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

triglav

Solvency and Financial Condition Report
Zavarovalnica Triglav, d.d.
2020

Ljubljana, March 2021

Zavarovalnica Triglav, d.d.

Solvency capital requirement
€318 million

Net profit in 2020
€58 million

Gross written premiums in 2020
€719.3 million

Solvency ratio
309%

Own funds
€982.6 million

Minimum capital requirement
€108.3 million

Investments
€2,282 million

MEMBERS OF THE MANAGEMENT BOARD:

President of the Management Board:

Andrej Slapar

Members of the Management Board:

Uroš Ivanc

Tadej Čoroli

Barbara Smolnikar

David Benedek

Marica Makoter

Ljubljana, March 2021

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Summary

Summary

Zavarovalnica Triglav is a public limited company with its registered office in the Republic of Slovenia where it holds the leading position on the insurance market. The beginnings of its operations go back more than 120 years. Today, Zavarovalnica Triglav is the parent company of the Triglav Group that included 28 subsidiaries and 14 associated companies in addition to the Zavarovalnica Triglav at the end of 2020. The Triglav Group operates in six countries of the broader Adriatic region where its 20.4% market share makes it the leading insurance and financial group. The Triglav Group and thereby its parent company Zavarovalnica Triglav as well as the subsidiary Pozavarovalnica Triglav Re are rated by two recognised ratings agencies, S&P Global Ratings and A.M. Best. In 2020, 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 2020 financial year was the Deloitte revizija d.o.o. auditing firm.

Zavarovalnica Triglav is managed and governed according to a two-tier system of governance including the General Meeting of Shareholders, the Supervisory Board and the Management Board. At the end of 2020, the Management Board comprised six members. The Supervisory Board is composed of nine members, three of whom are employee representatives. The system of governance of Zavarovalnica Triglav also includes the so-called four key functions that report directly to the Management Board (risk management function, the compliance function, the internal audit function and the actuarial function) and seven 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 explained in detail in section B.3.4 of this Report.

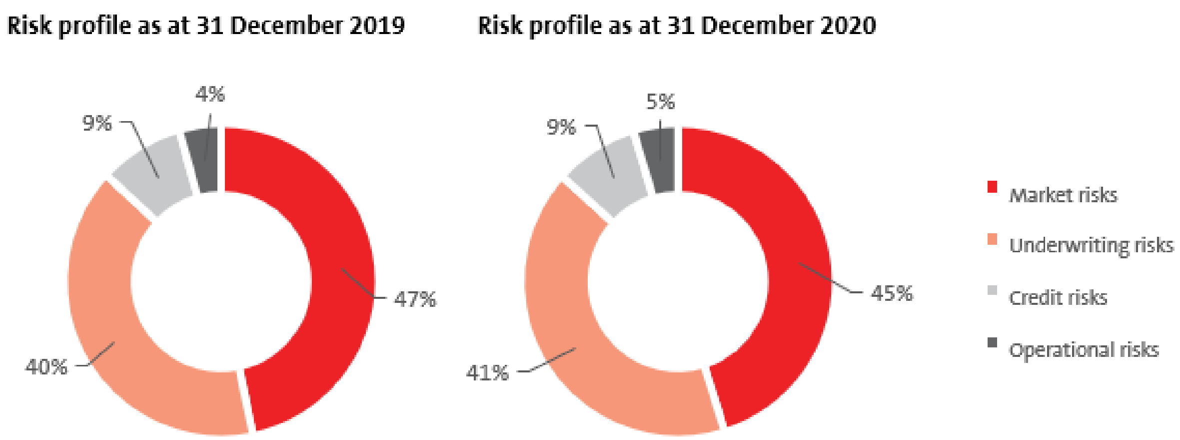
The year 2020 was marked by the outbreak of the COVID-19 epidemic that started in the first quarter. Financial markets responded to the epidemic, especially after countries began adopting restrictive measures to stem the spread of the virus, which in turn affected economic activity. In response to the situation, Zavarovalnica Triglav carried out several analyses during the year to assess the impact of the epidemic on its operations, including an extraordinary own risk and solvency assessment process, about which it also informed shareholders and the general public. It was found within the scope of the extraordinary own risk and solvency assessment process that the risk profile did not change materially, that the insurance and investment portfolios had remained sufficiently resilient and that the capital position was adequate for Zavarovalnica Triglav to successfully deal with the increased risks arising from the COVID-19 epidemic. Details on the own risk and solvency assessment process are presented in section B.3.6 of this Report.

The epidemic had an effect on the way of doing business. The focus was on the prevention of infection and protection of the health of employees, customers and other stakeholders as well as the adjustment of the organisation to successfully perform as many key business processes as possible remotely. Zavarovalnica Triglav regularly monitored conditions and responded

quickly which is why no material epidemic-related operational risk was realised in 2020. Despite the restrictions on people's movement that prevented the normal way of doing business, Zavarovalnica Triglav adapted by offering broad accessibility and availability of services through various measures thus providing customers with modified methods of doing business. The epidemic accelerated the introduction of the already planned new features, which significantly strengthened digital sales-communication and distribution channels and tools. Additional information on operational risks is presented in section C.5 of this Report.

As regards risks and capital adequacy, Zavarovalnica Triglav ended 2020 within the targets specified in the Risk Appetite Statement. Zavarovalnica Triglav 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 epidemic ushered in greater caution and lower consumption on the part of the population in certain economic segments. Despite all of the above, the premium at Zavarovalnica Triglav. On the other hand, the estimate of underwriting risks during 2020 decreased because of the decrease in the frequency of loss events in low economic activity conditions and lower mobility of the population as a result of restrictive measures. Owing to Zavarovalnica Triglav's higher exposure to debt instruments, the risks from financial markets stemmed mainly from the extremely low risk-free interest rate and the higher amount and volatility of spreads. Liquidity risk gained in importance during the first wave of the epidemic in 2020, but the situation subsided subsequently owing to the measures taken by central banks. Despite all of this, Zavarovalnica Triglav performed due diligence and also updated parts of the liquidity risk management system and tested uninterrupted liquidity assurance. No visible deterioration of the payment discipline or the credit quality of counterparties was observed in the area of credit risk. Despite this, however, this important risk stemming from higher borrowing remains in the environment and will be carefully monitored by Zavarovalnica Triglav in the future as well. The epidemic also meant that individual operational risks were gaining in importance; they are mostly related to the changed method of work, i.e. remote work, which is suitably addressed at Zavarovalnica Triglav whereby its scope is dropping.

The risk profile of Zavarovalnica Triglav according to the state of affairs as at 31 December 2020 did not change materially compared to the year before. Market risks represent the largest share in it, which decreased compared to the previous year, followed by underwriting risks, whose share increased compared to the previous year.

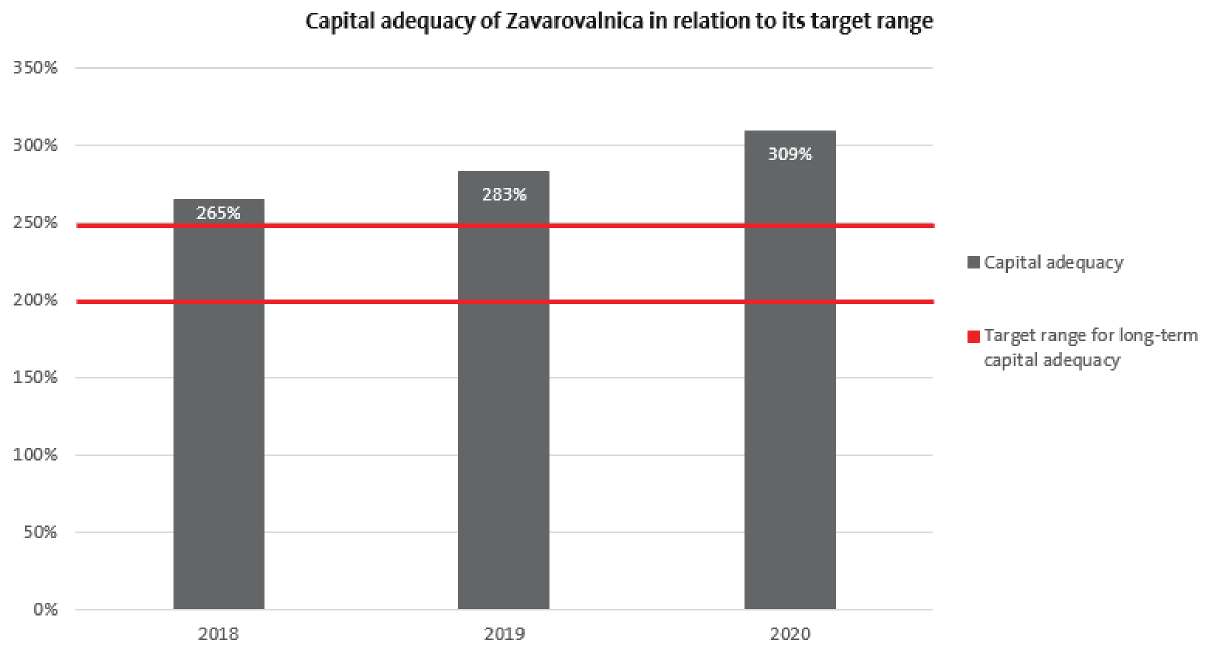


Additional information on the risk estimate is presented in section C of this Report.

In order to ensure financial stability in the conditions of a spreading epidemic, the Insurance Supervision Agency invited all (re)insurance companies and pension companies during the course of the year to temporarily suspend the distribution of dividends. Despite the suitable capital strength of the Triglav Group, which Zavarovalnica Triglav justified quantitatively and qualitatively by calculations during the testing of capital adequacy under stress conditions, including in the event of the distribution of planned dividends, the renewed deterioration of conditions during the second wave of the COVID-19 epidemic meant that dividends were not distributed in 2020. The reconciliation reserve increased accordingly. Despite the elevated uncertainty, Zavarovalnica Triglav ended the year with capital adequacy of 309% and thus in the target range of 200 to 250 percent. Additional information on capital management is presented in section E of this Report.

Detailed information on the effect of the epidemic on Zavarovalnica Triglav's operations is presented in the Annual Report of the Triglav Group and Zavarovalnica Triglav, d.d, 2020, i.e. in section 7.2 of the Business Report.

Capital adequacy or the capital adequacy ratio is calculated according to the standard formula as the ratio between the total eligible own funds and the solvency capital requirement. Zavarovalnica Triglav was adequately capitalised as at 31 December 2020. It had sufficient own funds to cover both the MCR (878%) and the SCR (309%).

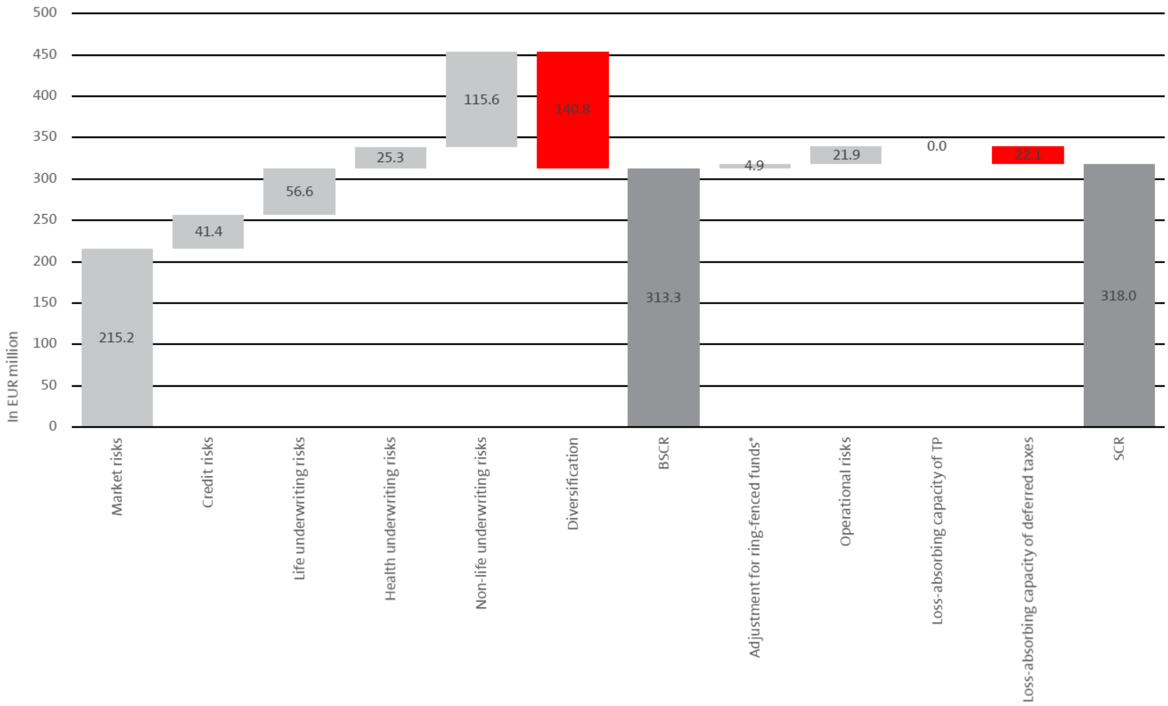


Eligible own funds are calculated as the difference between assets and liabilities whereby the entire balance sheet is valued at fair value. The balance sheet is composed of Zavarovalnica Triglav's share capital (EUR 73.7 million), subordinated liabilities (EUR 53.5 million) and the reconciliation reserve (EUR 855.3 million). The calculation of eligible own funds takes into account the dividend policy guidelines. Zavarovalnica Triglav holds the highest quality own funds and thus classifies its entire share capital and the reconciliation reserve as Tier 1 assets, while it classifies subordinated bonds as Tier 2 assets.

The **solvency capital requirement** of Zavarovalnica Triglav 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 2020, as much as 87% of the Zavarovalnica Triglav's SCR came from underwriting and market risks. The majority of its own funds are classified as Tier 1 in terms of quality. In 2020, despite the demanding business conditions and unfavorable conditions on the financial markets, Zavarovalnica Triglav operated successfully, maintained its capital strength and carefully followed the outlined strategic orientations and goals.

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

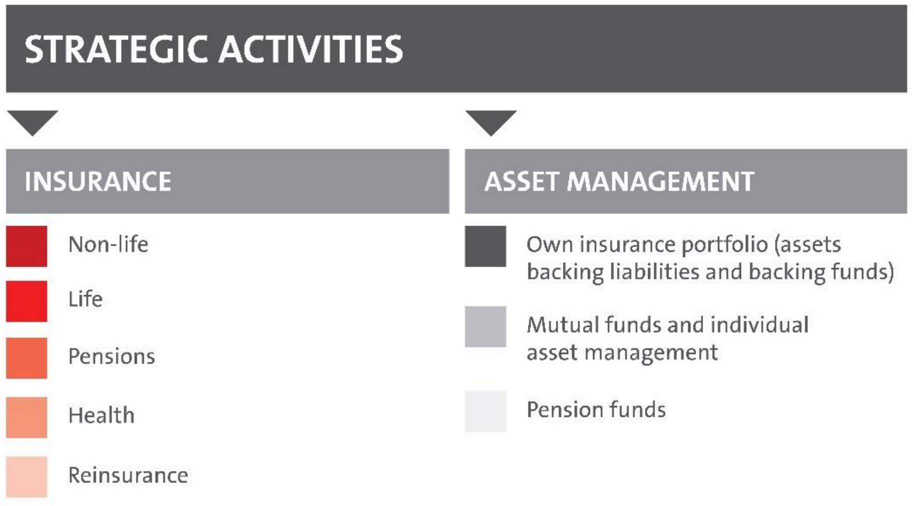
A.1.1 About Zavarovalnica Triglav

Zavarovalnica Triglav, d.d. (hereinafter: Company) headquartered in Ljubljana, Miklošičeva 19, is the parent company of the Triglav Group (hereinafter: Group) comprising 28 subsidiaries and 14 associated companies in addition to the Company.

Below is the schematic presentation of the Group's subsidiaries and associated companies as well as their respective equity interests as at 31 December 2020.

Figure 1: Schematic of the Group's subsidiaries and associated companies and their respective equity interests as at 31 December 2020

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



The Company held a 27.6% market share in Slovenia at the end of 2020 and thereby a convincing leading market position.

