

The background of the cover is a photograph of a classical building facade. It features several tall, cylindrical columns made of red brick, separated by grey stone pilasters. A balcony with a decorative stone balustrade featuring repeating balusters runs across the middle of the image. Below the balcony, more grey stone columns are visible. The lighting is warm, suggesting late afternoon or early morning.

# ANNUAL REPORT 2021



**triglavre**





*When you design a building, you  
should find an idea in it that would  
make you tremble in the face of it.*  
Jože Plečnik

In the facade of the Slovene  
Insurance House in Ljubljana,  
now the headquarters of the  
Triglavre d.d. and Triglav d.d.,  
architect Jože Plečnik included  
numerous symbols connected  
with the activities of the building.  
Messages are conveyed through  
architectural forms, numbers and  
sizes in the facade.



## SUMMARY OF THE ANNUAL REPORT 2021

JOŽE  
PLEČNIK  
150  
LET / YEARS

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

# Statement of Management's Responsibilities

The Management Board hereby confirms that the Annual Report of Triglav Re, d.d. with all its integral parts is written in accordance with the Companies Act and the International Financial Reporting Standards.

The Management is responsible for the preparation of the Annual Report so that it gives a true and fair view of the Company's financial position and its operating results for the year ending 31 December 2021.

The Management Board hereby confirms that the appropriate accounting policies have been consistently applied and that the accounting estimates have been prepared with due care and diligence. Furthermore, the Management Board confirms that the financial statements together with the related notes have been prepared on the basis that the Company will continue its operating activities and in accordance with the applicable law and International Accounting Standards.

The Management Board is also responsible for keeping proper and adequate accounting, for taking reasonable asset protection measures and for the measures for prevention and detection of fraud and irregularities.

The tax authorities may, at any time within five (5) years from the date on which the tax was charged, check the Company's operations, which may result in additional tax liabilities, interest on arrears, penalties under corporation tax or other taxes and duties. The Management Board further states that they are not aware of any circumstances that may give rise to any potential material liability in this respect.

Ljubljana, 14 March 2022

Member of the  
Management Board  
Stanislav VRTUNSKI

Member of the  
Management Board  
Tomaž ROTAR

President of the  
Management Board  
Gregor STRAZAR MBA (Econ)



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## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS to the owners of Triglav RE, d.d.

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2021, and the summary income statement, the summary statement of other comprehensive income, the summary statement of changes in equity and the summary cash flow statement for the year then ended, and related notes to the financial statements, including a summary of significant accounting policies, are derived from the audited financial statements of Triglav RE d.d. ('the Company') for the year ended 31 December 2021.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by IFRS. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 14, 2022.

### Responsibilities of Management for the Summary Financial Statements

Management is responsible for the preparation and fair presentation of the summary financial statements in accordance with IFRS.



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Auditor’s Responsibilities for the Report on the Summary Financial Statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj  
Certified auditor

Ljubljana, 26 May 2022

**Deloitte.**  
DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3

STONES OF THE GROUND FLOOR,  
BALUSTRADES ON BALCONIES,  
AND BRICK COLUMNS

It is not difficult to read the message in ground floor stones:  
*Stone upon a stone makes a palace.*

Balusters on the balconies consist of two grains each, while balusters usually have only one swelling.  
The balustrade is like a grain and the facade with balconies is like a wheat field conveying the message:  
*Grain upon a grain makes a cake.*

The brick layers in the column resemble a column of coins laid one on the top of another:  
*Coin upon coin makes a fortune.*

The articulation of the facade of Slovene Insurance House says:

*Stone upon a stone makes a palace,  
Grain upon a grain makes a cake,  
Coin upon coin makes a fortune.*





# 1. OPERATING PERFORMANCE AND EVENTS IN 2021

## 1.1. Financial Highlights of Triglav Re, d.d.

	YEAR 2021	YEAR 2020	INDEX
	in EUR		
Gross reinsurance premium written	202,282,034	180,967,469	112
Gross claims paid	88,241,309	76,015,279	116
Gross operating expenses*	3,952,740	3,821,466	103
Return on investment	3,585,054	-973,358	-368
Technical provisions	221,447,741	195,766,154	113
Equity	95,551,720	87,042,128	110
Return on Equity	12.4%	3.3%	/
Net profit	11,324,430	2,817,983	402
Number of employees at the year-end	54	52	104

\*Gross operating expenses by functional groups

## 1.2. Significant Events in 2021

The Covid-19 pandemic continued in 2021. The Company was operating normally, which was facilitated by the preventive measures taken. The analysis of the impact of the new coronavirus on the business in 2021 is presented in more detail in the section 3.2.2.

### MARCH

On 5 March 2021, Triglav Re, d.d. received a recommendation from the Insurance Supervisory Agency expressing the expectation that, due to the uncertain situation regarding the spread of the Covid-19 pandemic and the resulting uncertain consequences for the economy and the insurance sector, no dividends will be paid out of the balance sheet profits of insurance companies, pension companies and reinsurance companies until 30 September 2021, as well as no irrevocable commitment to pay dividends. Based on the above, the Management Board of Triglav Re, d.d., on 18 March 2021 adopted a resolution that, in accordance with the Agency's recommendation, the total balance sheet profit at the end of the 2020 financial year of EUR 73,711,969.61 shall constitute unallocated profit and shall be carried forward to the following year.

### JULY

On 9 July 2021, the 34th General Meeting of Triglav Re, d.d. was held, at which the shareholders took note of the resignation of the President of the Supervisory Board, Andrej Slapar, appointed a new member of the Supervisory Board, Tadej Čoroli, and extended the term of office of the member of the Supervisory Board, Tomaž Žust. The Annual General Meeting also took note of the appointment of Katja Modec as the new employee representative in the Supervisory Board of Triglav Re, d.d..

### AUGUST

At the first constitutive meeting of the Supervisory Board on 23 August 2021, Tadej Čoroli was elected as the new President of the Supervisory Board of Triglav Re, d.d., and Tomaž Žust as his deputy.

### SEPTEMBER

Following its regular annual review on 13 September 2021, S&P Global Ratings reaffirmed Triglav Group's, and therefore also Zavarovalnica Triglav d.d. and Triglav Re, d.d., long-term credit rating and financial strength rating of "A" with a stable medium-term outlook.

### OCTOBER

On 13 October 2021, the rating agency A.M. Best reaffirmed the financial strength rating of "A" (excellent) and the issuer long-term credit rating of "a" to Zavarovalnica Triglav d.d. and Triglav Re, d.d. at the time of the regular annual review. The ratings have a stable medium-term outlook.



1.3. Address by the President of the Management Board

Dear Business Partners and Colleagues,

We can be extremely satisfied with the performance of the Company and the results achieved in 2021. In the uncertain environment of the ongoing Covid-19 pandemic, we achieved 12% premium growth and generated a record net profit of EUR 11.3 million. The Company realised a combined ratio of 90.5%, which is 4.4 percentage points lower than the previous year. Compared to the previous year's result and in addition to the improved technical underwriting result reflecting the improved quality of our reinsurance portfolio, we realised significantly higher investment returns, although interest income remains at a relatively low level. Return on equity (ROE) stands at 12.4%.

Experts estimate that in 2021, natural catastrophes caused a total loss of USD 280 billion, of which approximately USD 120 billion was insured. Hurricane Ida caused the largest loss of USD 65 billion (USD 36 billion insured). In western Germany and Belgium, floods following the passage of Cyclone Bernd in mid-July caused losses of USD 54 billion (EUR 46 billion) which is the highest natural catastrophe in Germany's history in terms of amount, and the largest loss event for our Company in 2021. Many weather catastrophes are caused by climate change, and we want to act more sustainably as a company and reduce our carbon footprint.

After a GDP contraction in 2020 by 4.2%, 2021 was a year of recovery for the Slovenian economy. According to the first estimate of the Statistical Office of the Republic of Slovenia, the GDP grew by 8.1% in real terms, and the economic environment improved in our most important foreign markets, supported by broad-based economic policies. In the international reinsurance market, with extremely extensive catastrophic events and increasing cyber risks, the conditions are tightening and the prices for underwritten risks are rising. In view of the above, we can expect a favourable development of our Company in the future as well.

The estimated capital adequacy ratio at the end of 2021 was within the set strategic targets and stood at 239%, which shows that we are pursuing our primary objective of safe and stable business operations through appropriate capital management. At the same time, we are demonstrating a strong capital position, as confirmed by the renewed 'A' ratings with a stable medium-term outlook provided by S&P Global Ratings and A.M. Best.

We are finishing the report at the beginning of March 2022, at the time of the Russia Ukraine crisis, which escalated into an armed conflict at the end of February 2022. The war will affect the global economy including the insurance industry through increased financial market volatility. Therefore, we have made an in-depth analysis because the insurance market is exposed in a number of areas.

As of 2022, Triglav Re, d.d. enters a new strategic period 2022-2025, where the main focus will be the digitalisation of the business and the integration of the concept of sustainable risks into the management system.

Despite the new challenges, I am confident that with the motivated and professional staff, whom I would like to thank for their commitment, we will realise the strategic goals we have set.

Gregor Stražar (MBA)







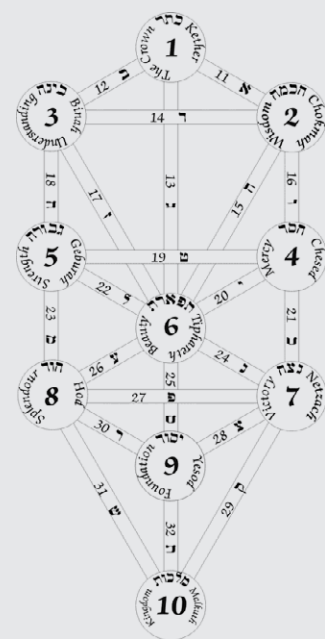
## NUMBER 28 AND NUMBERS 7, 14, 21

There are two other sayings built into the number of the “gold pieces” forming the column. Each column consist of three parts, one along the window, which is 28 courses high, a lower one along the parapet having 10 courses, and between them a stone cylinder.

According to the Kabbala (an esoteric method, discipline, and school of thought in Jewish mysticism), human life attains the top of the tree of life in four twists, each of seven years duration. This is repeated three times before a person drowns in Daat, Death. According to Kabbala, a normal human life lasts  $4 \times 7 \times 3 = 84$  years.

The Judaic Tree of Life, or Sephirot, consist of the ten elements of the Macrocosmos: the Sun, The Earth, the Moon, and the seven Planets. Gradually, the Ciphers obtained several other meanings, such as the ten properties of the Human character, of Microcosmos. According to the Kabbala, the number 28 rules the World, and Man in particular.

The 28 “golden coins” sybolize the following idea: *Money rules the World.*



The meaning of the number 28 is known all over the world. Plečnik had the opportunity to become acquainted with it in Imperial Vienna.

Number 28 regulates lunation in the Solar System and menstruation in human life. In Persian mathematic, 28 is one of the four complete numbers or *kamils*. Complete numbers are: 7, 9, 12 and 28. Europeans have saying that if someone does not acheive fame by the age of 28, he never will. Even Tolstoy belived in the power of the number 28. He was born on August 28, 1828...

Plečnik often used the number 28, which implies the significance of the terms “rule”, “world”, and “life”, as a modular multiple in his composition. The same colud be said of 7, 14, and 21.

When mathematic began, when pebbles of calculi aided computation, a number had more than one meaning. One pebble, for instance, could mean a pair of oxsen (implying number 2) or dozen eggs (number 12) or one centuria (number 100). It can be said that a figured number, composed of calculi, is equal to numbers which are 2-, 3-, 5-times greater or smaller. In this way, numbers 7, 14, and 21, are synonymous with number 28. Plečnik placed these numbers on the Vzájemna facade. There are 14 columns and 21 balconies above Miklošičeva Street, and 21 columns and 28 balconies above the Osvobodilna fronta Square.



## 2. REPORT OF THE SUPERVISORY BOARD ON THE VERIFICATION OF THE ANNUAL REPORT OF TRIGLAV RE, D.D. FOR 2021

### 1. Introduction

In 2021, the Supervisory Board of Triglav Re d.d. (hereinafter referred to as "the Company") continuously monitored and supervised the operations of the Company. It regularly examined the reports on the various aspects of the Company's business operations, adopted the appropriate decisions in this respect and monitored their implementation.

The Supervisory Board performed its duties within the scope of its powers and competencies set out in the statutory provisions, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. It was acting in accordance with the guidelines of the Corporate Governance of Zavarovalnica Triglav d.d., as the parent company of Triglav Group.

Pursuant to the provision of Article 282 of the Companies Act, the Supervisory Board has reviewed the Annual Report of Triglav Re d.d. for the year 2021 and subsequently submitted this Report on the Verification of the Annual Report of Triglav Re, d.d.. The Supervisory Board also reviewed and adopted the Annual Report on Internal Audit.

### 2. General Information

In 2021, the Supervisory Board was made up of the following members:

- **Shareholder's representatives:**
  - Andrej Slapar (President until 10 July 2021),
  - Tadej Čoroli (President from 10 July 2021),
  - Tomaž Žust,
  - Janko Šemrov.
- **Employees' representative:**
  - Sebastjan Debevc, until 1 September 2021
  - Katja Modec, from 1 September 2021

In 2021, the Supervisory Board held eight meetings. The Audit Committee was formed within the Supervisory Board.

### 3. Supervisory Board Performance and Scope of the Company's Governance Verification in 2021

The Supervisory Board's activities and the scope of monitoring and verification of the Company's operations in 2021 are based on the Supervisory Board's supervision of the Company's operations, in accordance with its competencies. The Supervisory Board's task is to supervise the management of the Company's business and the performance of other tasks in accordance with the Companies Act, the Insurance Act, the Articles of Association and the Rules of Procedure of the Supervisory Board. In relation to its core competencies, the Supervisory Board in 2021:

- reviewed the Business Plan of Triglav Re, d.d. for 2022,
- adopted the audited Annual Report of Triglav Re, d.d. for the financial year 2020 and took note of the Independent Auditor's Report,
- adopted the Report of the Supervisory Board of Triglav Re, d.d. on the verification of the Annual Report of Triglav Re, d.d. for financial year 2020,
- submitted a proposal on the distribution of the net profit and on the dismissal of the Company's Management Board for the financial year 2020,
- was briefed on the Business Report of Triglav Re, d.d. for the period from 1 January 2020 to 31 December 2020 and was also briefed on the quarterly business reports for 2020 on a regular basis,
- gave its consent to the Solvency and Financial Condition Report (SFCR) for 2020 and was briefed on the Independent Auditor's Opinion,
- was briefed on the Auditor's Report on the relationships with the related companies, including the Auditor's Opinion on the Report on the relations with the related entities as of 31 December 2020,
- was briefed on the Actuarial Report as of 31 December 2020,
- was briefed on the regular quarterly Risk Reports of Triglav Re d.d. and gave its consent to the Risk Appetite Statement for 2021,
- was briefed on the Report on the Own Risk and Solvency Assessment of Triglav Re, d.d. for the year 2021,
- was briefed on the Annual Internal Audit Report for 2020 and monitored the semi-annual internal audit report,
- gave its opinion on the Annual Report on Internal Audit for the year 2020,
- gave its consent to the key acts and the amendments to acts relating to the Company's governance.

#### 3.1. Audit Committee

In 2021, the members of the Audit Committee were Tomaž Žust (President), Sebastjan Debevc (to 1 September 2021), Katja Modec (from 1 September 2021), Janko Šemrov, Jana Poldá (from 23 August 2021) and Mojca Lahajner (external independent expert). The Audit Committee held six meetings in 2021.

The duties and responsibilities of the Audit Committee are defined by the Companies Act, the Rules of Procedure of the Supervisory Board, the Rules of Procedure of the Audit Committee and the decisions adopted by the Supervisory Board. The Audit Committee shall, *inter alia*:

- monitor the financial reporting procedures,
- monitor the effectiveness of the Company's internal controls, internal audit and risk management systems,
- monitor the statutory audits of the annual and consolidated financial statements,
- monitor and review the independence of the auditor in relation to the Company's annual report, especially the performance of other types of control and other consulting services,
- propose to the Supervisory Board a candidate for the auditor of the Company's annual report,
- monitor the integrity of the financial information provided by the Company,
- assess the preparation of the annual report, including the formation of the proposal for the Supervisory Board,
- participate in the identification of the most important audit areas,
- report on its activities at the Supervisory Board meetings.

2. REPORT OF THE SUPERVISORY BOARD ON THE VERIFICATION OF THE ANNUAL REPORT OF TRIGLAV RE, D.D. FOR 2021

The Audit Committee has carried out a self-assessment of its work to ensure the continuous improvement and quality of its performance.

3.2. Performance of Self- Assessment

The Supervisory Board has established the Audit Committee in accordance with the Companies Act. The President of the Audit Committee has regularly reported on the activities performed at the Supervisory Board meetings. The Supervisory Board considered the adopted decisions, the submitted recommendations and the opinions expressed of the Audit Committee, and, on the basis of a diligent evaluation, the Supervisory Board adopted the relevant decisions.

All the members are actively involved in the Supervisory Board’s performance and contribute to the effective execution of the procedures under the Board’s responsibility. The Supervisory Board’s Rules of Procedure contains the rules regulating the procedures in case of a potential conflict of interest. Within the scope of its duties, the Supervisory Board has also adopted the Rules on the Management of Conflicts of Triglav Re, d.d., which relates to the Supervisory Board and its members.

The Supervisory Board is of the opinion that its cooperation with the Management Board was appropriate and in line with the applicable legislation and good practice, and that it was informed to its own knowledge of all significant events both to assess the Company’s business operations and the consequences, and to exercise control over the Company’s performance. The Supervisory Board regularly monitored the implementation of its own decisions and those of the Audit Committee. In 2021, the Supervisory Board also performed a self-assessment of its work.

The Supervisory Board is of the opinion that its composition in 2021 was appropriate, both with regard to the Company’s size, activity and objectives, as well as with regard to the independence or dependence of its members with respect to the Corporate Governance Code.

In view of the above, the Supervisory Board is of the opinion that its performance and that of the Audit Committee in 2021 was successful.

4. Annual Report of Triglav Re d.d.

The Supervisory Board has verified all the legal aspects relating to the Company’s annual report for 2021.

The Supervisory Board confirmed that the Annual Report for 2021 was prepared within the statutory deadline. Based on the assurance provided by the Management Board, the appointed external auditor (audit firm Deloitte revizija, d.o.o.) and the actuarial function holder, Milan Stjepanović (M.Sc.), the Supervisory Board concluded that the annual report contains all the parts required by the Companies Act, the Insurance Act and the applicable regulations.

The Annual Report includes:

- the financial report: the financial statements which contain the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and the notes to the financial statements,
- the business report.

The following reports are submitted to the Annual report:

- Independent Auditor’s Report,
- Report of the Actuarial Function Holder as of 31 December 2021.

2. REPORT OF THE SUPERVISORY BOARD ON THE VERIFICATION OF THE ANNUAL REPORT OF TRIGLAV RE, D.D. FOR 2021

All the elements required, as a minimum, by law are contained in the Annual Report.

The Company has made the insurance technical provisions and other provisions from the profit. The accuracy of the insurance technical provisions has been certified by the actuarial function holder and the external auditor.

The external auditor (Deloitte revizija, d.o.o.), based on the decision of the General Meeting of Triglav Re d.d. on the appointment of the auditor for the financial years 2019, 2020 and 2021, performed the audit of the balance sheet as at 31 December 2021, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the summary of the significant accounting policies and other explanatory notes. On this basis, the Independent Auditor’s Report was published on 11 March 2021.

In accordance with the requirements of the Insurance Act, the actuarial function holder, Milan Stjepanović (M.Sc.), verified the Company’s operations for the year 2021. The Report of the Actuarial Key Function Holder as of 31 December 2021 was presented on 8 March 2021.

In accordance with the provisions of the Companies Act, the Management Board submitted the Annual Report including the Auditor’s Report and the Report of the Actuarial Key Function Holder as of 31 December 2021 to the Supervisory Board to be reviewed.

5. Proposal for Distribution of the Balance Sheet Profit as of 31 December 2021

The Supervisory Board has formally examined the Management Board’s proposal for the use of the balance sheet profit as of 31 December 2021.

The Supervisory Board agrees with the Management Board’s proposal on the distribution of the balance sheet profit and will therefore propose to the General Meeting to adopt a decision on the distribution of the balace sheet profit as at 31 December 2021.

6. Opinion on the Annual Report of the Internal Audit

At the meeting on 23 March 2022, the Supervisory Board reviewed and then adopted the Annual Report on Internal Audit in 2021, which was prepared by the Internal Audit on the basis of the operations performed in 2021. The Supervisory Board is of the opinion that the Internal Audit of the Company performed its duties in accordance with the Annual Plan of the Internal Audit for the year 2021, and thus significantly contributed to the improvement of the functioning of the internal control system and to a more appropriate risk management system of Triglav Re, d.d.

7. Reporting by the Management Board

The Supervisory Board is of the opinion that, on the basis of the Management Board’s reports, it has been able to adequately monitor and supervise the Company’s management and operations. The cooperation with the Company’s Management Board is appropriate and in compliance with the law.



