SOLVENCY AND FINANCIAL CONDITION REPORT

2020

Coface PKZ zavarovalnica d.d.

SOLVENCY AND FINANCIAL CONDITION REPORT

2020

MEMBERS OF THE MANAGEMENT BOARD

Sergej Simoniti
President

Mindaugas Sventickas
Member

Ljubljana, 17 March 2021

Business name	Coface PKZ zavarovalnica d.d., Ljubljana
Business name in English	Coface PKZ Insurance Company Inc., Ljubljana
Abbreviated business name	Coface PKZ d.d.
Address	Davčna ulica 1, 1000 Ljubljana
Telephone / Secretarial office	01/ 200 58 01
Fax	01/ 425 84 45
E-mail	info-si@coface.com
Website	http://www.coface.si
Registration no.	1903209000
Tax number	SI71824847
LEI code	4851000020C6NKQDP691
Share capital	EUR 8,412,618.92
Owner	Compagnie francaise d'assurance pour le commerce exterieur, 1 Place Costes et Bellonte, 92270 Bois-Colombes, France

Contents

SUMMARY

Business performance and results

Coface – PKZ zavarovalnica d.d. (hereinafter: Coface PKZ), performed well 2020 in spite of the challenging environment due to the COVID pandemic. Thus, Coface PKZ exceeded the planned results and its net profit for the accounting period amounted to EUR 2.20 mln.

System of governance

Coface PKZ has a two-tier governance system with a supervisory board and management board. At the end of 2020, Coface PKZ was managed by a management board comprising two members. Coface PKZ has four key function holders authorised by the management board (with the consent of the supervisory board) who are responsible for each of the key functions specified by the Insurance Act, i.e. the risk management function, the compliance function, the internal audit function and the actuarial function.

Coface PKZ put in place a risk management system that covers the management of all identified risks. It is a general risk management process that includes the identification, assessment or measurement, management and monitoring of risks. Coface PKZ assesses all identified risks at least qualitatively, while also assessing the most significant risks through the use of quantitative methods and stress scenarios relating to such risks.

Risk profile

The most significant risks comprise underwriting risks (risks associated with non-life insurance contracts), followed by financial risks (market risks, counterparty default risk, concentration risk, liquidity risk and risk associated with asset and liability management), operational risks and capital risk. Coface PKZ also manages reputational risk and strategic risk.

Valuation for solvency purposes

Valuation for solvency purposes is based on the provisions of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (hereinafter: Delegate Regulation) and the Insurance Act (hereinafter: ZZavar-1). The balance sheet items are therefore revalued through a market-consistent approach (fair value of items). The biggest difference in the valuation method compared with the International Financial Reporting Standards relates to technical provisions and reinsurance recoverables. A material difference also relates to the valuation of intangible assets whose value is not recognised for the purpose of valuation under Solvency II.

Capital management

The capital adequacy ratio of the insurer decreased relative to the previous period. On one hand, this is due to the change of the Directive 35/2015 and the related increase in the capital charge for non-life underwirting risk. The solvency capital requirement remained at the same level as in the year before. The increase in the own funds was the result of the decrease in insurance technical provisions.

A. BUSINESS AND PERFORMANCE

A.1 Business

Name and legal form of the company

Coface PKZ was entered in the companies register on 31 December 2004 (entry no. 1/39193/00, Srg 2004/12632) and holds authorisation to conduct insurance business in the category of credit insurance, as well as authorisation to conduct reinsurance business in the category of non-life insurance.

Name and address of the supervisory authority

Coface PKZ is supervised by the Insurance Supervision Agency, Trg republike 3 Ljubljana (hereinafter: AZN).

Name and contact details of the external auditor

The appointed auditor for the business year 2020 is Deloitte revizija d.o.o., Dunajska cesta 165, Ljubljana.

The partner in audit is Barbara Žibret Kralj, Dunajska cesta 165, Ljubljana.

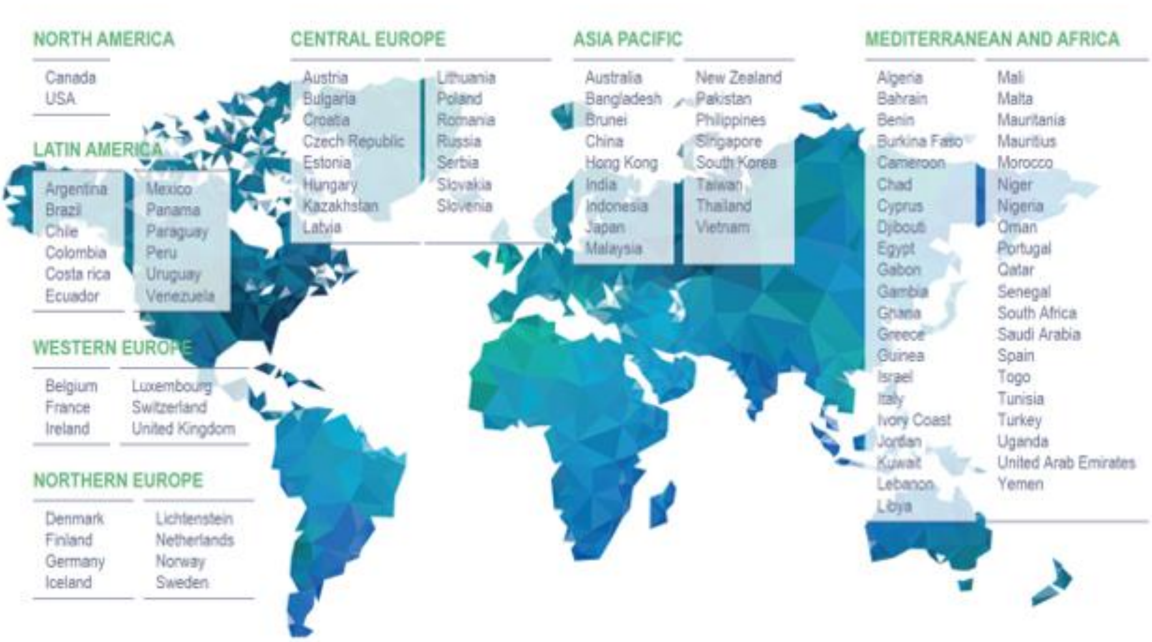
Qualifying shareholders of the company

The sole owner of Coface PKZ is Compagnie francaise d'assurance pour le commerce exterieur (hereinafter: Coface) established in 1 Place Costes et Bellonte, 92270 Bois-Colombes, France.

Information on the status of the company in Coface Group

Coface PKZ is a subsidiary of Coface. Coface Group is present directly or through strategic partners in 100 territories. Coface Group provides coverage to policyholders in approximately 200 territories. The geographical presence of Coface Group is presented in the picture below.

In the scope of Coface Group, Coface PKZ belongs to the Central European Region.



Significant lines of business and geographical area of activity

Coface PKZ is a specialised trade credit insurer that conducts its business in the credit insurance line of business. Additionally, Coface PKZ is also authorised to conduct reinsurance business in the non-life lines of business.

In 2020, Coface PKZ concluded credit insurance with the policyholders on the Slovene market and, to a lesser extent, also in Croatia, Serbia and Austria.

Significant transactions and other significant events in 2020

COVID 19:

- the COVID pandemic affected the company's business performance as it had an effect on the customers of our policyholders;
- this resulted in a downgrading in the companies' ratings;
- the establishment of a state scheme for credit insurance via SID Bank

Management and supervisory bodies:

In 2020 the employee representative on the supervisory board, took up their second term of office.

More details on the changes to the composition of management and supervisory bodies are available in section 0

- **Strategy:** monitoring the activities of the strategy for the period 2018–2022;
- the drafting of Coface PKZ's development strategy for the period 2021–2023.

Organisation:

- change to the holder of the internal audit function;

- change in the organisational structure in accordance with the group companies, effective 1 January 2020;
- change in labour law acts, effective 1 January 2020.

Solvency II: implementation of the completely updated governance system rules, including the core codes, effective 1 January 2020.

Compliance: ensuring compliance with the relevant laws and practices of the competent authorities with an emphasis on the implementation of the Group's umbrella bylaws, and proactive taking of action during the implementation of certain of Coface PKZ's strategic policies.

Insurance Supervision Agency (ISA): additional reporting required relating to the COVID-19 epidemic, regular reports on changes to excluded transactions and holders of key functions, and the commencement of the regular audit of Coface PKZ's performance.

A.2 Underwriting performance

The main factors in Coface PKZ's operations in 2020 were:

- circumstances connected with COVID-19;
- the resulting decline in economic activity in Slovenia and on export markets;
- an extremely competitive environment and greater complexity in operations (competition, insurance brokers, policyholders' expectations);
- continuous activity on the Western Balkans market;
- the favourable claims ratio of individual policyholders, also as a result of state aid;
- integration process with the Coface Group.

Coface PKZ performed well in 2020 despite the demanding circumstances. Coface PKZ thus exceeded the expectations from the financial plan, as it generated a higher profit than planned. The profit was higher in 2020 than in the previous year.

In 2020, due to the lower volume of insurance business, Coface PKZ achieved a lower than planned premium, as well as a lower premium than in the previous year. Coface PKZ also recorded a more favourable result regarding the coverage of income and expenses for credit reports relative to the previous year.

The claims situation in 2020 was favourable despite the COVID-19 circumstances, which was mostly attributed to significant state aid in most of the world. More claims were registered and therefore resolved in 2020 than in previous years, with an especially large claim being among these. Nevertheless, the gross and net claims ratio was favourable.

Key results and indicators from financial statements for 2020 relative to 2019 are presented in detail below.

in EUR thousand	2020	2019	Change	Index
Gross premiums written	12,300,097	14,754,746	-2,454,648	83
Reinsurers' share in premiums written	-7,785,907	-8,893,217	1,107,310	88
Change in gross unearned premiums	924,878	-140,527	1,065,405	-658
Change in the reinsurer's share of unearned premiums	-565,830	19,664	-585,493	-2,878
Net premium income	**4,873,238**	**5,740,665**	**-867,427**	**85**

in EUR thousand	2020	2019	Change	Index
Gross earned premiums	**13,224,975**	**14,614,219**	**-1,389,244**	**90**
Reinsurance share of earned premiums	**-8,351,737**	**-8,873,554**	**521,817**	**94**
Gross claims paid	-5,110,703	-5,847,596	736,894	87
Enforced recourse receivables	1,741,066	1,018,980	722,086	171
Reinsurers' share in claims	2,418,295	2,795,132	-376,838	87
Reinsurers' share in recourses	-1,297,181	-508,673	-788,508	255
Change in gross provisions for claims outstanding	354,081	1,327,947	-973,867	27
Change in the reinsurer's share of provisions for claims outstanding	1,049,759	-1,014,267	2,064,026	-103
Net claims expenses	**-844,682**	**-2,228,476**	**1,383,794**	**38**
Net claims paid	-2,692,408	-3,052,464	360,056	88
Gross claims incurred	-4,756,622	-4,519,649	-236,973	105
Reinsurer's share of claims incurred	3,468,054	1,780,865	1,687,188	195
Net enforced recourse claims	443,886	510,307	-66,422	87
Net claims paid after recourse	**-2,248,522**	**-2,542,157**	**293,635**	**88**
Gross bonuses paid	0	-140,998	140,998	0
Reinsurer's share of bonuses paid	0	76,917	-76,917	0
Change in gross provisions for bonuses	-829,633	-528,853	-300,780	157
Change in the reinsurer's share of provisions for bonuses	763,056	97,143	665,913	785
Net expenses for bonuses	**-66,578**	**-495,792**	**429,214**	**13**
Gross bonuses incurred	**-829,633**	**-669,852**	**-159,782**	**124**
Net bonuses incurred	**763,056**	**174,060**	**588,996**	**438**
Change in gross provisions for unexpired risks	992,235	-170,743	1,162,978	-581
Change in the reinsurer's share of net provisions for unexpired risks	-261,289	-243,552	-17,737	107
Change in net provisions for unexpired risks	**730,946**	**-414,295**	**1,145,241**	**-176**
Operating costs	**-5,155,039**	**-5,144,168**	**-10,871**	**100**
Revenues from reinsurance commission	**2,381,921**	**2,894,812**	**-512,891**	**114**
Difference between revenues and expenses for credit report purchases	**500,400**	**311,063**	**189,337**	**161**
Gross difference between other revenues and expenses	142,536	-395,648	538,184	-36
Reinsurance share of the difference between other revenues and expenses	0	412,720	-412,720	0
Difference between other expenses and revenues	**142,536**	**17,072**	**125,464**	**835**
Net technical result	**2,562,742**	**680,881**	**1,881,861**	**376**
Gross technical result	**5,859,919**	**5,044,203**	**815,716**	**116**
Effect of reinsurance	**-3,297,176**	**-4,363,322**	**1,066,145**	**76**
Difference between revenues and expenses from investments	51,188	797,987	-746,799	6
Pre-tax profit	**2,613,930**	**1,478,868**	**1,135,062**	**177**
Net profit for the accounting period	**2,192,570**	**1,160,357**	**1,032,213**	**189**

Ratios (in %)	2020	2019
Gross claims paid / gross premiums written	42%	40%
Net claim expenses / net premium income	17%	39%
Gross claim expenses / gross premium income	23%	24%
Reinsurance share of claim expenses / reinsurance share of premiums	26%	14%
Enforced recourse receivables / gross claims paid	34%	17%

Gross premiums written in 2020 were down EUR 2.45 million or 17% on 2019. Net unearned premiums were down EUR 0.48 million. Net income from insurance premiums was therefore down by a mere EUR 0.87 million.

