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

Solvency and Financial Condition Report
Zavarovalnica Triglav, d.d.
2022

Ljubljana, March 2023

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.

Zavarovalnica Triglav, d.d.

€ 374.5 million

Solvency capital requirement

€ 120.5 million

Net profit in 2022

€ 868.9 million

Gross written premiums in 2022

€ 104.5 million

Minimum capital requirement

€ 1,977.2 million

Investments

€ 930.1 million

Own funds

248%

Solvency ratio

MEMBERS OF THE MANAGEMENT BOARD OF ZAVAROVALNICA TRIGLAV:

President of the Management Board:

Andrej Slapar

Members of the Management Board:

Uroš Ivanc

Tadej Čoroli

Blaž Jakič

Marica Makoter

Ljubljana, March 2023

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Summary

Summary

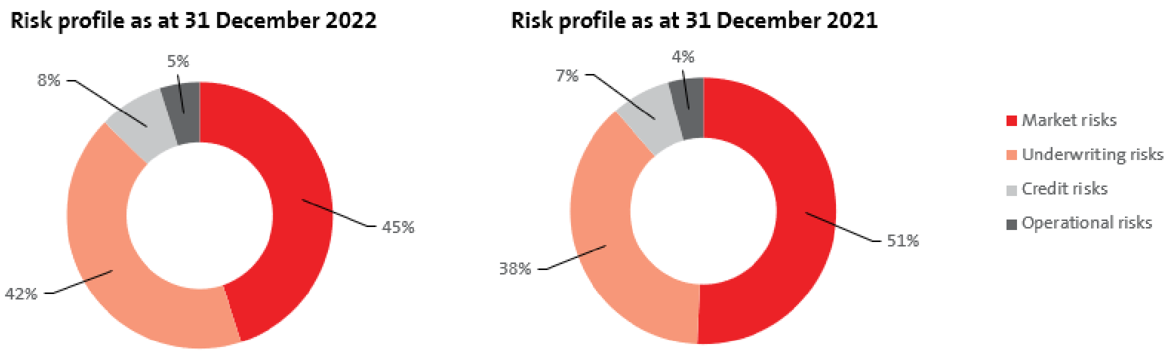
Zavarovalnica Triglav is a public limited company with its registered office in the Republic of Slovenia where it where it holds a leading position with a 30.5 percent market share (29.8 percent a year earlier) on the Slovenian insurance market. The beginnings of its operations go back more than 120 years. Today, Zavarovalnica Triglav is the parent company of the Triglav Group that included 29 subsidiaries, 14 associated companies and 9 joint ventures in addition to the parent company at the end of 2022. The Triglav Group operates in six countries of the broader Adriatic region. The Triglav Group and thereby its parent company Zavarovalnica Triglav as well as the subsidiary Pozavarovalnica Triglav Re are rated by two recognised ratings agencies, S&P Global Ratings and A.M. Best. In 2022, both gave the Group an independent **rating of "A"** with a stable medium-term outlook thus confirming its financial stability, high level of capital adequacy and profitability of its operations.

The strategic activities of Zavarovalnica Triglav include the **insurance business and asset management**. As part of its insurance business, the Company concludes non-life, health, life and pension insurance and reinsurance contracts. It operates mainly on the Slovenian market, while it also operates outside Slovenia within the scope of the Triglav Group activities. Its activity is supervised by the Slovenian regulator, the Insurance Supervision Agency, while its external auditor for the 2022 financial year is the Deloitte revizija d.o.o. auditing firm.

Zavarovalnica Triglav is managed and governed according to a two-tier system of governance including the General Meeting, the Supervisory Board and the Management Board. At the end of 2022, the Management Board comprised four members. The Supervisory Board is composed of nine members, three of whom are employee representatives. The system of governance of Zavarovalnica Triglav also includes the so-called four key functions that report directly to the Management Board (risk management function, the compliance function, the internal audit function and the actuarial function) and eight risk management system committees that are appointed by the Management Board. Their work is placed into the second line of defence of the three lines of defence model of risk management. The work of the committees of Zavarovalnica Triglav is described in detail in section B.3.4 of this Report.

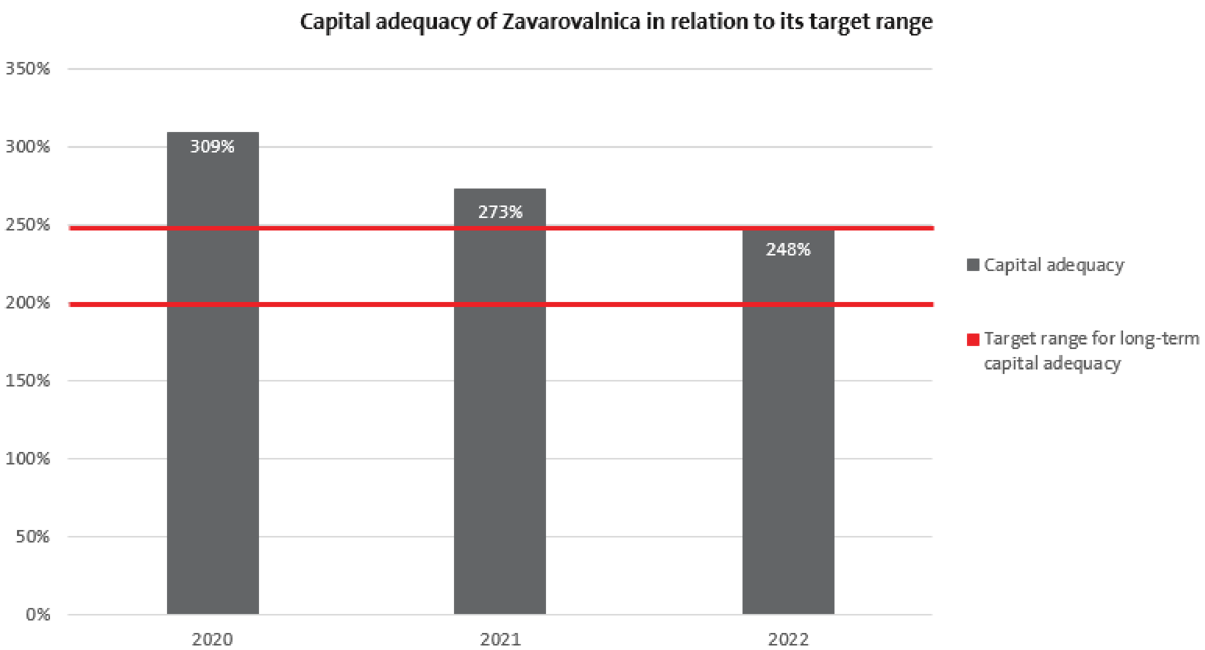
As regards risks, Zavarovalnica Triglav ended 2022 within the set targets, and the Company’s capital adequacy was within the target range. The Company regularly monitored the risk profile and actively upgraded individual areas of the risk management system, mainly where it detected elevated risk or higher exposures.

The risk profile as at 31 December 2022 changed compared to the previous year, mainly due to a decrease in market risk alongside an increase in underwriting risk, whereby the SCR was nearly unchanged in terms of scope compared to the year before. The main reason for the decrease in market risk is mainly the decrease in equity risk resulting from the lower symmetrical adjustment and lower exposure to the collective investment undertakings segment.



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

Capital adequacy or the capital adequacy ratio is calculated according to the standard formula as the ratio between the total eligible own funds and the solvency capital requirement. Zavarovalnica Triglav was adequately capitalised as at 31 December 2022. It had sufficient own funds to cover both the SCR (248%) and the MCR (865%). The Company does not use adjustments or simplifications when determining capital adequacy.

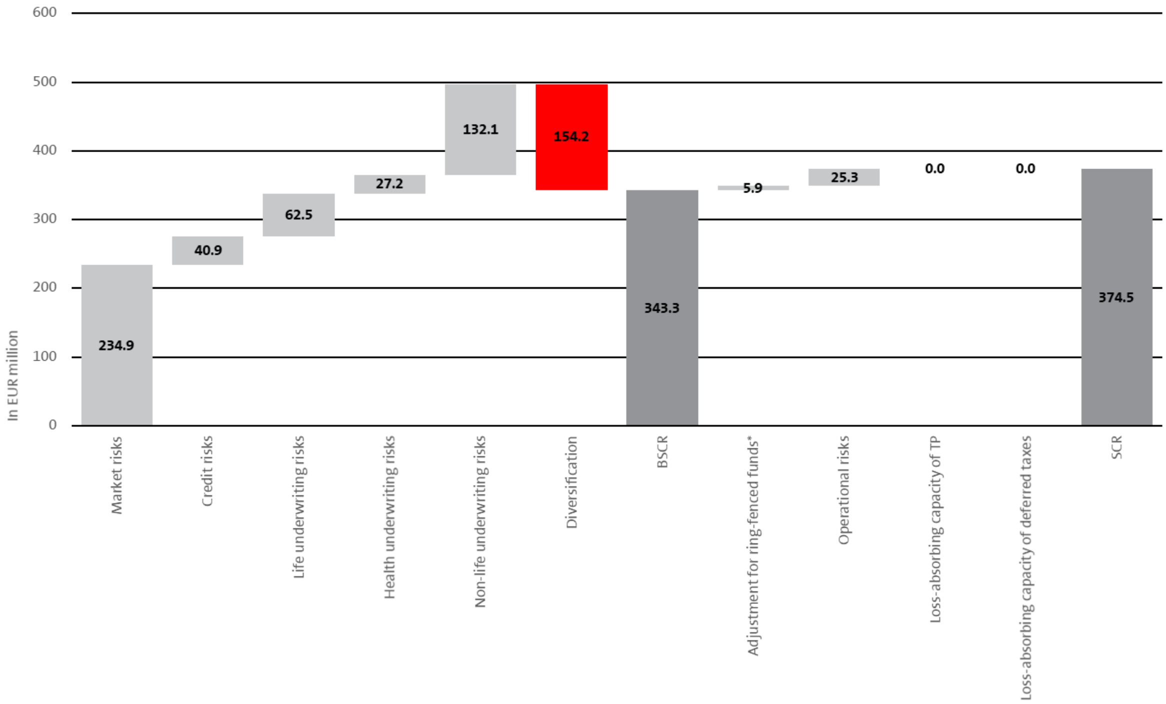


Eligible own funds are calculated as the difference between assets and liabilities whereby the entire balance sheet is valued at fair value. The difference between assets and liabilities was composed of the Company's share capital (EUR 73.7 million), the reconciliation reserve (EUR 808.5 million), subordinated liabilities as Tier 2 own funds (EUR 43.4 million) and net deferred tax assets as Tier 3 assets (EUR 4.5 million). The calculation of eligible own funds takes into account the dividend policy guidelines. The Company holds the highest quality own funds and thus classifies its entire share capital and the reconciliation reserve as Tier 1 assets, while it classifies subordinated bonds as Tier 2 assets and net deferred tax assets as Tier 3 assets.

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

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

Structure of the Company's SCR



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

In 2022, as much as 87% of the Company's SCR came from underwriting and market risks. Most of its own funds are classified as Tier 1 assets in terms of quality.

In 2022, the Zavarovalnica Triglav operated very successfully, maintained its capital strength and carefully followed the outlined strategic directions and goals in its operations.

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

A. Business and performance

A. Business and performance

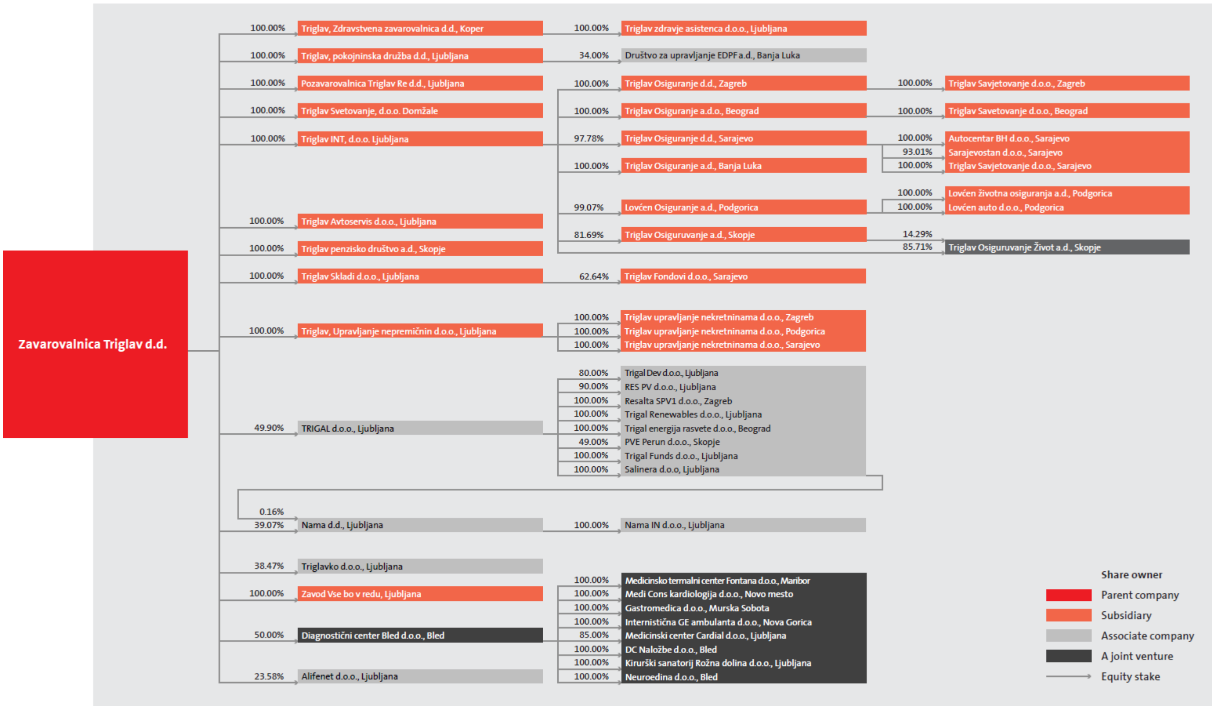
A.1 Business

A.1.1 About Zavarovalnica Triglav

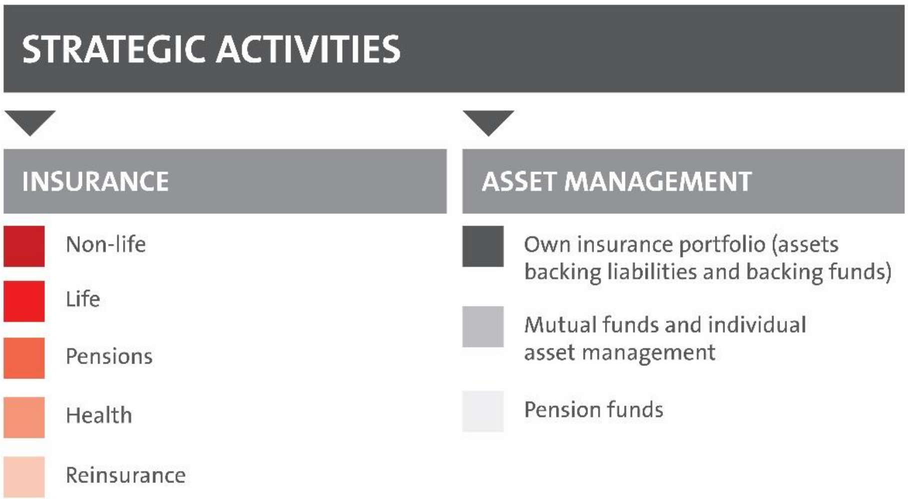
Zavarovalnica Triglav, d.d. (hereinafter: the Company) headquartered in Ljubljana, Miklošičeva 19, is the parent company of the Triglav Group (hereinafter: the Group) comprising 29 subsidiaries, 14 associated companies and 9 joint ventures in addition to the Company.

Below is the schematic presentation of the Group's subsidiaries and associated companies as well as their respective equity interests as at 31 December 2022.

Figure 1: Schematic of the Group's subsidiaries and associated companies and their respective equity interests as at 31 December 2022



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



The Company held a 30.5% market share in Slovenia at the end of 2022 and thereby a leading market position (29.8% share in the previous year).

In 2022, the Company operated in all segments of non-life and health insurance with the exception of the segment of employee accident insurance (LoB 3). Out of all the non-life and health insurance segments, the Company books the most premium from fire and other damage to property insurance (LoB 7), other motor insurance (LoB 5) and motor vehicle liability insurance (LoB 4).

In 2022, index-linked or unit-linked insurance (LoB 31) represented the largest segment of life insurance. These were followed by insurance with profit participation (LoB 30) and other life insurance (LoB 32).

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

A.1.2 Supervisory body

The Company's supervisory body is:

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

A.1.3 External audit

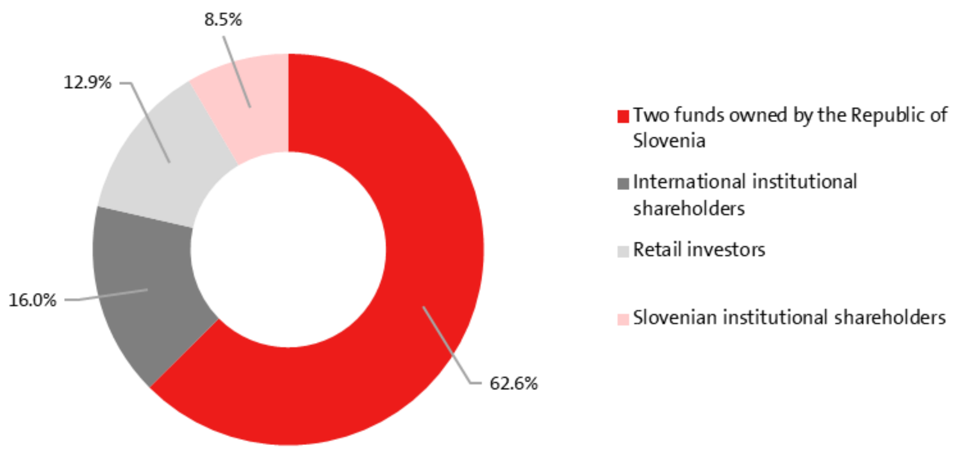
Based on the resolution of the General Meeting of Shareholders of the Company (hereinafter: General Meeting of Shareholders), the following audit firm was appointed as the external auditor of the Company for the 2022 financial year:

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 2022. 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 as at 31 December 2022.

Chart 1: Company's ownership structure as at 31 December 2022



At the end of the year, the Company had 8,294 shareholders, around 40 of whom were international banks with fiduciary accounts of their clients and international institutional investors. At the beginning of the year, the number of shareholders decreased by a third (mainly natural persons) due to the activities of the Central Securities Clearing Corporation (KDD), which were also connected with the period of ownership transformation of Slovenian companies. Despite the decline in the number of natural person shareholders, there has been a noticeable strengthening of their ownership share in recent years, which now stands at 13 percent.

A.1.5 Major business events and achievements in 2022

- Good business performance: Despite the challenging conditions in the business environment characterised by geopolitical conditions, high inflation, natural mass loss events and unfavourable conditions on the financial markets, the Group operated profitably and successfully, whereby the profit generated was also affected by one-off events.
- Dividend payment: At the May General Meeting, the shareholders adopted the proposed resolution of the Management Board and the Supervisory Board to pay a dividend of EUR 3.7 gross per share for a total value of EUR 84.1 million, which represents 74 percent of the consolidated net profit of Zavarovalnica Triglav for 2021.
- 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: The term of office of the Management Board members Barbara Smolnikar and David Benedek has expired. Blaž Jakič was appointed as a new member of the Management Board for a 5-year term of office, whereby the decision enters into force upon fulfilment of the suspensive conditions, including obtaining the permission of the ISA to perform the function of a Management Board member on 2 March 2023. Supervisory Board members Branko Bračko and Peter Kavčič informed the Company on 9 December 2022 of their resignation from the position of Supervisory Board member. Their term of office will end on the day of the Regular Annual General Meeting of Shareholders in 2023, but no later than 30 June 2023.
- Sustainable development at the Group: In February 2022, the Company became a signatory of the United Nations Principles for Sustainable Insurance (UN PSI) and thus a member of the global community of banks, insurance companies and investors who have joined the United Nations Environmental Finance Initiative (UNEP FI). At the same time, it joined the Partnership for Carbon Accounting Financials (PCAF). In 2022, it reported on the impacts of climate change to the international non-profit organisation CDP for the second time in a row.

