9. Risk Management

- The Triglav Group maintained strong capital strength and liquidity, which was confirmed by the re-affirmed "A" credit ratings with a stable medium-term outlook.
- Increased risks due to extreme weather events, macroeconomic conditions with inflationary trends and the situation on the financial markets were actively managed. Special attention was focused on supplemental health insurance and its regulation by the government.
- Prudent underwriting of underwriting risks continued. Market risks were kept within target levels. The planned asset-liability matching and adequate diversification of investments were pursued.
- Development activities focused on upgrading sustainability risk and information security risk management systems.

In 2023, the Group faced extreme weather events, the impact of which was limited by effective reinsurance protection as part of its regular risk management. In addition, the reporting year was marked by the setting of a cap on supplemental health insurance premium in Slovenia and other restrictions, which increased regulatory risk. The Group's operations was also affected by changes in the macroeconomic environment and financial markets. In addition to inflationary pressures, the actions of the central banks, which are pursuing a restrictive monetary policy and raising interest rates, thereby impacting the financial markets and the cooling of economic growth, are also important for the Group (see Section 7.1 The general economic environment worldwide and in Slovenia for more information).

"With an efficient and comprehensive risk management system, we promptly and effectively addressed several material risks as they emerged. Maintaining and enhancing this system will remain a priority going forward."

Mateja Slapar, Director of Risk Management Department, Zavarovalnica Triglav

Increased inflation and the situation on the financial markets are mainly reflected in market and underwriting risks. Within the latter, they primarily affect non-life insurance contracts, life insurance contracts with a guarantee and supplemental voluntary pension insurance (SVPI) contracts with a guaranteed return. The Group's risk management was therefore again aimed at adapting to changes on the financial markets.

Despite the difficult business environment and the implementation of the dividend policy, the Group maintained its financial strength with capital adequacy of 200%. The Group is committed to effective risk management and quality capital structure (own funds), which to a lesser extent includes subordinated liabilities. The Group's adequate capital and financial strength was additionally confirmed by the long-term credit rating of "A" and the financial strength rating of "A" assigned by the credit rating agencies S&P Global Ratings and AM Best. Both ratings have a stable medium-term outlook (see Section 6.6 Credit rating for more information). Adequate liquidity at Group level is achieved through regular liquidity risk management (see Section 2.8 Risk management of the Accounting Report for more information).

Main risk management development activities at Group level were carried out in the business lines that were identified as key due to improvements needed or in order to respond to external circumstances:

- The Company adapted its capital adequacy calculations, reporting and planning to **the new international accounting standards**, as well as individual risk monitoring parameters based on financial reporting.
- Additional indicators were included in the monitoring of **market risks** to control the volatility of their drivers. As a result of additional alternative investments, the monitoring of risks associated with such investments was upgraded.
- New solutions to monitor climate change risks for **non-life underwriting risks** were implemented.
- **Credit risk** management was upgraded, especially with respect to inward and outward reinsurance contracts.
- In addition to regularly upgrading the **liquidity risk** management system, its automated monitoring and the transfer of best practices to subsidiaries continued.
- **Operational risks**, particularly with regard to cyber risks and outsourcing risks, were upgraded.
- **Non-financial risk** management was upgraded especially in relation to **sustainability risks**.
  - The Sustainable Development Policy of Zavarovalnica Triglav d.d. and the Triglav Group was adopted.
  - The Sustainable Investment Policy of the Company and the Group was developed and published.
  - The monitoring of the values of principle adverse impacts (PAIs) was established at the level of investment portfolios.
  - As part of its sustainability risk management system, the Company focused on climate change risk. The respective guidelines were included in the Risk Appetite Statement. In addition, the regular monitoring of transition risk (transition to a carbon-neutral economy) was launched.

For the remaining types of risk, the focus was on process automation and maintaining the existing system. **The Group's risk management** system was systematically upgraded by consistently monitoring material risks. In 2023, the two subsidiaries subject to other sector legislation established a risk assessment and measurement system comparable to that already in place at Group level.

9.1 Risk management system

The Group's risk management system is defined by internal rules and a clear separation of the powers and responsibilities of the business functions, the Management Board, the Supervisory Board, and the key functions and other related areas that exercise supervision. The system is shaped by effective processes for the continuous identification, assessment and control of assumed, potential or emerging risks. A clear, transparent and well-documented system enables the Company to take appropriate and timely action and to maintain the risk profile at the level defined in the Risk Appetite Statement. The system is continuously updated, maintaining its integrity and relevance. In the subsidiaries, it is developed according to the parent company's rules and by adhering to the principle of proportionality.

The existing risk management system proved to be adequate in 2023.