In 2020, the Company operated in all segments of non-life and health insurance with the exception of the segment of worker's compensation insurance (LoB 3). Out of all the non-life and health insurance segments, the Company earns 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 2020, index-linked and 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

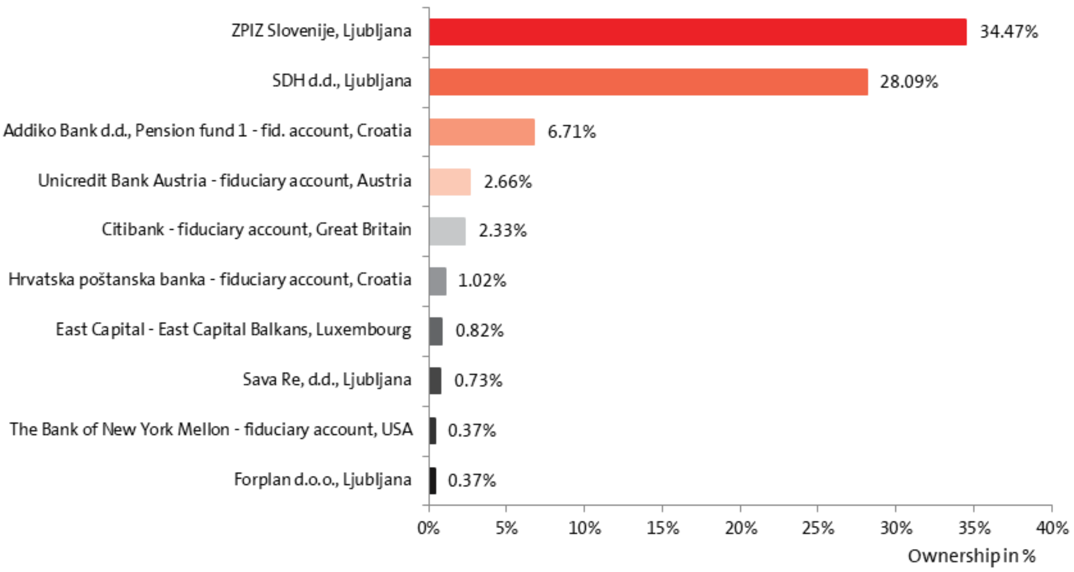
Based on the resolution of the General Meeting of Shareholders of the Company (hereinafter: General Meeting of Shareholders), the following audit firm was appointed as the external auditor of the Company for the 2020 financial year:

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

A.1.4 Ownership structure of Zavarovalnica Triglav

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

Chart 1: Top ten shareholders of the Company as at 31 December 2020



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

A.1.5 Major business events and achievements in 2020

- COVID-19 epidemic: The Company served its customers without interruption in the conditions of the COVID-19 epidemic. In doing so, it acted in accordance with the measures adopted to limit infection and protect the health of employees, customers and other stakeholders. Finding itself in an uncertain and volatile business environment, it regularly assessed the effects on operations according to diverse and most probable scenarios.
- Good business performance: Despite the difficult conditions caused by the epidemic, the Company's operations were profitable and it posted good performance figures. It maintained an unchanged strategy, market position and operation in all of its activities. It generated premium growth on the majority of insurance markets and in the health and non-life insurance. The profits achieved during the epidemic were affected by the situation on financial markets and the increase in provisions on account of the operating conditions at the time.
- Dividend payment: At the June General Meeting of Shareholders the shareholders adopted the proposed resolution of the Management Board of the Company (hereinafter: Management Board) and Supervisory Board of the Company (hereinafter: Supervisory Board) in accordance with the ISA position for the 2019 distributable profit to remain undistributed. The Company's dividend policy shall remain unchanged.
- Confirmed high "A" credit rating: The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's "A" credit rating with a stable medium-term outlook.
- Mass loss events: Hail storms and two earthquakes in Croatia caused EUR 24.8 million worth of claims.
- Changes in the Management Board and Supervisory Board of the Company: The General Meeting of Shareholders appointed Igor Stebernak to the position of Supervisory Board member – shareholders' representative. Owing to commitments resulting from her new employment, Nataša Damjanovič tendered her resignation from the position of Supervisory Board member. The Supervisory Board appointed Andrej Andoljšek (Vice Chairman of the Supervisory Board at the time) to the position of Chairman of the Supervisory Board.

A.2 Underwriting performance

The Company's net profit in 2020 was down 18% compared to the year before, i.e. from EUR 70.6 million to EUR 58 million. The main reason for the decrease in the net profit despite the higher gross written insurance, co-insurance and reinsurance premium compared to the year before is mainly the lower income from financial assets, higher expenses from financial assets and liabilities as well as higher other expenses from insurance operations.

The non-life combined ratio stood at 86.1% at the end of 2020, up 0.5 p.p. compared to the year before. The main reason for the higher combined ratio compared to 2019 is the higher expense ratio.

Table 1: Company's operating performance in 2020 and 2019

	In EUR thousand	
	2020	**2019**
Profit or loss before tax	**71,070**	**83,996**
Net profit or loss	**57,998**	**70,614**
- Non-life insurance	52,951	56,290
- Health insurance	0	0
- Life insurance with pension insurance	5,047	14,325
- Other	0	0
Non-life insurance combined ratio	**86.1%**	**85.6%**
ROE	**9.5%**	**12.4%**

In 2020, 9% of the Company's net profit came from life insurance, while 91% was generated from non-life insurance. Compared to the previous year, the share of non-life insurance grew by 12 p.p. at the expense of life insurance.

The Company booked a total of EUR 719.3 million in gross insurance, co-insurance and reinsurance premium in 2020. The premium grew by EUR 17.1 million when compared to 2019. According to the segmentation for solvency purposes, the Company booked EUR 573.6 million of gross insurance, co-insurance and reinsurance premium from non-life insurance and health insurance and EUR 145.7 million from life insurance. The biggest share of the non-life and health insurance premium is derived from the fire and other damage to property insurance segment (LoB 7). These were followed by other motor vehicle insurance (LoB 5) and motor vehicle 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 2020 came in at EUR 406.2 million, whereby EUR 260.1 million of the said amount came from non-life insurance and health insurance and EUR 146.1 million came from life insurance. The majority of the gross claims incurred among non-life and health insurance arose from claims in the other motor insurance segment (LoB 5), fire and other damage to property insurance (LoB 7), while the majority under life insurance came from the insurance with profit participation segment (LoB 30). Compared to 2019, gross claims incurred were up 4.2 million, whereby gross claims incurred under non-life and health insurance increased by EUR 13.4 million and those under life insurance decreased by EUR 9.2 million.

The Company's gross expenses in 2020 amounted to EUR 178.2 million. EUR 149 million of the abovementioned amount came from non-life insurance and health insurance and EUR 29.2 million came from life insurance. Subject to the segmentation for solvency purposes, the highest expenses were incurred in the fire and other damage to property insurance segment (LoB 7). Expenses decreased by EUR 3.3 million when compared to 2019.

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

Table 2: Premium, claims and expenses of the Company by major insurance segments for solvency purposes in 2020 and 2019

In EUR thousand	2020	2019
Gross written premiums from insurance, co-insurance and reinsurance contracts	**719,253**	**702,132**
- Non-life insurance with health insurance	**573,584**	**550,278**
-- Motor vehicle liability insurance (LoB 4)	102,739	98,302
-- Other motor insurance (LoB 5)	127,341	124,373
-- Fire and other damage to property insurance (LoB 7)	185,847	168,192
-- Other non-life and health insurance segments	157,658	159,411
- Life insurance	**145,669**	**151,854**
-- Insurance with profit participation (LoB 30)	52,137	55,411
-- Index-linked or unit-linked insurance (LoB 31)	86,204	89,448
-- Other life insurance (LoB 32)	7,328	6,994
-- Annuities from non-life insurance contracts (LoB 34)	0	0
Gross claims incurred	**406,235**	**402,070**
- Non-life insurance with health insurance	**260,141**	**246,733**
-- Motor vehicle liability insurance (LoB 4)	70,891	52,056
-- Other motor insurance (LoB 5)	75,759	79,089
-- Fire and other damage to property insurance (LoB 7)	71,882	66,822
-- Other non-life and health insurance segments	41,609	48,767
- Life insurance	**146,094**	**155,337**
-- Insurance with profit participation (LoB 30)	81,210	79,487
-- Index-linked or unit-linked insurance (LoB 31)	58,892	68,995
-- Other life insurance (LoB 32)	1,490	1,344
-- Annuities from non-life insurance contracts (LoB 34)	4,502	5,511
Expenses	**178,213**	**181,463**
- Non-life and health insurance	**149,006**	**152,482**
-- Motor vehicle liability insurance (LoB 4)	27,776	26,295
-- Other motor insurance (LoB 5)	31,767	31,752
-- Fire and other damage to property insurance (LoB 7)	48,517	49,474
-- Other non-life and health insurance segments	40,945	44,961
- Life insurance	**29,206**	**28,981**
-- Insurance with profit participation (LoB 30)	8,319	9,204
-- Index-linked or unit-linked insurance (LoB 31)	17,470	16,496
-- Other life insurance (LoB 32)	3,389	3,232
-- Annuities from non-life insurance contracts (LoB 34)	28	49
Other expenses	**12,989**	**10,974**

The Company operates mostly in the territory of the Republic of Slovenia, with life insurance sold exclusively in Slovenia. More than 98% of premium income is generated by the sale of insurance to domestic clients and more than 99% of all claims are paid to domestic clients as well. The percentages above did not change significantly in 2020 compared to 2019.

Table 3: Geographic distribution of the premium and claims of the Company in 2020 and 2019

		In EUR thousand
Geographic distribution of the premium and claims	**2020**	**2019**
Gross written premiums from insurance, co-insurance and reinsurance contracts	**719,253**	**702,132**
-- Slovenia	705,416	684,274
-- Other countries	13,837	17,858
Gross claims incurred	**406,235**	**402,070**
-- Slovenia	402,945	400,211
-- Other countries	3,289	1,859

Detailed quantitative data on the Company's operations subject to the geographic distribution is shown in template S.05.02 in Annex 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. A comparison with the investment result published by the Company last year is also provided. The investment result shown was also published by the Company in the Annual Report of the Triglav Group and Zavarovalnica Triglav, d.d., 2020 (hereinafter: Annual Report), i.e. in section 3.7 of the Accounting Report.

Taking into account unit-linked life insurance contracts, the investment performance in 2020 was lower than in 2019. Interest income fell in both the government bond and corporate bond classes on account of the prolonged period of low interest rates. Interest income on loans is lower because of a significant decrease in exposure to this class. The "Other" class presents interest income from default interest on receivables and other interest expenses.

Dividend income, which comes mostly from the dividends received from subsidiaries, also decreased. Most subsidiaries did not distribute dividends due to the additional caution that certain regulators were calling for because of the uncertainty associated with the COVID-19 epidemic. The alternative investment programme has transitioned into the phase where a part of the return is already being paid out in the form of dividends, which increases the dividend performance of collective investment undertakings.

The "Net profit or loss" category comprises changes in the fair value of assets classified as "fair value through profit or loss", gains and losses from sale and permanent impairments. The item decreased 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 lags strongly behind last year's value. The strong stock market growth from 2019 was stopped in 2020 by the epidemic. The severe correction was followed by a recovery that brought stock markets to the levels from the start of the year. Similar developments were observed in the development of credit spreads. The Company employs the policy of active adjustment to market conditions and has thus managed to generate higher net profits from the sales of government securities. In 2020, the Company used derivatives much less than in the year before, mainly to hedge against currency risk. The net result in this class has improved significantly compared to the year before. Compared to the previous year, the amount of permanent impairments is much higher at EUR 5.5 million. The increase is the result of the revaluation of certain subsidiaries.

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 significant decrease in the risk-free interest rate strongly improved the result in this part compared to the year before, while the development of credit spreads during the year decreased the result in the corporate bond segment.

The leasing result remains unchanged in comparative terms.

Table 4: Performance of the Company's investment activities for financial reporting purposes in 2020 and 2019

2020 — **In EUR thousand**

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

2019 — **In EUR thousand**

Investment performance	Net interest	Dividends	Net profit or loss	Other net financial income	Unrealised gains and losses	Rents
Investments	**38,286**	**6,104**	**85,937**	**-688**	**13,275**	**4,941**
Real estate	0	0	340	0	0	4,941
Shares	0	5,905	5,055	0	5,406	0

Government bonds	16,189	0	4,676	0	-5,974	0
Corporate bonds	13,952	0	19,140	0	11,853	0
Collective investment undertakings	0	199	62,521	0	1,989	0
Loans	2,284	0	0	0	0	0
Deposits, cash and cash equivalents	378	0	0	0	0	0
Derivatives	0	0	-5,522	0	0	0
Other	5,483	0	-273	-688	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 46 million in 2020. More than half of the said income, i.e. EUR 30 million, relates to reinsurance commission income and commissions of life insurance guarantee funds. Other income mostly relates to other income from insurance operations and income from investment properties.

The Company's other expenses in 2020 amounted to EUR 44.7 million. The biggest share of the abovementioned income relates to expenses for employee bonuses (EUR 12.7 million), commission expenses (EUR 11.3 million), the fire tax (EUR 4.4 million), depreciation and other expenses from investment property (EUR 3.3 million), impairments and write-offs of receivables (EUR 2.7 million) and expenses from interest on issued bonds (EUR 2.4 million). The Company's other expenses increased by EUR 2.5 million when compared to the year before. The increase was mostly the result of the higher expenses for employee bonuses which increased by EUR 2.1 million.

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

Table 5: Other income and expenses of the Company for financial reporting purposes in 2020 and 2019

In EUR thousand

	2020	2019
Other income	**45,983**	**41,110**
- Other insurance income	38,110	29,755
- Other income	7,873	11,355
Other expenses	**44,668**	**32,765**
- Other insurance expenses	24,308	14,951
- Other expenses	20,360	17,814

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 44.5 million, the annual rental income amounted to EUR 5.6 million in 2020.

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 2020, the right of use of assets in the amount of EUR 3.5 million was recognised by the Company. The total annual amortisation expense of these assets was EUR 1.1 million, while interest expenses came in at EUR 65 thousand. Rental costs not accounted according to IFRS 16, i.e. short-term leases and low-value leases, came in at EUR 433 thousand in 2020.

A.5 Any other information

EVENTS IN 2021

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

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

OTHER RELEVANT INFORMATION

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

B. System of governance

B. System of governance

B.1 General information on the system of governance

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

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

They operate in line with the structure of the three lines of defence within the Company's governance system. The responsibilities for the performance of tasks, processes and reporting obligations of every key function are defined within the system of governance. Key functions are presented in further details 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 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: coordinated management and organisation of the Company's operations; representation of the Company vis-à-vis third parties; responsibility for the legality of operations; adoption of the development strategy of the Company and the annual plan of operations; reporting to the Supervisory Board on the performance of both the Company and the Group.

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

Table 6: Composition of the Management Board and the competences of the members of the Management Board of the Company in the 2020 financial year

First and last name	Position	Area of work within the Management Board as at 31 December 2020
Andrej Slapar	President of the Management Board	- Management Board Office - Legal Office - Internal Audit Department - Corporate Communication Department - Compliance Office - Business Intelligence and CRM, - Corporate Accounts - Marketing - Senior Management Staffing - work of Arbitration - work of the Nuclear Insurance and Reinsurance Pool, GIZ (Commercial Association of Slovenian Insurance Companies) - representation of the Company in the Council of the Slovenian Insurance Association
Uroš Ivanc	Member of the Management Board	- Strategic Purchasing Department - Risk Management Department - Strategic Planning and Controlling Department - Non-Life Insurance Development and Actuarial Department - Accounting Division - Finance Division (except the Investment Department)
Tadej Čoroli	Member of the Management Board	- Digitalization, Processes and Technology - Insurance Sales Division - Non-Life Insurance - Non-Life Insurance Claims Division
Barbara Smolnikar	Member of the Management Board	- Life Insurance Division - Life Insurance Development and Actuarial Department - Money Laundering Prevention Division
David Benedek	Member of the Management Board	- Subsidiary Management Department - Investment Department
Marica Makoter	Member of the Management Board - Workers' Director	- representation of the interests of the workers within the Management Board as stipulated in the Worker Participation in Management Act - Fraud Prevention, Detection and Investigation Department - Change and Project Portfolio Management Department - IT - Back Office Division - HRM Division (excluding HR matters related to the employees with special powers)

B.1.1.2 General Meeting of Shareholders

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

B.1.1.3 Supervisory Board

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

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

When supervising the conduct of the Company's business, the Supervisory Board in particular supervises the adequacy of procedures and effectiveness of the work of the Internal Audit Department, considers the findings of 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 is not directly part of the three lines of defence within the Company's risk management system, but its role in the system is nevertheless essential. Just as the Management Board, the Supervisory Board is a primary stakeholder, to which all three lines of defence report, and simultaneously the entity responsible for the functioning of the three lines of defence system within the risk management system and control processes. As part of its supervisory work, it is regularly briefed on the effectiveness and performance of the functioning of the risk management system.

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

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

On 2 June 2020, the term of office of Supervisory Board Chairman Igor Stebernak, shareholders' representative, expired. The shareholders of the Company appointed him as Supervisory Board member for a four-year term of office that started on 3 June 2020.

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

At the session held on 18 August 2020, the Supervisory Board appointed Andrej Andoljšek as Chairman and Milan Tomaževič as Vice Chairman of the Supervisory Board.

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

Table 7: Supervisory Board members in the 2020 financial year

First and last name	Position
Andrej Andoljšek	Chairman, shareholders' representative (as of 18 August 2020 onwards) Vice Chairman, shareholders' representative (up to 17 August 2020)
Milan Tomaževič	Vice Chairman, shareholders' representative (as of 18 August 2020 onwards) Member, shareholders' representative (up to 17 August 2020)
Igor Stebernak	Member, shareholders' representative (as of 3 June 2020 onwards) Chairman, shareholders' representative (up to 2 June 2020)
Žiga Škerjanec	Member, shareholders' representative
Nataša Damjanovič	Member, shareholders' representative (up to 18 September 2020)
Mario Gobbo	Member, shareholders' representative
Peter Celar	Member, employee representative
Branko Gorjan	Member, employee representative
Igor Zupan	Member, employee representative

SUPERVISORY BOARD COMMITTEES

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

The following Supervisory Board committees operated at the Company in 2020: Audit Committee, Appointments and Remuneration Committee, Strategic Committee and two Nominations Committees, which represent a provisional committee for the implementation of the nomination procedure for the appointment of a candidate or candidates for one or more Supervisory Board members – shareholders' representatives.