The claims situation in 2020 was moderate and similar to that of 2019. Gross claims paid in 2020 were down EUR 0.74 million or 13% on 2019, while net claims expenses in 2020 were down EUR 1.38 million or 62% on 2019 (also as a result of the inclusion of provisions for recourse receivables within provisions for claims outstanding, which is a change relative to 2019).

Net expenses for bonuses were down EUR 0.43 million or 87%. As of 2020 bonuses paid were included among premiums written. As a result net expenses for bonuses now only constitute a change in provisions. These provisions rose relative to 2019, which is a result of a smaller scope of claims and thus of the more favourable claims ratios of certain policyholders. Net provisions for unexpired risks were down in 2020.

Operating costs remained practically unchanged in 2020 relative to 2019, increasing by only EUR 0.01 million. Labour costs accounted for the majority of costs (50% in 2020 and 57% in 2019).

Income from reinsurance commissions was down EUR 0.51 million or 18% on 2019, which was mainly attributed to lower premiums.

The deficit between revenues and expenses for credit reports increased by EUR 0.19 million or 61% relative to 2019 (lower cost of credit report purchases).

The gross technical result was positive in 2020, as well as the net technical result, which was up EUR 1.88 million or 276% on the previous year. Net profit for the accounting period stood at EUR 2.19 million, which was up EUR 1.03 million on 2019.

A.3 Investment performance

Income from investments was down EUR 0.73 million or 86% relative to 2019 and stood at EUR 0.12 million, most of the deficit deriving from the lower gains on the sale of investments in 2020, which were much higher in 2019. Investment expenses comprise expenses for the management of investments, and were up 5% on 2019. The effect of investments decreased in 2020 relative to 2019 and stood at EUR 0.05 million, bringing the return on investment down on the previous year, which stood at 0.2% (3.1% in 2019).

in EUR	2020	2019
Interest income from available-for-sale financial assets	121,394	183,707
Interest income from loans and deposits	196	6,968
Interest income from cash and cash equivalents	11	160
Interest income	**121,601**	**190,835**

in EUR	2020	2019
Net profit generated from the sale of available-for-sale financial assets	0	660,492
Net loss generated from the sale of available-for-sale financial assets	-13,327	-402
Other expenses from financial assets	-55,846	-52,939
Investment income	**121,601**	**851,327**
Investment expenses	**-70,413**	**-53,341**
Performance of financial assets	**51,188**	**797,987**

The fair value reservewhich indicates changes in the fair value of available-for-sale financial assets, stood at EUR 0.40 million as at 31 December 2020 and was up EUR 0.15 million relative to 2019. Coface PKZ transferred EUR 0.01 million in gains to profit or loss in 2020.

in EUR	Available-for-sale financial assets
Balance as at 1 Jan 2019	497,351
Gains/losses recognised as revaluation surplus	-970,211
Gains/losses transferred to profit or loss	660,090
Tax from these items	58,923
Balance as at 31 Dec 2019	246,153
Gains/losses recognised as revaluation surplus	175,069
Gains/losses transferred to profit or loss	13,327
Tax from these items	-35,795
Balance as at 31 Dec 2020	**398,754**

A.4 Performance of other activities

Coface PKZ realised no profit or loss in other activities in 2020.

A.5 Any other information

There was no other material information relating to performance and results that would require disclosure.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

By defining the elements of the corporate governance framework, the corporate governance policy sets out the corporate governance system that facilitates sound and diligent management of Coface PKZ. The corporate governance framework, in particular:

a) stimulates the development, implementation and effective supervision of policies that clearly define and support the objectives of Coface PKZ;

b) defines the roles and responsibilities of persons responsible for the oversight and management of Coface PKZ, including the system of powers;

c) defines the requirements regarding the adoption of decisions and measures, including the documenting thereof;

d) covers the rules in the area of remuneration;

e) arranges suitable methods of communication with competent authorities, including the supervisory authority, i.e. ISA;

f) envisages control measures in the event of non-compliance or insufficient supervision, insufficient internal controls or improper management.

At the same time, an efficient system of governance encourages key stakeholders responsible for the corporate governance of Coface PKZ, i.e. the management board and supervisory board, directors of business units and key function holders, to manage the business of Coface PKZ soundly and prudently.

In addition to this governance policy, the system of governance is also defined in detail by several other internal documents, for example in the areas of risk management, internal controls, key functions, outsourcing (excluded transactions), and fit and proper assessments.

The governance system rules are adopted by the management board of the company with the consent of the supervisory board. The rules take into account the company's strategy, are harmonised and subject to a regular annual review/audit.

As evident from this report, the company has put in place an adequate system of governance that corresponds to the nature and scope of its operations and the complexity of risks it is exposed to during its operations.

B.1.1 Supervisory and management bodies

Coface PKZ has a two-tier governance system with a supervisory board and management board. The company is managed by the management board (management body), and its work and management of operations are supervised by the supervisory board (supervisory body).

According to Coface PKZ's Articles of Association (hereinafter: Articles of Association), the management board comprises no less than two and no more than four members. The number of management board members is decided by the supervisory board by way of a resolution on their appointment. The main tasks of the management board: management of regular operations, implementation of the resolutions of the general meeting of shareholders and the ensuring of circumstances for implementing the strategic tasks of Coface PKZ. Members of the management board are obliged to ensure compliance of Coface PKZ with the provisions of the ZZavar-1 and with other relevant laws and implementing regulations.

In accordance with the Articles of Association, the supervisory board of Coface PKZ comprises no less than three and no more than six members. This number shall be decided on by the general meeting of shareholders. The supervisory board exercises the following main tasks related to business management: supervises the work of the management board, approves and verifies documents as stipulated in the applicable legislation and the internal bylaws of Coface PKZ.

In addition to the supervisory and management boards, the following two bodies with an advisory role vis-a-vis the supervisory and management boards function also within the company:

- audit committee of the supervisory board;
- college of the management board;

The company has put in place the following key functions as stipulated in the ZZavar-1:

- the risk management function;
- the actuarial function;
- the compliance function; and
- the internal audit function.

A detailed description of the key functions' tasks and responsibilities is provided below.

B.1.2 Significant changes to the management system

The Works Council reappointed Ms Sanja Dimec to a second term to serve as its representative on the supervisory board.

In 2020, the management board (with the consent of the supervisory board) appointed a new holder of the internal audit key function.

The inclusion of Coface PKZ in the Coface Group brought about the continuation of the intensified integration process, comprising the harmonisation of work processes, the organisational structure and internal bylaws with the standards of the new owner.

B.1.3 Remuneration policy

The basic rules relating to remuneration at Coface PKZ are laid down in the Remuneration Policy. The detailed rules are also set out by the Rules on Salaries and Other Remuneration from the Employment Relationship.

The remuneration policy applies the rule of proportionality taking into account the size and internal organisation of the insurer. This is also demonstrated by the fact that no separate dedicated remuneration committee had been established. Clearly determined criteria for variable remuneration eligibility are in place for Coface PKZ's management board and its employees who hold certain positions. Other employees whose positions fall under the scope of the Collective Agreement for the Insurance Sector and the above-specified rules are entitled to a variable portion of remuneration on the basis of completed assignments determined in advance and the targets associated therewith, and the competences that they have demonstrated. The balance between these elements follows from the Coface Group's rules that govern remuneration and the monitoring of the achievement of the goals that it set. The variable portion of remuneration thus depends on the performance of an individual, Coface and the Coface Group, taking into account both financial and non-financial criteria.

The management and supervisory bodies and other employees at Coface PKZ do not have the rights to stock options or shares.

The members of Coface PKZ's supervisory board are employees of the parent company or insurer, and are therefore not entitled to be paid fixed or variable remuneration.

All employees at Coface PKZ with an employment contract concluded for an indefinite period or for more than one year have the possibility to join the collective supplementary pension scheme based on the agreement signed between Coface PKZ and a pension scheme provider, and in line with the stipulation of the Pension and Disability Insurance Act. The insurance premiums for management board members are paid in full by Coface PKZ, while other employees contribute a certain percentage themselves.

B.1.4 Material transactions

Material transactions with owners

All the shares of Coface PKZ are held by Compagnie Française d'Assurance pour le Commerce Extérieur, with its registered office at 1 Place Coste set Bellonte 92270 Bois-Colombes, France (hereinafter: Coface SA).

In 2020 the parent company (Coface SA) provided PKZ access to various information systems. Other transactions with other Coface Group companies were derived from the purchase or sale of credit reports, the supervision over the management of PKZ by the CER region, and from advisory and other services.

Illustration of Coface PKZ's transactions with the parent company and other affiliates[1]

	Parent company		Other affiliates	
in EUR	**2020**	**2019**	**2020**	**2019**
Expenses for credit report purchases	0	0	-569,343	-126,209
IT expenses	-159,513	0	0	0
Other service costs	-11,533	0	-369,582	-48,505
Revenues from risk assessment	0	0	105,180	0
Revenues from advisory services	0	0	78,541	0
Reinsurance premiums and bonuses written	0	0	-4,443,958	0
Revenues from reinsurance commission	0	0	1,334,339	0
Reinsurers' shares in claims and recovery costs	0	0	378,895	0
Total	**-171,046**	**0**	**-3,485,927**	**-174,714**

As at 31 December 2020, Coface PKZ had the following outstanding receivables from/liabilities to the parent company or other affiliates in the Group.

[1] Operating costs by nature.

in EUR	Parent company		Other affiliates	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Receivables from affiliates	30,510	0	105,180	0
Included deferred revenues	0	0	21,404	0
Liabilities for operating costs and credit reports	0	0	-110,474	0
Receivables/liabilities from reinsurance	0	0	-637,533	0
Total	**30,510**	**0**	**-621,423**	**0**

Information on material transactions with members of management and supervisory bodies

There were no material transactions between Coface PKZ and the members of the management board in 2020, apart from regular remuneration under point B.1.3, as management board members are not entitled to remuneration in the form of shares or stock options, or in the form of participation in profit, and have no other operations or transactions with the insurer.

There were no material transactions between members of the supervisory board and Coface PKZ in 2020, since the members receive no payment for their roles in this regard.

B.2 Fit and proper requirements

The fit and proper principle that applies to members of the supervisory board, management board, authorised officers and holders of key functions is governed by the Fit and Proper Policy (hereinafter: the FPP).