9.1.1 Powers and responsibilities

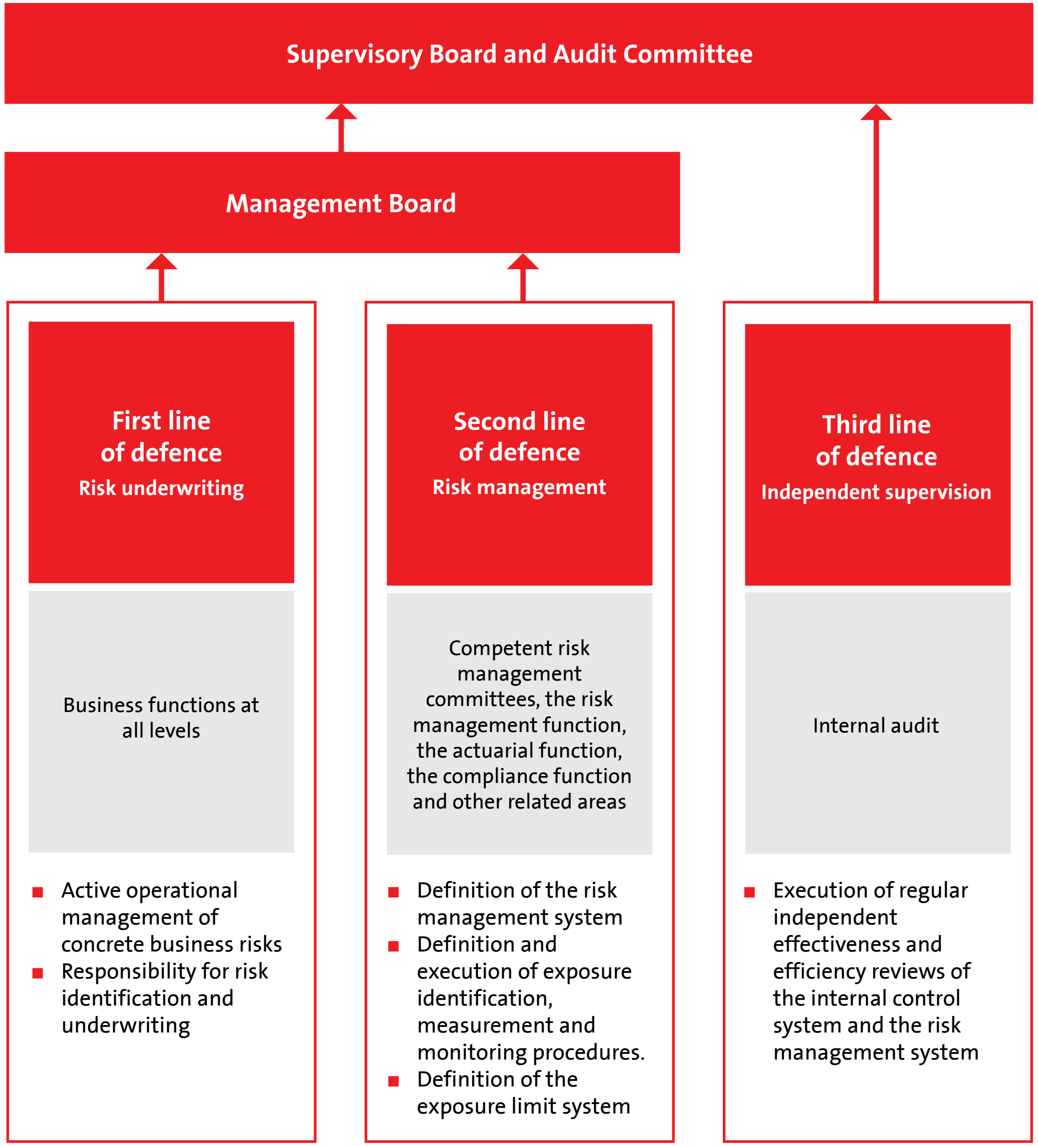
The system of powers and responsibilities in risk management **is based on the "three lines of defence" model**.

Even though **the Management Board and the Supervisory Board** are not directly part of the lines of defence, they play a key role in the risk management system. They are responsible for its operation and defining organisational goals and strategies for achieving them. Furthermore, they establish the management structure and processes for appropriate management of assumed risks. The Management Board and the Supervisory Board are key stakeholders in all lines of defence that support their functioning.

The first line of defence comprises the **business functions**, which identify and underwrite risks in their respective work area in accordance with the Management Board's guidelines. They also manage the actual risks within the allowed exposure limits.

The second and third lines of defence comprise **the key functions of the governance system that are organised as independent organisational units**. The second line of defence includes the risk management function, the non-life and life insurance actuarial functions, and the compliance function. The third line of defence comprises the internal audit function. All key functions cooperate with one another, with other areas within the Company and with Group companies. They are independent in their work.

The decision-making bodies participating in the integrated corporate risk management process and the three lines of defence



The risk management function is responsible for the coordinated and continuous operation of the integrated risk management system. Furthermore, it monitors the general risk profile, the harmonisation of main risk assessment models and methodologically consistent system development, performs the underlying risk analyses, reports on risk exposures and assesses capital adequacy using the regulatory method and other capital models. It carries out own risk and solvency assessment, based on guidance from the Management Board. It reviews the risk profile quarterly, reporting to the Management Board and the Supervisory Board. In addition, it drafts other regulatory reports, such as the Solvency and Financial Condition Report and the Regular Supervisory Report, as well as reports to regulatory bodies as required.

