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

Solvency and Financial Condition Report

Triglav Group

2019

Ljubljana, March 2020


€399.6
million
solvency capital requirement
223%
solvency ratio
€891.9
million
own funds to cover solvency capital requirement
€2,378.3
million
in investments
credit rating
"A"
with a stable medium - term outlook
Triglav Group
€165.2
million
minimum consolidated capital requirement
€83.9
million
net profit
operating in
6
countries

MEMBERS OF THE MANAGEMENT BOARD OF ZAVAROVALNICA TRIGLAV:

President: Andrej Slapar

Members of the Management Board:

Uroš Ivanc

Tadej Čoroli

Barbara Smolnikar

David Benedek

Marica Makoter

Ljubljana, March 2020

TABLE OF CONTENTS

Summary

Summary

Triglav Group is the leading insurance and financial group in Slovenia and the Adria region as well as one of the leading groups in South-Eastern Europe. The parent company of the Triglav Group is Zavarovalnica Triglav, which was established 120 years ago. In addition to the parent company, the Group comprised 30 subsidiaries and 7 associated companies at the end of 2019. Within the Group, the subsidiaries do business with the parent company and among themselves on an arm's length basis whereby their operation is based on the principle of increasing the operating performance of each company individually as well of the Group as a whole. The Triglav Group operates in seven markets of six countries in the Adria region, while it also provides reinsurance internationally. Its biggest market is Slovenia, whereby the share of the premium generated outside of Slovenia is gradually increasing.

The strategic activities of the Triglav Group include the **insurance business** and **asset management**. The Group performs non-life, life, health and pension insurance activity as well as the reinsurance activity within the scope of the insurance business carried on by its 12 (re)insurance undertakings. Asset management at the Triglav Group includes savings via the insurance services provided by insurance undertakings of the Triglav Group as well as investment in mutual and pension funds. The Triglav Group pursues a relatively conservative investment policy that emphasises the safety and liquidity of investments as well as their adequate return. The major share of the Triglav Group's investments is held in the form of debt securities and other fixed-income securities.

The Triglav Group is rated by two recognised ratings agencies, S&P Global Ratings and A.M. Best. In 2019, both gave the Group an independent **rating of "A"** with a stable medium-term outlook thus confirming its financial stability, high capital adequacy and profitability of its operations. Its activity is supervised by the Slovenian regulator, the Insurance Supervision Agency, while its external auditor for the 2019 financial year was Deloitte revizija d.o.o. auditing firm.

The Triglav Group fosters a strategic focus on clients and is geared towards long-term and profitable operations and increasing the value of the Group. Its development steps are focused towards better customer experience and are based on target risk-adjusted return. Group members are united by the common mission of "We create a safer future" as well as the common vision and values that are part of the Group's culture. All of the activities of Triglav Group members are geared towards the Group's development into a modern, innovative and dynamic insurance financial group that holds its position of market leader in Slovenia and the broader region. In line with its strategic goals, the Triglav Group saw the continuation of the organic grow of the volume of operations in 2019 and continued to implement expansion activities both in the insurance and asset management activity.

The Triglav Group's operations in 2019 were good, which is why the results exceeded the plans. This is mainly the result of the high growth in the insurance premium, disciplined underwriting risks taking and higher investment returns. The Group generated consolidated pre-tax profit of EUR 100.9 million. The ROE increased to 10.9% (10.8% in 2018). For the fifth year straight, the Group managed to achieve premium growth, which in 2019 amounted to EUR 1,184.2 million, which is 11% higher than the previous year. The Group achieved premium growth on all insurance markets and in all insurance segments. The Triglav Group's combined ratio decreased when compared to the previous year and amounted to 91.5% (91.8% in 2018). In 2019 the Group increased its customer assets in its mutual funds to EUR 1.0 billion, which represents a 68%

growth compared to previous year. The acquisition of ALTA Skladi, capital markets conditions and net inflows played a major role in this increase. With its 34% market share, the Group achieved a leading position in Slovenian mutual funds market (24.6 in 2018). The Group's parent company successfully issued a 30.5-year subordinated bond and replaced the subordinated bond that matured in 2020. The new issuance is part of ordinary capital management activities of the Group, by way of which the parent company ensures an optimum capital structure and its cost effectiveness. The Group's operations in 2019 are presented in more detail in section A of this Report.

The parent company of the Triglav Group is Zavarovalnica Triglav, a **public limited company** with more than 13 thousand shareholders in 34 countries. International shareholders held 17.4% of all shares at the end of the year. Its shares have been listed on the Ljubljana Stock Exchange since 2008 and are among the most liquid shares on that stock exchange. The Company is also one of the largest in Slovenia in terms of market capitalisation (EUR 757 million at the end of 2019). Zavarovalnica Triglav implements an attractive dividend policy. The Company again distributed a dividend of EUR 2.50 gross per share for 2018, which represented 70% of the Triglav Group's consolidated net profit for 2018.

The parent company has set up a risk management system at the Group level that allows it to control all underwritten and potential risks. The main building blocks of the comprehensive risk management system are the Strategy of the Triglav Group and the Business Plan of Zavarovalnica Triglav.

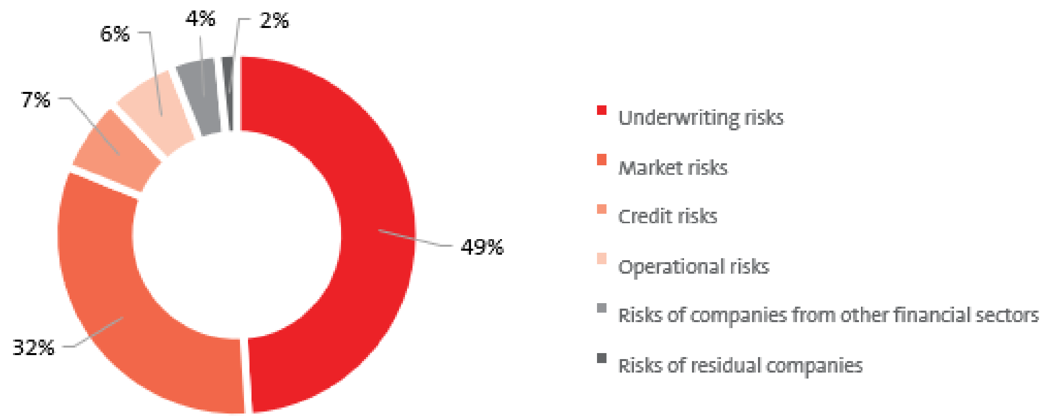
The risk management system at the Group members is based on the **three lines of defence model**. The first line of defence includes all business functions that identify operations risks. The second line of defence is composed of decision-making bodies that work with business functions to jointly perform the measurement of individual risks, monitor exposure to such risks and determine the exposure limit system. The third line of defence is represented by the Internal Audit. **The four key functions** play an important role in the management system as they actively ensure coordinated work of all of the Triglav Group members and for the transposition of knowledge and good practices to Group members. The Group's risk management system is implemented primarily at the level of individual companies and secondarily at the Group level. The risk management system at the Triglav Group members is built in accordance with the principles of the parent company which also prescribes minimum standards that apply at the Group level. When considering the said standards, it is necessary to consider the nature, scope and level of risks of an individual company. The main operational risks and their tolerances as well as the risk appetite are defined by setting the objectives of a company. The risk management system at the Group level is described in more detail in section B.3.

The Triglav Group's parent company performs the **Own Risk and Solvency Assessment** (ORSA) process regularly at the Group level and in doing so takes into account all the risks to which the Group is already exposed, as well as potential risks that could have an impact on its operations over the next three-year period. The parent company uses the results of the ORSA as the basis for determining existing and future capital needs. The ORSA process is described in more detail in section B.3.4.

Triglav Group members manage risks using internal methodologies, indicators according to regulatory capital adequacy criteria and indicators according to capital adequacy criteria under the S&P model. The regulatory solvency capital requirement of the entire Triglav Group is calculated for the four most important risk types in accordance with the standard formula laid down in Commission Delegated Regulation (EU)[1]. These are **underwriting, market, credit** and **operational risks**. Section C of this Report outlines the exposure, important concentrations, risk mitigation techniques and sensitivity for each of the risk types.

The Triglav Group's SCR for 2019, which does not take into account mutual risk effects (i.e. diversification), amounted to EUR 560.6 million for the main four risk types. Taking into account the SCR of the subsidiaries from other financial sectors and other non-financial companies, the Group's SCR totalled EUR 595.8 million. The parent company has formed two ring-fenced funds, i.e. SVPI[2] and SVPI renta[3], for which risks are calculated separately for each risk category under the standard formula – even at the Group level. The chart below applies the simplification at risk module level method and also takes into account the risks of the ring-fenced funds that contribute EUR 17.8 million to the overall SCR of the Group. The method is presented in more detail in section E of this Report.

Risk profile of the Triglav Group as at 31 December 2019



The Group is most exposed to **underwriting risks**, the bulk of which is represented by the risk of loss or of an adverse change in the value of underwriting liabilities due to inadequate premiums and assumptions taken into account in the calculation of technical provisions. When taking on underwriting risks, the Triglav Group is moderately conservative, which is why it underwrites a wider range of risks, thereby ensuring their diversification. By actively managing underwriting risks, the Group achieves such quality of the portfolio that provides for stable and safe operations while maximizing return.

Another important risk type are **market risks**, to which the Group is exposed as a result of investing collected premiums and own funds. Its share in Group risk profile was systematically decreased in 2019. Group members hold a broad range of various financial instruments in the investment portfolios whereby the value of the instruments depends on the fluctuations on

[1] COMMISSION DELEGATED REGULATION (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
[2] Supplementary voluntary pension insurance.
[3] Supplementary voluntary pension insurance during the payment phase.

financial markets. Market risks include interest rate risk, equity risk, property risk, credit spread risk, currency (FX) risk and market concentration risk.

The Report presents the balance sheet of the Triglav Group for solvency purposes as at 31 December 2019, including the balance sheet for financial reporting purposes. The differences between the reporting purposes are presented in greater detail in section D of this Report. Assets and liabilities are **valued at fair value** for solvency purposes, whereby the valuation applies the risk-free interest rate curve published by EIOPA[4], i.e. without any adjustments of the curve. At the Group level, the best estimate of technical provisions is calculated as the sum of the best estimates of the technical provisions of individual insurance undertakings of the Group less intra-Group transactions.

Capital management is centralized at the Group level, i.e. through capital concentration which ensures optimum and cost-effective capital allocation and use to the parent company. Capital management relies on the abovementioned risk management system and is based on the strategic goals of the Group, regulatory requirements, good practices and internally established methodologies. Within the scope of the capital management process, the Group 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. The criterion for capital transfer from subsidiaries is long-term stability and safety of their operations, taking into account the local regulations on capital adequacy. Each method of capital withdrawal from subsidiaries not in the form of dividend payment is previously coordinated with the competent local supervisory institution.

Capital adequacy of the Triglav Group is calculated as the ratio between the total eligible own funds and the solvency capital requirement. The Group's capital adequacy calculation includes Zavarovalnica Triglav and all of its associated companies. All subsidiaries that perform the principal and ancillary activities are subject to full consolidation in the calculation of the Group's capital adequacy. Triglav Skladi d.o.o. and Triglav, pokojninska družba, d.d. are not consolidated for the purpose of determining the Group's solvency. Capital adequacy of the two companies is namely calculated according to the sector/industry rules and both are consolidated for financial reporting purposes. Other associated companies of the Group that do not perform the principal or an ancillary activity are not consolidated in the solvency calculation, with their solvency capital requirement calculated separately and without the observation of diversification effects.

The Group target capital adequacy interval ranges from 200% to 250%. As at 31 December 2019, the Group was adequately capitalized and had sufficient capital available to meet both the solvency capital requirement (223%) and the minimum consolidated capital requirement (519%).

Solvency capital adequacy ratio of the Triglav Group (as at 31 December 2019) =

$$\frac{\textit{Total eligible own funds}}{\textit{Solvency capital requirement}} = \frac{892}{400} = \mathbf{223\%}$$

[4] European Insurance and Occupational Pensions Authority.

The Group's capital adequacy increased by 7 pp compared to the year before, which is the result of the increase in eligible own funds and changes to the risk profile.

The Group's own funds increased by EUR 48.6 million in the reporting period. The growth is the result of the issue of a new subordinated bond which was issued in the nominal value of EUR 50 million in April 2019. An opposite effect on own funds came from the decrease in the reconciliation reserve of EUR 2 million. The main reason for the increase in the SCR is the increase in the capital requirements for underwriting risks, mainly the non-life underwriting risks, and the decrease in loss-absorbing capacity of deferred taxes and capital requirements of the companies from other financial sectors and companies that are not part of the basic capital requirement.

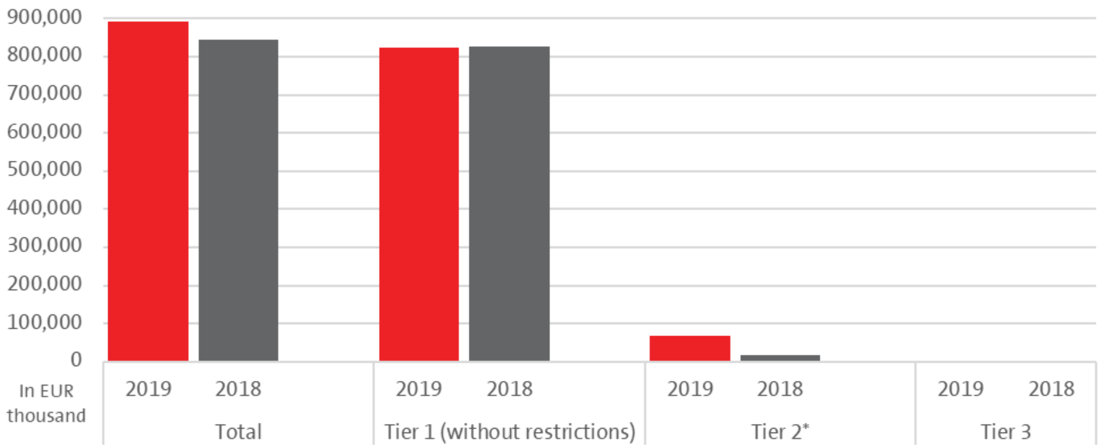
Capital adequacy of the Triglav Group as at 31 December 2019 and 31 December 2018

In EUR thousand

Capital adequacy of the Group	31 December 2019	31 December 2018
Total eligible own funds to meet the SCR	891,889	843,246
Total eligible own funds to meet the MCR	856,845	843,246
Solvency capital requirement (SCR)	399,614	390,904
Minimum capital requirement (MCR)	165,186	154,322
Capital adequacy to SCR	223%	216%
Capital adequacy to MCR	519%	546%

The Group's capital adequacy amount is affected by eligible own funds that the Group holds in order to meet the SCR as well as by its SCR. The Group holds the highest quality eligible own funds.

Quality of the Group's eligible own funds to meet the SCR as at 31 December 2019 and 31 December 2018:



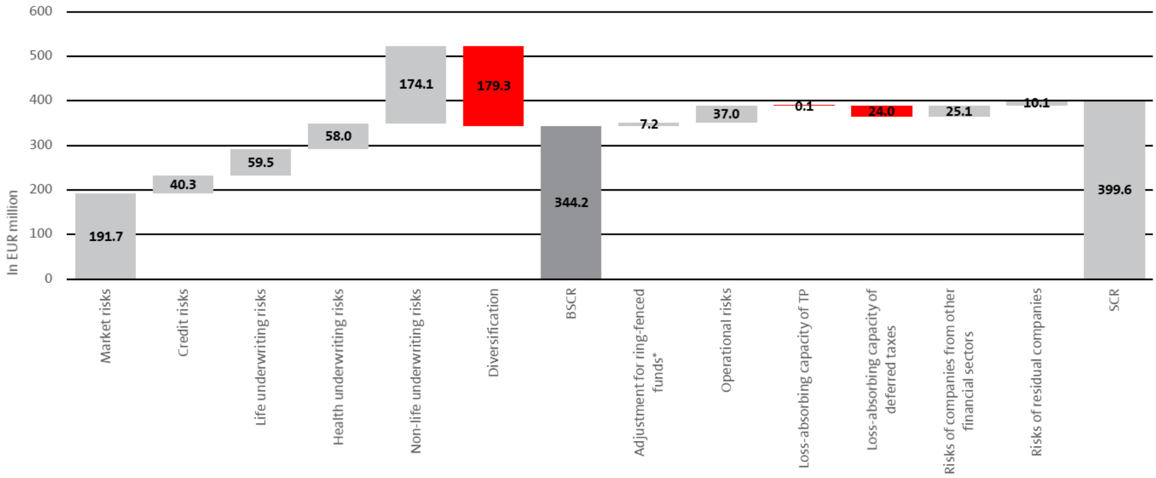
* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR

The quality of own funds is broken down into classes subject to the extent of their permanent availability to cover potential losses and their subordination to underwriting liabilities. Tier 1 thus includes the highest quality basic own funds, while Tier 2 only includes those that are characterised by subordination to a large extent. All other items are classified into Tier 3. All three tiers are eligible to meet the SCR up to the defined thresholds, while only Tier 1 and a part of Tier 2 capital are eligible to meet the minimum consolidated requirement.

Eligible own funds are calculated as the difference between assets and liabilities whereby both sides of the balance sheet are valued at fair value. They are composed of the share capital (EUR 73.7 million), subordinated liabilities (EUR 68.1 million) and the reconciliation reserve (EUR 750.1 million). The calculation of eligible own funds takes into account the value of expected dividends for the 2019 financial year (EUR 56.8 million). The second deductible item is the so-called unavailable funds. They are represented by two values, i.e. the difference between the market values of Triglav Skladi, d.o.o. and Triglav, pokojninska družba, d.d. and the sector-based value of available capital to meet the sector-based capital requirement of the companies and the minority stakes of Group members.

The **solvency capital requirement of the Triglav Group** is calculated using the standard formula and without simplification. The SCR is the sum of the SCR for the four main risks, as indicated in the Group's risk profile, and of the other items shown below.

Structure of the Group's SCR



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

The legislation does not prescribe the minimum consolidated capital requirement for the Group. The floor for the consolidated capital requirement at the Group level corresponds to the minimum consolidated solvency capital requirement at the Group level and is the sum of the MCR of the parent company and the proportionate share of the MCR of all associated (re)insurance companies. The calculation for insurance companies that are not subject to Commission Delegated Regulation (EU) take into account the local MCRs in proportionate amounts.

At the end of 2019, 81% of the Triglav Group's SCR related to underwriting and market risks, while majority of its own funds were classified as Tier 1 in terms of quality. which makes them high-quality funds. Efficient management of own funds and capital which ensures safety and profitability of operations to the Triglav Group members which in turn leads to effective realization of the Group's planned and strategic goals.

A. Business and performance

A.1 Business

A.2 Underwriting performance

A.3 Investment performance

A.4 Performance of other activities

A.5 Any other information

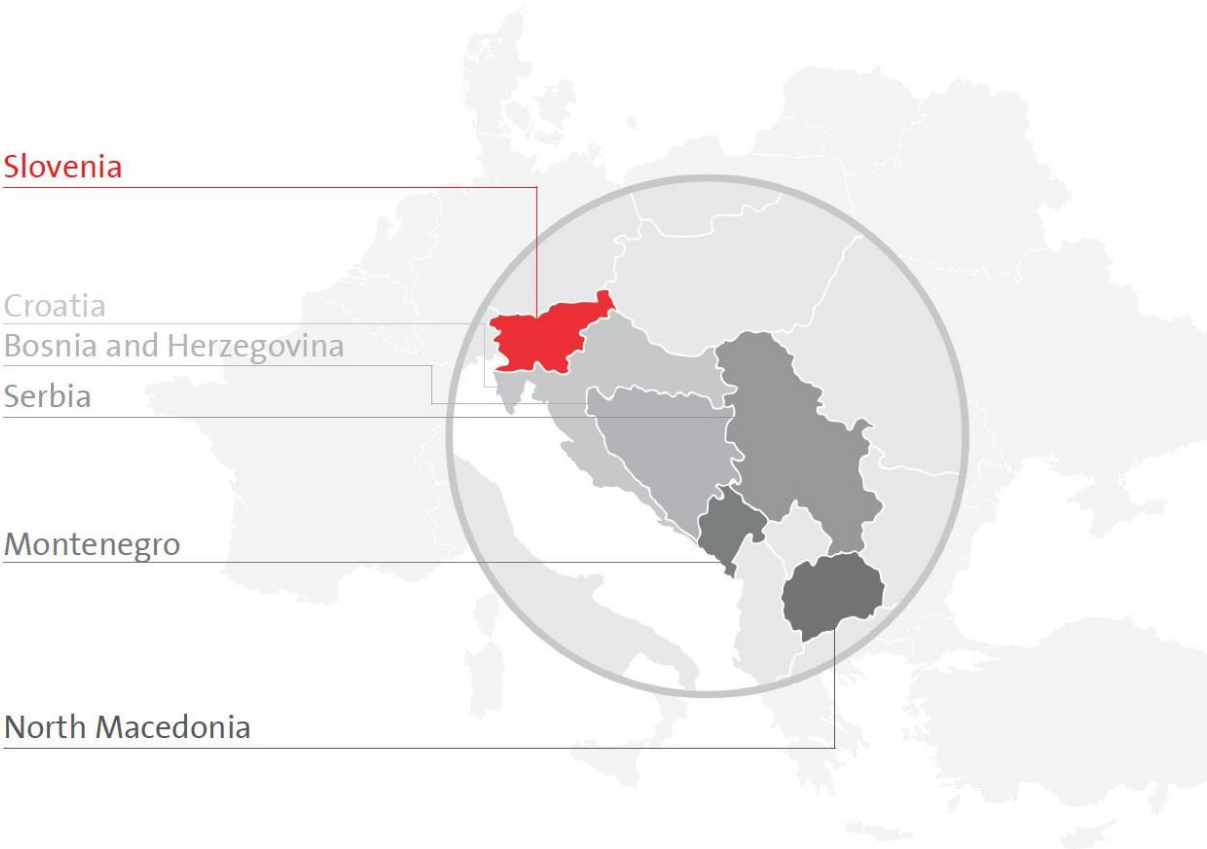
A. Business and performance

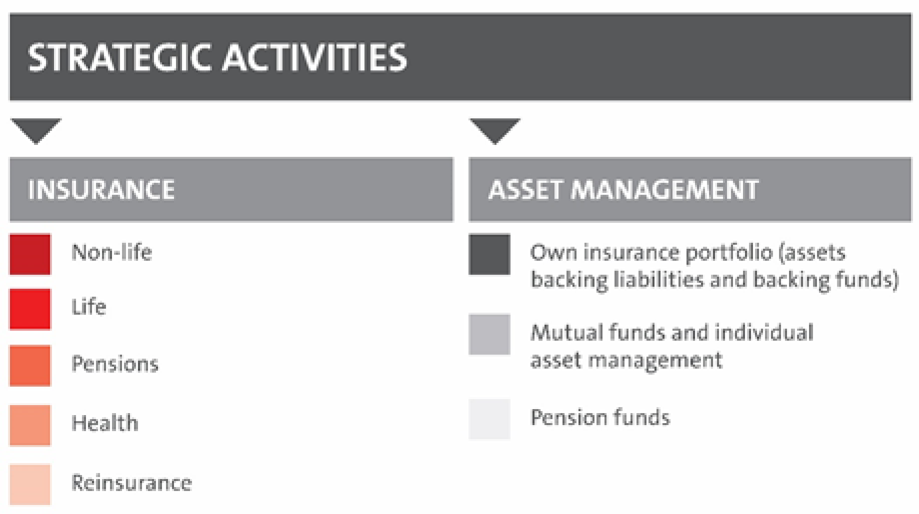
A.1 Business

A.1.1 About the Triglav Group

Triglav Group (hereinafter: Group) is the leading insurance-financial group in Slovenia and the Adriatic region as well as one of the leading in South-Eastern Europe. The Group operates on 7 markets in 6 countries, 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 Group's parent company is Zavarovalnica Triglav, d.d. (hereinafter: Company). At the end of 2019, the Company formed the Group together with 30 subsidiaries and 7 associated companies.