A.2 Underwriting performance

The Company's net profit in 2022 was up 64.1% compared to the year before, i.e. from EUR 73.4 million to EUR 120.5 million. The good financial result was mainly due to the growth of the volume of operations, disciplined and prudent underwriting of insurance risks, relatively lower claims frequency and the favourable development of claims provisions set aside in previous years.

The non-life combined ratio stood at 77,2% at the end of 2022, down 4.6 pp compared to the year before. The main reason for the lower combined ratio compared to 2021 is the lower claims ratio.

Table 1: Company's operating performance in 2022 and 2021

In EUR thousand

	2022	2021
Profit or loss before tax	**140,358**	**85,689**
Net profit/loss	**120,472**	**73,416**
- Non-life insurance	103,950	67,191
- Life insurance with pension insurance	16,522	6,224
Non-Life insurance combined ratio	**77.2%**	**81.8%**
- Loss ratio	45.2%	50.4%
- Expense ratio	32.0%	31.4%
ROE	**19.6%**	**11.1%**

In 2022, 14% of the Company's net profit came from life insurance, while 86% was generated from non-life insurance. Compared to the previous year, the share of non-life insurance decreased by 5.2 p.p. at the expense of life insurance.

The Company booked a total of EUR 868.9 million in gross insurance, co-insurance and reinsurance premium in 2022. The premium grew by EUR 74.5 million when compared to 2021. According to the segmentation for solvency purposes, the Company booked EUR 702.2 million of gross insurance, co-insurance and reinsurance premium from non-life insurance and health insurance and EUR 166.7 million from life insurance. The biggest share of the non-life and health insurance premium is derived from the fire insurance and other damage to property insurance segment (LoB 7). These were followed by other motor vehicle insurance (LoB 5) and mandatory third-party liability insurance (LoB 4). The biggest share of the life insurance premium comes from the index-linked or unit-linked insurance (LoB 31) segment.

Gross claims incurred in 2022 came in at EUR 424.5 million, whereby EUR 306.7 million of the said amount came from non-life insurance and health insurance and EUR 117.8 million came from life insurance. The majority of the gross claims incurred among non-life and health insurance arose from claims in the fire insurance and other damage to property insurance (LoB 7) and other motor vehicle insurance (LoB5), while the majority under life insurance came from the insurance with profit participation segment (LoB 30). Compared to 2021, gross claims incurred were up 17.6 million, whereby gross claims incurred under non-life and health insurance increased by EUR 58.9 million and those under life insurance decreased by EUR 41.3 million.

The Company's gross expenses in 2022 amounted to EUR 215.7 million. EUR 179.7 million of the abovementioned amount came from non-life insurance and health insurance and EUR 36 million came from life insurance. Subject to the segmentation for solvency purposes, the highest expenses were incurred in the fire insurance and other damage to property insurance segment (LoB 7). Expenses increased by EUR 9.9 million when compared to 2021.

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

Table 2: Premium, claims and expenses of the Company by major insurance segments for solvency purposes in 2022 and 2021

In EUR thousand

	2022	2021
Gross written premiums from insurance, co-insurance and reinsurance contracts	**868,864**	**794,351**
- Non-life insurance including health insurance	**702,213**	**635,911**
-- Fire and other damage to property insurance (LoB 7)	213,975	206,703
-- Other motor insurance (LoB 5)	141,285	129,093
-- Motor vehicle liability insurance (LoB 4)	118,439	106,072
-- Other non-life and health insurance segments	228,514	194,042
- Life insurance	**166,650**	**158,441**
-- Index-linked and unit-linked insurance (LoB 31)	113,226	99,524
-- Insurance with profit participation (LoB 30)	45,535	51,564
-- Other life insurance (LoB 32)	7,889	7,352
-- Annuities from non-life insurance contracts (LoB 34 and LoB 35)	0	0
Gross claims incurred	**424,489**	**406,908**
- Non-life insurance including health insurance	**306,734**	**247,863**
-- Fire and other damage to property insurance (LoB 7)	92,741	83,891
-- Other motor insurance (LoB 5)	87,449	74,125
-- Motor vehicle liability insurance (LoB 4)	53,930	36,495
-- Other non-life and health insurance segments	72,615	53,353
- Life insurance	**117,755**	**159,044**
-- Insurance with profit participation (LoB 30)	83,460	83,914
-- Index-linked and unit-linked insurance (LoB 31)	59,535	60,244
-- Other life insurance (LoB 32)	1,343	1,814
-- Annuities from non-life insurance contracts (LoB 34 and LoB 35)	-26,583	13,072
Expenses	**215,732**	**205,794**
- Non-life insurance including health insurance	**179,714**	**173,203**
-- Fire and other damage to property insurance (LoB 7)	56,046	53,429
-- Other motor insurance (LoB 5)	36,625	34,351
-- Motor vehicle liability insurance (LoB 4)	31,598	29,711
-- Other non-life and health insurance segments	55,445	55,713
- Life insurance	**36,018**	**32,591**
-- Index-linked and unit-linked insurance (LoB 31)	22,466	19,355
-- Insurance with profit participation (LoB 30)	8,478	8,819
-- Other life insurance (LoB 32)	5,051	4,399
-- Annuities from non-life insurance contracts (LoB 34 and LoB 35)	24	18
- Other expenses	**12,384**	**10,861**

The Company operates mostly in the territory of the Republic of Slovenia, with life insurance sold exclusively in Slovenia. More than 92% of premium income is generated by the sale of insurance to domestic clients and more than 94% of all claims are paid to domestic clients as well. Compared to 2021, the share of the premium written at home decreased by 2.5 percentage points.

Table 3: Geographic distribution of the premium and claims of the Company in 2022 and 2021

In EUR thousand

Geographic distribution of the premium and claims	2022	2021
Gross written premiums from insurance, co-insurance and reinsurance contracts	**868,864**	**794,351**
- Slovenia	797,575	748,971
- Other countries	71,289	45,380
Gross claims incurred	**424,489**	**406,908**
- Slovenia	400,854	400,195
- Other countries	23,635	6,712

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

A.3 Investment performance

The Company's investment policy remains conservative as the majority of the investments in the portfolio are still represented by debt securities that are closely tied to liabilities. The main factors affecting the Company's investment performance are the structure of the investments and the developments on capital markets. This chapter presents the Company's investment result broken down by the contribution of individual investment classes. We also provide a comparison with the investment result published by the Company last year. The investment result shown was also published by the Company in the Annual Report of the Triglav Group and Zavarovalnica Triglav, d.d. for 2022 (hereinafter: Annual Report), i.e. section 3.7 of the financial statement section of the Report.

The global events that marked 2022 had strongly impacted financial markets. The main reasons for the significant drop in the investment result in 2022 compared to the year before, taking into account unit-linked life insurance policyholders' investments, are the rapid and high growth of interest rates driven primarily by increased inflation, the opening of credit spreads and significant negative corrections on the stock markets. The impact of the long-lasting period of low interest rates is finally easing so that the total interest income for the year is already completely comparable to last year's result. The break in the trend of falling interest income is already clearly visible in the segment of corporate bonds, which has shorter maturities and therefore benefits from greater investment dynamics. Interest income in the loans and deposits class is lower because the exposure to these classes has decreased. The "Other" class presents interest income from default interest on receivables and other interest expenses.

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

The "Net profit or loss" category comprises changes in the fair value of assets classified as "fair value through profit or loss", gains and losses from sale and permanent impairments. The item decreased significantly compared to the year before mainly because of the change in the fair value through profit or loss in the collective investment undertakings class which is significantly lower than last year's value. This is mainly due to the negative correction of the equity markets in 2022, while debt-oriented collective undertakings were affected by the significant rise in risk-free interest rates and the broadening of credit spreads. The adjustment of the debt portfolio to the environment with higher interest rates and higher credit spreads results in higher losses from sales, which is partly compensated by higher gains from the sale of equities where the portfolio was restructured due to the upcoming IFRS 9 accounting standard. Permanent impairment losses increased compared to the year before. An important part of this item is represented by impairments of Russian bonds, while the rest is related mainly to impairments of investments in certain subsidiaries.

In 2022, the Company used derivatives exclusively to hedge against currency risk. The net result in this class has remained nearly unchanged compared to the year before.

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

The "Unrealised gains and losses" category relates only to investments classified in the "available for sale" financial reporting group and represents a periodical change in the revaluation surplus which is an integral part of equity. The rapid and significant increase in the risk-free interest rate as well as the broadening of credit spreads significantly reduced the result in this part compared to last year, i.e. both in the segment of sovereign and corporate bonds. Negative corrections in the stock markets significantly lowered the result in the stock segment.

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

Table 4: Performance of the Company's investment activities for financial reporting purposes in 2022 and 2021

2022						**In EUR thousand**
Investment performance	Net interest	Dividends	Net profit or loss	Other net financial income	Unrealised gains and losses	Rents
Investments	**19,663**	**37,860**	**-109,674**	**-3,548**	**-210,404**	**5,277**
Real estate	0	0	154	0	0	5,277
Shares	0	36,609	19,631	0	-40,031	0
Government bonds	9,790	0	-32,548	0	-131,340	0
Corporate bonds	9,469	0	-10,664	0	-45,350	0
Collective investment undertakings	0	1.251	-86,116	0	6,317	0
Loans	306	0	0	0	0	0
Deposits, cash and cash equivalents	42	0	0	0	0	0
Derivatives	0	0	-132	0	0	0
Other	57	0	0	-3,548	0	0

2021						**In EUR thousand**
Investment performance	Net interest	Dividends	Net profit or loss	Other net financial income	Unrealised gains and losses	Rents
Investments	**19,863**	**12,824**	**74,478**	**-2,676**	**-32,677**	**4,860**
Real estate	0	0	151	0	0	4,860
Shares	0	11,373	3,266	0	19,076	0
Government bonds	10,709	0	-1,760	0	-49,884	0
Corporate bonds	8,551	0	-87	0	-8,773	0
Collective investment undertakings	0	1,451	73,015	0	6,904	0
Loans	372	0	0	0	0	0
Deposits, cash and cash equivalents	177	0	0	0	0	0
Derivatives	0	0	-107	0	0	0
Other	54	0	0	-2,676	0	0

The Company has no investments in securitized products.

A.4 Performance of other activities

A.4.1 Other income and expenses

The Company's other income comprising other insurance income and other income came in at EUR 69.6 million in 2022. A major portion of this income (EUR 50.8 million; EUR 38.1 million in the comparison year) relates to reinsurance commission income and commissions of life insurance guarantee funds. Other income mostly relate to other income from insurance operations and income from investment properties.

The Company's other expenses comprising other insurance expenses and other expenses came in at EUR 54.9 million in 2022. The biggest share of the abovementioned expenses relates to expenses for employee bonuses (EUR 18.9 million; EUR 15.6 million in the previous year), commission expenses (EUR 15.5 million; EUR 14.4 million in the previous year), the fire tax (EUR 5.1 million, EUR 4.6 million in the previous year), depreciation and other expenses from investment property (EUR 4.9 million, EUR 4.7 million in the previous year) and expenses for interest on issued bonds (EUR 2.2 million; EUR 2.2 million in the previous year).

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

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

In EUR thousand

	2022	2021
Other income	**69,572**	**54,213**
- Other insurance income	58,536	45,387
- Other income	11,036	8,826
Other expenses	**54,986**	**47,784**
- Other insurance expenses	27,910	25,298
- Other expenses	27,076	22,486

A.4.2 Lease agreements

In the reporting period, the Company was a party to several lease agreements both as lessor/landlord and as lessee/tenant.

Among the contractual relationships where the Company acts as the lessor/landlord, only investment property is considered material. Of the total value of investment properties of EUR 43.4 million, the rental income amounted to EUR 6.1 million in 2022.

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

As at 31 December 2022, the right-of-use assets in the amount of EUR 3.9 million was disclosed by the Company. The total annual amortisation expense of these assets was EUR 1.2 million, while interest expenses came in at EUR 80 thousand. Rental costs not accounted according to IFRS 16, i.e. short-term leases and low-value leases, came in at EUR 476 thousand in 2022.

A.5 Any other information

EVENTS IN 2023

On February 16, 2023, the Croatian Financial Supervision Agency (hereinafter: HANFA) issued a decision to the company Triglav Osiguranje, d.d., Zagreb, based on an examination of the part of the business that relates to the risk management in the conclusion of surety insurance and their impact on financial position of the company. With the decision, HANFA ordered the company to carry out activities to improve the functioning of internal controls in the execution of these transactions and to record the obligations arising from the issued guarantee under surety insurance. On the basis of the imposed measures, the company recorded in its separate financial statements for 2022 the maximum amount of liabilities arising from the cashing in of the guarantee and expenses in the amount of 4,037,212 euros. The business event is also recorded in the Group's financial statements.

Zavarovalnica also cites the appointment of Blaž Jakič as a member of the Company's Management Board as an important event after the reporting period. On October 17, 2022, the Supervisory Board adopted a decision on his appointment as a member of the Management

Board, and on March 2, 2023, he received a decision from the ISA, with which he was given permission to perform this function in the Company.

OTHER RELEVANT INFORMATION

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

B. System of governance

B. System of governance

B.1 General information on the system of governance

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

In addition to the management bodies, the Company's system of governance also includes 4 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 as independent organisational units, which carry out their duties and responsibilities independently from one another and from the other organisational units of the Company.

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

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

B.1.1 Management bodies of the Company

B.1.1.1 Management Board

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

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

At its meeting on 17 October 2022, the Supervisory Board agreed with the proposal of the President of the Management Board to appoint Blaž Jakič as a new member of the Management Board and with the agreement on the termination of the term of office of Management Board member David Benedek. Blaž Jakič was appointed for a term of office of five years, and the decision will enter into force upon the fulfilment of suspensive conditions, including Mr. Jakič obtaining the licence to perform the function of Management Board member from the ISA on 2 March 2023. The term of office of David Benedek as a Management Board member ended by mutual consent on 1 December 2022, and the five-year term of office of Barbara Smolnikar as Management Board member ended on 17 October 2022.

As at 31 December 2022, the Management Board composition was as follows:

Table 6: Composition of the Management Board and the competences of the members of the Management Board of the Company as at 31 December 2022

First and last name	Function	Area of work within the Management Board as at 31 Dec. 2022
Andrej Slapar	President of the Management Board	Manages and directs the work of the Management Board and the operation of the headquarter services (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 the Company and the Group.
Uroš Ivanc	Member of the Management Board	He is responsible for the independent Non-Life Insurance Actuarial Department, the Life Insurance Actuarial Department, Accounting, Finance and Controlling as well as the Group Non-Slovenian Subsidiary Management Department and the Investment Department at the Company's headquarters. He is also responsible for mergers and acquisitions (M&A), investor relations (IR) and relations with 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, Non-Life Insurance Claims, Insurance Sales, Digital Operations and Customer Experience, Digital Platform and Business Intelligence, Life Insurance, IT and the Risk Management and Bancassurance departments operating at the Company's headquarters.
Marica Makoter	Management Board member - 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). She is also responsible for the Strategic Purchasing and Prevention of Money Laundering department operating at the Company's headquarters.

Other information on the Company’s Management Board is presented in the Annual Report, i.e. in section 5.3.2 of the business portion of the said report.

B.1.1.2 General Meeting of Shareholders

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

B.1.1.3 Supervisory Board

The Company's Supervisory Board has nine members, six of whom are shareholders' representatives and three are employee representatives. The members of the Supervisory Board - shareholders' representatives are elected by the General Meeting of Shareholders. The Members of the Supervisory Board who act as employee representatives are elected by the Company's Works Council, which informs the General Meeting of Shareholders of its decision. The Chairman and Vice Chairman act as shareholders' representatives. The term of office of Supervisory Board members is 4 years, whereby they may be re-elected without limitation.

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

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

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

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

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

Supervisory Board members Branko Bračko and Peter Kavčič informed the Company on 9 December 2022 of their resignation from the position of Supervisory Board member. In order to ensure the proper implementation of the nomination procedures, they submited an irrevocable statement of resignation as of the date when the Supervisory Board approved the Annual Report for 2022 or at the latest as of 31 March 2023. The effect of their resignation and the expiry of the term of office of Supervisory Board member will begin on the date of the meeting of the regular annual General Meeting of Shareholders (which is expected to be held on 6 June 2023 according to the financial calendar), but no later than 30 June 2023.

The composition of the Supervisory Board in 2022 was as follows:

Table 7: Supervisory Board members in the 2022 financial year

First and last name	Function
Andrej Andoljšek	Chairman, shareholders' representative
Branko Bračko	Vice Chairman, shareholders' representative
Igor Stebernak	Member, shareholders' representative
Tomaž Benčina	Member, shareholders' representative
Jure Valjavec	Member, shareholders' representative
Peter Kavčič	Member, shareholders' representative
Peter Celar	Member, employee representative
Branko Gorjan	Member, employee representative
Igor Zupan	Member, employee representative

SUPERVISORY BOARD COMMITTEES

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

The following Supervisory Board committees operated at the Company in 2022: Audit Committee, Appointments and Remuneration Committee and the Strategic Committee with the Nominations Committee established as a temporary committee. Committees or the board prepare proposed resolutions, ensure their realisation and perform other expert tasks.

The Nominations Committee was established as a temporary committee on 21 December 2022 due to the submission of resignations by Supervisory Board members Branko Bračko and Peter Kavčič. The committee will work until the election of new Supervisory Board members, shareholder representatives, at the Company's General Meeting of Shareholders, but not longer than by 6 June 2023.

Table 8: Composition and competences of Supervisory Board committees in the 2022 financial year

Supervisory Board committee	Competences
AUDIT COMMITTEE **Composition:** - Peter Kavčič, Committee Chairman - Igor Stebernak, member - Igor Zupan, member - Luka Kumer, independent external expert	- 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; - responsibility for 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	- drafting proposals regarding the criteria for membership in the Management Board;

Composition: - Tomaž Benčina, Committee Chairman - Jure Valjavec, member - Peter Celar, member	- drafting proposals regarding the policy on remuneration, compensation and other benefits for the Management Board members; - preliminary consideration of proposals made by the President of the Management Board related to the management of the Company; - performance of the fit and proper assessment of the Management and Supervisory Board members; - support and drafting of proposals in areas that concern the Supervisory Board.
STRATEGIC COMMITTEE **Composition:** - Branko Bračko, Committee Chairman - Andrej Andoljšek, member - Peter Kavčič, member - Branko Gorjan, member	- drafting and discussing proposals for the Supervisory Board with respect to the Group strategy and monitoring the implementation thereof; - drafting and discussing proposals and opinions for the Supervisory Board with respect to the Group's strategic development.
NOMINATIONS COMMITTEE **Composition:** - Andrej Andoljšek, Committee Chairman - Jure Valjavec, member - Igor Zupan, member - Mitja Svoljšak, 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

Remuneration of the Company's employees is arranged and regulated in accordance with the internal act Remuneration Policy of Zavarovalnica Triglav, d.d. (hereinafter: Remuneration Policy), which is established as one of the policies by which the Company implements a resilient and reliable management system and ensures the integrity and transparency of operations . In May 2021, the Remuneration Policy was amended and supplemented based on the requirements of the Act Amending the Companies Act (ZGD-1K) and the adopted Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (EEC Regulation). Provisions have been added to the Remuneration Policy as required by Article 38 of the amended ZGD-1K and the EEC Regulation. Among other things, the amendment to the Remuneration Policy included information regarding the individual components of the remuneration of the members of the Management Board and the remuneration of the members of the Supervisory Board. At the same time, the risk regarding sustainability-related commitments was properly included in the Remuneration Policy.