Table 8: Composition and competences of Supervisory Board committees in the 2020 financial year

Supervisory Board committees	Competences
AUDIT COMMITTEE **Composition:** - Mario Gobbo, committee Chairman - Nataša Damjanovič, member (up to 18 September 2020) - Igor Stebernak, member (as of 19 September 2020) - Igor Zupan, member - Simon Kolenc, 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 the appointment of a candidate to the Supervisory Board to audit the Company's Annual Report and participating in the drafting of an agreement between the auditor and the Company; - supervising the integrity of financial information provided by the Company and evaluating the drafting of the annual report, including a draft proposal for the Supervisory Board; - monitoring the quality of the auditor's auditing in accordance with the adopted Guidelines for the Monitoring of the Quality of external Auditing of the Agency for Public Oversight of Auditing and the Slovenian Directors' Association; - cooperation with the Internal Audit Department, monitoring its quarterly reports, examination of the internal acts and rules on the functioning of the Internal Audit Department and the annual plan of the Internal Audit Department; - examination of the decision on the appointment, dismissal and remuneration of the Internal Audit Department Director.
APPOINTMENTS AND REMUNERATION COMMITTEE **Composition:** - Igor Stebernak, Committee Chairman (up to 2 June 20200 and as of 18 August 2020 onwards) - Nataša Damjanovič, member (up to 18 September 2020)	- drafting proposals regarding the criteria for membership in the Management Board; - drafting proposals regarding the policy on remuneration, compensation and other benefits for the Management Board members; - preliminary consideration of proposals made by the President of the Management Board related to the management of the Company;

- Žiga Škerjanec, member - Peter Celar, member	- performance of the fit and proper assessment of the Management and Supervisory Board members; - support and drafting of proposals in areas that concern the Supervisory Board.
STRATEGIC COMMITTEE **Composition:** - Milan Tomaževič, Committee Chairman - Andrej Andoljšek, member - Žiga Škerjanec, member - Branko Gorjan, member	- drafting and discussing proposals for the Supervisory Board with respect to the Group strategy and monitoring the implementation thereof; - drafting and discussing proposals and opinions for the Supervisory Board with respect to the Group's strategic development.
NOMINATIONS COMMITTEES **1. Composition:** - Igor Stebernak, Committee Chairman - Andrej Andoljšek, member - Žiga Škerjanec, member - Peter Celar, member - Boštjan Kolar, external member **2. Composition:** - Igor Stebernak, Committee Chairman - Žiga Škerjanec, member - Peter Celar, member - Boštjan Kolar, external member	- conducting the nomination procedure for the appointment of a candidate/-s to the position of Supervisory Board member/-s – shareholders' representatives; - recording the candidate/-s for the position of Supervisory Board member/-s and inviting the Appointments and Compensation Committee to produce a fit and proper assessment of the candidates; - sending the proposal to the Supervisory Board for the appointment of a candidate/-s to the position of Supervisory Board member/-s – shareholders' representatives.

B.1.2 Remuneration policy

The Company implements the Remuneration Policy to ensure the realisation of a solid and reliable governance system as well as the integrity and transparency of the operations. The aim of the Policy is to design and implement such employee remuneration distribution systems that ensure the maintenance of adequate capital strength of the Company, promote reliable and efficient risk management, do not encourage the underwriting of risks that exceed the threshold for permitted (acceptable) risk of the Company, and enable the acquisition and retention of suitably qualified, competent, responsible and dedicated employees. The Remuneration Policy applies to the Management Board, executive and managerial employees and the holders of key functions as well as other employees at the Company. The remuneration of the members of the Supervisory Board and the Audit Committee (except the remuneration of members – external members) is set by way of resolutions adopted by the General Meeting of Shareholders. The remuneration of employees is set in proportion to the complexity, characteristics, scope of tasks or functions, authorisations, responsibilities and experiences so as to incentivise employees to take decisions that lead to the realisation of the objectives of the Company as well as suitable risk management.

MANAGEMENT BOARD

The remuneration of the Management Board, i.e. both the basic salary and the annual operating performance-based bonus, is set and paid out pursuant to the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Management Board members are entitled to a perk in the form of the premium for voluntary pension insurance. No special pension schemes or early retirement schemes apply to Management Board members.

EXECUTIVE AND MANAGERIAL EMPLOYEES AND OTHER EMPLOYEES WORKING UNDER INDIVIDUAL CONTRACTS

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

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

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

EMPLOYEES WORKING UNDER A COLLECTIVE AGREEMENT

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

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

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

B.1.3 Related party transactions

Related parties of the Company are:

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

There were no material related-party transactions in 2020.

B.2 Fit and proper requirements

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

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

As part of the assessment, Management Board and Supervisory Board members are assessed in terms of the meeting of criteria regarding fitness (professional qualifications, experience, competences) and suitability criteria (clean criminal record, professional reputation, goodwill and personal integrity). As part of the assessment of the Management Board and Supervisory Board as collective bodies, all members are checked whether they possess collective knowledge and experience related to insurance and financial markets, the business strategy and business models, governance systems, financial and actuarial analyses, risk management and regulative frameworks as well as other legal requirements that are binding on the Company.

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

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

THE HOLDER OF THE RISK MANAGEMENT FUNCTION must possess the knowledge on the application of risk management models and methods as well as no less than five years of work experience;

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

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

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

B.3.1 Description of the risk management system

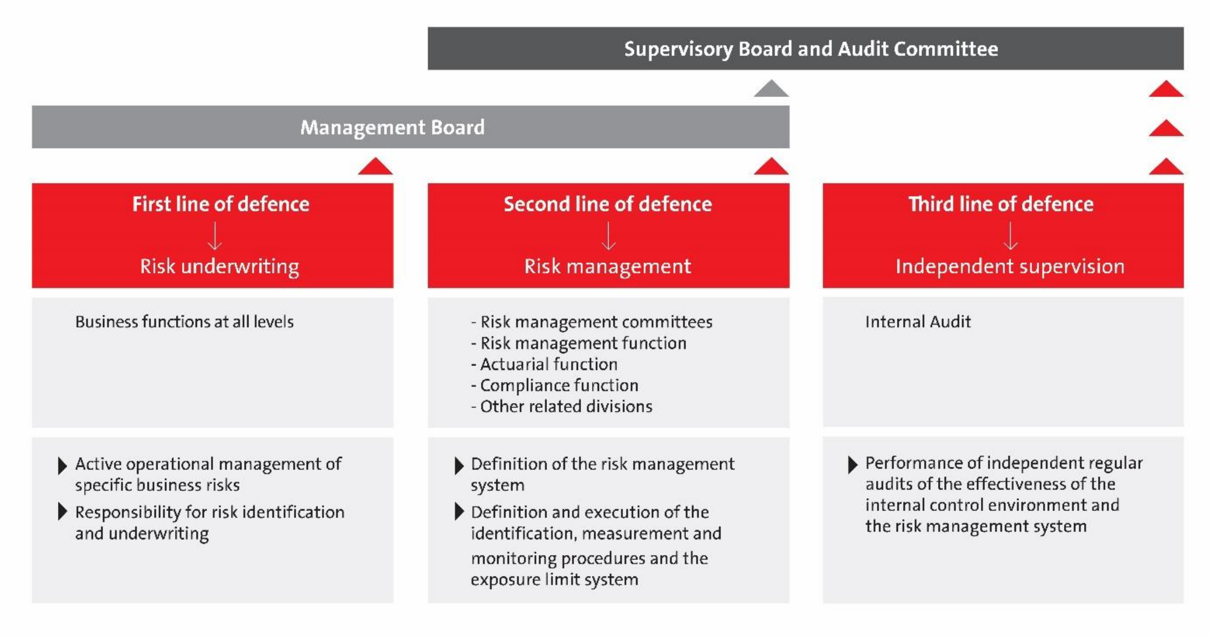
The risk management system consists of internal rules, competencies and authorities, processes and activities that, based on risk identification, provide risk assessment and control over assumed and potential risks and enable appropriate action to ensure that the risk profile remains within certain appetite levels. The risk management system in the Company includes all areas, especially those that have a significant impact on operations and set goals, capital adequacy or capital risk.

The goal of the risk management system is to ensure the realization of the Company's strategic goals, mission and vision. In order to achieve the set business and strategic goals, the Company has defined the level of risks, measured in terms of potential losses, which it is still willing to accept at a certain profitability during the course of business. The main purpose of the risk management system is to control the identified assumed and potential risks. The system enables timely detection of risks and action to ensure the state of the overall risk profile at the level specified in the Risk Appetite Statement (hereinafter: Risk Appetite).

In risk management, the principle of optimal management of the relationship between risk exposure and return and the principle of optimal cost-benefit ratio are pursued.

The main building blocks of the Company's comprehensive risk management process are the Group's Strategy and Company's Business Plan. The risk management system at the Company is based on a three-level model of defense lines.

Figure 2: Risk management system at the Company



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

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

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

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

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

The Audit Committee of the Supervisory Board supervises the suitability and effectiveness of the risk management system and monitors the overall risk profile of the Company.

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

Four key functions play an important role in the risk management system, which actively ensures the coordinated operation of the Company and the transfer of knowledge and good practices between the Group companies. The key functions in the Company are organized as independent organizational units, which perform their tasks and responsibilities independently of each other and of other organizational units of the Company. They are directly subordinated to the Management Board and are organized in such a way as to ensure appropriate internal control mechanisms in the Company. Key functions cooperate with each other and regularly exchange the information needed to operate. Each key function has defined responsibilities within the management system for carrying out reporting tasks, processes and obligations.

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

The Company has established a risk management system with a risk management strategy and a Risk Appetite, which represent the basis and direction for all other internal risk management acts. The risk management strategy clearly defines the principles, objectives of the risk management system, the purpose of the risk appetite and the risk management system of the Company, which includes internal rules, competencies and responsibilities, and the process of comprehensive risk management. The strategy is derived from and is in line with the current Strategy of the Group and provides the basis and guidelines for achieving strategic goals.

Risk Appetite is one of the central building blocks of the risk management system, which represents the maximum level of risk, measured by the level of potential losses that the Company is still willing to accept in the course of operations, in order to achieve business and strategic goals and provide guidelines for individual types of 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 extreme values. The Company defines zero tolerance for the categories of risks that it does not wish to assume in its operations.

The Company aims to achieve optimum exposure to all material risks. In order to meet the return on equity objective, the Company assumes underwriting, market, credit, liquidity, operational and non-financial risks in accordance with the Company's business strategy, risk management strategy, investment policy and the annual business plan of the Company.

The risk management strategy and Risk Appetite define only the main elements of the risk management system at the strategic level and represent the starting point for the preparation of all subordinate acts, such as policies, methodologies and instructions in the field of risk management in the Company, which define the elements of risk management. individual risk categories are substantively consistent with the risk management strategy and Risk Appetite.

B.3.3 Risk management function

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

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

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

The risk management function holder is authorised by the Management Board subject to consent from the Supervisory Board.

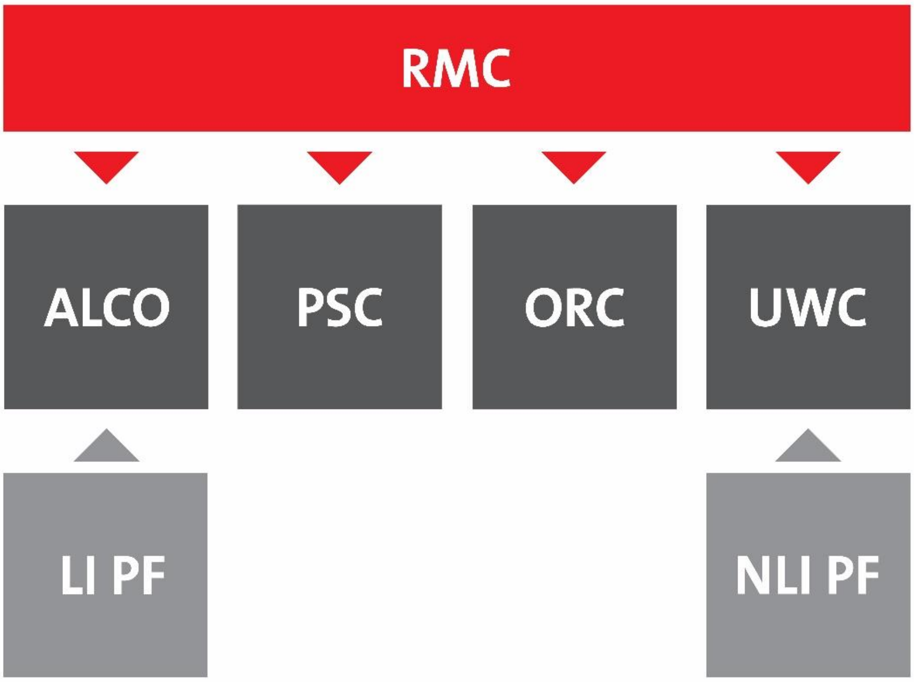
The findings and opinions of the risk management function holder are to be objective and independent from the influence of other business fields. The risk management function holder and other persons that perform the tasks of the risk management function at the Company have access to all Company information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

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

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

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

Figure 3: Organisational chart of the committees within the Company's risk management system as at 31 December 2020



The Risk Management Committee (RMC) is the committee of the Management Board which is tasked with verifying the effectiveness of the functions that manage risk and ensuring that the Company has an appropriate infrastructure in place as well as adequate resources and systems that allow for a satisfactory level of business risks management. Apart from that, the committee assists in risk identification and management as well as in fostering the risk culture at individual divisions at the Company. The fundamental objectives of the committee are to assist the Management Board in assessing exposure to business risks, identifying material risks and weaknesses in the internal control environment at the Company, controlling risk exposure, confirming the methodology for risk measurement and the setting of limits for individual risk types as well as verifying whether risk exposure complies with the risk appetite.

The Assets and Liabilities Committee (ALCO) is the committee that is responsible for the management of life underwriting risks, market risks, credit risks and liquidity risks in the investment portfolio segment at the level of the Company. An important task of the committee is the creation of the Company's asset and liability management strategy aimed at achieving the strategic goals in line with the applicable statutory provisions 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, taking into account both the Company's risk appetite and the risks arising from counterparty exposure. The committee identifies, manages, monitors and reports non-life underwriting risks and develops the non-life underwriting risk management system.

THE OPERATIONAL RISK COMMITTEE (ORC) works to provide a suitable and integrated operational risk management system that is tailored to the Company's 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 committee also monitors the recommendations of the Internal Audit Department relating to the structure and implementation of the operational risk management system.

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

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

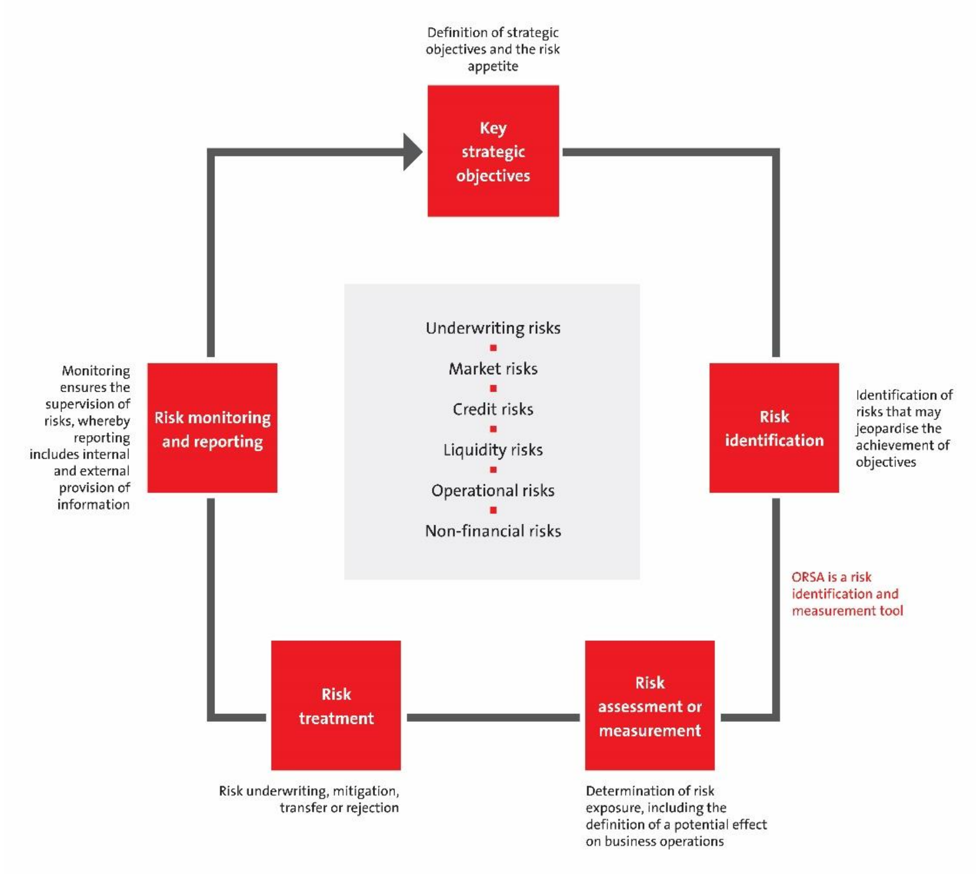
B.3.5 Risk management process

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

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

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

Figure 4: Risk management process at the Company



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

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

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

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

In risk management, the Company acts preventively, using approaches of decomposition (e.g. product) and diversification (e.g. investment) of individual types of risks. In managing risk exposure, the key measure is to establish an appropriate limit system, which the Company adapts to current external events in accordance with business opportunities, while remaining within the defined risk appetite.

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

B.3.6 Own risk and solvency assessment process

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

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

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

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

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

B.4 Internal control system

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

The internal control system covers all organisational units and business functions of the Company. It includes all employees at the Company, including the Management Board, risk management system committees and key functions. Internal control activities are thus performed in all business and operational processes through the three lines of defence system.

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

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

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

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

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 compliance function also plays an important role in terms of efforts to ensure fair and transparent operations, respect for human rights, implementation of programmes for the assurance of compliance in individual areas (e.g. consumer and competition protection, personal data protection, prevention of conflict of interest and internal fraud, etc.) and for the development and observation of ethical commitments and the care for their implementation in practice.

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

B.5 Internal audit function

The internal audit function carries out risk assessment-based continuous and comprehensive control over the Company's operations. Based on a systematic and methodical approach, it reviews and assesses the suitability and effectiveness of the management of the Company, risk management and control procedures and provides recommendations for improvement. It cooperates with external auditors and other supervisory bodies, monitors the realisation of internal and external auditors' recommendations, participates in the performance of internal audits at other Group companies, maintains the quality and provides for continuous development of internal auditing at the Company, and also transfers the internal auditing know-how and good practices to other Group companies. 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 holder who is responsible for performing the tasks of the actuarial function.

The actuarial function holder must have full, free and unlimited access to all information, data, activities and personnel of the Company, which it requires to perform its 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 by assessing whether the premium for individual products is sufficient to cover all the liabilities arising from these 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 risks.