Figure 1: Insurance markets of the Group as at 31 December 2019





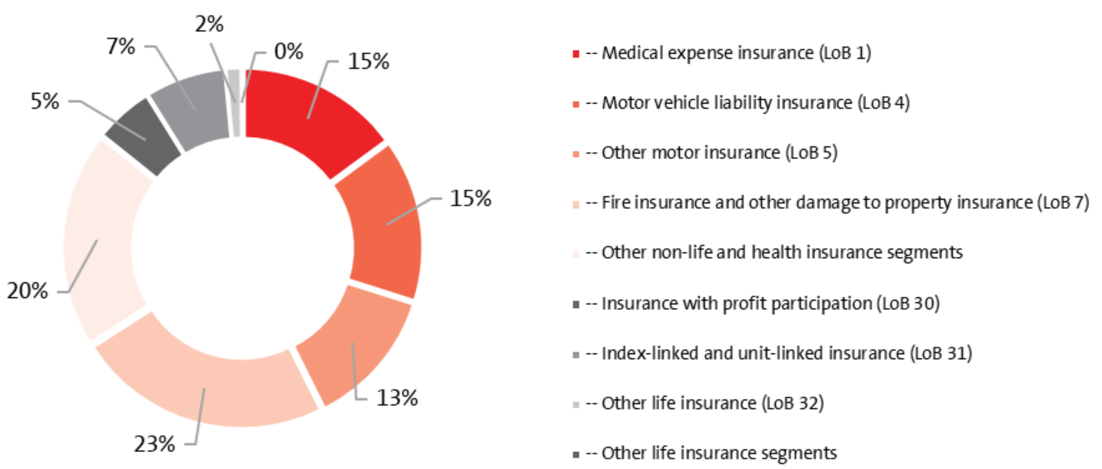
INSURANCE is the most extensive strategic activity of the Group. It includes non-life, life, health and pension insurance as well as the reinsurance activity.

The insurance portion of the Group includes:

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

The Group operated in all segments of non-life insurance in 2019 with the exception of the segment of worker's compensation insurance (LoB 3). Of all the insurance segments, the Group earns most of the premium from fire and other damage to property insurance (LoB 7), motor vehicle liability insurance (LoB 4) and medical expense insurance (LoB 1).

Chart 1: Group's non-consolidated gross insurance, co-insurance and reinsurance written premium in 2019



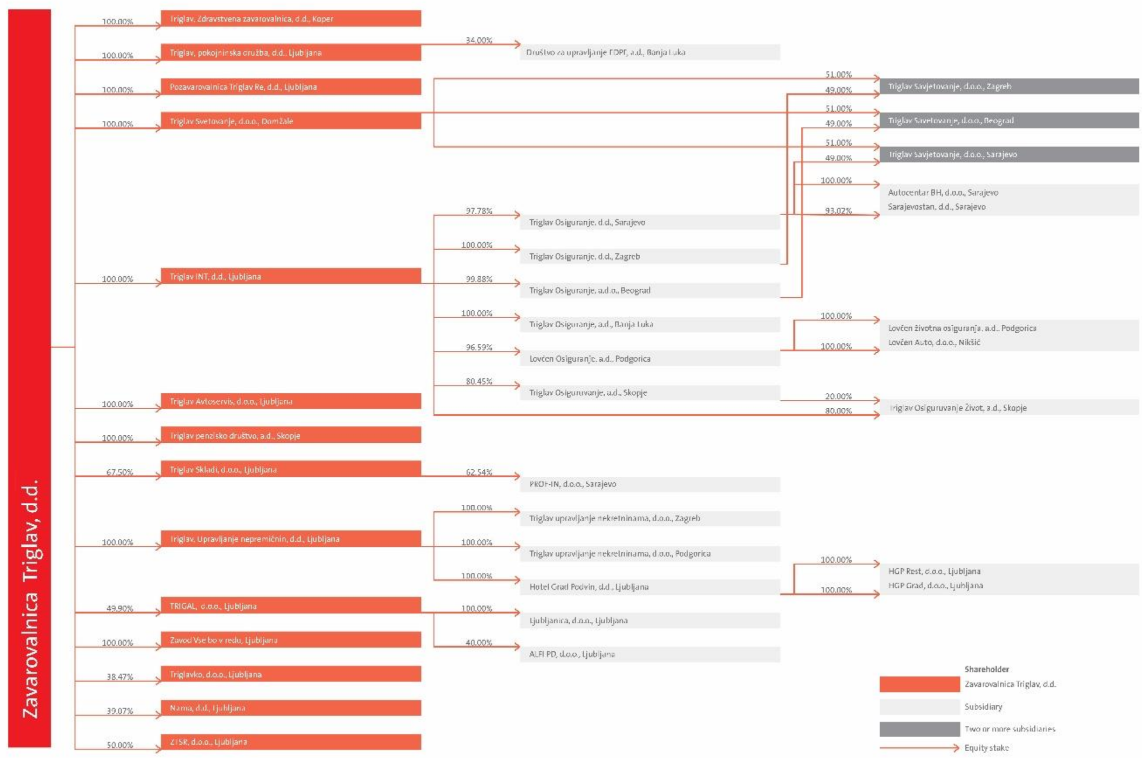
The ASSET MANAGEMENT activity is performed by the life insurers and pension companies of the Group as well as Triglav Skladi, d.o.o. (hereinafter: Triglav Skladi), Triglav, Upravljanje nepremičnin, d.d. and Trigal, d.o.o. Asset management involves saving via insurance services and investing in the Group's mutual funds.

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

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

The structure of the Group as at 31 December 2019 is shown in the figure below.

Figure 2: Schematic of the Group's subsidiaries and associated companies and their respective equity interests as at 31 December 2019



A.1.2 Supervisory body

The Group's supervisory body is:

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

A.1.3 External audit

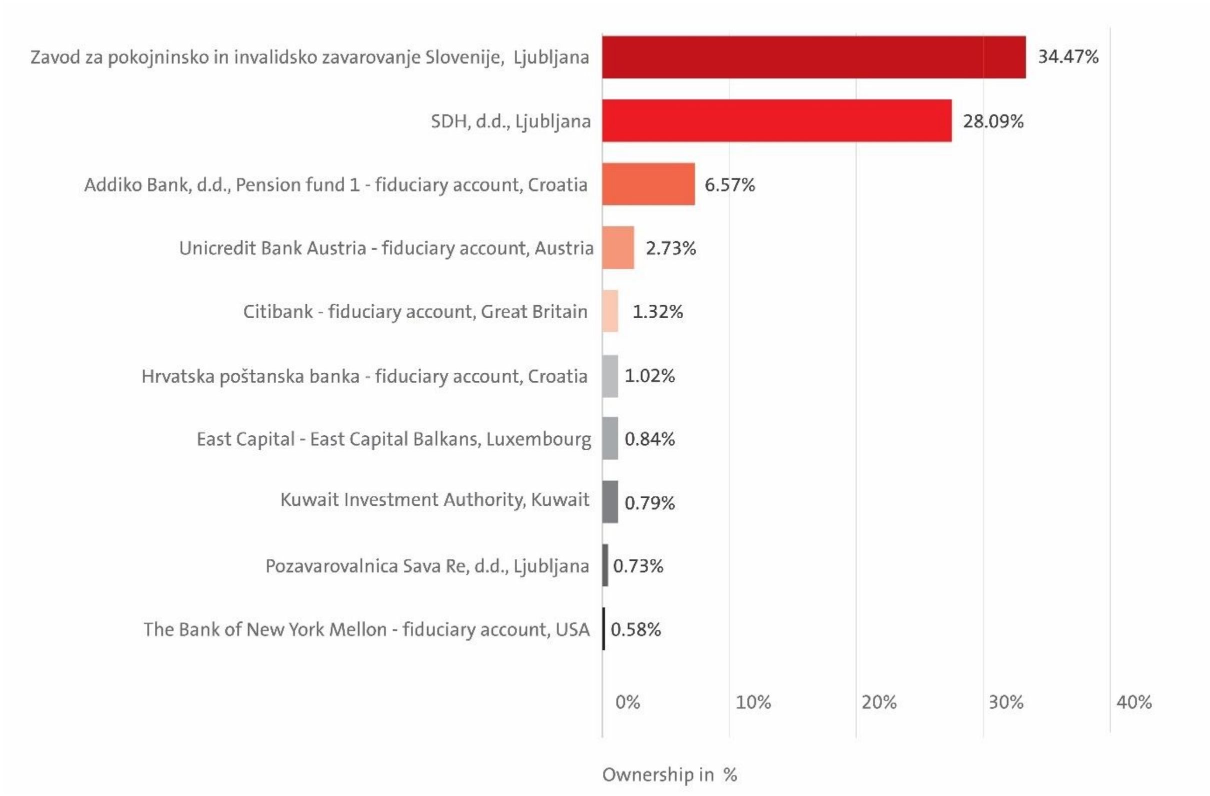
Based on the resolution of the General Meeting of Shareholders (hereinafter: General Meeting) of the Company, the following audit firm was appointed as the external auditor of the Company for the 2019 financial year:

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 2019. The composition of the Company's top ten shareholders in terms of the scope of ownership remained unchanged, with their total shareholding remaining at last year's level (77%). The two biggest owners, i.e. funds owned by the Republic of Slovenia, kept their shareholdings unchanged, while some of the other large shareholders adjusted their positions.

Chart 2: Top ten shareholders of the Company as at 31 December 2019



The Company had 13,161 shareholders at the end of 2019, down 7% compared to the year before. The number of shareholders decreased as a result of the continuation of exits by Slovenian citizens who owned a small number of shares from the time of the privatisation of the Company. International shareholders held 17.4% of all shares or 35% of the shares in circulation (owned by shareholders with a stake of less than 5%) at the end of the year. The Group implements an active policy in the area of investor relations which includes a strong presence of the Group in international investor circles.

CHANGES TO THE GROUP'S STRUCTURE

The following changes to the equity interests of Group companies occurred in 2019:

- Triglav INT, d.d. acquired a 0.1% equity interest in Triglav Osiguruvanje, a.d., Skopje from non-controlling owners, thereby increasing its equity interest to 80.45%. The acquisition cost of the interest came in at MKD 888,940 or EUR 14,428.
- Lovćen Osiguranje, a.d. made a capital injection into its subsidiary Lovćen Auto, d.o.o. with a contribution of EUR 2,400,000 and thus remained its sole owner.
- The Company made a capital injection into its associated company Trigal, d.o.o., i.e. with cash contributions of EUR 1,094,670, thus retaining a 49.9% ownership interest.
- On 5 February 2019, Trigal, d.o.o. signed an agreement on the sale of the KRDU Building, d.o.o., and LOMA CENTER, d.o.o companies with TRIGAL AIF SICAV – RAIF S.C.A. Compartment 2, Regional Multi Asset Fund Compartment, Luxembourg. The companies are no longer treated as the Group's associated companies.

- On 27 March 2019, the Company established the Triglav penzisko društvo, a.d., Skopje (hereinafter: Triglav penzisko društvo) company for the management of compulsory and mandatory pension funds with a contribution of EUR 3,000,000.
- On 29 March 2019, Hotel Grad Podvin, d.o.o. established the HGP Grad, investicije, d.o.o. and HGP Rest, investicije, d.o.o. companies which are fully owned by Hotel Grad Podvin, d.o.o.
- On 24 April 2019, Triglav Skladi became the sole owner of ALTA Skladi, družba za upravljanje. On 19 December 2019, the merger was registered in the Register of Companies. Detailed information is provided in chapter 2.10 in the Accounting Report of the Annual Report of the Triglav Group and Zavarovalnica Triglav, d.d. for 2019 (hereinafter: Annual Report).
- TRI-LIFE, d.o.o., Zagreb was renamed to Triglav Savjetovanje, d.o.o., Zagreb.
- In Q2, Triglav Svetovanje, d.o.o. and Triglav Osiguranje, a.d., Zagreb performed a capital injection into their subsidiary Triglav Savetovanje, d.o.o., Zagreb in line with their proportional ownership interests in the company. By injecting HRK 2,100,000 or EUR 284,000 in cash, they retained their respective 51% and 49% stakes in the company.
- On 8 August 2019, the Company concluded an agreement with Sava Re, d.d. which provides it with the option of acquiring a 40% share in the share capital of Diagnostični center Bled, d.o.o., which in turn represents 50% of the voting rights. The Company's aim is for it and Sava Re to gain control over the said company via ZTSR, d.o.o., which is co-owned by them. The investment is part of regular activities by way of which the Company realises the policy for the management of the Group's financial asset portfolio and will not materially affect the composition of the portfolio. The realisation of the transaction depends on the fulfilment of certain suspensive conditions.
- In Q3, Triglav Svetovanje, d.o.o. and Triglav Osiguranje, a.d., Beograd performed a capital injection into their subsidiary Triglav Savetovanje, d.o.o., Triglav Osiguranje, d.d., Beograd in line with their proportional ownership interests in the company. By injecting RSD 2,500,000 or EUR 21,000, they retained their respective 51% and 49% stakes in the company.
- Triglav, Upravljanje nepremičnin, d.d., sold its 80.73% participating interest in Golf Arboretum, d.o.o. in accordance with its strategic guidelines.
- On 19 September 2019, Triglav Auto, d.o.o., Banja Luka was liquidated. The liquidation did not affect the Group's consolidated financial statements.
- In December, Skupna pokojninska družba was renamed to Triglav, pokojninska družba, d.d (hereinafter: Triglav pokojninska).
- Unis automobili i dijelovi, d.o.o. was merged to Autocentar BH, d.o.o. The merger did not affect the Group's consolidated financial statements.
- On 3 September 2019, Trigal, d.o.o. and three other company members established the ALFI PD, d.o.o. company. Trigal contributed EUR 40,000 which made it a 40% owner of the new company.

The changes in the Group's structure are presented in greater detail in the business portion of the Annual Report, section 2.10 in the Accounting Report.

A.1.5 Major business events and achievements in 2019

- Good business results: The Group's good operating performance meant that it again exceeded the planned results. It generated premium growth on all insurance markets and in all insurance operations segments.
- The Group maintained the high "A" credit rating: The credit rating agencies S&P Global Ratings and A.M. Best confirmed the Group's A rating with a stable medium-term outlook.
- Dividend payment: In 2019, the Company paid out dividends for the 2018 financial year in the total amount of EUR 56.8 million. Dividend payments accounted for 70% of the Group's 2018 net profits.
- Strengthening of the asset management activity: By taking over the asset management company ALTA Skladi, the Triglav Group became the leading provider of mutual funds on the Slovenian market.
- Pension funds market entry in North Macedonia: The Group entered the pension funds market in North Macedonia with the establishment of pension company Triglav penzisko društvo, where it operates as one of three companies.
- Bond issuance: The Company successfully issued a 30.5-year subordinated bond and replaced the subordinated bond that matured in 2020. The new issuance is part of ordinary capital management activities of the Group, by way of which the Company ensures an optimum capital structure and its cost effectiveness.
- Changes in the Management Board and Supervisory Board of the Company: The Supervisory Board appointed David Benedek as a Management Board member for a five-year term of office. The Works' Council elected Peter Celar, Branko Gorjan and Igor Zupan as Supervisory Board members who act as employee representatives.

A.1.6 Treatment of subsidiaries in consolidation for solvency purposes

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

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

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

Companies in Group	Consolidation method for solvency purposes	Consolidation method for financial reporting purposes
Zavarovalnica Triglav, d.d. - Parent company	Full consolidation	Full consolidation
Pozavarovalnica Triglav Re, d.d., Ljubljana	Full consolidation	Full consolidation
Triglav, Zdravstvena zavarovalnica, d.d., Koper	Full consolidation	Full consolidation
Triglav Skladi, d.o.o., Ljubljana	Financial investment - FV	Full consolidation
Triglav, pokojninska družba, d.d., Ljubljana	Financial investment - FV	Full consolidation
Triglav upravljanje nepremičnin, d.d., Ljubljana	Full consolidation	Full consolidation
Triglav Svetovanje, d.o.o., Ljubljana	Full consolidation	Full consolidation
Triglav Avtoservis, d.o.o., Ljubljana	Full consolidation	Full consolidation
Hotel grad Podvin, d.o.o., Radovljica	Financial investment - FV	Financial investment - FV
Vse bo v redu, Zavod za družbeno odgovornost	Financial investment - FV	Financial investment - FV
Triglav INT, d.d., Ljubljana	Full consolidation	Full consolidation
Triglav Osiguranje, d.d., Zagreb	Full consolidation	Full consolidation
Triglav Osiguranje, a.d., Banja Luka	Full consolidation	Full consolidation
Triglav Osiguranje, d.d., Sarajevo	Full consolidation	Full consolidation
Triglav Osiguranje, a.d.o, Beograd	Full consolidation	Full consolidation
Lovčen Osiguranje, a.d., Podgorica	Full consolidation	Full consolidation
Lovčen životna osiguranja, a.d.,Podgorica	Full consolidation	Full consolidation
Triglav Osiguruvanje, a.d., Skopje	Full consolidation	Full consolidation
Triglav Osiguruvanje Život, a.d., Skopje	Full consolidation	Full consolidation
Lovćen Auto, d.o.o., Nikšić	Full consolidation	Full consolidation
Autocentar BH, d.o.o., Sarajevo	Full consolidation	Full consolidation
Triglav Savjetovanje, d.o.o., Zagreb	Full consolidation	Full consolidation
Triglav Savjetovanje, d.o.o., Sarajevo	Full consolidation	Full consolidation
Triglav Savetovanje, d.o.o., Beograd	Full consolidation	Full consolidation
PROF-IN, d.o.o., Sarajevo	Consolidated within own parent company	Financial investment - FV
Sarajevostan, d.d., Sarajevo	Financial investment - FV	Full consolidation
Triglav upravljanje nekretninama, d.o.o., Zagreb	Full consolidation	Full consolidation
Triglav upravljanje nekretninama, d.o.o., Podgorica	Full consolidation	Full consolidation
Nama, trgovsko podjetje, d.d., Ljubljana	Financial investment - FV	Financial investment - EM
Triglavko, d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Trigal, upravljanje naložb in svetovalne storitve, d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom, a.d., Banja Luka	Consolidated within own parent company	Financial investment - FM
ZTSR, raziskovanje trga, d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Ljubljanica, finančne storitve, d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM
Triglav, penzisko društvo, a.d., Skopje	Financial investment - FV	Full consolidation

HGP GRAD, investicije d.o.o., Ljubljana	Financial investment - FV	Financial investment - FV
HGP REST, investicije d.o.o., Ljubljana	Financial investment - FV	Financial investment - FV
ALFI PD, upravljanje alternativnih investicijskih skladov, d.o.o., Ljubljana	Financial investment - FV	Financial investment - EM

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

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

A.2 Underwriting performance

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

The Group's net profit in 2019 amounted to EUR 83.9 million, up 3.8% compared to the year before. A comparison with 2018 shows that the increase is mainly the result of the higher growth in net premium income than in the net claims incurred and that increase came mainly from the net profit from life insurance with pension insurance which rose by EUR 4.8 million in the period under consideration.

The net return on equity, which is the ratio between net income returned and the average balance of equity, stood at 10.9% in 2019, an increase of 0.1 pp compared to the year before. The small change in the value of net income returned is the result of the higher value of average balance of equity compared to the year before.

Table 3: Group's operating performance in 2019 and 2018

In EUR thousand

	2019	2018
Net profit or loss	**83,864**	**80,826**
- Non-Life Insurance	62,896	62,862
- Health insurance	4,373	3,108
- Life insurance with pension insurance	17,245	12,486
- Other	-649	2,370
Profit or loss before tax	**100,937**	**97,456**
Non-life insurance combined ratio	**91.5%**	**91.8%**
ROE	**10.9%**	**10.8%**

The insurance undertakings that are fully consolidated with Pozavarovalnica Triglav Re, d.d., (hereinafter: Triglav Re) according to the segmentation, which is applied for solvency purposes, jointly booked EUR 1,250.9 million worth of non-consolidated gross insurance, co-insurance and reinsurance premium in 2019. EUR 1,072.7 million worth of the premium was booked in the non-life and health insurance segment, while the premium booked in the life insurance segment came in at EUR 178.2 million. The biggest share of the non-life and health insurance premium is derived from the fire insurance and other damage to property insurance segment (LoB 7). These were followed by motor vehicle liability insurance (LoB 4) and medical expense insurance (LoB

1). The gross premium increased by EUR 124.1 million compared to 2018, whereby the premium for non-life insurance and health insurance products rose by EUR 111.4 million, and the premium for life insurance products increased by EUR 12.8 million.

According to the segmentation for solvency purposes, gross claims incurred in 2019 came in at EUR 729.6 million, whereby EUR 559.3 million came from non-life insurance and health insurance and EUR 170.3 million came from life insurance. The majority of the gross claims incurred among non-life and health insurance arose from claims in the fire insurance and other damage to property insurance (LoB 7) as well as medical expense insurance segments (LoB 1). The value of this item at the Group level increased by EUR 43.6 million when compared to 2018. Gross claims incurred from non-life and health insurance products increased by EUR 21.4 million, whereby gross claims incurred from life insurance increased by EUR 22.2 million, with the most noticeable decrease recorded in the segment of insurance with profit participation (LoB 30) where gross claims increased by EUR 13.6 million compared to 2018.

The Group's gross expenses in 2019 amounted to EUR 314.5 million. EUR 277.7 million of the abovementioned amount came from non-life insurance and health insurance and EUR 36.8 million came from life insurance. Subject to the segmentation for solvency purposes, the highest expenses were incurred in the fire insurance and other damage to property insurance segment (LoB 7). The Group's expenses increased by EUR 40.9 million when compared to 2018. Other expenses incurred in 2019 came in at EUR 12.2 million, whereby EUR 11.6 million of the said amount came from non-life insurance and health insurance and EUR 0.6 million came from life insurance.

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

Table 4: Premium, claims and expenses of the Group by major insurance segments for solvency purposes in 2019 and 2018

	In EUR thousand	
	2019	**2018**
Non-consolidated Gross written premiums from insurance, reinsurance and co-insurance contracts	**1,250,856**	**1,126,738**
- Non-life and health insurance	**1,072,681**	**961,317**
-- Medical expense insurance (LoB 1)	186,813	150,619
-- Motor vehicle liability insurance (LoB 4)	186,884	168,710
-- Other motor insurance (LoB 5)	159,149	147,976
-- Fire insurance and other damage to property insurance (LoB 7)	292,003	266,857
-- Other non-life and health insurance segments	247,831	227,155
- Life insurance	**178,175**	**165,421**
-- Insurance with profit participation (LoB 30)	67,102	65,923
-- Index-linked and unit-linked insurance (LoB 31)	92,177	87,899
-- Other life insurance (LoB 32)	17,982	11,032
-- Other life insurance segments	914	566
Gross claims incurred	**729,613**	**686,043**

- Non-life and health insurance	**559,345**	**538,022**
-- Medical expense insurance (LoB 1)	148,920	120,271
-- Motor vehicle liability insurance (LoB 4)	88,461	85,561
-- Other motor insurance (LoB 5)	100,361	98,434
-- Fire insurance and other damage to property insurance (LoB 7)	130,957	125,394
-- Other non-life and health insurance segments	90,647	108,363
- Life insurance	**170,268**	**148,020**
-- Insurance with profit participation (LoB 30)	86,615	72,985
-- Index-linked and unit-linked insurance (LoB 31)	70,028	71,441
-- Other life insurance (LoB 32)	6,849	4,615
-- Other life insurance segments	6,775	-1,021
Gross expenses	**314,506**	**273,622**
- Non-life and health insurance	**277,674**	**239,342**
-- Income protection insurance (LoB 2)	23,231	24,492
-- Motor vehicle liability insurance (LoB 4)	58,822	52,091
-- Other motor insurance (LoB 5)	42,100	38,222
-- Fire insurance and other damage to property insurance (LoB 7)	81,428	72,858
-- Other non-life and health insurance segments	72,093	51,679
- Life insurance	**36,832**	**34,280**
-- Insurance with profit participation (LoB 30)	12,596	13,140
-- Index-linked and unit-linked insurance (LoB 31)	17,163	16,732
-- Other life insurance (LoB 32)	7,048	4,396
-- Other life insurance segments	24	12
Other expenses	**12,214**	**9,419**

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

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

Similarly to the case of the gross written premium, the biggest share of gross claims incurred comes from Slovenia. The shares of claims in other countries increased on account of decrease in claims in Slovenia, Croatian and Montenegro compared to 2018.