The Remuneration Policy applies to the Supervisory Board, the Management Board, executive and managerial employees, holders of key functions and other employees on individual contracts as well as other employees of the Company. The remuneration of the members of the Supervisory Board and its committees (with the exception of the remuneration of members - external experts) is determined by the decisions of the General Meeting of Shareholders, and the remuneration of the Management Board is determined by the Supervisory Board, the remuneration of the holder of the key function of internal audit is determined by the Management Board and the Supervisory Board, and the remuneration of other employees is determined by the Management Board. The remuneration of employees is set in proportion to the complexity, characteristics, scope of tasks or functions, authorisations, responsibilities and experiences as well as so as to incentivise employees to take decisions or act that lead to the realisation of the objectives of the Company as well as suitable risk management.

SUPERVISORY BOARD

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

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

MANAGEMENT BOARD

The remuneration of the Management Board comprised of the basic salary (fixed part of pay), the variable part of pay and other rights and benefits 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 (Voluntary Supplementary Pension Insurance - PDPZ, Collective Voluntary Pension Insurance - PPZ), accident insurance and liability insurance. No special pension schemes or early retirement schemes apply to Management Board members.

EXECUTIVE AND MANAGERIAL EMPLOYEES AND OTHER EMPLOYEES WORKING UNDER INDIVIDUAL CONTRACTS

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

The salary of Management Board representatives, 2nd and 3rd organisational level executives and 1st and 2nd organisational level assistant managers also consists of variable remuneration, which includes part of the salary for work performance and part of the salary for business performance. The salary of executives and other employees who have an individual employment contract includes a part of the salary from work and business performance.

EMPLOYEES WORKING UNDER A COLLECTIVE AGREEMENT

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

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

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

B.1.3 Related party transactions

Related parties of the Company include:

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

Related party transactions are presented in more detail in sections 5.7 and 5.8 of the Annual Report.

The only materially significant transaction with related parties in 2022 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 52.6 million to the two largest owners, of which EUR 29.0 million to ZPIZ and EUR 23.6 million to SSH.

B.2 Fit and proper requirements

In accordance with the requirements prescribed in Solvency II Directive, Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 (hereinafter: Delegated Regulation), the Insurance Act (hereinafter: ZZavar-1) and the prepared EIOPA guidelines on the system of governance, persons who manage or supervise the Company or perform work in key functions are required to have suitable professional qualifications and be suitable for the job (good reputation and integrity).

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

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

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

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

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

THE HOLDER OF THE COMPLIANCE FUNCTION must possess no less than five years of work experience;

THE HOLDER OF THE INTERNAL AUDIT FUNCTION must possess no less than five years of work experience in the field of auditing or ten years of experience in a related activity as well as the title of certified internal auditor pursuant to the act governing auditing.

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

B.3.1 Description of the risk management system

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

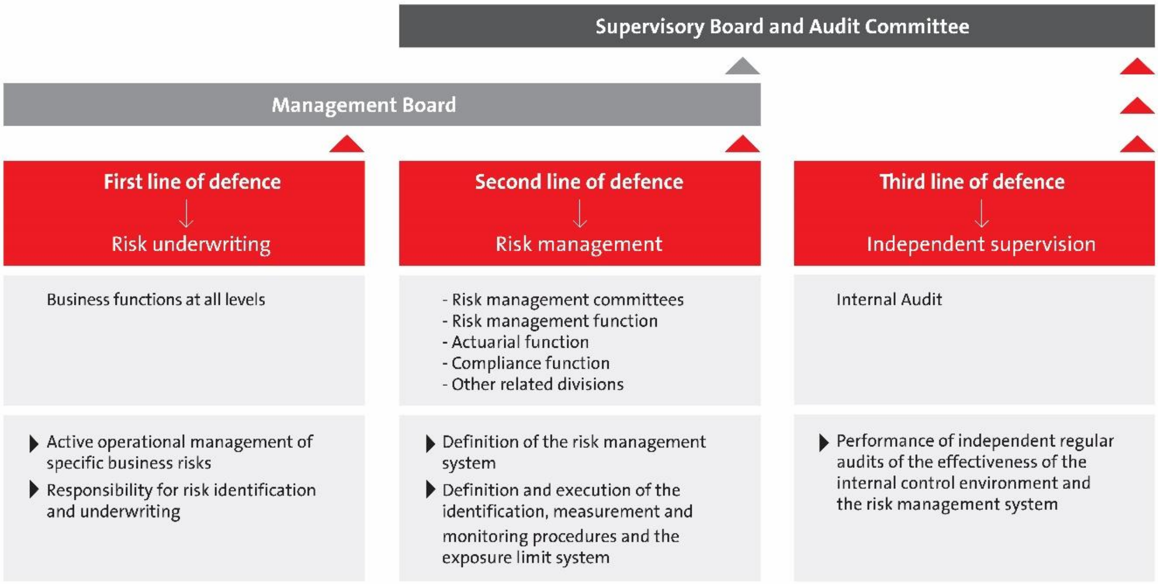
The objective of the risk management system is to ensure the realisation of the Company's strategic goals, its mission and its vision. The Company has determined a certain level of risks measured by the level of potential loss that it is still willing to assume at particular level of profitability in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

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

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

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

Figure 2: Risk management system at the Company



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

THE SECOND LINE OF DEFENCE represents key business and decision-making bodies forming the risk management system. The system includes exposure identification, assessment or measurement and monitoring procedures as well as the risk exposure limit system, including reporting. 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 Cyber Resilience. The Finance and Controlling Department is also part of the second line of defence.

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

The primary stakeholders in the risk management system are the Management Board and the Supervisory Board.

The parent company's Supervisory Board grants its consent to the Management Board for the written rules of the risk management system and regularly monitors the risk profile, capital adequacy and the findings of the Own Risk and Solvency Assessment process (hereinafter: ORSA) at the Company and Group levels. As part of its powers and responsibilities, it considers the reports by key functions. It also grants consent to the Management Board for the Solvency and Financial Condition Report of Zavarovalnica Triglav (hereinafter: Company SFCR) and the Solvency and Financial Condition Report of the Triglav Group (hereinafter: Group SFCR).

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

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

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

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

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

The purpose of the Risks Appetite is to define the objectives regarding risk-taking and thereby define the risk profile of the Insurance Company, to establish an optimal relationship between risks and profitability and to develop a strong culture of risk management. The Company assumes insurance, market, credit, liquidity, operational and non-financial risks in accordance with the Risk Management Strategy.

B.3.3 Risk management function

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

The function operates autonomously and independently of the other functions. It is performed by the Risk Management Department.

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

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

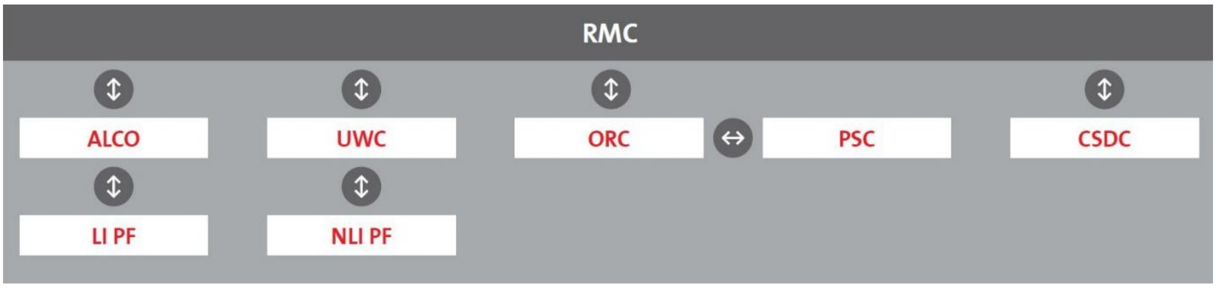
The findings and opinions of the risk management function holder are to be objective and independent from the influence of other business lines. The risk management function holder and other persons that perform the tasks of the risk management function at the Company have access to all Company information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

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

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

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

Figure 3: Organisational chart of the committees within the Company's risk management system as at 31 December 2022



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

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

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

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

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

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

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

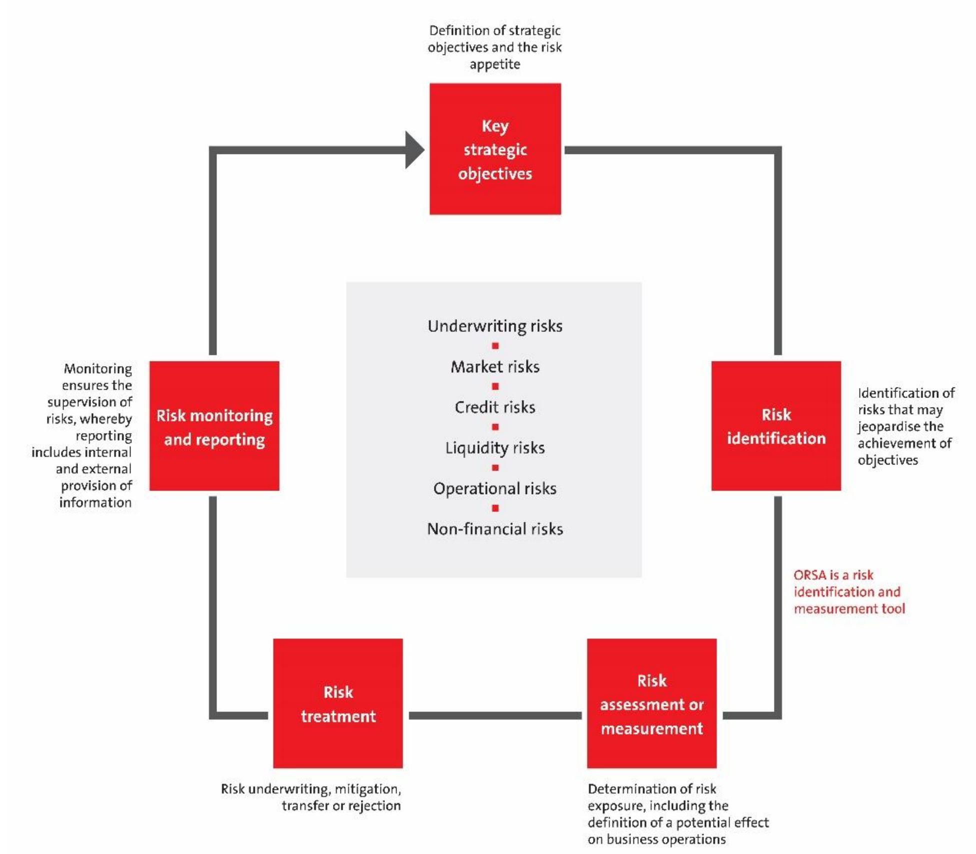
B.3.5 Risk management process

In the process of setting planning guidelines and goals for the strategic period, the scope of risks, which the Company is consciously prepared to take in order to achieve these goals, is to be defined and serve as the basis for defining the level of key indicators for ensuring compliance with the Risk Appetite. Based on the set strategic goals, material risks are first identified annually in the ORSA process. These are risks, the realisation of which can have a significant impact on the achievement of set goals in future periods.

The risks identified in the described manner represent risks that are subsequently appropriately classified and assessed by the Company, the latter primarily in terms of the extent of the effect and the probability of occurrence. The analysis is the basis for the decisions of the Management Board regarding the method of risk management.

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

Figure 4: Risk management process at the Company



The Company regularly monitors risks by considering regular reports addressing material impacts on the risk profile and on the basis of which appropriate measures are taken by the competent authorities as appropriate. Proper risk assessment requires the correct capture of risk exposures and a good knowledge of the properties (volatility) of risk factors and their impact on key strategic indicators.

The primary method of measuring risk is the standard Solvency II formula (regulatory method), which is based on the standard volatility and risk exposures of the Company. The regulatory method is complemented by own estimates of the volatility of risk factors at the same level of confidence and period. At the same time, this regularly ensures the verification of the adequacy of the regulatory method for the Company. In addition, risks are assessed according to the methodology of the S&P credit rating agency.

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

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

When managing risks, the Company acts preventively whereby it applies two approaches: 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 the

Company adjust to the current external developments subject to the business opportunities, whereby it remains within the defined risk appetite at all times.

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

B.3.6 Own risk and solvency assessment process

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

The target capital adequacy as defined in the Company's Risk Appetite is between 200 and 250 percent. Based on these criteria, the Company also defines its dividend policy, which also takes into account the provision of a sufficient amount of capital to achieve strategic business goals and maintain a credit rating of at least "A".

The ORSA process builds on the basic elements of the risk management system and takes into account the risk profile. The process produces findings regarding the optimum retention or transfer/ceding of risk and verifies the adequacy of the Company's capital allocation. By simulating stress test scenarios, the effects of potential events on the risk profile are verified thus checking capital strength. The ORSA process is reconciled with the strategic planning process of the Company as the calculation of the planned capital adequacy is also prepared in a coordinated manner and on the basis of the financial plan. The ORSA process begins with strategic goals and defining the basic assumptions for the preparation of a strategic business plan, which serves as the basis for the capital adequacy plan. Based on current risks, current scenario-based stress tests for the Company prepared and evaluated. Testing the suitability of the standard formula is performed regularly throughout the year in segments where changes in the risk ratings may be greater during the year, e.g. financial investments, while the suitability of the standard formula in the remaining segments is examined in more detail as part of the ORSA process, which are then used in the context when testing future solvency needs. When examining and testing future solvency needs, the necessary measures to maintain optimal capital adequacy are considered. When the process has been completed, we properly document it and prepare a final report. The results are also reported to all internal and external stakeholders (ISA). The Company additionally provides adequate information to the Supervisory Board about the course and important findings Company level ORSA process.

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

A regular ORSA process was carried out in 2022. During the implementation of the regular ORSA process, all identified material risks of the Company up to the calculation date were taken into account as were all potential risks that could affect its future operations on the basis of known information. The regular ORSA process confirmed that the Company's insurance and investment portfolios are sufficiently resilient, that its capital position is adequate and that the Company can continue to successfully face the future risks and challenges.

B.4 Internal control system

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

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

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

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

B.4.1 Compliance function

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

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

compliance function also plays an important role in terms of efforts to ensure fair and transparent operations, respect for human rights, respect for sanctions, implementation of programmes for the assurance of compliance in individual areas (e.g. consumer and competition protection, personal data protection, prevention of conflict of interest and internal fraud, corruption, etc.) and for the development and monitoring of the observation of ethics-related commitments and the care for their implementation in practice. The function holder provides for effective implementation of the function and the Compliance and Sustainable Development Committee, the presentation of the function externally, regular reporting to the Management Board and the Supervisory Board as well as the development of compliance elements and minimum standards for the functioning of the function in the Group's subsidiaries.

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

B.5 Internal audit function

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

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

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

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

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

B.6 Actuarial function

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

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

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

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

B.7 Outsourcing

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

The procedures and measures for supervising the Outsourced Operation providers and the assurance of compliance of their actions with the applicable legislation and internal rules are defined in each agreement or service-level agreement concluded between the person in charge and the provider of an individual Outsourced Operation. Special attention is devoted to activities that are outsourced to the cloud. Consequently, each service provider is bound by the agreement to ensure the same standard of diligence as the one that the Company is committed to ensuring. Legal and organisational measures also ensure that the insurance bodies of the Company have the same possibilities of exercising control over the providers of Outsourced Transactions as if the Company were to carry out these transactions using its own resources. In accordance with the contractual provisions, service providers are obliged to set up and ensure mutatis mutandis the same internal controls and mechanisms to manage any potential deficiencies as the Company. The Company also has the right to supervise the functioning of the service provider's internal control system and provide guidelines regarding the performance of the outsourced service.

Outsourced services are monitored and supervised by the Outsourced Transaction holders on a regular basis, i.e. at least once a year.

The ability of the provider and the risks arising from an outsourced service are monitored through the regular assessment of the risk whereby the aim is to define the risks or eventual changes the risks arising from an Outsourced Operation. They periodically notify the body responsible for the management of operational risks about the implementation of the operation and the assessed risks, whereby the risk management body then decides on the proposal of measures for the management of the risk in question.

The Company outsources eleven operations. The first relates to the management of assets of voluntary pension insurance that is provided for the Company by one of its subsidiaries that specialises in asset and investment fund management. The second operation relates to the organisation of the sales network and procedures for the provision of insurance in Poland which is managed for the Company by a local general agency company. Other Outsourced Operations refer to the outsourcing of the Company's cloud-based operational activities whereby the Company leases cloud infrastructure, manages an active directory of users and provides support for insurance underwriting, online sales, data warehouse, customer relationship management, internal and external communication and operations of the call centre.

The Company performs nineteen Outsourced Operations for other companies in the Group, which refer in terms of content to the services of insurance sales, asset management, provision and maintenance of information systems.

B.8 Any other information

SYSTEM OF GOVERNANCE ADEQUACY ASSESSMENT

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

OTHER RELEVANT INFORMATION

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

C. Risk profile

C. Risk profile

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

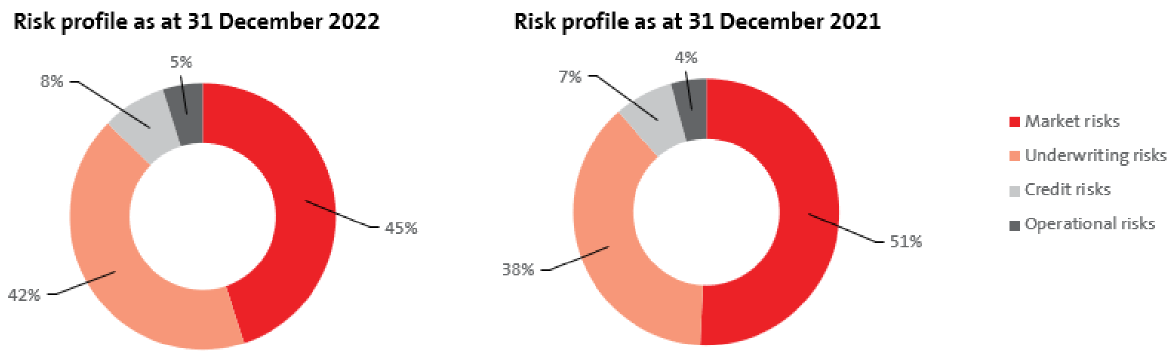
Out of all the risks, the Company's greatest exposure is to market and underwriting risks, while it is less exposed to credit and operational risks.

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

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

As at the end of 2022, the overall risk estimate of the Company, which does not take into account mutual risk effects (i.e. diversification), amounted to EUR 522.8 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 154.2 million.

Chart 2: Company's risk profile



The Company has established two ring-fenced funds, i.e. SVPI and SVPI renta, for the concluded voluntary pension insurance contract and for which risks are calculated separately, i.e. for each risk category under the standard formula. The above chart applies the simplification at risk module level method and also takes into account the risks of the ring-fenced funds that contribute EUR 30.3 million to the solvency capital requirement of the Company. The method is presented in more detail in section E.1 of this Report.

C.1 Underwriting risk

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

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

As at 31 December 2022, underwriting risk represents 42% of the Company's overall risk estimate, excluding diversification, which amounts to EUR 221.8 million or 4 percentage points more than the year before.

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

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

C.1.1 Non-life and health insurance

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

As at 31 December 2022, the Company's risk estimate under non-life and health insurance represents 30% of the Company's overall risk estimate, excluding diversification.