In line with the FPP, the assessor will take into account the following criteria for the fitness and propriety of individuals:

- the skills related to an individual's professional qualifications, experience and ability to understand business issues and related risks, as well as the ability to manage processes in order to effectively carry out their role; and
- the propriety related to personal qualities (traits) and financial integrity.

The FPP further specifies additional requirements related to the fitness and propriety of persons for each relevant category (for members of the supervisory board, management board, authorised officers and holders of key functions) and also takes into account regulatory requirements.

The assessment of fitness and propriety commences once the circumstances defined in the FPP arise (for example, prior to the appointment of a person to a position for which a fitness and propriety assessment is required).

Supervisory board members have to submit a self-evaluation based on the ISA questionnaire to the HR function, together with other supporting documents which demonstrate how they meet the fitness and propriety criteria (e.g. an extract from the criminal records). The holder of the compliance function prepares the materials for the general meeting of shareholders and validates the compliance of the procedure with applicable legislation and internal bylaws. Once the general meeting has appointed supervisory board members, the supervisory board assesses the diversity of its composition. In the process of appointing a management board member, the candidate submits all relevant documentation (valid ISA questionnaire and supporting documentation) to the HR function. This is then handed over to the compliance function that prepares the materials that enable the supervisory board to observe the fit and proper assessment and to assess the required diversity in the composition of the management board to run the company in a professional manner. The same procedure also applies to the fit and proper assessment of candidates to become holders of key functions, whereby the proposed fit and proper assessment also involves the HR function. The fitness and propriety of the candidate is evaluated by the management board, and the consent to the appointment is provided by the supervisory board.

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

B.3.1 Description of the risk management system

Key risk management system documents

The risk management system has an important role in Coface PKZ's management system. The purpose of the risk management system is primarily to ensure the company's long-term objectives are met, and to ensure secure and stable operations. To that end, Coface PKZ also links its business strategy with its risk appetite strategy and the appropriate definition of other written rules governing risk management, in which the risk management processes and procedures in individual phases are described, including the roles and responsibilities of stakeholders in the risk management process.

The written rules of the risk management system comprise:
- master risk management policy;
- risk appetite statement;
- key function policies;
- policies for the management of all material risk categories;
- other supporting documents (procedures, guidelines) for risk management.

The risk management system at Coface PKZ takes account of the fact that risks are present in all areas of work, and that these risks change and new risks arise due to the dynamic nature of the business. This is precisely why Coface PKZ also introduced regular reviews of the systems of governance and risk management, through which it continuously verifies and, where necessary, adapts the systems in a manner proportionate to the nature, scope and complexity of the risks to which Coface PKZ is exposed.

Organisation of risk management

The effectiveness of the risk management system is provided through the organisational structure that is based on the clearly defined roles and responsibilities of all key stakeholders within the risk management system.

The management board has the ultimate responsibility for the functioning of the comprehensive and effective risk management system. In addition, it is also the management board's responsibility to:
- ensure that Coface PKZ has a reliable and transparent reporting system relating to risk management that also complies with the law;
- approve or confirm (depending on whether the supervisory board's approval is required) the written risk management system rules, including the risk appetite and the limits on permitted risks;
- validate the reporting determined in the area of risk management, etc.;
- regularly monitor exposures to risks and ensure the due consideration of risks when making business decisions;
- adopt important measures to manage risks (when the risk appetite thresholds or the limits on permitted risks have been exceeded);

- provide capable and adequate (fit and proper) human resources, sufficient knowledge and the abilities of stakeholders in the risk management system, thereby ensuring compliance with laws and best practices.

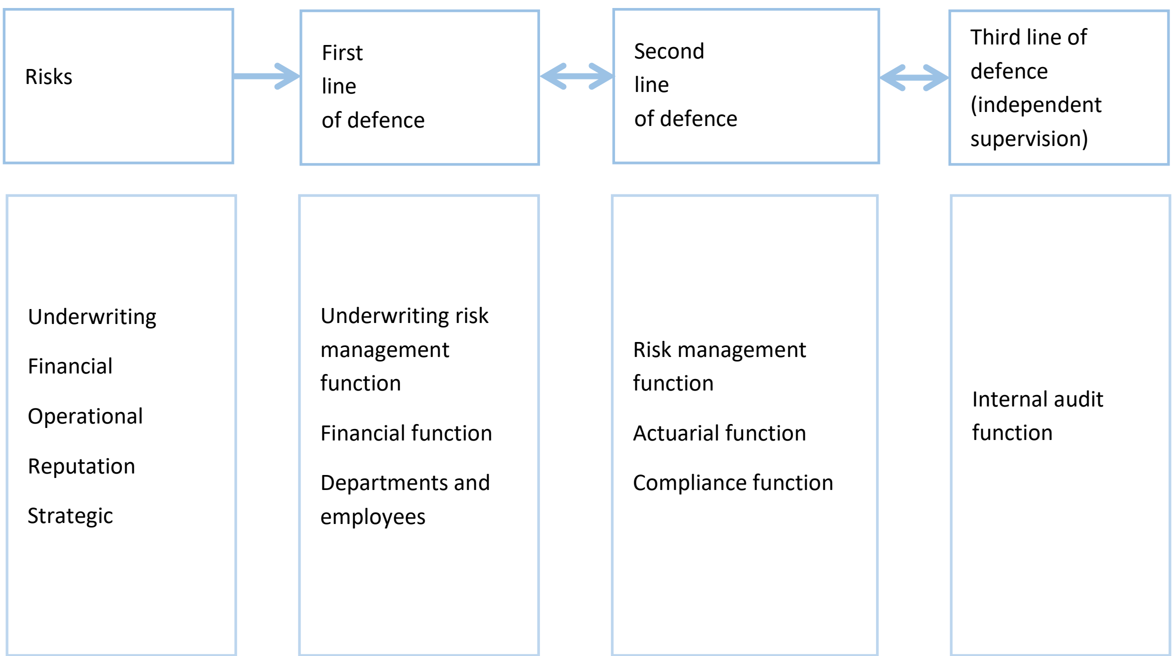
Within the legal framework that applies to rights and obligations, the **supervisory board** is responsible for the approval and regular supervision of the risk management system at Coface PKZ, and is therefore also responsible for the approval of the written rules for the system of governance and the risk management system. The supervisory board confirms or is briefed on all material reports covering the area of risk management. If there is a requirement or need for the submission of materially significant data or information, then all key functions also have direct access to the supervisory board.

Risk management within Coface PKZ relies on a so-called ‘three-level system of defence lines’, which are presented below.

The first line of defence comprises business functions that actively take-up and manage business risks, including operational and strategic risks. A particularly important role is played by the function of managing underwriting risks (including the Significant Underwriting Risk Committee), the financial function and the management board.

The second line of defence comprises the functions and committees that implement and manage the risk management system, including the own risk and assessment and the implementation and management of the system of exposure limits based on the defined risk appetite. The second line of defence thus primarily refers to the three key functions, i.e. the risk management function, actuarial function and compliance function. All key functions in the scope of the second line of defence are also integrated in the risk management system at the Coface Group level, thereby ensuring compliance of Coface PKZ's risk management framework with the Coface Group's risk management system.

The third line of defence comprises the internal audit function that operates independently of all other functions. The internal audit function carries out regular reviews of the performance and effectiveness of internal controls, and the performance and effectiveness of the governance system and the risk management system.



In the system described above the central role is given to the risk management function, which reports directly to the management board, and operates independently of the other organisational units. The holder of the risk management function is the Risk Management Director.

Through its activities the risk management function provides support to the supervisory board, management board and other functions in their effective implementation of the risk management system, monitors the risk profile of the insurer as a whole, reports on risk exposure to the supervisory board, management board and other stakeholders, as well as identifies and assesses emerging risks.

The main tasks of the risk management function are:
- the identification, assessment and measurement, management and monitoring of risks;
- the implementation and improvement of the risk management system;
- the coordination of risk management measures between different stakeholders in the risk management process;
- the drafting of proposals to determine the risk appetite and the resulting limits on permitted risks, including the regular monitoring of observance of the risk appetite and limits on permitted risks;
- the drafting and updating of the risk register, including the performance of an annual risk analysis;
- the recording of operational risk events and monitoring of the efficiency of the internal control system;
- the drafting of risk exposure reports, with emphasis on internal risk and capital adequacy reporting, the report on own risk and solvency assessment, the solvency and financial condition report, and the regular supervisory report; and
- the transfer of knowledge and best practices related to risk management to all functions at the insurer that are included in the risk management system.

The risk management function cooperates closely with the actuarial function and the area of finances in the capital adequacy calculation under the standard Solvency II formula (hereinafter: standard formula), the compilation of quantitative forms and in the own risk and solvency assessment process. The risk management function also closely cooperates with the compliance function in relation to the identification, measurement and coordination of measures related to compliance risks.

In the scope of the risk management system at the Coface Group level, the risk management function in 2020 took part in Coface Group's risk management activities at the CER level, particularly in terms of operational risk analysis and implementation of the level I and level II internal controls prescribed by the Coface Group.

Risk management process

The risk management process at Coface PKZ is based on the following stages:
- identification of risks;
- assessment or measurement of risks;
- risk management; and
- monitoring of risks.

Identification of risks

Identification of risks is a continuous process that also encompasses an annual risk analysis within which the already identified risks are verified and, where required, newly identified or emerging risks are recorded. All identified risks that are important to Coface PKZ represent an element of the risk register (catalogue).

The identification of risks proceeds in two directions, i.e. top-down and bottom-up. The top-down direction comprises, in particular, the identification of risks by the management board and functions and bodies in the scope of the second line of defence. The bottom-up direction comprises the identification of risks by business units or persons operating in the scope of the first line of defence.

Assessment and measurement of risks

Coface PKZ assesses and measures all identified significant risks. All risks are assessed in a qualitative manner by using labels (high, medium/moderate, low) for the probability of occurrence and for the impact if a particular risk is realised. On the basis of qualitative assessments of individual risks, the risk management function determines the assessment of exposure for a particular category of risks (at the highest level).

Coface PKZ quantifies its exposure to measurable risks on the basis of the standard formula, which comprises risks on an individual and consolidated basis. In so doing, it takes into account the correlation between risks. Exposure to individual risks can also be measured by using other methods (e.g. gap analysis) and includes the evaluation of the effect of stress scenarios and other sensitivity analyses.

Risk management

The process of risk management takes account of Coface PKZ's business strategy from which it derives its limits on permitted risk exposure. This ensures that risk exposure moves inside the boundaries of the outlined risk appetite and the limits on permitted risks. The risk management process is specified in detail in individual risk management policies.

Coface PKZ assesses the appropriateness of measures for risk management and internal controls for risks that can be quantified to a lesser extent in its annual risk analysis.

Monitoring of risks

Coface PKZ regularly monitors risk exposures through risk reports to internal (management board, supervisory board, etc.) and external stakeholders (ISA, Banka Slovenije, etc.). The contents and frequency of the individual reports, as well as the responsibility for drafting the reports, are defined in individual risk management policies, and in the own risk and solvency assessment policy. Reporting provides information regarding the identified risks, the risk exposure amount, the monitoring of adherence to the limits on permitted risks, the identification of potential limit breaches, and the actions that need to be taken in those cases.

B.3.2 Own risk and solvency assessment process

The own risk and solvency assessment is defined as a set of processes that form a tool for decision-making and strategic analysis. Its purpose is to assess the overall solvency needs of Coface PKZ based on the business strategy and business plans for the entire duration of the business strategy. Coface PKZ's own risk and solvency assessment is typically performed annually and more frequently only in the case of a significant change to the risk profile during the year. In 2020, Coface PKZ carried out the own risk and solvency assessment process based on its business strategy for the period 2021 – 2023.

The process took into account all identified material risks, as well as all potential changes during the period to which the business strategy applies, and the relevant stress scenarios during this period.

The basis for the own risk and solvency assessment process is the business strategy that defines the current and future risk profile and eligible own funds (capital).