The table below shows the Group's non-consolidated gross written premiums and incurred claims.

Table 5: Geographic distribution of the Group's premium and claims by country in 2019 and 2018

	In EUR thousand	
	2019	**2018**
Geographic distribution of the premium and claims	**1,250,856**	**1,126,738**
Non-consolidated gross written premiums from insurance, reinsurance and co-insurance contracts	**926,394**	**848,046**
-- Slovenia	76,408	68,444

-- Croatia	63,258	50,805
-- Serbia	40,785	34,306
-- Montenegro	32,689	28,621
-- Bosnia and Herzegovina	26,733	24,602
-- North Macedonia	84,590	71,914
- Other countries of operation	**729,613**	**686,043**
Gross claims incurred	560,465	535,121
-- Slovenia	48,500	48,013
-- Croatia	26,830	19,449
-- Serbia	18,682	25,241
-- Montenegro	14,637	11,404
-- Bosnia and Herzegovina	12,689	10,467
-- North Macedonia	47,810	36,348

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

A.3 Investment performance

The Group pursues a relatively conservative investment policy that emphasises the safety and liquidity of investments as well as their adequate return. The major share of the Group's investments is represented by debt and other securities with a fixed income. The main factors affecting the Group's investment performance are the structure of the investments and the developments on capital markets. This chapter presents the Group's investment result broken down by the main sources of individual investment classes. We also provide a comparison with the investment result published by the Group last year. The investment result shown was also published by the Group in the Annual Report, section 3.7 in Accounting Report.

The returns on financial investments, including returns on unit-linked life insurance policyholders' investments represent the difference between the income and expenses from financial assets, which increased to EUR 166.3 million. The trend of the Group's falling interest income is continuing as a result of the persistent low interest rate environment. The subordinated debt issuance in April 2019 worth EUR 50 million had an effect on the increase in interest income. Dividend income is comparable to that of last year. The dividend income remains nearly unchanged compared to the year before. The majority of dividends were paid to the Company. The decrease in interest rates and the general growth of stock markets were a positive driver for the change in the fair value. The total change exceeds EUR 26 million. The adjustment of the debt portfolio to the economic environment and the sale of certain equity investments are resulting in comparatively higher profits from sales. As a result of the low-interest rate environment and stable or static stock markets, the expenses from permanent impairments remain low. The amount of permanent impairments is mostly comprised of the impairments at the Company and in Montenegro. The majority of other financial income is represented by the revaluation of unit-linked assets. The decrease in interest rates and credit spreads, but primarily the general growth of stock markets, resulted in a significant positive revaluation. The income side rose by nearly EUR 68.8 million compared to the year before, while the expense side is lower by more than EUR 30.5 million.

Table 6: Income and expenses from the investment activities of the Group for financial reporting purposes in 2019 and 2018

		In EUR thousand
Income and expenses from investing activities	**31 December 2019**	**31 December 2018**
Interest	**56,027**	**60,548**
- Income	59,125	61,932
- Expenses	3,099	1,384
Dividends	**3,856**	**4,044**
- Income	3,856	4,044
- Expenses	0	0
Changes in fair value*	**12,783**	**-13,493**
- Income	19,675	2,062
- Expenses	6,892	15,554
Profit and loss from sales	**27,799**	**10,649**
- Income	38,129	23,778
- Expenses	10,330	13,129
Permanent impairments	**-849**	**-1,497**
- Income	0	0
- Expenses	849	1,497
Other financial income	**66,652**	**-32,621**
- Income	73,267	4,454
- Expenses	6,616	37,075
Total	**166,268**	**27,629**

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

As a result of the inclusion of net unrealized index-linked and unit-linked life insurance contracts into the other financial income class, the values for 2018 do not match the data shown in the Solvency and Financial Condition Report of the Triglav Group (hereinafter: SFCR) for 2018.

No Group company is currently investing in securitization instruments.

A.4 Performance of other activities

A.4.1 Other income and expenses

The Group's other income in 2019 amounted to EUR 76.7 million, up EUR 10.7 million compared to the year before, which is mainly the result of the higher income from reinsurance commission (increase by EUR 6.3 million) and income of non-insurance companies (increase by EUR 4.2 million).

The Group's other expenses in 2019 came in at EUR 98.1 million, up EUR 19.7 million compared to the year before. The increase in other expenses mostly relates to the increase in commission expenses (EUR 7 million), increase in the operating expenses of non-insurance companies (EUR 3.6 million) and the increase in interest expenses from issued bonds (EUR 1.5 million).

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

Table 7: Other income and expenses of the Group for financial reporting purposes in 2019 and 2018

In EUR thousand

	2019	2018
Other income	**76,705**	**65,988**
- Other insurance income	37,184	29,838
- Other income	39,521	36,150
Other expenses	**98,099**	**78,363**
- Other insurance expenses	43,565	33,744
- Other expenses	54,534	44,619

A.4.2 Lease agreements

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

Among the contractual relationships where the Group members act as the landlord, only investment property is considered material. Of the total value of investment properties of EUR 79.9 million, the annual rental income came in at EUR 5.7 million. The Company generated 65% of the said income, while Triglav, Upravljanje nepremičnin, d.d. generated 31%.

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

The new International Financial Reporting Standard dealing with leases (hereinafter: IFRS 16) entered into force on 1 January 2019. The standard mainly changes the recognition of leases for lessees/tenants, while it brings no significant changes for lessors/landlords. The financial statements of lessees/tenants no longer disclose leases among rental costs, but as the right to use the asset which is also depreciated subject to the lease term. Upon initial recognition, the value of the asset is measured at the current value of future rents.

As at 1 January 2019, the right to use assets in the amount of EUR 12.2 million was recognised in the Group's financial statements. The total annual depreciation expense of these assets was EUR 3.3 million, while interest expenses came in at EUR 554 thousand. Rental costs not accounted according to IFRS 16, i.e. short-term leases and low-value leases, came in at EUR 623 thousand in 2019.

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

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

In reinsurance operations in 2019, the most material transactions where the total reinsurance transaction[5] turnover with an individual company did not exceed EUR 3.5 million were:

- total reinsurance transactions between Triglav Re and the Company amounted to EUR 100 million;
- transactions between Triglav Re and Triglav Osiguranje d.d., Zagreb - EUR 20.4 million in turnover;
- transactions between Triglav Re and Lovćen Osiguranje, d.d. Podgorica - EUR 6.7 million in turnover;
- transactions between Triglav Re and Triglav Osiguruvanje, d.d. Skopje - EUR 4.8 million in turnover,

The reinsurance business within the scope of the Group is also pursued by the Company. The largest volume of transactions was concluded with Triglav Osiguranje d.d., Zagreb, for a total of EUR 8.2 million. The total reinsurance transaction turnover with other individual companies did not exceed EUR 5 million.

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

A.5 Any other information

EVENTS IN 2020

Pandemic: At the time of writing this Report, great uncertainties were detected regarding the continued spread of coronavirus in Slovenia as well as in neighboring countries. In many countries around the world, including Slovenia, public life is being stopped, production and supply chains are being disrupted.

The international financial markets recorded at the beginning of March 2020 noticeable changes in exchange rates in a short period on a global economic level which are a consequence of coronavirus COVID_19 epidemic. The noticeable changes were in high declines in share prices and other goods (oil), additional pronounced decline in risk-free interest rates and increase in credit spreads. There is also a noticeable liquidity fluctuation because of the said risks. The pandemic will have a big impact on economic growth both in countries that the Group operates in as well as abroad.

Due to the fluctuations in the financial markets, market risks are one of the most important influences on business operations. The structure of the investment portfolio remains similar to the end of 2019. Sensitivity of capital adequacy to market risk shocks is presented in more detail in Chapter C.2 of this Report.

Underwritting risks are also increasing, mainly from credit, health and life insurance and event cancellation insurance, which represent a smaller part of Group's operations. When taking out insurance, the scope of insurance premiums may shrink in some insurance classes as a result of

[5] Total reinsurance transactions include the reinsurance premium, reinsurance share for reinsurance claims settled and reinsurance fees and commissions.

distance contracting and, secondarily, of the projected economic downturn. On the other hand, reduced economic activity could also lead to a reduction in loss events themselves, at least in the short term.

In accordance with the recommendations of the health care profession and the competent institutions, the Group has adapted its business processes to limit the spread of infections. Thus, the business continuity plan was activated, which also includes distance services, both for taking out insurance and for dealing with claims. Work from home has been established to a considerable extent. These exceptional measures ensure that customer support is as effective as possible, while protecting customers and employees. However, operational risks are increased due to disruption of work processes, greater simultaneous absence of key employees, risk of interruptions, work from home and, consequently, greater risk of information security.

Due to the many unknowns, it is difficult to fully assess the consequences at this time. However, the Group currently estimates that it has a sufficiently resilient insurance and investment portfolio and an adequate capital position to successfully cope with increased risks in these exceptional circumstances.

OTHER RELEVANT INFORMATION

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

B. System of governance

B.1 General information on the system of governance

B.2 Fit and proper requirements

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

B.4 Internal control system

B.5 Internal audit function

B.6 Actuarial function

B.7 Outsourcing

B.8 Any other information

B. System of governance

B.1 General information on the system of governance

B.1.1 Corporate governance

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

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

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

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

PARENT COMPANY'S MANAGEMENT BOARD

The main powers and tasks of the Management Board of the Company 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; and reporting to the Supervisory Board on the performance of both the Company and the Group.

On 28 March 2019, the Supervisory Board appointed David Benedek as the new Management Board member for a five year term of office. He assumed the function of Management Board member on 29 August 2019 when he received the decision of the ISA by way of which he was issued the permit for the performance of this function:

Table 8: Composition of the Management Board and the competences of the members of the Management Board of the Company as at 31 December 2019

Company's Management Board	Function	Competences
Andrej Slapar	President of the Management Board	- Management Board Office - Legal Office - Internal Audit Department - Corporate Communication Department - Business Intelligence (BI) - Compliance Office - Non-Life Insurance Development and Actuarial Department - Corporate Accounts - Senior management staffing - Arbitration - Nuclear Insurance and Reinsurance Pool, GIZ (Commercial Association of Slovenian Insurance Companies), - Reinsurance and Asset Management Division - representation of the Company in the Council of the Slovenian Insurance Association
Uroš Ivanc	Member of the Management Board	- Strategic Sourcing Department - Risk Management Department - Strategic Planning and Controlling Department - Accounting Division - Finance Division (excluding Investment Department)
Tadej Čoroli	Member of the Management Board	- Innovation and Digitalisation of Operations Service - Client Contact Unit - Marketing Department - Insurance Sales Division - Non-Life Insurance Division - 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 Division - 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 - Organisation Development and Business Process Management Department - Fraud Prevention, Detection and Investigation Department - Project Change and the Portfolio Management Department - IT Division

	- Back Office Division - HRM Division, except HR issues related to senior management staffing

PARENT COMPANY'S GENERAL MEETING OF SHAREHOLDERS

Shareholders exercise their rights in Company matters at the General Meeting that is convened no less than once a year. The powers and operation of the General Meeting 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 session may participate in the General Meeting. 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, section 6.2.

PARENT COMPANY'S SUPERVISORY BOARD

The Supervisory Board of the Company has nine members, six of whom are shareholders' representatives and three are employee representatives. The members of the Supervisory Board - shareholders' representatives are elected by the General Meeting. 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 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 competences afforded to it under the Companies Act and the Insurance Act (hereinafter: ZZavar-1), the Supervisory Board grants its consent to the decisions of the Management Board where the stake of the Company or the value exceeds the limit set in the Rules of Procedure of the Supervisory Board, i.e. in the establishment of companies with share capital in Slovenia and abroad and in the acquisition or sale of the Company's equity interests in foreign or domestic companies. 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.

As at 31 December 2019, the Supervisory Board composition was as follows:

Table 9: Members of Supervisory Board as at 31 December 2019

Member of the Supervisory Board	Function	Competences
Igor Stebernak	Chairman, shareholders' representative	Appointments and Remuneration Committee
Andrej Andoljšek	Vice Chairman, shareholders' representative	Strategic Committee Nominations Committee
Milan Tomaževič	Member, shareholders' representative	Strategic Committee
Žiga Škerjanec	Member, shareholders' representative	Appointments and Remuneration Committee

		Strategic Committee Nominations Committee
Nataša Damjanovič	Member, shareholders' representative	Audit Committee, Appointments and Remuneration Committee
Mario Gobbo	Member, shareholders' representative	Audit Committee
Peter Celar	Member, workers' representative	Appointments and Remuneration Committee Nominations Committee
Branko Gorjan	Member, workers' representative	Strategic Committee
Igor Zupan	Member, workers' representative	Audit Committee

SUPERVISORY BOARD COMMITTEES

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

The following Supervisory Board committees operated at the Company in 2019: Audit Committee, Appointments and Remuneration Committee, Strategic Committee and the Nominations Committee, which represents a provisional committee for the implementation of the nomination procedure for the appointment of a candidate or candidates for one or more Supervisory Board members – shareholders' representatives.

Table 10: Composition and competences of Supervisory Board committees as at 31 December 2019

Supervisory Board committees	Competences
AUDIT COMMITTEE **Composition:** - Mario Gobbo, committee Chairman - Nataša Damjanovič, member - Igor Zupan, member (since 13 November 2019) - 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 findings 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 as well as the drafting of a proposal for the Supervisory Board; - 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 - Žiga Škerjanec, member - Nataša Damjanovič, member - Peter Celar, member (since 20 August 2019)	- drafting proposals regarding the criteria for membership in the Management Board; - drafting proposals regarding the policy on remuneration, compensation and other benefits for the Management Board members; - preliminary consideration of proposals made by the President of the Management Board related to the management of the Company; - performance of the fit and proper assessment of the Management and Supervisory Board members; - support and drafting of proposals in areas that concern the Supervisory Board.
STRATEGIC COMMITTEE **Composition:** - Milan Tomaževič, committee Chairman - Andrej Andoljšek, member - Žiga Škerjanec, member - Branko Gorjan, member (since 20 August 2019)	*- drafting and discussing proposals for the Supervisory Board with respect to the Group strategy and monitoring the implementation thereof;* *- drafting and discussing proposals and opinions for the Supervisory Board with respect to the Group's strategic development.*
NOMINATIONS COMMITTEE **Composition:** - Andrej Andoljšek, committee Chairman - Žiga Škerjanec, member - Peter Celar, member - Boštjan Kolar, external member	- conducting the nomination procedure for the appointment of a candidate/-s to the position of Supervisory Board member/-s – shareholders' representatives - recording the candidate/-s for the position of Supervisory Board member/-s and inviting the Appointments and Compensation Committee to produce a fit and proper assessment of the candidates - sending the proposal to the Supervisory Board for the appointment of a candidate/-s to the position of Supervisory Board member/-s – shareholders' representatives

B.1.2 Remuneration policy at the Group

Group companies implement the remuneration policy so as to ensure the realisation of a solid and reliable governance system as well as the integrity and transparency of the operations.

MANAGEMENT BOARD OF THE PARENT COMPANY AND OF THE SUBSIDIARIES

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

The same rules on bonuses also apply for the management boards of Group companies with registered offices in the Republic of Slovenia.

EXECUTIVE AND MANAGEMENT EMPLOYEES AND OTHER EMPLOYEES WORKING UNDER INDIVIDUAL AGREEMENTS

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

EMPLOYEES WORKING UNDER A COLLECTIVE AGREEMENT

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

B.1.3 Related party transactions

Related parties of the Group are:

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

The only materially significant transaction with related parties in 2019 was the distribution of dividends of the Company for the 2018 financial year in the total amount of EUR 56.8 million. The Pension and Disability Insurance Institute of Slovenia received EUR 19.5 million and the Slovenian Sovereign Holding received EUR 16 million.

No other materially significant amounts in relation to dividend distribution were made to other related parties of the Group in the reporting year.

B.2 Fit and proper requirements

The fit and proper assessment of the members of management boards and supervisory boards as well as the key function holders is performed at the Group, i.e. in accordance with the respective national legislation and at all Slovenian and foreign insurance companies. The fit and proper assessment of the abovementioned persons was thus performed at all insurance companies of the Group in 2019.

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

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

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

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

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

B.3.1 Description of the risk management system

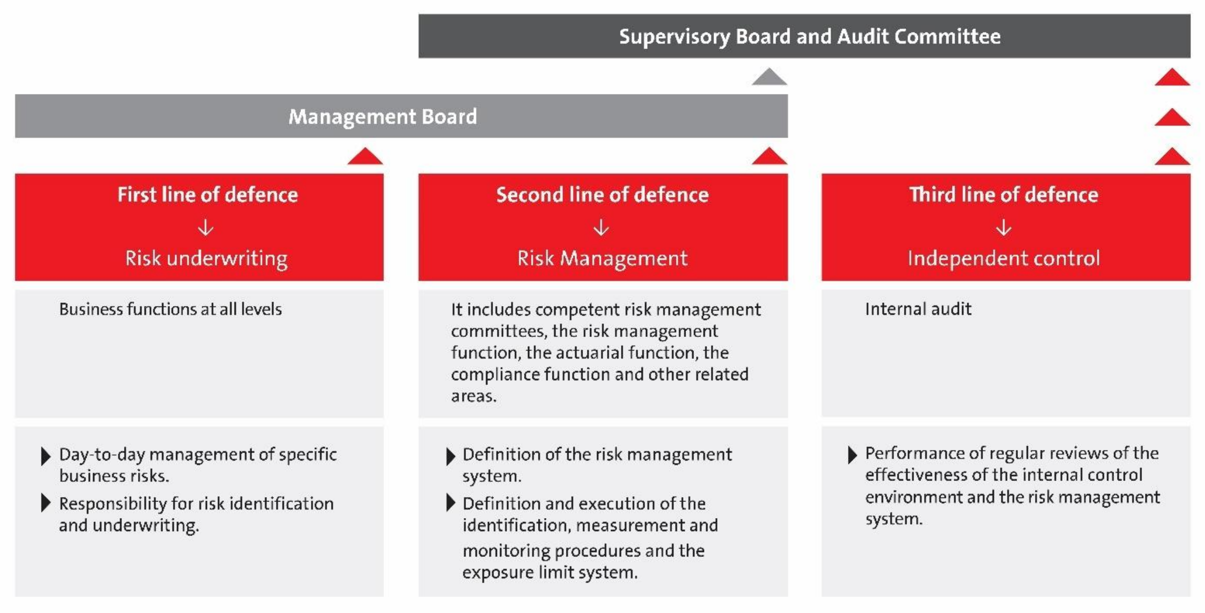
The risk management system covers all areas, focusing on those having a material impact on the Group's operations and set business objectives, which facilitates the timely identification of all material risks at the Group level. The Company has set up a risk management system at the level of the entire Group as a set of harmonised rules, competences, responsibilities and activities so as to ensure that risks at all levels are underwritten in accordance with the set strategic goals and so that the key risks are appropriately identified, assessed, monitored and managed. Sound functioning of the system enables continuous upgrading and adjustment of business processes and the underwriting of risks arising from the operations of Group companies.

In order to effectively implement the risk management system at the Group level, each company has in place confirmed internal acts governing the risk management system that have been harmonised with the risk management standards of the Company which ensure a clear delimitation of internal relationships in terms of the responsibilities and competences of divisions in risk management processes and also define the risk handling methods, measures and the reporting system. This ensures the coordination of processes, monitoring of concentrations at the Group level and timeliness of relevant information on risks, especially those with a material impact on the risk profile at the Group level.

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

The main building blocks of the comprehensive risk management system of the Group are the Risk Underwriting and Management Strategy and the Business Plan of the Company. The risk management system at the Group is built in accordance with the principles of the Company and is based on the three lines of defence model. The functioning of the Company's system is transposed to the Group via minimum standards and business functions, taking into account the size, complexity and business profile of an individual company.

Figure 3: Risk management system at the Group level



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

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

The Management Board and the Supervisory Board are the primary stakeholders in the three lines of defence system; they are simultaneously responsible for the functioning of the risk management system and control processes at the Group level.

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

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

The Company's Management Board formulates business objectives and the risk appetite, and also adopts the strategy and policies related to the management of the same. It is also competent for the assurance of the effectiveness of the risk management system at the Group level. It confirms the more important internal risk management documents and work plans of the individual key functions and is regularly briefed on the capital adequacy. It confirms the more important reports, including the Regular Supervisory Report (hereinafter: RSR) and SFCR. All of the abovementioned acts serve as the basis for minimum standards that apply to risk management at the Group level.

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

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

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

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

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

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

The Company's risk management function helps subsidiaries in the setup of the risk management system by preparing guidelines and minimum standards for the risk management system subject to the special features of individual companies, which in turn allows the harmonisation of the risk management system at the Group level.

B.3.2 Risk management function

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

At the Group level, the risk management function is organised for the Group which defines the minimum standards for the identification, measurement, monitoring and reporting of risks at the level of the Group and of individual companies, i.e. in proportion to their business profile.

The risk management function operates at the Company within the framework of the headquarters department that is directly subordinated to the Management Board. It is not only autonomous and independent from the other business functions, but also one of the key functions in the system of governance of the Company and the Group. Furthermore, it is part of the second line of defence in the three-level internal control system. It monitors the Company's operations in terms of risk oversight, and in this context educates and assesses the potential impacts of changes of the risk profile. The risk management function monitors the work of risk management system committees, coordinates the calculation of capital adequacy and the ORSA process, and prepares all of the necessary reports.

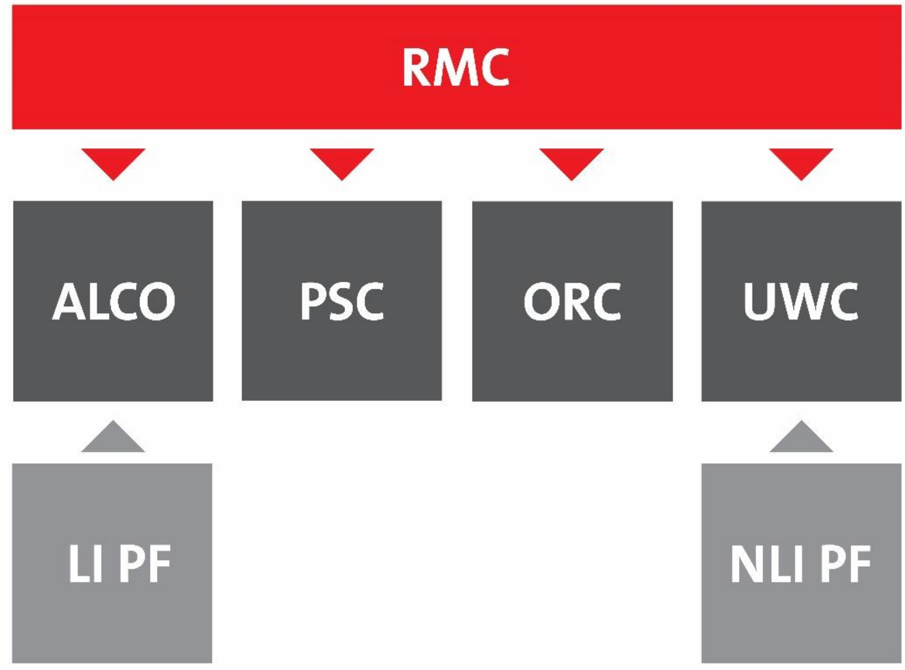
The risk management function at the level of the Company provides for the development and effectiveness of the risk management system at the Group level. To this end, it prepares risk management guidelines and minimum standards for all subsidiaries within the Group, monitors their implementation, advises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

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

B.3.3 Committees operating within the scope of the risk management system

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

Figure 4: Organisational chart of the committees within the Company's and the Group's risk management system as at 31 December 2019



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

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

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

THE OPERATIONAL RISK COMMITTEE (ORC) works to provide a suitable and integrated operational risks management system that is tailored to the Company's and the Group's requirements, including the optimum allocation of the appetite for operational risks subject to the guidelines stipulated in the risk appetite. It also works to control the functioning of the Company's and the Group's operational risk management system, including the review and confirmation of measures for its improvement. Its operations are carried out with respect to all groups of operational risks (internal fraud or unauthorised activity of internal staff; external fraud or unauthorised activity of third parties; system failure and associated disruptions to operation; damage to physical assets; unsuitable HRM and working environment safety; non-compliance with the regulations, unsuitable business or market practice and customers and products; unsuitable process and control environment implementation and management, including suppliers and business partners). IT security risk, including cyber risk and the business continuity management system, is monitored as a special group of operational risk. The ORC also monitors the recommendations of the Internal Audit Department relating to the structure of the operational risks management system.