Table 9: Company's risk estimate for underwriting risks under non-life insurance for 2022 and 2021

In EUR thousand

	2022	2021
Premium and reserve risks	113,881	100,955
Lapse risk	26,933	29,785
Catastrophe risk	39,187	40,446
Diversification	-47,860	-49,709
Non-life underwriting risk	**132,141**	**121,477**

Table 10: Company's risk estimate for underwriting risks under health insurance for 2022 and 2021

In EUR thousand

	2022	2021
Health insurance risk valued as life insurance risk	5	8
Premium and reserve risks	24,920	24,172
Lapse risk	8,415	6,754
Catastrophe risk	2,855	2,333
Diversification	-9,035	-7,483
Health underwriting risk	**27,159**	**25,785**

The growth in the risk estimate for non-life insurance as at the end of 2022 is mainly the result of the rise in the premium and reserve risk estimate resulting from the growth of the portfolio of fire, maritime, aviation and transport insurance as well as non-proportional non-life insurance as they increase the premium risk and reserve risk volume measure. The increase in the volume measure is also the result of the increase in claims provisions in the insurance segments of Fire insurance and other damage to property insurance (LoB 7), Marine, aviation and transport insurance (LoB 5) and Motor vehicle liability insurance (LoB 4).

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

RISK EXPOSURE

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

Premium and reserve risk

The exposure of the volume measure for premium risk ranges in accordance with the net earned premium. The premium risk volume measure is additionally affected by the higher planned growth of the portfolio, which is also partially affected by the measures taken due to inflation. Compared to the previous period, the net earned premium increased by EUR 13.6 million due to portfolio growth. Details on the net earned premium of the Company as at 31 December 2022 are shown in template S.05.01 in the Appendix to this Report.

Table 11: Premium risk exposure measured as the annual volume of net earned premium under non-life and health insurance for 2022 and 2021

In EUR thousand

	2022	2021
Net earned premium	**457,287**	**443,713**
- Other motor insurance (LoB 5)	120,594	117,304
- Fire and other damage to property insurance (LoB 7)	102,949	99,370
- Motor vehicle liability insurance (LoB 4)	91,514	91,495
- Income protection insurance (LoB 2)	55,007	53,859
- General liability insurance (LoB 8)	28,713	26,118
- Other insurance segments	58,509	55,567

The Company's biggest reserve risk exposure is in the motor vehicle liability insurance segment

(LoB 4). The exposure of the volume measure for reserve risk ranges in accordance with the net claims provisions that increased compared to the previous period as a result of the increase in the volume of transactions and the effects of inflation.

Table 12: Exposure of the Company's reserve risk volume measure for underwriting risk under non-life and health insurance for 2022 and 2021

In EUR thousand

	2022	2021
Net claims provisions	**216,260**	**179,772**
- Motor vehicle liability insurance (LoB 4)	79,299	70,102
- General liability insurance (LoB 8)	36,525	34,154
- Income protection insurance (LoB 2)	36,026	27,974
- Fire and other damage to property insurance (LoB 7)	28,413	23,875
- Other non-life and health insurance segments	35,997	23,667

CATASTROPHE RISK

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

CONCENTRATION RISK

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

RISK MITIGATION TECHNIQUES

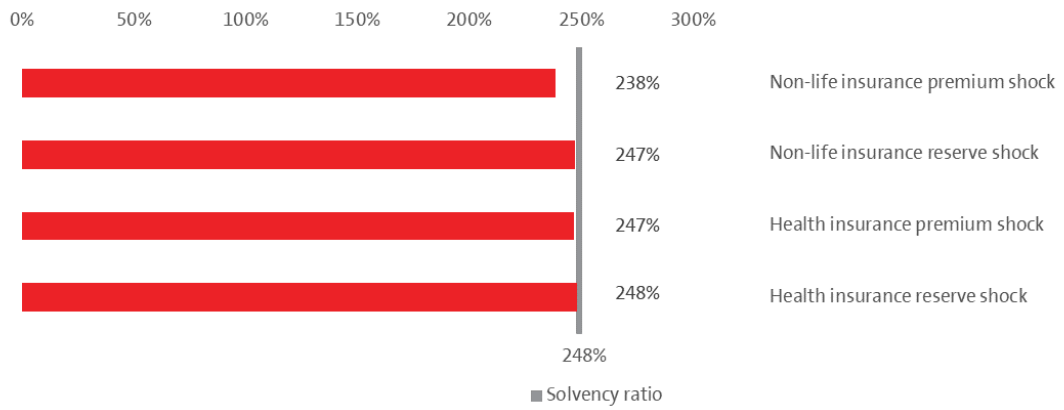
The Company mitigates risk mainly by purchasing various forms of reinsurance protection. In case of individual insurance, under which risks are underwritten based on consideration on a case by case basis, the Company transfers a part of the risk by purchasing facultative reinsurance protection whereby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

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

SENSITIVITY

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

Chart 3: Sensitivity test of capital adequacy of the Company as at 31 December 2022



C.1.2 Life insurance

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

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

As at 31 December 2022, the risk estimate under life insurance represents 12% of the Company's overall risk estimate, excluding diversification.

Table 13: Company's risk estimate for underwriting risks under life insurance for 2022 and 2021

In EUR thousand

	2022	2021
Mortality risk	6,118	6,374
Longevity risk	9,340	14,765
Disability and morbidity risk	138	177
Lapse risk	26,521	25,630
Expense risk under life insurance	16,711	20,808
Revision risk	1,093	1,468
Catastrophe risk under life insurance	4,610	4,341
Diversification	-2,074	-13,362
Life underwriting risks	**62,456**	**60,202**

The risk estimate for 2022 increased by EUR 2.3 million compared to the year before. Lapse risk increased as a result of the increased volume of transactions and the higher expected profitability of the savings segments of the portfolio arising from the rise in the risk-free interest rate curve. In addition to the change in assumptions, the latter contributed to the decrease in other risks.

As at 31 December 2022, the risk estimate for risks under life insurance contracts of both ring-fenced funds came in at EUR 18.4 million.

RISK EXPOSURE

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

Table 14: Company's exposure to underwriting risks under life insurance for 2022 and 2021

In EUR thousand

	2022	2021
Mortality risk	1,024,547	1,281,987
Longevity risk	1,064,916	1,336,263
Disability and morbidity risk	14,411	17,952
Lapse risk	933,218	1,163,989
Expense risk	1,068,429	1,340,102
Revision risk	40,369	54,273
Catastrophe risk	934,315	1,165,758

The Company's exposure to life insurance underwriting risks decreased in 2022, mainly as a result of the decrease in technical provisions which is mainly the result of the rise in the risk-free interest rate curve.

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

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

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

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

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

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

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

CONCENTRATION RISK

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

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

RISK MITIGATION TECHNIQUES

The most important part of risk management for life insurance products is performed in the risk underwriting phase, which is done through ongoing regular portfolio monitoring and appropriate assurance of the matching of assets and insurance liabilities. 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.

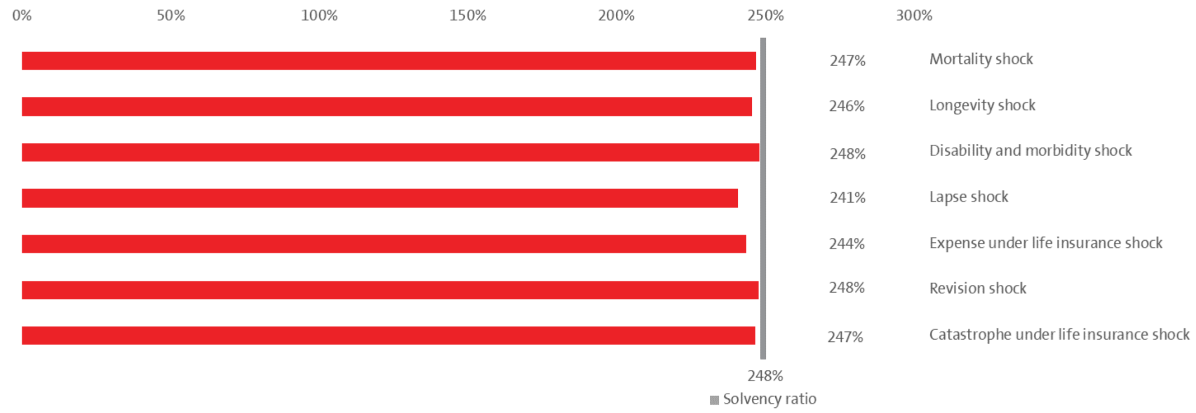
The second part of risk management is performed in the claim adjustment phase where the medical documentation from the claim report is cross-referenced with the data from the concluded policy.

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

SENSITIVITY

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

Chart 4: Company's capital adequacy sensitivity test as at 31 December 2022



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

C.2 Market risk

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

Table 15: Company's risk estimate for market risks in 2022 and 2021

In EUR thousand

	2022	2021
Interest rate risk	7,918	11,661
Equity risk	140,525	169,062
Property risk	34,980	34,902
Spread risk	45,775	57,258
Market concentration risk	56,335	34,490
Currency risk	15,512	11,354
Diversification	-66,170	-42,880
Market risk	**234,876**	**275,846**

As at 31 December 2022, market risk represents 45% of the Company's overall risk estimate, excluding diversification.

The risk estimate is calculated at the level of the entire Company whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2022, the risk estimate for the market risks of both ring-fenced funds came in at EUR 18.2 million.

RISK EXPOSURE

The Company is exposed to market risks mainly via investment portfolios and holdings in related undertakings, including participations. When determining the level of market risks of insurance investment portfolios, matching with insurance liabilities is also taken into account for individual market risk sub-modules. On the investment portfolio side, it can be exposed to market risks through direct investments in financial instruments or indirectly through investments in collective investment undertakings. In view of the structure of investments, the Company is most exposed to equity risk.

Table 16: Company's assets exposed to market risk as at 31 December 2022 and 31 December 2021

In EUR thousand

	2022	2021
Property, plant and equipment held for own use	80,378	77,422
Real estate (except real estate held for own use)	58,525	61,387
Holdings in related undertakings, including participations	479,792	445,107
Equities	20,547	69,559
Bonds	1,283,550	1,594,285
- Government bonds	*760,526*	*1,037,523*
- Corporate bonds	*522,054*	*555,745*
- Structured notes	*971*	*1,017*
Collective investment undertakings	113,706	104,399
Derivatives	0	20
Deposits other than cash and cash equivalents	19,121	19,604
Other investments	1,912	1,697
Assets held for index-linked and unit-linked contracts	683,000	751,800
Loans and mortgages	4,205	4,866
Deposits to cedants	15	16
Assets exposed to market risk	**2,744,750**	**3,130,163**

Table 17: Company's liabilities exposed to market risk as at 31 December 2022 and 31 December 2021

In EUR thousand

	2022	2021
Exposure to interest rate risk	1,546,177	1,754,128
Exposure to equity risk	393,204	441,389
Exposure to property risk	4,055	4,644
Exposure to spread risk	393,204	441,389
Exposure to currency risk	291,958	336,529
Liabilities exposed to market risk	**2022**	**2,978,078**

INTEREST RATE RISK arising from assets is decreased to a large extent by the interest rate risks from liabilities. All assets and liabilities, the value of which depends on the change in the risk-free market interest rate (bonds, loans, deposits, interest-sensitive derivatives, cash flows from insurance policies), are exposed to interest rate risk. The Company manages interest rate risk mainly by matching assets and liabilities according to maturity. The duration gap of interest-sensitive items is monitored by the Company based on the market valuation, whereby investments to the benefit of unit-linked life insurance policyholders are excluded. The interest rate risk estimate remains low and has decreased compared the year before. The sensitivity of investment portfolios was decreased by the Company in view of the rapid and extensive increases in interest rates. The spread in the duration of assets and liabilities of the Company as at 31 December 2022 is almost unchanged compared to the previous period and amounts to -1.9 years. The risk estimate calculation is otherwise significantly affected by the levels of risk-free interest rates. The Company implements a policy of a high level of asset and liability matching, and thus maintains the interest rate gap within the agreed ranges.

SPREAD RISK is associated with an important source of returns generated by the Company through debt portfolio management. Only assets, with the exception of investments associated with index-linked or unit-linked contract, are exposed to spread risk because liabilities are valued according to the risk-free curve. All assets, the value of which depends on the change in the part of the interest rate representing the credit spread, are therefore exposed to spread risk. These are mainly bonds, loans and deposits. The Company decreased its exposure to investments that are exposed to this risk by EUR 305 million compared to the year before. The decrease in exposure of EUR 245.6 million is especially observable in the segment of sovereign bonds issued by EEC issuers in the local currency, which do not create a capital requirement under the regulatory method. Using longer-maturity and top rated government bonds, the Company balances interest rate sensitivity of the longest-maturity liabilities. Exposure also decreased in other segments of bonds and loans that generate the capital requirement, most notably in the corporate bond segments. The Company's bond portfolio credit rating structure remained practically unchanged compared to the year before. The duration of the debt investment portfolio decreased by 1.5 years compared to the year before, most notably in the government bond segment, i.e. by 1.9 years. The risk estimate for the coverage of spread risk is lower compared to last year's amount due to a lower exposure to debt securities with a comparable credit rating of the portfolio and a shorter maturity.

The Company considers the bonds, which are issued by the governments from the EEA and not denominated in the currency of the issuing country, to be ordinary corporate bonds for risk assessment calculation purposes.

EQUITY RISK represents all exposures under investments, the value of which is sensitive to a change in the level or volatility of stock market values. These are mainly stocks, undertakings for collective investment into shares and derivatives associated with stock markets. An important part of the Company's exposure to stock markets is the result of investments into associated companies. The Company holds equity investments in order to generate higher long-term returns and for diversification purposes. The Company significantly decreased its exposure in the segment of equities in 2022, while exposure to the segment of collective investment undertakings increased somewhat. The good operating performance of some associated companies and additional capital contributions into some of them on the other hand increase the exposure to equity risk in the segment of associated companies. The symmetrical adjustment is lower by almost 10 percentage points compared to the previous year. The risk estimate for equity risk subsequently decreased compared to the year before by EUR 28.5 million. Unit-linked insurance risk has a small effect on the capital requirement for equity risk.

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

The Company's CURRENCY RISK arises from the mismatched asset and liability currency positions. The Company's liabilities are denominated almost in their entirety in euros. The Company pursues the policy of currency matching and invests the majority of its assets into euro-denominated investments. The risk estimate for currency risk is derived mainly from USD-denominated bonds, money accounts denominated in a foreign currency and non-euro investments through collective investment undertakings with a global and non-European geographic orientation. The currency risk estimate increased somewhat compared the year before. The increase is primarily due to the hedging of excess exposure in the Croatian kuna, which is treated as an open currency position for calculation purposes. The Company did not hedge foreign currency-denominated exposures using currency swap derivatives.

CONCENTRATION RISK

The major share of the Company's assets is held in the form of bonds. Compared to the previous year, the share of government bonds decreased, the share of corporate bonds increased slightly, and a slight decrease in the share of the financial sector was observed in the corporate bond segment. The Company continuously monitors exposure and compliance with the system of limits on exposure to issuers at the level of individual issuers or groups of related issuers. The standard formula with threshold amounts, which determine excess exposures subject to the credit rating, importantly affects the limit system.

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

	2022	2021
Financial and insurance activities	54.7%	49.8%
Public administration and defence, compulsory social security	19.9%	28.1%
Manufacturing	6.3%	6.2%
Activities of extraterritorial organizations and bodies	6.1%	4.3%
Information and communication	1.5%	1.3%
Real estate activities	1.5%	1.7%
Other sectors	10.0%	8.6%
Total	**100.0%**	**100.0%**

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

	2022	2021
Slovenia	45.3%	44.2%
Germany	8.7%	9.8%
France	5.0%	5.4%
Luxembourg	4.4%	3.8%
Spain	4.1%	4.4%
USA	3.5%	3.4%
Italy	3.2%	3.5%
Other countries	25.9%	25.5%
Total	**100.0%**	**100.0%**

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

RISK MITIGATION TECHNIQUES

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

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

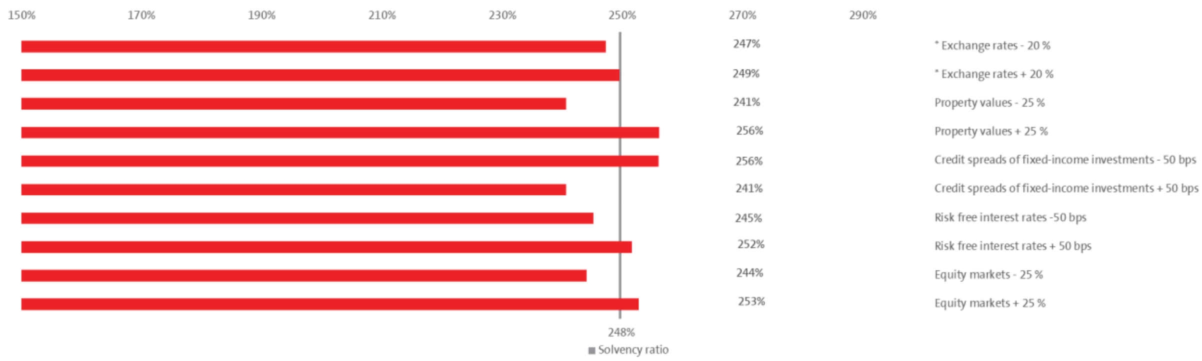
The use of such a range of instruments is assessed from various points of view, most often in terms of security, economy and the use of capital. The use of derivatives must focus on the comprehensive aspect of hedging individual portfolios whereby the derivatives used to hedge against currency risk are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

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

SENSITIVITY

As part of the ORSA Process in 2022, the Company conducted stress tests where it verified the sensitivity to extreme changes in market parameters. The Company's stress test results show that the Company would remain adequately capitalised even after stress events. The Company's solvency ratio sensitivity analysis as at 31 December 2022 shows how the solvency ratio would change under individual isolated market scenarios, whereby only the effect on eligible own assets and not the effect on the SCR is taken into account. The sensitivities shown this represent a prudent estimate of the effect on the Company's capital adequacy.

Chart 5: Company's investment portfolio sensitivity test as at 31 December 2022



* The exchange rate sensitivity test assumes that all of the Group's exposure to the Croatian kuna is in euros

C.3 Credit risk

Credit risks are defined as the risk of loss or adverse change in the financial standing of the Company resulting from the fluctuation in the counterparties' and eventual debtors' ability to meet their financial or contractual obligations in part or in full as a result of fluctuation in their credit standing. The fluctuations in the debtors' credit standing cause changes to the Company's assets as they can cause a decrease in the value or write-off of receivables, ceded liabilities under reinsurance or can affect the risk assessment via the increase in potential exposure. The Company is exposed to credit risk 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 2022, credit risk represents 8% of the Company's overall risk estimate, excluding diversification.

The risk estimate is calculated at the level of the entire Company whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2022, the risk estimate for the credit risks of both ring-fenced funds came in at EUR 0.7 million.

Exposures to type 1 credit risk arise from exposures to counterparties that will generally have a credit rating. Exposures to type 2 credit risk arise from exposures to a group of counterparties that will generally not have a credit rating and are adequately diversified.

Table 20: Company's risk estimate for credit risks in 2022 and 2021

In EUR thousand

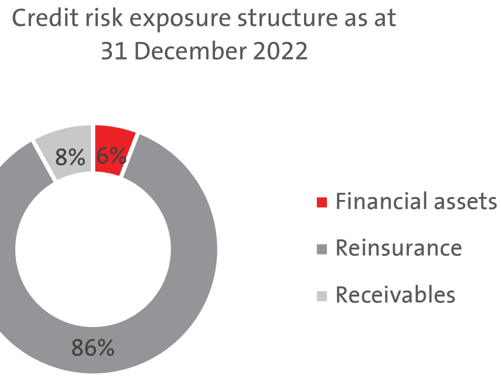
	2022	2021
Type 1	34,645	33,825
Type 2	7,063	5,581
Diversification	-812	-120
Credit Risk	**40,896**	**39,286**

The credit risk estimate increased by EUR 1.6 million in the reporting period. The increase is primarily the result of an increase in exposure to receivables and an increase in exposure to reinsurance partners, mainly due to larger new (reinsured) claims during the year.