The own risk and solvency assessment process combines various processes and stakeholders at the insurer, which ensure that Coface PKZ:

- identifies and assesses all risks to which Coface PKZ is or could be exposed, including the risks that could emerge in the future;
- maintains sufficient own funds (capital) in order to be able to mitigate potential adverse effects that can arise due to the realisation of risks;
- develops and optimises risk management techniques; and
- takes action or adopts decisions according to the results of the own risk and solvency assessment process.

The own risk and solvency assessment process begins as a top-down process, starting from the baseline parameters provided to the risk management function by the management board. In operational terms, the own risk and solvency assessment process is performed by the risk management function in collaboration with the actuarial function and other stakeholders in the risk management system.

The phases of the own risk and solvency assessment process are presented in detail below.

1. Identification of risks

In the first phase, Coface PKZ identifies all risks to which it is or could be exposed in the future according to the outlined business strategy. To that end, it also takes into account all other relevant information that stems from the development of the business strategy and the annual risk analysis. A defined risk profile is the result of this process.

2. Determination of overall solvency needs

Based on the current risk exposures, a capital requirement calculation is made based on the standard formula. For each component of this calculation, Coface PKZ also assesses whether the standard formula adequately captures exposures to specific categories of risk. Identified deviations are duly included in the valuation of overall solvency needs. The risks not covered by the standard formula (e.g. liquidity risk, asset and liability management risk, other concentration risk, strategic risk) are also assessed by applying various methods, or the effects of a particular risk are shown through the use of adverse scenarios or sensitivity analyses.

During the assessment of capital adequacy, the amount, structure and quality of own funds (capital) are also determined.

3. Future solvency needs

The assessment of the overall solvency needs is forward-looking. Consequently, the next phase in the own risk and solvency assessment process comprises a projection of capital requirements and own funds, and thus solvency needs over the entire period of the business strategy. Coface PKZ thereby ensures that the solvency needs are covered by own funds over the entire period of the business strategy.

If the own risk and solvency assessment finds that solvency needs are not covered by own funds over the entire planning period, the management board is committed to adopting measures that will ensure capital adequacy over a long-term period.

4. Adverse scenarios and sensitivity analyses

Stress and scenario tests are used in the scope of the own risk and solvency assessment to comprehensively determine solvency needs. These tests, to the largest extent possible and where appropriate, include the simultaneous testing of effects in connection with underwriting and financial risks. In addition, Coface PKZ performs a reverse adverse scenario that helps it identify the sequence of events or causes that would result in the insolvency of the insurer.

Adverse scenarios and sensitivity analyses are developed by the actuarial function and risk management function based on the discussions and coordination with the management board and, where necessary, also with other relevant business functions and departments at Coface PKZ, and on the guidelines presented by the Group's risk management function.

5. Assessment of the observance of the risk appetite and limits on permitted risks

Coface PKZ verifies the observance of the risk appetite and limits on permitted risks in the scope of the own risk and solvency assessment process. If there is significant non-observance of the risk appetite, the management board must adopt risk management measures.

6. Drafting the own risk and solvency assessment report

The drafting of the own risk and solvency assessment report represents the final phase of this process. The report is submitted to the management board for approval, and is subsequently reported to the ISA The report is also presented to the supervisory board.

At the end of the own risk and solvency assessment process the results of the assessment are reported to department heads and other relevant stakeholders, which promotes a decision-making process that duly takes into account Coface PKZ's risk profile.

B.4 Internal control system

B.4.1 General information on the internal control system

The written rules of the system of internal controls or supervision are defined in the Internal Control System Policy. All the business units and activities of the insurer are included in the system of internal controls.

Coface PKZ's system of internal controls is designed so that it meets the following requirements:

- operations - in view of the objectives transactions must be efficient and feasible, with resources being used rationally, and assets secured;
- information - financial and non-financial information are provided in good time and are reliable;
- the risks to which the insurer is or could be exposed are identified, assessed or measured and properly managed so that the Company's capital adequacy is protected;
- compliance - operations comply with laws, other regulations and bylaws.

Coface PKZ's internal control system includes the following components:

- a control environment that represents the point of departure and infrastructure for the system of internal controls;

- risk management that also includes the identification and assessment of risks in all areas of the insurer's operations, which is a prerequisite for establishing sufficient, appropriate and effective control activities;
- control activities, namely their design and functioning;
- monitoring (supervision), which ensures the continuous monitoring of all the components of the system of internal controls, and where required, initiates changes; and
- communication and information channels, which combines all other components into an integrated system of internal controls.

An important part of the system of internal controls is the annual risk analysis, in which all organisational units are involved, and their risk assessments and internal controls relate to all elements of the system of internal controls and to all Coface PKZ's objectives. By identifying and assessing risks, which also includes the assessment of established internal controls and the definition of potential deficiencies, such annual risk analysis ensures that the system of internal controls remains suitable and effective with respect to the nature, scope and complexity of Coface PKZ’s operations. The summary report on the results of the annual risk analysis is presented to the management board for approval. The latter also informs the audit committee and supervisory board of its findings.

B.4.2 Compliance function

The compliance function of Coface PKZ is an independent functional and organisational unit that reports directly to the management and supervisory board. Key activities of the compliance function can be divided into three major areas:

a) corporate integrity

The compliance function contributes to strengthening corporate integrity by conducting its activities in line with Coface PKZ’s internal rules and regulations.

b) regulatory compliance

In the scope of overall activities to ensure regulatory compliance (ensuring compliance of Coface PKZ with the relevant legislation and internal rules), the compliance function carries out activities in the fields of personal data protection, outsourcing, fit and proper assessments, complaints management process, advising the management and supervisory board, providing opinions on compliance issues and analyses of compliance risks. Additionally, the compliance function also conducts inspections related to compliance risks.

c) providing training for employees

The compliance function provides training for employees, cooperates in preparation of training materials when needed, and informs the employees on relevant topics in the field of compliance.

The compliance function conducts these activities continuously and proactively. The process of ensuring compliance is based on the following key steps:

- detection and identification of compliance risks,
- analysis of compliance risks,
- monitoring the activities to address non-compliance,
- corrective measures.

The activities of the compliance function are defined in the yearly work programme. The compliance function regularly reports to the management and supervisory board.

B.5 Internal audit function

The Internal Audit Department carries out continuous and comprehensive supervision of the insurer's operations in order to verify and assess whether the processes for the management of risks, control procedures and management of the insurer are adequate and function in a manner that ensures the insurer's successful and efficient operations. In addition to providing assurance (mostly conducted in cooperation with Coface Group), the Internal Audit Department, as specified by the applicable annual plan of work, approved by the supervisory board, also independently provides consultancy services, cooperates with Coface Group internal audit (both providing assurance for other business areas within Coface Group, as well as for other assignments), with external auditors and other supervisory authorities, monitors the implementation of the recommendations and attends to quality and the development of internal auditing at the insurer.

The management board provides the Internal Audit Department with suitable conditions for work, both in terms of organisational independence and the volume of funds for its work, which enables the independent and impartial performance of internal auditing activities. The Internal Audit Department is organised as an independent function that reports directly to the management board, and is functionally and organisationally segregated from the insurer's other organisational units. The Director of Internal Audit is the holder of the internal audit key function that administratively reports to the management board, and functionally reports to the supervisory board and to the Coface Group internal audit. In determining the areas, aim and scope of internal auditing, the performance of work and reporting on internal auditing, the Internal Audit Department is independent. The holder of the internal audit function does not perform any other tasks for the insurer that could give rise to a conflict of interest and jeopardise its impartiality, and does not take decisions on activities in areas subject to internal auditing.

The Internal Audit Department reports on its activity, the results of the completed internal audits and on the implementation of recommendations directly to the management board (thereby maintaining its independence from other business segments or functions at the insurer), audit committee and supervisory board (thereby strengthening its independence from the management board), and to the Coface Group internal audit. The holder of the internal audit function is obliged to notify the audit committee and supervisory board of any restriction on the amount of funds for the implementation of the risk-based internal auditing plan or of the occurrence of any circumstances that could give rise to a conflict of interest and therefore impair the impartiality in the performance of internal auditing tasks.

The Internal Audit Policy, which was adopted by the insurer's management board with the consent of the supervisory board, sets out the rules on the functioning of internal audits, among others also the obligation of internal auditing providers relating to the ensuring of independence and impartiality, avoidance of conflict of interest and reporting on the emergence of any circumstances that could impair the independence and impartiality of internal auditing and the providers of internal audits.

The Internal Auditing Policy represents the key document governing internal audit, as defined by the International Standards for the Professional Practice of Internal Auditing.

The Internal Audit Department informs the senior management of the area under audit of the completed internal audit transactions, whereby it takes into account the internal audit methodology of Coface Group. In addition, the Internal Audit Department reports to the management board, the audit committee and supervisory board every six and twelve months on the matters defined in the Internal audit policy.

B.6 Actuarial function

In addition to the Actuarial Function Policy, the actuarial function, in terms of its position in the organisational structure, objectives, tasks, processes and reporting is primarily defined in the Articles of Association, the Corporate Governance Memorandum and the Act on the Classification of Positions at Coface PKZ.

In organisational terms the actuarial function is positioned within the Finance Department, while the holder of the actuarial function is the director of the department.

The actuarial function is functionally independent by directly reporting to the management board and supervisory board, as required. The rules on avoidance of conflicts of interest are indicated in the Actuarial Function Policy.

The key tasks of the actuarial function are defined in the Actuarial Function Policy and mainly focus on the following substantive areas:

- coordination of the technical provisions' calculation;
- assessment of the appropriateness of applied methods, basic models and assumptions made in the calculation of technical provisions;
- the assessment of the relevance and quality of data used in the calculation of technical provisions;
- comparison of the best estimate with experience;
- notifying the management board and supervisory board of the reliability and appropriateness of the calculation of technical provisions;
- putting forth opinions regarding the general policy of taking up insurance risks and the appropriateness of the reinsurance arrangements;
- participation in the development and effective implementation of the risk management system, in particular in relation to insurance risks and reinsurance, during the compilation of company reports and in the own risk and solvency assessment.

In accordance with the legislation and Actuarial Function Policy the actuarial function drafts an annual report on its work and findings, which it submits to the management board, supervisory board and the AZN. In addition to the annual report, the actuarial function also drafts separate reports and opinions, as required.

B.7 Outsourcing

Outsourcing is determined in the Outsourcing Policy, which sets out the criteria for the definition and identification of excluded transactions, special requirements for the external contractor, the mandatory content of contracts with external contractors and the transaction exclusion procedure, which comprises the transaction exclusion plan, the selection of the transaction exclusion provider, the procedure for the regular valuation of the excluded transaction and the audits of excluded transactions. Coface PKZ also keeps a record of the excluded transactions (outsourced activities).

Coface PKZ maintains the outsourced activities in the area of financial asset management and IT.

In 2020 Coface PKZ continued its contractual arrangement of its relationship with the new provider of the outsourced activity, i.e. Compagnie Française d'Assurance pour le Commerce Extérieur, under the jurisdiction of the Republic of France, as well as the gradual replacement or substitution of the previous provider of the outsourced activity, i.e. S&T Slovenija d.d., under the jurisdiction of the Republic of Slovenia. The insurer notified the ISA in good time of all relevant changes.

B.8 Any other information

There is no other significant information regarding Coface PKZ's governance system that needs to be disclosed.

C. RISK PROFILE

C.1 Risks associated with non-life insurance contracts (underwriting risk)

C.1.1 Exposure to underwriting risk

Trade credit insurance comprises the core business of Coface PKZ, which is a specialised credit insurer, as such underwriting risk poses the largest risk to which the company is exposed. The risk associated with non-life insurance contracts at PKZ comprises the risk associated with non-life insurance premiums and provisions and the risk of a non-life insurance catastrophe. Given the characteristics of the insurance contracts that Coface PKZ concludes there is no risk associated with the early termination of non-life insurance in these transactions.