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

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

B.3.4 Own risk and solvency assessment process

The main purpose of the ORSA process is for the Company as the Company of the Group to assess the risks arising from operations that impact the current or future capital requirements. In order to suitably perform the ORSA process, processes for the identification, monitoring and assessment of own risks and solvency requirements have been put in place, whereby responsible persons are additionally informed of the risk assessment results which ensures the use of the said results in decision-making procedures at the Company and Group companies.

The solvency requirement assessment process builds on the basic elements of the risk management system and takes into account the risk profile, confirmed risk limits and the business strategy. The purpose of the solvency requirement assessment process is to verify the suitability of the regulatory measurement of risk and the strategic plan scenario from the point of view of capital adequacy assurance. The solvency requirements assessment process produces findings regarding the retention or transfer/ceding of risk, verifies the optimisation of capital management and helps meet the needs for the adjustment of premium rates whereby foundations are built for other strategic decisions. Additional stress tests provide a new spectrum of the view of the risk profile and risk management at the Group level.

The Group's ORSA process is harmonised with that of the Company, whereby the materiality principle is applied in the ORSA process at the Group level. This means that the ORSA overall result must include the result of the ORSA of the most important subsidiaries. Other subsidiaries are included subject to their respective risk profile, the proportionality principle and the materiality criterion at the Group level.

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

A portion of the ORSA process entails the definition of the main risks, assessment of the suitability of the regulatory standard formula as the measure of risk, and the definitions and assessments of stress scenarios with an impact on capital adequacy. The ORSA process is reconciled with the planning of the Company's and the Group's operations as the calculation of planned capital adequacy is prepared in a coordinated manner and based on a financial plan. When the process has been completed, everything is documented, and a final report is compiled with the results reported to all stakeholders. This ensures the transfer and incorporation into the Group's operations. The Company additionally provides adequate information to the Supervisory Board about the course and important findings of the Group level ORSA process.

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

In the previous year, the Company performed the ORSA process for the 2019 financial year. When implementing the ORSA process, the Company took into account all the material risks, to which the Group was exposed by the calculation date, as well as any potential risks that could have an impact on its operations over the next planning period. The Group's capital adequacy plan assessed within the scope of the ORSA process was confirmed by the Company's Supervisory Board as part of the strategic plan for the 2020–2022 period.

B.4 Internal control system

The internal control is ensured through prudent management and the setup of business processes through the observation of all obligations and resulting risks, through the assurance of a risk management system, internal and external reporting, assurance of compliance with the regulations, the regulator's requirements and other undertaken commitments as well as the adopted Code of Conduct of the Group[6]. It comprises a clear organisational structure with a clear division of powers and responsibilities, up-to-date policies and procedures, and monitoring, improvement and documentation of business processes. The internal control environment is reasonably transposed from the Company to the Group's subsidiaries.

B.4.1 Compliance function

The compliance function at the Company is organised within the framework of the headquarters department and is directly subordinated to the Management Board. It is not only autonomous and independent from the other business functions, but also one of the key functions in the system of governance of the Company and the Group. Furthermore, it is part of the second line of defence in the three-level internal control system. It supervises and monitors the compliance of the Company's operations with regulations and other commitments, and in this context assesses the compliance risks, educates, and assesses the potential impacts of changes in the legal environment and the associated circumstances on business operations. It informs the Management Board and the Supervisory Board or its Audit Committee on compliance with regulations and other commitments. The compliance function at the Group level is also responsible for ensuring the compliance of the operations at the Group's subsidiaries, the implementation of programmes for the assurance of compliance in individual areas (e.g. consumer and competition protection, personal data protection, prevention of conflict of interest and internal fraud, etc.) and for the implementation of ethical standards and the development of an ethical culture at the Group.

The Company's compliance function provides for the development of the system for the assurance of compliance at the Group's subsidiaries. To this end, it prepares compliance guidelines and standards for all subsidiaries within the Group, monitors their implementation, advises on implementation and provides for uniform business practices. It has in place a system of regular and extraordinary reporting on compliance of operations or compliance risk at subsidiaries to the Company as well as an agreed delimitation of competences and authorisations for the assurance of operational compliance between the Company and

[6] The Group’s Code of Conduct is submitted on the official website of the Company: http://www.triglav.eu

subsidiaries. It regularly briefs the Management Board, the competent risk management committee, and annually also the Supervisory Board and the Audit Committee of the Company on the Group's compliance status. The Company's compliance function holder is incorporated into the organisational structure in a way, which allows for their monitoring of and impartial reporting on the implementation of the risk and compliance management system at the Group level.

B.5 Internal audit function

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

The Group-level internal audit function is established at the Company and in insurance and other financial companies of the Group. In each company, the internal audit function is autonomous and independent from the other business functions and organisational units of the company and is directly accountable to the management and supervisory bodies of the company. It has full and unrestricted access to all areas, records, assets and employees at the company (including the members of the company's management and supervisory bodies). The internal audit function of an individual company performs its tasks in compliance with the legal regulations and the professional and ethical rules of internal auditing that apply to each company. The organisational placement, role, powers and responsibilities as well as other rules on the functioning of the internal audit function, including its reporting obligations, are defined in detail in the internal acts of individual companies.

In their work, internal auditors must be impartial and must avoid any conflict of interest. In line with the above, the internal auditors do not perform any development and operational tasks that could cause a conflict of interest and impair their objectivity, nor do they decide on activities in the areas that are subject to internal auditing. Internal auditors are required to inform the internal audit function holder who in turn informs the company's management and supervisory bodies of any circumstances that could cause a conflict of interest, thereby affecting their impartiality when performing the internal audit tasks. The function holder is obliged to inform the management and supervisory bodies of the company of potential limitation of the divisions and funds required for the execution of the risk-based internal audit plan.

The internal audit function of the Company is in charge of the implementation of the internal audit function at the Group level. The department performs continuous and comprehensive control of the operations of the Company, whilst paying due attention to the areas and risks that are material at the Group level. Apart from that, it is responsible for maintaining an adequate level of internal audit quality at the Group level which is why it prepares minimum standards and detailed methodological guidelines for the operation of the internal audit function at the Group level, which are designed in accordance with the International Standards for the

Professional Practice of Internal Auditing, ethical rules and the good practices in internal auditing. It advises subsidiaries on the implementation of these standards and guidelines, monitors their implementation and, as appropriate, performs internal audits at subsidiaries. The internal audit function of an individual subsidiary is required to submit the adopted work plans and periodic internal audit reports to the Company's Internal Audit Department as well as inform it of all matters that could have a significant impact on the compliance, effectiveness and efficiency of the function. The internal audit function holder at the Company regularly communicates with the internal audit function holders at subsidiaries, participates in the drafting of the annual plans of the function and monitors the operation of this function at subsidiaries and, as appropriate, provides additional guidance and assistance.

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

B.6 Actuarial function

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

The actuarial function for the Group is organised at the Group level and is separate for non-life and life insurance. The actuarial function at the Group level operates autonomously and independently of the other business functions and has full, free and unlimited access to all information, data, activities and personnel of the Group, which it requires to perform its tasks.

Another key task of this function at the Group level is the monitoring of the suitability of the amount of insurance-technical provisions at the Group level, the monitoring of the general underwriting risk assumption policy as well as the verification of the suitability of reinsurance at the Group level. The key tasks include the setting of minimum standards for the drafting of rules, policies and processes relating to actuarial activities and transposing them to subsidiaries; care for the transfer of the relevant know-how and good practices and, as appropriate, provision of professional assistance in the implementation of the agreed minimum standards as well as the provisions of assistance in the development and upgrading of products. The actuarial function at the Group level participates in the implementation of the risk management system and especially the development, use and monitoring of the suitability of models for the calculation of capital requirements and the implementation of the ORSA Process at the Group level.

The actuarial function holders at the Company level who are authorised by the Company's Management Board and Supervisory Board perform the tasks of the actuarial function holder at the Group level. The actuarial function holder is responsible for the performance of the actuarial function tasks at the Group level and is the custodian of the minimum standards required for the performance of the actuarial function at the Group level. They are positioned in the organisational structure in a way, which allows them to supervise and objectively and independently report on the implementation of actuarial tasks. The actuarial function holder reports regularly to the Management Board and the Supervisory Board on major findings in relation to the reliability and relevance of the methods, models and assumptions used in the calculation of consolidated insurance-technical provisions, the underwriting risks assumption policy at the Group level, and the adequacy of reinsurance at the Group level.

B.7 Outsourcing

The management of outsourced operations at the Group level is arranged in accordance with the legislation that is binding on the Company as well as the local legislation that is binding of individual Group companies so that it encompasses both the operations that are outsourced to third parties and those that are outsourced within the Group. All providers of outsourced operations are thus bound to perform the same level of supervision and are obliged to comply with the defined standards applying to the company that is outsourcing the operation.

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

Outsourced services are regularly monitored by the respective responsible persons who are responsible for the functioning of the outsourced portion of the business process. Supervision is also performed by assessing the ability of the provider and the risks arising from an outsourced process. In the event of increased risk from an outsourced service, the person responsible for the outsourced service is obliged to notify the relevant risk management body that decides on the proposal of measures for the elimination of the risk in question.

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

B.8 Any other information

SYSTEM OF GOVERNANCE ADEQUACY ASSESSMENT

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

OTHER RELEVANT INFORMATION

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

C. Risk profile

C. Risk profile

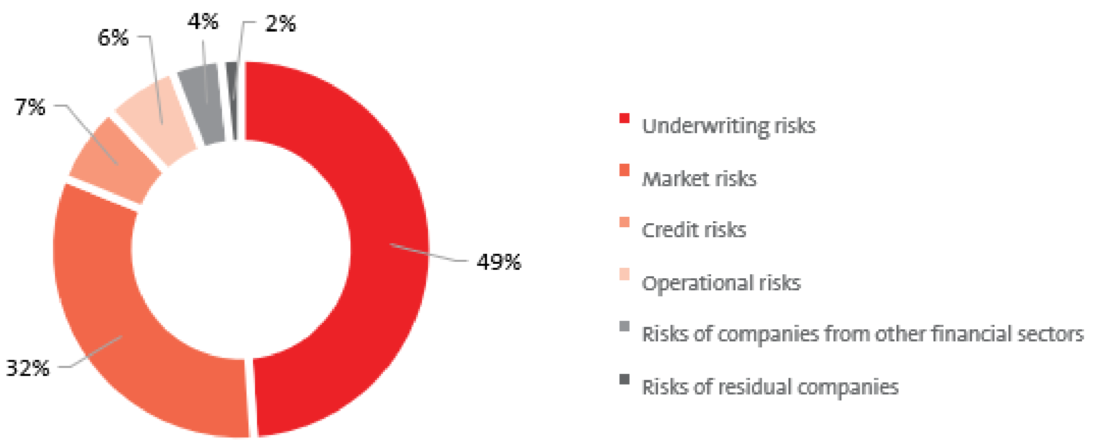
As part of their operations, the insurance undertakings of the Group are exposed to underwriting, market, credit, liquidity, operational and other risks. The Company cooperates with subsidiaries in the monitoring and management of risk at the Group level, which it does in accordance with the process described in section B of this Report.

In order to ensure adequate familiarity with the risk profile, the Group has processes in place for each risk type as well as defined exposures and risk rates that help it assess the level of risk and which serve as the basis for the comparison of risks. If the need for this arises, exposure limits that prevent excessive risk underwriting and ensure adequate portfolio diversification are also defined. The Company monitors and balances the risk profile at the Group level by monitoring the utilisation of exposure to individual risks at the Group and adjusting limits at the Group level subject to the circumstances. In the event of excessive exposure, these can affect the permitted risk underwriting both at the Company and the Group's subsidiaries. An important element of risk management is also the risk mitigation techniques that represent an important tool for the reduction of the concentration of individual risk types.

The Group measures risk using the standard formula defined in Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 (hereinafter: 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 2019, the overall risk estimate of the Group, which does not take into account mutual risk effects (i.e. diversification), amounted to EUR 560.6 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 179.3 million. Taking into account the SCR of the subsidiaries from other financial sectors and other non-financial companies, the undiversified overall risk estimate of the Group's portfolio is EUR 595.8 million.

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



The Group has formed two ring-fenced funds, i.e. VSPI and VSPI renta, for which risks are calculated separately for each risk category under the standard formula. The above chart applies the simplification at risk module level method and also takes into account the risks of the ring-fenced funds that contribute EUR 17.8 million to the solvency capital requirement of the Group. The method is presented in more detail in section E.1 of this Report.

C.1 Underwriting risk

Underwriting risks are risks of loss or of an adverse change in the value of underwriting liabilities due to inadequate pricing (premiums) and provisioning assumptions taken into account in the calculation of technical provisions. The insurance undertakings of the Group assume underwriting risks when concluding insurance transactions.

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

As at 31 December 2019, underwriting risks represent 49% of the overall risk estimate of the Group's portfolio, excluding diversification.

Using the standard formula for underwriting risks, the Group identifies the following in respect of its portfolio:

- non-life underwriting risks;
- health underwriting risks;
- life underwriting risks.

C.1.1 Non-life and health insurance

Under non-life insurance, Group members underwrite premium and reserve risk, lapse risk and catastrophe risk.

As at 31 December 2019, the Group's risk estimate under non-life and health insurance represents 39% of the Group's overall risk estimate, excluding diversification.

Table 11: Group's risk estimate for underwriting risks under non-life insurance for 2019 and 2018

In EUR thousand

	2019	2018
Premium and reserve risk	150,895	141,480
Lapse risk	36,059	28,563
Catastrophe risk	49,823	40,386
Diversification	-62,677	-51,305
Non-life underwriting risks	**174,100**	**159,123**

Table 12: Group's risk estimate for underwriting risks under health insurance for 2019 and 2018

In EUR thousand

	2019	2018
Health insurance risk valued as life insurance risk	10	11
Premium and reserve risk	56,094	50,649
Lapse risk	8,411	5,911
Catastrophe risk	4,409	4,270
Diversification	-10,938	-8,611
Health underwriting risks	**57,986**	**52,230**

The estimate for underwriting risks under non-life and health insurance increased in 2019 mainly as the result of growth in the volume measure for premium and reserve risks which came about as a result of portfolio growth. Portfolio growth also causes the growth in the risk estimate for lapse risk. The growth in the risk estimate for catastrophe under non-life insurance is mostly the result of the change to the standard formula[7] , which is why the calculation for 2019 now also observes the capital requirement for the hail r and windstorm perils.

RISK EXPOSURE

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

The Group is most exposed to premium risk in the medical expense insurance segment (LoB 1) which includes mainly supplementary health insurance products. The Group is materially exposed to premium risk in the motor vehicle liability insurance segment (LoB 4) segment and the fire insurance and other damage to property insurance (LoB 7) segment. The exposure of the volume measure for premium risk ranges in accordance with the net earned premium that increased at the Group by EUR 67.9 million compared to the previous period. Details on the net earned premium of the Group as at 31 December 2019 are shown in template S.05.01 in the Appendix to this Report.

Table 13: Group's premium risk exposure measured as the annual volume of net earned premium under non-life and health insurance for 2019 and 2018

In EUR thousand

	2019	2018
Net earned premium	**823,863**	**755,990**
- Motor vehicle liability insurance (LoB 4)	162,281	155,491
- Fire and other damage to property insurance (LoB 7)	161,967	154,717
- Medical expense insurance (LoB 1)	182,889	148,036
- Other motor vehicle insurance (LoB 5)	137,956	128,718
- Other non-life and health insurance segments	178,768	169,028

[7] Commission Delegated Regulation (EU) 2019/981 of 8 March 2019.

The Group is most exposed to reserve risk in the motor vehicle liability insurance segment (LoB 4). The Group's exposure is measured using the volume measure for reserve risk. At the Group level, exposure is determined as the sum of the volume measure for reserve risk of all insurance undertakings of the Group; it increased by EUR 23.5 million compared to the previous period.

Table 14: Exposure of the volume measure for reserve risk at the Group level for underwriting risks under non-life and health insurance for 2019 and 2018

	In EUR thousand	
	2019	**2018**
Net claims provisions	**324,678**	**301,286**
- Motor vehicle liability insurance (LoB 4)	129,635	117,063
- General liability insurance (LoB 8)	44,566	42,524
- Fire and other damage to property insurance (LoB 7)	45,105	43,852
- Income protection insurance (LoB 2)	35,045	35,636
- Other non-life and health insurance segments	70,328	62,211

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

CONCENTRATION RISK

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

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

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

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

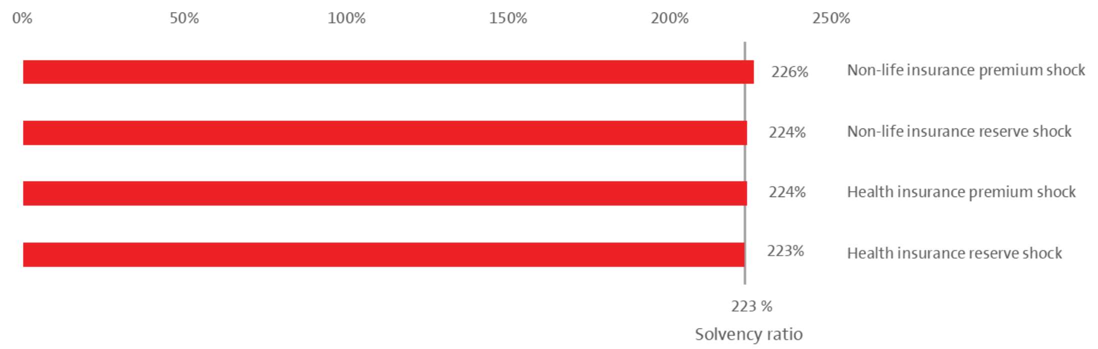
RISK MITIGATION TECHNIQUES

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

SENSITIVITY

The Company performs sensitivity tests regularly in order to ensure risks are managed suitably at the Group level as well. Premium shock represents a 10% decrease of the volume measure for premium risk for non-life and health sub-modules. Similarly, reserve shock represents a 10% decrease of the volume measure for reserve risk for non-life and health sub-modules.

Chart 4: Sensitivity test of capital adequacy of the Group as at 31 December 2019



C.1.2 Life insurance

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

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

At the Group level, risks are measured according to three separate life insurance portfolios – portfolio of voluntary supplementary pension insurance (VSPI) in the saving phase, portfolio of VSPI pensions during the payment phase, and the remainder of the Group's life insurance portfolio comprising the life insurance portfolios of the Group's insurance undertakings. Risks of these portfolios are valued without any diversification effects between the remainder of the portfolio and the two mentioned portfolios.

As at 31 December 2019, the risk estimate under life insurance represents 10% of the Group's overall risk estimate, excluding diversification.

Table 15: Group's risk estimate for underwriting risks under life insurance for 2019 and 2018

In EUR thousand

	2019	2018
Mortality risk	7,797	6,981
Longevity risk	13,468	11,792
Disability and morbidity risk	468	356
Lapse risk	19,025	24,757
Expense risk	21,964	23,442
Revision risk	1,356	2,098
Catastrophe risk	4,952	4,367
Diversification	-9,559	-12,107
Life underwriting risks	**59,470**	**61,686**

The risk estimate for 2019 decreased by EUR 2.2 million compared to the year before. Lapse risk decreased as a result of changes to the expected lapse rates and portfolio structure changes contributed the most to the said decrease. The risk estimate for expense risk resulting from lower expense assumptions also decreased. The increase in longevity risk is the result of the increase of the pension and annuity portfolio.

As at 31 December 2019, the risk estimate for risks under life insurance contracts of both ring-fenced funds came in at EUR 14.6 million.

RISK EXPOSURE

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

Table 16: Group's exposure to underwriting risks under life insurance for 2019 and 2018

In EUR thousand

	2019	2018
Mortality risk	1,329,214	1,430,713
Longevity risk	1,378,016	1,526,636
Disability and morbidity risk	21,061	16,737
Lapse risk	1,224,884	1,333,900
Expense risk	1,389,367	1,536,018
Revision risk	50,993	95,922
Catastrophe risk	1,229,052	1,335,382
Exposure to life insurance underwriting risks	**6,622,587**	**7,275,307**

The Group's exposure to life underwriting risks decreased in 2019, mainly as a result of the decrease in the best estimate of provisions.

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

LONGEVITY RISK of the Group is represented by the exposure of annuity and pension insurance policies. The amount of the basic annuity for these policies is set in advance and is fixed, i.e. based on the paid in funds and assumptions which mainly relate to the duration remainder of the beneficiaries' life. If the overall life expectancy of the insured population increases significantly, the probability of death is decreased, which increases the Group's liabilities arising from the exposed policies

The Group 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 to the abovementioned exposure of policies that cover the peril of death, i.e. mortality risk.

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

The Group is exposed to EXPENSE RISK in all life insurance policies and in case of non-life insurance claims, which are paid out as annuities. This risk represents the risk of an eventual increase in all types of actual expenses irrespective of the type of policy, which has a negative effect on the return of the Group's life insurance portfolio.

Non-life insurance claims paid out in the form of annuities are exposed to REVISION RISK. The periodic annuity payment may increase (most often due to the deterioration of the medical condition of the annuity beneficiary) which in turn increases the nominal amount of the Group's liability. The Group is exposed to this risk only in case of non-life insurance claims, which are paid out as annuities.

All policies that cover the mortality risk are exposed to CATASTROPHE RISK under life insurance. This risk is very similar to the abovementioned mortality risk, with the difference being that this risk involves a one-year increase in mortality and not a permanent system increase in mortality as described above.

CONCENTRATION RISK

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

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

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

RISK MITIGATION TECHNIQUES

The most important aspect for life insurance products is the management of underwriting risks that is performed during the underwriting phase. This is performed according to the rules that have been set in advance and which were defined in cooperation with reinsurance companies. The process 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 for insurance products without an underwriting process.

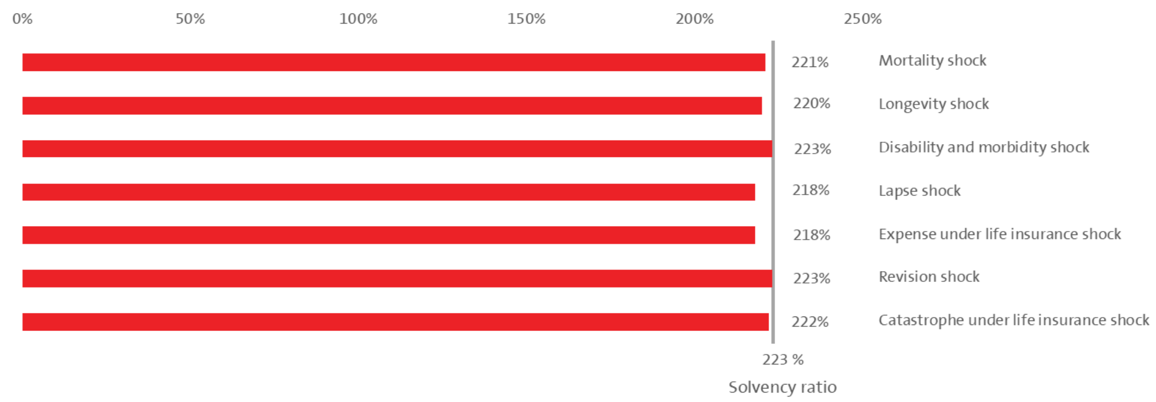
The second part of risk management is performed in the claim adjustment phase where the medical documentation from the claim report is cross-referenced with the data from the concluded policy.