The calculation takes into account the solvency ratio of unrated 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 Company's exposures to type 1 credit risks originate mainly from reinsurance companies and include receivables for claims from accepted reinsurance and co-insurance, recoverable amounts from reinsurance and the effect of the agreement on reinsurance in the estimate of underwriting risks. Type 1 also includes exposure to banks from cash and cash equivalents. The Company's exposures to type 2 credit risks are represented by past due receivables from direct insurance operations, receivables for the premium under accepted reinsurance and co-insurance as well as and other past-due receivables. The Company also observes the market value of insurance subrogations in past-due receivables from insurance operations.



When it comes to reinsurance partners, the Company is mostly exposed to its subsidiary Pozavarovalnica Triglav Re, d.d. (hereinafter: Triglav Re). On the other hand, exposure to banks is much more diversified as most of the Company's exposure to banks is tied to 3 different banking groups.

Over the course of 2022, no noticeable deterioration of the payment discipline was observed, however, we observed a deterioration of the credit quality of counterparties, mainly Russian reinsurance partners which is the result of the Russian invasion of Ukraine.

CONCENTRATION RISK

The Company manages exposure concentration risk by individual segments of the operations, counterparty and its credit rating and country. Concentration risk from credit risk for the Company according to the standard formula is the highest vis-à-vis the associated reinsurance partner through which it performs a major part of its reinsurance programme.

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

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

	2022	2021
Slovenia	84.2%	93.7%
Germany	6.9%	3.7%
Kazakhstan	2.4%	0.0%
Russia	1.7%	0.9%
Cyprus	1.4%	0.1%
Other countries	3.3%	3.2%
Total	**100.0%**	**100.0%**

RISK MITIGATION TECHNIQUES

The Company's orientation in the area of credit risk underwriting is conservative and based on a predetermined risk appetite, good overview 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 subrogations.

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

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

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

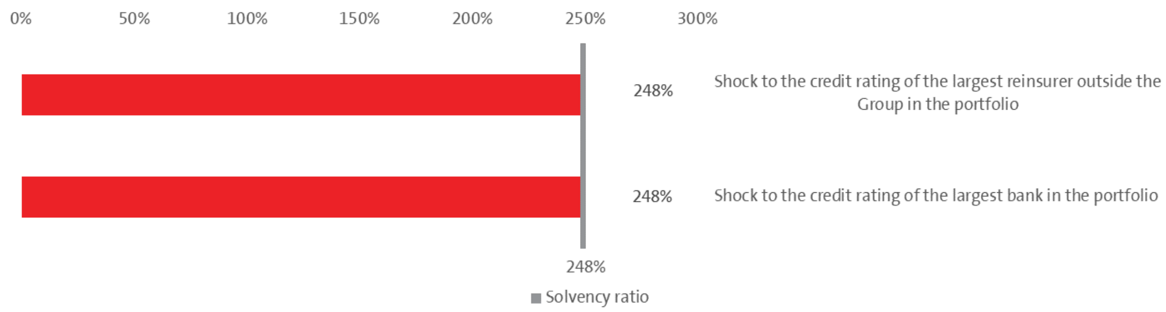
Exposure to counterparties without a credit rating is monitored and limited separately at the Company.

SENSITIVITY

The Company regularly analyses credit risk sensitivity. Exposure to credit risk resulting from the Company's reinsurance arises mainly from operations with the reinsurance subsidiary Triglav RE. As at 31 December 2022, the abovementioned subsidiary held an A rating from S&P.

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

Chart 6: Company's credit risk sensitivity test as at 31 December 2022



C.4 Liquidity risk

Liquidity risk is the risk loss in the event of the Company not being able to settle its liabilities arising from a time mismatch between inflows and outflows or the Company only being able to settle them with increased costs. Liquidity risk monitoring includes monitoring the risk of settlement of due and contingent liabilities as well as market liquidity risk.

- The risk of the settlement of due and contingent liabilities is the risk of the Company's inability to dispose of a liquidity position that enables the settlement of its liabilities when due (including the incurred unexpected liabilities).
- Market liquidity risk is the risk of loss due to the inability to sell an asset without major impact on the market price due to inadequate market depth or market disruptions.

The expected cash flows of the Company, i.e. inflows and outflows, are directed and managed proactively. A major part of the liability cash flows originates from insurance operations. The Company also ensures an appropriate structure of assets whereby it invests its assets so as to ensure safety, quality, liquidity and profitability of the entire portfolio. The nature and duration of liabilities are also observes when investing assets. The funds earmarked to cover these liabilities are adjusted so that liabilities are covered in accordance with the investment policy in normal circumstances (ALM process), while ensuring a surplus of readily realisable assets, which allows repayment of liabilities even when liquidity needs are greater. In this way, the liquidity of the portfolio is adjusted as appropriate so that the Company is able to meet all expected and unexpected cash outflows and due obligations at any time.

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

In order to manage liquidity risk, a process was put in place that is based on the liquidity coverage ratio (LCR) and that continuously ensures adequate liquidity reserves. The LCR indicator is based on cash flows and measures whether there are sufficient liquid assets available to settle all due obligations within a period of one year, both in normal and exceptional circumstances. The liquidity indicator is determined both for the expected as well as for predetermined liquidity stress scenarios. These are elaborated on the basis of various stress scenarios adjusted to the Company's liquidity risk that include unfavourable insurance and financial events. At the same time, sources of liquidity are constantly adjusted as available assets funds must always exceed needs.

When measuring liquidity, the sources of liquidity include mainly insurance premiums and cash flows from investments intended to cover liabilities. The more important liquidity needs include the payment of claims, costs and the payout of planned dividends. On the liabilities side, the liquidity of the planned new business in the coming year is also taken into account. Contingency procedures are defined, which include the sale of liquid excess investments over liabilities and additional safety mechanisms such as credit and repo lines. Stress scenarios and measures are regularly reviewed annually and adjusted to exposures and market conditions. The outlined system is successfully applied in managing liquidity risk and optimizing excess liquidity by investing funds in alternative sources with higher returns on the market.

In 2022, the Company simulated liquidity scenarios as part of the ORSA, which confirmed its liquidity strength.

RISK EXPOSURE

The Company is most exposed to liquidity risk in case of catastrophic loss events, which can result in higher payments of indemnities, rates of early insurance policy terminations (lapses) and instability on financial markets. Liquidity risk can thus be reflected in a decrease in income from insurance, co-insurance and reinsurance premiums written, an increase in insurance indemnity payments, a decrease in the value of corporate and government bonds and equities, deposits and cash on the current accounts held with banks. There were no perceived instabilities on the financial markets that would significantly increase the liquidity risk in 2022 despite the Russian-Ukrainian war, tightened geopolitical relations due to the sanctions imposed against Russia as well as increased inflation and rapid interest rate increases as a result of the aforementioned circumstances.

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

The Company upgraded the liquidity risk management system in 2022, mainly in the part of PDPZ insurance products, which were included in the monitoring of optimal liquidity of life insurance products.

CONCENTRATION RISK

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

RISK MITIGATION TECHNIQUES

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

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

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

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

Indirect mitigation of liquidity risk includes credit and market risk management. The first enables the review and control of limits on bank deposits and funds in current accounts and the control of the credit quality of reinsurance institutions, while the second enables the review of limits in the area of limiting market risks and the review of the appropriate structure of assets and liabilities. In addition, the Company has a limit defined for new alternative investments, which are largely illiquid, whereby the limits is dependent on the insurance and investment portfolio.

SENSITIVITY

The Company monitors sensitivity to strained liquidity conditions using internal indicators (LCR) that allows measurement of whether the Company has sufficient liquid assets in stress conditions to cover past due liabilities over a period of one year. Indicators that measure liquidity risk sensitivity differ from one another both in terms of substance of stress conditions, the length of the stress period and the amount of deductions in financial investments.

EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

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

Expected profits included in the future premiums under existing insurance contracts are part of the Company's own funds and are estimated at EUR 103.8 million. They are equal to the sum of expected profits included in the future premiums under existing insurance contracts of the Company, i.e. by insurance segments.

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

Table 22: Amount of the expected profit included in the Company's future premiums as at 31 December 2022 and 31 December 2021

In EUR thousand

	2022	2021
Life insurance	53,954	60,986
Non-life insurance including health insurance	49,862	40,455
Total	**103,816**	**101,441**

The main reason for the decrease in the profit included in future life insurance premiums is the decrease of the index or unit-linked insurance premium. The increase in expected profits from future non-life and health insurance premiums was mainly due to the increase in the Fire and other property damage (LoB 7) and Income protection insurance (LoB 2) premiums.

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 2022, operational risk represents 5% of the Company's overall risk estimate, excluding diversification, and amounts to EUR 25.3 million.

The risk estimate is calculated at the level of the entire Company whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2022, the estimate of operational risks under both ring-fenced funds came in at EUR 1.1 million.

RISK EXPOSURE

The Company actively manages operational risks, identifying shortcomings, changes and movements in the internal and external environment that may potentially cause their increase.

Although the Company has not yet experienced a loss due to cyber events, it is identifying additional exposure to these risks also due to the changes brought about by the pandemic and the introduction of remote work, the war in Ukraine, and the ever-increasing regulatory requirements in this area. It therefore carries out activities to upgrade their management. The key to their management is regular maintenance and additional upgrading of the information security management system. In order to boost the recognition of vulnerabilities and better preparedness for such events, the largest cyber threats and business lines of the Company that would be most affected by the said threats are regularly being analysed in more detail within as part of the ORSA. Based on the findings, measures have been developed to improve security.

The Company is also exposed to the risks of regulatory changes due to the expansion and additional restrictive measures at the EU and OFAC level[4], which are a result of the war in Ukraine, as well as risks due to rapid adjustments to remote operations with (potential) customers. The latter include, among others, the risks in terms of regulatory compliance and information security. Managing them requires meeting information security standards and taking measures in the process of identifying and authenticating individuals, ensuring the accuracy and completeness of customer data, electronic signing and certification of documents, secure transmission and access to documents, ensuring confidentiality, transparency and other measures to achieve compliance with regulations governing electronic business, electronic signature and protection of personal data. The Company is also exposed to risks related to the outsourcing of operations and the performance of insurance operations in foreign markets.

[4] Office of Foreign Assets Control

Regulatory risk is therefore identified as a major operational risk which is managed by prompt implementation of legislative amendments into its business processes, regular monitoring of business practices and positions of supervisory and other state bodies, and through involvement in regular and extraordinary procedures of the Slovenian Insurance Association.

CONCENTRATION RISK

The Company is aware that computerisation and digitalisation are increasing the influence of information and communication technology (ICT) on operations from the point of view of operational risk concentration and importance. The Company and its operations are highly dependent on the suitable functioning of ICT, which is why a major cyber security incident, other IT incident or the suspension of operations can severely affect its operations. The Company therefore carries out activities and upgrades of this system with the aim of establishing an even more effective system for identifying and managing IT security risks. The Company has thus clearly defined cyber risks that it includes in the operational risk profile. It assesses risks and has cyber incident reporting in place, based on which measures to mitigate said risks are implemented. Cyber risks are also managed and included in stress scenarios in the ORSA process (intrusion into the IT system and theft of highly sensitive business information and personal data of the Company, attack with "ransomware" extortion software code). The Company also performs activities aimed at upgrading the business continuity management system (BCMS) 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 include HR risk of the simultaneous terminations of employment of a large number of employees, which is a pressing risk at the moment and could cause major concentration of risks during stress situations; it was mitigated during the pandemic by the setup of conditions for remote work (work from home). This solution also lowered the risk of the inaccessibility of work locations, e.g. due to natural disasters In 2022, the concentration of risks was analysed in more detail from the point of view of uninterrupted or continuous execution of key processes. The latter requires a sufficient number of available employees, locations and sufficient resources, ICT resources being essential for this purpose. In order to identify such risks, an overview of the connections between key processes, employees, external ICT providers and other services and ICT resources that support the operation of part or the entire process or several processes and locations was prepared for the Company.

The Company also places great emphasis on cloud service risk management activities, which are also increasingly relevant risks for the Company, and also includes them in stress scenarios in the ORSA process (e.g. interruption of operations of the Company's largest cloud service provider).

RISK MITIGATION TECHNIQUES

In order to manage operational risk, the Company has a formal process in place with clearly defined roles and responsibilities of individual stakeholders of the system which enables it to suitably manage operational risk. As part of the above, the Company has in place a register of operational risks and internal controls whereby each risk and control has a responsible person designated (custodian). The registers are updated regularly subject to the changes at the

Company and in the business environment which ensures continuous reduction of operational risk exposure. The Company regularly monitors the actual exposure to operational risk based on the regular identification and assessment of potential operational risks, regular reporting of realised operational loss events and the monitoring of the key operational risk indicators which also include early warning signals. In the event of the occurrence of important (large) or repetitive operational loss events and if the operational risk appetite is exceeded, the Company starts the preparation of preventative and remedial risk mitigation measures or introduction of additional internal controls aimed at risk mitigation. Additional measures or upgraded internal controls have an effect on the decrease in exposure to potential operational risks that are assessed regularly. In these ways, the Company can verify the success of the implementation of risk mitigation measures. When managing operational risk, the greatest emphasis is placed on key business processes or segments of operational risks. When assessing the exposure to operational risks, internal controls for their management are inventoried for all business processes, which is an important lever for their management.

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

SENSITIVITY

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

C.6 Other material risks

NON-FINANCIAL RISK

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

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

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

To manage reputational risks, the Company applies the reputation measurement method where it takes into account the current aspects that may adversely affect the Company's reputation. The negative impact on reputation can be internal or external. With a functioning internal control system, the Company ensures that its operations are legal, professional and ethical. It ensures the appropriate quality of services and products, achieves financial objectives, properly manages relationships with key stakeholders and fulfils sustainable commitments or sustainable aspects of business operations. It observes the set environmental goals and strives to respect unlimited and healthy competition in the market.

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. This is way maintaining a low reputation risk estimate is crucial for the Company and it has therefore set high goals in this area.

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

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

- Environmental risks (E) are risks related to climate change and are divided into physical risks and transitional risks. Physical risks represent the risks of financial losses due to extreme weather events or other environmental impacts related to climate change. Transitional risk or 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 (transitional 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.

In 2022, the Company continued to upgrade the sustainability risk management system, mainly through improved data quality and by defining methodologies, indicators and reporting on environmental risk. Environmental risks were assessed as being the most important among sustainability risks and were carefully examined within the scope of the ORSA. It was found that individual effects of climate change could be important for the Company and the Group. This applies mainly to the transition risk on the investment side and to physical risks on the liability side, with the latter only floods in Slovenia being recognised as a more important event. Based on these findings, a quantitative assessment of the effects on the capital adequacy of the Company and the Group was then carried out, and measures for better management of these risks were listed.

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 (potential) impact on the Company's operations. Based on past experience, they cannot be predicted, as there is often insufficient information to predict the frequency or amount of damage caused. Emerging risks are closely monitored, and their management system is simultaneously upgraded accordingly.

C.7 Any other information

PRUDENT PERSON PRINCIPLE

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

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

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

Each individual investment is treated from the point of view of the portfolio which requires the investment to be assessed primarily in terms of the effect on the existing invested assets, their variability and contribution to the return. Each investment is reviewed or analysed whereby the depth of the analysis depends on the complexity of the investment and its share in total assets. The management of the assets in investment portfolios intended for the coverage of secured liabilities is performed so that it complies with the investment policy and so that the Company pursues the objectives that correspond as far as possible with the objectives of the policyholders. Regular monitoring of the range of indicators and active investment management aim to maximise safety, liquidity, diversification, profitability and provision coverage with investments.

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

STRESS TESTS

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

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

In 2022, the Company carried out several stress tests designed to reflect as much as possible the current and contingent risks in the external environment and the operations of the Company and the Group.

The scenarios evaluated by the Company include financial scenarios with an actual risk event from the macroeconomic environment, which address the potential impacts of inflation, stagflation and recession on the Company's solvency and financial position. For the first time, a quantitative analysis of the effects of climate change on the operations of the Company and the Group was prepared based on the estimated material risks in the business segments.

OTHER RELEVANT INFORMATION

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

D. Valuation for solvency purposes

D. Valuation for solvency purposes

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

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

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

Table 23: Balance sheet of the Company as at 31 December 2022

2022			In EUR thousand
Balance sheet		**Value for solvency purposes**	**Value for financial reporting purposes**
Assets		**3,010,798**	**2,920,466**
Intangible assets	D.1.1	0	70,414
Deferred tax assets	D.1.2	72,702	34,667
Property, plant and equipment held for own use	D.1.3	80,378	71,226
Investments	D.1.4	1,977,153	1,704,841
Assets held for index-linked and unit-linked contracts	D.1.5	683,000	688,922
Loans and mortgages	D.1.6	4,205	4,447
Reinsurance recoverables	D.1.7	120,913	180,143
Deposits to cedants	D.1.8	15	15
Insurance and intermediaries receivables	D.1.9	32,914	126,273
Reinsurance receivables	D.1.10	14,812	14,812
Receivables (trade not insurance)	D.1.11	10,980	10,980
Cash and cash equivalents	D.1.12	11,336	11,336
Any other assets, not elsewhere shown	D.1.13	2,390	2,390
Liabilities		**2,077,720**	**2,368,377**
Technical provisions	D.2	1,846,148	2,173,431
Provisions, other than technical provisions	D.3.1	12,536	12,536
Deposits from reinsurers	D.3.2	15	15
Deferred tax liabilities	D.3.3	68,179	0
Financial liabilities other than debts owed to credit institutions	D.3.4	1	1
Insurance and intermediaries payables	D.3.5	23,482	23,482
Reinsurance payables	D.3.6	14,807	40,208
Payables (trade not insurance)	D.3.7	61,214	61,214
Subordinated liabilities	D.3.8	43,370	49,522
Any other liabilities, not elsewhere shown	D.3.9	7,967	7,967
Excess of assets over liabilities		**933,078**	**552,089**

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

D.1 Assets

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

The assets disclosed in financial statements in a manner that is inconsistent with solvency requirements are revalued to fair value for solvency purposes. The best estimate of the fair value is the active market quotation. If such is not available, the fair value is measured based on the last transaction prices provided market conditions have not changed materially since the last transaction or the discounted expected cash flow valuation model is used to determine the fair value. Equity instruments, for which no prices are published on an active market and the fair value of which cannot be reliably measured, are measured at cost.

Asset-side balance sheet items are presented below.

D.1.1 Intangible assets

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

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

Table 24: Company's intangible assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Intangible assets	0	0	70,414

D.1.2 Deferred tax assets

In financial statements, deferred tax assets are accounted for all temporary differences between the value of assets for tax purposes and their carrying amount. The net value of the assets and liabilities is shown for financial reporting purposes, but as the value on the liabilities side is higher than the value on the assets side, the net value on the assets side (deferred tax assets) is disclosed as zero.

Deferred tax assets are valued for solvency purposes as the sum of deferred tax assets for financial reporting purposes and the product of the currently applicable tax rate and the difference between the accounting and market values of assets, whereby this excludes the values of holdings in related undertakings, including participations. For solvency purposes, the item is not netted against deferred tax liabilities as it is for financial reporting purposes.

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

Table 25: Company's deferred tax assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Deferred tax assets	72,702	21,546	34,667

Deferred tax assets increased by EUR 51.2 million in 2022 because of the increase in the difference between the assets, decreased by holdings in related undertakings, including participations, for financial reporting and solvency purposes, which is the basis for the calculation of deferred tax assets.

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

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

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

The Company works with a certified real estate valuer who values real estate every year. The fair value of real estate was set according to the state of affairs as at 30 September 2022. During the period from the completed valuation to the reporting date, there were no changes that materially affect the fair value of real estate as at 31 December 2022.

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

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Property, plant and equipment held for own use	80.378	77.422	71.226

The value of property, plant and equipment held for own use increased by EUR 3 million compared to the year before. The item amount is increased mainly by the increase of EUR 2.8 million in the value of property, plant and equipment, except land and buildings. The value lease rights decreased by EUR 0.6 million during the period, while the positive revaluation of land and buildings, partly due to the reclassification of the real estate into this category, amounts to EUR 0.8 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.