Exposure to underwriting risk is high, both in terms of frequency (probability) and size of the impact upon risk realisation, and primarily covers:

- premium rates that are set too low according to the risk taken up and the costs of the insurer;
- a lower premium than envisaged due to the concentration, small size and competitiveness of the market;
- inappropriate assessment of a particular risk;
- inappropriate insurance terms;
- change in claims developments (due to the changed behaviour of policyholders, changes in the economic, political and financial environment of both the insured and the risks);
- higher liabilities than those envisaged in the provisions due to the occurrence of potentially larger claims, which are not yet known at the end of the period.

In process terms underwriting risk arises in the specification of contractual terms, including premium rates, in acceptance for underwriting (approval and monitoring of customer limits for the insured), in changes in claims developments (as a result of changes in policyholder behaviour and changes in the economic, political and financial environment of both policyholders and risks), and in the creation of provisions for claims outstanding. The key underwriting risks for Coface PKZ are the determination and use of appropriate premium rates, and the risk associated with technical provisions (the risk of ensuring that the technical provisions suffice to cover all future liabilities and the risks that have already been taken up by the company).

The basic guideline for Coface PKZ in concluding insurance contracts is mostly the due diligence of the customers' credit ratings during the approval and also during the validity of the limits. The quality and reliability of information on customers' credit ratings is of key significance for the management of the company's pricing policy, and the decision-making process of the person/body assuming the risk. This directly affects the appropriate segregation of powers for the conclusion of contracts and approval of limits, which mitigates the risks to which Coface PKZ is exposed.

C.1.2 Techniques applied to mitigate underwriting risks

In 2020 Coface PKZ had reinsurance protection in place that comprised two quota share and excess contracts, one excess of loss contract, one optional contract to cover a particular risk and one reinsurance protection of the claims ratio. In that regard Coface PKZ utilises reinsurance capacities that are available in the Coface Group and mostly concludes reinsurance contracts with the reinsurer Coface Re.

C.1.3 Concentration of underwriting risks

The concentration that is derived from insurance business can relate to the concentration of the insured and concentration of insured risks, i.e. individual high approved limits for a particular customer or group, or higher limits by country in the event of non-commercial coverage. Coface PKZ regularly monitors and analyses exposures by country and sector and appropriately includes mechanisms into insurance contracts that allow restrictions to be placed on the occurrence and size of claims (e.g. own stake, maximum total damage, rules for the management of limits, etc.).

Coface PKZ manages the concentration of underwriting risks through various measures, such as:

- the transfer of a significant share of risks to reinsurance and thus the mitigation of risks by individual risk category (customer/group or country);
- by a change to target groups of the insured (size, activity of undertakings, geographical diversification) and thus by adjusting its product, market approaches and channels.

Coface PKZ also mitigates and manages its underwriting risk by means of limits on concentration (in terms of buyer or group of buyers, sector, and country), appropriate reinsurance arrangements, and adequate creation of technical provisions according to actuarial methods subject to constant review.

C.2 Market risk

C.2.1 Exposure to market risk

Market risk, to which Coface PKZ is exposed, is derived from financial assets, partly also from other assets and liabilities (e.g. technical provisions and recoverables from reinsurance are exposed to interest rate risk and currency risk). The following four types of market risk occur in the operations of Coface PKZ: interest rate risk, spread risk, equity risk, currency risk and property risk.

After Coface PKZ's transfer of ownership the portfolio of financial assets was restructured in accordance with Coface Group's guidelines, and at the end of 2020 comprised financial assets, which include investments in government and corporate bonds, money market bonds, equity funds, and investments in real estate for own use.

Coface PKZ outsourced the management of the portfolio of financial assets to an external contractor. After the ownership transfer, this function has been carried out by Amundi Asset Management (the largest European asset manager) since May 2019. The external contractor manages the portfolio of investments in accordance with the investment policy that sets out the target allocation of the assets under management. The latter is defined on the basis of limits on exposure to risk and requirements regarding liquidity, limits derived from applicable laws, and the limits derived from the maturity of Coface PKZ's liabilities.

This approach enables Coface PKZ to be able to pursue the effective management of the portfolio of financial assets to ensure long-term profitability, and at the same time ensure the quality and high liquidity of financial investments. The transfer of the portfolio's management to an external contractor also mitigates operational risks associated with the investment process, as well as ensuring the company access to first-rate asset management services that ensure a quick response to changes in an environment and the management of the company's finance income in the context of general exposure to risks.

The system of establishing Coface PKZ's investment policy is organised as follows:

- the management board of the insurer approves the company's investment policy taking into account the limits derived from applicable laws, the adopted risk appetite and the investment policies issued by the Coface Group;
- the strategic allocation of assets proposed by the portfolio's external manager is reviewed twice a year by the finance division. In cooperation with the risk management function it also reviews the general strategies and limits that are desired in terms of risk appetite, market conditions, planned cash flows, optimisation of portfolio returns, and the limits derived from applicable laws.
- The investment committee comprised of representatives of Coface PKZ and of the external contractor reviews the management of the portfolio twice a year in terms of risk management and outsourced services.

The investment process is based on the prudent person principle, where in addition to the general objectives regarding security, liquidity and profitability it pursues the quality of individual issuers and securities, the appropriate sectoral and geographic diversification in accordance with the company's investment policy. In addition, exposure limits have been defined by credit rating, issuer and issue. The use of derivatives for investment purposes is prohibited, only allowing macro-hedging of the portfolio, which must be approved in advance in exceptional cases. The management of market risks therefore takes place in accordance with a clearly defined process and contains a system of internal controls that is subject to regular reviews.

Coface PKZ mostly invests financial assets in debt securities. In doing so it also ensures the stability of finance income throughout the year. The table below presents a breakdown of the investment portfolio by investment category:

in EUR	**31 Dec 2020**	**31 Dec 2019**
Investments in loans and deposits	**0**	**2,501,636**
Available-for-sale financial assets		
- government debt instruments	8,740,966	9,299,038
- corporate debt instruments	16,705,170	14,559,417
- equity funds	1,035,616	528,960
- money market funds	2,537,758	1,318,488
Total	**29,019,510**	**25,705,903**
Total financial investments	**29,019,510**	**28,207,539**

As of 31 December 2020 debt securities accounted for 88% of the total financial assets, which was up four percentage points on the previous year. The proportion accounted for by government securities declined from 33% to 30%, while the proportion of corporate securities increased from 52% to 57% of total investments.

Investments in loans and deposits decreased during the year in accordance with the investment policy, with their proportion amounting to 0% at the end of 2020 (9% at the end of 2018). The proportion of investments in exchange trade funds (ETF) accounted for 12% of total financial assets at the end of 2020 (6.5% at the end of 2019).

The geographical diversification of the portfolio of debt securities at the end of 2020 is presented in the table below. The portfolio is exposed to developed countries of the euro area, EU member states outside the euro area and to North America. The table below shows the geographical distribution of investments in debt securities

in EUR	31 Dec 2020	31 Dec 2019
Euro area	18,864,158	15,628,309
European countries outside the euro area	6,374,772	4,889,871
North America	3,780,580	3,340,276
Total	**29,019,510**	**23,858,455**

The interest rate risk to which Coface PKZ's portfolio of financial assets is exposed is limited as the there is a four-year ceiling on the maturity of financial assets. The interest rate sensitivity of the portfolio of financial assets is indicated in section C.2.3.

Coface PKZ is exposed to spread risk due to its investments in debt securities and money market funds. The spread risk is mostly defined by the credit quality of the asset, and an itemisation of financial assets by credit rating is presented below. The definition of ratings is based on applicable laws (the second best estimated rating is taken into account in the event of multiple ratings).

S&P rating	31 Dec 2020						
	Investments in loans and deposits, in EUR	Structure	Available-for-sale financial assets, in EUR	Structure	Total in EUR	Structure	Cumulative share
AAA	0	0%	0	0%	**0**	**0%**	**0%**
AA+ to AA-	0	0%	8,546,906	29%	**8,546,906**	**29%**	**29%**
A+ to A-	0	0%	11,171,211	38%	**11,171,211**	**38%**	**68%**
BBB+ to BBB-	0	0%	4795035	17%	**4,795,035**	**17%**	**84%**
BB+ to BB-	0	0%	932.985	3%	**932,985**	**3%**	**88%**
Unrated	0	0%	3,573,374	12%	**3,573,374**	**12%**	**100%**
Total	**0**	**0%**	**29,019,510**	**100%**	**29,019,510**	**100%**	

S&P rating	31 Dec 2019						
	Investments in loans and deposits, in EUR	Structure	Available-for-sale financial assets, in EUR	Structure	Total in EUR	Structure	Cumulative share
AAA	0	0%	1,999,982	8%	**1,999,982**	**7%**	**7%**
AA+ to AA-	0	0%	5,484,293	21%	**5,484,293**	**19%**	**27%**
A+ to A-	0	0%	11,050,469	43%	**11,050,469**	**39%**	**66%**
BBB+ to BBB-	0	0%	3,759,248	15%	**3,759,248**	**13%**	**79%**
BB+ to BB-	0	0%	1,135,810	4%	**1,135,810**	**4%**	**83%**
Unrated	2,501,636	100%	2,276,102	9%	**4,777,738**	**17%**	**100%**
Total	**2,501,636**	**100%**	**25,705,903**	**100%**	**28,207,539**	**100%**	

All financial investments of Coface PKZ are denominated in euros in accordance with the investment policy. Therefore, there is no currency risk to which the portfolio of financial assets is exposed. It is clear from the nature of the underlying transaction, which comprises the credit insurance of companies operating in the international environment, that currency risk arises from the best estimate of technical provisions and recoverables from reinsurance.

in EUR – 31 December 2020	EUR	RUB	RSD	PLN	HRK	USD	RON	other	total
Financial assets	29,019,511	0	0	0	0	0	0	0	29,019,511
Amount of technical provisions ceded to reinsurers	6,984,146	267,779	147,023	130,583	184,946	79,961	72,337	275,144	8,141,919
Receivables	1,619,748	0	0	0	0	0	0	0	1,619,748
Cash and cash equivalents	1,262,255	0	0	0	0	0	0	0	1,262,255
Other assets	40,474	0	0	0	0	0	0	0	40,474
Total assets	**38,926,133**	**267,779**	**147,023**	**130,583**	**184,946**	**79,961**	**72,337**	**275,144**	**40,083,906**
Technical provisions (best estimate)	13,611,656	536,926	294,797	261,832	370,837	160,330	145,044	551,692	15,933,114
Provisions, save for technical provisions	156,762	0	0	0	0	0	0	0	156,762
Deferred tax liabilities	755,813	0	0	0	0	0	0	0	755,813
Liabilities from reinsurance	1,904,974	0	0	0	0	0	0	0	1,904,974
Other liabilities	1,393,887	0	0	0	0	0	0	580	1,394,467
Total liabilities	**17,823,093**	**536,926**	**294,797**	**261,832**	**370,837**	**160,330**	**145,044**	**552,272**	**20,145,130**

in EUR - 31 December 2019	EUR	RUB	RSD	PLN	HRK	BAM	USD	other	total
Financial assets	28,207,539	0	0	0	0	0	0	0	28,207,539
Amount of technical provisions ceded to reinsurers	7,493,293	248,978	156,387	121,618	360,084	154,945	128,179	258,453	8,921,937
Receivables	4,658,218	0	0	0	0	0	0	0	4,658,218
Cash and cash equivalents	1,262,255	0	0	0	0	0	0	0	1,262,255
Other assets	125,498	0	0	0	0	0	0	0	125,498
Total assets	**41,746,802**	**248,978**	**156,387**	**121,618**	**360,084**	**154,945**	**128,179**	**258,453**	**43,175,446**
Technical provisions (best estimate)	13,224,648	394,080	247,528	192,496	569,938	250,969	202,880	422,113	15,504,652
Provisions, save for technical provisions	156,762	0	0	0	0	0	0	0	156,762
Deferred tax liabilities	755,813	0	0	0	0	0	0	0	755,813
Liabilities from reinsurance	1,904,974	0	0	0	0	0	0	0	1,904,974
Other liabilities	1,393,887	0	0	0	0	0	0	580	1,394,467
Total liabilities	**17,436,084**	**394,080**	**247,528**	**192,496**	569,938	**250,969**	**202,880**	**422,692**	**19,716,668**

The assessment of technical provisions and recoverables from reinsurance is matched in terms of currency, but there are differences in the net amount (in the amount of net provisions, since the technical provisions exceed the recoverables from reinsurance), which is appropriately assessed in the scope of the currency risk module in the calculation of the solvency capital requirement.