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

B.7 Outsourcing

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

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

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

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

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

B.8 Any other information

SYSTEM OF GOVERNANCE ADEQUACY ASSESSMENT

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

OTHER RELEVANT INFORMATION

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

C. Risk profile

C. Risk profile

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

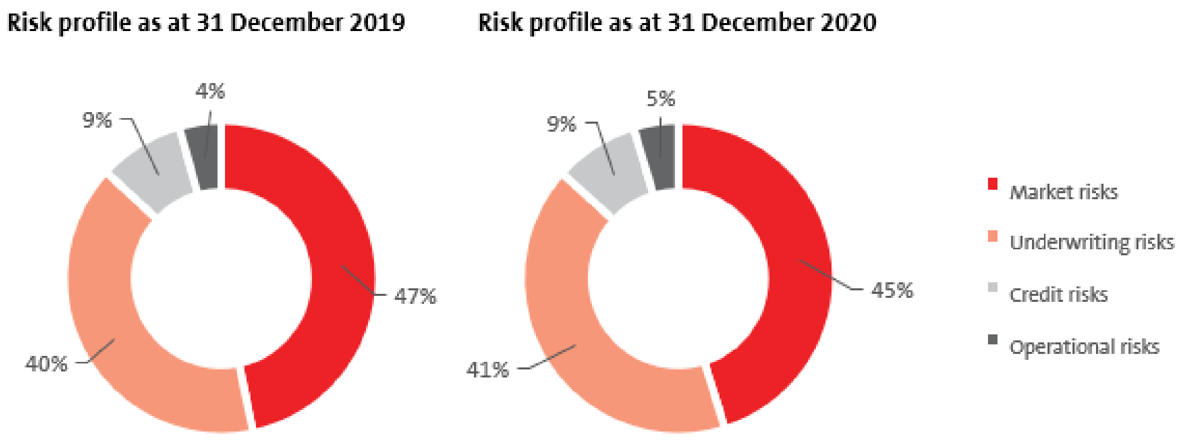
Out of all the risks, the Company's greatest exposure is to market and underwriting risks, while it is less exposed to credit and operational risks.

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

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

As at the end of 2020, the overall risk estimate of the Company, which does not take into account mutual risk effects (i.e. diversification), amounted to EUR 476 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 140.8 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 14.4 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 2020, underwriting risks accounted for 41% of the Company's overall risk estimate, excluding diversification, which in turn represents EUR 197.4 million.

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 2020, the Group's risk estimate under non-life and health insurance represents 29% of the Group's overall risk estimate, excluding diversification.

Table 9: Company's risk estimate for underwriting risks under non-life insurance for 2020 and 2019

	In EUR thousand	
	2020	**2019**
Premium and reserve risk	99,143	96,605
Lapse risk	26,570	24,001
Catastrophe risk	33,912	32,574
Diversification	-44,012	-41,184
Non-life underwriting risks	**115,613**	**111,995**

Table 10: Company's risk estimate for underwriting risks under health insurance for 2020 and 2019

In EUR thousand

	2020	2019
Health insurance risk valued as life insurance risk	7	10
Premium and reserve risk	23,651	24,105
Lapse risk	6,493	6,153
Catastrophe risk	2,469	2,758
Diversification	-7,359	-7,314
Health underwriting risks	**25,261**	**25,712**

The growth in the risk estimate for non-life insurance as at the end of 2020 is mainly the result of the rise in the premium and reserve risk estimate resulting from the growth of the portfolio of fire and motor vehicle insurance as the latter increases premium and reserve risk. This growth in hindered by the decrease in claim provisions resulting from the lower frequency of loss events in low economic activity conditions and lower mobility of the population due to restrictions. The catastrophe risk estimate remains at similar levels.

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

RISK EXPOSURE

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

Premium and reserve risk

The exposure of the volume measure for premium risk ranges in accordance with the net earned premium. It increased at the Company by EUR 17.8 million compared to the previous period as a result of portfolio growth. Details on the net earned premium of the Company as at 31 December 2020 are shown in template S.05.01 in the Annex to this Report.

Table 11: Premium risk exposure measured as the annual volume of net earned premium under non-life and health insurance for 2020 and 2019

In EUR thousand

	2020	2019
Net earned premium	**438,206**	**420,378**
- Other motor vehicle insurance (LoB 5)	116,806	112,396
- Fire and other damage to property insurance (LoB 7)	99,372	93,234
- Motor vehicle liability insurance (LoB 4)	92,725	86,372
- Income protection insurance (LoB 2)	53,990	53,791
- General liability insurance (LoB 8)	26,563	26,330
- Other non-life and health insurance segments	48,751	48,256

The Company is most exposed to reserve risk in the motor vehicle liability insurance segment (LoB 4). The exposure of the volume measure for reserve risk ranges in accordance with the net claim provisions that decreased at the Company compared to the previous period as a result of lower economic activity and lower population mobility as a result of restrictions. Details on the net claim provisions of the Company as at 31 December 2020 are shown in template S.17.01 in the Annex to this Report.

Table 12: Exposure of the Company's reserve risk volume measure for underwriting risk under non-life and health insurance for 2020 and 2019

		In EUR thousand
	2020	**2019**
Net claims provisions	**176,330**	**193,662**
- Motor vehicle liability insurance (LoB 4)	71,967	82,419
- General liability insurance (LoB 8)	32,588	39,082
- Fire and other damage to property insurance (LoB 7)	23,383	19,802
- Other motor vehicle insurance (LoB 5)	12,175	14,429
- Other non-life and health insurance segments	36,218	9,361

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 monitoring and reporting concentration risk, the Company reduced the probability of the occurrence of loss and its amount.

RISK MITIGATION TECHNIQUES

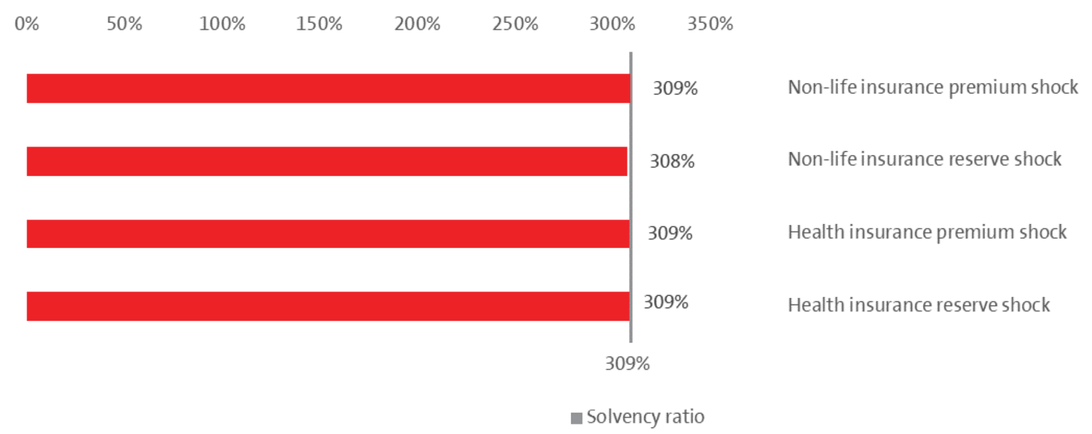
The Company mitigates risk mainly by purchasing various forms of reinsurance protection. In case of individual insurance, under which risks are underwritten based on consideration on a case by case basis, the Company transfers a part of the risk by purchasing facultative reinsurance protection whereby 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 2020



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 2020, 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 2020 and 2019

		In EUR thousand
	2020	**2019**
Mortality risk	5,690	5,408
Longevity risk	15,560	13,362
Disability and morbidity risk	238	275
Lapse risk	22,432	16,338
Expense risk under life insurance	19,422	19,598
Revision risk	1,352	1,258
Catastrophe risk under life insurance	4,209	3,812
Diversification	-12,350	-5,816
Life underwriting risks	**56,554**	**54,234**

The risk estimate for 2020 increased compared to previous year. Lapse risk increased as a result of changes to the expected lapse rates and portfolio structure changes. The increase in longevity risk is the result of the increase of the pension and annuity portfolio. The increase in the life insurance expense risk estimate is the result of higher expense assumptions.

As at 31 December 2020, the risk estimate for risks under life insurance contracts of both ring-fenced funds came in at EUR 10.8 million.

RISK EXPOSURE

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

Table 14: Company's exposure to underwriting risks under life insurance for 2020 and 2019

In EUR thousand

	2020	2019
Mortality risk	1,267,347	1,239,527
Longevity risk	1,317,711	1,287,018
Disability and morbidity risk	16,633	17,474
Lapse risk	1,150,340	1,137,486
Expense risk under life insurance	1,322,069	1,295,573
Revision risk	50,364	47,492
Catastrophe risk under life insurance	1,152,411	1,139,373

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

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

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

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

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

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

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

CONCENTRATION RISK

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

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

RISK MITIGATION TECHNIQUES

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

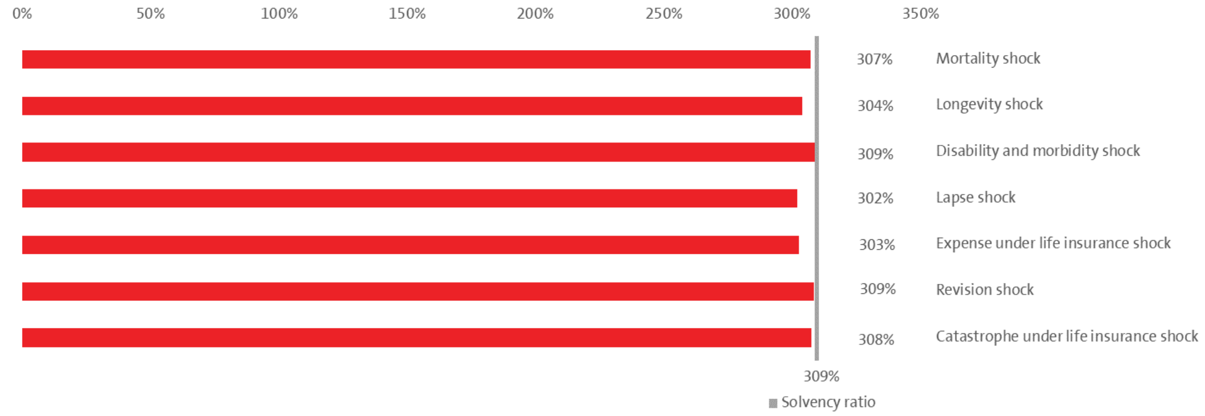
The second part of risk management is performed in the claim adjustment phase where the medical documentation from the claim report is cross-referenced with the data from the concluded policy.

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

SENSITIVITY

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

Chart 4: Company's capital adequacy sensitivity test as at 31 December 2020



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 2020 and 2019

		In EUR thousand
	2020	**2019**
Interest rate risk	17,953	11,192
Equity risk	134,417	124,302
Property risk	34,494	35,097
Spread risk	58,189	69,243
Market concentration risk	23,207	19,144
Currency risk	6,739	7,174
Diversification	-59,792	-45,070
Market risks	**215,208**	**221,083**

As at 31 December 2020, 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 2020, the risk estimate for the market risks of both ring-fenced funds came in at EUR 2.9 million.

RISK EXPOSURE

The Company is exposed to market risks mainly as part of the investment portfolio, while it is exposed to individual market risks within the scope of the portfolio of liabilities. Under the investment portfolio, it may be exposed to market risks through direct investments in financial instruments or indirectly via investments in collective investment undertakings. In view of the structure of investments, the Company is most exposed to spread risk and equity risk.

Table 16: Structure of the Company's investment portfolio as at 31 December 2020 and 31 December 2019

In EUR thousand

	2020	**2019**
Property, plant and equipment held for own use	76,556	78,786
Real estate (except real estate held for own use)	59,838	60,115
Holdings in related undertakings, including participations	413,525	374,707
Equities	54,808	59,308
Bonds	1,673,761	1,613,929
- Government bonds	*1,085,297*	*929,167*
- Corporate bonds	*587,404*	*683,610*
- Structured notes	*1,059*	*1,152*
Collective investment undertakings	58,882	49,478
Derivatives	113	0
Deposits other than cash and cash equivalents	19,432	19,655
Other investments	1,689	1,694
Assets held for index-linked and unit-linked contracts	656,749	642,818
Loans and mortgages	8,110	8,802
Assets exposed to market risk	**3,023,462**	**2,909,292**

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 and investments from the voluntary supplemental pension insurance are both excluded. The interest rate risk estimate increased compared to the year before as its calculation takes into account a different, significantly higher move of the interest rate curve. The Company implements a policy of a high level of asset and liability matching, and maintains the interest rate gap within the agreed ranges.

SPREAD RISK is associated with an important source of returns generated by the Company through debt portfolio management. The Company increased its exposure to investments that are exposed to this risk by EUR 34.2 million compared to the year before. The increase in exposure is especially observable in the corporate bond segment, which does not create a capital requirement under the regulatory method; the exposure was EUR 166.5 million. Using longer-maturity and top rated government bonds, the Company balances interest rate sensitivity of the longest-maturity liabilities. Exposure in the corporate bond and loan segments decreased on the other hand. The Company's bond portfolio credit rating structure improved further compared to the year before. There is a noticeable increase in AAA, AA and A rated investments (by approximately 5 pp), while exposure to sub-investment grade investments decreased by approximately 3 pp. The tenor of the bond portfolio increased YOY by approx. 0.8 years.

The decrease in the amount of the exposure to corporate bonds is the main factor for the significant decrease in the capital requirement for spread risk compared to the year before. The credit quality of the corporate bond portfolio improved slightly, while the duration was only slightly extended. 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. Only assets are exposed to spread risk because liabilities, with the exception of investments associated with index-linked or unit-linked contract, are valued according to the risk-free curve. All assets, the value of which depends on the change in the part of the interest rate representing the credit spread, are exposed to spread risk. These are mainly bonds, loans and deposits.

EQUITY RISK represents all exposures under investments, the value of which is sensitive to a change in the level or volatility of stock market values. These are mainly stocks, undertakings for collective investment into shares and derivatives associated with stock markets. An important part of the Company's exposure to stock markets is the result of investments into associated companies. The Company holds equity investments in order to generate higher long-term returns and for diversification purposes. The Company increased its exposure in the segment of equities and the segment of collective investment undertakings in 2020. The increase in capital and participating interests as well as the successful operation of associated companies increase the exposure to equity risk in the associated companies segment. The risk estimate for equity risk subsequently increased compared to the year before. 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). At the end of 2020, the Company carried out a new valuation of its real estate. 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 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 decreased immaterially compared the year before. The Company hedges a portion of the foreign currency-denominated exposure using currency swap derivatives.

CONCENTRATION RISK

The major share of the Company's assets is held in the form of bonds. The share of government bonds increased compared to the year before, while slight growth 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 subject to the credit rating importantly affects the limit system.

Table 17: Company's exposure according to the security issuers' NACE classification sector

	31 December 2020	31 December 2019
Financial and insurance activities	42.2%	43.4%
Public administration and defence, compulsory social security	38.8%	36.3%
Manufacturing	5.8%	6.7%
Real estate activities	2.0%	2.2%
Information and communication	1.9%	2.2%
Other sectors	9.3%	9.2%
Total	**100.0%**	**100.0%**

Table 18: Company's exposure according to the security issuers' country

	31 December 2020	31 December 2019
Slovenia	42.4%	44.3%
Germany	12.4%	6.9%
France	5.2%	7.4%
Spain	4.3%	4.1%
Italy	3.6%	4.0%
Netherlands	3.3%	4.9%
USA	3.1%	3.1%
Other countries	25.7%	25.3%
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.

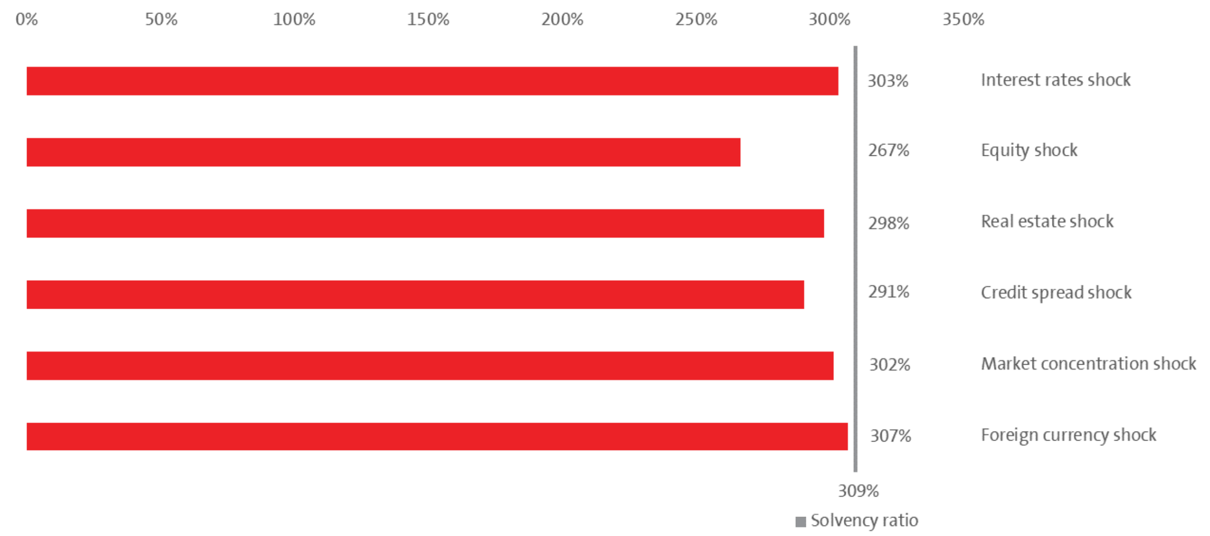
The use of such a range of instruments is assessed from various points of view, most often in terms of security, economy and the use of capital. The use of derivatives must focus on the comprehensive aspect of hedging individual portfolios whereby the derivatives used to hedge against currency risk are 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 2020, 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 2020 shows how the solvency ratio would change under individual isolated market scenarios.