2. REPORT OF THE SUPERVISORY BOARD ON THE VERIFICATION OF THE ANNUAL REPORT OF TRIGLAV RE, D.D. FOR 2021

8. Independent Auditor’s Report and Auditor’s Opinion on the Report on Relations with Related Entities as at 31 December 2021

In compliance with its statutory authority and with the Company’s Articles of Association, the Supervisory Board has reviewed the Independent Auditor’s Report, in which the independent auditor confirms that the Company’s financial statements for 2021 in all respects present a true and fair picture of the financial position of Triglav Re, d.d. and that they have been prepared in accordance with the International Financial Reporting Standards.

The Supervisory Board has reviewed the Report on Relations with Related Entities and the Statement made by the Company’s Management Board in the context of this report. The Supervisory Board had no comments on the Statement of the Management Board. The Supervisory Board also took note of the auditor’s opinion on the Report on Relations with Related Entities as of 31 December 2021, in which the auditor provides assurance that the information given in the Report on Relations with Related Entities is accurate and true in all material respects.

9. Report of the Actuarial Function Holder as of 31 December 2021

In compliance with its competencies under the legislation and the Company’s Articles of Association, the Supervisory Board took note of the report of the actuarial function holder, who confirmed that the amount of premium written in 2021 and the amount of the insurance technical provisions as at 31 December 2021 are appropriate to ensure, based on reasonable actuarial expectations, the Company’s continuous fulfillment of all liabilities under reinsurance contracts. Furthermore, the Actuarial Funtion Holder confirmed that the Company’s underwriting policy and the reinsurance programme are adequate. The Actuarial Function Holder has presented his opinion on the Company’s performance in 2021 in the report which was submitted to the Supervisory Board.

10. Comments of the Supervisory Board on the Annual Report 2021

The Supervisory Board has no comments on the Annual Report 2021, which could prevent the decision on the approval of the Annual Report of Triglav Re, d.d from being adopted.

11. Approval of the Annual Report for 2021

The Supervisory Board approved the Annual Report 2021 within the prescribed time limit, that is, before the expiry of one month from the submission of the Annual Report 2021 to the members of the Supervisory Board.

Tadej Čoroli  
President of the Supervisory Board  
of Triglav Re, d.d.



Ljubljana, 23 March 2022



NUMBER 10 AND NUMBER 5

On the facade of the Slovene Insurance House, number 10 appears in the 10 layers of brick in each column. To the Pythagoreans, number 10 was sacred. Its figured form, the *tetractys*, consist of 10 pebles in the form of the triangle:



Number 10 is the sum of the first four numbers 1-2-3-4, whence the word *tetractys* originates. The triangle composed of odd (male) and even (female) numbers means love, procreation and in an abstract way stand for creativity.

If we begin with number 10, which is kin to number 5, and see what Rabelais says about it, we will get close to an explanation of what the 10 “golden coins” in the brick column mean:  
*Here, said Pantagruel, the sign of number five shows us even more clearly that you are going to get married, but that you live together quite well, because Phytagoras named number five as the nuptial number – both, wedding and marriage – because it consists of a triad – the first odd number – and of a diad – the first even number; like man and woman who copulate.*

On the entrance facade of Vzajemna house there are 5 balconies, and each balustrade consist of 5 balusters. Now that we have found that number 10 together with its kin number 5 sybolizes carnal love, we can understand that

*Auro conciliatur amor. (Love can be bought by gold)*



3. GENERAL INFORMATION ON TRIGLAV RE D.D.

# 3. GENERAL INFORMATION ON TRIGLAV RE D.D.

## 3.1. Company profile

Company Name:	Pozavarovalnica Triglav Re, d.d.
Short name:	Triglav Re, d.d.
Legal form:	Company limited by shares
Registered office:	Miklošičeva 19, 1000 Ljubljana, Slovenia
Website:	www.triglavre.si
E-mail address:	mail@triglavre.si
Company identification number:	13 62 992
Tax number:	16465423
Entry into the Companies Register:	District Court in Ljubljana, Entry No. 1/31/403/00 on 31 December 1998
Share capital:	EUR 4,950,000.00
President of the Management Board:	Gregor Stražar, M.Sc. (Econ)
President of the Supervisory Board:	Tadej Čoroli
Activity according to the Standard Classification of Activities:	K65.200 - Reinsurance
Credit rating:	Standard & Poor's: A (Stable medium-term outlook) A.M. Best: A (Stable medium-term outlook)
Ownership structure:	Zavarovalnica Triglav d.d. (100 %). Triglav Re is an integral part of the Triglav Group.

3. GENERAL INFORMATION ON TRIGLAV RE D.D.

## 3.2. Overview of the Company's Development

### 3.2.1. Development of Triglav Re, d.d.

Triglav Re d.d. was founded in 1998 and celebrated its 23rd anniversary in 2021. In the first year of its operations, the Company exclusively reinsured the portfolio of Zavarovalnica Triglav, d.d. and achieved a positive operating result. The Company thus fulfilled the expectations of its founders and at the same time made a significant impact on risk equalisation and risk management in the Slovenian market. In 2000, the Company started operating in the international market for the first time.

Thanks to a prudent and conservative risk assumption policy, an effective risk management system and recapitalisation in 2001, the Company became a reliable partner in the European reinsurance market, especially in Central Europe, in the following years.

2008 was a turning point for the Company in terms of its future business, as the credit rating agency Standard & Poor's (hereafter S&P) assigned it a credit rating of "A -". This brought an increase in business with Cedants outside Triglav Group. In 2009, S&P subsequently upgraded the rating to "A", which was maintained in 2011 despite the tight economic market conditions. In 2012, S&P downgraded the rating of the Company to "A -" due to the downgrade of the credit rating of the Republic of Slovenia.

At the beginning of 2013, S&P downgraded Triglav Re's long-term rating by one notch from "A -" to "BBB +" and lifted the warning of a possible downgrade, but a few months later it raised it again by one notch to "A -" and issued a stable medium-term outlook. In 2013, the Company also received an "A -" rating from A.M. Best with a stable medium-term outlook. In 2014 and 2015, both rating agencies awarded the Company an "A -" rating. In 2016, both rating agencies upgraded the financial strength rating from "A -" to "A" and affirmed it in the following four years.

In 2021, both credit rating agencies have reassigned an "A" financial strength rating to the Company. Besides fulfilling the requirements as a reinsurance provider for the whole Triglav Group, in 2021 the Company concluded 769 reinsurance contracts with 335 Cedants from more than 80 countries outside Triglav Group.

### 3.2.2. Analysis of the Covid-19 Impact on the Company's Performance and Expected Development in 2022

#### Analysis of the Impact of the Covid-19 Pandemic on the Company's Operations

According to calculations provided by one of the UK Brokers, the (re)insurance industry is estimated to have suffered a pandemic-related loss of around USD 45 billion by the end of September 2021, ranking it 3rd in the list of the largest loss events of all time, behind Hurricane Katrina in August 2005 and the terrorist attack of 11 September 2001. The current estimate is in line with the December 2020 forecast of the Reinsurance News Portal, which estimated the loss for the (re)insurance sector to be between USD 30 billion and USD 80 billion. The table below shows the figures in billions of US dollars as reported or estimated by the largest (Re)Insurers at the end of the first half of 2021.

According to the collected data on the reinsurance sector, nearly all of property claims relate to event cancellation insurance (e.g., Olympics, tennis tournaments) and business interruption insurance (closed hotels, factories, etc.). Already in mid-2020, the reinsurance market was reacting to Reinsurers contesting payment of Covid losses. At the renewal of reinsurance contracts starting on 1 January 2021 (as well as at all subsequent



3. GENERAL INFORMATION ON TRIGLAV RE D.D.

Table 1: Loss Estimates related to Covid-19 Pandemic

Company	Covid-19 loss & reserves (\$m)	Last updated
Lloyd's	4,955.5	3/31/21
Swiss Re	4,493.0	4/30/21
Munich Re	4,469.0	5/6/21
Axa	1,830.0	5/4/21
Hannover Re	1,631.3	5/5/21
Allianz	1,576.0	5/12/21
Berkshire Hathaway	1,401.0	5/1/21

Source: [www.reinsurancene.ws/covid-19-insurer-reinsurer-loss-reports/](http://www.reinsurancene.ws/covid-19-insurer-reinsurer-loss-reports/)

renewals), Reinsurers have consistently claimed the exclusion of any claims linked to business interruption caused by a pandemic and the associated restrictive measures.

In 2021, the Company successfully adapted its business to the government and other measures to contain the pandemic. It continued to monitor the epidemiological situation in Slovenia, the recommendations of the National Institute of Public Health and the measures taken by the parent company. Conferences and meetings with reinsurance partners were largely conducted via video meetings, which enabled the successful renewal and conclusion of reinsurance contracts for 2022. Communication between employees and business partners as well as employee trainings were conducted via digital electronic communication. In the early months of the year and at the end of 2021, when the epidemiological situation in Slovenia was at its worst, most employees worked from home. If this was not possible, it was necessary to wear masks during working hours and to comply with the epidemiological measures.

The largest impact on the Company in 2021, as in 2020, was due to income losses from business interruption. In the UK and South Africa, where we participate in reinsurance cover, such cover is sold as part of property insurance, but the eligibility of the cover was initially contested. At the end of the previous year and in early 2021, there were significant precedent-setting judgements in these countries where the court upheld policyholders' claims who had taken out business interruption insurance. The risk coverage granted by Insurers is becoming more clearly specified and Insurers must apply the decisions of the courts in the precedent cases to individual claims and to negotiate with the Insured for appropriate compensation. This process is still ongoing.

As regards reinsurance contracts, the situation is somewhat more diverse and uncertain. In some cases, cover is still disputed, and Insurers are negotiating with individual Reinsurers. Out-of-court settlements between Insurers and Reinsurers are also taking place in order not to delay the settlement of disputes and to limit the costs of settling disputes in court or through arbitration.

Based on the loss notifications received and analysis of its portfolio, the Company has estimated the total possible reinsured loss at the end of 2020 related to business interruption due to Covid-19 measures at EUR 8.1 million. In view of the uncertainties mentioned above, the total loss estimation in 2021 remains unchanged.

As part of its regular autumn own risk and solvency assessment, the Company has identified the key stress scenarios, including the effects of the Covid-19 pandemic, and evaluated their hypothetical impact on the future capital adequacy of the Company. The analysis determined that the Company has sufficient available capital to cover its capital requirements.

3. GENERAL INFORMATION ON TRIGLAV RE D.D.

Expected Development of Triglav Re, d.d. in 2022

Despite the challenging market conditions and the risks associated with the further development of the Covid-19 pandemic, the Company expects to continue its successful development. One of the Company's objectives in 2022 will be to maintain its "A" rating from S&P and A.M. Best. This is because the "A " rating allows access to reinsurance markets which in the past have made participation conditional on having the appropriate rating level, either due to the requirements of the local insurance market regulator or due to the internal rules of the ceding companies.

In accordance with the Company's business plan for 2022 and strategic projections for the period 2022 - 2025, the Company, as a provider of comprehensive reinsurance services, in addition to providing Triglav Group's reinsurance programme, will continue to focus on obtaining reinsurance business from Cedants outside the Group. In this respect, the Company is recognised as a responsive and highly professional business partner with a clear customer focus. Growth will continue to be based on prudent underwriting policy and on further maintaining a stable and profitable portfolio.

3.3. Mission, Vision, Values and Strategy to 2022

In 2019, together with other Triglav Group entities, the Company has set out a refreshed strategy until 2022, which should be continuously reviewed and adjusted. The Company's dedicated and highly skilled employees continue to co-create a modern, digital and dynamic insurance -financial group that remains firmly at the forefront in Slovenia and the wider region.

The mission of Triglav Group as set out in its strategy until 2022 is:

**We are building a safer future.**

The companies and employees of Triglav Group are united by the following values:

- **Responsiveness**  
We respond promptly and effectively.
- **Simplicity**  
We are clear and transparent.
- **Reliability**  
We turn our commitments into concrete actions and measures.

Our values relating to reinsurance activities is simplicity, comprehensiveness, transparency, high quality and flexibility. We treat our partners individually and systematically, while ensuring the appropriate cost and risk management system. These are the key guidelines of our business model, whilst simultaneously incorporating the principles of social responsibility (economic, legal, ethical) and of sustainable development (balance of human, natural and created assets for long-term development).

Reinsurance is one of the segments in the Triglav Group Strategy. The following strategic guidelines are identified as the most important:

1. Use of reinsurance as a tool in the management of Triglav Group's risk and capital requirements.
2. Geographical diversification of Triglav Group's portfolio.
3. Developing, training and retaining key employees.
4. Achieving risk-adjusted operating profitability.

In autumn 2021, the Company started activities to develop a new strategy for the period until 2025.

3. GENERAL INFORMATION ON TRIGLAV RE D.D.

3.3.1. Company Policies, Activities and Measures to achieve the Goals set in the financial year 2022

As foreseen in the 2022 plan, the Company will continue to upgrade the reinsurance system for the processing of surplus contracts of Triglav Group companies, in line with the agreed project timeline. The Company is also preparing for the introduction of the new IFRS 17 accounting standard, where we will continue with activities related to the digitalisation of individual processes and optimisation of the entire process from data preparation, calculation and control execution, and final preparation of the financial statements and the annual report within the prescribed time limits.

In reinsurance underwriting, the main objectives remain to ensure adequate reinsurance protection for Triglav Group and to underwrite profitable business with Cedants outside Triglav Group.

In the area of human resources, the focus will be on increasing activities to ensure an appropriate educational structure and, in the underwriting divisions, the retention of current staff and the recruitment of new staff to address any shortages.

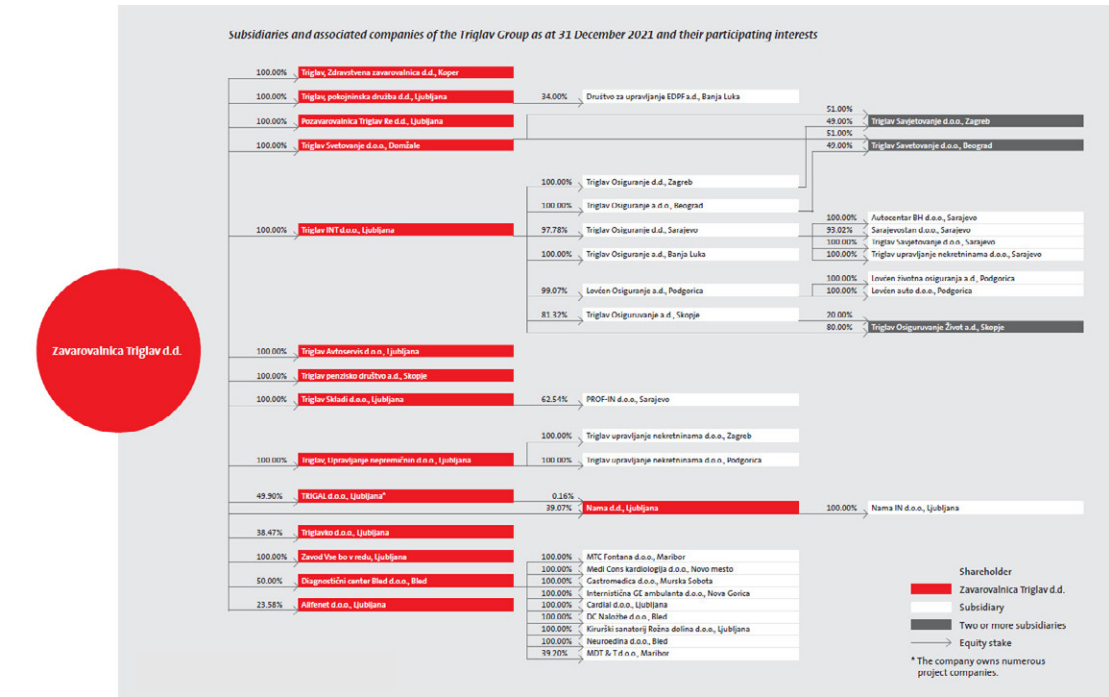
3.4. Information on Triglav Group

Pozavarovalnica Triglav Re, d.d. is a subsidiary of Zavarovalnica Triglav, d.d., Ljubljana, Miklošičeva 19.

The table below shows a breakdown of the subsidiaries and associated companies in Triglav Group as of 31 December 2021.

Triglav Re, d.d. does not have any subsidiaries.

Table 2: Organisation Chart of Triglav Group as of 31 December 2021



3. GENERAL INFORMATION ON TRIGLAV RE D.D.

3.5. Share Capital and Shareholders of Triglav Re, d.d.

The capital of Triglav Re, d.d. as of 31 December 2021 amounted to EUR 95,551,720. The share capital of EUR 4,950,000 is divided into 15,000 ordinary no-par value registered shares. Each share has an equal value and corresponds to EUR 330 in the share capital.

Table 3: Shareholders of Triglav Re, d.d. as of 31 December 2021

	OWNERSHIP STRUCTURE (in %)	NUMBER OF SHARES
Zavarovalnica Triglav, d.d.	100.00	15,000
TOTAL	100.00	15,000

3.6. Credit Rating of Triglav Re, d.d.

Following its regular annual review on 13 September 2021, S&P Global Ratings reaffirmed Triglav Group's and hence also Zavarovalnica Triglav d.d. and Triglav Re, d.d. long-term credit rating and financial strength rating of 'A' with a stable medium-term outlook.

On 13 October 2021, at the regular annual review, the rating agency A.M. Best reaffirmed the financial strength rating of "A" (excellent) and the long-term issuer credit rating of "a" to Zavarovalnica Triglav d.d. and Triglav Re, d.d.. The ratings have a stable medium-term outlook.





## THE ENTRANCE

The main entrance to the House is a relatively small opening in the wall without any portal frame and could be compared to the eye of the needle in the fortification walls found in the Near East. Does it say: *It is easier to pass through the eye of a needle, than for a rich man to enter the klngdom of God.*

The gematrical number 116 proves that the entrance was in fact designed to symbolize the biblical eye of the needle.

Gematria is the translation of words into numbers and vice versa. Written symbols for numbers were invented later than written sybols for a sound; at an early stage, therefore, the letters of the Hebrew alphabet were used instead of figures. Later, the Greek, Latin, Cyrillic, and Islamic gematria developed. The gematric cryptograms soon became magical tools.

Medieval masons preffered to use gematrical numbers with specific gematrical menings for their architectural dimensions. Plečnik was master of gematria.

The double-laved doors are covered with a copper sheet that is fastened with screws onto a wooden frame. On both sides, the caps covering the screws onto

a wooden frame. On both sides, the caps are arranged in two vertical columns and four horizontal lines. In each column there are 42 interstices between each set of 43 caps, and in each line there are 8 intervals between each group of 9 caps, so there are 116 interstices on each side:  $42 \times 2 + 8 \times 4 = 116$

The gematric meaning of the number 116, deciphered with the western Latin alphabet as a code is FORAMEN ACUS, the eye of the needle.

A	1	N	14	F	6
B	2	O	15	O	15
C	3	P	16	R	18
D	4	Q	17	A	1
E	5	R	18	M	13
F	6	S	19	E	5
G	7	T	20	N	14
H	8	U	21		
I	9	V	22	A	1
J	10	W	23	C	3
K	11	X	24	U	21
L	12	Y	25	S	19
M	13	Z	26	-----	
				116	



## AND THE VASE ABOVE

The stone vessel above the entrance to the building conveys the following promise:

*He that hath an ear, let him hear ... To him that overcomes will I give to eat of the hidden manna, and will give him a white stone, and in the stone a new name written, which no man knoweth saving he that received it.*

The mana is hidden in te amphora, like money in a bank. The stone vessel is the “white stone” and the “name written no man knoweth saving he that received it” is the inscription: DEO GRATIAS.

The stone vase from Revelation, full of hidden manna, is a biblical version of the antique horn of plenty. Amalthea was a Nymph who had a goat of the same name, from whose horns nectar and ambrosia flew - the *cornu copiae*, the horn of plenty.



4. MANAGEMENT STATEMENT

# 4. MANAGEMENT STATEMENT

## 4.1. Governance Policy

The Management System and Policy of Triglav Re, d.d., adopted by the Management Board and the Supervisory Board, sets out the main guidelines for the management of the Company, taking into account the long-term objectives and values. They constitute the foundation for the establishment and implementation of a solid and reliable management system based on effective risk management and enabling the realisation of the business strategy of Triglav Re, d.d.

## 4.2. Statement of Compliance with the Code of Corporate Governance for State Invested Companies and Commitment to other Codes

Triglav Re, d.d. is a subsidiary of the controlling company Zavarovalnica Triglav, d.d, which is a company with state capital, and thus Triglav Re, d.d. in its day-to-day operations shall respect the Corporate Governance Code for State-Owned Enterprises (hereinafter: the Code). The Code is publicly available in Slovene and English on the Slovenian Sovereign Holding website (<https://www.sdh.si>).