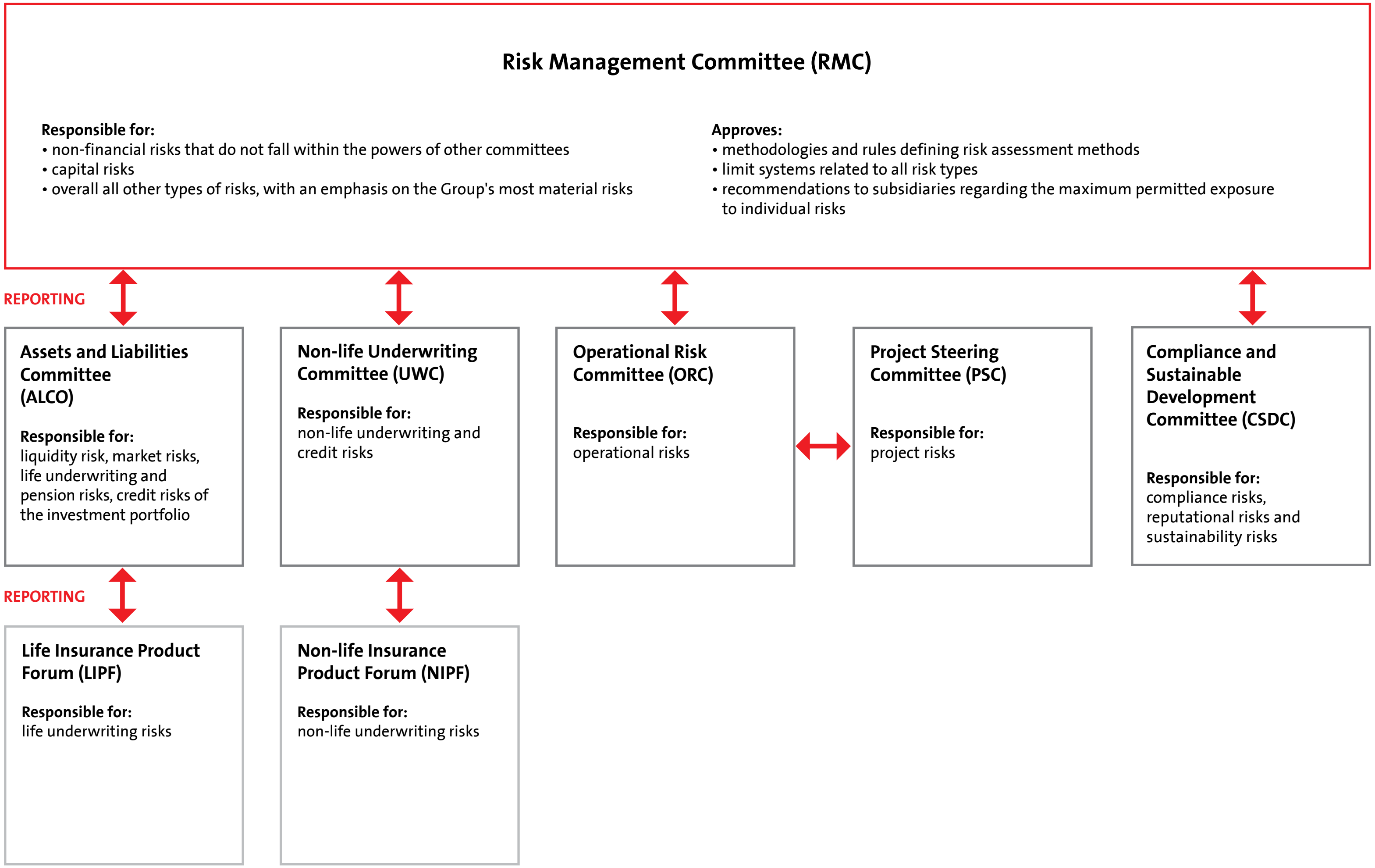
The compliance function operates within the internal control system and monitors the compliance of the Company's operations with the applicable regulations and commitments, on which it regularly reports to the Management Board and the Supervisory Board. It monitors and assesses the impacts of the changed legal environment and compliance risks, assesses the adequacy and effectiveness of procedures, advises on measures to adapt operations to any identified changes, and co-creates the internal controls for ensuring compliance of a particular process, business line, or the Company as a whole by providing guidelines and making recommendations and proposals. In addition, the compliance function plays a major role in ensuring fair and transparent operations by monitoring adherence to the ethical commitments and overseeing their implementation in practice.

The actuarial function calculates and coordinates insurance technical provisions using appropriate methods, models and assumptions, as well as comprehensive, high-quality data, and harmonises the capital requirements for underwriting risks. It also verifies the appropriateness of the overall underwriting policy and reinsurance, and delivers an opinion whether the amount of the premium of individual products is sufficient to cover all the liabilities arising from insurance contracts. Furthermore, it participates in own risk and solvency assessment, and reports on important findings to the Management Board and the Supervisory Board. The actuarial function operates separately for non-life and life insurance.

The internal audit function performs regular and comprehensive control of company operations. This is achieved by reviewing and assessing the adequacy and effectiveness of the Company's governance, risk management and control procedures in a planned and systematic manner and by making recommendations for their improvement. Moreover, the internal audit function is responsible for the quality and continuous development of internal auditing. It cooperates with external auditors and other supervisory bodies, as well as monitors the implementation of internal and external auditors' recommendations. Apart from participating in internal audits in other Group companies, the internal audit function also provides advisory services in agreement with the Management Board and the management of business lines.