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

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

Table 27: Company's investments as at 31 December 2022

In EUR thousand

Assets	Value for solvency purposes	Value for financial reporting purposes
Investments	**1,977,153**	**1,704,841**
Real estate, except real estate held for own use	58,525	43,377
Holdings in related undertakings, including participations	479,792	227,312
Equities	20,547	20,546
Bonds	1,283,550	1,278,488
Collective investment undertakings	113,706	113,706
Derivatives	0	0
Deposits other than cash and cash equivalents	19,121	19,499
Other investments	1,912	1,912

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

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

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

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Real estate (except real estate held for own use)	58,525	61,387	43,377

The value of real estate (except real estate held for own use) decreased by EUR 2.9 million compared to 2021. There were no significant purchase or sale transactions during the period concerned, but real estate worth EUR 0.9 million was reclassified from this item to the item Property, plant and equipment held for own use. Another difference compared to last year's value of the item is explained by smaller differences between the latest and previous valuation of individual investments.

D.1.4.2 Holdings in related undertakings, including participations

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

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

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

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

The holdings in related insurance undertakings, the insurance holding and all strategic companies for the provision of services ancillary to the Company's principal activity are valued according to the AEM. When calculating the excess of assets over liabilities for related undertakings, the assets and liabilities of these related undertakings are valued according to the basic principles in accordance with the Delegated Regulation. The strategic financial undertakings (Triglav Skladi, Triglav, pokojninska družba and Triglav penzisko društvo Skopje) and other related undertakings, with the exception of the shareholding in Nama, d.d. and

Alifenet, d.o.o. are valued according to the AEM whereby the calculation of the excess of assets over liabilities applies the equity method in accordance with IAS less the value of goodwill and other intangible assets. The shareholding in Nama, d.d. is valued according to the AVM which basically closely follows the AEM using the fair value of assets and liabilities.

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

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

In EUR thousand

Valuation method	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
AEM S2	345,959	340,720	118,225
AEM S1	123,662	95,222	46,229
AVM	10,171	9,165	9,165
Total	**479,792**	**445,107**	**227,312**

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

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

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Holdings in related undertakings, including participations	479,792	445,107	227,312

The value of holdings in related undertakings increased in 2022 by EUR 34.7 million. The largest positive revaluation is shown by Triglav, pokojninska družba, mainly due to the payment of additional capital required due to the specifics of the legislation, and Triglav INT, partly due to the successful operation of some companies in its group and partly due to the payment of additional capital by the parent company. On the other hand, dividend payments by Triglav Skladi and Triglav, Upravljanje nepremičnin, reduced the values of these two companies. The value of Triglav Skladi was also significantly affected by the decrease in the value of financial investments due to negative revaluation on the financial markets. The developments in the area of claims had a negative impact on the value of Triglav, Zdravstvena zavarovalnica.

D.1.4.3 Equities

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

Table 31: Company's investments in equities

In EUR thousand

Investments		**Value for solvency purposes**	**Value for financial reporting purposes**
	2022	**2021**	**2022**
Equities	**20,547**	**69,559**	**20,546**
Listed equities	15,691	64,149	15,691
Unlisted equities	4,855	5,410	4,855

The value of equities decreased by EUR 49 million in 2022. The decrease is the largest in the category of equities listed on the stock exchange, and the reason for the decrease is mainly disposals due to the adjustment of the investment portfolio to the IFRS 9 accounting standard. The decrease in the value of the item additionally strengthens the general negative revaluation on the stock exchanges in 2022. The latter is also the reason for the decrease in the category of unlisted equities.

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 or "at fair value through profit or loss" category are valued at fair value. Investments classified as "held-to-maturity" or "loans and receivables" are valued at amortised cost.

When an investment is a market investment (listed on an active market), its fair value is represented by its closing ask price on that market (Bloomberg Valuation Service - BVAL, local stock exchange, market operator's price). If the market is not active – transactions are not executed frequently and are not executed in a sufficient volume for price information to be made available regularly – fair value is determined using valuation techniques:

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

b) valuation model.

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

Table 32: Company's bonds

In EUR thousand

Investments	**Value for solvency purposes**		**Value for financial reporting purposes**
	2022	**2021**	**2022**
Bonds	**1,283,550**	**1,594,285**	**1,278,488**
Government bonds	760,526	1,037,523	755,628
Corporate bonds	522,054	555,745	521,889
Structured notes	971	1,017	971
Collateralised securities	0	0	0

The value of bonds decreased precipitously in 2022. The effect of the drop of nearly EUR 311 million is broken down into the negative cash flow of EUR 97.7 million and the negative revaluation of EUR 214 million. The major portion of the negative revaluation comes from the government bond segment. As they primarily cover insurance liabilities with the longest maturities, this segment of investments is most subject to the movement of risk-free interest rates. In the period under review, the government bond segment recorded EUR 113.3 million in outflows, while the corporate bond segment recorded EUR 16.6 million in inflows.

Owing to the different valuation of investments that are classified in financial statements as “held-to-maturity” or “loans and receivables”, there is a difference of EUR 5 million up to the value for solvency purposes. The major portion of the revaluation comes from the government bond segment.

D.1.4.5 Collective investment undertakings

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

Table 33: Company's collective investment undertakings

In EUR thousand

Investments	**Value for solvency purposes**		**Value for financial reporting purposes**
	2022	**2021**	**2022**
Collective investment undertakings	113,706	104,399	113,706

The value of the item increased by EUR 9.3 million in 2022. The increase comprises net inflows worth EUR 4.8 million and EUR 4.5 million in positive revaluation. Inflows are mainly represented by additional payments into the funds and new commitments in the alternative funds segment.

D.1.4.6 Derivatives

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

Table 34: Company's derivatives

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2022	**2021**	**2022**
Derivatives	0	20	0

The Company did not use derivatives at the end of 2022.

D.1.4.7 Deposits other than cash and cash equivalents

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

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

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	2022	**2021**	**2022**
Deposits other than cash and cash equivalents	19.121	19.604	19.499

The value of the item did not change materially in 2022.

D.1.4.8 Other investments

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

Table 36: Company's other investments

In EUR thousand

Investments	Value for solvency purposes 2022	Value for solvency purposes 2021	Value for financial reporting purposes 2022
Other investments	1,912	1,697	1,912

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

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

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

In EUR thousand

Balance sheet	Value for solvency purposes 2022	Value for solvency purposes 2021	Value for financial reporting purposes 2022
Assets held for index-linked and unit-linked contracts	683,000	751,800	688,922

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 decrease in the value of the investments by EUR 68.8 million comprises EUR 106.1 million worth of negative revaluation and EUR 37.3 million in inflows.

D.1.6 Loans and mortgages

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

Table 38: Company's loans and mortgages

In EUR thousand

Balance sheet	Value for solvency purposes 2022	Value for solvency purposes 2021	Value for financial reporting purposes 2022
Loans and mortgages	**4,205**	**4,866**	**4,447**
Loans on policies	3,196	3,008	3,196
Loans and mortgages to individuals	0	1	0
Other loans and mortgages	1,009	1,857	1,251

The assets listed under the loans and mortgages item remained nearly unchanged in 2022. Lovćen Osiguranje, Montenegro repaid its loan, while the loan provided to Triglav osiguranje, Banja Luka increased.

D.1.7 Reinsurance recoverables

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

For solvency purposes, reinsurance recoverables are calculated separately for premium and claims provisions. The Company determines reinsurance recoverables for non-life annuities and presents them (similarly as in the case of provisions for the same) among life insurance.

For both purposes, reinsurance recoverables are determined based on recoverable amounts from reinsurance contracts that are calculated in accordance with the thresholds from insurance and reinsurance contracts to which the amounts relate.

Table 39: Company's reinsurance recoverables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Reinsurance recoverables	**120,913**	**95,256**	**180,143**
Non-life and health insurance	112,040	80,283	180,143
Life insurance	8,874	14,972	0

In 2022, the values of reinsurance recoverables increased in line with the increase in gross claims provisions. Their movement is thus in line with the amount of gross provisions and the dynamics of the Company's insurance claims payments.

D.1.8 Deposits to cedants

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

Table 40: Deposits to cedants

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Deposits to cedants	15	16	15

D.1.9 Insurance and intermediaries receivables

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

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

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

Table 41: Company's insurance and intermediaries receivables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Insurance & intermediaries receivables	32,914	30,365	126,273

Insurance and intermediaries receivables at the Company increased by EUR 2.5 million at the end of 2022 due to the increase in past due receivables from direct insurance business.

D.1.10 Reinsurance receivables

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

Table 42: Company's reinsurance receivables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Reinsurance receivables	14,812	7,589	14,812

D.1.11 Receivables (trade not insurance)

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

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

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Receivables (trade not insurance)	10,980	3,835	10,980

In 2022, receivables (trade not insurance) at the Company increased by EUR 7.1 million. This involved an increase of EUR 7.7 million in receivables from financing activities for the sale of securities.

D.1.12 Cash and cash equivalents

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

Table 44: Company's cash and cash equivalents

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Cash and cash equivalents	11,336	8,333	11,336

At the end of 2022, the value of the item increased by EUR 3 million, however its share in all other assets remains low as the majority of the assets are invested in other investment classes.

D.1.13 Any other assets, not elsewhere shown

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

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

In EUR thousand

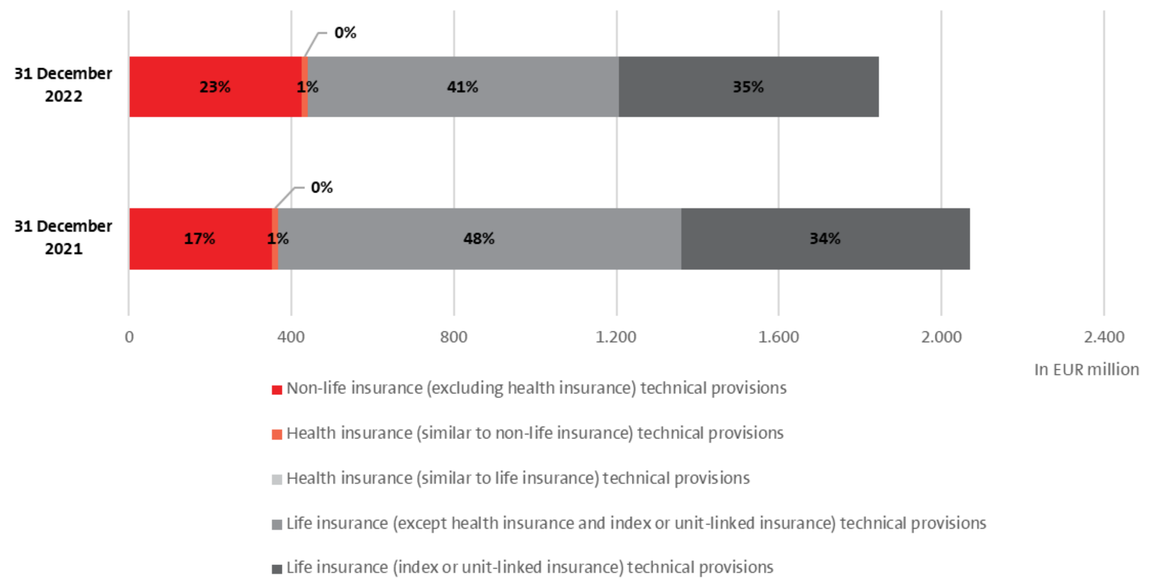
Assets	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Any other assets, not elsewhere shown	2,390	1,513	2,390

The value of any other assets, not elsewhere shown did not increase materially in 2022.

D.2 Technical provisions

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

Chart 7: Company's technical provisions as at 31 December 2022 and 31 December 2021



CONTRACT BOUNDARIES AND HOMOGENEOUS RISK GROUPS

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

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

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

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

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

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

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

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

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

Non-life and health insurance technical provisions are segmented at least into the insurance segments prescribed by Commission Delegated Regulation (EU).

The table below shows the results of technical provisions by the largest insurance segments as at 31 December 2022. The results are broken down into premium and claims provisions, and the risk margin. Non-life and health insurance technical provisions are shown in greater detail in template S.17.01, which is appended to this Report.

Table 46: Non-life and health insurance technical provisions of the Company for solvency purposes as at 31 December 2022 with a comparison with the balance as at 31 December 2021

2022				In EUR thousand
Non-life and health insurance technical provisions	**Claims provision**	**Premium provision**	**Risk margin**	**Technical provisions**
-- Fire and other damage to property insurance (LoB 7)	111,470	28,238	7,031	146,739
-- Motor vehicle liability insurance (LoB 4)	89,295	22,534	2,971	114,801
-- General liability insurance (LoB 8)	52,189	2,640	1,525	56,354
-- Other non-life insurance segments	80,120	33,918	8,076	122,114
Total	**333,074**	**87,330**	**19,604**	**440,007**

2021				In EUR thousand
Non-life and health insurance technical provisions	**Claims provision**	**Premium provision**	**Risk margin**	**Technical provisions**
-- Motor vehicle liability insurance (LoB 4)	81,320	18,031	3,183	102,533
-- Fire and other damage to property insurance (LoB 7)	71,087	29,336	7,247	107,670
-- General liability insurance (LoB 8)	49,500	3,877	1,676	55,053
-- Other non-life insurance segments	59,126	34,543	9,423	103,092
Total	**261,032**	**85,787**	**21,530**	**368,349**

The Company recorded a premium provision and claims provision growth in the non-life and health insurance segment in 2022. Claims provisions increased mainly as a result of the increase in reported claims in the insurance segments of Fire insurance and other damage to property insurance (LoB 7), Marine, aviation and transport insurance (LoB 5) and Motor vehicle liability insurance (LoB 4) as well as portfolio growth. The premium provision increased compared to last year due to an increase in the unearned premium coupled with portfolio growth, claim ratios and unfavourable developments in the area of claims.

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

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

The best estimate of the premium provision as at 31 December 2022 amounted to EUR 87.3 million.

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

The best estimate of the claims provision as at 31 December 2022 amounted to EUR 333.1 million.

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

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

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

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

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

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

As at 31 December 2022, the risk margin amounted to EUR 19.6 million.

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

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

Table 47: Differences between technical provisions for non-life and health insurance for solvency purposes and for financial reporting purposes as at 31 December 2022

In EUR thousand

Liabilities	Value for solvency purposes	Value for financial reporting purposes*
Non-life and health technical provisions	440,007	706,538

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

As at 31 December 2022, non-life and health insurance technical provisions for financial reporting purposes amounted to EUR 706.5 million, while they stood at EUR 440 million for solvency purposes. The basic difference between both valuation methods lies in the level of prudence that is used in the calculation of insurance liabilities and is higher in the valuation of technical provisions for financial reporting purposes. When valuing the best estimate for solvency purposes, the prudence level is not applied in the calculation. When calculating provisions, slightly different portfolio segmentation is used under the two valuation methods for each purpose.

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

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

- non-past due receivables from direct insurance operations are not taken into account for the provision for financial reporting purposes, whereas these receivables decrease the provisions for solvency purposes;
- in the calculation of the provisions for incurred unreported claims for financial reporting purposes, the list of provisioned claims is additionally reduced by large claims. the entire list is thus added to the provisions for incurred unreported claims calculated in this manner so as to arrive at the claims provision;
- non-life insurance annuities are disclosed for solvency reporting purposes under non-life insurance, while they are disclosed under life insurance for financial reporting purposes; the difference amounts to EUR 49.5 million.

D.2.2 Technical provisions for life insurance

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

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

Table 48: Life insurance technical provisions for solvency purposes as at 31 December 2022 and 31 December 2021

2022				**In EUR thousand**
Life insurance technical provisions	**Claims provision**	**Premium provision**	**Risk margin**	**Technical provisions**
Insurance with profit participation (LoB 30)	1,246	703,855	15,143	720,244
Index-linked and unit-linked insurance (LoB 31)	732	619,560	19,782	640,073
Other life insurance (LoB 32)	293	-9,208	5,249	-3,666
Income protection (LoB 2)*	14,333	-19,364	0	-5,030
Total	**16,604**	**1,294,843**	**40,174**	**1,351,620**

Note*: Classified under life insurance technical provisions.

2021				**In EUR thousand**
Life insurance technical provisions	**Claims provision**	**Premium provision**	**Risk margin**	**Technical provisions**
Insurance with profit participation (LoB 30)	1,157	897,182	24,105	922,443
Index-linked and unit-linked insurance (LoB 31)	679	692,064	16,761	709,505
Other life insurance (LoB 32)	272	-6,998	6,098	-628
Annuities from non-life insurance contracts (LoB 34)	69,393	0	302	69,696
Total	**71,502**	**1,582,247**	**47,266**	**1,701,016**

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

D.2.2.1 Best estimate of life insurance technical provisions

The best estimate of life insurance technical provisions is determined based on the estimated future cash flows from concluded insurance.

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

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

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

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

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

The Company performs separate calculations of the best estimate of liabilities for the guaranteed and the discretionary part of entitlements from concluded insurance. The calculation of cash flows also takes into account certain future measures for the management of the Company with regard to the distribution of profits to policyholders, depending on the economic situation and in accordance with the existing internal acts and rules.

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

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

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

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

-insurance with profit participation where it decreased by EUR 193.2 million mainly as a result of the rise in the risk-free interest rate curve resulting from the decrease in the best estimate of liabilities by EUR 142.6 million and actual cash flows in 2022 as a result of the decrease in the best estimate of liabilities by EUR 56.0 million;
-index or unit-linked insurance where it decreased by EUR 72.5 million mainly as a result of actual investment movements in the period as a result of the decrease in the best estimate of liabilities by EUR 61.7 million, newly underwritten risks in the period and the rise in the risk-free interest rate curve resulting from the decrease in the best estimate of liabilities by EUR 32.8 million;
-other life insurance where it decreased by EUR 2.2 million mostly as a result of a change in cost-related assumptions;
- annuities from non-life insurance which decreased by EUR 20.1 million. The decreased was mainly affected by the change in the risk-free interest rate curve that lowered provisions by EUR 15.5 million. Provisions decreased also because of the 29 closed annuities worth EUR 4.9 million. In addition, the reduction in provisions was also influenced by annuities that remained on the books, namely in the amount of EUR 1.9 million. This is in accordance with the annual recalculation of annuities since the amounts of monthly annuities, the duration of temporary annuities and other possible changes in the data are checked again at the end of the year The increase in the reserve was influenced by 22 new annuities, the value of which is EUR 2.2 million.

D.2.2.2 Risk margin for life insurance

The definition of the risk margin contains difficult to calculate future solvency capital requirements for all future periods until the maturity of the existing portfolio of liabilities.

Therefore, the Company calculates them by applying a simplification based on the calculation of the future values of partial solvency capital requirements for individual types of life insurance risks (e.g. mortality, longevity, costs, etc.) on the basis of values of substitutes which can be calculated in practice.

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

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

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

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

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

Table 49: Differences between technical provisions for life insurance for solvency purposes and for financial reporting purposes as at 31 December 2022

In EUR thousand

Liabilities	Value for solvency purposes	Value for financial reporting purposes*
Life insurance technical provisions	1,406,140	1,466,893

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

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

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

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

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

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

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

D.3 Other liabilities

D.3.1 Provisions, other than technical provisions

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

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

- post-employment benefits which represent an employee entitlement upon retirement in the form of a lump sum payment. The amount of the entitlement is determined in advance and risks with regard to the final amount of the payment are borne by the company, which is why this scheme is classified under "DBF"[5];

[5] Defined Benefit Plan

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

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

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

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Provisions, other than technical provisions	12,536	13,201	12,536

The value of the item did not change materially in 2022.

D.3.2. Deposits from reinsurers

For financial reporting purposes as well as for solvency purposes, deposits from reinsurers are valued at amortised cost using the effective interest rate method.

Table 51: Company's deposits from reinsurers

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Deposits from reinsurers	15	16	15

The value of the item did not change materially in 2022.