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 provisions, set new product prices and calculate capital adequacy.

SENSITIVITY

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

Chart 5: Sensitivity test of capital adequacy of the Group as at 31 December 2019



In the above chart capital adequacy of the Company is presented in the event of realization of each individual shock, which is defined in observance of the standard formula.

C.2 Market risk

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

Table 17: Group's risk estimate for market risks for 2019 and 2018

		In EUR thousand
	2019	**2018**
Interest rate risk	11,391	30,864
Equity risk	43,149	27,424
Property risk	53,759	52,167
Spread risk	97,513	120,108
Market concentration risk	4,027	17,231
Currency risk	28,478	22,476
Diversification	-46,640	-61,493
Market risks	**191,677**	**208,775**

As at 31 December 2019, market risks represent 32% of the Group's overall risk estimate, excluding diversification.

The risk estimate is calculated at the Group level whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2019, the risk estimate for market risks of both ring-fenced funds came in at EUR 3.5 million.

Market risks decreased by EUR 17,1 million compared to the previous reporting period. Changes in the investment portfolio composition resulted in changed contributions of individual market risk types to the overall risk estimate. The extension of the investment portfolio duration with the aim of approximating the duration of liabilities and the improvement of the credit quality of debt investments is reflected in the decrease in interest rate risk and spread risk, while the increase in exposure to stock investments as a result of the general growth of stock markets and additional investments have an opposite effect on the equity risk. The Group also noticeably decreased its market concentration risk. Exposures to government bonds of countries, that the Group operates in, denominated in foreign currency contributed to higher market concentration risk in the past. Group changes had a positive influence towards market concentration risk mitigation in 2019, which are described in more detail in section D.

RISK EXPOSURE

The Group is exposed to market risks as part of the investment portfolios and portfolios of liabilities of all companies in the Group. The main contribution to market risks exposure arises from the Company's portfolios. In view of the structure of investments, the Group is most exposed to spread risk, property risk and equity risk. The table below shows the exposure to market risk, however only the exposure on the asset side, meaning that it does not take into account the decrease in exposure resulting from the matching of assets and liabilities.

Table 18: Group's exposure to market risks as at 31 December 2019 and 31 December 2018

In EUR thousand

	2019	2018
Property, plant and equipment held for own use	125,678	107,059
Real estate (except real estate held for own use)	94,428	95,596
Holdings in related undertakings, including participations	73,760	77,906
Equities	63,607	59,588
Bonds	2,026,504	1,913,237
- Government bonds	1,235,972	994,823
- Corporate bonds	789,380	914,070
- Structured notes	1,152	4,344
Collective investment undertakings	54,857	23,756
Derivatives	0	1,393
Deposits other than cash and cash equivalents	61,413	45,955
Other investments	3,688	4,096
Assets held for index-linked or unit-linked contracts	664,623	594,720
Loans and mortgages	5,325	37,180
Deposits to cedants	8,602	6,281
Assets exposed to market risks	**3,182,485**	**2,966,767**

INTEREST RATE RISK depends on the matching of assets and liabilities. All assets and liabilities, the value of which depends on the change in the interest rate (bonds, loans, deposits, interest-sensitive derivatives, cash flows from insurance policies), are exposed to interest rate risk. Interest rate risk is balanced at the Group level through the management of assets vis-à-vis liabilities at the level of an individual company or portfolio. The duration of interest rate-sensitive financial assets increased by a total of two years compared to the year before. The extension of the investment portfolio duration is most visible at the Company, whereby it is most extensive in the government bond segment. The decrease in the duration of the spread between assets and liabilities is reflected in the significantly lower risk estimate for the Group's interest rate compared to the year before.

Investments, the value of which is sensitive to a change in the level or volatility of stock market values, are exposed to EQUITY RISK. These are mainly stocks, undertakings for collective investment into shares and derivatives associated with stock markets. The Company holds equity investments at the Group level in order to generate higher long-term returns and for diversification purposes. The change in the capital requirement for equity risk was affected the most by the significant increase in exposure to equity risk in collective investment undertakings, mainly alternative funds, and the positive revaluation of investments. The Company has carried out the comprehensive approach at the Group level, i.e. approach for the review of the entire portfolio of collective investment undertakings.

PROPERTY RISK arises from investment properties, real estate held for own use, other property, plant and equipment and leased property held by the Group's companies for own use. The total value of the Group's immovable property increased compared to the year before. A significant portion of the increase came from the inclusion of the right of use, while the remainder is the result of additional investments and the positive revaluation. The Group is also exposed to property risk through the investments of the alternative investment fund. The risk estimate for the coverage of property risk is at similar levels compared to the year before. A part of the property risk resulting from the rights of use is neutralised on the liabilities side.

SPREAD RISK is associated with an important source of returns generated by the Group through bond portfolio management. Only assets are exposed to spread risk because liabilities, with the exception of investments associated with index-linked or unit-linked contract, are valued according to the risk-free interest rate curve. These are mainly bonds, loans and deposits. The Group increased its exposure to spread risk compared to the year before, i.e. by nearly EUR 135 million, whereby exposure to government bonds increased (EUR 246 million) and exposure to corporate bonds decreased (EUR 119 million). The Group's exposure to interest rate risk increased as a result of investments into alternative investment undertakings of a debt nature, i.e. by a total of nearly EUR 16 million. The rating structure of the credit-sensitive part of the Group's portfolio improved slightly compared to the year before, and its tenor increased by approximately two years. The biggest contributor to this change is the Company, while the change comes from the government bond class in terms of investment classes. In the segment of corporate bonds that contribute the most to the spread risk estimate, duration remains unchanged compared the year before, and the rating of this investment class also remains nearly unchanged. The said portfolio changes result in a lower risk estimate for spread risk compared to the year before. The Group considers the bonds, which are issued by the governments from the EEA and not denominated in the currency of the issuer country, to be ordinary corporate bonds for risk assessment calculation purposes at the Group level.

The Group's CURRENCY RISK arises from the mismatched asset and liability currency positions. The Group's liabilities are denominated in the currencies of the countries, in which the Group operates, i.e. mostly in euros. The Company pursues the policy of currency matching and invests the majority of its assets in accordance with the currency structure of liabilities. The risk estimate for currency risk arises mainly from BAM, HRK, RSD and MKD long positions, which come mainly from the Group's subsidiaries that operate in environments where the local currency is not the euro. Open positions in other currencies are mainly the result of non-euro investments through collective investment undertakings with a global and non-European geographic orientation. The Group's open currency position is controlled, meaning that the risk estimate for currency risk is stable or slightly lower compared to the year before as a result of the decrease in exposure to collective investment undertakings. The Company hedges a portion of the foreign currency-denominated exposure using currency derivatives at the Group level.

CONCENTRATION RISK

The major share of the Group's assets is held in the form of debt securities. Compared to the year before, the government and financial sectors strengthened. Government bonds account for approximately 60%, while the financial sector account for nearly 60% of the corporate bond segment.

The Company continuously monitors (at the Group level) exposure and compliance with the system of limits on exposure to issuers at the level of individual issuers or groups of related issuers. The basis for the limit system is the standard formula with threshold values for concentration risk subject to the credit rating.

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

31 December 2019	
Financial and insurance activities	43.6%
Public administration and defence, compulsory social security	40.6%
Manufacturing	6.4%
Information and communication	2.2%
Real estate activities	2.2%
Other	5.0%
Total	**100.0%**

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

31 December 2019	
Slovenia	35.4%
France	6.9%
Germany	5.8%
Croatia	5.4%
Netherlands	4.7%
Italy	3.9%
Spain	3.9%
USA	3.1%
Other	30.8%
Total	**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 the debt of countries that is not denominated in the country's own currency, and to the remaining Group members that are not fully consolidated. The Group considers the bonds, which are issued by the governments from the EEA and not denominated in the currency of the issuer country, to be ordinary corporate bonds for risk assessment calculation purposes.

RISK MITIGATION TECHNIQUES

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

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

In order to mitigate market risks, the Group has a suitably diversified investment portfolio that based on its tenure end currency exposure reflects or neutralizes market properties of insurance liability porfolios. For further market risks mitigation, different derivatives may be used, which are solely used for market risks mitigation or to enable additional flexibility in assets management and in the achievement of effects that would be relatively more difficult to achieve save for the said instruments.

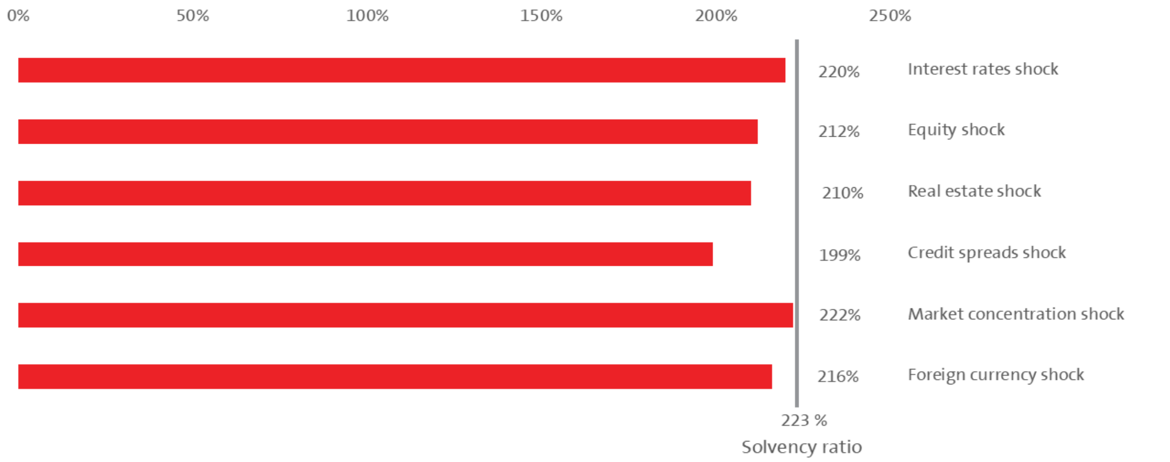
The use of such a range of instruments is assessed from various points of view in terms of security, economy and use of the capital. The use of derivatives must focus on the comprehensive aspect of hedging individual portfolios whereby the derivatives used to hedge against interest rate and currency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

SENSITIVITY

As part of the ORSA process in 2019, the Group tested stress scenarios where it verified the sensitivity to extreme changes in market parameters. The Group's stress test results show that the Group would remain adequately capitalised even after stress events.

The Group's solvency ratio sensitivity analysis as at 31 December 2019 shows how the solvency ratio would change under individual isolated market scenarios. Market scenarios are taken from the stress scenarios used in the calculation of the capital requirement for market risks according to the standard formula.

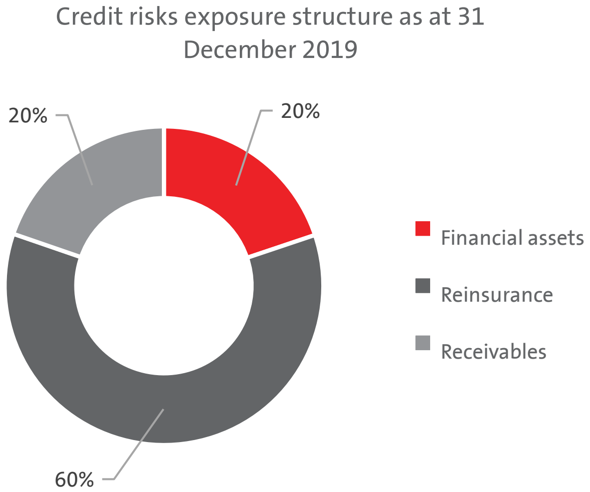
Chart 6: Sensitivity test of capital adequacy of the Group as at 31 December 2019



In the above chart capital adequacy of the Company is presented in the event of realization of each individual shock, which is defined in observance of the standard formula.

C.3 Credit risk

Credit risks are defined as the risk of loss or adverse change in the financial standing of any Group member resulting from the debtor's inability 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 affect the credit risks assessment (estimate). The Group is exposed to credit risks in the form of counter-party default risk and concentration risk.



Credit risks as at 31 December 2019 represent 7% of the Group's overall risk estimate, excluding diversification.

The risk estimate is calculated at the Group level whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2019, the risk estimate for credit risks of both ring-fenced funds came in at EUR 3.1 million.

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

Table 21: Group's risk estimate for credit risks in 2019 and 2018

In EUR thousand

	2019	2018
Type 1	26,554	40,299
Type 2	12,922	10,198
Diversification	838	449
Credit risks	**40,314**	**50,946**

The risks estimate decreased by EUR 10.6 million in 2019, mainly as a result of the change to the standard formula[8] for non-life catastrophe risk. Exposure to reinsurance partners from these operations at the Group level for individual perils (fire, aviation, maritime) decreased by nearly half. The largest net policy is now observed for these segments, while the largest gross policies had to be observed in 2018. Additionally, the calculation for unrated reinsurance partners (in accordance with the Delegated Regulation) in 2019 observes their solvency ratio, which decreases the risk factor of these partners and thereby the amount of the capital requirement compared to the year before.

RISK EXPOSURE

The Group's exposure to type 1 credit risk mainly represents the exposure to reinsurance companies and banks. The exposures to type 2 credit risk at the Group level are represented by past due receivables from direct insurance operations and other past-due receivables.

At the Group level, the exposure to reinsurers and investments decreased compared to the year before. The exposure to past due insurance receivables remains at the same levels.

CONCENTRATION RISK

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

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

The table below shows the Group’s exposure according to the reinsurers' countries.

Table 22: Group’s exposure according to the reinsurers' country

31 December 2019	
Germany	55.8%
Slovenia	15.5%
Great Britain	9.4%
France	6.3%
Switzerland	2.8%

[8] Commission Delegated Regulation (EU) 2019/981 of 8 March 2019.

Other	10.2%
Total	**100.0%**

RISK MITIGATION TECHNIQUES

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

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

Credit risks from the investment portfolio are balanced by depositing money, deposits and derivatives in banks with a suitable rating, whereby a professional analysis of the credit risks is performed for each bank and a sufficient rate of portfolio diversification is pursued. The Group has for this purpose put in place a limit system for banking groups defining the permitted types of investments and the maximum permitted exposures to an individual bank that allow it to mitigate concentration risk to the greatest extent possible. A process has been set up at the level of each subsidiary for the monitoring and reporting of exposures to the Company based on which their exposure to banks is determined.

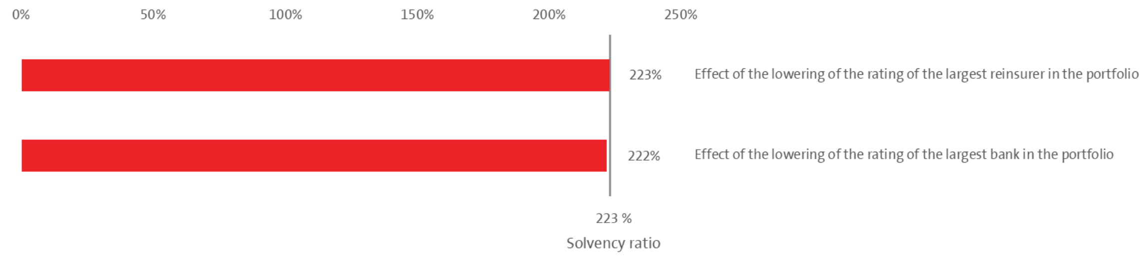
When underwriting credit risks resulting from reinsurance at the Group level, credit risks are managed through a diligent assessment of the adequacy of business partners for reinsurance and by regularly monitoring their adequacy (credit rating, maximum permissible exposures, diversification, and solvency ratio). When measuring credit risks, it is important to have a suitable definition of counterparty creditworthiness where the assessment relies on a robustly established process that is based on credit ratings from recognised rating agencies and the publicly available solvency ratios of those European reinsurers that do not have a rating. In order to ensure the suitability of reinsurance partners' credit ratings, the Group has a system in place which precisely defines rules for the naming of partners and determining their basic information and a precisely defined procedure for the determination of the partners' second best credit rating. Thus, all Group members are aligned when it comes to the naming and rating of reinsurance partners which enables effective consolidation of exposures at the Group level.

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

SENSITIVITY

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

Chart 7: Sensitivity test of capital adequacy of the Group as at 31 December 2019



C.4 Liquidity risk

Liquidity risks are risks of loss resulting from a Group company's inability to meet all of its expected and unexpected current and future cash outflows and past-due liabilities as a result of inadequate or insufficient available cash assets. Liquidity risks also refer to risks of more difficult access to financing required for the settlement of liabilities arising from insurance and other contracts. Liquidity risks usually materialise in the form of the inability to liquidate or sell financial assets at prices that are significantly lower than the current market prices.

The Group's subsidiaries manage investments and liabilities with the aim of these companies being able to settle all mature liabilities on time. They also ensure an appropriate structure of assets subject to their nature, tenor and liquidity. In order to ensure an adequate liquidity position, Group members generally plan actual and potential gross and net cash outflows, hold an adequate amount and structure of liquid investments and regularly monitor the structure of liabilities.

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

RISK EXPOSURE

In terms of liquidity risks, the insurance companies of the Group are most exposed to catastrophic loss events, which can result in higher payments of indemnities, to an increased rate of early insurance policy terminations (lapses) resulting in higher surrender values and lower premium income as well as to instability on financial markets. The liquidity risks of the other Group members are affected mainly by financial market instability and other events that are specific to Group members.

Liquidity management at the level of an individual Group member enables a comprehensive review of liquidity risks which take into account liquidity sources (specifically cash flows from investments and insurance premiums) and liquidity needs (specifically compensation and indemnity payments as well as other operating expenses) and allows the analysis of potential effects of extraordinary circumstances both on the assets side and the liabilities side.

CONCENTRATION RISK

Concentration risk for liquidity risks arises from potential directly or indirectly related events that cause deterioration in liquidity. Liquidity risk concentration at the Group level is most pronounced in case of elevated liquidity risks at the Company which however has processes in place that enable timely detection of an uptick in such risks.

RISK MITIGATION TECHNIQUES

In order to mitigate liquidity risks, Group members assess the effect of financial instruments on the liquidity position of an individual company and at the Group level prior to and after the acquisition of financial instruments. Prior to the acquisition of financial instruments, each Group member considers the limits on investments that are agreed subject to the nature of investments, the strategy and the company's business policy. The second part of liquidity risks mitigation entails – especially at large insurance undertakings and other financial undertakings of the Group – the ongoing monitoring of internal liquidity indicators that measure the liquidity position of an individual Group member. This ensures that all limits are suitable and that measures are put in place that prevent the onset of a liquidity shortage.

The Company 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.

SENSITIVITY

The liquidity risks sensitivity is monitored at all Group members using internal indicators that allow each individual company to measure whether it has sufficient liquid assets in stress conditions to cover outflows in a given period. Indicators that measure liquidity risks sensitivity differ from one another both in terms of the length of measurement of the stress period and the capture of data, the amount of stress margins and the rules set by the local regulators. Stress indicators are regularly calculated and presented as part of risk management reports both at the level of individual subsidiaries and at the Group level.

EXPECTED PROFIT FROM FUTURE PREMIUMS

A portion of the Group's own funds is represented by expected profits included in the future premiums under existing insurance contracts. These are estimated at EUR 141.8 million at the Group level. They are equal to the sum of expected profits included in the future premiums under existing insurance contracts of the individual Group members. The profit of an individual company is calculated by calculating the best estimate of cash flows both by taking into account and by disregarding the expected premiums from concluded insurance contracts with other assumptions remaining unchanged.

The amount of the expected profit included in future premiums as at 31 December 2019 is shown in the table below

Table 23: Amount of expected profit included in future premiums as at 31 December 2019

In EUR thousand

	2019	2018
Life insurance	76,683	56,281
Non-life and health insurance	65,112	50,020
Total	**141,795**	**106,301**

The amount of expected profit included in future premiums grew by EUR 35.5 million compared to the year before. The main reason for the growth in the expected profit included in future premiums under non-life and health insurance is the growth and the returns of the Group's portfolio. The reason for the increase under life insurance is the changed methodology for the calculation in the segment of death insurance paid in instalments. The change thus better reflects the value of expected profit included in future premiums, which is EUR 15.9 million for this insurance segment.

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, legal risk, non-compliance risk, conduct risk, project risk, outsourcing risk and model risk.

As at 31 December 2019, operational risks represent 6% of the Group's overall risk estimate, excluding diversification, and amount to EUR 37 million.

The risk estimate is calculated at the Group level whereby the risk estimate for the two ring-fenced funds is added without diversification to the risk estimate for the remainder of the portfolio. As at 31 December 2019, the risk estimate for operational risks of both ring-fenced funds came in at EUR 0.6 million.

RISK EXPOSURE

The Group monitors its exposure to operational risks based on the reporting of realised operational loss events, which was additionally introduced for the Group's subsidiaries in 2019, and partly also via key operational risks indicators.

Based on the collected data, the Group recognised regulatory risk and cyber risk as the key types of operational risks. In view of the identified higher exposure to cyber risk, the Group performs activities aimed at upgrading its management and upgrading the IT risk management system in general. Vulnerability resulting from these types of risk was verified at the Group level. Additional methods for their measurement and monitoring as well as new security mechanisms, which will be continuously upgraded in the future, were additionally introduced. The increasingly more demanding reporting requirements pursuant to the existing regulatory requirements and a high rate of amendments to the legislation and new legislation in the legislative environment in recent times as well as the prescribed new, very high fines are bringing regulatory risk to the forefront. Group companies are preparing intensively for the compliance with the legislation and are devoting adequate resources to these efforts. They are also adapting and putting in place the necessary processes and internal controls.

CONCENTRATION RISK

The Group is aware that computerisation and digitalisation are increasing the influence of IT on operations from the point of view of operational risks concentration and importance. The operations at the Group level are highly dependent on the suitable functioning of IT, which is why a major cyber or other IT incident or suspension of operations can severely affect the operations of Group members. This is why the Group devotes special attention to the management of IT security risk with an emphasis on cyber risk as well as disruptions or suspension of operations which it manages via the business continuity management system. A part of that system is the business continuity plans for critical business processes and IT recovery plans. In 2019, many activities were geared towards the preparation of additional recovery plans of the Group members. Group members will continue these activities in the coming years as well.

RISK MITIGATION TECHNIQUES

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

The Group is acutely aware of the threat posed by cyber risk and the subsequent need to upgrade and regularly maintain the IT security management system. In order to be able to better identify vulnerabilities and preparedness for cyber events, the Company and Group members performed a detailed analysis in 2019 of the most pressing scenario involving cyber risk and prepared key measures for the mitigation of risks arising from the scenario. The Group also performs activities aimed at upgrading the business continuity management system which includes prevention and subsequent measures in case of various events such as natural disasters (earthquake, flood, etc.) and pandemics.

SENSITIVITY

Operational risks are affected by many factors, both internal (employees, processes, internal systems) and external (external systems, external factors and events). Whereas it is possible to influence internal factors through the improvement of processes and internal controls, it is not possible to influence external factors which are also more difficult to foresee. This is why the Group additionally tests its sensitivity to operational risks by defining and executing stress scenarios such as regular test of the transfer of IT operations from the primary server location to the backup location, the scenario of an earthquake, and the cyber scenario (intrusion into the Group's IT system and theft of its highly sensitive business information and personal data).

C.6 Other material risks

NON-FINANCIAL RISKS

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

The non-financial risk management system is set up at the Group members in accordance with the arrangement of the Company in line with the principles that were prescribed in the document entitled Risk Management Minimum Standards as well as subject to the size, complexity and the business profile of an individual company.

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

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

CAPITAL RISK represents the possibility of loss due to an inappropriate capital structure given the volume and manner of operations or the problems that the Company faces when acquiring fresh capital, particularly in adverse operating conditions, or if it needed to increase capital fast. The Company manages capital risk from the point of view of the effect of external events on the capital adequacy of the Company and the Group. External events that can importantly affect the Group's capital adequacy include legislative amendments and changes to financial reporting standards. Unfavourable conditions on capital markets that could negatively affect the acquisition of additional capital, which the Company monitors regularly as part of the capital management process, can also have a significant impact.

