capital requirement for market risks increased by EUR 50.5 million compared to the previous period, mainly due to the increase in the capital requirement for equity risk due to additional investments in this investment class and general growth of stock markets markets and increased symmetric adjustment.

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

Owing to the above, the BSCR increased by EUR 50.9 million.

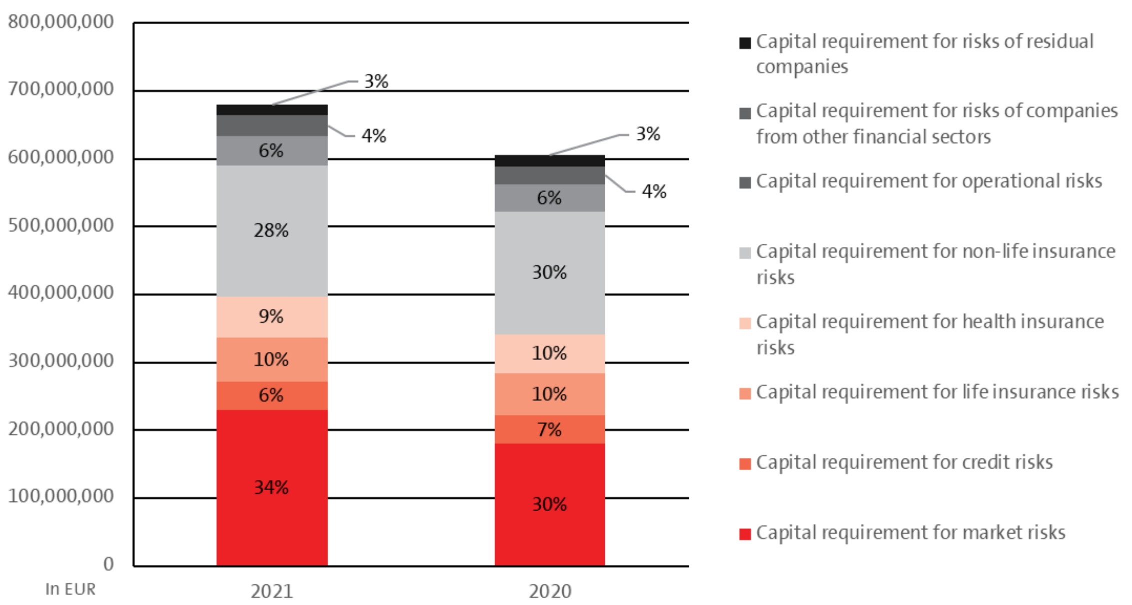
The increase in the SCR in the reporting period was the result of the increase in the capital requirement for operational risks and the capital requirement of Triglav Skladi. The capital requirement for operational risk increased by EUR 3.3 million as a result of the increase in the premium volume. The capital requirement of Triglav Skladi also increased by EUR 3.3 million.

The loss-absorbing capacity of deferred taxes at the end of 2021 amounted to EUR 28.2 million, up EUR 2.4 million YOY in absolute terms. 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 Appendix 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 2021 and 31 December 2020



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 Appendix to this Report.

E.2.2 Minimum capital requirement

The minimum capital requirement at the Group level as at 31 December 2021 amounted to EUR 174.6 million.

The table below shows the calculation of the minimum capital requirement of the Group as at 31 December 2021 and 31 December 2020.

Table 66: MCR of the Group as at 31 December 2021 and 31 December 2020

		In EUR thousand
	2021	**2020**
Group's MCR	**174,656**	**172,694**
Zavarovalnica Triglav	106,903	108,322
Pozavarovalnica Triglav Re	21,226	18,664
Triglav Zdravstvena zavarovalnica	10,259	10,360
Triglav Osiguranje, Zagreb	10,692	9,773
Triglav Osiguranje, Sarajevo	4,090	4,090
Lovčen Osiguranje, Podgorica	3,000	3,000
Triglav Osiguranje, Beograd	6,409	6,403
Triglav Osiguranje, Banja Luka	3,068	3,068
Triglav Osiguruvanje, Skopje	3,005	3,007
Lovčen životno osiguranje, Podgorica	3,000	3,000
Triglav Osiguruvanje Život, Skopje	3,005	3,007

The Group's MCR was up EUR 2 million compared to the previous reporting period, whereby the majority of the change came from Pozavarovalnica Triglav Re.