D.3.3 Deferred tax liabilities

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

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

Table 52: Company's deferred tax liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Deferred tax liabilities	68,179	47,126	0

As at 31 December 2022, deferred tax liabilities for solvency purposes increased by EUR 21.2 million compared to the previous year, mainly due to the increase in the difference between total liabilities before taxes for financial reporting purposes and total liabilities before taxes for solvency purposes.

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

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

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

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Financial liabilities	1	1,668	1

D.3.5 Insurance and intermediaries payables

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

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

Table 54: Company's insurance and intermediaries payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Insurance and intermediaries payables	23,482	22,613	23,482

The value of the item did not change materially in 2022.

D.3.6 Reinsurance payables

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

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

Table 55: Company's reinsurance payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Reinsurance payables	14,807	1,594	40,208

D.3.7 Payables (trade not insurance)

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

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

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

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Payables (trade not insurance)	61,214	47,173	61,214

In 2022, the Company’s payables (trade not insurance) increased by EUR 14 million. As part of these payables, the Company's liabilities to employees increased by EUR 4.7 million and corporate income tax liabilities by EUR 9.7 million, while in 2021 the Company disclosed a corporate income tax asset in the amount of EUR 564 thousand.

D.3.8 Subordinated liabilities

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

Table 57: Company's subordinated liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Subordinated liabilities	43,370	51,671	49,522

Subordinated liabilities decreased in 2022 due to revaluation, which was mainly the result of the rise in the risk-free interest rate level.

D.3.9 Any other liabilities, not elsewhere shown

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

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

In EUR thousand

Balance sheet	Value for solvency purposes		Value for financial reporting purposes
	2022	2021	2022
Any other liabilities, not elsewhere shown	7,967	6,365	7,967

The value of any other assets not elsewhere shown increased in 2022 by EUR 1.6 million.

D.3.10 Lease agreements

Lease liabilities in 2022 are recognised in the amount of the current value of future payments. Changes are presented in greater detail in section A.4.2 of this Report.

D.4 Alternative methods for valuation

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

D.5 Any other information

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

The Company's largest off-balance-sheet exposure is to unclaimed subrogation receivables and unpaid commitments for payments into alternative investments. Detailed information on off-balance sheet items not reported by the Company is presented in the Annual Report, i.e. in section 5.9 of the financial portion of the said report.

OTHER RELEVANT INFORMATION

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

E. Capital management

E. Capital management

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

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

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

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

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

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

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

CAPITAL ADEQUACY OF THE COMPANY

As at 31 December 2022, the Company was adequately capitalised and had sufficient own funds available to meet both the solvency capital requirement (248%) and the minimum capital requirement (865%).

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

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

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

Table 59: Capital adequacy of the Company as at 31 December 2022 and 31 December 2021

In EUR thousand

Capital adequacy of the Company	2022	2021
Total eligible own funds to meet the SCR	930,090	1,022,243
Total eligible own funds to meet the MCR	903,088	991,953
Solvency capital requirement (SCR)	374,501	374,338
Minimum capital requirement (MCR)	104,456	106,903
Solvency capital requirement (SCR)	248%	273%
Minimum capital requirement (MCR)	865%	928%

The Company's capital adequacy increased by 25 pp in the reporting period, which is the result of the decrease in total eligible own funds whereas the SCR did not change materially compared to the previous year. The movement of the SCR is explained in section E.2 of this Report and the movement of eligible own funds in section E.1 of this Report.

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

E.1 Own funds

As at 31 December 2022, the Company only had basic own funds totalling EUR 930.1 million. They were composed of the Company's share capital (EUR 73.7 million), subordinated liabilities (EUR 43.4 million), net deferred tax assets as Tier 3 assets (EUR 4.5 million) and the reconciliation reserve (EUR 808.5 million). The reconciliation reserve consists of the excess of assets over liabilities in the amount of EUR 933.1 million less the value of predictable dividends for the 2022 financial year (EUR 46.4 million), the Company's share capital and the value of net deferred tax assets.

The Company did not have any ancillary own funds as at 31 December 2022.

The structure of the Company's own funds according to tier as at 31 December 2022 and 31 December 2021 is shown in the table below and in template S.23.01 of the appendix to this Report.

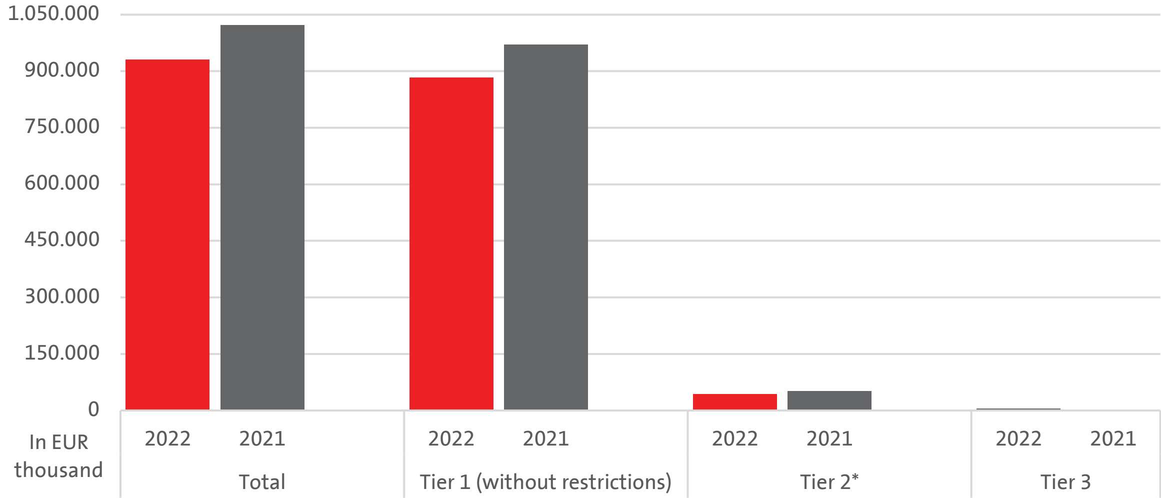
Table 60: Structure of own funds according to tier as at 31 December 2022 and 31 December 2021

In EUR thousand	2022	2021
Tier 1	**882,197**	**970,572**
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	808,495	896,871
Deductions	0	0
Tier 2	**43,370**	**51,671**
Subordinated liabilities	43,370	51,671
Deductions	0	0
Tier 3	**4,523**	**0**
Deductions	0	0
Total eligible own funds to meet the SCR	**930,090**	**1,022,243**

In EUR thousand	2022	2021
Tier 1	**882,197**	**970,572**
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	808,495	896,871
Deductions	0	0
Tier 2 (maximum of 20% of the MCR)	**20,891**	**21,381**
Subordinated liabilities	20,891	21,381
Deductions	0	0
Total eligible own funds to meet the MCR	**903,088**	**991,953**

The Company's total eligible own funds to meet the SCR decreased by EUR 92.2 million in the reporting period as a result of the decrease in the reconciliation reserve by EUR 88.4 million whereby a contributing factor for this was the decrease in the excess of assets over liabilities by EUR 104.7 million. Subordinated liabilities decreased by EUR 8.3 million in the reporting period. In 2021, the Company did not have Tier 3 eligible own funds, whereas in 2022 these amounted to EUR 4.5 million and were derived from net deferred tax assets as a result of the increase of this item for financial reporting purposes.

Chart 8: Comparison of available eligible own funds to meet the SCR as at 31 December 2022 and 31 December 2021



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

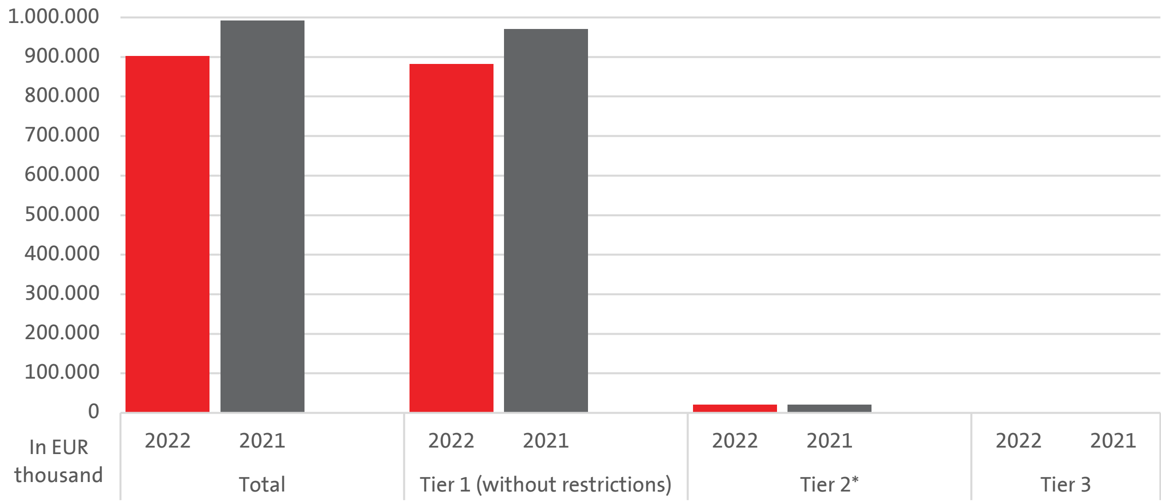
The Company's total eligible own funds to meet the MCR as at 31 December 2022 amounted to EUR 903.1 million, whereby Tier 2 own funds that exceed 20% of the MCR and all Tier 3 own funds are already excluded from the said amount.

The Company holds the highest quality own funds and thus classifies its entire share capital and the reconciliation reserve as Tier 1 assets, while it classifies subordinated bonds as Tier 2 assets and net deferred tax assets as Tier 3 assets.

In 2022, the Company met all the required restrictions regarding Tier 1, 2 and 3 own funds referred to Article 82[6] of the Delegated Regulation, and therefore no reduction of own funds is necessary.

[6] For purposes of compliance with Article 82 of the Delegated Regulation, Tier 1 own funds must represent at least half of the Solvency Capital Requirement, while the sum of Tier 2 and Tier 3 assets may represent no more than half of the Solvency Capital Requirement. In addition, Tier 3 own funds can represent a maximum of 15 percent of the Solvency Capital Requirement. Within these limits, the sum of subordinated liabilities that qualify for Tier 1 own funds must be less than 20 percent of total Tier 1 own funds.

Chart 9: Comparison of eligible own funds to meet the MCR as at 31 December 2022 and 31 December 2021

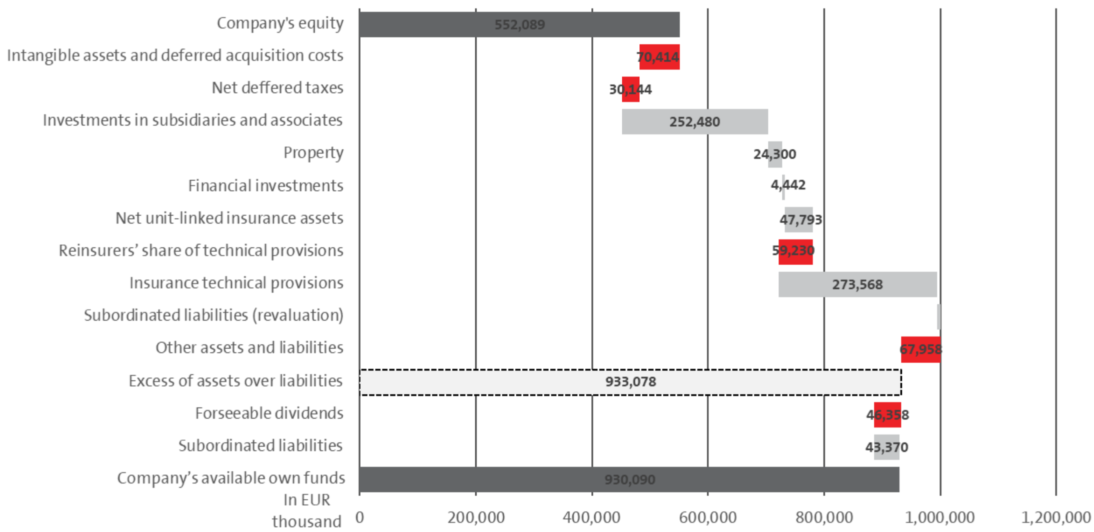


* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR.

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

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

Chart 10: Explanation of differences in capital valuation in the balance sheet for solvency and financial reporting purposes for the Company as at 31 December 2022



Capital for financial reporting purposes as at 31 December 2022 amounted to EUR 552.1 million, while the available own funds amounted to EUR 930.1 million. The difference is most affected by the different valuation of investments in subsidiaries and associated companies (EUR 252.5 million) and technical provisions (EUR 273.6 million). The difference is lowered the most by intangible assets (EUR 70.4 million), the change in technical provisions transferred to reinsurance (EUR 59.2 million), other assets and liabilities (EUR 68 million) and projected dividends (EUR 46.4 million).

E.2 Solvency capital requirement and minimum capital requirement

The Company calculates capital adequacy based on the standard formula in accordance with the Insurance Act and the Delegated Regulation. In order to calculate the solvency capital requirement, the Company applies the standard formula using the prescribed parameters and not using any simplifications and parameters specific for the Company. In accordance with the provisions of the Insurance Act, the Company reports at least once a year to the ISA on the amount of the SCR and at least once every quarter on the MCR.

E.2.1 Solvency capital requirement

The Company's SCR as at 31 December 2022 amounted to EUR 374.5 million, which is an immaterial change compared to the year before. The basic SCR decreased by EUR 28.1 million compared to the previous year, while loss-absorbing capacity of deferred taxes was no longer taken into account as a deduction item in 2022.

Table 61: SCR of the Company as at 31 December 2022 and 31 December 2021

	In EUR thousand	
Company's required capital	**2022**	**2021**
Underwriting risk	221,756	207,463
Market risk	234,876	275,846
Credit risk	40,896	39,287
Diversification	-154,208	-151,179
Basic solvency capital requirement	**343,321**	**371,417**
Operational risk	25,264	23,701
Loss-absorbing capacity of technical provisions	0	0
Loss-absorbing capacity of deferred taxes	0	-23,474
Adjustment for ring-fenced fund risk diversification	5,916	2,695
SCR	**374,501**	**374,338**

The decrease in the BSCR results mainly from decreased capital requirements for market risk which is in turn mainly the result of the decrease in equity risk. The decrease is the result of a lower exposure in the equity securities segment and a lower value of the symmetrical adjustment.

Compared to the previous year, there was a noticeable increase in the capital requirement for all other risk modules. Capital requirements for non-life insurance underwriting risks have increased due to portfolio growth, unfavourable developments in the area of claims and changed reinsurance protection for catastrophic events.

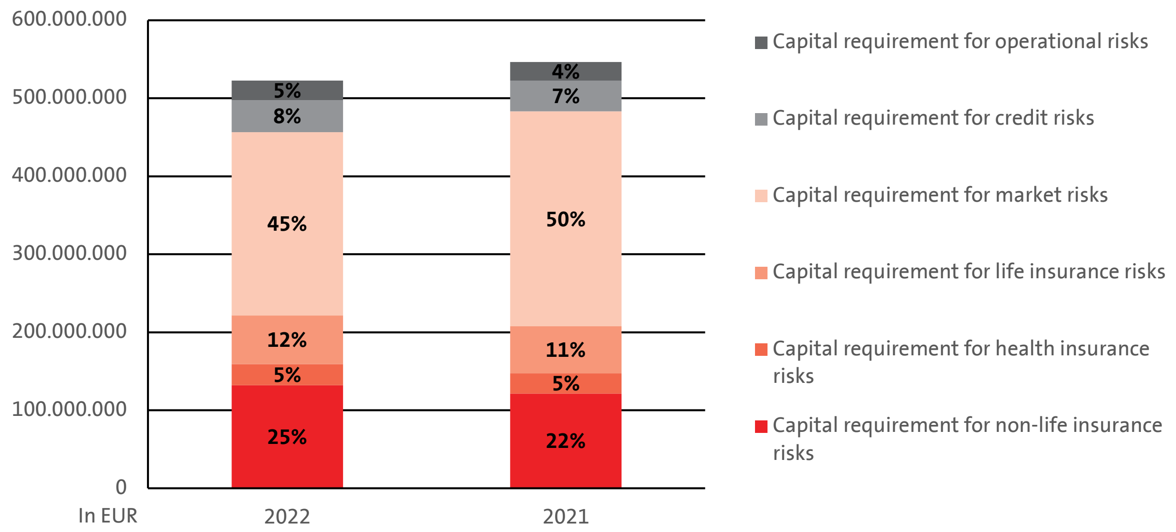
The capital requirement for credit risk did not change materially in the reporting period.

Due to the growth of the insurance portfolio, the capital requirement for operational risks has increased.

The loss-absorbing capacity of deferred taxes at the end of 2021 amounted to EUR 23.5 million, while it stands at EUR 0 in 2022. The decrease in the adjustment for the loss-absorbing capacity of deferred taxes results from a greater increase in deferred tax assets (increase by EUR 51.2 million) compared to the increase in deferred tax liabilities (increase by EUR 21.1 million), which leads to a decrease in net deferred tax liabilities. When calculating the adjustment for the loss-absorbing capacity of deferred taxes, the Company does not take into account the probable future taxable profits.

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

Chart 11: Company's capital requirements excluding diversification as at 31 December 2022 and 31 December 2021



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

E.2.2 Minimum capital requirement

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

Table 62: Notional MCR of the Company as at 31 December 2022 and 31 December 2021

2022 — **In EUR thousand**

Notional minimum capital requirement	**Non-life and health insurance**	**Life insurance**
Notional linear minimum capital requirement	71,738	32,718
Notional SCR (excluding capital add-ons)	257,198	117,303
Notional minimum capital requirement cap	115,739	52,786
Notional minimum capital requirement floor	64,299	29,326
Notional combined minimum capital requirement	71,738	32,718
Absolute cap for notional minimum capital requirement	3,700	3,700
Notional minimum capital requirement	**71,738**	**32,718**

2021 — **In EUR thousand**

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

The notional MCR for non-life and health insurance increased in the reporting period by EUR 6.8 million, while the MCR for life insurance decreased by EUR 9.3 million. The latter is the result of the decrease in technical provisions for life insurance with profit participation.

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

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

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

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

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

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

According to the balance as at 31 December 2022, the Company did not find any non-compliance with the minimum capital requirement and the solvency capital requirement.