All key functions are in charge of not only transferring know-how and best practices to other Group members but also of ensuring their harmonised operation.

The risk management system's committees and their responsibilities



The second line of defence of the risk management system includes **committees**. Their purpose is to provide support to the Management Board in regular risk monitoring, coordination of actions and information about risk management.

Risk management first takes place at the level of individual companies and then at Group level. At the level of subsidiaries, the management and the persons in charge of risk management are responsible for the operation of the risk management system.

The Subsidiary Management Division at the parent company coordinates the drawing up of minimum standards for Group companies and their transfer to the Group companies, in cooperation with the parent company's Risk Management Department, which is responsible for risk management minimum standards. Through the common standards, the Group ensures an effective and transparent risk management system at Group level, which is based on effective communication, quality exchange of data and information, time availability, methodological consistency, accounting verifiability and integrity.

9.1.2 Risk management process

The comprehensive risk management process is based on the Group's strategy and business plan, which define its **risk appetite**. The latter sets out material risks the Group is willing to assume to achieve its objectives and the key indicators by which these risks are measured and monitored based on target values and limits.

The Company has zero tolerance for all risks that it is not willing to assume in the course of its operations.

One of the key indicators to measure business performance and pursue strategic objectives, i.e. *the capital adequacy ratio*, is specified in greater detail in the Risk Appetite Statement. The capital adequacy ratio is the ratio between available own funds and the amount of the solvency capital requirement in relation to the amount and structure of the risks assumed. As part of **the own risk and solvency assessment process**, when planning solvency needs, it is ensured that the ratio is kept within the target range of 200–250% at Group level. In the context of the capital management process, it is ensured that its value is within the target range. Its set value is monitored through a set of more detailed risk indicators and exposure limits in all segments of the Group's operations.

The dividend policy is defined in the Capital Management Policy of the Company and the Group and is subject to capital adequacy targets. Maintaining capital adequacy within the target range is an ongoing process, which requires regular review of business decisions in terms of profitability and the risks assumed.

The own risk and solvency assessment process is closely connected to the quality of the whole risk management system. By assessing solvency requirements, the appropriateness of both the regulatory method and the strategic guidelines is verified in terms of ensuring capital adequacy. In order to improve the use of capital, solvency requirements are assessed in relation to the requirements of implementing the strategic plan. The sustainability of capital adequacy is evaluated using stress scenarios that account for existing, potential or emerging risks, with each type of risk being assessed individually. This allows the Company to take appropriate action, also by adjusting the guidelines for accepting transactions, premium rates, the limit system, risk transfer, etc. This approach not only enhances the Group's resilience of Group members against identified risks but also strengthens the internal control system, while further upgrading the efficacy of the system for strategic decision-making.

The risk management process consists of risk identification, assessment or measurement, management, monitoring and reporting.

The **risk identification** process, which involves all business lines, is an ongoing process. It is carried out at least once a year, usually as part of drawing up the business and financial plan, and more frequently if necessary.

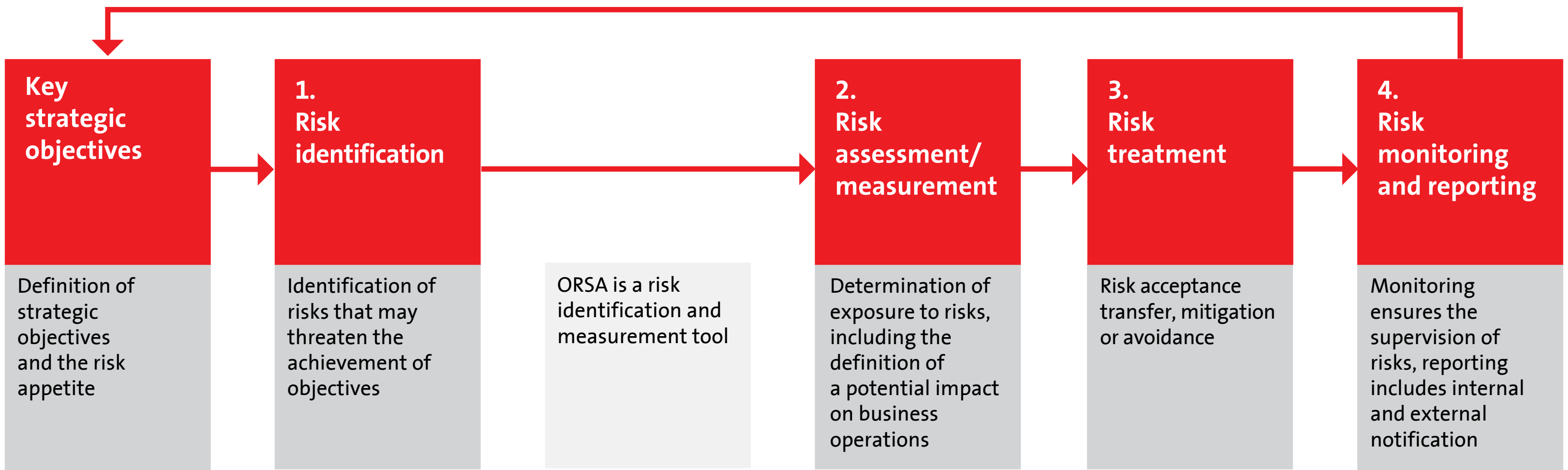
The standard Solvency II formula (the regulatory method) is primarily used for **risk assessment**. The formula is based on standard volatility and own risk exposure. It determines the level or a change in parameters in the calculation under the stress scenario, and its result indicates for each risk how much the available own funds would therefore decrease in the stress scenario. The greater the impact of the risk of own funds, the more material the risk. The overall risk assessment (the solvency capital requirement) takes into account the diversification specified in the standard formula as prescribed by law. The risk assessment is complemented with the Company's own assessment of the volatility of risk factors, generally taking into account the Value at Risk method, with the same confidence level of 99.5% over a one-year horizon. Risks are additionally assessed according to the methodology of S&P credit rating agency.