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 2021 stood at 81.4%, which is less than 2.5 percentage points lower than the year before when it was 83.9%.

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 2021:

1. S.02.01.02 - Balance sheet for solvency purposes
2. S.05.01.02 - Premiums, claims and expenses by line of business
3. S.05.02.02 - Premiums, claims and expenses by country
4. S.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	50,432
Pension benefit surplus	
Property, plant and equipment held for own use	126,508
Investments (other than assets held for index-linked and unit-linked contracts)	**2,555,100**
Property (other than for own use)	93,773
Holdings in related undertakings, including participations	105,214
Equities	*74,009*
Equities - listed	68,170
Equities - unlisted	5,838
Bonds	*2,091,892*
Government Bonds	1,411,494
Corporate Bonds	679,381
Structured notes	1,017
Collateralised securities	
Collective Investments Undertakings	122,306
Derivatives	20
Deposits other than cash equivalents	65,236
Other investments	2,650
Assets held for index-linked and unit-linked contracts	778,964
Loans and mortgages	**5,548**
Loans on policies	4,453
Loans and mortgages to individuals	1,094
Other loans and mortgages	0
Reinsurance recoverables from:	**95,680**
Non-life and health similar to non-life	90,303
Non-life excluding health	90,001
Health similar to non-life	303
Life and health similar to life, excluding health and index-linked and unit-linked	5,377
Health similar to life	
Life excluding health and index-linked and unit-linked	5,377
Life index-linked and unit-linked	
Deposits to cedants	13,340
Insurance and intermediaries receivables	57,584
Reinsurance receivables	13,729
Receivables (trade, not insurance)	13,056
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	41,971
Any other assets, not elsewhere shown	8,234
Total assets	**3,760,144**

Liabilities	Solvency II value
Technical provisions - non-life	**614,073**
Technical provisions - non-life (excluding health)	**545,347**
TP calculated as a whole	
Best estimate	513,397
Risk margin	31,950
Technical provisions - health (similar to non-life)	**68,726**
TP calculated as a whole	
Best estimate	65,539
Risk margin	3,188
TP - life (excluding index-linked and unit-linked)	**1,083,164**
Technical provisions - health (similar to life)	**149**
TP calculated as a whole	
Best estimate	148
Risk margin	1
TP - life (excluding health and index-linked and unit-linked)	**1,083,016**
TP calculated as a whole	
Best estimate	1,050,002
Risk margin	33,014
TP - index-linked and unit-linked	**733,036**
TP calculated as a whole	
Best estimate	715,013
Risk margin	18,023
Contingent liabilities	
Provisions other than technical provisions	18,460
Pension benefit obligations	
Deposits from reinsurers	842
Deferred tax liabilities	87,524
Derivatives	
Debts owed to credit institutions	377
Financial liabilities other than debts owed to credit institutions	1,841
Insurance and intermediaries payables	35,865
Reinsurance payables	7,193
Payables (trade, not insurance)	67,431
Subordinated liabilities	**51,671**
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	51,671
Any other liabilities, not elsewhere shown	17,422
Total liabilities	**2,718,901**
Excess of assets over liabilities	**1,041,243**