Triglav Re, d.d. derogates from the Code in the following provisions:

- **Composition of the Supervisory Board**

The Company derogates from the Code with reference to the ownership structure, the size of the company, the number of Supervisory Board members and its position in the Group and therefore, it does not appoint Board members, who are diverse diverse in terms of gender, country of origin and age.

- **The Supervisory Board shall prepare a required profile for the Supervisory Board members in view of the optimal size and composition of the Supervisory Board and the profile shall be publicly available on the Company's website: [www.triglavre.si](http://www.triglavre.si).**

Here, the Company partially derogates from the Code, as a profile for the members of the Supervisory Board is not published on the website. Zavarovalnica Triglav d.d. as a sole shareholder of Triglav Re, d.d. defines the procedures for appointing the members of the Supervisory Board in the Corporate Governance Policy of Triglav Group. The procedure for selecting candidates for the members of supervisory bodies and the criteria of qualification and suitability of the supervisory bodies' members are defined by the supervisory body of a subsidiary in accordance with the internal activities of the subsidiary. They shall be harmonized with the Policy on the ability and suitability assessment of the members of the management and supervisory bodies within Triglav Group, the Policy of diversity of the controlling company and with the recommendations for good practice.

4. MANAGEMENT STATEMENT

- **The Supervisory Board shall consist of independent members.**

Here, the Company partially derogates from the Code because, in order to achieve better and more cost-effective management of Triglav Re, d.d., the Supervisory Board members are either members of the management bodies or employees of the parent company. However, the employee representative has an employment contract with the Company.

- **The Company shall disclose the earnings of the members of the Supervisory Board who are the employees' representatives.**

In this part, the Company partially derogates from the Code, since, in accordance with the GDPR, it does not disclose the earnings from the employment of the member of the Supervisory Board who is an employee representative.

In its policies and procedures, the Company is also regulated by the Insurance Code, which is available on the website of the Slovenian Insurance Association: <https://www.zav-zdruzenje.si>.

Moreover, the Company is required to follow the provisions set out in the Triglav Group Code, which is available on the website <https://www.triglav.eu/sl>. The Triglav Group Code presents the core values and operating policies for the legal and ethical performance requirements to achieve the objectives, strategic orientation and competitive advantages, while respecting the principles and standards of fair and transparent performance.

To ensure effective and durable performance and maintain the highest ethical and quality standards, on 25 April 2015 the Management Board of Triglav Re, d.d. adopted the Code of Good Business Practices. This Code shall not apply only to the Company's employees and business partners but also to the shareholders, individuals and groups of persons, organizations, institutions, corporations and government bodies.

### 4.2.1 Policy of Diversity

The Company has not yet adopted the Policy of Diversity.

Member of the  
Management Board  
Stanislav VRTUNSKI

Member of the  
Management Board  
Tomaž ROTAR

President of the  
Management Board  
Gregor STRAZAR MBA (Econ)

Ljubljana, 14 March 2022



## NUMBERS 7 AND 13

Between the 14 columns on the Miklošičeva Street facade, there are 13 intercolumnia. On the same facade, there are 52, or 4 x 13, windows above the ground floor. Numbers 7 and 13 are symbols for "good" and "evil", respectively. Whatever the origin of this superstition, Plečnik used number 13 to stand for bad luck.

It would be wrong to say that Plečnik had to design 14 columns to get 13 intercolumnia. Nothing is accidental in his composition, every form, every number has a hidden meaning. Moreover, Plečnik used to think on different levels; we had to remove many to arrive at Ovid's conclusion that love can be bought by gold.

Once you manage to read one thought, another one appears beneath, as on a palimpsest. Plečnik himself admitted that "each man consists of more than one person". It seems that through the unlucky number 13, one of his "persons" wanted to express thoughts in which wealth is a misfortune. If rules like these were obeyed, catastrophe would befall any bank.

Numbers 7 and 13 have been important in design and they still are. They are characteristic of a certain trend of building guilds. A good example of it is the American dollar bill. The national coat of arms is represented by an eagle holding in his claws a twig with 13 leaves and 13 olives and 13 arrows. Above the eagle's head, there is a crest with 13 stars. The motto on the bill, E PLURIBUS UNUM, consist of 13 letters. In addition, there is unfinished pyramid with 13 layers and above it the motto ANNUIT COEPTIS with 13 letters. Number 13 appears 7-times on the one dollar bank note.



### 5. GENERAL ECONOMIC ENVIRONMENT IN 2021

## 5. GENERAL ECONOMIC ENVIRONMENT IN 2021

### 5.1. Economic Environment<sup>1</sup>

The global economy recovered faster than expected in the December 2020 projections after the recession caused by the coronavirus pandemic in the early months of 2021, but the factors holding back growth subsequently intensified as governments, especially in advanced economies, reimposed tighter restrictions on movement in the face of a resurgence of infections.

Health conditions became a key driver of economic trends globally. The global economy reached an important milestone in the second quarter of 2021, surpassing the pre-pandemic level of real GDP in the last quarter of 2019. Economic activity continued to grow because of the lifting of pandemic-related restrictive measures and increased vaccination coverage. Especially in developed markets, vaccines have become widely available, and economies have reopened. Global inflation, as measured by consumer prices, rose, driven by the higher commodity prices and a recovery in demand.

The recovery in global economic activity continued in the late summer and early autumn despite the persistent supply bottlenecks and the spread of the more virulent delta strain of the coronavirus. In August, the global Purchasing Managers' Index (PMI) on economic activity decreased for the third consecutive month in advanced and emerging market economies, falling below the growth threshold for the first time since June 2020. Funding conditions remained favourable. While they tightened somewhat in advanced economies, they remained broadly unchanged in emerging market economies. Global financial markets have been extremely volatile, with high peaks and troughs, however the overall growth trajectory remains optimistic. Higher oil and other commodity prices, rising freight prices and supply chain frictions contributed to the inflationary pressures.

Compared to the previous projections, the year-end outlook for the world economic growth in 2021 has been revised down, unchanged for 2022 and revised up for 2023. World real GDP (excluding the euro area) is thus projected to grow by 6.0% in 2021, before slowing to 4.5% in 2022, 3.9% in 2023 and 3.7% in 2024. The short-term economic outlook continues to be undermined by supply bottlenecks, high commodity prices and the spread of the coronavirus version of omicron.

Global funding conditions were stable until the news of the Omicron variant triggered a sell-off of risky assets and increased volatility. Funding conditions, on which the December macroeconomic projections by Euro-system experts were based, remained encouraging and broadly stable compared to the previous set of projections. This stability was sustained on the one hand by a steady rise in equity prices, supported by favourable profit growth, and on the other hand by rising expectations of tighter monetary policy due to rising inflation, as well as a resurgence of Covid-19 infections in Europe.

Despite the pandemic, activity indicators in the euro area remained at a high level at the end of 2021, but risks remain significant. Business conditions have become more challenging, as reflected in the composite PMI and

<sup>1</sup> Source: Bank of Slovenia, Economic and Financial Trends, January 2022, Summary of Macroeconomic Trends, March, August and December 2021; UMAR, Economic Mirror, No 1/2022.



5. GENERAL ECONOMIC ENVIRONMENT IN 2021

the economic climate indicator but are still above pre-crisis levels. After two quarters of growth of more than 2%, economic activity in the euro area is expected to have diminished in the fourth quarter, mainly because of difficulties in the private services sector due to a gradual tightening of restrictive measures. The situation varies considerably across sectors. Against a backdrop of excess demand and strong price pressures in the international environment, inflation in the euro area reached 5.0% in December, the highest on record. The December forecast by Eurosystem experts suggests euro area GDP growth of 4.2% in 2022 and 2.9% in 2023, while inflation is expected to fall to 1.8% over the period. Once again, the forecasts are subject to significant risks and uncertainties.

The macroeconomic outlook for Slovenia remains favourable. The economic recovery is broad-based, and the labour market conditions are encouraging. Inflation has been boosted in the recent months, in particular by rising energy prices and problems in global supply and production chains. The latest forecast shows economic growth of 6.7% in 2021, 4.0% in 2022, and 3.3% and 2.6% in 2023 and 2024 respectively. In Slovenia, consumer prices are expected to rise by 4.9% in 2021, according to the first estimates of the Statistical Office. Higher prices for oil products, food and heating energy were the main contributors to inflation.

The one-year current account surplus is shrinking faster than ever, amid high global commodity and energy prices. Against a background of strong domestic demand, merchandise trade surplus fell in the year to November to the level of early 2013, driven, above all, by the deterioration in the terms of trade by about a third. In fact, year-on-year nominal growth in merchandise imports was as high as 27.2% in the year to November. With renewed acceleration in November, year-on-year growth in the nominal merchandise exports remained strong at 18.2% in the first eleven months of the year, with the increase being broad-based.

The government deficit stood at 5.2% of GDP from January to September 2021, down by 1.8 percentage points year-on-year. High revenue growth of almost 11% reflected the good economic situation, including strong growth in household consumption and favourable labour market conditions. Expenditures grew by 7 percentage

Table 4: Forecast of Economic Trends

	Real GDP Growth			Inflation			Unemployment rate		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Advanced Economies	-4.5	5.2	4.5	0.7	2.8	2.3	6.6	5.8	5.0
Euro Area	-6.3	5.0	4.3	0.3	2.2	1.7	7.9	8.0	8.1
Spain	-10.8	5.7	6.4	-0.3	2.2	1.6	15.5	15.4	14.8
<b>Slovenia</b>	<b>-4.2</b>	<b>6.1</b>	<b>4.7</b>	<b>-1.1</b>	<b>2.5</b>	<b>1.9</b>	<b>8.7</b>	<b>7.7</b>	<b>6.9</b>
Israel	-2.2	7.1	4.1	-0.6	1.4	1.8	4.3	5.1	4.6
Republic of South Korea	-0.9	4.3	3.3	0.5	2.2	1.6	3.9	3.8	3.7
Germany	-4.6	3.1	4.6	0.4	2.9	1.5	3.8	3.7	3.6
Italy	-8.9	5.8	4.2	-0.1	1.7	1.8	9.3	10.3	11.6
Austria	-6.2	3.9	4.5	1.4	2.5	2.4	5.4	6.4	6.0
China	2.3	8.0	5.6	2.4	1.1	1.8	4.2	3.8	3.7
Croatia	-8.0	6.3	5.8	0.1	2.0	2.0	9.0	8.4	8.0

Source: IMF, World Economic Outlook, October 2021; \* Data for Slovenia - UMAR, Autumn Economic Outlook, 16 September 2021.

5. GENERAL ECONOMIC ENVIRONMENT IN 2021

points, but high growth in government investment stood out and it strengthened further in the third quarter, to around 40% year-on-year. In the second half of the year, the scope of anti-epidemic measures was lower than in the first half, due to the expiry of the most financially extensive measures in June. Against the backdrop of a worsening epidemiological situation, the tenth anti-coronavirus package was adopted at the end of the year.

Government debt stood at 79.6% of GDP at the end of September 2021 but it was estimated by the Ministry of Finance to be slightly lower at 77.5% of GDP at the end of the year. Going forward, the decline is expected to continue, mainly due to economic growth. The borrowing conditions achieved remained extremely favourable. The downward trend in potential liabilities since the last economic and financial crisis has also continued.

5.2. Capital Markets<sup>2</sup>

The market yields rose moderately in the final quarter of 2021 but remain at levels comparable to those before the pandemic. This is not only true of countries with solid credit histories, but also of weaker economies and the higher-risk bonds of private issuers. The situation on the equities market also remained positive, with omicron leaving only a temporary impact. Despite the ECB's strong shift in December to scaling back its accommodative position, the composite indicators of financing conditions in the euro area suggest that the environment will remain supportive for financing and hence for the economic recovery. Market participants expect that ECB monetary policy would be more accommodative this year compared with the other central banks in advanced economies. Considering the above, the euro might well slide against other currencies in 2022, as it did in 2021. The focus of financial markets at the end of the year was the exceptional volatility in energy prices. Despite this, market inflation expectations as disclosed by inflation swaps suggest that markets still feel that annual inflation in the euro area will fall slightly below 2% over the medium term.

Equity markets ended 2021 on a prudent but constructively positive note, with omicron only temporarily depressing prices. The correction due to omicron at the end of November was smaller than the previous one in October, which followed the autumn wave of rising inflationary pressures amid the spread of the Delta variant and the problems in the Chinese real estate market. Both corrections were soon reversed by positive factors, which market participants reported to be primarily expectations of promising future earnings for equities, which are expected to remain above trend, and investors' confidence in the ability of public policies to mitigate potential new pandemic shocks. Investments in equities were profitable in 2021, with the Euro Stoxx index rising by around 20.0%.

5.3. Insurance Market<sup>3</sup>

The growth in reinsurance premiums is expected to continue in the coming years, increasing the insurance technical profit. The preliminary results for 2021 and contract renewal data for 2022 point to premium growth being back to pre-pandemic levels. In addition to the growth in economic activity after the end of the restrictive measures, (Re)Insurers report having acquired new business. Since interest rates and consequently investment returns remain low, a bigger focus is being placed on the income from insurance and reinsurance business to replace the loss of income from investments.

2 Source: Bank of Slovenia, Economic and financial developments, January 2022.  
3 Source: Fitch Ratings, Reinsurers See Earnings Pressure, Sufficient Capital in 2021, April 2021; Munich Re: Munich Re expects rising reinsurance prices in Europe, 18. 10. 2021.; Hurricanes, cold waves, tornadoes: weather disasters in USA dominates natural disaster losses in 2021; January 2022.



5. GENERAL ECONOMIC ENVIRONMENT IN 2021

According to the estimates of Munich Re experts, in 2021, natural catastrophes caused a total loss of USD 280 billion, of which around USD 120 billion was insured. Hurricane Ida was the costliest catastrophe around the world, incurring losses of USD 65 billion from which losses amounting to USD 36 billion were insured. In western Germany and Belgium, the cost of devastating floods caused by Cyclone Bernd in July 2021 was estimated to be USD 54 billion (EUR 46 billion), making it the most expensive natural disaster in Germany to date. Many weather disasters are the result of climate change, which is why immediate action is urgently needed.

According to initial estimates, positive developments in reinsurance premium prices are expected when contracts renew in 2022. The tightening of insurance terms and conditions is linked to the extremely extensive catastrophic losses in 2021 (e.g., flooding in Central Europe in July 2021), losses related to the Covid-19 pandemic and increasing cyber risks. According to S&P, the global reinsurance sector has not achieved the required return on capital over the last few years which continued in early 2021, with a reversal in the second half of the year.

The risks are shifting from those related to the pandemic to those related to the economic recovery. The rising inflation in the US and some emerging markets points to a difficult transition from extremely low interest rates and easy financing conditions to a stable post-pandemic situation. The current market capacity is estimated to be low due to the reduced risk appetite of insurance and reinsurance companies, rather than a lack of capital. However, the reduced appetite will continue to be driven mainly by the uncertain and unfavourable business environment and the volatility of capital markets.

5.4. Insurance Market in Slovenia

In 2021, a total of 13 insurance companies, four foreign branches and two reinsurance companies operated in the Slovenian insurance market, all members of the Slovenian Insurance Association. Among the 17 insurance companies, there were seven composite insurance companies and ten specialized insurance companies (life, health, pensions and non-life insurance) operating in Slovenia. In October, there was a minor change to the insurance market, since Prva osebna zavarovalnica, d.d. (First Personal Insurance Company) spun off a part of its activities (supplementary pension insurance and pension annuities) to the newly established Prva pokojninska družba, d.d. (First Pension Company). The total premium volume of the Slovenian insurance market in 2021 amounts to EUR 2.569 billion, which is slightly more than in the previous year (index 101.8), of which non-life insurance accounts for 71.5% and life insurance for 28.5%. The non-life premium increased compared to 2020 (index 102.7), while the life premium remained at about the same level as in the previous year (index 99.5). The data also include insurance business written directly in Slovenia by insurance companies from other EU Member States (FOS, i.e., foreign-owned-subidiaries). According to the Slovenian Insurance Association, their share in 2021 is 2.8%.

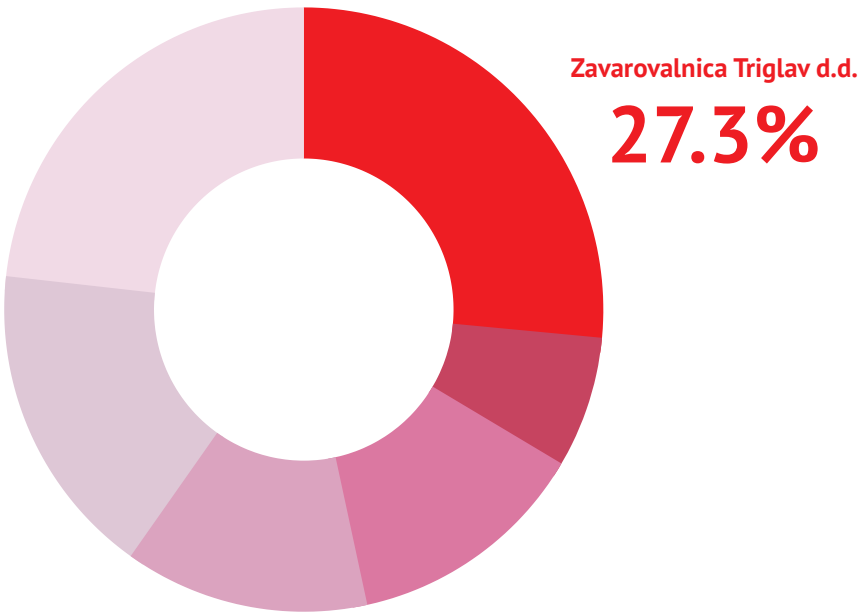
The four largest Insurers (Triglav, Generali, Sava, Vzajemna) controlled 73.3% of the traditional insurance market (72.8% in 2020). Zavarovalnica Triglav, d.d. retains its leading position with a 27.3% share.

The competitive position of Triglav Re in Slovenia can be compared with Sava Re. However, this is of limited significance given that the Slovenian insurance market is open to foreign Reinsurers and that the two Slovenian Reinsurers also write business outside their Groups.

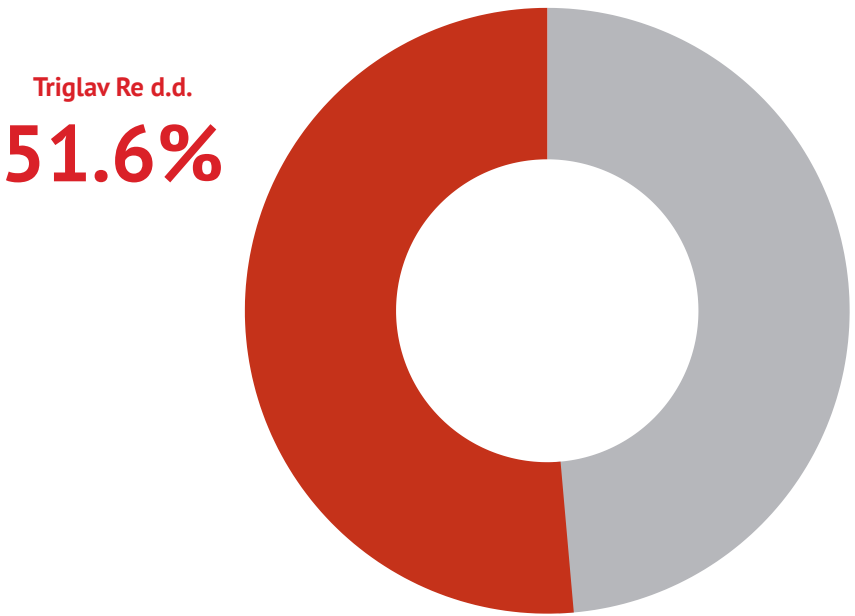
Triglav Re's market share has fluctuated between 46% and 49% over the last few years and exceeded 50% for the first time in Q1 2021. On 31 December 2021, it stood at 51.6%, which shows an increase of 3 percentage points compared to the previous year.

5. GENERAL ECONOMIC ENVIRONMENT IN 2021

Market shares of insurance companies operating in Slovenia in 2021



Market shares of reinsurance companies operating in Slovenia in 2021



4 Slovenian Insurance Association: Premium volumes for 2021 by class of insurance.



## NUMBER 108 AND ITS KIN NUMBERS

On the facade there are 108 windows and 54 balconies. Number 108 together with its whole parts and multiples is one of the preferred numbers of the Ancient world.

It can be found in Babylonian and Indian chronometry, in the Bible, in Vitruvius, and in the Icelandic *Edda*. Since ancient times it has been a number architects have loved to incorporate into their designs.

We shall observe it in the dimensions of Emona, in Diocletian's palace in Split, in Old Peking, and in L'Abbaye de Thelème by Rabelais.

The long facade is rhythmically divided into 36 *intercolumnia* between the axes of pillars. Number 36 is one of the kin numbers 27, 36, 54, 72, 108, 216, 432, and so on up to the number 8,640,000,000, measuring aeons in several Asian civilisations. In it the meaning of time is implied, from a moment to eternity. The terms money and time are well combined in the English saying:

*Time is money.*





6. RISK MANAGEMENT

# 6. RISK MANAGEMENT

Comprehensive, effective and independent risk management is an important part of any financial company's business, with the aim of contributing to the achievement of the company's strategic and business objectives.