At least once a year, in the context of the aforementioned **own risk and solvency assessment process**, a comprehensive analysis is performed to assess the appropriateness of the regulatory method. The results of the internal method of risk measurement and/or assessment are also taken into account in the final assessment of the method's appropriateness.

For assumed and potential risks, the target values or limits are set that must be complied with. Appropriate **risk management** is made possible by systems that monitor risks at multiple levels and identify potential negative trends. At the level of business lines, the latter are identified through processes that inform key functions about transactions with increased risks. At aggregate level, the Company regularly monitors exposure concentration and increased volatility, where the Group's vulnerability is higher. Material detected or identified risks are treated also in the own risk and solvency assessment process.

The Risk Management Department regularly **monitors** the matching of the actual risk profile and the defined risk appetite. The findings are discussed by the Risk Management Committee, which approves any measures to be taken in the event of a violation. Its findings and actions are regularly **reported** to the Management Board, the Supervisory Board and the Audit Committee.

Risk Management Process



9.1.3 Risk classification

The Group uses risk classification in accordance with the Solvency II standard formula set out in the Insurance Act (ZZavar-1) for internal risk monitoring. Exposure and assessment to individual types of risk and risk management methods are presented in greater detail in Section 2.8 of the Accounting Report.

The most important types of risks assumed in the course of operations are as follows:

- **Underwriting risks** are the risks of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions taken into account in the calculation of insurance technical provisions. **Non-life underwriting risks** (including health insurance) and **life underwriting risks** (including pension insurance) are treated separately. In direct insurance business, the Company is predominantly faced with traditional underwriting risks.
  - *Non-life underwriting risks* comprise premium risk, provision risk, lapse risk and catastrophe risk.
  - *Life underwriting risks* comprise mortality risk, longevity risk, morbidity risk, lapse risk, expense risk, catastrophe risk and revision risk.
- **Market risks** are the risks of loss or of adverse changes in the financial situation, resulting from fluctuations in the level and the volatility of market prices of assets, liabilities and financial instruments. Market risks comprise interest rate risk, equity risk, property risk, spread risk, currency risk and market concentration risk.
- **Credit risks** are the risks of loss or adverse change in the financial position of the company due to fluctuations in the credit position of counterparties and are a result of the debtor's inability to fulfil contractual obligations.
- **Liquidity risk** is the risk of loss if the company is unable to settle all due obligations or is forced to provide the necessary funds at significantly higher costs than usual. The risk of settling matured and contingent liabilities and market liquidity risk are monitored in the context of the liquidity risk.
- **Capital risk** is the risk of loss due to inadequate capital amount and/or structure with regard to the business volume and method or problems encountered when the company acquires additional capital, especially in the case of need for a rapid capital increase and/or unfavourable conditions for acquiring additional capital. The category of capital risks also includes legislative changes and changes in accounting standards having an impact on the Group's capital adequacy and, consequently, on the dividend payment.
- **Operational risks** are the risks of loss arising from inadequate or failed internal processes, personnel or systems, or from external events and their impact. Among others, they include information security risks with a special emphasis on cyber risks and major business interruption events.
- **Non-financial risks** to the Triglav Group's operations include material strategic risks, reputational risk, Group risk and sustainability risks. Non-financial risks predominantly originate from the external environment and are closely linked to other risks, especially operational risks. Generally, they arise from several realised factors both inside and outside of the Group.

The Group is also exposed to *potential or emerging risks*. These are risks that may develop in the future or that already exist but are not yet considered material. They are difficult to assess but may have a significant impact on the business. They cannot be predicted based on past experience as there is often no data from which to predict either the frequency or the severity of the damage caused.

Potential or emerging risks are therefore monitored closely and, in view of the findings, the risk management system is upgraded accordingly.

Classification of the Group's risks according to IFRS

Risks as defined by **IFRS** are **underwriting, market, credit, liquidity** and **other risks**. The Group's risk classification can be translated into the IFRS risk classification as follows:

- In accordance with said standards, the most common market risks are currency, interest rate and other price risks, including equity and property risks.
- Under IFRS, credit risks include counterparty default risk, a significant part of which comprises exposures from reinsurance, cash, cash equivalents and receivables, as well as spread risk and market concentration risk. The classification used by the Group considers the latter two as part of market risks.
- There are no differences between the classifications of underwriting risks and liquidity risk.
- Other risks as defined by the IFRS include operational, capital and non-financial risks.