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	208,080	71,387		170,265	154,265	30,036
Gross - Proportional reinsurance accepted	1,977	3,930		22,111	11,303	20,033
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	3,056	4,907		31,724	18,940	20,071
Net	**207,001**	**70,410**		**160,652**	**146,627**	**29,997**
Premiums earned						
Gross - Direct Business	207,251	71,199		169,154	152,437	26,816
Gross - Proportional reinsurance accepted	1,938	3,861		21,259	11,208	18,799
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	2,947	4,768		29,100	18,582	18,742
Net	**206,242**	**70,291**		**161,314**	**145,062**	**26,872**
Claims incurred						
Gross - Direct Business	162,540	28,537		66,136	89,106	9,673
Gross - Proportional reinsurance accepted	1,348	1,743		12,644	7,331	8,662
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	1,657	2,310		16,567	9,579	4,135
Net	**162,230**	**27,971**		**62,212**	**86,857**	**14,200**
Changes in other technical provisions						
Gross - Direct Business	7,933	-133		53	289	-164
Gross - Proportional reinsurance accepted	1,456				14	-92
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	1,411					
Net	**7,978**	**-133**		**53**	**303**	**-256**
Expenses incurred	**22,995**	**22,777**		**51,663**	**43,254**	**8,131**
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	230,037	49,187	28,835	614	20,943	5,536
Gross - Proportional reinsurance accepted	148,923	9,739	13,039	62	1,437	2,654
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	174,184	26,176	19,839	157	1,744	7,604
Net	**204,777**	**32,750**	**22,036**	**519**	**20,636**	**586**
Premiums earned						
Gross - Direct Business	219,214	47,035	28,806	621	20,456	5,453
Gross - Proportional reinsurance accepted	148,043	9,150	11,557	65	1,371	2,596
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	169,289	23,802	17,011	162	1,613	7,265
Net	**197,967**	**32,383**	**23,352**	**524**	**20,214**	**783**
Claims incurred						
Gross - Direct Business	75,695	5,654	10,421	-15	13,856	3,057
Gross - Proportional reinsurance accepted	95,879	2,012	1,831	-1	1,066	-3,231
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	58,074	4,385	2,093	4	1,008	2,534
Net	**113,500**	**3,281**	**10,159**	**-20**	**13,914**	**-2,708**
Changes in other technical provisions						
Gross - Direct Business	90	99	33	0	17	-38
Gross - Proportional reinsurance accepted	2	-1	-148	-2	-2	-83
Gross - Non-proportional reinsurance accepted						
Reinsurers' share			19			
Net	**92**	**98**	**-134**	**-2**	**16**	**-120**
Expenses incurred	**83,552**	**19,972**	**10,136**	**522**	**8,531**	**1,021**
Other expenses						
Total expenses						

	Line of Business for: accepted nonproportional reinsurance				
	Health	**Casualty**	**Marine, aviation, transport**	**Property**	**Total**
Premiums written					
Gross - Direct Business					969,184
Gross - Proportional reinsurance accepted					235,209
Gross - Non-proportional reinsurance accepted	209	5,289	3,313	44,699	53,510
Reinsurers' share	64	4,825	966	24,958	339,214
Net	**145**	**464**	**2,347**	**19,741**	**918,688**
Premiums earned					
Gross - Direct Business					948,442
Gross - Proportional reinsurance accepted					229,845
Gross - Non-proportional reinsurance accepted	199	5,148	3,136	43,451	51,934
Reinsurers' share	64	4,654	949	24,188	323,139
Net	**135**	**493**	**2,187**	**19,263**	**907,083**
Claims incurred					
Gross - Direct Business					464,660
Gross - Proportional reinsurance accepted					129,283
Gross - Non-proportional reinsurance accepted	189	1,546	1,643	15,874	19,253
Reinsurers' share	200	1,139	266	14,213	118,165
Net	**-11**	**408**	**1,377**	**1,661**	**495,030**
Changes in other technical provisions					
Gross - Direct Business					8,178
Gross - Proportional reinsurance accepted					132
Gross - Non-proportional reinsurance accepted					0
Reinsurers' share					1,429
Net					**7,894**
Expenses incurred	**14**	**-406**	**122**	**2,422**	**274,706**
Other expenses					**10,178**
Total expenses					**284,884**

	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		65,812	102,883	25,312				961	194,967
Reinsurers' share		38	35	5,151				951	6,175
Net		**65,774**	**102,848**	**20,161**				**10**	**188,792**
Premiums earned									
Gross		65,839	102,883	25,315				961	194,998
Reinsurers' share		38	35	5,151				951	6,175
Net		**65,801**	**102,848**	**20,164**				**10**	**188,823**
Claims incurred									
Gross		92,427	62,122	11,203	46	14,073		461	180,332
Reinsurers' share		6	5	2,200		-2		461	2,672
Net		**92,420**	**62,117**	**9,002**	**46**	**14,075**		**0**	**177,660**
Changes in other technical provisions									
Gross		-20,130	100,879	1,881					82,631
Reinsurers' share									0
Net		-20,130	100,879	1,881					82,631
Expenses incurred		**13,141**	**20,181**	**10,256**		**16**		**-19**	**43,574**
Other expenses									**945**
Total expenses									**44,519**