E.6 Any other information

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

Annexes

Annexes

Quantitative Reporting Templates (QRT) of the Company as at 31 December 2022:

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

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

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

Assets	**Solvency II value**
Intangible assets	0
Deferred tax assets	72,702
Pension benefit surplus	0
Property, plant and equipment held for own use	80,378
Investments (other than assets held for index-linked and unit-linked contracts)	**1,977,153**
Property (other than for own use)	58,525
Holdings in related undertakings, including participations	479,792
Equities	*20,547*
Equities - listed	15,691
Equities - unlisted	4,855
Bonds	*1,283,550*
Government Bonds	760,526
Corporate Bonds	522,054
Structured notes	971
Collateralised securities	0
Collective Investments Undertakings	113,706
Derivatives	0
Deposits other than cash equivalents	19,121
Other investments	1,912
Assets held for index-linked and unit-linked contracts	683,000
Loans and mortgages	**4,205**
Loans on policies	3,196
Loans and mortgages to individuals	0
Other loans and mortgages	1,009
Reinsurance recoverables from:	**120,913**
Non-life and health similar to non-life	112,040
Non-life excluding health	110,969
Health similar to non-life	1,071
Life and health similar to life, excluding health and index-linked and unit-linked	8,874
Health similar to life	0
Life excluding health and index-linked and unit-linked	8,874
Life index-linked and unit-linked	0
Deposits to cedants	15
Insurance and intermediaries receivables	32,914
Reinsurance receivables	14,812
Receivables (trade, not insurance)	10,980
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	11,336
Any other assets, not elsewhere shown	2,390
Total assets	**3,010,798**

Liabilities	**Solvency II value**
Technical provisions - non-life	**440,007**
Technical provisions - non-life (excluding health)	**426,511**
TP calculated as a whole	0
Best estimate	407,716
Risk margin	18,796
Technical provisions - health (similar to non-life)	**13,496**
TP calculated as a whole	0
Best estimate	12,688
Risk margin	808
TP - life (excluding index-linked and unit-linked)	**766,067**
Technical provisions - health (similar to life)	**70**
TP calculated as a whole	0
Best estimate	70
Risk margin	0
TP - life (excluding health and index-linked and unit-linked)	**765,998**
TP calculated as a whole	0
Best estimate	745,429
Risk margin	20,569
TP - index-linked and unit-linked	**640,073**
TP calculated as a whole	0
Best estimate	620,291
Risk margin	19,782
Other technical provisions	0
Contingent liabilities	0
Provisions other than technical provisions	12,536
Pension benefit obligations	0
Deposits from reinsurers	15
Deferred tax liabilities	68,179
Derivatives	0
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	1
Insurance and intermediaries payables	23,482
Reinsurance payables	14,807
Payables (trade, not insurance)	61,214
Subordinated liabilities	**43,370**
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	43,370
Any other liabilities, not elsewhere shown	7,967
Total liabilities	**2,077,720**
Excess of assets over liabilities	**933,078**

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	562	56,776		115,004	139,914	32,876
Gross - Proportional reinsurance accepted	463	696		3,435	1,372	7,741
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	393	2,661		23,951	14,914	26,644
Net	**631**	**54,811**		**94,489**	**126,371**	**13,974**
Premiums earned						
Gross - Direct Business	555	56,654		108,149	132,904	30,796
Gross - Proportional reinsurance accepted	463	694		3,436	1,372	8,703
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	389	2,341		20,071	13,683	24,938
Net	**628**	**55,007**		**91,514**	**120,594**	**14,561**
Claims incurred						
Gross - Direct Business	16	17,392		52,370	86,489	13,505
Gross - Proportional reinsurance accepted	315	535		1,560	959	3,806
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	9	741		7,807	7,690	7,227
Net	**322**	**17,186**		**46,123**	**79,758**	**10,085**
Changes in other technical provisions						
Gross - Direct Business	-1	0		38	40	-14
Gross - Proportional reinsurance accepted						-48
Gross - Non-proportional reinsurance accepted						
Reinsurers' share						
Net	**-1**	**0**		**38**	**40**	**-62**
Expenses incurred	**534**	**17,901**		**26,677**	**33,873**	**3,640**
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	176,845	42,815	25,686	610	22,055	3,304
Gross - Proportional reinsurance accepted	37,130	5,795	5,788	1	361	360
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	102,526	18,213	10,274	128	2,130	1,924
Net	**111,449**	**30,397**	**21,200**	**483**	**20,286**	**1,740**
Premiums earned						
Gross - Direct Business	169,569	40,623	22,907	605	19,606	3,281
Gross - Proportional reinsurance accepted	38,383	5,604	4,305	1	271	419
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	105,003	17,514	9,638	122	1,742	2,317
Net	**102,949**	**28,713**	**17,574**	**483**	**18,135**	**1,383**
Claims incurred						
Gross - Direct Business	50,744	5,614	7,471	40	17,400	880
Gross - Proportional reinsurance accepted	41,997	2,902	2,470	0	208	64
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	47,012	5,600	3,137	14	1,274	462
Net	**45,729**	**2,916**	**6,804**	**26**	**16,334**	**482**
Changes in other technical provisions						
Gross - Direct Business	7	4	0	0	570	14
Gross - Proportional reinsurance accepted	-1	0				
Gross - Non-proportional reinsurance accepted						
Reinsurers' share						
Net	**5**	**5**	**0**	**0**	**570**	**14**
Expenses incurred	**42,879**	**11,316**	**4,222**	**445**	**7,541**	**521**
Other expenses						
Total expenses						

	Line of Business for: accepted non-proportional reinsurance				
	Health	**Casualty**	**Marine, aviation, transport**	**Property**	**Total**
Premiums written					
Gross - Direct Business					616,447
Gross - Proportional reinsurance accepted					63,141
Gross - Non-proportional reinsurance accepted		59	299	22,267	22,625
Reinsurers' share		70	94	18,331	222,251
Net		**-11**	**205**	**3,936**	**479,962**
Premiums earned					
Gross - Direct Business					585,649
Gross - Proportional reinsurance accepted					63,650
Gross - Non-proportional reinsurance accepted		59	299	22,258	22,616
Reinsurers' share		71	94	16,707	214,629
Net		**-12**	**205**	**5,552**	**457,287**
Claims incurred					
Gross - Direct Business					251,921
Gross - Proportional reinsurance accepted					54,816
Gross - Non-proportional reinsurance accepted		26		-29	-3
Reinsurers' share			-10	5,167	86,129
Net		**26**	**10**	**-5,196**	**220,606**
Changes in other technical provisions					
Gross - Direct Business					659
Gross - Proportional reinsurance accepted					-49
Gross - Non-proportional reinsurance accepted					0
Reinsurers' share					0
Net					**610**
Expenses incurred		**-540**	**-109**	**1,100**	**149,999**
Other expenses					**11,524**
Total expenses					**161,523**

	Line of Business for: life insurance obligations						Life reinsurance obligations		
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
Premiums written									
Gross		45,535	113,226	7,889					166,650
Reinsurers' share		31	36	589					656
Net		**45,504**	**113,190**	**7,300**					**165,994**
Premiums earned									
Gross		45,554	113,226	7,885					166,664
Reinsurers' share		31	36	589					656
Net		**45,523**	**113,190**	**7,296**					**166,008**
Claims incurred									
Gross		83,460	59,535	1,343	-66	-26,516			117,755
Reinsurers' share			22	115					136
Net		**83,460**	**59,513**	**1,228**	**-66**	**-26,516**			**117,619**
Changes in other technical provisions									
Gross		-45,618	-59,658	876					-104,400
Reinsurers' share									0
Net		-45,618	-59,658	876					-104,400
Expenses incurred		8,268	22,453	5,051		24			35,796
Other expenses									860
Total expenses									36,656

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

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		GR	PL	IT	DE	BG	
Premium written							
Gross - Direct Business	545,159	16,210	13,505	10,661	9,407	6,370	601,311
Gross - Proportional reinsurance accepted	63,141						63,141
Gross - Non-proportional reinsurance accepted	22,625						22,625
Reinsurers' share	195,160	6,160	5,132	4,051	3,575	2,421	216,499
Net	**435,764**	**10,050**	**8,373**	**6,609**	**5,832**	**3,949**	**470,578**
Premium earned							
Gross - Direct Business	518,117	15,356	12,793	10,099	8,911	6,034	571,311
Gross - Proportional reinsurance accepted	63,650						63,650
Gross - Non-proportional reinsurance accepted	22,616						22,616
Reinsurers' share	188,468	5,949	4,956	3,912	3,452	2,337	209,075
Net	**415,915**	**9,408**	**7,837**	**6,187**	**5,459**	**3,697**	**448,503**
Claims incurred							
Gross - Direct Business	228,286	8,264	4,985	1,156	2,842		245,533
Gross - Proportional reinsurance accepted	54,816						54,816
Gross - Non-proportional reinsurance accepted	-3						-3
Reinsurers' share	77,765	2,924	1,764	409	1,006		83,868
Net	**205,334**	**5,340**	**3,221**	**747**	**1,836**		**216,478**
Changes in other technical provisions							
Gross - Direct Business	579	18	15	12	11	7	642
Gross - Proportional reinsurance accepted	-49						-49
Gross - Non-proportional reinsurance accepted							0
Reinsurers' share							0
Net	**530**	**18**	**15**	**12**	**11**	**7**	**593**
Expenses incurred	**132,915**	**3,885**	**3,236**	**2,555**	**2,254**	**1,526**	**146,372**
Other expenses							**11,524**
Total expenses							**157,896**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations	Total Top 5 and home country
Premium written			
Gross	166,650		166,650
Reinsurers' share	656		656
Net	**165,994**		**165,994**
Premium earned			
Gross	166,664		166,664
Reinsurers' share	656		656
Net	**166,008**		**166,008**
Claims incurred			
Gross	117,755		117,755
Reinsurers' share	136		136
Net	**117,619**		**117,619**
Changes in other technical provisions			
Gross	-104,400		-104,400
Reinsurers' share	0		0
Net	**-104,400**		**-104,400**
Expenses incurred	**35,796**		**35,796**
Other expenses			**860**
Total expenses			**36,656**

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

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance		
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees
Technical provisions calculated as a whole							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole							
Technical provisions calculated as a sum of BE and RM							
Best Estimate	**705,101**			**620,291**			**-8,915**
Gross Best Estimate							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							
Best estimate minus recoverables from reinsurance/SPV and Finite Re	705,101			620,291			-8,915
Risk margin	**15,143**	**19,782**			**5,249**		
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole							
Best estimate							
Risk margin							
Technical provisions - total	**720,244**	**640,073**			**-3,666**		

				Health insurance (direct business)				
	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	**Accepted reinsurance**	**Total (Life other than health insurance, including Unit-Linked)**	**Contracts without options and guarantees**	**Contracts with options or guarantees**	**Annuities stemming from non-life insurance contracts and relating to health insurance obligations**	**Health reinsurance (reinsurance accepted)**	**Total (Health similar to life insurance)**
Technical provisions calculated as a whole			**0**					**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole			0					0
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	**49,243**		**1,365,720**			**70**		**70**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	8,874		8,874					0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	40,369		1,356,846			70		70
Risk margin	**177**		**40,351**			**0**		**0**
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole			0					0
Best estimate			0					0
Risk margin			0					0
Technical provisions - total	**49,420**		**1,406,071**			70		70

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

	Direct business and accepted proportional reinsurance					
	Medical expense insurance	**Income protection insurance**	**Workers' compensation insurance**	**Motor vehicle liability insurance**	**Other motor insurance**	**Marine, aviation and transport insurance**
Technical provisions calculated as a whole						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole						
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross - Total	-216	-16,707		22,534	27,570	736
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-18	-101		-2,859	764	-2,314
Net Best Estimate of Premium Provisions	**-197**	**-16,606**		**25,393**	**26,805**	**3,050**
Claims provisions						
Gross - Total	8	29,602		89,295	18,318	23,511
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1	1,189		9,996	2,602	6,718
Net Best Estimate of Claims Provisions	**7**	**28,413**		**79,299**	**15,716**	**16,793**
Total Best estimate - gross	**-207**	**12,895**		**111,829**	**45,887**	**24,247**
Total Best estimate - net	**-191**	**11,808**		**104,692**	**42,521**	**19,843**
Risk margin	**29**	**779**		**2,971**	**2,652**	**1,061**
Amount of the transitional on Technical Provisions						
TP as a whole						
Best estimate						
Risk margin						
Technical Provisions						
Technical provisions - total	**-179**	**13,675**		**114,801**	**48,539**	**25,307**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**-17**	**1,088**		**7,137**	**3,366**	**4,404**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**-162**	**12,587**		**107,663**	**45,173**	**20,903**

	Direct business and accepted proportional reinsurance					
	Fire and other damage to property insurance	**General liability insurance**	**Credit and suretyship insurance**	**Legal expenses insurance**	**Assistance**	**Miscellaneous financial loss**
Technical provisions calculated as a whole						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole						
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross - Total	28,238	2,640	13,073	57	9,466	-89
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	694	340	-1,229	-22	156	-185
Net Best Estimate of Premium Provisions	**27,544**	**2,300**	**14,303**	**79**	**9,310**	**95**
Claims provisions						
Gross - Total	111,470	52,189	3,193	91	2,286	2,787
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	74,945	16,163	3,078	12	126	1,982
Net Best Estimate of Claims Provisions	**36,525**	**36,026**	**115**	**79**	**2,160**	**804**
Total Best estimate - gross	**139,708**	**54,829**	**16,266**	**148**	**11,752**	**2,697**
Total Best estimate - net	**64,069**	**38,326**	**14,418**	**158**	**11,470**	**900**
Risk margin	**7,031**	**1,525**	**2,624**	**10**	**402**	**82**
Amount of the transitional on Technical Provisions						
TP as a whole						
Best estimate						
Risk margin						
Technical Provisions						
Technical provisions - total	**146,739**	**56,354**	**18,891**	**158**	**12,155**	**2,780**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**75,639**	**16,504**	**1,849**	**-10**	**282**	**1,798**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**71,099**	**39,851**	**17,042**	**168**	**11,872**	**982**

	Accepted non-proportional reinsurance				
	Non-proportional health reinsurance	**Non-proportional casualty reinsurance**	**Non-proportional casualty reinsurance**	**Non-proportional property reinsurance**	**Total Non-Life obligations**
Technical provisions calculated as a whole					**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole					**0**
Technical Provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross - Total		1		27	87,330
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					-4,774
Net Best Estimate of Premium Provisions		**1**		**27**	**92,104**
Claims provisions					
Gross - Total		38		285	333,074
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					116,813
Net Best Estimate of Claims Provisions		**38**		**285**	**216,260**
Total Best estimate - gross		**40**		**312**	**420,404**
Total Best estimate - net		**40**		**312**	**308,364**
Risk margin		**155**		**281**	**19,604**
Amount of the transitional on Technical Provisions					
TP as a whole					0
Best estimate					0
Risk margin					0
Technical Provisions					
Technical provisions - total		**195**		**593**	**440,007**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total					**112,040**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total		**195**		**593**	**327,968**

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

Gross Claims Paid (non-cumulative)	Development year (absolute amount)											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior	1,072,902	367,481	70,424	32,147	15,043	10,065	7,589	6,173	6,908	2,259	2,396	2,396	1,596,897
2013	165,396	52,139	10,584	4,699	1,997	1,749	637	553	251	292		292	238,297
2014	176,349	51,002	9,266	5,679	4,535	1,091	809	1,479	1,159			1,159	251,369
2015	155,631	47,364	10,561	6,039	2,112	1,709	1,129	798				798	225,344
2016	157,054	50,315	13,577	6,193	2,137	2,107	689					689	232,072
2017	165,632	70,588	16,667	6,187	3,812	2,462						2,462	265,347
2018	171,504	64,605	13,018	5,128	2,099							2,099	256,353
2019	171,280	66,024	15,281	7,065								7,065	259,649
2020	162,793	57,619	12,177									12,177	232,589
2021	160,601	75,813										75,813	236,414
2022	179,044											179,044	179,044
											Total	283,993	3,973,375

Gross undiscounted Best Estimate Claims Provisions	Development year (absolute amount)											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior					19,352	22,214	20,799	20,421	10,180	7,615	6,441	5,986
2013				11,848	9,333	7,799	7,859	2,153	1,592	1,251		1,157
2014			15,044	11,607	7,009	6,525	7,321	2,807	1,672			1,535
2015		20,726	13,012	8,260	4,610	4,708	4,266	3,685				3,426
2016	79,936	31,108	16,284	9,757	7,185	3,585	3,485					3,202
2017	102,780	34,550	19,490	13,943	9,291	5,779						5,327
2018	98,054	35,498	17,467	11,661	8,776							8,113
2019	105,789	40,079	22,158	14,796								13,834
2020	99,152	41,385	30,314									28,783
2021	119,801	84,918										81,468
2022	152,816											146,083
											Total	**298,914**

Annex 7: S.23.01.01 - Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	**73,701**	73,701			
Share premium account related to ordinary share capital					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
Subordinated mutual member accounts					
Surplus funds					
Preference shares					
Share premium account related to preference shares					
Reconciliation reserve	**808,495**	808,495			
Subordinated liabilities	**43,370**			43,370	
An amount equal to the value of net deferred tax assets	**4,523**				4,523
Other own fund items approved by the supervisory authority as basic own funds not specified above					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Deductions					
Deductions for participations in financial and credit institutions					
Total basic own funds after deductions	**930,090**	**882,197**		**43,370**	**4,523**

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

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds					
Total available own funds to meet the SCR	**930,090**	**882,197**		**43,370**	**4,523**
Total available own funds to meet the MCR	**925,567**	**882,197**		**43,370**	
Total eligible own funds to meet the SCR	**930,090**	**882,197**		**43,370**	**4,523**
Total eligible own funds to meet the MCR	**903,088**	**882,197**		**20,891**	
SCR	**374,501**				
MCR	**104,456**				
Ratio of Eligible own funds to SCR	**248%**				
Ratio of Eligible own funds to MCR	**865%**				

Reconciliation reserve	
Excess of assets over liabilities	933,078
Own shares (held directly and indirectly)	
Foreseeable dividends, distributions and charges	46,358
Other basic own fund items	78,225
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
Reconciliation reserve	**808,495**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life Business	53,954
Expected profits included in future premiums (EPIFP) - Non- life business	19,364
	73,317
Total Expected profits included in future premiums (EPIFP)	**933,078**

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

	Gross solvency capital requirement	USP	Simplifications
Market risks	234,876		
Credit risks	40,896		
Life underwriting risks	62,456		
Health underwriting risks	27,159		
Non-life underwriting risks	132,141		
Diversification	-154,208		
Intangible asset risk			
Basic Solvency Capital Requirement	343,321		

Calculation of Solvency Capital Requirement	
Operational risks	25,264
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	
Capital requirement for business operated in accordance with Art, 4 of Directive 2003/41/EC	
Adjustment for ring-fenced fund risk diversification	5,916
Solvency capital requirement excluding capital add-on	374,501
Capital add-on already set	
Solvency capital requirement	374,501
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF SCR aggregation for article 304	

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

	Non-life activities	Life activities
Linear formula component for non-life insurance and reinsurance obligations	70,889	2,714

	Non-life activities		Life activities	
MCR calculation Non Life	**Net (of reinsurance /SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**	**Net (of reinsurance /SPV) best estimate and TP calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**
Medical expense insurance and proportional reinsurance	-191	631		
Income protection insurance and proportional reinsurance	16,838	22,883	0	31,929
Workers' compensation insurance and proportional reinsurance				
Motor vehicle liability insurance and proportional reinsurance	104,692	94,489		
Other motor insurance and proportional reinsurance	42,521	126,371		
Marine, aviation and transport insurance and proportional reinsurance	19,843	13,974		
Fire and other damage to property insurance and proportional reinsurance	64,069	111,449		
General liability insurance and proportional reinsurance	38,326	30,397		
Credit and suretyship insurance and proportional reinsurance	14,418	21,200		
Legal expenses insurance and proportional reinsurance	158	483		
Assistance and proportional reinsurance	11,470	20,286		
Miscellaneous financial loss insurance and proportional reinsurance	900	1,740		
Non-proportional health reinsurance				
Non-proportional casualty reinsurance	40			
Non-proportional marine, aviation and transport reinsurance		205		
Non-proportional property reinsurance	312	3,936		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life	Non-life activities		Life activities	
	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
Obligations with profit participation - guaranteed benefits			678,828	
Obligations with profit participation - future discretionary benefits			26,273	
Index-linked and unit-linked insurance obligations			620,291	
Other life (re)insurance and health (re)insurance obligations	40,439			
Total capital at risk for all life (re)insurance obligations				2,731,166

	Non-life activities	Life activities
Linear formula component for life insurance and reinsurance obligations	849	30,004

Calculation of minimum capital requirement (MCR)	
Linear MCR	104,456
SCR	374,501
MCR cap	168,525
MCR floor	93,625
Combined MCR	104,456
Absolute floor of the MCR	7,400
Minimum Capital Requirement	**104,456**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	71,738	32,718
Notional SCR excluding add-on (annual or latest calculation)	257,198	117,303
Notional MCR cap	115,739	52,786
Notional MCR floor	64,299	29,326
Notional Combined MCR	71,738	32,718
Absolute floor of the notional MCR	3,700	3,700
Notional MCR	71,738	32,718