Chart 5: Company's investment portfolio sensitivity test as at 31 December 2020



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.3 Credit risk

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

As at 31 December 2020, credit risk represents 9% 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 2020, the risk estimate for the credit risks of both ring-fenced funds came in at EUR 3.6 million.

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

Table 19: Company's risk estimate for credit risks in 2020 and 2019

In EUR thousand

	2020	2019
Type 1	33,215	33,047
Type 2	5,870	7,617
Diversification	2,322	1,497
Credit risks	**41,407**	**42,161**

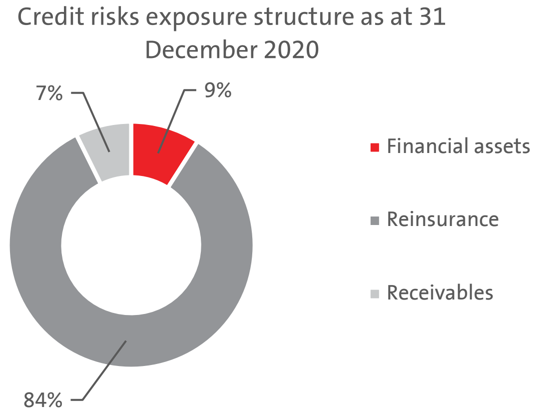
The credit risk estimate decreased by EUR 0.8 million in the reporting period. The decrease is the result of the decreased in liability exposure and thereby in the estimate. The Company's exposure to reinsurers increased compared to the year before, while exposure to banks decreased.

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

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

RISK EXPOSURE

The Company's exposure to type 1 credit risks mainly represents the exposure to reinsurance companies and banks. The Company's exposures to type 2 credit risks is represented by past due receivables from direct insurance operations 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 6 different banking groups.

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

CONCENTRATION RISK

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

The table below shows the Company's exposure by country. The geographic diversification did not change materially in the reporting period.

Table 20: Company's exposure according to the reinsurers' country

	2020	2019
Slovenia	93.1%	92.1%
Germany	3.7%	4.4%
Russia	0.9%	0.6%
Other countries	2.3%	2.9%
Total	**100.0%**	**100.0%**

RISK MITIGATION TECHNIQUES

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

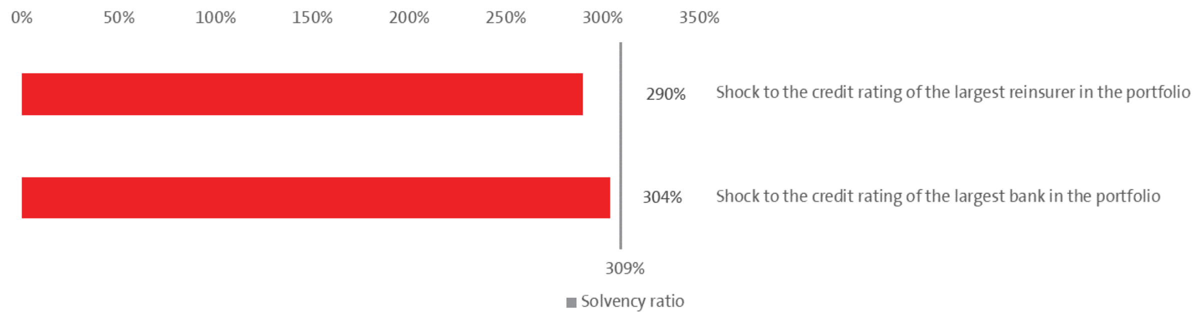
Exposure to counterparties without a credit rating is monitored and limited separately at the Company.

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 2020, 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 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 2020



C.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to liquidate investments and other assets in a timely manner in order to settle its financial liabilities as they fall due. Liquidity risk usually materialises in the form of the inability to liquidate or sell financial assets at prices that are significantly lower than the current market prices.

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

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.

RISK EXPOSURE

The Company is most exposed to liquidity risk in case of catastrophic loss events, which can result in higher payments of indemnities and increased costs as well as an increased rate of early insurance policy terminations (lapses) resulting in higher surrender values and lower premium income. It is additionally exposed to instability on financial markets. The instability on financial markets in 2020 came about upon the start of the COVID-19 epidemic. Lower liquidity of debt securities was observed at the time, but the situation improved already at the end of April.
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.

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, limits on less liquid alternative investments 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 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 activities if liquidity crises occur. A part of this plan includes the definition of extraordinary circumstances and the sequence of activities or measures to be implemented in case extraordinary circumstances occur.

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

SENSITIVITY

The Company monitors sensitivity to strained liquidity conditions using internal indicators that allow it to measure whether it has sufficient liquid assets in stress conditions to cover past due liabilities over a period of one year. Indicators that measure liquidity risk 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. These indicators are regularly monitored and included in regular risk reports as well as the ORSA.

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 90.8 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 2020 and 31 December 2019 is shown in the table below.

Table 21: Amount of the expected profit included in the Company's future premiums as at 31 December 2020 and 31 December 2019

	In EUR thousand	
	2020	**2019**
Life insurance	57,387	62,929
Non-life and health insurance	33,368	19,039
Total	**90,755**	**81,968**

The main reason for the growth in the profit included in future premiums is the growth of life insurance in the index or unit-linked insurance. The growth of profit included in future premiums under non-life and health insurance is the result of the rebooking of the value for accident insurance contracts that are concluded on top of basic life insurance. In 2019, they were included under life insurance, while they were included under non-life and health insurance in 2020.

C.5 Operational risk

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

As at 31 December 2020, operational risk represents 5% of the Company's overall risk estimate, excluding diversification, and amounts to EUR 21.9 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 2020, the risk estimate for operational risks of both ring-fenced funds came in at EUR 0.8 million.

RISK EXPOSURE

The Company regularly monitors its exposure to operational risk based on the identification and assessment of potential operational risks, the amount and number of realised operational loss events and the monitoring of the key operational risk indicators which also include early warning signals.

The Company has prepared comprehensive recognition and assessment of the exposure of all business processes to operational risk. Throughout 2020, realised operational loss events were reported via the internally developed application. Key indicators of operational risks by all divisions were also monitored. Owing to the changes in operations resulting from COVID-19, major operational risk exposures were identified. These came mainly from the elevated probability of the absence of key employees or the simultaneous absence of a large number of employees due to sickness, adjusted organisation of work and the method of implementation of processes (internal, regulatory and customer-facing), new vulnerabilities resulting from remote work and the associated IT risks as well as additional regulatory changes resulting from the intervention legislation. As a result of the appropriate monitoring of conditions and the response to the same, no material epidemic-related operational risk was realised at the Company.

The Company recognised regulatory risk and cyber risk as the key types of operational risk. In view of the identified higher exposure to cyber risk, the Company performs activities aimed at upgrading its management. The Company is exposed to regulatory risk as a result of the extensiveness of regulatory requirements, frequent changes in the regulatory environment and high prescribed fines – especially under the GDPR. The risk is mainly the result of the potential differences in the Company's and supervisory authority's interpretation of the provisions of the GDPR and the absence of case law or comparative business practice. The planned national legislation in the area of personal data protection was also not adopted in 2020. During these extraordinary conditions, the Company was additionally exposed to regulatory changes stemming from the increased scope of intervention legislation and the risks resulting from rapid adjustment of business processes. The Company manages regulatory risk through prompt and ongoing monitoring and transposition of legislative amendments into business processes, monitoring the position of supervisory and other state bodies, engagement of the Company in regular and extraordinary procedures via the Slovenian Insurance Association and the monitoring of business practices.

The app-based support, GRC/IRM (Governance, Risk, Compliance/Integrated Risk Management) for the comprehensive management of operational risk will be of immense help in the processing of operational risk-related data and the improvement of data quality. Activities for the implementation of the said tool were carried out in 2020 and will become a part of the regular management processes in 2021.

CONCENTRATION RISK

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

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.

The Company is aware of the threat posed by cyber risk and the subsequent need to upgrade and regularly maintain the IT security management system. This is why it began implementing additional activities and upgrades in 2019 in order to obtain the certificate for the Information Security Management System compliant with the requirements of ISO 27001.

A key advancement in the area of improved management and subsequent reduction of operational risk will be possible in the coming period with the already mentioned use of new application-based support in 2021 that will enable more comprehensive, faster and more efficient implementation of operational risk management processes.

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 Company's IT system and theft of its highly sensitive business information and personal data). The results of the earthquake scenario have shown a string effect of a longer suspension of operations on the commercial damage/loss sustained by the Company, which confirmed the need for the Company to have suitable and up-to-date business continuity plans in place for key processes. Regular implementation and testing of the systems in place is performed in order to raise awareness of vulnerabilities and thus ensure a higher level of preparedness.

C.6 Other material risks

NON-FINANCIAL RISK

In terms of the Company's operations, material non-financial risks include strategic risk, capital risk, reputational risk and group risks. Non-financial risk is very closely connected to other risks, especially operational risk, and usually results from several factors within the Company and outside it.

An important aspect of non-financial risk management is the familiarity with and monitoring of events in the environment, identification of potential negative effects on the Company as well as the focus on emerging and other risks where climate change risks are especially important.

STRATEGIC RISK is the risk of incurring loss due to inappropriate strategic decisions by the management body, inconsistent implementation of strategic decisions and insufficient responsiveness to key changes in the business environment. This risk generally occurs in combination with other risks, but may also occur independently and as a result of the expansion to new markets, new acquisition and investments, new products and services; changes and fluctuations on local and global markets; changes in the behaviour of competitors, business partners and policyholders; technological changes and the development of new products; political, legal and regulatory changes; climate change and other environmental phenomena.

Strategic risk is difficult to quantify but can in the event of sub-optimal strategic decisions importantly affect the financial position and solvency of the Company in the future. The Company mitigates risk through effective implementation of the strategy that includes highly clear and measureable strategic goals. The ORSA process is essential in this regard as it assesses the effect of such events on the Company's solvency.

Strategic risk is suitably managed at the Company through the setup of organisation and processes that ensure that the Company's management has at its disposal up-to-date and relevant information for the adoption of business decisions.

CAPITAL RISK represents the possibility of loss due to an inappropriate capital structure given the volume and manner of operations or the problems that the Company faces when acquiring fresh capital, particularly in adverse operating conditions, or if it needs to increase capital fast. It also encompasses effects on capital adequacy as a result of regulatory and accounting changes. This risk is regularly monitored and managed within the scope of the capital adequacy process and the ORSA Process.

REPUTATIONAL RISK is the risk of damage to the Triglav brand and its reputation that can have a negative effect on the operations of the Company. It results from negative image of the Company in the eyes of its policyholders, business partners, employees, owners, investors and/or competent or the competent or supervisory bodies and other interested public. This risk is very often associated mainly with operational risk and arises as a result of their realisation. Reputational risk occurs as a secondary effect upon events associated with credit, liquidity, market and operational risks.

The Company manages reputational risk mainly through the analyses of publications by external media. The Company also analyses the strength of the Triglav brand and various customer satisfaction analyses (Net promoter score – important guideline for the improvement of processes aimed at improved customer satisfaction) and other analyses.

The basic element of the reputational risk management system is a good corporate governance system that is monitored and supported at the Company by various activities or surveys that assesses the view of the Company held by the external public as well as a balanced, consistent and prompt notification of all stakeholders on the Company's operations, which ensures confidence and long-term relations.

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

SUSTAINABILITY RISKS

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

C.7 Any other information

PRUDENT PERSON PRINCIPLE

The Company manages assets with the due skill, care and diligence of a good businessman and in the best interest of all of their policyholders, beneficiaries and other stakeholders of the Company. The Company's property is represented by assets covering insurance liabilities as well as other excess assets and are allocated to various investment portfolios. The key guideline when investing assets is the diversification of investment risk.

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

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

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

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

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

STRESS TESTS

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

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

EPIDEMIC

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. Despite the epidemic and the subsequently lower economic activity, the (re)insurance premium at the Company increased mainly in fire and motor vehicle insurance which contributed to the higher underwriting risk estimate compared to the year before. On the other hand, the estimate of underwriting risks during 2020 decreased because of the decrease in the frequency of loss events in low economic activity conditions and lower mobility of the population. Owing to the Company’s higher exposure to debt instruments, the risks from financial markets stemmed mainly from the extremely low risk-free interest rate and the higher amount and volatility of spreads. Liquidity risk gained in importance during the first wave of the epidemic in 2020, but the situation subsided subsequently owing to the measures taken by central banks. Despite all of this, the Company performed due diligence and also updated parts of the liquidity risk management system and tested uninterrupted liquidity assurance. No visible deterioration of the payment discipline or the credit quality of counterparties was observed in the area of credit risk. Despite this, however, this important risk stemming from higher borrowing remains in the environment and will be carefully monitored by the Company in the future as well. The epidemic also meant that individual operational risks were gaining in importance; they are mostly related to the changed method of work, i.e. remote work, which is suitably addressed at the Company whereby its scope is dropping.

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 22: Balance sheet of the Company as at 31 December 2020

31 December 2020			In EUR thousand
Balance sheet		**Value for solvency purposes**	**Value for financial reporting purposes**
Assets		**3,171,398**	**2,995,518**
Intangible assets	D.1.1	0	62,398
Deferred tax assets	D.1.2	17,351	0
Property, plant and equipment held for own use	D.1.3	76,556	71,364
Investments	D.1.4	2,282,047	1,974,808
Assets held for index-linked and unit-linked contracts	D.1.5	656,749	656,749
Loans and mortgages	D.1.6	8,110	9,294
Reinsurance recoverables	D.1.7	67,055	105,903
Insurance and intermediaries receivables	D.1.8	32,970	72,423
Reinsurance receivables	D.1.9	7,879	19,797
Receivables (trade not insurance)	D.1.10	3,479	3,580
Cash and cash equivalents	D.1.11	15,461	15,461
Any other assets, not elsewhere shown	D.1.12	3,742	3,742
Liabilities		**2,203,732**	**2,351,515**
Technical provisions	D.2	2,032,707	2,199,041
Provisions, other than technical provisions	D.3.1	13,843	13,843
Deferred tax liabilities	D.3.2	44,196	9,531
Derivatives	D.3.3	0	0
Financial liabilities other than debts owed to credit institutions	D.3.4	1,628	1,628
Insurance and intermediaries payables	D.3.5	14,641	16,395
Reinsurance payables	D.3.6	1,343	19,824
Payables (trade not insurance)	D.3.7	37,349	37,349
Subordinated liabilities	D.3.8	53,545	49,424
Any other liabilities, not elsewhere shown	D.3.9	4,479	4,479
Excess of assets over liabilities		**967,666**	**644,003**

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

D.1 Assets

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

The assets disclosed in financial statements in a manner that is inconsistent with solvency requirements are revalued to fair value for solvency purposes. The best estimate of the fair value is the active market quotation. If such is not available – the valuation models that reflect raw data from financial markets as much as possible are used to arrive at the fair value.

Asset-side balance sheet items are presented below.

D.1.1 Intangible assets

Intangible assets 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 23: Company's intangible assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Intangible assets	0	0	62,398

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 24: Company's deferred tax assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Deferred tax assets	17,351	14,235	0

Deferred tax assets increased by EUR 3.1 million in 2020 because of the increase in the difference between the assets decreased by holdings in related undertakings, including participations, for financial reporting and solvency purposes, which is the basis for the calculation of deferred tax assets.

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

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

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

The Company works with a certified real estate valuer who values real estate over a two-year cycle. The properties were last valued in this way on 31 December 2020. In the interim period, own appraisals (e.g. adjustments of appraised values in the event of significant changes of conditions on local real estate markets, adjustments in case of significant investments and other one-off events) can represent the estimated fair value.

Table 25: Company's property, plant and equipment held for own use

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Property, plant and equipment held for own use	76,556	78,786	71,364

The value of property, plant and equipment held for own use decreased by EUR 2.2 million compared to the year before. The decrease in the value of property, plant and equipment held for own use compared to the year before was driven by lease rights (EUR 0.5 million), property, plant and equipment except land and building (EUR 1.2 million), and land and buildings for own use (EUR 0.5 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 need to be heeded in the assessment of market activity include the following among others : low number of transactions in the period, extensive differences between bid and ask prices, high-level price volatility in the period and between sellers. Low market activity requires an additional analysis of transactions or quoted prices.

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

Table 26: Company's investments as at 31 December 2020

In EUR thousand

Assets	Value for solvency purposes	Value for financial reporting purposes
Investments	**2,282,047**	**1,974,808**
Real estate (except real estate held for own use)	59,838	44,451
Holdings in related undertakings, including participations	413,525	163,675
Equities	54,808	54,808
Bonds	1,673,761	1,631,623
Collective investment undertakings	58,882	58,882
Derivatives	113	113
Deposits other than cash and cash equivalents	19,432	19,567
Other investments	1,689	1,689

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

			In EUR thousand
Investments	**Value for solvency purposes**		**Value for financial reporting purposes**
	31 December 2020	**31 December 2019**	**31 December 2020**
Real estate (except real estate held for own use)	59,838	60,115	44,451

The value of real estate (except real estate held for own use) changed immaterially compared to 2019. The estimates performed in 2020 deviate from the estimates used last year by a few percent. There were no significant purchase or sale transactions during 2020.

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;

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

c. adjusted prices for similar assets in active markets or alternative valuation methods: if neither valuation method in accordance with paragraph a) nor the one in paragraph b) is possible and the undertaking is not a subsidiary undertaking, holdings in related undertakings are valued using an alternative valuation method (hereinafter: AVM), which the 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 shareholding in Alifenet, d.o.o. was obtained through a debt-to-equity swap at the end of the year, whereby its value is somewhat more than EUR 70,000.

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

Table 28: 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
	31 December 2020	31 December 2019	31 December 2020
AEM S2	319,694	302,900	118,030
AEM S1	84,666	62,342	36,480
AVM	9,165	9,465	9,165
Total	**413,525**	**374,707**	**163,675**

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, Triglav Re, Triglav Skladi, Zdravstvena zavarovalnica).