The situation is regularly and systematically monitored. Risk exposure and risk assessment based on regulatory requirements and internal risk classification are reported to the management. Due to the differences in the IFRS and Solvency II valuation, the values of individual balance sheet items may differ noticeably, which is also reflected in differences in the identified exposure to individual risks. In addition, different valuation methods affect the sensitivity of the items and therefore the risk assessment. A more detailed presentation of the differences between the two valuations is included in the Solvency and Financial Condition Report, which is published on the Company's website (www.triglav.eu).

Risk exposures according to the classification used in the risk management system are presented further on in the text.

9.2 Capital position

The management of the Group's capital is an ongoing process, by which its adequate volume and quality are determined and maintained and, as a rule, capital risk managed.

9.2.1 Capital management[22]

A well-integrated risk management system is essential to effective management of capital and capital risk. **Strong capitalisation** allows the Group at any given moment to have a sufficient amount of capital that corresponds to the measurable risks assumed. As part of the Group's regular capital management to ensure optimal capital composition and cost efficiency, the Company issued a subordinated bond, which is taken into account in the calculation of capital adequacy. See Section 6.7 Bonds of Zavarovalnica Triglav for more information.

When deciding on entering into a transaction, the Company consistently assesses its profitability in relation to the assumed risks, while pursuing the target capital adequacy, and takes into account the criterion of earning appropriate profit for the shareholders. The purpose of capital management is to guarantee the safety and profitability of operations as well as a long-term and stable return on investment by paying out dividends based on the predefined criteria in the dividend policy.

The capital management strategic objectives and the dividend policy criteria

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

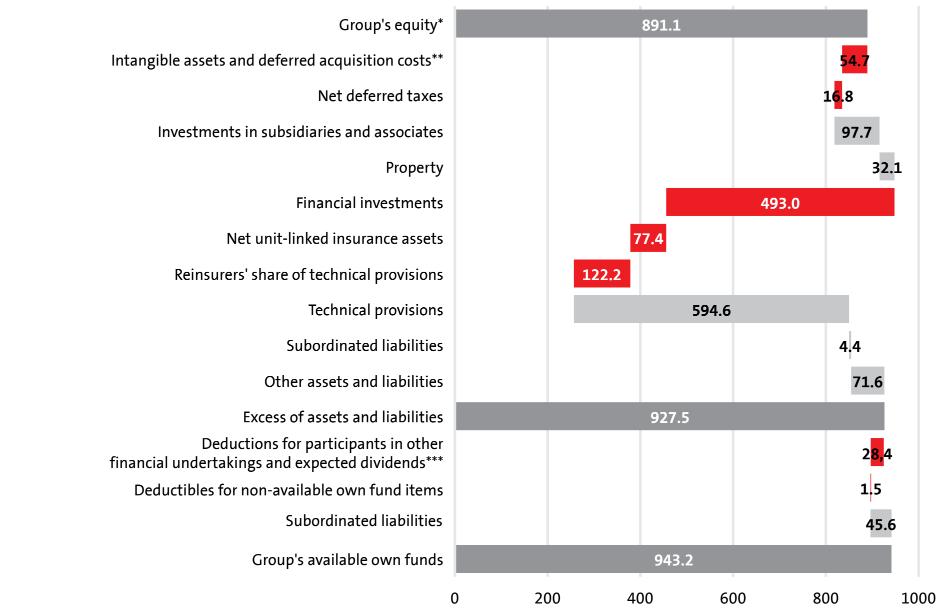
The Group's target capital adequacy is set within the range of 200–250%. This means that the Group has an adequate amount of capital to carry out its core business and cover potential losses. Capital surplus provides protection against losses due to unforeseen adverse events and volatile capital requirements.

Capital adequacy also has a significant impact on the Group's credit rating. Therefore, when making business decisions, the impact on the results of the models of major credit rating agencies is taken into account. The Group's capital model is assessed by the credit rating agencies S&P Global Ratings and AM Best. See Section 6.6 Credit rating for more information on the credit rating.

9.2.2 Capital adequacy and the risk profile in 2023

Effective capital management enables the Group to improve its operations, adopt appropriate business decisions and maintain its competitive advantages.

Explanation of differences in capital valuation in the balance sheet for solvency and financial reporting purposes for the Triglav Group as at 31 December 2023 (EUR million)



* Consolidation method for solvency purposes differs for Triglav Skladi, Triglav, pokojninska družba, Sarajevostan, Triglav penzisko društvo, Skopje and Triglav Fondovi.
** The fair value of intangible assets is valued at 0.
*** In this item interests in companies with sectoral rules and forseeable dividends are included.

[22] SASB: FN-IN-550a.3

The definition of equity in the balance sheet for the preparation of financial statements differs from its definition for solvency purposes. Differences and important reasons for changes in items of both types of capital in 2023 are described in **the Group's Solvency and Financial Condition Report for 2023**, D and E sections. The report is published on the website www.triglav.eu.

The Group calculates capital adequacy according to the standard formula as the ratio between total eligible own funds and the solvency capital requirement. In doing so, no adjustments and simplifications are taken into account.