Potential exposure to currency risk generally decreases with the assignment of limits to customers in EUR to the largest possible extent.

Coface PKZ is also exposed to the risk of changes in real estate prices due to a real estate holding (building), which it possesses for its own personal use. Significant changes to real estate prices can occur over the medium-term. However, Coface PKZ is not overly sensitive to these changes, as in addition to the real estate for its own personal use Coface PKZ owns no investment property.

C.2.2 Market risk concentration

A significant portion of the market risk concentration in 2020 was derived from corporate debt securities. The other segments of the investment portfolio are diversified to such an extent to prevent any significant concentration. Among exposures to individual sovereigns, Coface PKZ has the highest exposure to the Republic of France. The table below shows a breakdown of financial assets by type of issuer.

in EUR	31 Dec 2020	Structure	31 Dec 2019	Structure
Country (sovereign)	9,471,483	37%	7,299,056	26%
Banks	1,429,630	6%	6,676,959	24%
Corporates	9,001,419	35%	8,570,695	30%
Financial intermediaries	5,543,604	22%	5,071,304	18%
Insurers	0	0%	589,525	2%
Total	**25,446,136**	**100%**	**28,207,539**	**100%**

Management of market risk concentration is connected with limiting maximum exposure to a specific issuer and to the size of a specific issue. In addition, market risk concentration is also limited through limits on the credit quality of issuers.

C.2.3 Techniques applied to mitigate market risks

The investment policy enables the use of derivatives in order to limit excessive levels of exposure to market risks. During 2020 Coface PKZ did not use derivatives to hedge its portfolio of financial assets.

C.2.4 Sensitivity analysis

The interest rate sensitivity of Coface PKZ's portfolio of financial assets is presented in the tables below.

The tables are compiled under the assumption of a change in market interest rates (rise and fall) of 1 percentage point. The change in the value of available-for-sale debt financial instruments would be reflected in other comprehensive income, while the change in interest income would be reflected in the income statement.

in EUR	2020	
	+1 percentage point	-1 percentage point
Change in the value of available-for-sale financial instruments	-9,055	10,000
Change in the value of the interest income of available-for-sale debt financial instruments and financial assets in the form of loans and deposits	22,014	-35,370

in EUR	2019	
	+1 percentage point	-1 percentage point
Change in the value of available-for-sale financial instruments	-9,128	10,000
Change in the value of the interest income of available-for-sale debt financial instruments and financial assets in the form of loans and deposits	46,608	-9,965

Furthermore, the following table also presents the company's sensitivity to changes in other market parameters. The table is drafted under the assumption of changes to the market value of assets and liabilities in accordance with the parameters of the standard formula for the assessment of capital adequacy.

		Basis in EUR		Net change to the value of own funds in EUR	
	Parameter for measuring sensitivity	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Risk associated with changes to real estate prices	25% drop in prices	2,040,867	2,162,375	-510,217	-540,594
Risk associated with changes to share prices	39% drop in prices	1,035,616	528,960	-398,919	-205,871
Spread risk	decline in the value of assets due to changes in ratings in accordance with the standard formula	27,983,895	25,176,943	-1,269,878	-1,219,868
Currency risk	25% rise in exchange rates	1,153,399	1,428,644	-355,890	-208,615

C.3 Counterparty default risk (credit risk)

C.3.1 Exposure to credit risk

Coface PKZ's exposure to government and corporate securities is handled in the scope of the market risk module, i.e. in the credit spreads risk.

The default risk that derives from credit insurance operations is treated as underwriting risk (risk from non-life insurance contracts), save for the following items: recoverables from reinsurance and receivables from reinsurance, cash funds at banks, receivables from insurance operations, receivables from insurance brokers, receivables from the government, etc.

Low exposure to default risk arising from recoverables from reinsurance is characteristic of Coface PKZ, which is mainly the result of diligent assessment and choice of first-rate reinsurers. When assessing reinsurers Coface PKZ takes into account the ratings issued by the Standard & Poor, Moody's, Fitch or AM Best rating agencies, with the reinsurers required to have an investment grade rating. In addition to ratings Coface PKZ also takes into account other information regarding reinsurers, such as the size of the company, ownership and management, diversification (geographic and by type of operation/business), continuity of relationships with Coface PKZ, information about the past behaviour of the reinsurer in relation to the relationship continuity, etc.

The table below indicates exposure to reinsurers according to the reinsurers' rating (if the reinsurer has multiple ratings the rating that complies with the provisions of the Delegated Regulation is taken into account).

in EUR	31 Dec 2020	31 Dec 2019
AA+ to AA-	2,307,057	3,491,075
A+ to A-	6,477,473	6,756,493
BBB+ to BBB-	7,890	0
Total receivables and recoverables from reinsurance	**8,792,419**	**10,247,568**

Coface PKZ is also exposed to counterparty default risk in terms of cash funds that constitute a cash equivalent (current account and deposit lines).

in EUR	31 Dec 2020	31 Dec 2019
A+ to A-	10,205	27,609
BBB+ to BBB-	0	753,787
BB+ to BB-	0	0
Unrated	2,478,942	480,858
Total cash at bank	**2,489,146**	**1,262,255**

Counterparty default risk also arises from receivables from insurance operations, where the probability of default is higher. However, these receivables are highly diversified.

Recourse receivables and receivables for premiums and credit reports account for a significant portion of receivables from insurance operations. These receivables are presented in detail below.

Breakdown of receivables for premiums and for credit reports

Defaulting on receivables for premiums can result in the termination of insurance coverage. Because premiums are charged and paid monthly, defaulting on premiums is one of the grounds under which the insurer can terminate coverage under the contract. The cumulative amount of outstanding receivables from a single policyholder is therefore relatively low, and the corresponding risk is limited. Insurance coverage only applies to credit for which insurance premiums have been paid. In the event of claims, there is a possibility of the direct netting of receivables and liabilities.

C.3.2 Techniques applied to mitigate credit risk

Coface PKZ mitigates counterparty default risk by utilising the reinsurance capacities of the Coface Group.

Counterparty default risk, which arises from receivables from the insured, is managed by tying insurance coverage to the repayment of receivables (for premiums and credit reports) and via procedures for approving limits and resolving claims (for recourse receivables).

C.4 Liquidity risk

Liquidity risk covers both operational and strategic liquidity. Coface PKZ monitors exposure to liquidity risk using the method of liquidity gaps, where projected outflows are compared with projected inflows over individual time periods. The analysis also shows time intervals in which the insurer could be exposed to liquidity risk (surplus of liabilities over assets).

in EUR – 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets	9,442,320	1,956,188	3,347,290	21,400,848	6,609,659	**42,756,304**
Liabilities	1,078,791	1,061,551	6,086,154	9,233,135	221,230	**17,680,861**
Spread	8,363,529	894,637	-2,738,864	12,167,713	6,388,428	**25,075,443**
Cumulative spread	**8,363,529**	**9,258,166**	**6,519,302**	**18,687,015**	**25,075,443**	**25,075,443**

in EUR - 31 December 2019	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets	12,428,721	4,486,786	2,915,269	17,166,015	6,178,655	**43,175,446**
Liabilities	956,699	1,056,259	6,941,068	9,269,576	218,335	**18,441,937**
Spread	11,472,022	3,430,527	-4,025,799	7,896,439	5,960,320	**24,733,509**
Cumulative spread	**11,472,022**	**14,902,549**	**10,876,750**	**18,773,189**	**24,733,509**	**24,733,509**

The analysis of liquidity gaps for 2019 and 2020 revealed a cumulative surplus of assets over liabilities, meaning that the assets suffice for the settlement of all Coface PKZ's liabilities.

Expected profits included in future premiums (EPIFP) are not included among the insurer's own funds, as the valuation of premium provisions envisaged that the insurer will not generate profit from this part of the portfolio.

Coface PKZ diligently manages liquidity risk, and in that regard always secures a suitable amount of cash, investing in highly-liquid securities and short-term deposits. All these assets facilitate the continuous settlement of liabilities. In addition, various departments and functions regularly report envisaged outflows.

Coface PKZ's main outflows relate to insurance liabilities, which are quite predictable in terms of their maturity and amount. The reason for this is the waiting period that must elapse before the insured can file a compensation claim in the event of protracted payment delays (the most frequent reason for the payment of the claim amount), with the insurer being required to provide payment delay notifications in advance, even before the expiry of the waiting period. In the event of the payment of major claim amounts, Coface PKZ has agreed on a *cash-call* clause with the reinsurers, which also mitigates exposure to liquidity risk.

C.5 Operational risk

Operational risk arises due to inadequate or failed internal processes, the conduct of people or the functioning of systems, or as the result of external events. In accordance with the definition of operational risk that is used by Coface PKZ, this risk also covers compliance risk.

The aim of operational risk management at Coface PKZ is to balance the avoidance of financial losses from these risks and cost-effectiveness.

The operational risk management process covers a set of tools that include:

- operational risk mapping;
- reporting on any loss events that occur;

- a business continuity plan that facilitates the planning of activities in the event of various business interruption scenarios, and
- a two-level system of internal controls that ensures efficiency and the correctness of business processes.

Operational risk management also takes place by establishing a system of authorisations, a system for replacing staff during absence, a focus on staff training, the application of principles regarding social responsibility, sustainable development, business ethics and professionalism.

C.6 Other significant risks

During its operations Coface PKZ is also exposed to reputational risk, strategic risk, and to newly emerging risks.

These types of risks are an integral part of the risk register, and are also not covered by the assessment of capital adequacy by using the standard formula.

C.6.1 Strategic risk

Strategic risks arise from external and internal sources. They can be defined as risks that affect the profitability and capital adequacy of Coface PKZ due to changing market conditions, the political or regulatory environment, customer expectations and other stakeholders, and the resulting incorrect implementation of strategic policies or the implementation of inadequate strategic policies.

Strategic risks are managed primarily through a clearly defined process for the development of strategic objectives on the basis of guidelines submitted by the Coface Group, and the transfer of these objectives into strategic activities. This process includes the timely and effective communication of the outlined business strategy within the insurer and the regular monitoring of the implementation of the business strategy.

C.6.2 Reputational risk

Reputational risk relates to the adverse effects of internal or external events on Coface PKZ's reputation. It can arise, for example, from non-compliance with the legal provisions in Slovenia and on other markets, complaints or court proceedings initiated by counterparties (the insured, suppliers and others), negative public opinion, the negative opinion of reinsurers or brokers, etc.

Reputational risk is managed in particular by ensuring compliance with the code of conduct and anti-bribery code of the Coface Group, and a clear system of rules regarding internal and external communication, as well as through the implementation of other relevant bylaws of Coface PKZ, particularly focusing on customer due diligence. It is an obligation of all employees to undergo regular training on the importance of complying with corporate integrity rules.

C.6.3 Emerging risks

Emerging risks relate to new events or circumstances that can cause increased exposure to existing risks or the appearance of exposure to new risks. These risks can affect the profits or own funds of Coface PKZ, but can also impact its reputation or the achievement of strategic objectives.

C.7 Any other information

There is no other significant information regarding the risk profile that needs to be disclosed.