Table 29: Company's holdings in related undertakings, including participations

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Holdings in related undertakings, including participations	413,525	374,707	163,675

The value of holdings in related undertakings increased in 2020 by EUR 38.8 million. The increase in the capital of ZTSR, d.o.o. contributed significantly to the said increase. Good operating performance of subsidiaries that did not pay out dividends because of the elevated uncertainty caused by the epidemic was the reason for the significant increase in their value.

D.1.4.3 Equities

Investments into equities (except related undertakings) are valued – provided there is an active market for such equities – according to the closing offered buying price on that market (local stock exchange). In the event of an inactive market, the value of the investment is determined by the last known 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 30: Company's equities

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Equities	**54,808**	**59,308**	**54,808**
Listed equities	48,945	53,307	48,945
Unlisted equities	5,863	6,001	5,863

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

D.1.4.4 Bonds

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

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

a) the price is determined by the last concluded transaction provided the 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 31: Company's bonds

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Bonds	**1,673,761**	**1,613,929**	**1,631,623**
Government bonds	1,085,297	929,167	1,052,123
Corporate bonds	587,404	683,610	578,441
Structured notes	1,059	1,152	1,059
Collateralised securities	0	0	0

The value of bonds increased in 2020. The effect of the increase of nearly EUR 60 million is broken down into the negative cash flow of EUR 8.9 million and the positive revaluation of nearly EUR 68.8 million. The total increase in government bonds totalling EUR 156.1 million was generated by the positive cash flow of EUR 95.3 million and the positive result of EUR 60.8 million. The balance of government bonds increased compared to 2019 mainly as a result of the decrease in corporate bonds. The outflows from the latter segment totalling EUR 104.2 million and the positive revaluation of EUR 8 million decrease the exposure to the corporate segment by EUR 96.2 million.

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 42.1 million up to the value for solvency purposes. The fair value of these investments is generally higher than the amortised cost due to the low interest rates and small credit spreads. The major portion of the revaluation comes from the government bond segment.

D.1.4.5 Collective investment undertakings

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

Table 32: Company's collective investment undertakings

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Collective investment undertakings	58,882	49,478	58,882

The value of the item increased in 2020 by EUR 9.4 million mainly as a result of the capital calls and new investments into alternative funds.

D.1.4.6 Derivatives

The value of derivatives is determined by the closing offered buying price in an active market (the stock exchange, price of the market operator). In the event that there is no active market, the value is determined by a specialised valuation model (Black-Scholes, network models). Model parameters (the discount rate, volatility, correlation, etc.) are defined as unadjusted data from financial markets to the greatest possible extent.

Table 33: Company's derivatives

In EUR thousand

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

At the end of 2020, the Company only held one derivative as a hedge against the value of the Croatian kuna. The value of the item was slightly positive as at the cut-off date, but slightly negative last year which is why the value was disclosed among liabilities.

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 34: Company's deposits other than cash and cash equivalents

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Deposits other than cash and cash equivalents	19,432	19,655	19,567

The value of the item changed in 2020 mainly as a result of the revaluation of the investment in a long-term deposit caused by a change in the interest rate level.

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 35: Company's other investments

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Other investments	1,689	1,694	1,689

The value of the item did not change materially in 2020.

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

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Assets held for index-linked and unit-linked contracts	656,749	642,818	656,749

The changes in assets under this item are primarily linked to the changes in the amount of insurance liabilities. These may be volatile owing to the inflows or outflows from premiums and payments respectively and partly also because of the changes in the value of liabilities that are subject to the changes in indices or reference values applying to the respective liability. The increase in the value of the investment by nearly EUR 14 million is mostly the result of the positive revaluation of investments.

D.1.6 Loans and mortgages

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

Table 37: Company's loans and mortgages

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Loans and mortgages	**8,110**	**8,802**	**9,294**
Loans on policies	2,681	2,441	2,681
Loans and mortgages to individuals	2	11	2
Other loans and mortgages	5,426	6,351	6,610

The assets listed under the loans and mortgages item decreased in 2020 as a result of the partial repayment of the loans to two insurance subsidiaries.

D.1.7 Reinsurance recoverables

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

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

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

Table 38: Company's reinsurance recoverables

In EUR thousand

Balance sheet	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Reinsurance recoverables	**67,055**	**78,268**	**105,903**
Non-life and health insurance	46,643	59,817	105,903
Life insurance	20,412	18,451	0

The value of reinsurance recoverables decreased in 2020 which is in line with the drop in premium and claim provisions compared to the year before. Their movement thus corresponds with the amount of the provisions and the dynamics of the Company's payment of indemnities.

D.1.8 Insurance and intermediaries receivables

Insurance and 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 39: Company's insurance and intermediaries receivables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Insurance and intermediaries receivables	32,970	25,808	72,423

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

D.1.9 Reinsurance receivables

For financial reporting purposes, reinsurance receivables are valued at amortised cost using the effective interest rate method. They are valued in the same manner for solvency purposes; however, the data included in the calculation is not the same. The difference in the values for solvency purposes and financial reporting purposes arises because the value for financial reporting purposes shows the receivables for both active and passive reinsurance transactions, while the value for solvency purposes only shows past-due receivables from passive reinsurance transactions.

Table 40: Company's reinsurance receivables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Reinsurance receivables	7,879	11,393	19,797

Assets in the reinsurance receivables item decreased in 2020 mainly due to the rebooking of past due receivables from reinsurance and coinsurance from this item to the insurance and intermediaries receivables item.

D.1.10 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; however, the data included in the calculation are not the same as the current insurance receivables are reposted under insurance receivables for solvency purposes.

Table 41: Company's receivables (trade not insurance)

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Receivables (trade not insurance)	3,479	3,431	3,580

Receivables (trade not insurance) did not change materially in 2020.

D.1.11 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 42: Company's cash and cash equivalents

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Cash and cash equivalents	15,461	16,248	15,461

In 2020, the values under this item remained at the levels of the year before.

D.1.12 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 43: Company's any other assets, not elsewhere shown

In EUR thousand

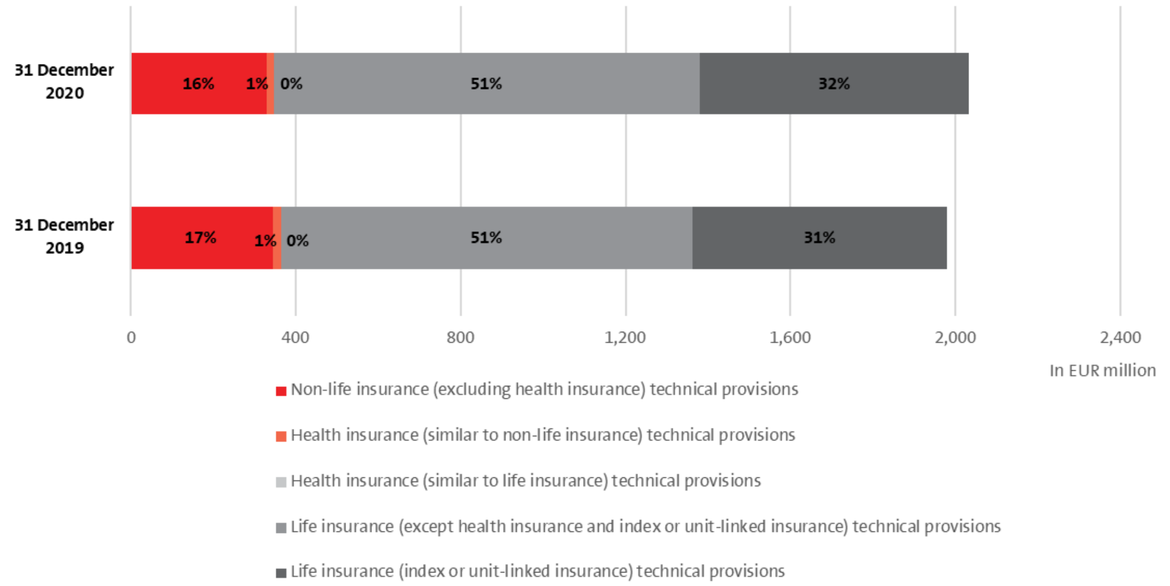
Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Any other assets, not elsewhere shown	3,742	3,493	3,742

The value of any other assets, not elsewhere shown did not change materially in 2020.

D.2 Technical provisions

Company's technical provisions represent the amount of the Company's liabilities arising from insurance contracts. The value of technical provisions 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 2020 and 31 December 2019



CONTRACT BOUNDARIES AND HOMOGENEOUS RISK GROUPS

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

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

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

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

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

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

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

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

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

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

The table below shows the results of technical provisions by the largest insurance segments as at 31 December 2020. The results are broken down into premium and claim provisions, and the risk margin. Non-life and health insurance technical provisions are shown in greater detail in template S.17.01 in the Annex to this Report.

Table 44: Non-life and health insurance technical provisions of the Company for solvency purposes as at 31 December 2020 with a comparison with the balance as at 31 December 2019

31 December 2020				**In EUR thousand**
Non-life and health technical provisions	**Claims provision**	**Premium provision**	**Risk margin**	**Technical provisions**
-- Motor vehicle liability insurance (LoB 4)	79,888	19,565	3,428	102,880
-- Fire insurance and other damage to property insurance (LoB 7)	46,871	30,306	7,657	84,835
-- Other motor insurance (LoB 5)	14,428	25,784	3,002	43,214
-- Other non-life and health insurance segments	87,134	21,619	7,641	116,395
Total	**228,321**	**97,274**	**21,728**	**347,323**

31 December 2019				In EUR thousand
Non-life and health technical provisions	**Claims provision**	**Premium provision**	**Risk margin**	**Technical provisions**
-- Motor vehicle liability insurance (LoB 4)	90,200	22,324	3,593	116,116
-- Fire insurance and other damage to property insurance (LoB 7)	34,179	30,023	7,155	71,357
-- Other motor insurance (LoB 5)	15,279	29,952	2,921	48,151
-- Other non-life and health insurance segments	103,256	18,061	7,148	128,465
Total	**242,914**	**100,359**	**20,817**	**364,090**

The Company recorded a drop in the premium and claim provision in the non-life and health insurance segment in 2020 which was the result of favourable developments in the area of claims during the year in motor vehicle insurance. Despite the growth in the premium and consequently the unearned premium, claim and expense ratios decreased which directly contributed to the decrease in the estimate of future claims and expenses. The future premium, which decreases the premium provision and consequently the amount of the best estimate of liabilities, increased in line with the growth of the premium.

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 up to the calculation date and for claims incurred after the calculation date. The first calculation is termed the best estimate of the claims provision and the second is termed the best estimate of the premium provision.

The best estimate of the premium provision as at 31 December 2020 amounted to EUR 97.3 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 basic assumption in the calculation is matching the pattern of development of future cash flows from the premium provision with the pattern that is calculated and used in claim provisioning. Unearned premium calculated as at the calculation date is used as the measure of exposure.

The best estimate of the claim provision as at 31 December 2020 amounted to EUR 228.3 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 adjusting 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 reduced by the best estimate of expected subrogations and increased by expected claim adjustment costs. 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: expected claim development pattern, future inflation, final claims ratio and costs. The parameters are determined based on past experience and are, as appropriate, adjusted so as to best correspond with the expected development of insurance liabilities. If there is a suspicion for an individual segment or specific insured group of insurance products that the past will not reflect the future development, professional actuarial judgement is applied in the selection of parameters. This ensures that insurance liabilities reflect the amount of insurance liabilities as much as possible.

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

As at 31 December 2020, the risk margin amounted to EUR 21.7 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 calculation is based on 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 45: Difference between technical provisions for non-life and health insurance for solvency purposes and for financial reporting purposes

In EUR thousand

Liabilities	Value for solvency purposes	Value for financial reporting purposes*
Non-life and health technical provisions	347,323	671,258

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

As at 31 December 2020, non-life and health insurance technical provisions for financial reporting purposes amounted to EUR 671.3 million, while they stood at EUR 347.3 million for solvency purposes. The basic difference between both valuation methods lies in the level of prudence that is used in the calculation of insurance liabilities which is higher in the valuation of technical provisions for financial reporting purposes. When valuing the best estimate for solvency purposes, prudence is not applied in the calculation. Provision calculation applies slightly different portfolio segmentation.

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

- application of discounting for solvency purposes;

- 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 taken into account, including future cash flows from premiums;
- 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;
- 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;
- in the calculation of the provisions for incurred and 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 financial reporting purposes under non-life insurance, while they are disclosed under life insurance for solvency purposes; the difference amounts to EUR 71.2 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 technical provisions for solvency purposes.

Table 46: Life insurance technical provisions for solvency purposes as at 31 December 2020 and 31 December 2019

31 December 2020				**In EUR thousand**
Life insurance technical provisions	**Claims provision**	**Premium provision**	**Risk margin**	**Technical provisions**
Insurance with profit participation (LoB 30)	1,069	940,743	24,906	966,719
Index-linked and unit-linked insurance (LoB 31)	627	635,452	16,923	653,003
Other life insurance (LoB 32)	251	-11,385	5,583	-5,551
Annuities from non-life insurance contracts (LoB 34)	70,883	0	330	71,213
Total	**72,830**	**1,564,810**	**47,741**	**1,685,384**

31 December 2019				**In EUR thousand**
Life insurance technical provisions	**Claims provision**	**Premium provision**	**Risk margin**	**Technical provisions**
Insurance with profit participation (LoB 30)	1,066	924,872	16,546	942,484
Index-linked and unit-linked insurance (LoB 31)	626	599,093	15,855	615,574
Other life insurance (LoB 32)	251	-14,058	4,379	-9,428
Annuities from non-life insurance contracts (LoB 34)	66,063	0	297	66,360
Total	**68,005**	**1,509,907**	**37,078**	**1,614,990**

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

D.2.2.1 Best estimate of life insurance technical provisions

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

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

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

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

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

- uncertainty regarding policyholder behaviour.

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

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

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

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

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

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

-insurance with profit participation where it increased by EUR 15.9 million mainly as a result of changes of the risk-free interest rate curve and the newly underwritten risks in the reporting period;
-index or unit-linked insurance where it increased by EUR 36.4 million mainly as a result of actual investment movements in the period and the change in the risk-free interest rate curve;
-other life insurance where it increased by EUR 2.7 million mainly as a result of the actual cash flows in the reporting period and changes to non-economic assumptions;

- non-life insurance annuities where it increased by EUR 4.8 million. The increase was the result of 35 new annuities with the value of EUR 7.1 million, while 33 annuities worth EUR 3.2 million ended. Provisions increased as a result of a change to the risk-free interest rate curve.

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

In EUR thousand

Liabilities	Value for solvency purposes	Value for financial reporting purposes*
Life insurance technical provisions	1,685,384	1,527,784

* 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 71.2 million. They are presented under non-life insurance for financial reporting purposes.

D.3 Other liabilities

D.3.1 Provisions, other than technical provisions

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

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

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

The total cost of the pre-determined employee entitlement is affected by a number of variables, such as wage growth, inflation, the termination of employment contract and the mortality of employees. The total cost of the entitlement remains uncertain throughout the period, which is 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 48: Company's provisions, other than technical provisions

In EUR thousand

Liabilities	**Value for solvency purposes**		**Value for financial reporting purposes**
	31 December 2020	**31 December 2019**	**31 December 2020**
Provisions, other than technical provisions	13,843	12,625	13,843

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

D.3.2 Deferred tax liabilities

In accordance with International Accounting Standards, deferred tax liabilities are accounted for all temporary differences between the value of liabilities for tax purposes and their carrying

[4] Defined Benefit Plan.

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 49: Company's deferred tax liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Deferred tax liabilities	44,196	40,335	9,531

Deferred tax liabilities for solvency purposes increased in 2020 because of the increase in the value of deferred tax liabilities for financial reporting purposes.

D.3.3 Derivatives

The value of derivatives is determined by the closing offered buying price in an active market (the stock exchange, price of the market operator). In the event that there is no active market, the value is determined by a specialised valuation model (Black-Scholes, network models). Model parameters (the discount rate, volatility, correlation, etc.) are defined as unadjusted data from financial markets to the greatest possible extent.

Table 50: Company's derivatives

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Derivatives	0	29	0

At the end of 2020, the Company held no derivatives on its books that had with negative values as at the cut-off date.

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

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

Table 51: Company's financial liabilities other than debts owed to credit institutions

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Financial liabilities	1,628	1,632	1,628

Financial liabilities other than debts owed to credit institutions did not change materially in 2020.

D.3.5 Insurance and intermediaries payables

Insurance & intermediaries payables represent liabilities from direct insurance operations and other current liabilities from insurance operations.

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

For solvency purposes, this item also includes all past due liabilities for reinsurers' and coinsurers' shares in claims. Non past due liabilities for reinsurers' and coinsurers' shares in claims are taken into account for solvency purposes in the calculation of reinsurance recoverables. Non past due and past due liabilities for reinsurers' and coinsurers' shares in claims are taken into account for financial reporting purposes in the calculation of reinsurance liabilities.

Table 52: Company's insurance and intermediaries payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Insurance and intermediaries payables	14,641	20,510	16,395

Insurance and intermediaries payables decreased in 2020 due to the decrease in liabilities to insurers.

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 payables from active and passive reinsurance.

Table 53: Company's reinsurance payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Reinsurance payables	1,343	0	19,824

The Company had EUR 1.3 million worth of past due reinsurance payables at the end of the year.

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 54: Company's payables (trade not insurance)

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Payables (trade not insurance)	37,349	40,183	37,349

These liabilities decreased by EUR 2.8 million in 2020 due to the decrease in trade payables.

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 55: Company's subordinated liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Subordinated liabilities	53,545	72,989	49,424

Subordinated liabilities decreased by EUR 19.4 million in 2020, whereby EUR 20.6 million went towards the repayment (maturity in March 2020) of the ZT02 subordinated bond. The value of the only remaining subordinated bond of the Company as calculated for solvency purposes increased because of the decrease in the risk-free interest rate.