The Triglav Group was well capitalised as at 31 December 2023. Its capital adequacy was 200%. This is within the target range of 200–250% set in line with the capital management strategic objectives and the dividend policy criteria presented in Section 9.2.1 Capital management.

Capital adequacy of the Triglav Group and Zavarovalnica Triglav

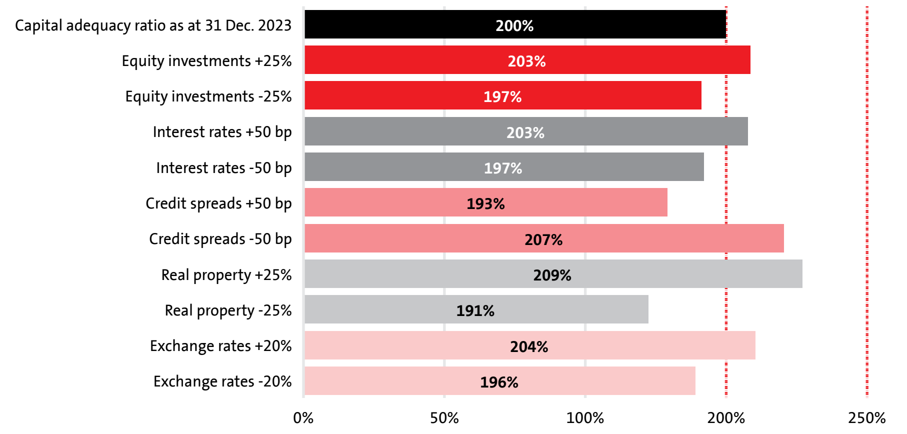
	Triglav Group		Zavarovalnica Triglav	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Available own funds (EUR million)	943.2	932.9	964.0	930.1
SCR (EUR million)	471.5	466.5	396.7	374.5
Capital adequacy (%)	**200**	**200**	**243**	**248**

The Group's capital adequacy was affected by the increase in available own funds by EUR 10.3 million compared to 2022. This increase resulted from an increase of EUR 8.3 million in the reconciliation reserve. The Group's solvency capital requirement rose by EUR 5 million, mainly due to higher capital requirements for underwriting risks (excluding health underwriting risks), credit risks and operational risks.

In addition to calculating the Group's capital adequacy, at least once a year **a sensitivity analysis of the Group's capital adequacy ratio** to major changes in selected financial market parameters is performed. With it, the stability of the Group's capital position and its resilience to major risk factors is assessed.

The analysis as at 31 December 2023 shows sensitivity to individual shocks on financial markets.

The sensitivity analysis of the Group's capital adequacy ratio



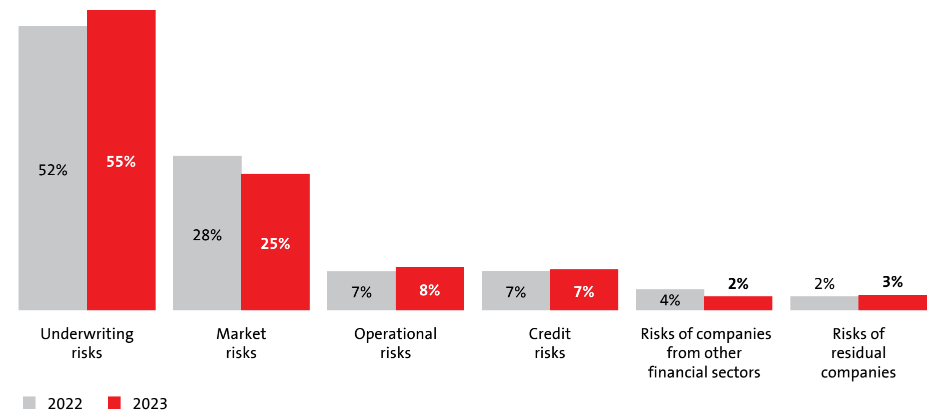
Of the risks covered by the standard formula, the Group is most exposed to underwriting and market risks, followed by credit and operational risks. Within the Group, the Company assumes the bulk of the risks. See Section 2.8 of the Accounting Report for more information about the types of risks assumed by the Company. In 2023, the risks described in greater detail in Section 4.1 Today's challenges and opportunities were also relevant.

The risk profile of the Company and the Group shows their exposure to most material risk categories and is presented in the table below.

The presentation of the Triglav Group's risk profile and assessments by individual risk category are based on market values for solvency purposes. The Company uses a regulatory method, which is assessed as appropriate for risk measurement in the context of the own risk and solvency assessment process.

In terms of risks and capital adequacy, the Triglav Group ended 2023 financially stable, adequately liquid and well capitalised.

Risk profile assessment* of the Triglav Group as at 31 December 2023



* The risk profile is determined based on risk assessment using the standard formula, without taking into account the effects of diversification across individual risk categories.