The Company's risk management system is transparent, structured, documented and implemented in its day-to-day operations. It complies with the basic principles of Triglav Group's risk management system.

In 2021, the Company has identified the following key risks that had a significant impact on its performance:

- macroeconomic risks, increased by the covid-19 epidemic and reinforced by inflation expectations,
- increasing trend in the occurrence and intensity of natural disasters attributable to climate change,
- credit risk, due to the potential deterioration in the credit quality of investment issuers and Reinsurers because of financial instability,
- cyber risks, which are intensifying with the digitalisation of business operations and remote work. They represent the fastest growing risks for financial institutions.

The year 2021 has continued in the grip of the Covid-19 pandemic. The preventive measures taken, and remote working made the Company's business operations viable. Increasing attention was paid to new regulatory requirements in the area of sustainable business and to the growing trend of natural disasters as a consequence of climate change, which may have a significant impact on the performance of property (re)insurers. The risk appetite remains unchanged, and the business operations continue to be conducted in line with a prudent underwriting policy. The liquidity and market risk methodologies have been upgraded, new risk limits have been introduced and reporting to decision-making bodies has been improved. Significant attention has been paid to improving the quality of data in regulatory capital adequacy reporting. Despite the covid-19 pandemic and several natural catastrophes in 2021, dominated by the summer floods in Central Europe, the Company operated very successfully and maintained a good capital adequacy.

The Company has met all regulatory requirements by providing comprehensive and regular monitoring of capital adequacy using the standard Solvency II formula, including the performance of its own risk and solvency assessment, sound and reliable risk management systems, regular reporting to the supervisory bodies and public disclosure of information.

## 6.1. Risk Management System

Risk management is the process of identifying, assessing and controlling possible threats to the Company's capital and earnings. These risks originate from a variety of sources including financial uncertainties, legal liabilities, technology issues, strategic management errors, accidents and natural disasters.

The Company's risk management system includes internal rules, responsibilities and authorities, processes and

6. RISK MANAGEMENT

activities that, based on the identification of risks, provide for the assessment and control of the assumed and potential risks and enable appropriate action to be taken to ensure that the risk profile remains within the levels set out in the Appetite. The risk management system of the Company includes all parts, but in particular those that have a significant impact on the business and the objectives, capital adequacy or capital risk.

The Company's key principles of risk assumption and risk management are:

- assumption of risks according to the organization, nature, scope and complexity of the Company's reinsurance operations,
- balance in relation to the expected return and the risks assumed,
- systematic, comprehensive, structured and documented operations,
- professionalism and accountability to all business stakeholders,
- integration into the overall organizational structure and culture, and embedded in decision-making processes,
- business operation in compliance with the legislative and regulatory requirements and the Risk Appetite set by the Management Board,
- consistent, effective and integrated risk management at Triglav Group level.

The essential documents of the Company's risk management system are the Risk Management Strategy (hereinafter: Strategy) and the Risk Appetite Statement (hereinafter: Risk Appetite) which establish the framework for internal procedure concerning the policies, methodologies and instructions for risk management.

The Strategy determines the competencies and responsibilities of the risk management process, the system and the main principles of risk management and the Company's incentive to assume a particular risk. The Risk Appetite quantitatively defines the exposure level to which the Company is able and willing to expose itself to individual risk groups, taking into account its capital strength and strategic objectives.

Risk management is a governance system, which ensures that the Company's risk profile is within the limits set out in the Risk Appetite. The risk management system is based on the Three Lines of Defence model:

- **The first line of defence** consists of the business functions, which actively manage concrete business risks through their business decisions and are primarily responsible for risk identification and underwriting, effective internal controls and the performance of business operations within the prescribed limits, policies and strategic goals.
- **The second line of defence** consists of the following key business functions: the risk management function, the actuarial function, the compliance function and the Risk Management Committee. The role of the second line is to implement an effective risk management system, which includes the coordination of activities related to risk management, preparation of methodologies for risk identification, risk measurement and assessment, the exposure limit system, controlling and monitoring the exposure to a risk and verifying compliance with the applicable regulations.
- **The third line of defence** within the risk management system is represented by internal audit, which is independent from all other organizational units in the Company. Its main goal is to provide independent opinions on the form and functioning of the risk management system and to assess the adequacy and effectiveness of the internal controls. The role of internal audit is thus to verify the performance of the first and the second line of defence.

The Management and Supervisory Boards are not directly part of the three lines of defence, but their role in the risk management system is crucial. They are the primary participants served by all three lines of defence and are responsible for the functioning of the three lines of defence system.

6. RISK MANAGEMENT

The second and third lines of defence are key functions that are integrated into the organisational structure in such a way that none of them is subject to influences that could compromise its own ability to carry out its tasks in an objective, fair and independent manner. They shall have unrestricted access to all the information they need to exercise their responsibilities. They shall cooperate with each other and exchange the necessary information.

**The risk management function** is responsible for the establishment and coordinated and continuous operation of an integrated risk management system in accordance with the requirements of the Risk Management Strategy, the guidelines and decisions of the Risk Management Committee, the parent company and supervisory expectations. The main tasks are to participate in important risk management decisions, to coordinate and control activities in the risk management system (capital adequacy measurement, implementation of ORSA), monitor the Company's overall risk exposure and notify the management and supervisory authorities about the exposure to significant risks.

**The compliance function** is responsible for assessing the potential impact of changes in the legal environment on the Company's business and informing Management of the Company, as well as other areas, departments and functions, identifying and assessing the risks of non-compliance of the business with the law and the internal rules of the Company, informing the Management Board on the compliance of the business, including the risks of non-compliance, and providing key directions or recommendations, participating in the establishment and updating of the compliance programmes of the business of the Company in the specific areas, including the internal controls.

**The internal audit function** shall carry out permanent and comprehensive supervision of the Company's operations in order to increase the Company's efficiency by using independent, systematic and methodical assessment of the Company's governance system, risk management, control system and providing recommendations needed to improve their performance. Furthermore, it provides consultancy services, cooperates with external auditors and other supervisory bodies and monitors the implementation of recommendations given by external auditors. At least twice a year, the Management Board, the Audit Committee and the Supervisory Board are briefed on the activities and findings of the internal audits. The internal auditors shall be independent and competent in their work and shall avoid conflicts of interest. They are therefore not allowed to perform any development or operational tasks that could result in a conflict of interests or are likely to weaken their impartiality. They are also not allowed to decide on any activities in the areas subject to the internal audit.

**The actuarial function** coordinates and calculates the insurance technical provisions. It also ensures that appropriate methods, models and assumptions are used in the calculations, verifies the adequacy of the general underwriting policy and gives opinions on the adequacy of the reinsurance premium to cover all liabilities under the reinsurance contract and the adequacy of the reinsurance programme or the transfer of risks to a specific company. In addition, the actuarial function is involved in the implementation of the risk management system, in particular in the development, application and monitoring of the adequacy of the models for the calculation of capital requirements and in carrying out its own risk and solvency assessment (ORSA).

**The Supervisory Board of Triglav Re, d.d.** gives its consent to the key rules of the risk management system. The Supervisory Board shall be regularly briefed on the reports on the Company's risk exposure, its capital adequacy and the report on the ORSA and gives its consent to the Company's solvency and financial condition report. The Supervisory Board has appointed the Audit Committee as a working body to provide expert assistance in formulating its opinions also on the adequacy of the risk management system. The Audit Committee monitors the adequacy and effectiveness of the established risk management system and controls the Company's overall risk profile.

The principal responsibility of the **Management Board** is to achieve the optimal operating profitability within the accepted Risk Appetite. It is responsible for the establishment and implementation of a sound and reliable

6. RISK MANAGEMENT

internal governance system, including an effective process for the assumption and management of risks in accordance with legislation. It regularly reviews the Company's risk profile, approves the internal decisions and major risk management reports, including the Risk Exposure Report, the Own Risk and Solvency Assessment Report, the Capital Adequacy Report and the Solvency and Financial Position Report.

The Management Board has appointed the **Risk Management Committee** as a professional advisory body to which it has transferred part of its risk management responsibilities. The main objectives of the Committee are to assist the Management Board in identifying key risk exposures, to control the functioning of the risk management system, prior review of internal risk management acts, approve risk measurement methodologies, identify and monitor material risk exposures and risk concentrations, develop a risk appetite proposition, regularly review the effectiveness of the risk management system, monitor the functioning of the data quality assurance system, supervise the effectiveness of the ring-fencing system, and ensure the appropriate spreading of the risk management culture.

6.2. Process of Risk Management

Effective risk management consists of the following parts:

**Risk identification** is the process of identifying and understanding all existing and potential risks to which the Company may be exposed. It is an on-going process, the primary responsibility for which is held by the business functions that constitute the first line of defence in the management system. The process is also carried out as part of the preparation of the business and financial plan, at the regular meetings of the Risk Management Committee and periodically identifying potential operational risks.

For this purpose, the Company has set up a Risk Catalogue, which contains a description of the types of risks, possible risk factors and the established internal controls for risk mitigation. The Risk Management Service provides professional support for each individual business line with a view to identify the risks and key stress scenarios to which the Company is most vulnerable.

**Risk measurement** and assessment is carried out through the determining and monitoring of risk measures, which are generally accepted in the insurance industry and financial institutions. The basic purpose of the risk measurement system is to monitor the risk profile of the Company according to the levels defined in the Risk Appetite, to detect important changes in a timely manner, and to prepare notices and proposals for measures to be taken on this basis.

Management of risk identification is carried out by:

- the reinsurance contracts which protect the Company against reinsurance risks (retrocession),
- the limits set up for an individual risk (e.g., the investment limits, limited exposure to the counterparties, the limits relating to interest and currency consistency, etc.)
- certain derivatives, which the Company uses only for the purpose of protection against risks. In 2021, the Company did not use any such derivatives.

Risk control and early notification of cases of deviation and/or violation shall be carried out regularly and according to the overall risk profile of the Company, as well as the frequency and type of changes in the business environment. Risk control is carried out by the Company's risk management service. In cases where violations are detected, the Company set up a monitoring programme for notification, deciding and tracking the measures taken to diminish the risk exposure to a sustainable level.



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The risk reporting system shall provide efficient and timely access to information on risks to ensure the optimal functioning of the Company and its prompt and appropriate reaction. Reports must be submitted to the management and supervisory bodies and other competent authorities that are involved in the decision-making process. The results of the risk exposure review are included in the Risk Report, the Own Risk and Solvency Assessment Report (ORSA) and the Financial Statement (SFCR). The report on risk shall include the risk indicators, trends in their developments and information on the utilization of limits. It may also contain the recommendations prepared by the Risk Management Department.

6.3. Own Risk and Solvency Assessment (ORSA)

The purpose of the ORSA process is to determine that the Company has a sufficient volume of available capital in relation to impacts from external events, its own risk profile and business strategy, and to assess the adequacy of the capital reserves that protect the Company against a possible negative impact of a future financial or economic crisis.

Based on the changes in economic conditions due to the Covid-19 pandemic, updated business strategy and future expectations, it was necessary to identify the key risks and stress scenarios, which could have a negative impact on the achievement of the planned goals and the limits determined in the Risk Appetite. All organizational units are included in the ORSA process and are regularly informed of the results.

Furthermore, the ORSA process enables the Company to identify the risks and stress scenarios, which are classified according to the probability of occurrence and the extent of their impact. At the same time, the Company evaluates the adequacy of the standard formula for calculating the capital requirements. If it is established that the standard formula is not sufficient to cover the identified risks, the Company shall set an additional capital requirement.

The results of the ORSA process are presented in the ORSA Report. The Management Board, the Senior Management, the Audit Committee and the Supervisory Board are duly and timely informed of the assessment results.

In the autumn of 2021, the Company carried out a regular own risk and solvency assessment, in parallel with the preparation of the business plan.

In the evaluation of the stress test scenario, the starting point was the Company's risk profile of the Reinsurance Undertaking and the current and expected external circumstances. The Company tested the potential stress effects of a continuation of the covid-19 pandemic assuming an environment of extremely low interest rates, tight liquidity conditions and aggregation of natural catastrophes. The Company explored the impact of a deterioration of Reinsurers' credit quality, an increase in the frequency and intensity of natural catastrophes resulting from climate change, a currency crisis and a significant rise in interest rates. The implementation of the ORSA process in 2021 confirmed that Triglav Re, d.d. had a strong capital base, also in relation to internally identified risks, despite the exceptional circumstances.

6.4. Capital Management

Capital represents the prime criterion for assessing the Company's solvency, as in its operations the Company needs to constantly hold adequate capital to protect the owner's and the contractual partners' assets. An

6. RISK MANAGEMENT

adequate capital base shall ensure a safety margin for various risks that the Company is exposed to and shall protect the Company against any unexpected adverse events. The Company is obliged to keep sufficient assets corresponding to the Company's exposure and business strategy.

The Company has determined the following three criteria for the assessment of its capital strength, which are also taken into account when determining its dividend policy:

- the regulatory capital adequacy;
- the capital adequacy based on the own risk and solvency assessment;
- the ratings assigned by the rating agency S&P.

In 2021, the Company was sufficiently capitalized.

Capital Adequacy Risk and Compliance with Capital Requirements

Capital and Capital Adequacy Management

Triglav Re, d.d. pursues its primary objective of safe and stable business through appropriate capital management. It strives to operate within a set risk appetite and to provide the desired return to the owner. Capital is managed through regular monitoring of the volume, availability and quality of own funds against the risk profile reflected in the capital requirements. An important element of the capital management is the observance of the dividend policy and the regular monitoring and planning of capital adequacy. As part of the assessment of capital adequacy through its own risk and solvency assessment (ORSA), the Company uses its own methodologies to assess its exposure to a variety of risks and compares it with the volume and amount of own funds available.

As of 31 December 2021, the available capital significantly exceeded the capital requirements reflecting the risk exposure. The Company's capital adequacy is presented in more detail in the Solvency and Financial Position Report 2021.

As of 31 December 2021, the amount of the Company's own funds was EUR 122,856 thousand, taking into account the expected dividend to be paid in the financial year 2022. In 2021, the Company did not pay a dividend.

The estimated capital adequacy ratio as of 31 December 2021 was within the strategic targets (between 200% and 250%).

Table 5: Capital Adequacy

	31 December 2021	31 December 2020
Total appropriate capital to cover SCR (in EUR)	122,856,488	111,122,304
Total appropriate capital to cover MCR (in EUR)	122,856,488	111,122,304
SCR – Solvency capital requirement (in EUR)	51,443,056	44,361,713
MCR – Minimum capital requirement (in EUR)	21,225,693	18,663,725
Capital adequacy in relation to SCR (appropriate capital to cover SCR/SCR)	239%	250%
Capital adequacy in relation to MCR (appropriate capital to cover MCR/MCR)	579%	595%



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As shown in the table above, the Company maintains its strong capital position, as confirmed by its own risk and solvency assessment and the ratings of S&P and A.M. Best. As of 31 December 2021, the Company had a rating of A (excellent) with a stable medium-term outlook.

6.5. Types of Risks and their Management System

The Company is exposed to a variety of risks in the performance of its business, the most important of which are: insurance risks, market risks (including interest rate risk, currency risk, equity risks, credit spread risk and market concentration risk), credit risk, liquidity risk, operational risk and non-financial risks, including strategic, sustainability and reputational risk.

In addition to these risks, there are also emerging risks that are difficult to predict, identify and measure, although they may have a significant impact on the Company’s operations.

The types of risks as defined by IFRS standards are insurance, market, credit, liquidity and other risks. The risk classification of the Company may be translated into the risk classification followed by IFRS as follows:

- According to the IFRS and the Company’s own risk classification, the most common market risks are currency, interest rate and other price risks (equity and real estate risk)
- According to the IFRS and the Company’s own risk classification, credit risks are defined as the credit spread risk, market concentration risk and counterparty default risk. A significant part of the latter is represented by reinsurance exposures arising from reinsurance operations and other receivables (cash given, claims from accepted reinsurance business).
- There are no differences between insurance and liquidity risks.
- Other risks under IFRS are classified as operational, strategic, equity, and reputation and equity risks according to the internal methodology.

The Company monitors and reports the exposures and risk assessments to the Management based on regulatory requirements and the defined internal risk classification. Due to differences in valuation methods under IFRS and Solvency II, the values of individual balance sheet items may differ significantly, which is reflected in differences in individual risks exposures. In addition, this also has an impact on the sensitivity of the items and hence on the risk assessment. A more detailed illustration of the differences between the two valuations is presented in the Report on the Solvency and Financial Position of Triglav Re, d.d.

A brief description of the most important types of risks, indicating how they are managed is presented below. The more important exposures are also presented in more detail according to the classification used in the Company’s risk management system.

Underwriting Risk

Underwriting risk is the risk of loss borne by a (Re)Insurer due to faulty underwriting. The underwriting risks refer to the risk of a loss occurrence or an increase in insurance liabilities due to inappropriate premiums and assumptions taken into account in the calculation of insurance technical provisions, inappropriate underwriting, changes in loss experience and changes in the natural, economic, political, technological and socio-cultural environment. The underwriting risks also include the risk of insufficient insurance technical provisions, premium risk, claims risk and catastrophe risk.

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Risk of Insufficient Insurance Technical Provisions

The Company shall establish adequate insurance technical provisions to cover all future liabilities under reinsurance contracts and potential losses arising from reinsurance business assumed. The risk associated with the insurance technical provisions is the risk of insufficient technical provisions. This risk is managed primarily by comparing the previous claims provisions with subsequent actual liabilities, by applying the appropriate actuarial methods in setting up the individual insurance technical provisions, and by the prudent formation of claims provisions.

According to the International Accounting Standards, the Company makes the following insurance technical provisions: the provisions for unearned premiums, the claims provisions, provisions for bonuses, rebates and cancellations and other insurance technical provisions, such as the provisions for unexpired risks. The sufficiency of the insurance technical provisions established is verified by the liability adequacy test (the co-called LAT test).

For the calculation of capital adequacy, the Company shall make a best estimate of the insurance technical provisions based on the applicable regulatory framework, which shall be equal to the sum of the best estimate and a risk premium. These shall be calculated separately for non-life and life (re)insurance. The key actuarial function holder is responsible for coordinating the calculation of the insurance technical provisions, ensuring that the appropriate methods, models and assumptions are used, for assessing the adequacy, sufficiency and quality of the data required to calculate the insurance technical provisions, and comparing the amount of insurance technical provisions using his experience.

Due to the nature of reinsurance business, the Company cannot use the triangulation method which is prepared on an occurrence basis for the actuarial valuation of the provisions for outstanding claims, but instead it prepares data on settled claims by underwriting year and then uses the appropriate actuarial methods to estimate the future expected liabilities for each underwriting year. The provisions for outstanding claims are not discounted. The surplus of net provisions over the total amount of all underwriting years is positive, which reflects that the risk of adequacy of insurance technical provisions is well managed also in 2021.

As of 31 December 2021, the Company reports a total balance of net insurance technical provisions of EUR 159,142,171. The net insurance technical provisions as at the last day of the financial year 2021 by type of provisions are shown in the table below.

Table 6: Structure of Net Insurance Technical Provisions

	in EUR	
	YEAR 2021	YEAR 2020
Net provisions for unearned premium	28,318,351	25,890,304
Net provisions for bonuses, rebates and cancellations	542,173	587,443
Net provisions for outstanding claims	127,378,562	110,177,569
Provisions for unexpired risks	2,903,085	1,656,274
TOTAL	159,142,171	138,311,590

The net insurance technical provisions increased by 15.0% in 2021 and are fully covered by the investments of the covered assets at 31 December 2021.

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Premium and Loss Risk

Premium and loss risk is the risk that the reinsured claims would be higher than expected or that the earned premium would be lower than expected.

The management of premium and loss risk is the responsibility of the directors of the reinsurance underwriting divisions. They have well-defined powers and responsibilities for underwriting and shall ensure that all reinsurance underwriting procedures are carried out to a high professional standard. They are also responsible for setting the reinsurance portfolio's exposure strategy for individual catastrophe events and regions.

A crucial risk faced by the Company is the risk of a significant loss arising from a particular event or series of events. Such a concentration arises where multiple reinsurance contracts have the same geographical area of coverage and multiple classes of insurance may be affected. Such risks may arise from less frequent loss events (e.g., natural catastrophes), unexpected changes in trends (e.g., unexpected changes in human mortality), or unexpected changes in legislation that could affect the amount of premiums or claims. The Company shall offset, through an appropriate reinsurance programme, the parts of risks assumed in reinsurance which exceeds its own maximum retentions, as set out in the Tables of maximum retentions. The Company shall manage the risk through professional underwriting, monitoring of exposures by geographical area for individual natural perils and, in particular, through appropriately set maximum retentions and an adequate reinsurance programme.