REPUTATIONAL RISK is the risk of loss of future or current business because of a negative image in the eyes of the Group's policyholders, business partners, employees, shareholders and investors and/or competent or supervisory bodies and other interested public.
There are numerous causes for reputational risk, i.e.: inability to ensure a suitable standard of quality of services and products; unethical business practices; failure to achieve the set financial targets; deterioration in relations with internal stakeholders or employees; causing environmental pollution; act by a competitor that can negatively affect the image of the entire insurance sector.

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

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

GROUP RISKS arise from the Company's business model. They include risks that may jeopardise the achievement of strategic goals due to an ineffective system of governance at the Group level and insufficient knowledge of the business environment where the Group's associated companies operate. The Company's risk profile is also affected by transactions between associated companies and the increased complexity of concentration risk management. All of the abovementioned risks may materialize 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. Climate change in combination with sustainability risks (ageing of the population, bacteria resistance to antibiotics, pandemics, etc.) will affect the operations of insurance companies both through liabilities and assets.

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

The pursuit of insurance operations encompasses key processes, within the scope of which the Group identifies, measures, monitors and manages underwriting risk. These processes also involve the identification of the effect of climate change and the associated risk which include the increasingly frequent claims and more extensive meteorological disasters. Products that are affected by climate change (e.g. crop and fruit insurance and comprehensive insurance) are suitably adapted and their price is adjusted in parallel through continuous monitoring of past events. The risk of climate change is also considered when setting aside technical provisions for certain insurance conclusion to that of insurance classes. The elevated climate change risk is also managed at the Group level using effective reinsurance protection for the increasingly more frequent and extensive natural disaster events. There is still not enough empirical data for some changes in the environment which is why they are managed based on sensitivity parameter testing and potential scenarios involving the search for suitable measures.

C.7 Any other information

PRUDENT PERSON PRINCIPLE

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

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

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

There is an investment policy in place for every investment portfolio. In accordance with the mission and risk tolerance of individual portfolios, the policies define investment targets that provide long-term profitability in accordance with the expected risk appetite. The limit system, which is part of the investment policies, is primarily designed to take into account both the requirements and the capacity of individual insurance portfolios and secondarily those of the Company and then the Group.

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

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

The safety and profitability of investment portfolios as well as their compliance with the established limits are monitored daily, weekly and monthly.

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

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

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

STRESS TESTS

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

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

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

In 2019, the Company simulated the financial scenario on the Group level where it tested the stability of the Company's solvency in the event of a sudden and significant increase in interest rates combined with a drop in the market value of equity and real estate investments, mass cancellation of life insurance policies and an increase in non-life claims resulting from inflation. The Company also simulated an underwriting scenario where it tested the effect of a 200-year earthquake in Ljubljana which represents the largest concentration of exposure according to peril. The scenario also included other operational impacts on operations and a drop in the value of Slovenian debt securities owing to unfavourable economic conditions in the country. It also assessed the effects of the failure to fulfil obligations by the largest reinsurer of this peril.

OTHER RELEVANT INFORMATION

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

D. Valuation for solvency purposes

D. Valuation for solvency purposes

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

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

Table 24: Balance sheet of the Group as at 31 December 2019

31 December 2019			**In EUR thousand**
Balance sheet		**Value for solvency purposes**	**Value for financial reporting purposes**
Assets		**3,409,941**	**3,937,000**
Intangible assets	D.1.1	0	101,726
Deferred tax assets	D.1.2	35,656	12,462
Property, plant and equipment held for own use	D.1.3	125,678	125,010
Investments	D.1.4	2,378,257	2,639,677
Assets held for index-linked and unit-linked contracts	D.1.5	664,623	664,517
Loans and mortgages	D.1.6	5,325	5,276
Reinsurance recoverables	D.1.7	69,648	102,748
Deposits to cedants	D.1.8	8,602	8,602
Insurance and intermediaries receivables	D.1.9	44,740	105,460
Reinsurance receivables	D.1.10	9,981	57,990
Receivables (trade not insurance)	D.1.11	11,551	30,786
Cash and cash equivalents	D.1.12	46,771	72,947
Any other assets, not elsewhere shown	D.1.13	9,109	9,799
Liabilities		**2,513,880**	**3,145,048**
Technical provisions	D.2	2,244,127	2,837,292
Other technical provisions		0	41,578
Provisions, other than technical provisions	D.3.1	17,199	18,623
Deferred tax liabilities	D.3.2	71,800	22,517
Derivatives	D.3.3	29	0
Financial liabilities other than debts owed to credit institutions	D.3.4	1,820	1,864
Insurance and intermediaries payables	D.3.5	35,607	21,559
Reinsurance payables	D.3.6	4,312	41,549
Payables (trade not insurance)	D.3.7	56,623	14,681
Subordinated liabilities	D.3.8	68,081	64,847
Any other liabilities, not elsewhere shown	D.3.9	14,283	80,538
Excess of assets over liabilities		**896,060**	**791,952**

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

D.1 Assets

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

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

Asset-side balance sheet items are presented below.

D.1.1 Intangible assets

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

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

Table 25: Group's intangible assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Intangible assets	0	0	101,726

D.1.2 Deferred tax assets

Deferred tax assets are valued in two stages for solvency purposes. In the first stage, the product of the currently applicable local tax rate of where the company operates and the differences between the active portion of the statutory and market valued balance sheet of the individual company are added to the net deferred claims for financial reporting purposes at the level of an individual Group member, without taking into account the financial assets (investments) in related undertakings and deferred tax assets. In the second stage, deferred tax assets of the companies are summed up, thus arriving at the value for the entire Group.

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

Table 26: Group's deferred tax assets

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Deferred tax assets	35,656	36,332	12,462

The value of deferred tax assets did not change materially compared to the year before.

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

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

The difference between the value of the item for financial reporting purposes and the value for solvency purposes is within the scope of the companies that are fully consolidated for both of the said purposes. The biggest contribution to the abovementioned difference is represented by the immovable property of Triglav skladi, Sarajevostan, Triglav pokojninska and Triglav penzisko društvo. The difference between the two items additionally occurs because of the different valuation method.

The Company performs the valuation through a certified real estate valuer who values the Group's real estate over a two-year cycle. The last valuation was performed for 31 December 2019. In the interim period, own appraisals (e.g. adjustments of appraised values in the event of significant changes of conditions on local real estate markets, adjustments in case of significant investments and other one-off events) can represent the estimated fair value.

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

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Property, plant and equipment held for own use	125,678	107,059	125,010

The value of the item increased by EUR 18.6 million compared to the year before. The increase of nearly EUR 11 million is the result of the inclusion of the rights to use. Other increases are the result of additional investments into the property, plant and equipment and the revaluation, most visibly at the Company.

D.1.4 Investments

Investments represent the major portion of balance sheet assets. Pursuant to the provisions of Delegated Regulation and the relevant guidelines, these investments are valued at fair value.

The Group values financial assets using publicly available market prices on the active markets for the same instrument. If this is not possible, such valuation is performed using publicly available data from the active markets of similar instruments. The activity of the market or the question of whether it is an active market or not is determined for an individual financial instrument subject to the available information and circumstances. Factors that need to be heeded in case the market activity is assessed as low include the following among others: low number of transactions in the period, extensive differences between bid and ask prices, high-level price volatility in the period and between sellers. Low market activity requires an additional analysis of transactions or quoted prices.

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

Table 28: Group's investments as at 31 December 2019

In EUR thousand

Assets	Value for solvency purposes	Value for financial reporting purposes
Investments	**2,378,257**	**2,639,677**
Real estate (except real estate held for own use)	94,428	79,921
Holdings in related undertakings, including participations	73,760	16,217
Equities	63,607	73,759
Bonds	2,026,504	2,244,923
Collective investment undertakings	54,857	150,136
Derivatives	0	0
Deposits other than cash and cash equivalents	61,413	70,880
Other investments	3,688	3,840

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

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

The difference between the value of the item for financial reporting purposes and the value for solvency purposes is within the scope of the companies that are fully consolidated for both of the said purposes. The difference from the above is represented by the real estate of the Sarajevostan company. The difference between the two items additionally occurs because of the different valuation method.

The valuation of the major portion of the real estate portfolio by a certified real estate valuer was last made on 31 December 2019.

Table 29: Group'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 2019	31 December 2018	31 December 2019
Real estate (except real estate held for own use)	94,428	95,596	79,921

The value of real estate (except real estate held for own use) remained nearly unchanged in 2019. The decrease resulting from the sales in the real estate portfolio of Triglav upravljanje nepremičnin is neutralised by the increase in the value of real estate in the portfolio of the Company.

D.1.4.2 Holdings in related undertakings, including participations

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

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

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

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

The holdings in subsidiary insurance companies, reinsurance companies, insurance holdings and companies for the provision of ancillary services are fully consolidated for the Group's solvency purposes. Holdings in other related undertakings that are not fully consolidated are valued according to the AEM whereby the calculation of the excess of assets over liabilities applies the equity method in accordance with IAS less the value of goodwill and other intangible assets. The exception is the shareholding in Nama, d.d. which is valued according to the AVM which actually closely follows the AEM using the fair value of assets and liabilities.

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

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

In EUR thousand

Valuation method	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
AEMS2	0	969	0
AEMS1	64,295	67,526	0
AVM	9,465	9,411	16,217
Total	73,760	77,906	16,217

The biggest difference between the value of the item for financial reporting purposes and the value for solvency purposes is the result of the fact that the scope of companies, which are fully consolidated for both of the said purposes, differs. The item for solvency purposes includes the following in addition to associated companies: non-strategic subsidiaries and strategic financial companies, i.e. Triglav Skladi, Triglav pokojninska and Triglav penzisko društvo. The equity method for financial reporting purposes is provided under AVM in the table above.

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

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Holdings in related undertakings, including participations	73,760	77,906	16,217

The value of holdings in related undertakings decreased slightly in 2019. The revaluation of Triglav Skladi contributes the most to the decrease. The merger by acquisition of Alta Skladi has significantly increased the amount of property, plant and equipment and goodwill in the balance sheet of that company. The increase in capital of Trigal, d.o.o. and the establishment of the new company Triglav penzisko društvo have the opposite effect on this item.

D.1.4.3 Equities

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

The difference between values for financial reporting purposes and solvency purposes comes from a different data capture from subsidiaries that are fully consolidated within the Group. The biggest difference comes from Triglav pokojninska.

Table 32: Group's equities

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Equities	**63,607**	**59,588**	**73,759**
Listed equities	57,120	48,796	67,272
Unlisted equities	6,487	10,792	6,487

The value of equities decreased in 2019 in the segment of unlisted securities. The decrease is mainly the result of the sale of holdings in Gorenjska banka and Hoteli Bernardin. Other changes, including the increase in the listed securities segment, are mainly the result of portfolio revaluation.

D.1.4.4 Bonds

Bonds are valued for financial reporting purposes in accordance with the requirements for the financial statement category in which they are classified upon recognition (at fair value through profit or loss, available-for-sale, held to maturity, and loans and receivables). Investments in the accounting categories of "available for sale" or "at fair value through profit or loss" 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 (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 arm's length transaction provided the assessment that economic circumstances have not changed materially since the last transaction is true;

b) valuation model.

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

Table 33: Group's bonds

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Bonds	**2,026,504**	**1,913,237**	**2,244,923**
Government bonds	1,235,972	994,823	1,338,923
Corporate bonds	789,380	914,070	904,848
Structured notes	1,152	4,344	1,152
Collateralised securities	0	0	0

The value of bonds increased in 2019 as a result of inflows from other forms of investments and positive revaluation. The increase in the government bonds segment is mainly the result of the decrease in the corporate bonds segment. The segment of structured notes decreased in 2019 as a result of the natural maturity of the instruments.

The main difference between the value of the items for financial reporting purposes and the value for solvency purposes is within the scope of the companies that are fully consolidated for both of the said purposes. The biggest contribution to the difference is represented by the predominant bond portfolio of Triglav pokojninska. Owing to the different valuation method for investments classified as "held to maturity" or "loans and receivables" in financial statements, we have an additional difference of EUR 42.2 million up to the value for solvency purposes.

D.1.4.5 Collective investment undertakings

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

Table 34: Group's collective investment undertakings

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Collective investment undertakings	54,857	23,756	150,136

The value of the item increased in 2019 mainly as a result of the capital calls and additional investments into alternative investment funds. The major portion of the decrease comes from the Company.

The difference between the value for financial reporting purposes and the value for solvency purposes results from the scope of the companies that are fully consolidated for both of the said purposes. The biggest contribution to the difference is represented by the portfolio of Triglav

Skladi, which comprises predominantly collective investment undertakings, and the portfolio of Triglav pokojninska.

D.1.4.6 Derivatives

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

Table 35: Group's derivatives

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Derivatives	0	1,393	0

The value of the item decreased in 2019 owing to the sale of the derivative linked to the change in stock market indices. The derivative used for hedging against the changes in the Croatian kuna was slightly negative as at 31 December 2019 which is why it is disclosed under 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.

The difference between the value for financial reporting purposes and the value for solvency purposes results from the scope of the companies that are fully consolidated for both of the said purposes.

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

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Deposits other than cash and cash equivalents	61,413	45,955	70,880

The value of the item increased in 2019 mainly as a result of long-term deposits (up to three years) at the subsidiaries from the territory of the Bosnia and Herzegovina. On the other hand, the amount of short-term deposits with maturity of less than one year decreased significantly compared to the year before, mostly at the aforementioned companies.

D.1.4.8 Other investments

Other investments in the Group represent works of art, funds in the uninsured motorist funds and financial assets not classified in any of the other categorised from preceding sections of this

Report. For solvency purposes, the value of these assets follows the value as used for the preparation of financial statements.

Table 37: Group's other investments

In EUR thousand

Investments	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Other investments	3,688	4,096	3,840

The value of the item did not change materially in 2019.

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

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

Table 38: Group's assets held for index-linked or unit-linked contracts

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Assets held for index-linked or unit-linked contracts	664,623	594,720	664,517

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 investments as a result of the growth of global stock markets and new payments amounts to nearly EUR 70 million, EUR 16 million of which came from life cycle pension funds.

D.1.6 Loans and mortgages

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

Table 39: Loans and mortgages of the Group

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Loans and mortgages	**5,325**	**37,180**	**5,276**
Loans on policies	3,679	3,343	3,676
Loans and mortgages to individuals	87	89	89
Other loans and mortgages	1,560	33,748	1,511

The assets listed under the loans and mortgages item decreased in 2019 as a result of the payment of two large loans of the Company.

D.1.7 Reinsurance recoverables

Each Group member determines the value of reinsurance recoverables using its own methodology. Each namely also takes into account the non-past due reinsurance contract receivables for financial reporting purposes.

Subject to the insurance and reinsurance contract boundaries, reinsurance recoverables relating to the said contracts are determined for solvency purposes. Reinsurance recoverables for non-life insurance liabilities are calculated separately for premium and claims liability provisions. Recoverable amounts from reinsurance contracts for claims under non-life insurance that are paid in the form of annuities are disclosed at the Group level under the life insurance item.

Table 40: Group's reinsurance recoverables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Reinsurance recoverables	**69,648**	**56,180**	**102,748**
Non-life and health insurance	68,110	51,617	102,748
Life insurance	1,538	4,563	0

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

D.1.8 Deposits to cedants

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

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

Table 41: Group's deposits to cedants

			In EUR thousand
Assets	**Value for solvency purposes**		**Value for financial reporting purposes**
	31 December 2019	**31 December 2018**	**31 December 2019**
Deposits to cedants	8,602	6,281	8,602

Claims provisions increased in 2019 due to developments in the area of claims, which in turn increased retained deposits. The growth of the volume of operations also contributed to the higher value of deposits to cedants.

D.1.9 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 data gathering differs. For solvency purposes, this item only includes past due receivables because non-past due receivables from policyholders are included for solvency purposes into the calculation of the best estimate and are correspondingly excluded from this item.

Table 42: Group's insurance and intermediaries receivables

			In EUR thousand
Assets	**Value for solvency purposes**		**Value for financial reporting purposes**
	31 December 2019	**31 December 2018**	**31 December 2019**
Insurance and intermediaries receivables	44,740	37,802	105,460

Insurance and intermediaries receivables increased in 2019 mainly due to taking into account the market value of Company's subrogations. In 2019, the Company additionally upgraded the method of market valuation of insurance subrogations which increases the financial statement value of the item by EUR 11.3 million.

D.1.10 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. The difference in the values for solvency purposes and financial reporting purposes arises because the value for financial reporting purposes shows the receivables for both active and passive reinsurance transactions, while the value for solvency purposes only shows past-due receivables from passive reinsurance transactions.

Table 43: Group's reinsurance receivables

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Reinsurance receivables	9,981	17,911	57,990

Reinsurance receivables decreased in 2019 by EUR 7.9 million mainly as a result of the decrease in the past due portion of passive reinsurance operations of Group members.

D.1.11 Receivables (trade not insurance)

Receivables (trade not insurance) comprise receivables from financing activities with the remaining part represented by receivables from operating activities (trade receivables). For financial reporting purposes, these receivables are generally measured at amortised cost using the effective interest rate method. They are valued in the same manner for solvency purposes. The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. A different classification of balance sheet items is also used for the two valuation methods.

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

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Receivables (trade not insurance)	11,551	17,943	30,786

Receivables (trade not insurance) decreased compared to the year before mainly due to the decrease in receivables from financing activities and non-current receivables.

D.1.12 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand. This item is valued according to its nominal value for both valuation purposes whereby the values differ because of the different inclusion of companies into consolidation.

Table 45: Group's cash and cash equivalents

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Cash and cash equivalents	46,771	43,396	72,947

In 2019, the values under this item remained at the levels of the year before. The difference in the value for financial reporting purposes is the result of the different scope of companies included in consolidation. The major portion of the difference is contributed to the investment portfolios of Triglav pokojninska and Triglav Skladi.

D.1.13 Any other assets, not elsewhere shown

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

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

In EUR thousand

Assets	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Any other assets, not elsewhere shown	9,109	7,151	9,799

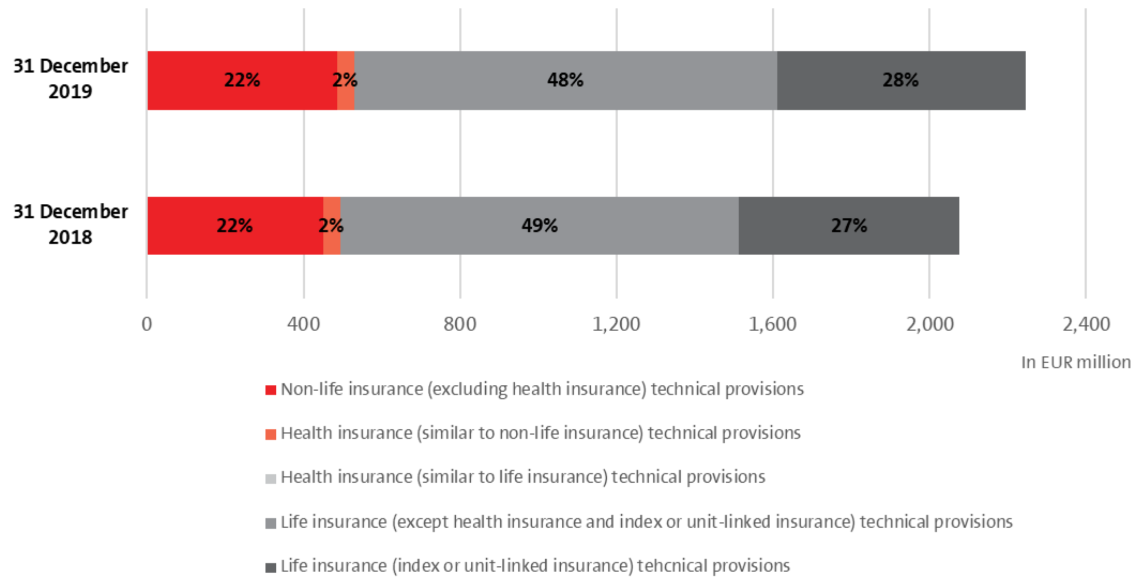
The value of any other assets of the Group, not elsewhere shown increased compared to the year before mainly as a result of the increase in mid- and long-term assets intended for sale. They increased because of the reallocation of investment real estate to mid- and long-term assets, intended for sale.

D.2 Technical provisions

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

At the Group level, the best estimate for insurance liabilities is calculated as the sum of the best estimates for insurance liabilities of individual insurance undertakings within the Group less intra-Group transactions.

Chart 8: Group's technical provisions as at 31 December 2019



CONTRACT BOUNDARIES AND HOMOGENEOUS RISK GROUPS

The Group's insurance undertakings recognize an insurance liability immediately upon the entry into force of a contract. A recognized insurance liability is dismissed when it is extinguished, discharged, cancelled or expires. Insurance contract boundaries are applied mutatis mutandis in valuation.

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

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. The entire portfolio of life insurance policies is divided into homogeneous risk groups in accordance with the nature of the risks covered by the policies, actuarial judgement and historical developments subject to an empirical analysis.

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

Non-life and health technical provisions amount to EUR 529.7 million.

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

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

The value of intergroup transactions in the Group involving non-life and health insurance amounts to EUR 64.4 million as at 31 December 2019.

Table 47: Group's technical provisions for non-life and health insurance for solvency purposes as at 31 December 2019 and 31 December 2018

31 December 2019 — **In EUR thousand**

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

31 December 2018 — **In EUR thousand**

Non-life and health insurance technical provisions	Best estimate	Risk margin	Technical provisions
-- Non-life insurance	420,322	28,704	449,026
-- Health insurance	40,661	3,673	44,334
Total	**460,983**	**32,377**	**493,360**

The main reason for the increase in the Group's technical provisions is portfolio growth.

Unearned premium estimated as at the calculation date is used as the measure of exposure. Material assumptions also include the future inflation rate and the discounting curve. The assumption of the future inflation rate is based on the estimates published by the IMF for the countries, in which an individual Group member operates.

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

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

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

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

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

As at 31 December 2019, the Group's risk margin amounted to EUR 33.8 million.

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

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

As at 31 December 2019, non-life and health insurance technical provisions for financial reporting purposes amounted to EUR 955.7 million, while they stood at EUR 529.7 million for solvency purposes. The basic difference between both valuation methods lies in the fact that the precautionary estimate of liabilities is used for financial reporting purposes, whilst the best estimate is used for solvency purposes. Provision calculation applies slightly different portfolio segmentation.

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

31 December 2019		In EUR thousand
	Value for solvency purposes	Value for financial reporting purposes*
Non-life and health insurance technical provisions	529,654	955,690

* The value relates to technical provisions presented in the Annual Report, section 3.15 in the Accounting Report

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

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

The prescribed segmentation is also used for solvency purposes in the calculation of the claims provision in the part relating to incurred but not reported or under-reported claims. The methodology is identical in both calculations. In the calculation for solvency purposes, development factors are not smoothed, and the used claims ratios do not contain any precautionary margin. In the calculation of unreported or under-reported claims for financial reporting purpose, large claims are excluded from the list of incurred and reported claims and are then added separately which leads to a higher value of provisions. Expenses and subrogations are calculated identically under both valuation methods. Similarly, as with the premium provision, cash flows from claims provisions are discounted for solvency purposes; however, due to negative interest rates, it may occur that the discounting results in higher provisions.

D.2.2 Technical provisions for life insurance

Two types of liabilities are valued within the scope of life insurance technical provisions at the Group level: life insurance liabilities and liabilities under health insurance that is provided on a similar technical basis as life insurance. The best estimate of liabilities is calculated at the Group level separately for expired and non-expired perils. The calculation methodology is harmonised among the Group's insurance undertakings that do not perform intra-group transactions when it comes to life insurance technical provisions.