Risk dashboard of Zavarovalnica Triglav and the Triglav Group* as at 31 December 2023

Risk	Risk assessment (current)	Risk trend (future)	Note
Capital adequacy and capital risk		→	In the difficult business environment, the Triglav Group maintained strong capitalisation. The latter is based on effective risk management and quality capital structure, which to a lesser extent includes subordinated liabilities. The Group's adequate capital and financial strength was additionally confirmed by the long-term credit rating of "A" and the financial strength rating of "A" assigned to the Group by the credit rating agencies S&P Global Ratings and AM Best.
Underwriting risks		→	The Group's underwriting risks were mainly affected by extreme weather events in Slovenia and the surrounding region, together with claims inflation, which still persists, particularly in Slovenia. The impact of inflation on non-life underwriting risks is adequately managed by adjusting covers provided by products and their pricing backed by consistent cost management. The Group maintains premium growth and achieves the target values of indicators in strategic markets.
Market risks		→	Persistently high inflation resulted in further interest rate rises by central banks, which had a significant impact on financial markets. Nevertheless, the Group continues to maintain risks at defined levels, paying special attention to the matching of assets and liabilities, based on which it defines optimal investment policies.
Credit risks		→	Despite the increased exposure, credit risks remain low. This is ensured through the regular and systematic management of individual exposures across all segments, a review of the adequacy and quality of reinsurance partners and a well-diversified portfolio of partners. The credit risk assessment in 2023 was mainly affected by extreme weather events in Slovenia, which had an impact on the reinsurance part of credit risks.
Liquidity risk		→	The Company's strong liquidity position is maintained by regularly monitoring its liquidity; the Group subsidiaries also have adequate operational liquidity. In the context of the ORSA process, liquidity was checked with stress tests, which confirmed that the Group companies are well prepared for extraordinary events.
Operational risks		→	The Group proactively manages operational risks. Most attention is paid to regular maintenance and upgrades of outsourcing management and the information security management system, as cyber risks remain among the most relevant. In addition, operational risks are primarily increased by large-scale regulatory changes and the general human resource risk when recruiting workers in shortage occupations. Internal interprocess risks are also managed.

* An overall assessment of the main risk categories was made on the basis of quarterly risk reports. The risk trend shows a potential assessment of future risks relative to the latest projections.

i) The colour scale of assessed risks: High Medium Low

ii) Risk trend: ↓ downward → stable ↑ upward

9.2.3 Identified future risks

Inflation has persisted for a relatively long time. Given the actions taken by central banks, i.e. the implementation of a restrictive monetary policy aimed at raising interest rates, inflation is projected to return to the target range in the medium term. This may also depend on the duration of the economic cooling and the depth of a possible recession. A substantial recession typically also affects financial markets, which would be detrimental to the Group's operations, potentially leading to increased market risks. With regard to **market risks**, particularly an increase in spread risk could arise due to the aggravated economic situation or deteriorating credit ratings of issuers of securities. Negative developments in stock markets and a possible decline in the value of real property may also be expected. This could then manifest in a decrease in the value of investments. The potential impact on interest rate risk from potential changes in risk-free interest rates is limited due to the active management of interest rate risk through asset-liability matching.

A more severe recession could negatively affect the demand for insurance and reduce the volume of premium written, which would have a detrimental effect on the business. This would also affect **liquidity risk**, which could increase due to the potential reduction of inflows from the insurance business and a lower market liquidity of the investment portfolio.

In the coming year, underwriting and credit risks could materialise with a significant potential impact on the Group's operations. In the context of **underwriting risks**, the Company will continue to consistently monitor premium risks, i.e. the adequacy of the pricing policy, and manage provision risks. For **credit risks**, the Company will continue to manage the payment discipline of receivables and the creditworthiness of major partners, while adapting reinsurance protection at Group level through a coordinated approach in the reinsurance market.

As part of testing the sensitivity of the Group's credit portfolio, the factors that could have a material impact on the Company's and the Group's operations in the coming years were examined. According to the analysis, the credit ratings of partners (banks and reinsurance companies) and the share of payments of insurance and subrogation receivables can have a significant impact on operations. In the event of a deterioration in the credit rating of our largest bank partner by one notch (at the same exposure), the average credit rating of all bank partners would not change. The same applies in the event of a deterioration in the credit rating of our largest reinsurance partner.

The Company's sensitivity analysis to the payment discipline of receivables was tested under the assumption of a lower expected share of payments for 2023. This share was defined according to its lowest level in the last fifteen years (during the 2012 debt crisis). This reduction would not have a significant impact on the Group's operations, as expected payments would be EUR 1.1 million lower.

Sensitivity analysis as at 31 December 2023* (EUR)

	Total impact on equity	
	Triglav Group	Zavarovalnica Triglav
Spread risk (+50 bp)	-32,621,504	-27,108,919
Interest rate risk (+100 bp)	-5,455,390	-5,167,115
Equity risk (-10%)	-8,626,899	-5,728,713
Property risk (-5%)	-24,636,359	-21,972,284
Total	**-71,340,152**	**-59,977,031**

* The effects shown include the tax aspect and the indirect impact of the change in these assets on liabilities (for life insurance).

A sensitivity analysis shows potential impacts on the Group's capital in the case of a loss event, which would translate into a sudden rise in interest rates by 100 basis points and the increase in credit spreads by 50 basis points, as well as a drop in equity exposure by 10 percentage points and in real property exposure by 5 percentage points. Should this event be realised, the Group's capital would decrease by EUR 71.3 million.