Risk of Major Loss due to Natural Disasters

The Company underwrites reinsurance business with the (Re)Insurers in different regions of the world. According to the guidelines, the Company is focused mainly on the short-term property reinsurance business. The property insurance classes also cover losses caused by various natural perils. The most exposed classes are fire and engineering insurance, followed by motor and crop insurance.

A reinsurance company assumes the risk of major losses caused by natural perils from insurance companies. These are low-frequency but high-impact events such as earthquakes, floods, windstorms, hail and sleet. The risk is influenced by various factors, such as: the exposure of a particular region to more frequent natural catastrophes, the insured population in a particular region, the extent of insurance cover in a particular region, the geographical dispersion of the reinsured portfolio, the terms and conditions of the reinsurance contract in relation to the natural catastrophes being reinsured.

In assessing the claims potential of natural catastrophes, there are also models and methods that simulate different catastrophes to estimate the loss amount with different return periods for a given portfolio. For the Company, the reference event against which it monitors its exposure is an event with a return period of 200 years.

The Company shall regularly monitor its exposure to natural catastrophes by individual peril and by geographical region. For part of the risks reinsured by the Company, the outward reinsurance contracts (retrocession contracts) are concluded to better manage its exposure and protect its own assets. The Company's previous reinsurance programmes have proved to be appropriate, as the Company continuously fulfilled all liabilities arising from insurance contracts without any increased liquidity risk. Furthermore, the Company regularly monitors the credit rating of other Reinsurers and thus takes care of the counterparty default risk.

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Market Risks

Market risks are the risks of loss due to adverse changes in the market risk factors, including equity prices, interest rates, exchange rates, credit spreads, property prices, etc. These risks could affect the Company's value of financial assets and liabilities and have a negative impact on its financial position.

The portfolio of financial instruments is most exposed to the risk of loss from adverse changes in the market risk factors that may adversely affect the value of financial investments.

The objective of market risk management is to ensure the appropriate diversification, liquidity and profitability of financial investments, taking into account the prudent person principle, to adjust the interest rate and currency structure of assets and liabilities in such a way that the structure of the balance sheet is optimal in relation to the risk appetite of the Company, which includes:

- setting the trading position limits for exposure to the risks or groups of risks,
- setting the maximum permissible mismatch on the currency and interest rate of the assets and liabilities structure,
- setting the liquidity limits,
- the consistency of the Company's investment activity with the above restrictions.

Triglav Re d.d. follows the Prudent Person Principle in managing its investments.

The main tool for managing market investment risk are trading limits, which represent restrictions on assuming market risk. The limits from the Risk Appetite consider the capital position of the Company, its strategic business objectives and the current financial market conditions. The exposure to specific investment categories is limited, taking into account the type of financial instrument, the issuer and its credit quality. The limits shall specify the acceptable types of investments and prohibit the use of financial instruments for speculative purposes. They should also limit the maximum acceptable exposure to a single person or a group of related persons.

The Company regularly identifies its vulnerability to changes in various risk factors by monitoring market risk indicators and by stress tests scenarios and then adapts accordingly.

**Interest Rate Risk** is the risk of a loss due to changes in the value of interest rate sensitive assets and liabilities, resulting from adverse changes in interest rates and an unfavourable interest rate mismatch between assets and liabilities.

The Company primary mitigates the interest rate risk by matching the duration of its assets and liabilities. Based on the assessment of the duration of the liabilities from reinsurance contracts, the interest rate structure of the investments is adjusted accordingly by investing in instruments of appropriate maturity.

In addition, the Company shall identify its vulnerability to changes in interest rates through interest rate risk indicators, sensitivity analyses and stress test scenarios and shall adjust accordingly.



## 6. RISK MANAGEMENT

## Risk of Interest Rate Changes

Table 7: Structure of Debt Securities

	in EUR	
	31. 12. 2021	31. 12. 2020
<b>Debt securities</b>	<b>205,750,471</b>	<b>183,740,820</b>
- Government securities	136,773,807	123,924,383
- Securities of financial institutions	37,818,728	35,707,712
- Corporate securities	31,157,936	24,108,726
- Compound securities	0	0
<b>Financial derivatives</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPOSED ASSETS</b>	<b>205,750,471</b>	<b>183,740,820</b>
<b>TOTAL OTHER ASSETS</b>	<b>2,466,772</b>	<b>2,142,176</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>208,217,243</b>	<b>185,882,996</b>

Interest rate risk is the risk of an adverse change in the value of interest rate sensitive financial assets and liabilities arising from an unfavourable change in the market level of interest rates and the interest rate mismatch between the assets and liabilities. Considering the interest rate sensitive assets that pay coupons during the period until maturity, the Company is also exposed to the reinvestment risk, which is particularly significant in the periods of low market interest rates. The Company maintains a partial mismatch between the duration of assets and the duration of liabilities in order to generate additional profit.

Interest rate risk is managed through an appropriate strategic allocation of investments with different maturity dates. The Company may also manage interest rate risk through interest rate derivatives but did not have any such financial instruments in place in 2021.

The Company's exposure to market risk due to changes in interest rates also arises from its interest rate sensitive investment portfolio. The interest rate sensitivity depends on financial characteristics and is determined by the maturity, size and timing of cash flows and the type of contractual interest rate. The Company is also exposed to the risk of changes in future cash flows due to changes in market interest rates. In 2021, the Company only tied up its cash in callable deposits with interest rates ranging from zero percent to 0,0001 percent. All deposits were pegged to a fixed interest rate. The Company also bore the layaway costs on some bank accounts.

The Company shall check its exposure to interest rate risk by regular monitoring of the impact of interest rate changes on the value of its capital due to the exposure of the assets and liabilities to interest rate risk. The internal assessment of interest rate risk shall be calculated by using the duration spread method.

## 6. RISK MANAGEMENT

## Sensitivity Analysis of Financial Assets to Interest Rate Risk

The interest rate sensitivity of financial assets is expressed as the effect of a parallel shift in the interest rate curve of +/- 100 basis points on the fair value of all interest rate sensitive financial assets. These are debt securities classified in the 'available-for-sale' group.

The table below shows that the sensitivity to interest rate changes decreased in 2021 due to the shorter duration of the portfolio. The hypothetical positive and negative changes in interest rates have the greatest impact on government bonds which also represent the largest part of the Company's portfolio. Should interest rates rise by 100 basis points, the Company's capital would decrease by EUR 6,380,000.

Table 8: Sensitivity Analysis of Financial Assets to Interest Rate Risk

	in EUR			
	31. 12. 2021		31. 12. 2020	
	+100bp	-100bp	+100bp	-100bp
Government securities	-4,620,766	4,898,533	-5,700,550	6,201,738
Securities of financial institutions	-925,196	978,993	-1,085,424	1,152,405
Corporate securities	-833,673	877,425	-674,986	708,431
Compound securities	0	0	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>-6,379,635</b>	<b>6,754,951</b>	<b>-7,460,960</b>	<b>8,062,574</b>
Impact on equity	-6,379,635	6,754,951	-7,460,960	8,062,574
Impact on profit/loss	0	0	0	0

## Share Price Risk

Table 9: Structure of Equity Securities

	in EUR	
	31. 12. 2021	31. 12. 2020
<b>Equity securities and investment funds</b>	<b>2,125,772</b>	<b>1,666,175</b>
Shares in EU	2,015,333	1,530,299
Shares in emerging markets	110,439	135,876
<b>TOTAL EXPOSED ASSETS</b>	<b>2,125,772</b>	<b>1,666,175</b>
<b>TOTAL OTHER ASSETS</b>	<b>206,091,471</b>	<b>184,216,821</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>208,217,243</b>	<b>185,882,996</b>



6. RISK MANAGEMENT

The equity portfolio represents only 1.00% of the total financial assets and is recorded at fair value in the Statement of Financial Position. It is exposed to equity risk, which is the risk that the value of equity financial instruments could fluctuate due to changes in factors that are specific to an individual instrument or its issuer; or they reflect the general situation in the stock market.

The Company's objective is to achieve competitive returns by investing in a diversified portfolio of high-quality liquid securities. The Company carries out regular portfolio analysis. The limits approved by the Company's management severely restrict the exposure to the equity portfolio. In 2021, the Company did not have any position in investment funds.

Table 10: Sensitivity Analysis of Financial Assets to Risk of Changes in Share Prices

	in EUR			
	31. 12. 2021		31. 12. 2020	
	+10%	-10%	+10%	-10%
Shares in EU	201,533	-201,533	153,030	-153,030
Shares in emerging markets	11,044	-11,044	13,588	-13,588
<b>TOTAL</b>	<b>212,577</b>	<b>-212,577</b>	<b>166,617</b>	<b>-166,617</b>
Impact on equity	212,577	-212,577	166,617	-166,617
Impact on profit/loss	0	0	0	0

Currency Risk

Currency risk is the risk of loss due to changes in foreign currency exchange rates and currency mismatches between assets and liabilities. An adverse change in the currency rates may cause a fall in the value of assets denominated in a foreign currency or an increase in the value of liabilities denominated in a foreign currency. The main factors of foreign currency risk are the size of the open foreign currency positions per a foreign currency, the volatility of each currency rate and the liquidity of the markets for each foreign currency.

Since the Company operates in foreign markets, it is exposed to currency risk and therefore it makes an appropriate match of claims and liabilities in each foreign currency, in particular by investing reasonably in investments in the foreign currency in which it has liabilities under the reinsurance contracts.

The Company has currency limits in place, which represent a key tool for currency risk management.

Transactions in foreign currency are converted into euros at the European Central Bank's reference exchange rate for that day. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into euro at the reference rate of the European Central Bank valid at the balance sheet date. The profit or loss on monetary items denominated in a foreign currency is the difference between the amortized costs in the functional currency at the beginning of the period, adjusted for the actual interest and payments during the period, and amortized cost in foreign currency translated at the European Central Bank's mid exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into euro at the European Central Bank's reference rate valid at the date when the fair value was determined. Exchange differences arising from the translation are recognized in profit or loss or in equity, depending on the accounting classification of the individual non-monetary asset.

Assets in euros represent 71.0% of the Company's total assets. The exposure of assets in an individual foreign currency does not represent more than 8.0% of the total assets.

6. RISK MANAGEMENT

Table 11: Currency Structure of Assets and Liabilities of the largest Currency Positions

31. 12. 2021

Currency	EUR	USD	HKD	CNY	THB	OTHER	TOTAL
Financial investments	158,120,464	16,010,033	0	4,539,960	0	29,546,785	208,217,243
Deposits at Cedants	6,541,720	3,672,864	121,017	0	695,497	2,309,262	13,340,360
Reinsurers' share of technical provisions	55,348,304	3,315,395	53	1,842,783	0	1,799,034	62,305,570
Receivables from reinsurance operations	32,899,459	6,135,801	1,502,033	3,530,709	517,015	29,420,542	74,005,558
Other receivables	117,979	2,114	22	0	-12	86,735	206,838
Other assets	3,027,121	391,811	0	0	0	972,677	4,391,609
<b>TOTAL ASSETS</b>	<b>256,055,048</b>	<b>29,528,018</b>	<b>1,623,124</b>	<b>9,913,453</b>	<b>1,212,499</b>	<b>64,135,034</b>	<b>0</b>

Equity	95,551,720	0	0	0	0	0	95,551,720
Insurance technical provisions	130,854,549	22,956,137	4,708,424	8,900,959	1,776,466	52,251,206	221,447,741
Liabilities from reinsurance operations	20,227,686	2,162,440	27,841	1,665,240	38,967	15,597,321	39,719,495
Other operating liabilities	2,042,877	0	0	0	0	0	2,042,877
Other liabilities	2,842,588	0	0	0	0	0	2,842,588
Funding liabilities	90,262	629,871	14,596	0	19,484	108,542	862,756
<b>TOTAL LIABILITIES</b>	<b>251,609,683</b>	<b>25,748,448</b>	<b>4,750,861</b>	<b>10,566,199</b>	<b>1,834,916</b>	<b>67,957,070</b>	<b>362,467,177</b>

31. 12. 2020

Currency	EUR	KRW	HKD	USD	JPY	OTHER	TOTAL
Financial investments	149,932,257	0	0	11,566,619	4,194,685	20,189,434	185,882,995
Deposits at Cedants	5,987,262	3,394	90,086	2,724,305	12,063	2,393,572	11,210,682
Reinsurers' share of technical provisions	54,020,325	208,070	0	2,000,304	448	1,225,417	57,454,564
Receivables from reinsurance operations	37,234,845	2,464,859	2,887,926	9,441,635	2,191,755	35,387,448	89,608,469
Other receivables	98,841	0	32	1,793	0	23,063	123,729
Other assets	2,974,201	0	0	186	0	748,186	3,722,573
<b>TOTAL ASSETS</b>	<b>250,247,731</b>	<b>2,676,322</b>	<b>2,978,044</b>	<b>25,734,842</b>	<b>6,398,952</b>	<b>59,967,121</b>	<b>348,003,012</b>

Equity	87,042,128	0	0	0	0	0	87,042,128
Insurance technical provisions	125,979,877	5,046,571	3,569,534	17,952,754	4,991,542	38,225,876	195,766,154
Liabilities from reinsurance operations	28,296,696	981,458	1,554,210	5,591,318	894,914	24,424,701	61,743,298
Other operating liabilities	0	0	0	0	0	0	0
Other liabilities	3,175,073	3	15,374	287,960	7,181	-34,159	3,451,432
<b>TOTAL LIABILITIES</b>	<b>244,493,774</b>	<b>6,028,032</b>	<b>5,139,119</b>	<b>23,832,032</b>	<b>5,893,637</b>	<b>62,616,418</b>	<b>348,003,012</b>

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Table 12: Currency Sensitivity for Five Largest Open Currency Positions

in EUR					
31. 12. 2021	ASSETS	LIABILITIES	Open foreign currency position	Appreciation of foreign currency vs. EUR by 10 %	Appreciation of foreign currency vs. EUR by 10 %
USD - US dollar	29,528,018	25,748,448	3,779,570	377,957	-377,957
HKD - Hong Kong dollar	1,623,124	4,750,861	-3,127,737	-312,774	312,774
CNY - Chinese yuan	9,913,453	10,566,199	-652,746	-65,275	65,275
THB - Tai baht	1,212,499	1,834,916	-622,416	-62,242	62,242
DOP - Dominican peso	286,227	717,358	-431,131	-43,113	43,113

in EUR					
31. 12. 2020	ASSETS	LIABILITIES	Open foreign currency position	Appreciation of foreign currency vs. EUR by 10 %	Appreciation of foreign currency vs. EUR by 10 %
KRW - South Korean won	2,676,322	6,028,032	-3,351,710	-335,171	335,171
HKD - Hong Kong dollar	2,978,044	5,139,119	-2,161,075	-216,107	216,107
USD - US dollar	25,734,842	23,832,032	1,902,810	190,281	-190,281
JPY - Japanese yen	6,398,952	5,893,637	505,315	50,531	-50,531
TRY - Turkish lira	2,659,862	3,127,763	-467,900	-46,790	46,790

At the end of 2021, the Company recorded the largest currency mismatch between assets and liabilities in USD (US dollar). The reason for the higher USD currency mismatch is the investment in USD denominated financial investments, thus reducing the Company's currency exposure also in foreign currencies that are highly correlated to the USD value movements (e.g., HKD, XCD, BSD, etc.). These arise as a result of gross insurance technical provisions in foreign currencies. The Company had EUR 3,780,000 more assets than liabilities in USD and is therefore sensitive to the depreciation of the USD against the EUR. In the case of a 10% depreciation of the USD against the EUR, the Company would have a negative effect of EUR 378,000 at the end of 2021. This is followed by the sensitivity to appreciation of the HKD against the EUR.

Liquidity Risk

Liquidity risk is the risk of loss if the Company is unable to meet its liabilities as they fall due or is forced to provide the necessary funds at a cost that is significantly higher than normal. Liquidity risk is also the risk of there being difficulty in accessing the financial resources required to meet the liabilities under the reinsurance contracts and other liabilities due to a deterioration in financial market conditions.

The primary objective of liquidity risk management is to ensure that the Company has at any time sufficient liquid assets available to pay its current liabilities in a timely manner.

The Company manages liquidity risk by planning the short-term and medium-term liquidity and monitoring the short-, medium- and long-term liquidity indicators. Liquidity risk is mitigated primarily by highly liquid cover assets, which can be redeemed quickly and at low cost in normal market conditions, as well as by the diverse maturity

6. RISK MANAGEMENT

of deposits, which ensure that the daily liquidity needs are covered. To provide sources of liquidity, the Company could set up a system of credit lines that would allow cash to be drawn down in the event of liquidity needs.

The Company has a portfolio of highly liquid assets as part of its own liquidity risk management strategy to ensure that it can pay its financial liabilities even in a stressed situation without incurring significant additional costs.

The liquidity risk exposure shall be managed by:

- regular monitoring of cash flows from assets and liabilities,
- daily and weekly liquidity risk management,
- monitoring the internal short-, medium- and long-term liquidity ratios,
- monitoring the liquidity risk in the investment portfolio,
- monitoring the costs and gains of liquidity provision,
- monitoring the liquidity position in the relevant financial markets.

In 2021, the Company maintained a sound liquidity position and met all its contractual liabilities on time.

The table below shows the structure of the undiscounted expected cash flows of the assets and liabilities.

Table 13: Structure of Undiscounted Expected Future Cash Flows of Assets and Liabilities

31. 12. 2021 in EUR							
FINANCIAL ASSETS AND LIABILITIES TO REINSURERS	NOT DEFINED	LESS THAN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	TOTAL	Book value
Total financial investments	2,135,772	13,671,360	143,989,193	62,939,891	4,046,838	226,783,053	221,557,602
Debt securities	0	0	143,989,193	62,939,891	4,046,838	210,975,922	205,750,471
- held to maturity	0	0	0	0	0	0	0
- at fair value through profit or loss	0	0	0	0	0	0	0
- available-for-sale	0	0	143,989,193	62,939,891	4,046,838	210,975,922	205,750,471
- loans and receivables	0	0	0	0	0	0	0
Equity securities	2,125,772	0	0	0	0	2,125,772	2,125,772
- at fair value through profit or loss	0	0	0	0	0	0	0
- available-for-sale	2,125,772	0	0	0	0	2,125,772	2,125,772
Financial derivatives	0	0	0	0	0	0	0
Loans and receivables	10,000	13,671,360	0	0	0	13,681,360	13,681,360
Technical provisions ceded to Reinsurers	0	34,979,149	20,864,284	4,897,618	1,564,519	62,305,570	62,305,570
Operating receivables	0	73,936,223	200,720	0	0	74,136,943	74,136,942
Cash and cash equivalents	0	1,742,977	0	0	0	1,742,977	1,742,977
TOTAL FINANCIAL ASSETS AND LIABILITIES TO REINSURERS	2,135,772	124,329,709	165,054,197	67,837,509	5,611,356	364,968,543	359,743,092

FINANCIAL ASSETS AND PROVISIONS	NOT DEFINED	LESS THAN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	TOTAL	Book value
Insurance technical provisions	0	140,591,935	66,014,756	11,189,061	3,651,989	221,447,741	221,447,741
Other provisions	0	125,831	16,610	30,246	120,757	293,443	293,443
Operating liabilities	0	41,567,216	195,157	0	0	41,762,373	41,762,373
Other liabilities	0	1,379,604	754,381	0	0	2,133,984	2,133,984
TOTAL FINANCIAL ASSETS AND PROVISIONS	0	183,664,585	66,980,904	11,219,307	3,772,746	265,637,541	265,637,541



6. RISK MANAGEMENT

31. 12. 2020							in EUR
FINANCIAL ASSETS AND LIABILITIES TO REINSURERS	NOT DEFINED	LESS THAN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	TOTAL	Book value
Total financial investments	1,676,175	36,922,472	101,556,190	48,769,589	10,342,463	199,266,889	197,093,677
Debt securities	0	25,245,743	101,556,190	48,769,589	10,342,463	185,913,985	183,740,821
- held to maturity	0	0	0	0	0	0	0
- at fair value through profit or loss	0	0	0	0	0	0	0
- available-for-sale	0	25,245,743	101,556,190	48,769,589	10,342,463	185,913,985	183,740,821
- loans and receivables	0	0	0	0	0	0	0
Equity securities	1,666,175	0	0	0	0	1,666,175	1,666,175
- at fair value through profit or loss	0	0	0	0	0	0	0
- available-for-sale	1,666,175	0	0	0	0	1,666,175	1,666,175
Financial derivatives	0	0	0	0	0	0	0
Loans and receivables	10,000	11,676,730	0	0	0	11,686,730	11,686,682
Technical provisions ceded to Reinsurers	0	33,166,136	15,408,253	6,372,971	2,507,204	57,454,564	57,454,564
Operating receivables	0	89,797,908	44,268	0	0	89,842,176	89,842,176
Cash and cash equivalents	0	1,097,914	0	0	0	1,097,914	1,097,914
TOTAL FINANCIAL ASSETS AND LIABILITIES TO REINSURERS	1,676,175	160,984,430	117,008,712	55,142,560	12,849,667	347,661,543	345,488,331

FINANCIAL ASSETS AND PROVISIONS	NOT DEFINED	LESS THAN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	OVER 10 YEARS	TOTAL	Book value
Insurance technical provisions	0	123,126,543	54,667,120	12,720,711	5,251,780	195,766,154	195,766,154
Other provisions	0	130,850	7,108	35,778	108,681	282,417	282,417
Operating liabilities	0	61,738,871	4,427	0	0	61,743,298	61,743,298
Other liabilities	0	1,249,824	552,576	0	0	1,802,400	1,802,400
TOTAL FINANCIAL ASSETS AND PROVISIONS	0	186,246,088	55,231,230	12,756,489	5,360,461	259,594,268	259,594,268

The liabilities and assets are not discounted but only estimated by summing the expected future cash flows. In 2021, the gross provisions relating to the reinsurance contracts amounted to EUR 221,447,741 (in 2020: EUR 195,766,154).