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

Table 49: Life insurance technical provisions for solvency purposes as at 31 December 2019 and 31 December 2018

31 December 2019 — **In EUR thousand**

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

31 December 2018 — **In EUR thousand**

Life insurance technical provisions	Best estimate	Risk margin	Technical provisions
Insurance with profit participation (LoB 30)	935,672	15,133	950,805
Index-linked and unit-linked insurance (LoB 31)	543,433	18,883	562,316
Other life insurance (LoB 32)	-9,216	4,580	-4,636
Annuities from non-life insurance contracts (LoB 34)	73,082	511	73,593
Total	**1,542,971**	**39,107**	**1,582,078**

D.2.2.1 Best estimate of life insurance liabilities

For the purpose of projecting cash flows at the level of an individual insurance undertaking, the Group uses an appropriate set of assumptions relevant for the homogenous risk group, to which the respective insurance policy belongs. For unexpired perils, the best estimate of liabilities is calculated using cash flow projections, taking due account of the relevant assumptions for every individual policy. For expired perils, the best estimate of liabilities is recognized in the following manner: in the case of endowments, the best estimate is calculated by policy; in the case of other risks, it is calculated at the level of homogenous risk groups using the BF methodology of actuarial triangles, which is a loss reserving technique used for non-life insurance. The theoretical concept defines the best estimate of liabilities as the market value of liabilities, but in practice it can hardly ever be measured in the market. Therefore, the best estimate of liabilities is calculated as the present value of all income and expenses arising from an insurance policy, weighted by the probability of occurrence. Income includes gross premiums, charged costs and other income (e.g. refunds), while expenses include actual costs, fees and commissions, claims and any other expenses. Return on assets is not included in income. The risk-free interest rate curve published by EIOPA is used for discounting cash flows.

Expenses related to future actual costs are calculated using a cost model that contains the following cost types required to the performance of insurance contracts: insurance management costs, investment management costs, claim management costs, insurance acquisition costs (which are not included under brokers' fees - brokers' fees represent a specific cash flow type).

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

- uncertainty regarding the timing and probability of insured events;
- uncertainty regarding the amounts of claims;
- uncertainty regarding the amount of actual costs;
- uncertainty regarding the expected future development of the external environment as far as it is possible to predict it;
- uncertainty regarding policyholder behaviour.

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

The Group performs separate calculations of the best estimate of liabilities for the guaranteed and the discretionary part of liabilities.

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

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

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

The best estimate for non-life insurance claims that are paid as annuities is the sum of the best estimates for the existing and expected claims from this line of business. The best estimates are calculated using life valuation techniques. In doing so, relevant mortality tables that are also used for the valuation of capitalised annuities for the purpose of the making of lists are observed. 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. The calculation takes into account the costs of claim adjustment.

The best estimate of liabilities changed in the following segments in the reporting period:
- insurance with profit participation, where it increased by EUR 60.5 million mainly as a result of changes of the risk-free interest rate curve;
- index or unit-linked insurance, where it increased by EUR 73.2 million mainly as a result of actual investment movements in the period and the increase in the time value of options and guarantees;
- other life insurance, where it increased by EUR 0.4 million as a result of the actual unexpected movements in the portfolio;
- non-life insurance annuities, where it decreased by EUR 3.5 million. Most of the difference comes from the Company where the provisions for this item decreased by EUR 3.8 million mostly as a result of the conclusion of payouts for major claims that are paid as annuities and as a result of the change of mortality tables.

D.2.2.2 Risk margin for life insurance

The definition of the risk margin is based on the estimated value of the solvency capital requirement for all future periods until the maturity of the existing portfolio of liabilities. Therefore, the Group calculates them by applying a simplification based on the calculation of the future values of partial solvency capital requirements for individual risk sub-types (e.g. mortality, longevity, costs, etc.) on the basis of values of substitutes which can be calculated in practice.

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

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

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

The methodology and the bases used for financial reporting purposes determine the value of technical provisions within certain segments of the portfolio as the higher of the following: the realistic value of liabilities (according to the LAT methodology) or a conservative value of liabilities. The conservative calculation of liabilities is based either on a prospective method using the net Zillmer premium (traditional life insurance) or on a retrospective method (unit-linked life insurance and pension insurance).

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

Table 50: Differences between technical provisions for life insurance for solvency purposes and for financial reporting purposes

31 December 2019		In EUR thousand
	Value for solvency purposes	Value for financial reporting purposes*
Life insurance technical provisions	1,714,473	1,923,180

* The value relates to technical provisions presented in the Annual Report, section 3.15 in the Accounting Report

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

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

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

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

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

The material difference between the two valuations results from annuities under non- life insurance, which are presented under life insurance for solvency purposes and amount to EUR 70 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"[9] ;
- jubilee benefits which represent other long-term employee benefits during the time of employment.

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:

[9] Defined Benefit Plan.

- actuarial valuation methods;
- attribution of benefits during the time of employment;
- defined actuarial assumptions.

Provisions for jubilee benefits and severance pay upon retirement are calculated for each individual employee separately based on the methodology described above, the applied parameters and employee data.

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

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

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Provisions, other than technical provisions	17,199	15,867	18,623

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

D.3.2 Deferred tax liabilities

Deferred tax liabilities are valued in two stages for solvency purposes. In the first stage, they are valued at the level of an individual Group member as the product of the currently applicable local tax rate difference applicable in the country where the company operates and the difference between the passive portion of the statutory and market value balance sheets of an individual company (excluding deferred tax liabilities). The resulting amount is added to the deferred tax liabilities for financial reporting purposes. We thus get the value of deferred tax liabilities at the level of an individual company. In the second stage, deferred tax liabilities of individual companies are summed up thus arriving at the value for the entire Group.

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

Table 52: Group's deferred tax liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Deferred tax liabilities	71,800	75,775	22,517

Deferred tax liabilities for solvency purposes decreased compared to the year before because of the decrease in the difference between the Company's balance sheet liabilities for solvency purposes and those 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 53: Group's debts owed to credit institutions

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Derivatives	29	0	0

The derivative used for hedging against the changes in the Croatian kuna was slightly negative as at 31 December 2019 which is why it is now disclosed under liabilities.

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

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

Table 54: Group'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 2019	31 December 2018	31 December 2019
Financial liabilities	1,820	4,999	1,864

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

D.3.5 Insurance and intermediaries payables

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

For financial reporting purposes, they are valued at amortised cost using the effective interest rate method. They are valued in the same manner for solvency purposes. The difference between the value for financial reporting purposes and the value for solvency purposes arises from difference in the included subsidiaries that are fully consolidated within the Group. Different classification of balance sheet items is also used for the two valuation methods.

Table 55: Group's insurance and intermediaries payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Insurance and intermediaries payables	35,607	31,808	21,559

Insurance and intermediaries payables increased in 2019 because of the growth of liabilities to the insured.

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 (non-past due payables from this type of reinsurance are taken into account in the calculation of reinsurance recoverables), while their value for financial reporting purposes contains both past due and non-past due payables.

Table 56: Group's reinsurance payables

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Reinsurance payables	4,312	3,818	41,549

These liabilities did not change materially in year 2019.

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

Table 57: Group's payables (trade not insurance)

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Payables (trade not insurance)	56,623	50,411	14,681

These liabilities increased in 2019 due to implementation of IFRS 16, with which leases are additionally considered.

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 58: Group's subordinated liabilities

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Subordinated liabilities	68,081	17,840	64,847

Subordinated liabilities increased in 2019 because of the issue of a new 30.5-year first-call callable subordinated bond in the nominal amount of EUR 50 million.

D.3.9 Any other liabilities, not elsewhere shown

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

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

Table 59: Group's any other liabilities, not elsewhere shown

In EUR thousand

Liabilities	Value for solvency purposes		Value for financial reporting purposes
	31 December 2019	31 December 2018	31 December 2019
Any other liabilities, not elsewhere shown	14,283	12,072	80,538

The amount of the Group's other liabilities not elsewhere shown did not increase materially compared to the year before.

D.4 Alternative methods for valuation

In the reporting period, the Group 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 Group as per the requirements stipulated in Article 296 (4) of Delegated Regulation.

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

The Group's largest off-balance-sheet exposure is to assets under management. Detailed information on off-balance sheet items not reported by the Group are presented in the Annual Report, in section 5.6 in the Accounting Report.

OTHER RELEVANT INFORMATION

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

E. Capital management

E.1 Own funds

E.2 Solvency capital requirement and minimum capital requirement

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

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

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

E.6 Any other information

E. Capital management

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

Capital management at the Group is a continuous process involving the determination and maintenance of a sufficient volume and quality of capital required to cover the underwritten risk so as to ensure efficient operations. The capital management system also encompasses the management of regulatory capital risk. Capital risk represents the risk of loss due to the inadequate amount and/or inappropriate structure of capital given the volume and manner of operations or the problems that the Company faces when acquiring fresh capital, particularly in case of the need for a quick increase of capital and/or in case of adverse conditions for the acquisition of additional capital as well as the risk of changes to the risk assessment or the regulatory capital requirement. Capital risk also includes potential changes in financial reporting standards, which may affect the payout of dividends, and legislative amendments that affect capital adequacy.

The objective of the capital management system is the efficient use of available own funds, which provides for:

- a high level of confidence of all stakeholders;
- meeting the regulatory capital adequacy requirements;
- the security and profitability of the operations of Group companies taking into account the defined risk appetite;
- timely action to ensure the target capital adequacy level and the resulting suitable exposure to capital risk;
- meeting the criteria of external rating agencies to maintain at least the A credit rating.

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

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

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

Figure 5: Capital management strategic objectives and dividend policy criteria

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

Capital management is centralised at the Group level by ensuring optimum and cost-effective capital allocation and use through capital concentration at the Company. Within the scope of the capital management process, capital needs are taken into account as well as the options and restrictions for capital transfer between individual insurance segments and from subsidiaries to the Company. The criterion for capital transfer from subsidiaries to the Company is long-term stability and safety of the subsidiaries' operations, taking into account the local regulations on capital requirements applying to individual insurance undertakings. Each method of capital withdrawal from subsidiaries not in the form of dividend payment is previously coordinated with the competent local supervisory institution.

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

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

In the context of monitoring and measurement of economic capital value, profitability and use for each insurance segment and subsidiary as well as analysing the changes in the risk profile, regular implementation of the ORSA process, which defines the guidelines and measures for the optimisation of operations, is of the utmost importance. The ORSA process is explained in detail in section B.3.4 of this Report.

CAPITAL ADEQUACY OF THE GROUP

As at 31 December 2019, the Group was adequately capitalised and had sufficient capital available to meet both the solvency capital requirement (223%) and the minimum capital requirement (519%).

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

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

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

Table 60: Capital adequacy of the Group as at 31 December 2019 and 31 December 2018

In EUR thousand

Capital adequacy of the Group	31 Dec. 2019	31 Dec. 2018
Total eligible own funds to meet the SCR	891,889	843,246
Total eligible own funds to meet the MCR	856,845	843,246
Solvency capital requirement (SCR)	399,614	390,904
Minimum capital requirement (MCR)	165,186	154,322
Capital adequacy to SCR	223%	216%
Capital adequacy to MCR	519%	546%

The Group's capital adequacy increased by 7 pp compared to the year before, which is the result of the increase in eligible own funds and changes to the risk profile, which are described in more detail in sections E.1 and E.2 of this Report.

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

E.1 Own funds

As at 31 December 2019, the Group only had basic own funds totalling EUR 891.9 million. They were composed of the Group's share capital (EUR 73.7 million), subordinated liabilities (EUR 68.1 million) and the reconciliation reserve (EUR 750.1 million). The reconciliation reserve consists of the excess of assets over liabilities in the amount of EUR 896.1 million less the value of expected dividends for the 2019 financial year (EUR 56.8 million), share capital (EUR 73.7 million) and other unavailable funds (EUR 15.4 million). Other unavailable funds are represented by the following deductible item: the difference between the market values of the Triglav Skladi and Triglav pokojninska companies and the sectoral value of available eligible capital to meet the sectoral capital requirement of the company.

The Group did not have any ancillary own funds as at 31 December 2019.

The structure of the Group's own funds according to tier as at 31 December 2019 and 31 December 2018 is shown in the table below and in template S.23.01 of the Appendix of this Report.

Table 61: Structure of own funds by tier as at 31 December 2019 and 31 December 2018.

31 Dec. 2019 **In EUR thousand**

Own funds	Total	Tier 1 (without restrictions)	Tier 2*	Tier 3
Available own funds to meet the SCR	891,889	823,808	68,081	0
Available own funds to meet the MCR	891,889	823,808	68,081	0
Eligible own funds to meet the SCR	891,889	823,808	68,081	0
Eligible own funds to meet the MCR	856,845	823,808	33,037	0

31 Dec. 2018 **In EUR thousand**

Own funds	Total	Tier 1 (without restrictions)	Tier 2*	Tier 3
Available own funds to meet the SCR	843,246	825,836	17,410	0
Available own funds to meet the MCR	843,246	825,836	17,410	0
Eligible own funds to meet the SCR	843,246	825,836	17,410	0
Eligible own funds to meet the MCR	843,246	825,836	17,410	0

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

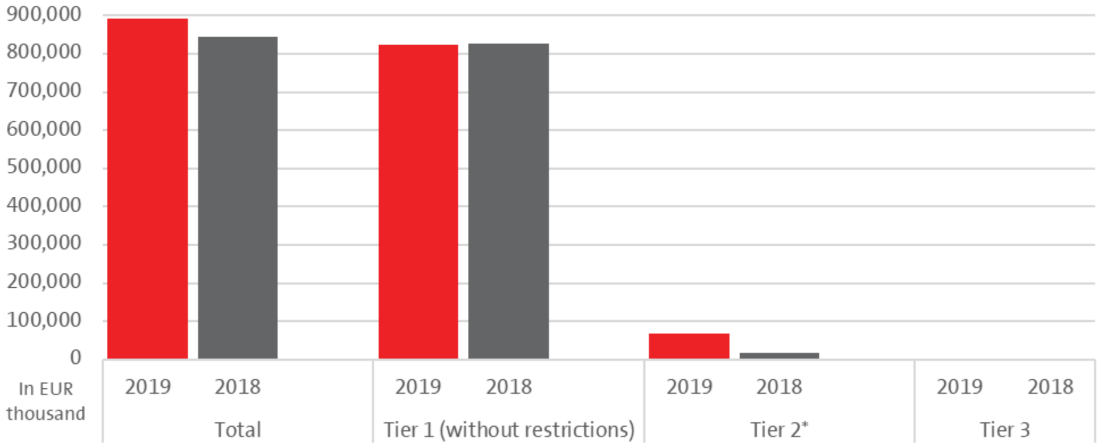
The Group's own funds increased by EUR 48.6 million in the reporting period whereby they increased on account of the increase in subordinated liabilities from the newly issued 30.5-year callable subordinated bond with first-call available in 10.5 years in the nominal amount of EUR 50 million issued in April 2019. On the other hand, the reconciliation reserve had an opposite effect on Group's own funds in the amount of EUR 2 million.

Eligible own funds do not comprise items that include restrictions affecting the fungibility and transferability of own funds in the Group.

The amount of the Group's eligible own funds to meet the MCR as at 31 December 2019 amounted to EUR 856.8 million whereby Tier 2 own funds that exceed 20% of MCR are not taken into account.

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

Chart 9: Comparison of available own funds to meet the SCR as at 31 December 2019 and 31 December 2018

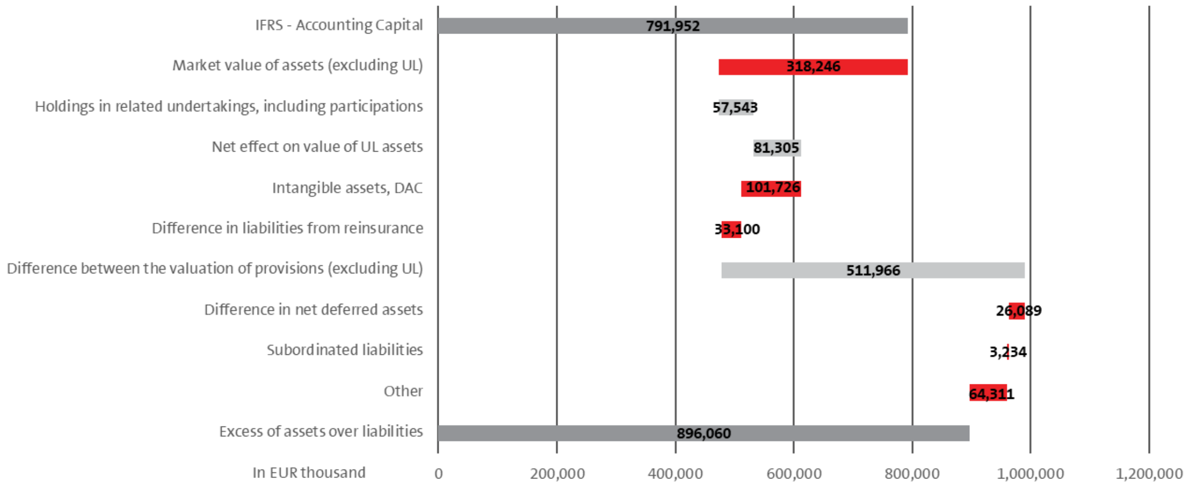


* Tier 2 own funds are suitable for the coverage of the MCR as long as they do not exceed 20% of the MCR.

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

The differences between capital for financial reporting purposes and own funds calculated for solvency purposes arise from difference in the valuation of assets and liabilities. Own funds are namely calculated as the difference between assets and liabilities whereby both sides of the balance sheet are valued at market value.

Chart 10: Differences in the valuation of capital for financial reporting purposes and own funds of the Group as at 31 December 2019



UL – unit-linked asset
DAC – deferred acquisition costs

Capital for financial reporting purposes as at 31 December 2019 amounted to EUR 792 million, while the excess of assets over liabilities for solvency purposes amounted to EUR 896.1 million. Triglav Skladi and Triglav pokojninska are fully consolidated for financial reporting purposes and included according to the equity method for solvency purposes. The difference in the inclusion of companies has the biggest impact on the difference in financial assets outlined in section D.2 of this Report and the value of technical provisions whereby technical provisions of Triglav pokojninska are also included in financial statements.

E.2 Solvency capital requirement and minimum capital requirement

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

The legislation does not prescribe the minimum capital requirement at the Group level. The floor for the SCR at the Group level must equal the minimum capital requirement at the Group level and is the sum of the minimum capital requirement of the Company and the proportionate share of the minimum capital requirement of all associated (re)insurance companies. The calculation for the Group insurance companies that are not subject to Delegated Regulation takes into account the local MCRs in proportionate amounts.

E.2.1 Solvency capital requirement

The Group's SCR as at 31 December 2019 amounted to EUR 399.6 million, an increase of EUR 8.7 million compared to the year before. The main reason for the increase is the increase in the capital requirements for underwriting risks, mostly in non-life segment, and decrease in loss-absorbing capacities of deferred taxes and capital requirements for other financial sectors and companies that are not part of BSCR calculation.

Table 62: SCR of the Group as at 31 December 2019 and 31 December 2019

In EUR thousand

Group's SCR	31 Dec. 2019	31 Dec. 2018
Underwriting risks	291,556	273,040
Market risks	191,677	208,775
Credit risks	40,314	50,946
Diversification	-179,321	-179,950
Basic solvency capital requirement	**344,226**	**352,811**
Operational risks	37,021	34,199
Loss-absorbing capacity of technical provisions	-73	-172
Loss-absorbing capacity of deferred taxes	-23,971	-29,088
Adjustment for ring-fenced fund risk diversification	7,214	5,094
SCR (excluding capital add-ons)	**364,417**	**362,844**
Capital requirement for Triglav Skladi	12,344	11,514
Capital requirement for Triglav pokojninska družba	12,789	9,332
Capital requirement for other companies (non-ancillary activity, associates)	10,064	10,064
Solvency capital requrement	**399,614**	**390,904**

The increase in the capital requirement for underwriting risks is the result of the increase in the capital requirement for non-life underwriting risks, which is the result of portfolio growth and new requirements for the inclusion of two new perils (hail and windstorm) in the calculation of capital requirement for non-life underwriting risks.

The capital requirement for market risks decreased in the reporting period by EUR 17.1 million. The reason for that is the increase in investment portfolio duration with the intent to get closer to liability tenure and increase in rating of debt investments, which was noticed in lowered interest rate risk and spread risk. Increase in equity exposures had an opposite effect, where it increased due to general growth of stock markets and additional investments.

The capital requirement for credit risks decreased by EUR 10.6 million mostly because of the decrease in exposure to reinsurance partners which is the result of the change of standard formula for individual perils (fire, aviation, marine). For these segments the base for the calculation now is highest net exposure, whereas in 2018, the base for the calculation was the highest gross exposure in the insurance segment portfolio. In 2019 the Company has upgraded its credit quality assessment for unrated reinsurance partners for which, according to the ZZavar-1 and Delegated Regulation, it can use their solvency ratio. The abovementioned change decreases the risk factor of said partners and has an effect on capital requirement.

Because of the abovementioned reasons the BSCR decreased by EUR 8.6 million.

Decrease in loss-absorbing capacities of deferred taxes and increase in capital requirement for operational risks and financial as well as other Group's companies, that do not consolidate, had an effect on the increase on SCR. Decrease of loss-absorbing capacities of deferred taxes adjustment by EUR 5.1 million is mostly the consequence of lower Company's adjustments. Capital requirement for operational risks increased by EUR 2.8 million due to increase in premium volume.

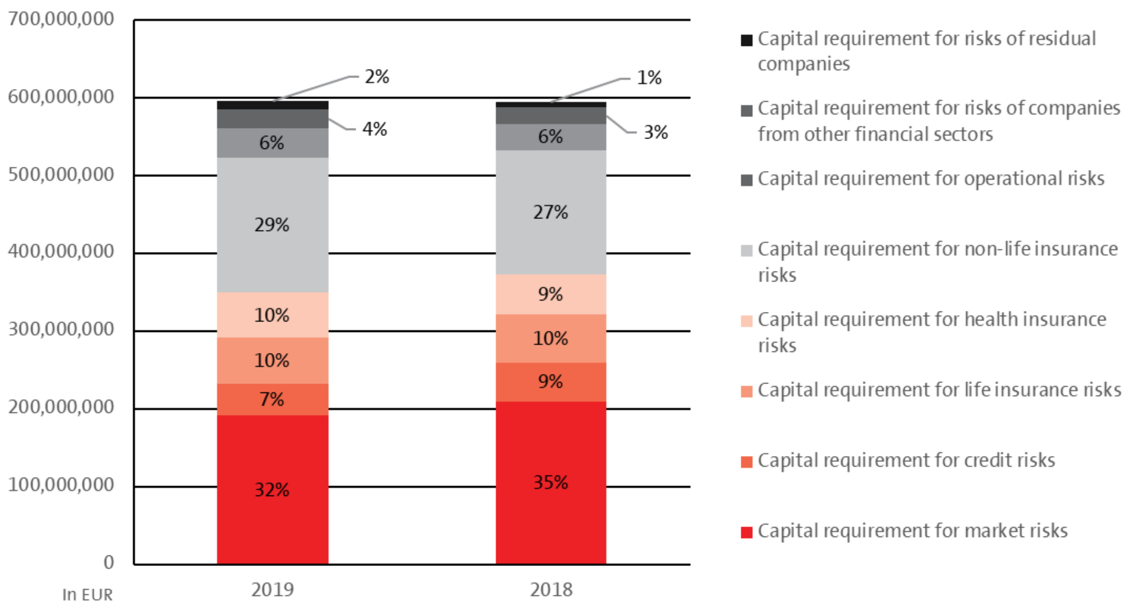
Capital requirement for Triglav Skladi increased by EUR 3 million in 2019, mostly due to increase in assets after Alta Skladi acquisition and increase in fair value of investments in investment fund shares.

The capital requirement for other companies increased by EUR 2.8 million due to increase in market value of Trigal and new pension company Triglav penzisko društvo, as well as because of the increase in symmetric adjustment of the equity capital charge.

Values for specific risk types are presented in more detail in section C of this Report and in template 25.01 in the Appendix to this Report.

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, other companies from other financial sectors and capital requirements for other companies that are not an element of the basic SCR.