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	702,517	77,331	63,025	34,113	25,915	21,676	924,576
Gross - Proportional reinsurance accepted	133,618	11,089	6,725	3,401	2,324	2,495	159,653
Gross - Non-proportional reinsurance accepted	32,065	1,989	958	454	110	358	35,934
Reinsurers' share	182,899	18,399	25,901	10,876	8,878	6,602	253,555
Net	**685,302**	**72,010**	**44,808**	**27,092**	**19,471**	**17,927**	**866,608**
Premium earned							
Gross - Direct Business	692,443	73,831	60,493	32,324	24,962	20,718	904,771
Gross - Proportional reinsurance accepted	130,875	10,655	6,720	3,432	2,319	2,417	156,417
Gross - Non-proportional reinsurance accepted	31,768	1,983	960	454	109	358	35,632
Reinsurers' share	177,235	17,211	23,173	10,096	8,390	6,345	242,450
Net	**677,850**	**69,259**	**45,000**	**26,114**	**19,000**	**17,147**	**854,369**
Claims incurred							
Gross - Direct Business	355,627	43,394	21,459	15,439	13,065	9,177	458,163
Gross - Proportional reinsurance accepted	62,315	8,282	2,260	1,904	2,398	1,305	78,464
Gross - Non-proportional reinsurance accepted	2,640	608	79	1,051	1	0	4,379
Reinsurers' share	63,725	10,048	6,615	3,449	6,058	1,567	91,463
Net	**356,856**	**42,236**	**17,184**	**14,945**	**9,406**	**8,915**	**449,543**
Changes in other technical provisions							
Gross - Direct Business	8,345	-185	16	273	-30	-236	8,183
Gross - Proportional reinsurance accepted	1,145						1,145
Gross - Non-proportional reinsurance accepted							0
Reinsurers' share	1,411	20				-2	1,429
Net	**8,079**	**-205**	**16**	**273**	**-30**	**-234**	**7,899**
Expenses incurred	**161,114**	**23,854**	**10,907**	**8,648**	**7,677**	**5,878**	**218,079**
Other expenses							**9,917**
Total expenses							**227,996**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		BA	HR	RS	ME	MK	
Premium written							
Gross	159,194	11,472	10,327	6,259	4,506	3,209	194,967
Reinsurers' share	596	3,342	265	982	40	0	5,224
Net	**158,598**	**8,130**	**10,062**	**5,278**	**4,466**	**3,209**	**189,743**
Premium earned							
Gross	159,215	11,472	10,327	6,259	4,516	3,209	194,998
Reinsurers' share	596	3,342	265	982	40	0	5,224
Net	**158,619**	**8,130**	**10,062**	**5,278**	**4,476**	**3,209**	**189,774**
Claims incurred							
Gross	159,351	4,091	8,032	4,865	3,643	350	180,332
Reinsurers' share	305	810	6	1,089			2,210
Net	**159,046**	**3,281**	**8,025**	**3,776**	**3,643**	**350**	**178,121**
Changes in other technical provisions							
Gross	78,033		4,352		246		82,631
Reinsurers' share							
Net	**78,033**		**4,352**		**246**		**82,631**
Expenses incurred	**32,392**		**3,820**		**562**	**1,351**	**38,126**
Other expenses							**944**
Total expenses							**39,069**

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	**883,272**	883,272			
Subordinated liabilities	**51,671**			51,671	
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	**1,539**	1,539			
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	**0**				
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	**56,677**	56,677			
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	**1,539**	1,539			
Total deductions	**58,216**	58,216			
Total basic own funds after deductions	**950,429**	898,758		51,671	

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
Unpaid and uncalled preference shares callable on demand					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
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	**39,863**	39,863			
Institutions for occupational retirement provision	**16,814**	16,814			
Non regulated entities carrying out financial activities					
Total own funds of other financial sectors	**56,677**	56,677			
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)	**950,429**	898,758		51,671	
Total available own funds to meet the minimum consolidated group SCR	**950,429**	898,758		51,671	
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)	**950,429**	898,758		51,671	
Total eligible own funds to meet the minimum consolidated group SCR	**933,686**	898,758		34,929	
Minimum consolidated Group SCR	**174,644**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**535%**				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**1,007,106**	955,434		51,671	
Group SCR	**459,283**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**219%**				

Reconciliation reserve	
Excess of assets over liabilities	1,041,243
Own shares (included as assets on the balance sheet)	
Foreseeable dividends, distributions and charges	67,233
Other basic own fund items	73,701
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
Other non available own funds	**17,036**
Reconciliation reserve before deduction for participations in other financial sector	**883,272**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life Business	69,923
Expected profits included in future premiums (EPIFP) - Non- life business	65,992
Total EPIFP	**135,915**