The Company maintains a partial maturity mismatch between assets and liabilities, and thus generates part of its yield. It settles its short-term liabilities from the current income and allows for the possibility of selling financial instruments, thus maintaining a highly liquid investment portfolio.

Of the total bonds, the amount of EUR 29,621,000 (2020: EUR 19,882,000) represents the bonds that can be called earlier by the issuers.

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Credit Risk

Credit risk or default risk is the risk of a loss resulting from a debtor's or counterparty's default. It is the risk that the debtor is not able to pay its contractual obligations within the agreed time and/or up to the agreed amount.

It can also be defined as the risk of a loss in the event of default or deterioration in the credit quality of a debtor due to fluctuations in the credit position of the issuers of securities, counterparties (e.g., Reinsurers) and the potential debtors to which the Company is exposed in the form of counterparty default, the risk of changes in the credit spread and concentration risk.

The Company is exposed to credit risk, which may arise from:

- financial investments. This risk reflects the potential losses due to default or deterioration of the credit standing of the issuers of financial investments, banks and counterparties in derivative transactions and cash deposits. It also includes a concentration credit risk arising from any exposure to a debtor and a country that is large enough to jeopardize the solvency or financial position of the Company.
- outward reinsurance business (retrocession). This is the risk of a possible loss due to default or deterioration in the credit standing of Reinsurers (Retrocessionaires). It also includes the concentration credit risk resulting from an exposure to the average credit rating of the group to which the Reinsurer belongs that is large enough to jeopardize the solvency or financial position of the Reinsurance Undertaking.
- claims against other debtors (e.g., Cedants' claims due premiums from inward business, other claims)

According to the internal rules, the credit risk associated with the reinsurance contracts is managed by the selection of Reinsurers (Retrocessionaires), whose credit ratings should generally not be lower than "BBB+" by Standard and Poor's and "bbb+" by A. M. Best, except for outward liability reinsurance contracts, where the rating shall not normally be below "A-" by Standard and Poor's or "a-" by A. M. Best.

The maximum exposure to banks is determined by using the internal credit quality assessment methodology that takes into account their financial position and the ratings of internationally recognised credit rating agencies.

In managing the investment portfolio, great attention is taken to select issuers with an appropriate credit rating and to ensure that there is no overexposure to any single issuer or group of related parties.

The concept of credit risk also covers concentration risk. **Concentration risk** relates to an excessive concentration of exposures to a single counterparty or group of related parties, to a particular industry or to a geographical region. The Company shall monitor the appropriate diversification of its investment portfolio by means of a limit system.

Table 14: Structure of Assets exposed to Credit Risk

in EUR		
ASSETS	YEAR 2021	YEAR 2020
Equity securities	2,125,772	1,666,175
Debt securities	205,750,471	183,740,820
Technical provisions ceded to Reinsurers	62,305,570	57,454,564
Loans and receivables	13,681,360	11,686,682
Receivables	74,136,942	89,842,174
TOTAL EXPOSED ASSETS	358,000,115	344,390,416



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Table 15: Credit Risk of Debt Securities Portfolio (book value of bonds is taken into account)

in EUR				
CREDIT RATING	YEAR 2021	in %	YEAR 2020	in %
AAA	54,757,952	27%	46,386,300	25%
AA	19,229,408	9%	11,409,128	6%
A	68,135,342	33%	64,575,167	35%
BBB	53,902,441	26%	52,350,951	28%
BB	8,463,276	4%	5,666,198	3%
B	0	0%	1,466,602	1%
without credit rating	1,262,051	1%	1,886,475	1%
TOTAL	205,750,471	100%	183,740,820	100%

In managing credit risk, the Company follows the principle of appropriate diversification of investments of better credit quality. The average credit rating of the bond portfolio at the end of 2021 was “A+”. The table above shows that the Company also holds debt securities without a credit rating. These are mostly issued by the Slovenian companies. Slovenian government bonds represent the largest part of the bonds in the rating class A.

The table below shows the credit quality of counterparties from reinsurance contracts, deposits with banks and other receivables and liabilities.

Table 16: Credit Risk of Loans and Receivables, including the Company's Deposits with Banks and Financial Investments under Reinsurance Contracts

in EUR				
CREDIT RATING	YEAR 2021	in %	YEAR 2020	in %
A	1,346,571	10%	1,273,458	11%
BBB	335,191	2%	0	0%
BB	0	0%	466,000	4%
without credit rating	11,999,598	88%	9,947,224	85%
TOTAL	13,681,360	100%	11,686,682	100%

Receivables are also exposed to credit risk. Credit risk is significantly mitigated by the characteristic of reinsurance contracts that allows the receivables and liabilities relating to the same Reinsurer to be netted off against each other (netting of claims for premiums and liabilities for claims and commissions in inward reinsurance business; and netting of claims for premiums and liabilities for claims and commissions in outward reinsurance business). The table below shows the age structure of the netted receivables against liabilities in the outward and inward business, which illustrates the actual dynamics of payments and collection of receivables and liabilities in the Company.

6. RISK MANAGEMENT

Table 17: Maturity Structure of Receivables and Liabilities by Type of Business

in EUR				
YEAR 2021	Not matured yet	Maturity up to 180 days	Maturity over 180 days	Total
Inward operations	34,909,394	2,411,283	280,517	37,601,194
- receivables for premium from reinsurance assumed	53,302,534	6,172,346	1,297,532	60,772,412
- liabilities to Reinsurers for shares in claims	-18,393,140	-3,761,063	-1,017,015	-23,171,217
Outward operations	-2,894,700	-822,186	401,755	-3,315,131
- liabilities to retrocession premium	-14,325,887	-1,915,454	-306,936	-16,548,277
- receivables for Reinsurers' shares in claims	11,431,187	1,093,269	708,691	13,233,146
TOTAL	32,014,694	1,589,098	682,272	34,286,064

in EUR				
YEAR 2020	Not matured yet	Maturity up to 180 days	Maturity over 180 days	Total
Inward operations	32,728,999	1,157,288	340,271	34,226,558
- receivables for premium from reinsurance assumed	66,465,827	6,243,027	2,597,972	75,306,825
- liabilities to Reinsurers for shares in claims	-15,783,116	-3,423,059	-1,525,404	-20,731,578
- other liabilities from coinsurance and reinsurance	-17,953,712	-1,662,680	-732,297	-20,348,689
Outward operations	-6,104,139	-560,798	303,550	-6,361,386
- liabilities to retrocession premium	-18,726,819	-1,252,508	-683,704	-20,663,031
- receivables for Reinsurers' shares in claims	6,996,843	349,709	800,016	8,146,568
- other receivables from coinsurance and reinsurance	5,625,837	342,002	187,237	6,155,077
TOTAL	26,624,861	596,490	643,821	27,865,172

6. RISK MANAGEMENT

Table 18: Structure of Receivables by Maturity

in EUR				
YEAR 2021	Not matured yet	Maturity up to 180 days	Maturity over 180 days	Total
Receivables from coinsurance and reinsurance	64,733,720	7,265,615	2,006,223	74,005,558
- receivables for premium from reinsurance assumed	53,302,534	6,172,346	1,297,532	60,772,412
- receivables to Reinsurers for shares in claims	11,431,187	1,093,269	708,691	13,233,146
Other receivables	131,384	0	0	131,384
TOTAL	64,865,104	7,265,615	2,006,223	74,136,942

in EUR				
YEAR 2020	Not matured yet	Maturity up to 180 days	Maturity over 180 days	Total
Receivables from coinsurance and reinsurance	79,088,507	6,934,738	3,585,225	89,608,469
- receivables for premium from reinsurance assumed	66,465,827	6,243,027	2,597,972	75,306,825
- receivables to Reinsurers for shares in claims	6,996,843	349,709	800,016	8,146,568
- other receivables from coinsurance and reinsurance	5,625,837	342,002	187,237	6,155,077
Other receivables	45,065	0	0	45,065
TOTAL	79,133,572	6,934,738	3,585,225	89,653,534

Credit risk also arises from reinsurance (retrocessions) if a Reinsurer (Retrocessionaire) fails to pay its obligations in full and/or on time. To reduce such risk, the Company has established business and financial standards for the assessment of Reinsurers, which are based on the credit ratings provided by internationally recognized credit rating agencies and applicable market information. The Company monitors the financial position of Reinsurers and as a rule, retrocession reinsurance contracts are only concluded with Reinsurers rated at least “A-” by S&P or equivalent by other rating agencies for liability reinsurance, and at least “BBB+” by S&P or equivalent for other types of reinsurance. At the end of 2021, the average rating of the Reinsurers to which the Company has ceded part of its insurance risks was ‘AA-’ for liability reinsurance contracts and ‘A’ for other contracts.

6. RISK MANAGEMENT

Table 19: Structure of Company’s Exposure to the Reinsurers (Counterparties) by Credit Rating

in EUR		
Reinsurers credit rating (S&P's)	YEAR 2021	YEAR 2020
AAA	0	0
AA	30,729,423	26,015,886
A	22,881,082	23,700,448
BBB	3,180,249	2,967,067
BB	3,324,403	2,098,161
without credit rating	2,190,414	2,673,002
TOTAL	62,305,570	57,454,564

The Company’s largest exposure is to “AA” rated Reinsurers.

Operational Risk

The Company pays special attention to the management of operational risk, which is present in all aspects of the business. Operational risk is defined as the risk of a loss resulting from inadequate or ineffective:

- operation/implementation of internal processes (or product),
- conduct of the employees,
- performance of already established systems, or
- control and management of external circumstances or events.

According to the definition of operational risk, it also includes information security risks (information risk), including cyber risks and major business interruptions arising from the use and transmission of electronic data, including technology such as the internet and telecommunications networks. Legal risks, business compliance risk, project efficiency and effectiveness risk, planning failure risk, conduct risk, model risk and outsourcing risk are also included in operational risk. However, strategic and reputational risks are not operational risks. Exceptionally, operational risks also include strategic decision risks in cases where strategic decisions have been taken in contravention of the legislation in force, regulatory provisions, internal rules or ethical norms.

The foundation for effective operational risk management is an adequate system of internal controls, which is updated and improved year on year. The Company manages organization risk and business process risk by adapting the internal organizational structure, by strictly defining the responsibilities of all employees and implementing the gradual computerization of business processes. Human resourcing risks are managed by the Company through a knowledge transfer system between the employees, planned training and cooperation with the parent company in the recruitment of new staff. A key part of legal risk management is the continuous monitoring of applicable legislation and the active involvement of a legal professional in business decisions.

An essential element of successful operational risk management is a well-established business contingency and continuity plan, which was particularly evident during the Covid-19 pandemic, when companies were forced to relocate work to employees’ homes overnight.



6. RISK MANAGEMENT

Non-Financial Risks

The key non-financial risks are strategic risks, reputational risk, Group risk and sustainability risks. Non-financial risks are strongly correlated with other risks, mainly operational risks, and usually arise from a number of realised risk factors outside and inside the Company.

**Strategic risk** is the risk of a loss arising from inappropriate business decisions, inadequate implementation of strategic decisions and insufficient responsiveness to the changes in the business environment. The Company's Board of Management and Senior Management shall exchange information on an ongoing basis which is relevant for making business decisions, for achieving the set short-term and long-term objectives and for making decisions regarding the strategic risk management.

The identification and assessment of strategic risk is carried out regularly by identifying and evaluating the actual and potential strategic risks to which the Company is exposed.

**Reputational risk**, often called reputation risk, refers to the possibility for negative publicity, public perception or uncontrollable events to have an adverse impact on the Company's reputation, thereby affecting its revenue. Thus, it is the risk of loss of existing or future business due to a negative image of the Company. The management of reputational risk is a duty of all employees, including its supervisory bodies.

The identification of reputational risk is carried out through reporting of loss events arising from operational risk and through regular risk self-assessment.

**Triglav Group's risks** arise from the business model of Zavarovalnica Triglav d.d., acting as the parent company, and the group of related entities. They include risks that may jeopardise the achievement of strategic objectives due to the Group's ineffective governance system and insufficient knowledge of the business environment in which the Group companies operate.

**Sustainability risk** is defined as the exposure to practices that negatively impact the environment. Climate change, water scarcity, disease and poor labour conditions are some key factors that increase the sustainability risk.

Sustainability risks represent a set of risks to the Company arising from environmental, social and governance (ESG) characteristics that may have a negative impact on the Company's financial position or solvency.

**Environmental risks** are divided into physical risks and transition risks. Physical risks represent the risks of financial losses due to extreme weather events or other environmental impacts due to climate change. Transition risk relates to risks arising from changes in business operations or the environment caused by measures to promote the transition to a low carbon economy to reduce the impact of climate change.

**Social risks** comprise mainly of risks arising from the way the Company conducts its business in relation to the requirements of the wider social environment and key stakeholders. Therefore, it is necessary to ensure: diversity and equality of opportunity between different stakeholders, employee safety, health and satisfaction, relations with customers, suppliers, contractual partners and the wider social environment.

**Governance risks** comprise risks arising from an inadequate or inappropriately established governance systems, especially in environmental and social aspects. They include the legality of operations, corporate governance standards (including risk management and internal control systems), the remuneration of the Company's management, the diversity of the management and supervisory bodies, the business practices applied and the investor relations policy.

6. RISK MANAGEMENT

Capital risk

Capital risk is the risk of loss due to inadequate composition of the Company's capital in relation to the size and nature of its business or the difficulty it faces in raising fresh capital, in particular in the event of a need to raise capital quickly or in the event of unfavourable operating conditions. This includes changes in accounting standards, regulations and supervisory decisions which affect the payment of dividends and the transferability of available capital.

6.6. Future Challenges in Risk Management System

Given the increasing trend of occurrence and intensity of natural catastrophes related to climate change and new regulations in the field of sustainable risks, Triglav Re, d.d. will pay special attention to the proper implementation of sustainable risk management in the company's management system. It will pay great attention to the development of appropriate reinsurance guidelines that reflect the impact of current and expected climate change, to which property reinsurance covers are particularly exposed. The Company will continue to underwrite insurance risks carefully, with the appropriate geographical diversification and diversification of the risks underwritten, and to maintain a comprehensive and efficient reinsurance programme.

Triglav Re, d.d. will continue to upgrade its risk management system to provide accurate and timely information for business decision-making. It will closely monitor climate change in its home region as well as globally and adapt accordingly. A major challenge is to upgrade the risk measurement methodologies to adequately reflect the existing and new risks.

The coordination of the risk management system with the parent company, which includes in particular the reasonable harmonisation of the risk measurement methods, the conduct of own risk and solvency assessments and the reporting of risk exposures, has an impact on ensuring better alignment of the Group's key risk management, measurement and reporting processes. In doing so, the Company takes into account the specific features of the reinsurance business, its own risk profile, the size and complexity of the business that the Company carries out.

# 7. FINANCIAL RESULTS

In 2021, Triglav Re, d.d. posted a net profit of EUR 11.3 million, which is significantly better compared to the previous year's result as well as the planned result for the period. The higher-than-plan profit is due to a combination of several factors. The most important is the technical underwriting result, which is better than planned despite some major loss events, with a realised combined ratio for Triglav Re's overall business of 90.5, compared to the planned 94.6. Compared to the last year's result, in addition to an improved technical underwriting result, we also realised significantly higher investment returns in 2021, as the return last year was negative at EUR 973 thousand. The return on equity (ROE) stands at 12.4%, exceeding the target by 5.7 percentage points.

## 7.1. Gross Reinsurance Premiums

The gross premium volume in 2021 is EUR 202,282,034, which represents an increase of 11.8% compared to 2020.

Table 20: Gross Reinsurance Premiums in 2021 and 2020

	in EUR		
	YEAR 2021	YEAR 2020	INDEX
GROSS PREMIUM TOTAL	202,282,034	180,967,469	111.8
NET PREMIUM TOTAL	118,539,248	106,430,325	111.4

## NUMBER 1924

There are 104 brick layers in every column of the Slovene Insurance House:  
 $104 = 3 \times 28 + 2 \times 10$ .

Since a single layer of bricks mimics a gold coin, in the 37 columns there are 3848 zecchini:  
 $3848 = 1924 \times 2$ .

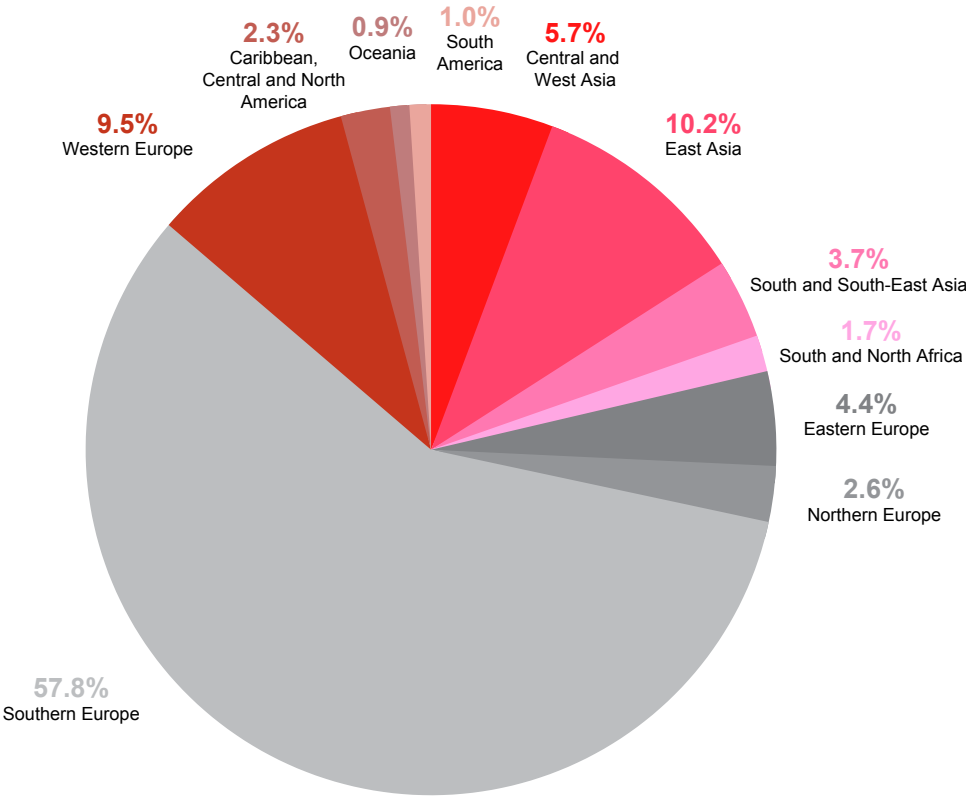
In 1924 Plečnik began his design of the Vzajemna House. He built the year of the design into the building in a way similar to Joseph Paxton's use of the year 1851 in the 1851 feet long Chrystal Palace.





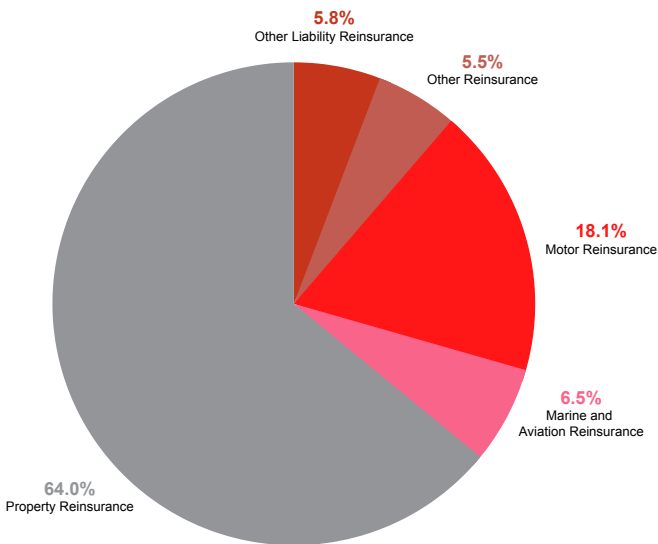
7. FINANCIAL RESULTS

Breakdown of Gross Reinsurance Premium by Territories

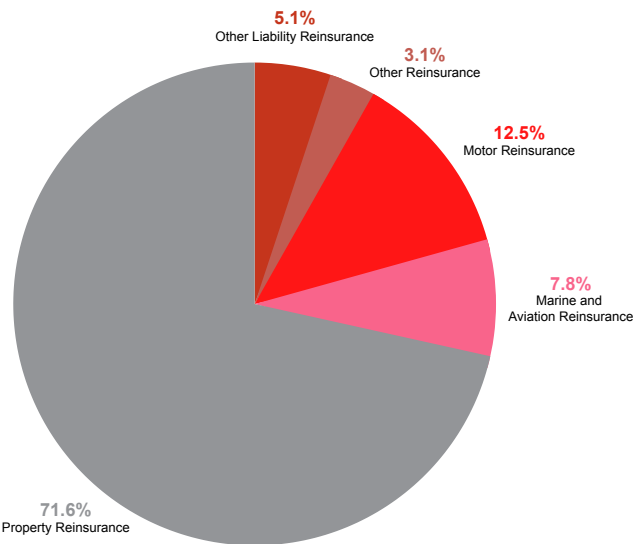


Compared to 2020, the net premium volume increased by 11.4% which is slightly less than the gross premium.