Chart 11: Presentation of undiversified capital requirements of the Group as at 31 December 2019 and 31 December 2018



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

E.2.2 Minimum capital requirement

The minimum capital requirement at the Group level as at 31 December 2019 amounted to EUR 165.2 million.

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

Table 63: MCR of the Group as at 31 December 2019 and 31 December 2018

		In EUR thousand
	2019	**2018**
Group's MCR	**165,186**	**154,322**
Zavarovalnica Triglav	106,359	100,913
Pozavarovalnica Triglav Re	16,309	13,688
Triglav Zdravstvena zavarovalnica	8,846	7,265
Triglav Osiguranje, Zagreb	8,608	7,832
Triglav Osiguranje, Sarajevo	4,090	4,090

Lovčen Osiguranje, Podgorica	3,000	3,000
Triglav Osiguranje, Beograd	6,412	6,387
Triglav Osiguranje, Banja Luka	2,556	2,557
Triglav Osiguruvanje, Skopje	3,003	2,995
Lovčen životno osiguranje, Podgorica	3,000	2,600
Triglav Osiguruvanje Život, Skopje	3,003	2,995

The minimum capital requirement of the Group increased by EUR 10.9 million, whereas EUR 5.4 million comes from Company.

E.2.3 Diversification effects in the Group

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

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

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

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

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

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

In the reporting period, the Group did not find any non-compliance with the minimum consolidated capital requirement and the solvency capital requirement.

E.6 Any other information

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

Annexes

Annexes

Quantitative Reporting Templates (QRT) of the Group as at 31 December 2019:

1. S.02.01.02 - Balance sheet for solvency purposes
2. S.05.01.02 - Premiums, claims and expenses by line of business
3. S.05.02.02 - Premiums, claims and expenses by country
4. S.23.01.22 - Own funds
5. S.25.01.22 - Solvency capital requirement for undertakings using the standard formula
6. S.32.01.22 - Undertakings in the scope of the Group

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

Assets	**Solvency II values**
Intangible assets	
Deferred tax assets	35,656
Pension benefit surplus	
Property, plant and equipment held for own use	125,678
Investments (other than assets held for index-linked and unit-linked contracts)	**2,378,257**
Property (other than for own use)	94,428
Holdings in related undertakings, including participations	73,760
Equities	**63,607**
Equities - listed	57,119
Equities - unlisted	6,487
Bonds	**2,026,504**
Government Bonds	1,235,972
Corporate Bonds	789,380
Structured notes	1,152
Collateralised securities	
Collective Investments Undertakings	54,857
Derivatives	
Deposits other than cash equivalents	61,413
Other investments	3,688
Assets held for index-linked and unit-linked contracts	664,623
Loans and mortgages	**5,325**
Loans on policies	3,679
Loans and mortgages to individuals	87
Other loans and mortgages	1,560
Reinsurance recoverables from:	**69,648**
Non-life and health similar to non-life	68,110
Non-life excluding health	67,463
Health similar to non-life	647
Life and health similar to life, excluding health and index-linked and unit-linked	1,538
Health similar to life	
Life excluding health and index-linked and unit-linked	1,538
Life index-linked and unit-linked	
Deposits to cedants	8,602
Insurance and intermediaries receivables	44,740
Reinsurance receivables	9,981
Receivables (trade, not insurance)	11,551
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	46,771
Any other assets, not elsewhere shown	9,109
Total assets	**3,409,941**

Liabilities

	Solvency II values
Technical provisions - non-life	**529,654**
Technical provisions - non-life (excluding health)	**485,194**
TP calculated as a whole	
Best estimate	455,166
Risk margin	30,028
Technical provisions - health (similar to non-life)	**44,460**
TP calculated as a whole	
Best estimate	40,665
Risk margin	3,794
TP - life (excluding index-linked and unit-linked)	**1,080,603**
Technical provisions - health (similar to life)	**122**
TP calculated as a whole	
Best estimate	121
Risk margin	1
TP - life (excluding health and index-linked and unit-linked)	**1,080,482**
TP calculated as a whole	
Best estimate	1,056,779
Risk margin	23,703
TP - index-linked and unit-linked	**633,870**
TP calculated as a whole	
Best estimate	616,631
Risk margin	17,238
Contingent liabilities	
Provisions other than technical provisions	17,199
Pension benefit obligations	
Deposits from reinsurers	
Deferred tax liabilities	71,800
Derivatives	29
Debts owed to credit institutions	
Financial liabilities other than debts owed to credit institutions	1,820
Insurance and intermediaries payables	35,607
Reinsurance payables	4,312
Payables (trade, not insurance)	56,623
Subordinated liabilities	**68,081**
Subordinated liabilities not in BOF	
Subordinated liabilities in BOF	68,081
Any other liabilities, not elsewhere shown	14,283
Total liabilities	**2,513,880**
Excess of assets over liabilities	**896,060**

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	184,285	70,564		170,198	150,562	20,242
Gross - Proportional reinsurance accepted	2,528	3,398		16,686	8,588	10,477
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	3,206	2,944		20,412	15,915	11,239
Net	**183,608**	**71,018**		**166,472**	**143,235**	**19,480**
Premiums earned						
Gross - Direct Business	183,068	70,196		166,260	145,618	19,434
Gross - Proportional reinsurance accepted	2,779	3,393		16,444	8,478	9,694
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	2,958	2,966		20,422	16,140	10,156
Net	**182,889**	**70,624**		**162,281**	**137,956**	**18,972**
Claims incurred						
Gross - Direct Business	147,103	24,893		82,013	94,522	8,507
Gross - Proportional reinsurance accepted	1,816	2,005		6,448	5,839	5,444
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	1,794	1,795		5,456	7,558	2,137
Net	**147,126**	**25,103**		**83,005**	**92,804**	**11,814**
Changes in other technical provisions						
Gross - Direct Business	723	-69		110	2	-138
Gross - Proportional reinsurance accepted	143					209
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	259					-1
Net	**607**	**-69**		**110**	**2**	**72**
Expenses incurred	**26,223**	**22,636**		**54,990**	**40,073**	**7,622**
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	178,465	44,089	27,476	721	21,014	5,429
Gross - Proportional reinsurance accepted	113,538	7,554	6,018	111	1,503	1,954
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	124,408	19,116	9,604	272	1,532	5,107
Net	**167,595**	**32,528**	**23,890**	**559**	**20,984**	**2,275**
Premiums earned						
Gross - Direct Business	169,602	42,581	27,064	647	18,774	5,517
Gross - Proportional reinsurance accepted	109,180	7,425	5,987	96	1,423	1,929
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	116,814	18,556	9,419	275	1,405	5,193
Net	**161,967**	**31,449**	**23,632**	**468**	**18,792**	**2,252**
Claims incurred						
Gross - Direct Business	78,600	3,847	12,705	-37	11,975	1,611
Gross - Proportional reinsurance accepted	52,357	3,726	3,383	0	878	1,113
Gross - Non-proportional reinsurance accepted						
Reinsurers' share	40,301	8,368	4,482	-2	904	2,814
Net	**90,656**	**-794**	**11,606**	**-36**	**11,950**	**-90**
Changes in other technical provisions						
Gross - Direct Business	404	80	5	1	-59	-42
Gross - Proportional reinsurance accepted	-2	-1	1			-7
Gross - Non-proportional reinsurance accepted						
Reinsurers' share			33			-7
Net	**403**	**79**	**-27**	**1**	**-59**	**-42**
Expenses incurred	**71,230**	**14,749**	**8,647**	**241**	**7,936**	**1,471**
Other expenses						
Total expenses						

	Line of Business for: accepted nonproportional reinsurance				
	Health	Casualty	Marine, aviation, transport	Property	Total
Premiums written					
Gross - Direct Business					873,045
Gross - Proportional reinsurance accepted					172,354
Gross - Non-proportional reinsurance accepted	159	4,829	1.487	20,807	27,282
Reinsurers' share	57	4,378	309	9,702	228,202
Net	**102**	**450**	**1.178**	**11,105**	**844,479**
Premiums earned					
Gross - Direct Business					848,760
Gross - Proportional reinsurance accepted					166,828
Gross - Non-proportional reinsurance accepted	159	4,792	1.473	20,655	27,079
Reinsurers' share	57	4,464	333	9,647	218,804
Net	**102**	**328**	**1.140**	**11,009**	**823,863**
Claims incurred					
Gross - Direct Business					465,739
Gross - Proportional reinsurance accepted					83,010
Gross - Non-proportional reinsurance accepted	56	-1,119	458	11,201	10,596
Reinsurers' share	0	2,648	-38	2,473	80,689
Net	**56**	**-3,767**	**496**	**8,728**	**478,656**
Changes in other technical provisions					
Gross - Direct Business					1,018
Gross - Proportional reinsurance accepted					344
Gross - Non-proportional reinsurance accepted					0
Reinsurers' share					284
Net					**1,077**
Expenses incurred	**8**	**-14**	**103**	**1,209**	**257,124**
Other expenses					11,623
Total expenses					**268,747**

	Line of Business for: life insurance obligations								
	Health insurance	**Insurance with profit participation**	**Index-linked and unit-linked insurance**	**Other life insurance**	**Annuities stemming from non-life insurance contracts and relating to health insurance obligations**	**Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations**	**Health reinsurance**	**Life reinsurance**	**Total**
Premiums written									
Gross	2	67,102	92,177	17,982				912	178,175
Reinsurers' share		38	36	1,285				919	2,279
Net	**2**	**67,064**	**92,141**	**16,697**				**-7**	**175,896**
Premiums earned									
Gross	1	67,116	92,177	17,986				912	178,191
Reinsurers' share		37	36	1,285				919	2,277
Net	**1**	**67,078**	**92,141**	**16,700**				**-7**	**175,913**
Claims incurred									
Gross		86,615	70,028	6,849	6	6,383		387	170,268
Reinsurers' share		6	19	308				368	702
Net		**86,609**	**70,009**	**6,541**	**6**	**6,383**		**19**	**169,566**
Changes in other technical provisions									
Gross		11,389	74,092	4,291					89,772
Reinsurers' share									0
Net		**11,389**	**74,092**	**4,291**					**89,772**
Expenses incurred		**12,402**	**17,163**	**950**		**61**		**-37**	**36,635**
Other expenses									**591**
Total expenses									**37,227**

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

	Home Country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country
		HR	RS	ME	MK	BA	
Premium written	773,808	64,734	60,098	37,385	26,142	25,924	988,091
Gross - Direct Business	667,115	54,718	53,576	33,268	23,159	23,907	855,743
Gross - Proportional reinsurance accepted	94,432	8,875	5,670	3,626	2,557	1,955	117,115
Gross - Non-proportional reinsurance accepted	12,261	1,141	852	491	426	63	15,234
Reinsurers' share	117,635	13,757	16,990	9,016	7,142	6,781	171,321
Net	**656,173**	**50,977**	**43,108**	**28,368**	**19,000**	**19,144**	**816,770**
Premium earned	754,397	62,809	56,052	36,214	25,953	24,856	960,280
Gross - Direct Business	651,792	52,707	49,568	32,191	22,905	22,852	832,015
Gross - Proportional reinsurance accepted	90,462	8,966	5,631	3,534	2,622	1,942	113,156
Gross - Non-proportional reinsurance accepted	12,143	1,136	852	489	426	63	15,110
Reinsurers' share	110,146	13,587	15,244	8,902	6,784	6,579	161,243
Net	**644,251**	**49,221**	**40,808**	**27,311**	**19,169**	**18,278**	**799,038**
Claims incurred	404,743	42,801	23,552	15,679	12,667	12,093	511,535
Gross - Direct Business	372,233	35,137	20,665	14,145	10,777	11,036	463,993
Gross - Proportional reinsurance accepted	34,343	7,404	2,851	1,513	1,264	1,038	48,415
Gross - Non-proportional reinsurance accepted	-1,833	259	36	21	627	18	-872
Reinsurers' share	34,725	12,393	6,708	2,994	1,862	3,494	62,177
Net	**370,019**	**30,408**	**16,844**	**12,686**	**10,805**	**8,599**	**449,359**
Changes in other technical provisions	852	855	-672	20	-58	363	1,359
Gross - Direct Business	508	855	-672	20	-58	363	1,015
Gross - Proportional reinsurance accepted	344						344
Gross - Non-proportional reinsurance accepted							
Reinsurers' share	259				26		
Net	**593**	**856**	**-672**	**20**	**-84**	**363**	**1,075**
Expenses incurred	**153,996**	**20,796**	**11,008**	**10,622**	**6,608**	**6,260**	**209,290**
Other expenses							11,623
Total expenses							**220,913**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		HR	BA	RS	ME	MK	
Premium written							
Gross	152,586	11,673	6,765	3,401	3,160	590	178,175
Reinsurers' share	672	254	384	40	7	1	1,360
Net	**151,913**	**11,419**	**6,381**	**3,360**	**3,153**	**589**	**176,815**
Premium earned							
Gross	152,595	11,673	6,765	3,408	3,160	589	178,191
Reinsurers' share	672	254	384	40	7		1,358
Net	**151,923**	**11,419**	**6,381**	**3,368**	**3,153**	**589**	**176,832**
Claims incurred							
Gross	155,721	5,700	2,544	3,003	3,278	22	170,268
Reinsurers' share	304		23		6		334
Net	**155,418**	**5,700**	**2,520**	**3,003**	**3,272**	**22**	**169,934**
Changes in other technical provisions							
Gross	79,213	10,374		-276		461	89,772
Reinsurers' share							
Net	**79,213**	**10,374**		**-276**		**461**	**89,772**
Expenses incurred	**28,787**	**4,307**		**495**		**469**	**34,059**
Other expenses							591
Total expenses							**34,650**

Annex 4: S.23.01.22 - Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares)	73,701	73,701			
Non-available called but not paid in ordinary share capital at group level					
Share premium account related to ordinary share capital					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
Subordinated mutual member accounts					
Non-available subordinated mutual member accounts at group level					
Surplus funds					
Non-available surplus funds at group level					
Preference shares					
Non-available preference shares at group level					
Share premium account related to preference shares					
Non-available share premium account related to preference shares at group level					
Reconciliation reserve	750,106	750,106			
Subordinated liabilities	68,081			68,081	
Non-available subordinated liabilities at group level					
An amount equal to the value of net deferred tax assets					
The amount equal to the value of net deferred tax assets not available at the group level					
Other items approved by supervisory authority as basic own funds not specified above					
Non available own funds related to other own funds items approved by supervisory authority					
Minority interests (if not reported as part of a specific own fund item)					
Non-available minority interests at group level					
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Deductions					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities					
whereof deducted according to art 228 of the Directive 2009/138/EC					
Deductions for participations where there is non-availability of information (Article 229)					
Deduction for participations included by using D&A when a combination of methods is used					
Total of non-available own fund items					
Total deductions					
Total basic own funds after deductions	**891,889**	**823,808**		**68,081**	

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
Unpaid and uncalled preference shares callable on demand					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
Non available ancillary own funds at group level					
Other ancillary own funds					
Total ancillary own funds					
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, financial institutions					
Institutions for occupational retirement provision					
Non regulated entities carrying out financial activities					
Total own funds of other financial sectors					
Own funds when using the D&A, exclusively or in combination of method 1					
Own funds aggregated when using the D&A and combination of method					
Own funds aggregated when using the D&A and a combination of method net of IGT					

Available and eligible own funds	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**891,889**	**823,808**		**68,081**	
Total available own funds to meet the minimum consolidated group SCR	**891,889**	823,808		68,081	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**891,889**	823,808		68,081	
Total eligible own funds to meet the minimum consolidated group SCR	**856,845**	823,808		33,037	
Minimum consolidated Group SCR	**165,186**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**519%**				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**891,889**	823,808		68,081	
Group SCR	**399,614**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**223%**				

Reconciliation reserve	
Excess of assets over liabilities	**896,060**
Own shares (included as assets on the balance sheet)	
Foreseeable dividends, distributions and charges	56,838
Other basic own fund items	73,701
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
Other non available own funds	15,415
Reconciliation reserve before deduction for participations in other financial sector	**750,106**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life Business	76,683
Expected profits included in future premiums (EPIFP) - Non- life business	65,112
Total EPIFP	**141,795**

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

	Gross solvency capital requirement
Market risks	191,677
Credit risks	40,314
Life underwriting risks	59,470
Health underwriting risks	57,986
Non-life underwriting risks	174,100
Diversification	-179,321
Intangible asset risk	0
Basic Solvency Capital Requirement	**344,226**

Calculation of Solvency Capital Requirement	
Operational risks	37,021
Loss-absorbing capacity of technical provisions	-73
Loss-absorbing capacity of deferred taxes	-23,971
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
Solvency capital requirement excluding capital add-on	**364,417**
Capital add-on already set	
Solvency capital requirement	**399,614**
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	
Minimum consolidated group solvency capital requirement	165,186
Information on other entities	
Capital requirement for other financial sectors (Non-insurance capital requirements)	25,133
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	12,344
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	12,789
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	
Capital requirement for non-controlled participation requirements	
Capital requirement for residual undertakings	10,064
Overall SCR	
SCR for undertakings included via D and A	
Solvency capital requirement	**399,614**

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

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
SI	549300KGI78M KHO38N42	LEI	Zavarovalnica Triglav, d.d.	Composite undertaking	Public limited company	Non-mutual	Insurance Supervision Agency				Included in the scope	1.01.2016	Full consolidation
SI	549300XGYWQ T0XWO4R05	LEI	Pozavarovalnica Triglav Re, d.d., Ljubljana	Reinsurance undertaking	Public limited company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
SI	4851000094PJJ Q1E0T23	LEI	Triglav, Zdravstvena zavarovalnica, d.d., Koper	Non life insurance undertaking	Public limited company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
SI	48510000PUF0 PHJMWE31	LEI	Triglav, pokojninska družba, d.d.	Institution for occupational retirement provision	Public limited company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Sectoral rules
HR	74780000H0HH L1OVM657	LEI	Triglav Osiguranje, d.d., Zagreb	Composite undertaking	Public limited company	Non-mutual	Croatian Financial Services Supervisory Agency	100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
BA	485100004VIB WAYZM123	LEI	Triglav BH Osiguranje, d.d., Sarajevo	Composite undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	97.78%	98.87%	Dominant	Included in the scope	1.01.2016	Full consolidation
BA	485100007Q6X SLF2XO57	LEI	Triglav Osiguranje, a.d., Banja Luka	Non life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
RS	48510000D1F4 7ICK5Q68	LEI	Triglav Osiguranje, a.d.o, Beograd	Composite undertaking	Public limited company	Non-mutual	National bank of Serbia	99.88%	99.88%	Dominant	Included in the scope	1.01.2016	Full consolidation
ME	485100004QGL XDPDPC92	LEI	Lovčen Osiguranje, a.d., Podgorica	Non life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	96.59%	96.59%	Dominant	Included in the scope	1.01.2016	Full consolidation

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
ME	OP-39	Specific code	Lovčen životna osiguranja, Podgorica	Life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	96.59%	96.59%	Dominant	Included in the scope	1.01.2016	Full consolidation
MK	48510000WZ S9RGTJVR81	LEI	Triglav Osiguruvanje, a.d., Skopje	Non life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	80.45%	80.35%	Dominant	Included in the scope	1.01.2016	Full consolidation
MK	OP-56	Specific code	Triglav Osiguruvanje Život, a.d, Skopje	Life insurance undertaking	Public limited company	Non-mutual	Local Insurance Supervision Agency	96.09%	96.09%	Dominant	Included in the scope	30.09.2017	Full consolidation
BA	PP-90DE	Specific code	Društvo za upravljanje Evropskim dobrovoljnim penzijskim fondom, a.d., Banja Luka	Institution for occupational retirement provision	Public limited company	Non-mutual	Local Insurance Supervision Agency	34,00%	34,00%	Significant	Included in the scope	30.09.2017	Other method
SI	48510000NK Z3E6LSZM73	LEI	Triglav Skladi, d.o.o.	Credit institution, investment firm and financial institution	Private limited-liability company	Non-mutual		67.50%	100.00%	Dominant	Included in the scope	1.01.2016	Sectoral rules
SI	OP-19	Specific code	Triglav upravljanje nepremičnin, d.d., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Public limited company	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
SI	OP-13	Specific code	Triglav Svetovanje, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
SI	OP-12	Specific code	Triglav Avtoservis, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
SI	OP-32	Specific code	Hotel grad Podvin, d.o.o., Radovljica	Other	Private limited-liability company	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Other method
SI	PP-90	Specific code	Vse bo v redu, Zavod za družbeno odgovornost	Other	Social responsibility institute	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Other method
SI	485100000Z4B S9C24Q46	LEI	Triglav INT, d.d., Ljubljana	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Public limited company	Non-mutual	Insurance Supervision Agency	100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
ME	OP-28	Specific code	Lovćen Auto, d.o.o., Nikšić	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		96.59%	96.59%	Dominant	Included in the scope	1.01.2016	Full consolidation
BA	OP-24	Specific code	Autocentar BH, d.o.o., Sarajevo	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		97.78%	98.87%	Dominant	Included in the scope	1.01.2016	Full consolidation
SI	485100BVIL6S7 PXGWM56	LEI	Ljubljanica, finančne storitve, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		49.90%	49.90%	Significant	Included in the scope	31.12.2018	Other method
HR	OP-52	Specific code	Triglav Savjetovanje, d.o.o., Zagreb	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Croatian Financial Services Supervisory Agency	100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
BA	OP-22	Specific code	Triglav Savjetovanje, d.o.o., Sarajevo	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Agencija za nadzor osiguranja	98.91%	98.91%	Dominant	Included in the scope	1.01.2016	Full consolidation
RS	OP-53	Specific code	Triglav Savetovanje, d.o.o., Beograd	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual	Narodna Banka Srbije	99.94%	99.94%	Dominant	Included in the scope	1.01.2016	Full consolidation
BA	485100F220K L688LO342	LEI	PROF-IN, d.o.o., Sarajevo	Credit institution, investment firm and financial institution	Private limited-liability company	Non-mutual		62.54%	62.54%	Dominant	Included in the scope	1.01.2016	Other method
BA	PP-13	Specific code	Sarajevostan, d.o.o., Sarajevo	Other	Public limited company	Non-mutual		90.95%	91.97%	Dominant	Included in the scope	1.01.2016	Other method
HR	OP-54	Specific code	Triglav upravljanje nekretninama Zagreb, d.o.o.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
ME	OP-55	Specific code	Triglav upravljanje nekretninama Podgorica, d.o.o.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	1.01.2016	Full consolidation
SI	747800P0D1 3G4YJHYI09	LEI	Nama, trgovsko podjetje, d.d. Ljubljana	Other	Public limited company	Non-mutual		39.07%	39.07%	Significant	Included in the scope	1.01.2016	Other method
SI	PP-03	Specific code	Triglavko, d.o.o, Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		38.47%	38.47%	Significant	Included in the scope	1.01.2016	Other method

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% voting rights	Level of influence	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
SI	4851006WX9O N1MWW9471	LEI	Trigal, upravljanje naložb in svetovalne storitve, d.o.o.	Other	Private limited-liability company	Non-mutual		49.90 %	49.90 %	Significant	Included in the scope	10.01.2018	Other method
MK	OP-59	2 - Specific code	Triglav penzisko društvo, a.d., Skopje	Institution for occupational retirement provision	Public limited company	Non-mutual	Agencija za nadzor osiguranja	100.00%	100.00%	Dominant	Included in the scope	27.03.2019	Other method
SI	PP-19	Specific code	ZTSR, raziskovanje trga, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		50.00%	50.00%	Significant	Included in the scope	31.12.2018	Other method
SI	485100UK407S 4YQ9YK73	1 - LEI	ALFI PD, upravljanje alternativnih investicijskih skladov, d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		49.90 %	49.90 %	Significant	Included in the scope	31.12.2019	Other method
SI	PP-20	2 - Specific code	HGP GRAD, investicije d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	29.03.2019	Other method
SI	PP-21	2 - Specific code	HGP REST, investicije d.o.o., Ljubljana	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Private limited-liability company	Non-mutual		100.00%	100.00%	Dominant	Included in the scope	29.03.2019	Other method