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

	Gross solvency capital requirement
Market risks	230,498
Credit risks	41,228
Life underwriting risks	65,608
Health underwriting risks	59,677
Non-life underwriting risks	193,597
Diversification	-197,926
Intangible asset risk	
Basic Solvency Capital Requirement	**392,682**

Calculation of Solvency Capital Requirement	
Operational risks	43,278
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	-28,204
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
Adjustment for ring-fenced fund risk diversification	4,919
Solvency capital requirement excluding capital add-on	**412,674**
Capital add-on already set	
Solvency capital requirement	**459,283**
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	
Minimum consolidated group solvency capital requirement	174,644
Information on other entities	
Capital requirement for other financial sectors (Non-insurance capital requirements)	29,915
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	15,887
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	14,028
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	16,694
Overall SCR	
SCR for undertakings included via D and A	
Solvency capital requirement	**459,283**

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	48510000PUF0 PHJMWE31	1 - LEI	Triglav, pokojninska družba, d.d., Ljubljana	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 L1OVM657	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	100.00%	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

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	48510000WZS9RGTJVR81	1 - LEI	Triglav Osiguruvanje, a.d., Skopje	Non life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	81.32%	81.32%	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	96.23%	96.23%	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	48510000NKZ3E6LSZM73	1 - LEI	Triglav Skladi, d.o.o., Ljubljana	Credit institution, investment firm and financial institution	Private limited-liability company	Non-mutual	Securities Market Agency	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		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		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		100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation

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-90	2 - Specific code	Zavod Vse bo v redu, Ljubljana	Other	Social responsibility institute	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Other method
SI	485100000Z4B S9C24Q46	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		100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
ME	OP-28	2 - Specific code	Lovćen 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		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		97.78%	98.87%	Dominant	Included in the scope	1 January 2016	Full consolidation
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

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	97.78%	98.87%	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	100.00%	100.00%	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		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		90.95%	91.97%	Dominant	Included in the scope	1 January 2016	Other method
HR	OP-54	2 - Specific code	Triglav upravljanje nekretninam a, 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		100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
ME	OP-55	2 - Specific code	Triglav upravljanje nekretninam a, 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		100.00%	100.00%	Dominant	Included in the scope	1 January 2016	Full consolidation
SI	747800P0D1 3G4YJHYI09	1 - LEI	Nama IN, Trgovosko podjetje, d.o.o., Ljubljana	Other	Public limited company	Non-mutual		39.15%	39.15%	Significant	Included in the scope	1 January 2016	Other method
SI	DC NALOŽBE	2 - Specific code	Nama, upravljanje z nepremičnina mi, d.d., Ljubljana	Other	Private limited-liability company	Non-mutual		39.15%	39.15%	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		38.47%	38.47%	Significant	Included in the scope	1 January 2016	Other method

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	4851006WX9O N1MWW9471	1 - LEI	TRIGAL, upravljanje naložb in svetovalne storitve, d.o.o., Ljubljana	Other	Private limited-liability company	Non-mutual		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	34.00%	34.00%	Dominant	Included in the scope	27 March 2019	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		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	Other	Private limited-liability company	Non-mutual		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	Other	Private limited-liability company	Non-mutual		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		50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method
SI	GASTROMEDIC A	2 - Specific code	Gastromedica, d.o.o., Murska Sobota	Other	Private limited-liability company	Non-mutual		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		50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method
SI	CARDIAL	2 - Specific code	Cardial, d.o.o., Ljubljana	Other	Private limited-liability company	Non-mutual		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		50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method

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-60	2 - Specific code	TUN, Sarajevo	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35)	Private limited-liability company	Non-mutual		97.78%	98.87%	Dominant	Included in the scope	31 December 2020	Full consolidation
SI	DC NALOŽBE	2 - Specific code	KIRURŠKI SANATORIJ ROŽNA DOLINA d.o.o., Ljubljana	Other	Private limited-liability company	Non-mutual		50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method
SI	DC NALOŽBE	2 - Specific code	MDT & T podjetje za medicinsko diagnostiko, terapijo in tehnologijo d.o.o.	Other	Private limited-liability company	Non-mutual		19.60%	24.50%	Significant	Included in the scope	31 December 2020	Other method
SI	DC NALOŽBE	2 - Specific code	Neuroedina, zdravstvena dejavnost, d.o.o. Bled	Other	Private limited-liability company	Non-mutual		50.00%	50.00%	Significant	Included in the scope	31 December 2020	Other method