Structure of Gross Reinsurance Premium in 2021



Structure of Net Reinsurance Premium in 2021



7. FINANCIAL RESULTS

Property reinsurance accounts for the largest share of the gross premiums. The share of these reinsurances is in 2021 unchanged compared to 2020. In 2021, the share of other reinsurance increased the most, by 0.4 percentage points. The shares of marine and aviation reinsurance and other liability reinsurance increased by 0.3 percentage points. On the other hand, the share of motor reinsurance decreased by one percentage point.

In the net reinsurance premium structure, the shares of property business increased by 3.2 percentage points and the marine and aviation business by 0.2 percentage points. Other lines of reinsurance business also increased by 0.1 percentage points. However, the shares of motor reinsurance decreased by 2.9 percentage points and other liability reinsurance by 0.7 percentage points.

The net reinsurance premium income (calculated from the gross reinsurance premium less the reinsured part and adjusted for the change in gross ceding premium, adjusted by the reinsurers' share of the ceding premium) reached EUR 116,111,202 in 2021 and an increase of 17.2% is recorded compared to 2020.

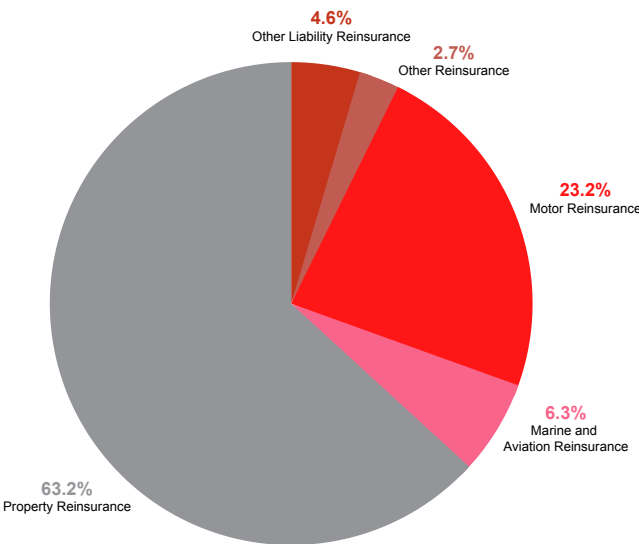
7.2. Gross Reinsurance Claims

Gross claims in 2021 increased by 16.1% compared to the previous year and amounted to EUR 88,241,309. Net claims also increased by 2.3% compared to the previous year, amounting to EUR 56,244,111.

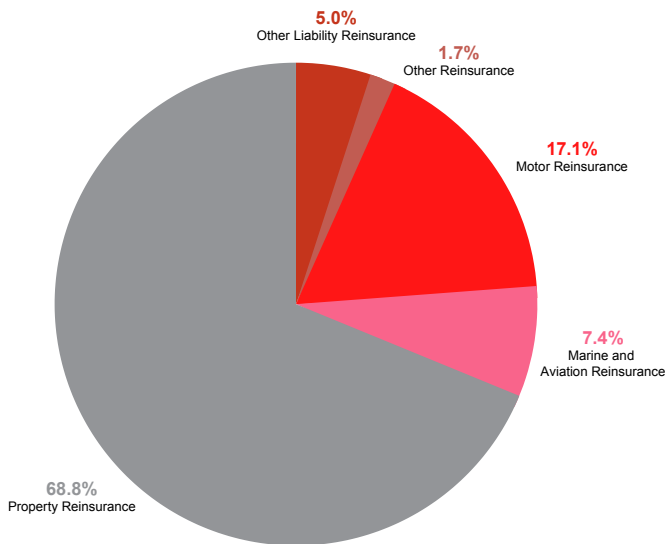
Table 21: Settled Claims in 2021 and 2020

	in EUR		
	YEAR 2021	YEAR 2020	INDEX
GROSS CLAIMS TOTAL	88,241,309	76,015,279	116.1
NET CLAIMS TOTAL	56,244,111	54,979,389	102.3

Structure of Gross Reinsurance Claims in 2021



Structure of Net Reinsurance Claims in 2021



7. FINANCIAL RESULTS

In 2021, the largest share of gross claims affected the property and motor reinsurance business. Compared to 2020, the largest increase in gross claims of 5.8 percentage points was recorded in property reinsurance. On the other hand, the largest decrease in the share of gross claims was recorded in other liability reinsurance, by 4.6 percentage points.

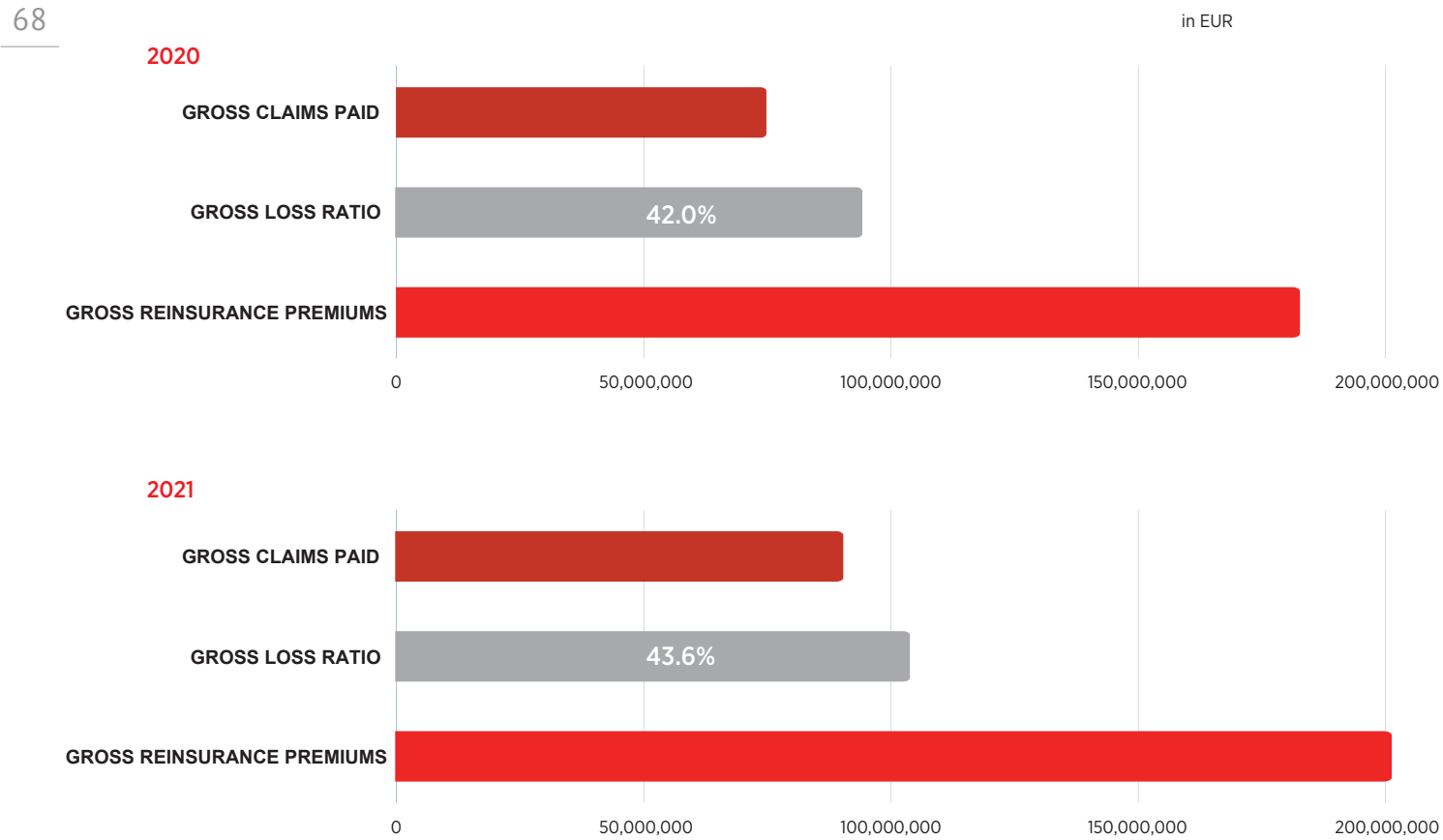
The structure of net claims in 2021 is similar, with property reinsurance also accounting for the largest share of net claims (68.8%), while motor reinsurance accounts for 17.1%. However, compared to the previous year, the share of net claims in property reinsurance increased by 3.6 percentage points, which is lower than for gross claims.

The net claims expense (gross claims less the reinsurance part and adjusted for the change in gross claims provisions corrected by the Reinsurers' share of these provisions) in 2021 is shown at EUR 73,445,104, which is 16.6% higher than the net claims expense in 2020.

7.3. Gross Loss Ratio

The gross loss ratio, which is the ratio of the gross claims to the gross premiums, increased by 1.6 percentage points in 2021 compared to the previous year.

Table 22: Gross Loss Ratio



7. FINANCIAL RESULTS

7.4. Commission Income and Expenses

Commission income in 2021 amounted to EUR 20,641,425, which represents an increase of EUR 3.5 million or 20.6% compared to the previous year. On the other hand, commission expenses increased by 10.4% to EUR 47,646,023 in 2021, resulting in the net commission expenses of EUR 27,004,598 in 2021.

7.5. Financial Income and Expenses

The balance of investments at 31 December 2021 amounts to EUR 221,557,602, which shows an increase of 12.4% or EUR 24.5 million compared to the previous year.

Table 23: Structure of Financial Investments

in EUR					
	31. 12. 2021	STRUCTURE 2021	31. 12. 2020	STRUCTURE 2020	INDEX
Shares and other variable yield securities	2,125,772	1.0%	1,666,175	0.8%	127.6
Debt and other fixed yield securities	205,750,470	92.9%	183,740,820	93.2%	112.0
Shares in investment funds	0	0.0%	0	0.0%	/
Bank deposits	331,000	0.1%	466,000	0.2%	71.0
Financial derivatives	0	0.0%	0	0.0%	/
Other financial investments	10,000	0.0%	10,000	0.0%	100.0
Reinsurers' investments from reinsurance contracts	13,340,360	6.0%	11,210,682	5.7%	119.0
TOTAL FINANCIAL INVESTMENTS	221,557,602	100%	197,093,677	100%	112.4

As of 31 December 2021, the Company shows the following investment balances by maturity:

- long-term investments of EUR 206,634,830,
- short-term investments of EUR 1,582,413,
- retained deposits with Cedants under reinsurance contracts amounting to EUR 13,340,360.

Debt securities account for the largest part of total investments, followed by the reinsurers' investments under reinsurance contracts. Shares and other variable-yield securities represent 1% of the investments, while bank deposits and other financial investments represent the lowest share in the investment structure.

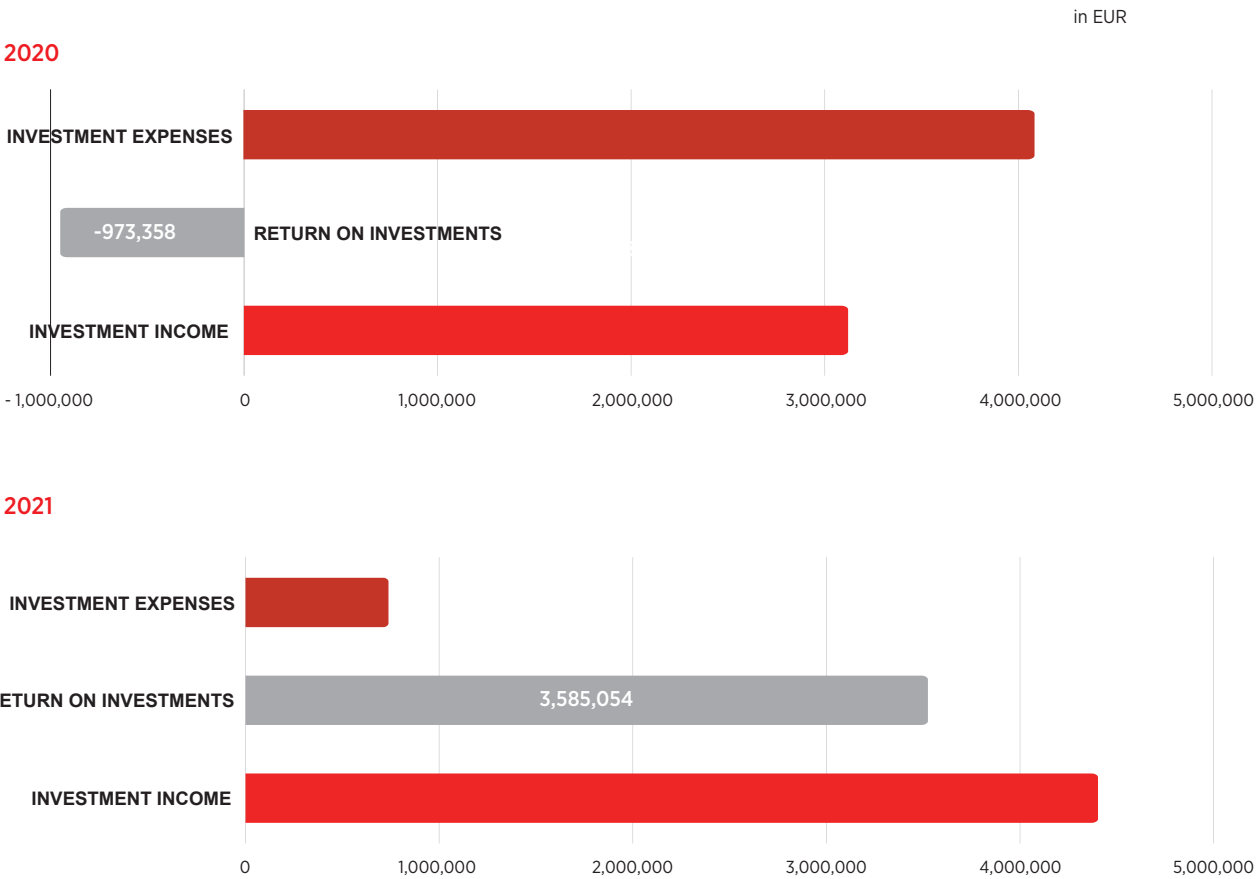
The structure of each type of investment is almost unchanged compared to the previous year. The largest increase, by 0.3 percentage points, was in the share of financial investments by reinsurance companies under reinsurance contracts. The part of shares also increased by 0.2 percentage points. On the other hand, the share of debt and other fixed-income securities decreased by 0.3 percentage points. The share of deposits with banks decreased by 0.1 percentage point, while the shares of other financial investments and derivatives remained unchanged.



7. FINANCIAL RESULTS

The book return on the total investment portfolio is 1.7% in 2021, compared to -0.5% of the previous year.

Table 24: Investment Income and Expenses and Return on Investments



Investment income in 2021 amounts to EUR 4,296,937, while the investment expenses amount to EUR 711,884. The total return in 2021 was EUR 3,585,054, but in the previous year it amounted to a negative EUR 973,358.

The Company shall actively manage its assets in accordance with the following guidelines:

- Security - to provide with a high degree of responsibility the means to cover the liabilities arising from the existing reinsurance contracts.
- Liquidity - to maintain sufficient liquidity to meet, in a timely manner, liabilities that may arise under reinsurance contracts, financial liabilities and other operating expenses.
- Diversification - diversification of investment risks by investing in different investment classes and types.
- Profitability - maximisation of risk-adjusted excess return over liabilities: to generate a return that ensures coverage of contractual obligations and, in the long term, allows for competitive performance in the reinsurance market and creates shareholder value.
- Flexibility - to implement the medium-term strategic vision and to take advantage of temporary business opportunities.

7. FINANCIAL RESULTS

7.6. Operating Costs

The gross operating costs in 2021 increased by 3.3% compared to the previous year. Depreciation costs increased the most, by 14.6% compared to the previous year. The new reinsurance IT system started to be amortised in March 2020 and the depreciation costs in 2021 are charged over all twelve months. Other operating expenses also increased by 8.4% and the personnel costs by 1.3% compared to the previous year, while, on the contrary, the costs of (personal) services decreased by 62.6%. Asset management costs for 2021 amount to EUR 301,374 (2020: EUR 295,786) and are shown in the Profit and Loss Account under the item Expenses on financial assets and liabilities.

Table 25: Breakdown of Operating Expenses

in EUR			
	YEAR 2021	YEAR 2020	INDEX
Depreciation of operating assets	479,856	418,616	114.6
Labour costs	3,068,483	3,030,497	101.3
Costs of services provided by individuals not engaged in business activity, including contributions	9,877	26,378	37.4
Other operating expenses	695,898	641,760	108.4
TOTAL OPERATING EXPENSES	4,254,114	4,117,251	103.3

7.7. Financial Result Indicators

Table 26: Financial Result Indicators

in EUR		
	YEAR 2021	YEAR 2020
Retention rate	58.6%	58.8%
Share of net operating expenses to gross premium	2.1%	2.3%
Loss ratio	64.3%	63.7%
Expense ratio	26.2%	31.2%
Combined ratio	90.5%	94.9%



## BEE HOUSE

The facade of the Slovene Insurance House is articulated by vertical and horizontal architectural elements resembling a typical Carniolian bee house. The message is obvious: let the hard-working Slovenes keep their savings as the the hard-working bees store their honey:

*Bees invite you to take pleasure in work, so that you may enjoy its fruit. For bees are never short of either food or drink as they have gathered it all in advance.*





8. FINANCIAL POSITION

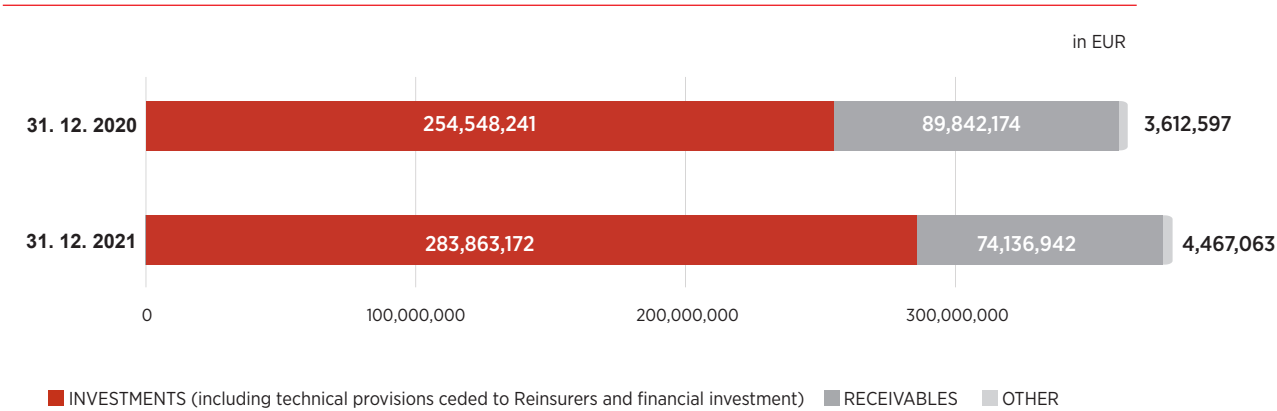
# 8. FINANCIAL POSITION

On 31 December 2021, the Company's balance sheet total amounted to EUR 362,467,177 which shows an increase of 4.2% compared to 31 December 2020.

## 8.1. Financial Assets

Investments, which represent 78.4% of assets, increased by 11.5% compared to 31 December 2020, while the receivables, which represent 20.5% of assets, decreased. Other assets, representing 1.2% of assets, increased by 23.7 percent.