D.3.9 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 56: Company's any other liabilities, not elsewhere shown

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2020	31 December 2019	31 December 2020
Any other liabilities, not elsewhere shown	4,479	5,651	4,479

The value of any other liabilities, not elsewhere shown did not change materially in 2020.

D.3.10 Lease agreements

Lease liabilities in 2020 are recognised in the amount of the current value of future payments whereby the Company only has operating leases. Details are presented in A.4.2 of this Report.

D.4 Alternative methods for valuation

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

D.5 Any other information

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

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

OTHER RELEVANT INFORMATION

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

E. Capital management

E. Capital management

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

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

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

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

In order to achieve its strategic objectives, the Company has a capital management system in place that ensures transparent and optimum allocation of economic capital by functional area that is harmonised with the risk-adjusted profitability criteria. In this way, consistent implementation of the capital management system ensures long-term and stable returns on the owners' investment which is reflected through the returns for owners and includes returns from the rise in the share price and the received dividends or other profit or capital distributions. 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.

The aim of the capital management process is to achieve an optimum return according to the use of economic capital criterion at the Company level, whereby the process demands continuous implementation of the following activities:

- setting of mutually coordinated and clearly communicated objectives that – provided they are consistently achieved in terms of the required return on equity – define the long-term business strategy of each functional area;
- adoption of optimum strategic and business decisions for the purpose of effective capital management;
- monitoring and measurement of economic capital value, profitability and use for each functional area as well as analysing changes in the risk profile;
- evaluation of operating results whereby the movements of operating performance indicators or other measures of risk-weighted returns of individual functional areas are calculated and monitored;
- implementation of measures for optimum economic capital allocation and monitoring of its use.

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

CAPITAL ADEQUACY OF THE COMPANY

As at 31 December 2020, the Company was adequately capitalised and had sufficient own funds available to meet both the solvency capital requirement (309%) and the minimum capital requirement (878%).

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 57: Capital adequacy of the Company as at 31 December 2020 and 31 December 2019

		In EUR thousand
Company's capital adequacy	**31 December 2020**	**31 December 2019**
Total eligible own funds to meet the SCR	982,561	905,284
Total eligible own funds to meet the MCR	950,681	853,567
Solvency capital requirement (SCR)	317,986	320,091
Minimum capital requirement (MCR)	108,322	106,359
Capital adequacy to SCR	309%	283%
Capital adequacy to MCR	878%	803%

The Company's capital adequacy increased by 26 pp in the reporting period, which is mostly the result of the increase in total eligible own funds and simultaneous decrease in the SCR. Eligible own funds are presented in more detail 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 Annex to this Report.

E.1 Own funds

As at 31 December 2020, the Company only had basic own funds totalling EUR 982.6 million. They were composed of the Company's share capital (EUR 73.7 million), subordinated liabilities (EUR 53.5 million) and the reconciliation reserve (EUR 855.3 million). The reconciliation reserve consists of the excess of assets over liabilities in the amount of EUR 967.7 million less the value of expected dividends for the 2020 financial year in the amount of EUR 38.6 million and the Company's share capital.

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

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

Table 58: Structure of own funds according to tier as at 31 December 2020 and 31 December 2019

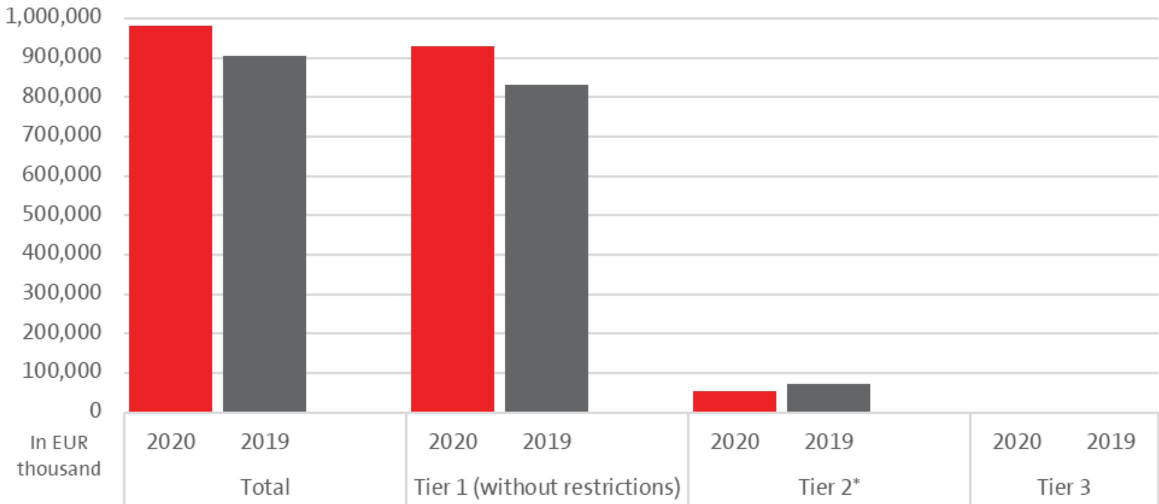
In EUR thousand	31 December 2020	31 December 2019
Tier 1	**929,016**	**832,295**
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	855,315	758,593
Deductions	0	0
Tier 2	**53,545**	**72,989**
Subordinated liabilities	53,545	72,989
Deductions	0	0
Tier 3	**0**	**0**
Deductions	0	0
Total eligible own funds to meet the SCR	**982,561**	**905,284**

In EUR thousand	31 December 2020	31 December 2019
Tier 1	**929,016**	**832,295**
Ordinary shares (including treasury shares)	73,701	73,701
Reconciliation reserve	855,315	758,593
Deductions	0	0
Tier 2 (maximum of 20% of the MCR)	**21,664**	**21,272**
Subordinated liabilities	21,664	21,272
Deductions	0	0
Total eligible own funds to meet the MCR	**950,681**	**853,567**

The Company's total eligible own funds to meet the SCR increased by EUR 77.3 million in the reporting period as a result of the increase in the reconciliation reserve by EUR 96.7 million. Subordinated liabilities decreased by EUR 19.4 million in the reporting period as a result of the maturity of the ZT02 subordinated bond which offset the increase in eligible own funds.

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

Chart 8: Comparison of available eligible own funds to meet the SCR as at 31 December 2020 and 31 December 2019

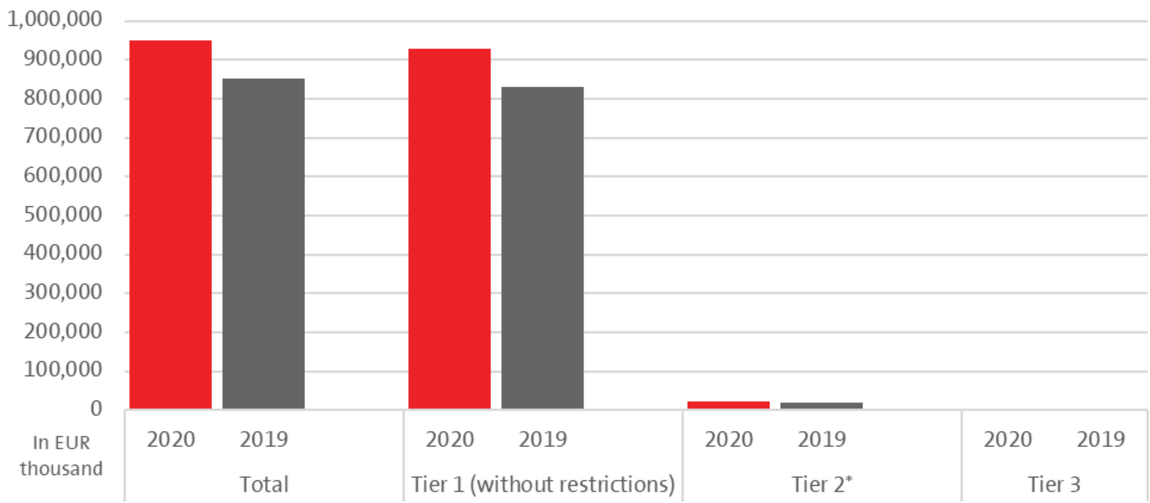


* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR.

The Company's total eligible own funds to meet the MCR as at 31 December 2020 amounted to EUR 950.7 million, whereby Tier 2 funds that exceed 20% of the MCR are already excluded from the said amount.

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

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

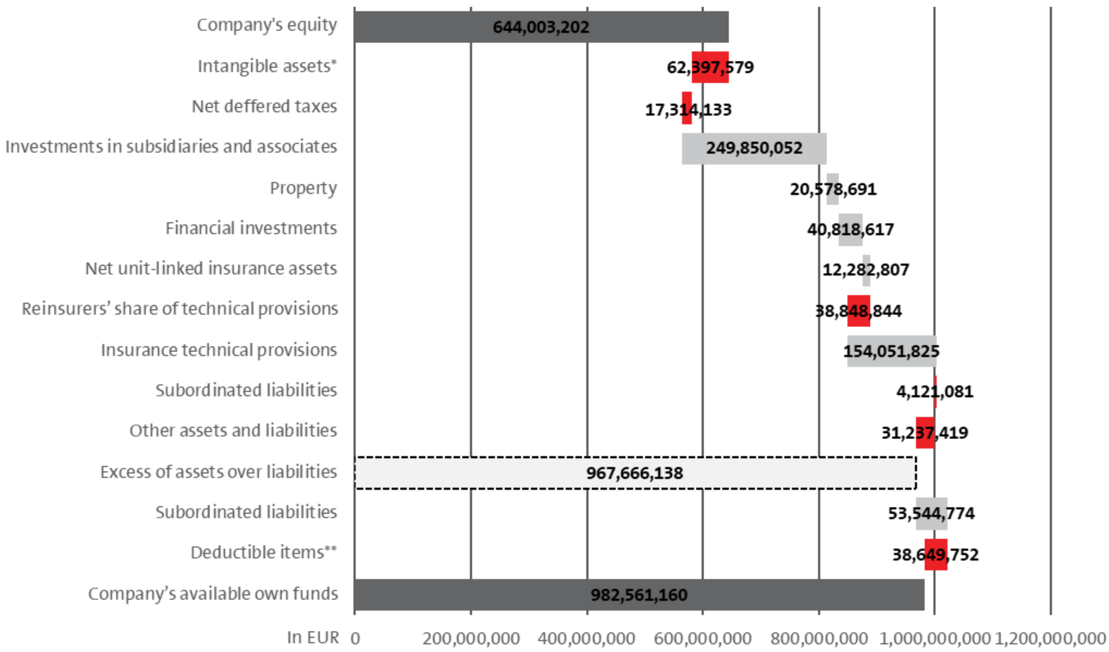


* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR.

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

The differences between capital for 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 2020



Note*: The fair value of intangible assets is valued at 0.
Note**: In this item forseeable dividends are included.

Capital for financial reporting purposes as at 31 December 2020 amounted to EUR 644 million, while the available own funds amounted to EUR 982.6 million. The difference is most affected by the different valuation of technical provisions (EUR 154.1 million) and assets, mainly the value of holdings in associated companies, including participations (EUR 249.9 million). The difference is lowered the most by intangible assets (EUR 62.4 million), the change in technical provisions (EUR 38.8 million) transferred to reinsurance (EUR 38.8 million) and capital deductions (EUR 38.6 million).

E.2 Solvency capital requirement and minimum capital requirement

The Company calculates capital adequacy based on the standard formula in accordance with the ZZavar-1 and the Delegated Regulation. In order to calculate the solvency capital requirement, the Company applies the standard formula using the prescribed parameters and not using any simplifications and parameters specific for the Company.

In accordance with the provisions of the ZZavar-1, 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 2020 amounted to EUR 318 million, a decrease of EUR 2.1 million compared to the year before. The main reason for the decrease in the SCR is the decrease in the BSCR by EUR 2.6 million.

Table 59: SCR of the Company as at 31 December 2020 and 31 December 2019

		In EUR thousand
Company's SCR	**31 December 2020**	**31 December 2019**
Underwriting risks	197,427	191,941
Market risks	215,208	221,083
Credit risks	41,407	42,161
Diversification	-140,781	-139,300
Basic solvency capital requirement	**313,252**	**315,884**
Operational risks	21,947	20,645
Loss-absorbing capacity of technical provisions	0	0
Loss-absorbing capacity of deferred taxes	-22,080	-23,246
Adjustment for ring-fenced fund risk diversification	4,867	6,808
SCR	**317,986**	**320,091**

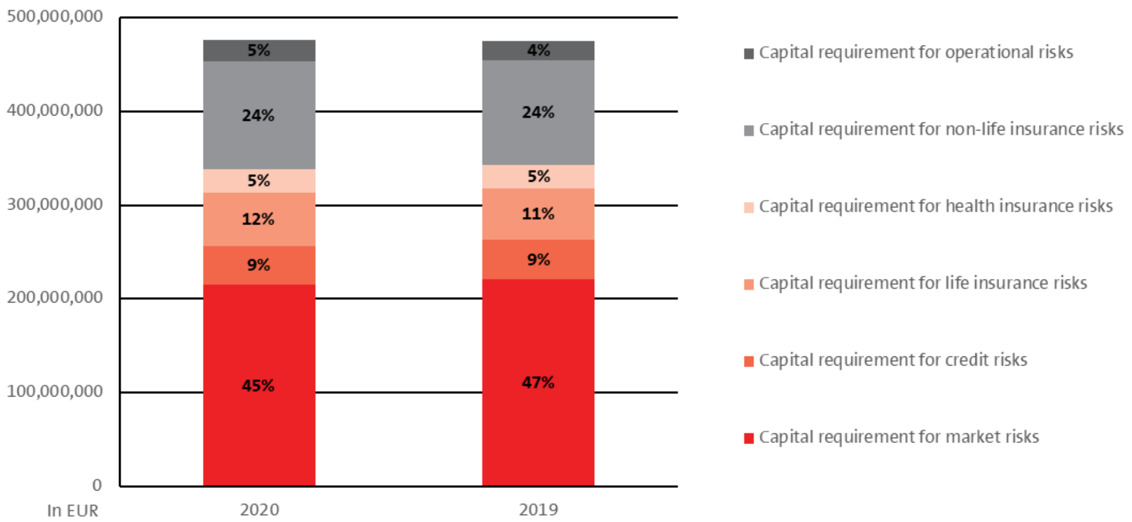
Changes in the BSCR result from increased capital requirements for underwriting and the decrease in capital requirements for market risks. The increase in the capital requirement for underwriting risk is the result of the increase in the capital requirement for non-life insurance risks that mostly rose because of the growth of the portfolio. The capital requirement for market risk decreased in the reporting period because of the changed structure of investments, i.e. increase in government bonds as a result of the decrease in corporate bonds which reduced spread risk. The decrease in the capital requirement for market risk is impeding the increase in the capital requirement for equity risk as a result of the increase in the value of strategic investments and the capital injection in ZTSR, d.o.o.

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

The loss-absorbing capacity of deferred taxes at the end of 2020 amounted to EUR 22 million, down EUR 1.2 million YOY. The adjustment for the loss-absorbing capacity of deferred taxes is recalculated based on the net deferred tax liabilities, which are valued based on the difference between the valuation for financial reporting purposes and the valuation for solvency purposes. When calculating the adjustment for the loss-absorbing capacity of deferred taxes, the Company does not take into account the probable future taxable profits.

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

Chart 11: Company's capital requirements excluding diversification as at 31 December 2020 and 31 December 2019



Details on the changes in the value of capital requirements by individual risk categories are presented in section C of this Report.

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 Annex 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 60: Notional MCR of the Company as at 31 December 2020 and 31 December 2019

31 December 2020 — **In EUR thousand**

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

31 December 2019 — **In EUR thousand**

Notional minimum capital requirement	**Non-life and health insurance**	**Life insurance**
Notional linear minimum capital requirement	64,849	41,510
Notional SCR (excluding capital add-ons)	195,166	124,925
Notional minimum capital requirement cap	87,825	56,216
Notional minimum capital requirement floor	48,791	31,231
Notional combined minimum capital requirement	64,849	41,510
Absolute cap for notional minimum capital requirement	3,700	3,700
Notional minimum capital requirement	**64,849**	**41,510**

The notional MCR for non-life and health insurance increased in the reporting period by EUR 0.4 million, while the MCR for life insurance increased by EUR 1.5 million. The latter is the result of the increase in life insurance technical provisions.