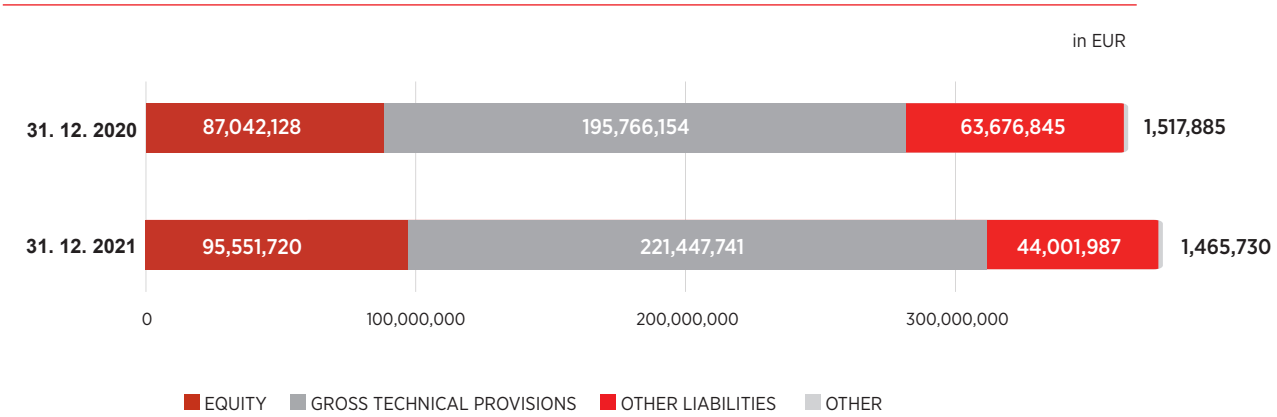
Table 27: Structure of Financial Assets



## 8.2. Financial Liabilities

The gross insurance technical provisions represent the largest part of the liabilities, at 61.1%. The capital of the Company as of 31 December 2021 amounted to EUR 95,551,720 and increased by 9.8 % compared to 31 December 2020. A significant share of liabilities (12.1%) is represented by other liabilities, which amounted to EUR 44,001,987 as at 31.12.2021 and relate mainly to the reinsurance liabilities.

Table 28: Structure of Liabilities



8. FINANCIAL POSITION

## 8.3. Financial Position Indicators

Table 29: Financial Position Indicators

	in EUR	
	YEAR 2021	YEAR 2020
Share of capital in total liabilities	26.4%	25.0%
Return on equity	12.4%	3.3%
Share of gross technical provisions in total liabilities	61.1%	56.3%
Share of financial assets in total assets	61.1%	56.6%





## THE NUMBER OF THE BEAST

On the facade, there are 42 human statues above the last floor.

Numbers 41 and 42 are synonymus with the biblical number of the beast. The repeated halving of the number 666 results either in 41 or in 42, if we are calculating only with whole numbers:

$666 : 2 = 333$   
 $333 : 2 = 166$  (instead of 166,5)  
 $166 : 2 = 83$  (instead of 83,25)  
 $83 : 2 = 41$  (instead of 41,625)

The 16th part of 666 is 41,625, which is closer to 42 than to 41. This is why both numbers, 41 and 42, appear

in the Apocalypse as a symbols of transitoriness. The value of the beast is 666:

*Here is wisdom. Let him that hat understanding count the number of the beast: for it is the number of the man; and his number is Six hundred threescore and six.*



## 9. SIGNIFICANT EVENTS

## 9. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD AND TRANSPARENCY OF FINANCIAL RELATIONSHIPS

### 9.1. Significant Events after the End of the Financial Period

The Russia-Ukraine crisis, which escalated into an armed attack at the end of February 2022, has severely shaken political, economic, financial and social stability around the world. The US, the EU and the UK have responded with tough sanctions aimed at weakening Russia's economic and financial position.

(Re)Insurance companies, as part of the financial industry, have been significantly affected by the decision to exclude several Russian banks from the international financial data exchange system Swift. The restrictions are having a strong impact on the Russian Central Bank, which cannot access more than half of its reserves.

The crisis was quickly reflected in a fall in the value of bonds issued by the Russian state and Russian companies. The Russian stock market was virtually closed overnight as Russian brokers have been banned from selling securities owned by foreigners. Oil and natural gas prices have risen sharply, and the Russian rouble has become virtually non-convertible due to the exclusion of most of the local banks from the international payment system Swift. As sanctions tighten, the prices of raw materials, oil, steel, wheat and other grains can be expected to rise further, leading to additional inflationary pressures.

At the end of February and beginning of March 2022, the international rating agencies S&P, Moody's Investors Service and Fitch Ratings downgraded Russia's credit rating to below investment grade with the possibility of further downgrades, as there are growing doubts about Russia's willingness or ability to repay its government debt.

The Management of Triglav Re, d.d. has closely followed the restrictive measures taken by the EU and the US, which also include the financial sanctions.

The Company's Management immediately adopted a ban on reinsurance contracts with Cedants and Reinsurers domiciled in Russia until lifted. Measures were also taken to actively monitor existing counterparties with which the Company has outstanding contractual relations. A review (by the compliance management of the Company as well as the Parent Company) of existing and potential counterparties and clients with any international element on the sanction lists has been introduced prior to the conclusion of a transaction as well as prior to any disbursement. In addition to the verification of persons, a verification of the content of the business in terms of goods or services has also been introduced, as restrictions are also set according to the nature of the business. Particular attention has been paid to the consideration of sanctions in the conduct of financial transactions and payment traffic.

## 9. SIGNIFICANT EVENTS

In the wake of the Russian armed attack, an analysis of the Company's exposure to business with Ukraine, Russia and Belarus was carried out. At that time, the Company had exposure to Ukraine from assumed reinsurance business with two Ukrainian partners covering very limited property business, and we are still examining whether war risks are excluded. The Company has a few assumed reinsurance contracts with Russian entities, but their value is not material in the overall portfolio. For all contracts, we are checking for possible exclusion of cover due to sanctions. For existing retroceded reinsurance contracts to Russian counterparties, there is a higher risk for the Company mainly due to restrictions on the execution of payment transactions. The Company has EUR 142,000 of booked claims reserves against Russian Reinsurers. In the event of a loss, the Company together with the parent company would have to bear the amount of the booked claims, which would have a negative impact on the profit or loss, if the inability to conduct payment traffic with Russian Reinsurers would still be in force. The Management is assessing possible scenarios of action regarding the validity or termination of existing retrocessions to these partners.

The most significant risks in the investment portfolio arise from the exposure to Russian government bonds and Russian banks with a total nominal value of EUR 2.5 Mio. In the worst- case scenario, the Company will have to impair these bonds, which will be reflected in a lower operating profit in 2022. The Company does not have any deposits with Russian banks. The Company also has Russian ruble denominated bonds in its portfolio, with a nominal value of RUB 83 million (approximately EUR 0.6 million at the end of February). The issuers of these bonds are supranational financial institutions with "AAA" credit quality. The bonds were purchased by the Company for the purpose of hedging the currency risk arising from the underlying reinsurance business.

We have also analysed the remaining part of the investment portfolio which is subject to general falls in stock market values. In our analysis we have considered that these investments are largely long-term and are not intended for day trading. We estimate that there will be no significant negative effects.

The Company's liquidity position remains sound and we do not currently assess that it is likely to deteriorate significantly.

We are also paying more attention to the monitoring of cyber risks in the Company's network. So far, we have not noted a marked increase in online activity and scanning of publicly accessible IP addresses, but we are nevertheless more vigilant in monitoring network traffic, anti-virus protection and access to major servers. We have a business continuity plan in place, where both on-line and off-line data storage play an important role.

Based on the analysis carried out, there are no indications that the Company's ability to continue as a going concern is at risk.

### 9.2. Transparency of Financial Relations

Triglav Re, d.d. is listed as a public undertaking and a public credit institution under the Act on Transparency of Financial Relations and Separate Recording of Different Activities (ZPFOLERD-1).

In 2021, the Company received:

- reimbursements of sick leave and quarantines in connection with Covid-19 aid measures amounting to EUR 5,656 (2020: EUR 1,785),
- European grants in the area of training of workers (45+) under the programme "Comprehensive support to companies for an actively ageing workforce", from which the Company got EUR 11,490 in 2021 (2020: EUR 9,980).

# 10. FINANCIAL STATEMENTS AND EXPLANATORY NOTES

The financial statements of Triglav Re, d.d. are drawn up pursuant to the International Financial Reporting Standards (IFRS) as adopted by the European Union and the explanatory notes adopted by the International Financial Reporting Interpretations Committee (IFRIC) which are also adopted by the European Union. The financial statements are prepared in line with the provisions of the Companies Act.

At the balance sheet date, considering the standards-approving process in the European Union, there is no difference in the Company's accounting policy between the IFRS applied by the Company and IFRS adopted by the European Union.

The accounting policy used in the preparation of the Company's financial statements is the same as in the preparation of the financial statements for the year ending 31 December 2020. The only exceptions are newly adopted or amended standards and interpretations that are effective for the annual periods beginning on or after 1 January 2021.

The full Annual Report of Triglav Re, d.d. for 2021 accompanied by the Independent Auditor's Report is available on the Company's website <http://www.triglavre.si/arhiv-sporocil-za-javnost> in Slovene.

The Summary of the Annual Report for 2021 contains selected information from the Annual Report of Triglav Re d.d.



## NUMBER 125

The Slovene Insurance House project went through several changes. In one of the variants, The axial distances of columns are either 2,5 m or 2,25m; the height of the floor is 3,5 m; the height of the building is 20,5 m. The common denominator of the above sizes is the module of 125 mm:

2,25m = 18 x 125 mm,  
2,5 m = 20 x 125 mm,  
3,5 m = 28 x 125 mm,  
20,50 m = 41 x 4 x 125 mm.

Gematically, 125 means JOSEF PLEČNIK; J=10 + O=15 + S=19 + E=5 + F=6 + P016 + L=12 + E=5 + C=3 + N=14 + I=9 + K=11 = 125

Plečnik obviously acquired his gematrical signature in Viennese years, when he became a member of the Guild of the Architects: He signed his name with the number 125 on his sacral buildings. Slovene Insurance House is the only secular building Plečnik honoured with his gematrical signature.



## 10. FINANCIAL STATEMENTS AND EXPLANATORY NOTES

## 10.1. Statement of Financial Position

	in EUR	
	31 December 2021	31 December 2020
<b>ASSETS</b>	<b>362,467,177</b>	<b>348,003,012</b>
Intangible assets	1,509,057	1,675,189
Property, plant & equipment	201,421	216,093
Right of use assets	938,155	544,738
Financial investments in Group's companies	0	0
Financial investments in other companies	221,557,602	197,093,677
- loans and deposits	13,681,360	11,686,682
- available for sale	207,876,242	185,406,995
Technical provisions ceded to Reinsurers	62,305,570	57,454,564
Receivables	74,136,942	89,842,174
- receivables from reinsurance and co-insurance operations	74,005,558	89,608,469
- current tax receivables	0	188,640
- other receivables	131,384	45,065
Other assets	75,454	78,663
Cash and cash equivalents	1,742,977	1,097,914
Off balance sheet items	331,000	466,000
<b>EQUITY AND LIABILITIES</b>	<b>362,467,177</b>	<b>348,003,012</b>
Equity	95,551,720	87,042,128
- share capital	4,950,000	4,950,000
- share premium	1,146,704	1,146,704
- reserves from profit	1,139,723	1,139,723
- fair value reserve	3,278,893	6,093,732
- retained earnings	73,711,970	70,893,986
- net profit for the year	11,324,430	2,817,983
Insurance technical provisions	221,447,741	195,766,154
- unearned premiums	42,335,229	35,348,647
- provisions for outstanding claims	175,667,254	158,173,790
- other insurance technical provisions	3,445,258	2,243,717
Other provisions	293,443	282,417
Deferred tax liabilities	415,162	1,066,273
Other financial liabilities	862,756	300,342
Operating liabilities	41,762,372	61,743,298
- liabilities from reinsurance and co-insurance operations	39,719,495	61,743,298
- current tax liabilities	2,042,877	0
Lease liabilities	961,697	566,932
Other liabilities	1,172,286	1,235,468
<i>Off balance sheet items</i>	<i>331,000</i>	<i>466,000</i>

The notes to the financial statements are part of the financial statements and should be read in conjunction with them. The above Statement of Financial Position is presented in accordance with the regulations of the Insurance Supervision Agency. The part showing off-balance sheet items is not part of the Statement of Financial Position as required by the International Accounting standards.

## 10. FINANCIAL STATEMENTS AND EXPLANATORY NOTES

## 10.2. Income Statement

	in EUR	
	YEAR 2021	YEAR 2020
<b>NET PREMIUMS EARNED</b>	<b>116,111,202</b>	<b>99,100,630</b>
- gross reinsurance premiums written	202,282,034	180,967,469
- premiums written ceded for retrocession	-83,742,786	-74,537,144
- change in unearned premiums	-2,428,046	-7,329,695
<b>TOTAL INCOME FROM FINANCIAL ASSETS</b>	<b>4,296,937</b>	<b>3,118,476</b>
- income from financial assets in related companies	22	33,591
- income from financial assets in other companies	4,296,915	3,084,885
<b>OTHER REINSURANCE INCOME</b>	<b>21,473,681</b>	<b>17,110,418</b>
- commission income	20,641,425	17,110,418
- other reinsurance income	832,256	0
<b>OTHER INCOME</b>	<b>27,325</b>	<b>7,723</b>
<b>NET CLAIMS INCURRED</b>	<b>-73,445,104</b>	<b>-62,963,571</b>
- gross claims paid	-88,241,309	-76,015,279
- retrocessionaires' share of claims paid	31,997,198	21,035,890
- change in provisions for outstanding claims	-17,200,993	-7,984,182
<b>CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS</b>	<b>-1,246,810</b>	<b>-202,895</b>
<b>EXPENSES FOR BONUSES AND REBATES</b>	<b>45,270</b>	<b>43,271</b>
<b>OPERATING EXPENSES</b>	<b>-3,952,740</b>	<b>-3,821,466</b>
- insurance acquisition costs	-1,597,694	-1,527,682
- other operating expenses	-2,355,046	-2,293,784
<b>EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>-711,884</b>	<b>-4,091,833</b>
- Expenses from financial assests in related companies	-304,610	-319,406
- Expenses from financial assests in other companies	-407,274	-3,772,427
- losses on disposal of investments	-7,995	-363,373
- other financial expenses	-399,279	-3,409,054
<b>OTHER REINSURANCE EXPENSES</b>	<b>-47,908,426</b>	<b>-44,217,190</b>
- commission expenses	-47,646,023	-43,164,113
- other reinsurance expenses	-262,403	-1,053,077
<b>OTHER EXPENSES</b>	<b>-727,174</b>	<b>-631,099</b>
<b>PROFIT BEFORE TAX</b>	<b>13,962,277</b>	<b>3,452,464</b>
<b>TAX EXPENSES</b>	<b>-2,637,847</b>	<b>-634,481</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>11,324,430</b>	<b>2,817,983</b>

The notes to the financial statements are part of the financial statements and should be read in conjunction with them.

## 10. FINANCIAL STATEMENTS AND EXPLANATORY NOTES

## 10.3. Statement of Comprehensive Income

	in EUR	
	YEAR 2021	YEAR 2020
<b>Net profit for the year after tax</b>	<b>11,324,430</b>	<b>2,817,983</b>
Other comprehensive income after tax	-2,814,838	1,088,718
a) Items which will not be transferred in income statement in future periods	0	0
b) Items which could be transferred into income statement in future periods	-2,814,838	1,088,718
Fair value gains/losses on available-for-sale financial assets	-3,475,109	1,344,096
- net gains/losses recognized directly in fair value reserve	-2,377,645	2,363,881
- transfers from fair value reserve to income statement	-1,097,464	-1,019,785
Tax on other comprehensive income	660,271	-255,378
<b>Comprehensive income for the year after tax</b>	<b>8,509,592</b>	<b>3,906,701</b>

The notes to the financial statements are part of the financial statements and should be read in conjunction with them.

## 10.4. Cash Flow Statement

	in EUR	
	YEAR 2021	YEAR 2020
<b>A. OPERATING CASH FLOW</b>		
a. <b>Net profit for the period</b>	<b>11,324,430</b>	<b>2,817,983</b>
b. <b>Adjustments:</b>	<b>20,512,732</b>	<b>16,858,372</b>
– depreciation and amortisation	479,856	418,616
– changes in fair value of investments	0	0
– other investment income and expenses	-3,537,698	284,770
– interest expenses and other expenses	111,606	41,937
– revaluation of investment properties and receivables	0	1,732
– changes in technical provisions	20,830,280	15,473,501
– corporate income tax excluding deferred taxes	2,628,688	637,816
c. <b>Net income before changes in operating assets (a+b)</b>	<b>31,837,162</b>	<b>19,676,355</b>
Changes in operating receivables	15,516,593	-22,194,334
Changes in other assets	0	0
Changes in liabilities	-21,624,705	15,211,121
Paid corporate income tax	-397,171	-826,457
d. <b>Changes in net operating assets</b>	<b>-6,505,283</b>	<b>-7,809,670</b>
e. <b>Net cash from/ (used in) operating activities (c+d)</b>	<b>25,331,879</b>	<b>11,866,685</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
a. <b>Cash inflows from investing activities</b>	<b>71,743,218</b>	<b>115,449,142</b>
Cash inflows from interest from investing activities	3,637,079	3,735,776
Cash inflows from dividends received and profit sharing	96,894	91,678
Cash inflows from the disposal of intangible assets	0	0
Cash inflows from the disposal of property, plant and equipment	15,172	4,051
Cash inflows from the disposal of financial investments	67,994,073	111,617,637
– Cash inflows from the disposal of investments in subsidiaries and associates	0	4,654,000
– Other cash inflows from disposal of financial investments	67,994,073	106,963,637
b. <b>Cash outflows from investing activities</b>	<b>-96,230,081</b>	<b>-126,755,343</b>
Cash outflows for the purchase of intangible assets	-26,308	-145,569
Cash outflows for the purchase of property, plant and equipment	-91,017	-60,011
Cash outflows for the purchase of financial investments	-96,112,756	-126,549,763
– Cash outflows for the purchase of investments in subsidiaries and associates	0	0
– Other cash outflows to acquire financial investments	-96,112,756	-126,549,763
c. <b>Net cash from/ (used in) investing activities (a + b)</b>	<b>-24,486,863</b>	<b>-11,306,201</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
a. <b>Cash inflows from financing activities</b>	<b>0</b>	<b>0</b>
Cash inflows from paid-in capital	0	0
Cash inflows from long-term loans received and issued	0	0
Cash inflows from short-term loans received	0	0
b. <b>Cash outflows from financing activities</b>	<b>-199,954</b>	<b>-176,173</b>
Cash outflows for paid interest	-6,591	-9,274
Cash outflows for purchase of treasury shares	0	0
Cash outflows for capital repayment	0	0
Cash outflows for payments of long-term financial liabilities	-193,363	-166,899
Cash outflows for payments of short-term financial liabilities	0	0
Cash outflows from dividends paid and profit sharing	0	0
c. <b>Net cash from/ (used in) financing activities (a + b)</b>	<b>-199,954</b>	<b>-176,173</b>
D. <b>Closing balance of cash and cash equivalents</b>	<b>1,742,977</b>	<b>1,097,914</b>
E1. <b>Net cash flow for the period</b>	<b>645,063</b>	<b>384,311</b>
E2. <b>External acquisition</b>	<b>0</b>	<b>0</b>
E3. <b>Foreign exchange differences</b>	<b>0</b>	<b>0</b>
F. <b>Opening balance of cash and cash equivalents</b>	<b>1,097,914</b>	<b>713,603</b>

The notes to the financial statements are part of the financial statements and should be read in conjunction with them.



10. FINANCIAL STATEMENTS AND EXPLANATORY NOTES

10.5. Statement of Changes in Equity

in EUR

	Share capital	Share premium	Reserves from profit			Fair value reserve	Net profit brought forward	Net profit/loss	TOTAL EQUITY
			Legal and statutory reserves	Credit risk reserves	Other reserves			Net profit/loss for the year	
As at 1 January 2020	4,950,000	1,146,704	519,762	0	619,961	5,005,014	65,989,197	4,904,789	83,135,427
Comprehensive income for the year after tax						1,088,718		2,817,983	3,906,701
a) Net Profit or Loss								2,817,983	2,817,983
b) Other comprehensive income						1,088,718			1,088,718
Dividend payment									0
Transfer of net profit to retained net profit or loss							4,904,789	-4,904,789	0
As at 31 December 2020	4,950,000	1,146,704	519,762	0	619,961	6,093,732	70,893,986	2,817,983	87,042,128
As at 1 January 2021	4,950,000	1,146,704	519,762	0	619,961	6,093,732	70,893,986	2,817,983	87,042,128
Comprehensive income for the year after tax						-2,814,838		11,324,430	8,509,592
a) Net Profit or Loss								11,324,430	11,324,430
b) Other comprehensive income						-2,814,838			-2,814,838
Dividend payment									0
Transfer of net profit to retained net profit or loss							2,817,983	-2,817,983	0
As at 31 December 2021	4,950,000	1,146,704	519,762	0	619,961	3,278,894	73,711,969	11,324,430	95,551,720

The notes to the financial statements are part of the financial statements and should be read in conjunction with them.



Source:  
Tine Kurent: *Slovenska zavarovalnica, Plečnikovi simboli, 1900-1990*, Zavarovalna skupnost Triglav, Ljubljana, 1990

Photo:  
Necj Lasić (front page, pp. 9, 15, 21, 38, 64, 72, 76, 80)  
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**triglavre**

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