Details on the MCR are shown in template S.28.02 in the Annex 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 2020, 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 2020:

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

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

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

Assets	**Solvency II value**
Intangible assets	
Deferred tax assets	17,351
Pension benefit surplus	
Property, plant and equipment held for own use	76,556
Investments (other than assets held for index-linked and unit-linked contracts)	**2,282,047**
Property (other than for own use)	59,838
Holdings in related undertakings, including participations	413,525
Equities	*54,808*
Equities - listed	48,945
Equities - unlisted	5,863
Bonds	*1,673,761*
Government Bonds	1,085,297
Corporate Bonds	587,404
Structured notes	1,059
Collateralised securities	0
Collective Investments Undertakings	58,882
Derivatives	113
Deposits other than cash equivalents	19,432
Other investments	1,689
Assets held for index-linked and unit-linked contracts	656,749
Loans and mortgages	**8,110**
Loans on policies	2,681
Loans and mortgages to individuals	2
Other loans and mortgages	5,426
Reinsurance recoverables from:	**67,055**
Non-life and health similar to non-life	46,643
Non-life excluding health	47,006
Health similar to non-life	-363
Life and health similar to life, excluding health and index-linked and unit-linked	20,412
Health similar to life	
Life excluding health and index-linked and unit-linked	20,412
Life index-linked and unit-linked	
Deposits to cedants	0
Insurance and intermediaries receivables	32,970
Reinsurance receivables	7,879
Receivables (trade, not insurance)	3,479
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	
Cash and cash equivalents	15,461
Any other assets, not elsewhere shown	3,742
Total assets	**3,171,398**

Liabilities	Solvency II value
Technical provisions - non-life	**347,323**
Technical provisions - non-life (excluding health)	**330,277**
TP calculated as a whole	
Best estimate	309,641
Risk margin	20,636
Technical provisions - health (similar to non-life)	**17,046**
TP calculated as a whole	
Best estimate	15,954
Risk margin	1,092
TP - life (excluding index-linked and unit-linked)	**1,032,380**
Technical provisions - health (similar to life)	**108**
TP calculated as a whole	
Best estimate	108
Risk margin	1
TP - life (excluding health and index-linked and unit-linked)	**1,032,272**
TP calculated as a whole	
Best estimate	1,001,454
Risk margin	30,818
TP - index-linked and unit-linked	**653,003**
TP calculated as a whole	
Best estimate	636,080
Risk margin	16,923
Other technical provisions	
Contingent liabilities	
Provisions other than technical provisions	13,843
Pension benefit obligations	
Deposits from reinsurers	0
Deferred tax liabilities	44,196
Derivatives	
Debts owed to credit institutions	
Financial liabilities other than debts owed to credit institutions	1,628
Insurance and intermediaries payables	14,641
Reinsurance payables	1,343
Payables (trade, not insurance)	37,349
Subordinated liabilities	53,545
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	53,545
Any other liabilities, not elsewhere shown	4,479
Total liabilities	**2,203,732**
Excess of assets over liabilities	**967,666**

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	575	53,851		99,388	126,083	14,748
Gross - Proportional reinsurance accepted	430	642		3,351	1,258	4,627
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	404	1,157		10,845	10,110	7,767
Net	**602**	**53,337**		**91,894**	**117,231**	**11,607**
Premiums earned						
Gross - Direct Business	540	54,519		100,171	125,619	14,272
Gross - Proportional reinsurance accepted	388	640		3,353	1,250	4,374
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	355	1,169		10,800	10,063	7,398
Net	**574**	**53,990**		**92,725**	**116,806**	**11,249**
Claims incurred						
Gross - Direct Business	-164	14,204		68,769	75,045	5,086
Gross - Proportional reinsurance accepted	395	434		2,122	714	362
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	9	109		7,067	6,017	1,486
Net	**222**	**14,528**		**63,824**	**69,742**	**3,961**
Changes in other technical provisions						
Gross - Direct Business	-3	-18		-34	2	-71
Gross - Proportional reinsurance accepted		0		0	-1	-82
Gross - Non-proportional reinsurance accepted						
Reinsurers' share						
Net	**-3**	**-18**		**-35**	**1**	**-153**
Expenses incurred	**361**	**15,236**		**27,067**	**30,548**	**3,314**
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	133,282	33,890	19,516	641	17,662	2,243
Gross - Proportional reinsurance accepted	52,565	4,697	2,397	1	367	360
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	84,420	11,581	5,822	143	935	1,722
Net	**101,427**	**27,006**	**16,091**	**498**	**17,094**	**881**
Premiums earned						
Gross - Direct Business	131,582	33,062	23,219	658	17,657	2,278
Gross - Proportional reinsurance accepted	49,238	4,754	1,927	1	367	327
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	81,449	11,253	5,841	133	937	1,694
Net	**99,372**	**26,563**	**19,305**	**526**	**17,088**	**911**
Claims incurred						
Gross - Direct Business	54,272	-3,979	11,585	30	11,648	-89
Gross - Proportional reinsurance accepted	17,610	-541	1,183	0	190	680
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	22,149	-6,373	2,184	14	580	120
Net	**49,733**	**1,853**	**10,583**	**16**	**11,258**	**472**
Changes in other technical provisions						
Gross - Direct Business	3	1	-1	0	-196	-11
Gross - Proportional reinsurance accepted	12	0	0		-1	2
Gross - Non-proportional reinsurance accepted						
Reinsurers' share						
Net	**15**	**1**	**-1**	**0**	**-197**	**-9**
Expenses incurred	**38,835**	**7,112**	**4,488**	**461**	**6,028**	**650**
Other expenses						
Total expenses						

	Line of Business for: accepted non-proportional reinsurance				
	Health	**Casualty**	**Marine, aviation, transport**	**Property**	**Total**
Premiums written					
Gross - Direct Business					501,879
Gross - Proportional reinsurance accepted					70,694
Gross - Non-proportional reinsurance accepted		55	112	843	1,011
Reinsurers' share		45	8	2,302	137,260
Net		**10**	**105**	**-1,459**	**436,324**
Premiums earned					
Gross - Direct Business					503,579
Gross - Proportional reinsurance accepted					66,620
Gross - Non-proportional reinsurance accepted		55	108	825	988
Reinsurers' share		45	3	1,842	132,981
Net		**10**	**105**	**-1,017**	**438,206**
Claims incurred					
Gross - Direct Business					236,407
Gross - Proportional reinsurance accepted					23,148
Gross - Non-proportional reinsurance accepted		40		546	586
Reinsurers' share				1,262	34,623
Net		**40**		**-715**	**225,517**
Changes in other technical provisions					
Gross - Direct Business					-328
Gross - Proportional reinsurance accepted					-71
Gross - Non-proportional reinsurance accepted					0
Reinsurers' share					0
Net					**-399**
Expenses incurred		**-72**	**-8**	**-224**	**133,797**
Other expenses					**11,600**
Total expenses					**145,397**

	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		52,137	86,204	7,328					145,669
Reinsurers' share		28	41	540					610
Net		**52,109**	**86,162**	**6,787**					**145,059**
Premiums earned									
Gross		52,151	86,204	7,312					145,667
Reinsurers' share		28	41	540					610
Net		**52,123**	**86,162**	**6,772**					**145,057**
Claims incurred									
Gross		81,210	58,892	1,490	-41	4,543			146,094
Reinsurers' share		4	0	218					222
Net		**81,206**	**58,892**	**1,272**	**-41**	**4,543**			**145,872**
Changes in other technical provisions									
Gross		-199	25,985	1,333					27,120
Reinsurers' share									0
Net		**-199**	**25,985**	**1,333**					**27,120**
Expenses incurred		**8,217**	**17,467**	**3,389**		**28**			**29,101**
Other expenses									**1,389**
Total expenses									**30,490**

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	DE	LU	IT	HR	
Premium written	**488,042**	**6,824**	**2,442**	**1,207**	**975**	**727**	**500,216**
Gross - Direct Business	70,694						70,694
Gross - Proportional reinsurance accepted	1,011						1,011
Gross - Non-proportional reinsurance accepted	133,249	1,978	708	350	283	211	136,778
Reinsurers' share	426,498	4,846	1,734	857	692	516	435,144
Net	**557,299**	**6,849**	**2,450**	**1,211**	**978**	**730**	**569,518**
Premium earned	**489,692**	**6,849**	**2,450**	**1,211**	**978**	**730**	**501,910**
Gross - Direct Business	66,620						66,620
Gross - Proportional reinsurance accepted	988						988
Gross - Non-proportional reinsurance accepted	129,095	1,917	686	339	274	204	132,514
Reinsurers' share	428,205	4,933	1,765	872	705	525	437,004
Net	**256,851**	**2,961**	**58**	**0**	**183**	**87**	**260,141**
Claims incurred	**233,118**	**2,961**	**58**		**183**	**87**	**236,407**
Gross - Direct Business	23,148						23,148
Gross - Proportional reinsurance accepted	586						586
Gross - Non-proportional reinsurance accepted	34,097	474	9		29	14	34,623
Reinsurers' share	222,754	2,488	49		154	73	225,517
Net	**390**	**5**	**2**	**1**	**1**	**1**	**398**
Changes in other technical provisions	**-319**	**-5**	**-2**	**-1**	**-1**	**-1**	**-327**
Gross - Direct Business	-71						-71
Gross - Proportional reinsurance accepted							0
Gross - Non-proportional reinsurance accepted							0
Reinsurers' share	-390	-5	-2	-1	-1	-1	-398
Net	**130,059**	**1,844**	**660**	**326**	**263**	**196**	**133,348**
Expenses incurred							**11,600**
Other expenses							**144,948**
Total expenses	**488,042**	**6,824**	**2,442**	**1,207**	**975**	**727**	**500,216**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations	Total Top 5 and home country
Premium written	**145,669**		**145,669**
Gross	610		610
Reinsurers' share	145,059		145,059
Net			**0**
Premium earned	**145,667**		**145,667**
Gross	610		610
Reinsurers' share	145,057		145,057
Net			**0**
Claims incurred	**146,094**		**146,094**
Gross	222		222
Reinsurers' share	145,872		145,872
Net			**0**
Changes in other technical provisions	**27,120**		**27,120**
Gross	0		0
Reinsurers' share	27,120		27,120
Net	**29,101**		**29,101**
Expenses incurred			**1,389**
Other expenses			**30,490**
Total expenses	**145,669**		**145,669**

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							
Gross Best Estimate	**941,813**			**636,080**			**-11,134**
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	941,813			636,080			-11,134
Risk margin	**24,906**	**16,923**			**5,582**		
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole							
Best estimate							
Risk margin							
Technical provisions - total	**966,719**	**653,003**			**-5,552**		

	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Lifeother thanhealth insurance, includingUnit -Linked)	Health insurance (direct business)					
					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	**70,775**		**1,637,534**				**108**		**108**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	20,412		20,412						0
Best estimate minus recoverables from reinsurance/SPV and Finite Re	50,364		1,617,123				108		108
Risk margin	**329**		**47,741**				**1**		**1**
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole			0						0
Best estimate			0						0
Risk margin			0						0
Technical provisions - total	**71,105**		**1,685,275**				**108**		**108**

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	45	-11,310		19,565	25,784	902
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-165	-566		-3,497	345	-668
Net Best Estimate of Premium Provisions	**209**	**-10,744**		**23,061**	**25,439**	**1,570**
Claims provisions						
Gross - Total	8	27,211		79,888	14,428	6,756
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	3	364		7,921	2,253	1,755
Net Best Estimate of Claims Provisions	**4**	**26,847**		**71,967**	**12,175**	**5,001**
Total Best estimate - gross	**52**	**15,902**		**99,452**	**40,212**	**7,657**
Total Best estimate - net	**214**	**16,104**		**95,028**	**37,614**	**6,570**
Risk margin	**90**	**1,002**		**3,428**	**3,002**	**852**
Amount of the transitional on Technical Provisions						
TP as a whole						
Best estimate						
Risk margin						
Technical Provisions						
Technical provisions - total	**142**	**16,904**		**102,880**	**43,214**	**8,509**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**-161**	**-202**		**4,424**	**2,597**	**1,087**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**303**	**17,106**		**98,456**	**40,617**	**7,422**

	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	30,306	4,429	21,802	149	5,644	-72
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-1,783	239	1,006	-9	18	-268
Net Best Estimate of Premium Provisions	**32,090**	**4,190**	**20,796**	**158**	**5,627**	**196**
Claims provisions						
Gross - Total	46,871	45,473	2,552	281	1,507	2,795
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	23,489	12,886	1,627	40	57	1,596
Net Best Estimate of Claims Provisions	**23,383**	**32,588**	**925**	**240**	**1,450**	**1,199**
Total Best estimate - gross	**77,178**	**49,902**	**24,354**	**429**	**7,152**	**2,723**
Total Best estimate - net	**55,472**	**36,777**	**21,721**	**398**	**7,077**	**1,395**
Risk margin	**7,657**	**1,740**	**3,315**	**15**	**379**	**111**
Amount of the transitional on Technical Provisions						
TP as a whole						
Best estimate						
Risk margin						
Technical Provisions						
Technical provisions - total	**84,835**	**51,642**	**27,669**	**445**	**7,530**	**2,834**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**21,705**	**13,125**	**2,633**	**31**	**75**	**1,329**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**63,129**	**38,517**	**25,035**	**414**	**7,455**	**1,506**

	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			2	28	97,274
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					-5,348
Net Best Estimate of Premium Provisions			**2**	**28**	**102,622**
Claims provisions					
Gross - Total		42		509	228,321
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					51,991
Net Best Estimate of Claims Provisions		**42**		**509**	**176,330**
Total Best estimate - gross		**42**	**2**	**537**	**325,595**
Total Best estimate - net		**42**	**2**	**537**	**278,952**
Risk margin		**38**	**4**	**96**	**21,728**
Amount of the transitional on Technical Provisions					
TP as a whole					0
Best estimate					0
Risk margin					0
Technical Provisions					
Technical provisions - total		**80**	**7**	**633**	**347,323**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total					**46,643**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total		**80**	**7**	**633**	**300,680**

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											1,440	1,440	1,659,507
2011	179,218	61,837	16,366	6,522	2,695	1,648	1,892	1,351	388	200		200	272,117
2012	176,509	62,220	10,185	6,361	2,899	1,411	1,786	778	3,647			3,647	265,797
2013	165,396	52,139	10,584	4,699	1,997	1,749	637	531				531	237,732
2014	176,349	51,002	9,266	5,679	4,535	1,091	803					803	248,725
2015	155,631	47,364	10,561	6,039	2,112	1,696						1,696	223,404
2016	157,054	50,315	13,577	6,193	2,076							2,076	229,215
2017	165,632	70,588	16,667	5,501								5,501	258,388
2018	171,504	64,605	11,963									11,963	248,072
2019	171,280	62,959										62,959	234,238
2020	160,491											160,491	160,491
											Total	**251,309**	**4,037,686**

	Development year (absolute amount)											
Gross undiscounted Best Estimate Claims Provisions	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**	**Year end (discounted data)**
Prior											5,073	5,213
2011						5,733	3,981	3,947	3,649	2,411		2,442
2012					19,352	16,481	12,205	11,726	825			840
2013				11,848	9,333	7,799	7,859	2,140				2,170
2014			15,044	11,607	7,009	6,525	7,310					7,518
2015		20,726	13,012	8,260	4,610	4,685						4,762
2016	79,936	31,108	16,284	9,757	7,090							7,188
2017	102,780	34,550	19,490	13,109								12,930
2018	98,054	35,498	15,823									15,989
2019	105,789	34,700										34,644
2020	94,600											95,862
											Total	**189,558**

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	**855,315**	855,315			
Subordinated liabilities	**53,545**			53,545	
An amount equal to the value of net deferred tax assets					
Other own fund items approved by the supervisory authority as basic own funds not specified above					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Deductions					
Deductions for participations in financial and credit institutions					
Total basic own funds after deductions	**982,561**	**929,016**		**53,545**	

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
Unpaid and uncalled preference shares callable on demand					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
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	**982,561**	**929,016**		**53,545**	
Total available own funds to meet the MCR	**982,561**	**929,016**		**53,545**	
Total eligible own funds to meet the SCR	**982,561**	**929,016**		**53,545**	
Total eligible own funds to meet the MCR	**950,681**	**929,016**		**21,664**	
SCR	**317,986**				
MCR	**108,322**				
Ratio of Eligible own funds to SCR	**309%**				
Ratio of Eligible own funds to MCR	**878%**				

Reconciliation reserve	
Excess of assets over liabilities	967,666
Own shares (held directly and indirectly)	
Foreseeable dividends, distributions and charges	38,650
Other basic own fund items	73,701
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
Reconciliation reserve	**855,315**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life Business	57,387
Expected profits included in future premiums (EPIFP) - Non- life business	33,368
Total Expected profits included in future premiums (EPIFP)	**90,755**

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

	Gross solvency capital requirement	USP	Simplifications
Market risks	215,208		
Credit risks	41,407		
Life underwriting risks	56,554		
Health underwriting risks	25,261		
Non-life underwriting risks	115,613		
Diversification	-140,791		
Intangible asset risk			
Basic Solvency Capital Requirement	**313,252**		

Calculation of Solvency Capital Requirement	
Operational risks	21,947
Loss-absorbing capacity of technical provisions	
Loss-absorbing capacity of deferred taxes	-22,080
Capital requirement for business operated in accordance with Art, 4 of Directive 2003/41/EC	
Adjustment for ring-fenced fund risk diversification	4,867
Solvency capital requirement excluding capital add-on	317,986
Capital add-on already set	
Solvency capital requirement	**317,986**
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	303,541
Total amount of Notional Solvency Capital Requirements for ring fenced funds	14,445
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF 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	64,209	2,437

	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	214	602		
Income protection insurance and proportional reinsurance	17,506	24,663	0	28,674
Workers' compensation insurance and proportional reinsurance				
Motor vehicle liability insurance and proportional reinsurance	95,028	91,894		
Other motor insurance and proportional reinsurance	37,614	117,231		
Marine, aviation and transport insurance and proportional reinsurance	6,570	11,607		
Fire and other damage to property insurance and proportional reinsurance	55,472	101,427		
General liability insurance and proportional reinsurance	36,777	27,006		
Credit and suretyship insurance and proportional reinsurance	21,721	16,091		
Legal expenses insurance and proportional reinsurance	398	498		
Assistance and proportional reinsurance	7,077	17,094		
Miscellaneous financial loss insurance and proportional reinsurance	1,395	881		
Non-proportional health reinsurance				
Non-proportional casualty reinsurance	42	10		
Non-proportional marine, aviation and transport reinsurance	2	105		
Non-proportional property reinsurance	537			

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			937,575	
Obligations with profit participation - future discretionary benefits			4,237	
Index-linked and unit-linked insurance obligations			636,080	
Other life (re)insurance and health (re)insurance obligations	50,472			
Total capital at risk for all life (re)insurance obligations				2,419,147

	Non-life activities	Life activities
Linear formula component for life insurance and reinsurance obligations	1,060	40,616
Calculation of minimum capital requirement (MCR)		
Linear MCR		108,322
SCR		317,986
MCR cap		143,094
MCR floor		79,497
Combined MCR		108,322
Absolute floor of the MCR		7,400
Minimum Capital Requirement		**108,322**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	65,269	43,053
Notional SCR excluding add-on (annual or latest calculation)	191,601	126,385
Notional MCR cap	86,220	56,873
Notional MCR floor	47,900	31,596
Notional Combined MCR	65,269	43,053
Absolute floor of the notional MCR	3,700	3,700
Notional MCR	65,269	43,053