D. VALUATION FOR THE PURPOSE OF SOLVENCY

During the compilation of the balance sheet under Solvency II Coface PKZ relies on the balance sheet under the International Financial Reporting Standards (hereinafter: IFRS), as presented in the audited annual report (where all the methods of the valuation of items under the IFRS are also disclosed). Here the IFRS statements need to be translated to the Solvency II scheme (with IFRS values) and certain reclassifications need to be made (parts of individual items from the balance sheet under the IFRS can be classified into several different balance sheet items under Solvency II). Classification of items to the balance sheet under the Solvency II scheme is based on the Commission Implementing Regulation (EU) 2015/2450 of 2 December 2015.

In addition to the reclassifications, Coface PKZ assesses certain items in the balance sheet under the Solvency II scheme in a different manner than in the balance sheet under the IFRS. On the assets side intangible assets, recoverables from reinsurance and deferred tax assets are valued differently, while on the liabilities side technical provisions and deferred tax liabilities are also valued differently. Methods and assumptions of valuation under the IFRS and Solvency II scheme, and the distinctions between them, are presented in the following sections.

D.1 Assets

D.1.1 Intangible assets

Intangible assets relate to investments in information technology and development. For financial statement requirements under the IFRS IT, equipment is recognised and measured at historical cost, applying the historical cost model in subsequent years.

For the purpose of compiling the balance sheet under Solvency II the value of intangible assets is zero.

D.1.2 Financial assets

There were transfers of debt securities from Level 1 to Level 2 in 2020.

In accordance with the process of integrating the insurer Coface PKZ into the Coface Group, a new approach was applied in 2020 for determining fair value for debt securities, resulting in transfers between levels of the fair value hierarchy according to the balance as at 31 December 2019.

Fair value is evidenced via published prices on an active securities market (Levels 1 and 2 of the fair value hierarchy). In Level 1, the company includes quoted prices on active markets for equivalent assets that can be accessed on the measurement date (mutual funds – ETF), and in Level 2 classifies inputs other than the quoted prices included in Level 1, and that can be directly or indirectly observed. The Level 2 fair value includes the debt securities classified by the company for which fair value was measured by applying directly observed prices of third parties (BGN, BVAL). Debt securities that are listed on the Ljubljana Stock Exchange and for which none of the aforementioned market prices are available are valued at the closing price from the Ljubljana Stock Exchange. If the liquidity of a particular security does not suffice, the company classifies it to Level 2.

Coface PKZ classifies investments in loans and deposits to Level 2 of the fair value hierarchy.

Debt securities that were valued as at 31 December 2019 at the CBBT price were valued at BGN or BVAL prices as at 31 December 2020.

D.1.3 Receivables

Receivables from insurance and reinsurance operations

Receivables from insurance and reinsurance, and receivables from brokers were valued at original cost upon recognition. In subsequent valuations they are valued at their realisable value (original cost – impairment).

Other receivables

Trade receivables unrelated to insurance are initially recognised at original cost. In subsequent valuations these receivables are valued at their realisable value (original cost – impairment).

D.1.4 Cash and cash equivalents

Cash and cash equivalents are recognised at amortised costs, both upon initial recognition and in subsequent valuations.

D.1.5 Other assets

Deferred tax assets

In accordance with IAS 12 deferred taxes are accounted for temporary differences between the carrying amount and the value of assets for tax purposes. Assets are recognised when they are materially significant and provided that taxable gains will be available in the future.

For the purpose of compiling balance sheets under Solvency II, any effect on deferred tax assets is added to the IFRS value due to the revaluation of individual balance sheet items, as described below.

The basis for the calculation of additional deferred tax assets (liabilities) accounts for all the differences between the IFRS and Solvency II values of assets and liabilities. With respect to Coface PKZ there are mainly differences in valuation that occur in intangible assets, recoverables from reinsurance and technical provisions. If the calculated total effect of all the changes in valuation is negative, this gives rise to additional deferred tax assets, and in the event of a positive effect to additional deferred tax liabilities. Coface PKZ recognises the positive value of deferred tax assets only if it is probable that future taxable income will be available against which the deferred tax asset can be utilised.

The basis for the calculation of additional deferred taxes (total effect of all changes in valuation) is assigned a tax rate, thereby creating additional deferred tax assets or additional deferred tax liabilities.

Property and equipment for internal use

In accordance with IAS 16, property and equipment for internal use are initially recognised at historical cost. The following approaches are used in subsequent valuations: historical cost model, annual assessment of existing objective indications of an impairment of specific assets, particularly for real estate, which is based on the method used for the recoverable value of assets.

All other assets not disclosed elsewhere

Deferred expenses and accrued revenues, excluding deferred expenses and accrued revenues that relate to insurance business.

No new or additional assumptions were used during the valuation of assets for Solvency II requirements compared with the methods applied for valuation under the IFRS (except in the part that relates to recoverables from reinsurance contracts, which is described in section D.2.5).

D.2 Technical provisions

D.2.1 Valuation of technical provisions under Solvency II

Technical provisions under Solvency II are assessed as the best estimate of liabilities, increased by a margin for risk, in accordance with the ZZavar-1, i.e. section 4.8 Technical provisions for the purpose of calculating capital requirements. The best estimate of liabilities comprises a realistic estimate of liabilities that is based on past experience, with adjustments according to the expected deviations in the future.

Technical provisions are calculated as discounted cash flow and include:

- the best estimate of premium provisions for events that will occur after the reporting date;
- the best estimate of provisions for claims outstanding for events that occurred before the reporting date;
- a margin for risk that comprises the sum required by a reference insurer in addition to the best estimate of provisions for the assumption of liabilities calculated on the basis of the reference insurer's costs of capital.

in EUR	31 Dec 2020	31 Dec 2019
Recoverables from reinsurance - non-life insurance	**8,132,277**	**8,921,937**
for premium provisions	1,252,513	2,958,738
for provisions for claims outstanding	6,879,764	5,963,200
Technical provisions - non-life insurance	**17,111,714**	**16,518,390**
best estimate	15,913,419	15,504,652
for premium provisions	3,965,299	4,064,925
for provisions for claims outstanding	11,948,119	11,439,726
risk margin	1,073,7988	1,013,738

During the valuation of liabilities under Solvency II Coface PKZ does not apply the adjustments under Articles 182, 183, 184 and 640 of the ZZavar-1.

Homogeneous risk groups

Coface PKZ insures receivables against commercial and non-commercial risks and treats these risks as a single homogeneous group. In accordance with the ZZavar-1 these types of insurance are classified into the credit insurance category.

Provisions

Coface PKZ calculates premium provisions via a cash flows method at the level of a specific financial year.
Future premiums are projected on the basis of valid contracts, taking into account all known information up to the date of valuation. Parameters for projections (claims ratios, bonus ratios, recourse ratios, commission amounts) are set on the basis of the existing portfolio and projections for costs from the insurer's strategy for the coming three-year period.

Premium provisions are discounted by a basic risk-free interest rate term structure, published on the *European Insurance and Occupational Pensions Authority* (hereinafter: EIOPA) site, taking into account the discount rate for major currencies in which Coface PKZ assumes commitments.

When defining provisions for claims outstanding, the provisions of insurance contracts and laws governing the statute of limitations for commitments are taken into account in connection with the recognition and derecognition of liabilities.

- When calculating provisions for claims outstanding for claims incurred but not reported, the Bornhuetter–Ferguson method is used for minor claims, taking into account the results of the Munich Chain Ladder method for the determination of the *a priori* claims ratios, with adjustments made according to the balance of provisions for reported but still unresolved claims, and an expert assessment of *a priori* claims ratios for the most recent claims year; the frequency-severity method, adjusted for the expert assessment of individual major claims for which payment delays were reported, is applied for major claims.

Provisions for claims outstanding are discounted by a basic risk-free interest term structure, published by EIOPA, taking into account the discount rate for major currencies in which Coface PKZ assumes commitments. In doing so, the process takes into account the actual currency structure of reported but unresolved claims and potential major claims.

D.2.2 Description of the level of uncertainty

Coface PKZ rates the methods, assumptions and data that were used for the calculation of provisions as appropriate, also including the uncertainty that follows from:

- the environment, as the claims situation of risks already covered by insurance or the risks that will be covered under recognised insurance contracts can be significantly impacted by changes to economic trends and the political situation in the coming months in countries where the insurer insures against risks; this risk is characteristic of credit insurance and can be mitigated by the insurer through the diligent management of these risks, i.e. by using mechanisms that are characteristic of this product;
- the insurer's portfolio, due to the small size and imbalances in the portfolio and the concentration of the risks taken up (individual high limits).

This can lead to major deviations from the amount of claims, as envisaged in the best estimate of provisions under Solvency II, where the insurer to a great extent manages the increased volume of claims or extremely large claims through sufficient reinsurance.

D.2.3 Difference between the valuation of obligations under Solvency II and IFRS

During the valuation of obligations under the IFRS the insurer creates technical provisions to an amount that should suffice to cover all the obligations under insurance contracts (including the permitted level of caution), while during valuation of obligations under Solvency II the insurer calculates the best estimate of technical provisions, and as a result also uses various methods and parameter estimates for the valuation of obligations.

Coface PKZ makes a distinction between provisions for premiums and provisions for claims outstanding under Solvency II according to the occurrence of an event and, accordingly, also determines cash flows; in contrast to the calculation under the IFRS that separately discloses provisions for unearned premiums, provisions for unexpired risks, provisions for bonuses and provisions for claims outstanding, which as of 2020 include recourse provisions.

D.2.4 Risk margin

Article 180 of the ZZavar-1 and Articles 37 through 39 of the Delegated Regulation are taken into account, excluding simplifications, as follows:

- the risk margin under the formula from Article 37 of the Delegated Regulation for a three-year period, applying the risk-free rate for EUR;
- during the transfer of the whole portfolio to the reference undertaking the following is taken into account in the best estimate and solvency capital requirement calculation under Article 38 of the Delegated Regulation:

- the transfer of insurance and reinsurance obligations includes any reinsurance contracts relating to the transferred obligations;
- after the transfer, the reference undertaking raises eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof; whereby the funds are raised in a manner to ensure that the market risk is as low as possible and only relates to currency risk.
- operational risk;
- the calculation of the best estimate of provisions includes the costs required for the operations of the insurer until the repayment of obligations from the contracts that were valid at the time of the transfer (portfolio *run-off).*

D.2.5 Recoverables from reinsurance

The recoverables from reinsurance are determined by the cash flow method on the basis of the cash flows of technical provisions and the provisions of reinsurance contracts. The projected cash flows include:

- a portion of the claims and recourses transferred to reinsurance;
- a portion of the bonuses transferred to reinsurance;
- reinsurance commission and profit participation; and
- a portion of the premiums transferred to reinsurance.

Recoverables from reinsurance are:

- discounted by a basic risk-free interest term structure, published on the EIOPA site, taking into account the discount rate for major currencies in which PKZ assumes commitments; and
- adjusted to account for default risk.

D.3 Other liabilities

D.3.1 Provisions, save for technical provisions

This item covers employee-related provisions. In accordance with IAS 19, employee-related provisions are created in the amount of the estimated future payments for jubilee benefits and termination benefits at retirement discounted on the reporting date.

D.3.2 Deferred tax liabilities

In accordance with IAS 12 deferred taxes are accounted for temporary differences between the carrying amount and the value of assets for tax purposes. Liabilities are recognised for all temporary differences.

For the purpose of valuation under Solvency II, any effect on deferred tax liabilities is added to the IFRS value due to the revaluation of individual balance sheet items under the Solvency II rules. The procedure for calculating the additional effect is explained in section D.1.5.

D.3.3 Liabilities from insurance and reinsurance operations

Liabilities arising from insurance and reinsurance, and liabilities to brokers are initially recognised at original cost in accordance with IAS 39. The original cost is also applied for all subsequent valuations.

D.3.4 All other liabilities not disclosed elsewhere

Accrued costs and deferred revenues or estimated accrued costs.

D.4 Alternative valuation methods

All valuation methods used by Coface PKZ are presented in the previous sections. Coface PKZ does not use any other or alternative valuation methods.

D.5 Any other information

Coface PKZ has disclosed all materially significant information in connection with the valuation of assets and liabilities, including technical provisions, and therefore there is no need to disclose any other information.

E. CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Policy and procedures in capital management

Management of own funds (capital) is a constant process of making decisions and maintaining an adequate amount and quality of Coface PKZ's own funds. Proper management of own funds in connection with the proper management of risk exposure generally also ensures the management of capital risk.

An adequate level and composition of own funds represents a safety reserve for the various risks to which Coface PKZ is exposed in its operations. The functions of own funds:

- ensuring solvency for Coface PKZ;
- ensuring a going concern basis; and
- provision of financial resources to expand operations.

The capital management process relates to both capital adequacy requirements and the own risk and solvency assessment process. The capital management process includes the procedures for the identification, assessment and measurement, management and monitoring of capital risk.

All risks for which capital requirements that reflect the level of risk to which Coface PKZ is exposed are calculated are therefore identified and measured in the capital management process. On the other hand, Coface PKZ also identifies and measures items that can be taken into account as available and eligible own funds and are intended for the coverage of capital requirements.

Capital adequacy is measured with two ratios, which comprise a ratio between the amount of eligible own funds and the amount of the solvency capital requirement (capital requirement), or between the amount of eligible own funds and the amount of the minimum capital requirement.

In order to ensure comprehensive and effective capital management Coface PKZ defined its risk appetite, which also includes capital management. Risk appetite relies on optimal capital adequacy, which is defined by an optimal range of the solvency capital requirement ratio.

Capital management processes ensure that capital adequacy remains inside the envisaged optimal range of the solvency capital requirement ratio.

Own risk and solvency assessment, which analyses the future need for solvency on the basis of the outlined business strategy, is a fundamental element of effective capital risk management.

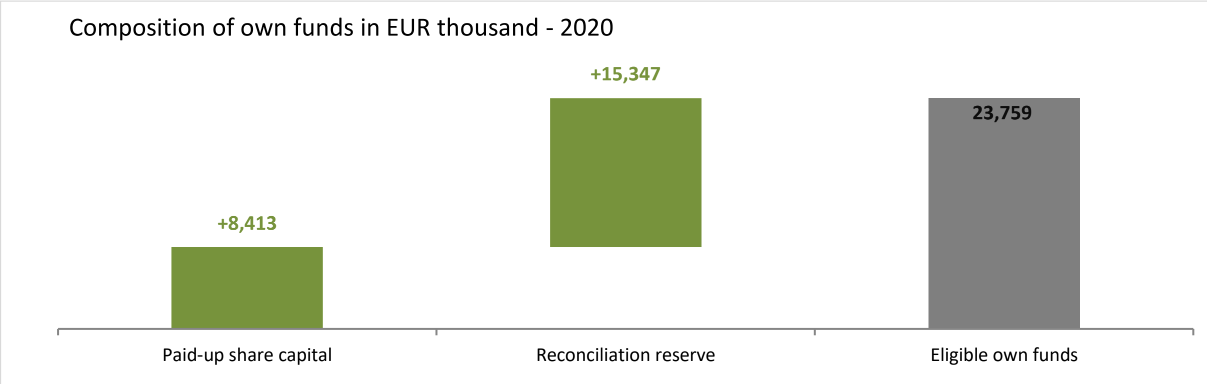
With it Coface PKZ ensures the scope and structure of own funds for the continuous fulfilment of the capital adequacy requirement. The planning of capital management or capital adequacy is an integral part of the business strategy and the own risk and solvency assessment.

E.1.2 Structure and quality of own funds

The surplus of assets over liabilities, valued in accordance with the Solvency II requirements, as at 31 December 2020, stood at EUR 23,759,161, or EUR 25,452,873 according to the IFRS.

The surplus of assets over liabilities thus remains at roughly the same level as in the previous year.

The surplus of assets over liabilities is solely comprised of basic own funds, while Coface PKZ held no ancillary own funds. Basic own funds are comprised of share capital in the amount of EUR 8,412,619, which did not change relative to the previous year, and the reconciliation reserve in the amount of EUR 15,346,542.



Share capital (paid-up ordinary shares) and the reconciliation reserve are classified into Tier 1 own funds, as they are ranked behind all other receivables in the event of liquidation proceedings, and are available directly after the absorption of losses, with no maturity date, temporary suspension of payment/repayment enabled in the event of non-compliance with the solvency capital requirement or if the repayment/payment would give rise to such non-compliance. The cancellation of classifications is also permitted if there is non-compliance with the solvency capital requirement or if the classification would give rise to such classification. Coface PKZ's own fund items fulfil all the other Tier 1 characteristics that are specified under the law.

As a result, all available own funds correspond to eligible own funds for the coverage of the solvency capital requirement (SCR) and the minimum capital requirement (MCR).

in EUR – 31 December 2020	**Tier 1**	**Tier 2**	**Tier 3**	**Total**
Basic own funds	**23,759,161**	**0**	**0**	**23,759,161**
Paid-up ordinary shares	8,412,619	0	0	8,412,619
Reconciliation reserve	15,346,542	0	0	15,346,542
Ancillary own funds	0	0	0	0
				0
Available own funds for the coverage of the solvency capital requirement	23,759,161	0	0	23,759,161
Available own funds for the coverage of the minimum solvency capital requirement	23,759,161	0	0	23,759,161
Eligible own funds for coverage of the solvency capital requirement	**23,759,161**	**0**	**0**	**23,759,161**
Eligible own funds for coverage of the minimum solvency capital requirement	**23,759,161**	**0**	**0**	**23,759,161**

in EUR - 31 December 2019	**Tier 1**	**Tier 2**	**Tier 3**	**Total**
Basic own funds	**24,900,009**	**0**	**0**	**24,900,009**
- Paid-up ordinary shares	8,412,619	0	0	8,412,619
Reconciliation reserve	16,487,390	0	0	16,487,390

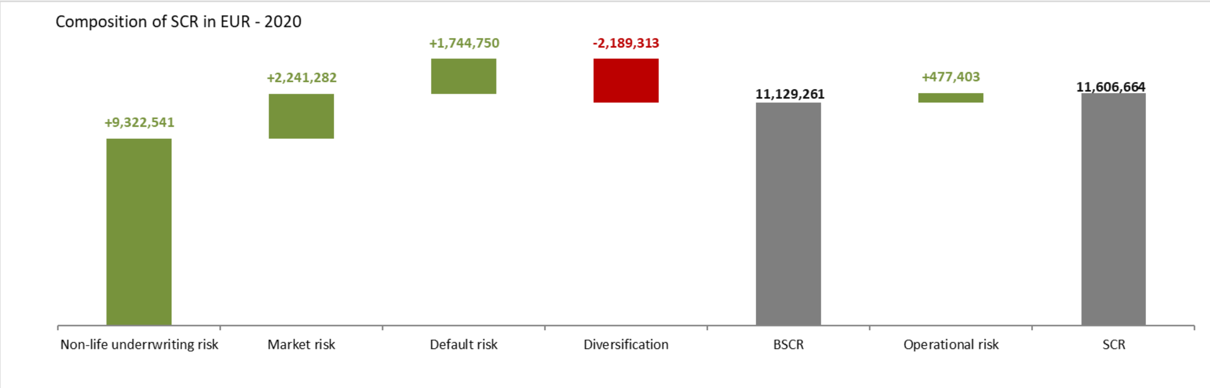
in EUR - 31 December 2019	Tier 1	Tier 2	Tier 3	Total
Ancillary own funds	0	0	0	0
				0
Available own funds for the coverage of the solvency capital requirement	24,900,009	0	0	24,900,009
Available own funds for the coverage of the minimum solvency capital requirement	24,900,009	0	0	24,900,009
Eligible own funds for coverage of the solvency capital requirement	**24,900,009**	**0**	**0**	**24,900,009**
Eligible own funds for coverage of the minimum solvency capital requirement	**24,900,009**	**0**	**0**	**24,900,009**

E.2 Solvency capital requirement and minimum capital requirement

E.2.1 Solvency capital requirement

Coface PKZ calculates the solvency capital requirement and minimum capital requirement on the basis of the standard formula, not applying any simplified calculations, except in the calculation of the risk mitigating effect for reinsurance arrangements or securitisation (Article 107 of the Delegated Regulation), which comprises a portion of the calculation of the solvency capital requirement for counterparty default risk. Coface PKZ assessed that the application of this simplification has no material impact on the calculation of the solvency capital requirement.

The structure of the solvency capital requirement is presented in the figure below.



The highest proportion of the solvency capital requirement comprises the risk associated with non-life insurance contracts, followed by market risks and counterparty default risk. The smallest proportion is accounted for by operational risk. The value of the solvency capital requirement for the risk associated with intangible assets is zero, as Coface PKZ assigns these assets the value of zero euros in accordance with the rules of valuation under Solvency II.

Relative to the previous period, the solvency capital requirement rose, and as at 31 December 2020 amounted to EUR 11,606,664.

in EUR	31 Dec 2020	31 Dec 2019
Risk from non-life insurance contracts	9,332,541	8,788,856
Market risks	2,241,282	2,224,786
Counterparty default risk	1,744,750	1,093,595
Risk associated with intangible assets	0	0

in EUR	31 Dec 2020	31 Dec 2019
Diversification effect	-2,189,313	-1,909,481
Basic solvency capital requirement	11,129,261	10,197,756
Operational risk	477,403	465,140
Solvency capital requirement	**11,606,664**	**10,662,895**

Changes in the structure of the company's solvency capital requirement are mostly derived from the investment process and the adjustments to market conditions during the year associated therewith, as well as from the amount of technical provisions that constitute the basis for calculating risks associated with non-life insurance. The total effect of all these changes led to an increase in Coface PKZ's capital requirement by EUR 943,768, or by 8.9%.

The own funds that are eligible for the coverage of the solvency capital requirement exceed the solvency capital requirement by EUR 12,152,498 (31 December 2019: EUR 14,237,114). The solvency capital requirement ratio therefore amounts to[2] 205% (31 December 2019: 234%).

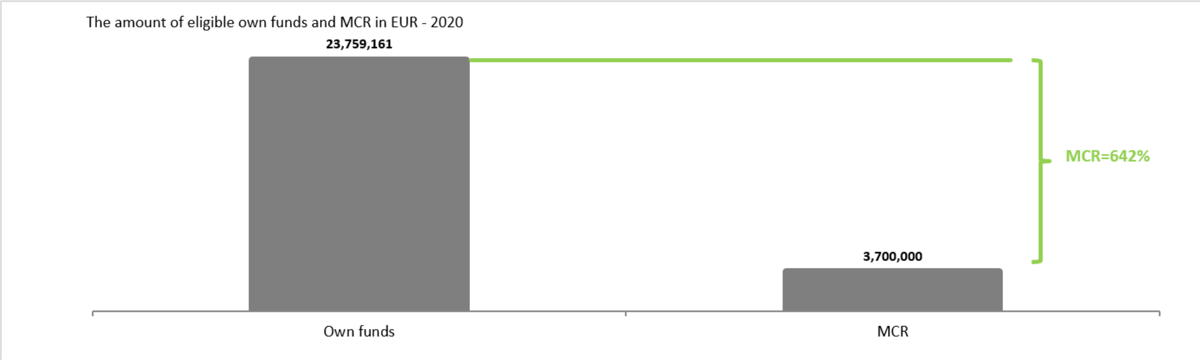
E.2.2 Minimum capital requirement

Coface PKZ's minimum capital requirement is equal to the absolute threshold for insurers that provide credit insurance, and is set at EUR 3,700,000. The minimum capital requirement amount did not change relative to the previous period. A detailed breakdown of the solvency capital requirement is found in the table below.

in EUR	31 Dec 2020	31 Dec 2019
Technical provisions, excluding the risk margin, after deducting the recoverables from reinsurance contracts	7,781,141	6,582,714
Factor for technical provisions for credit insurance	17.7%	17.7%
Premiums written after deducting the premiums for reinsurance contracts	4,514,190	5,861,528
Factor for premiums written for credit insurance	11.3%	11.3%
Linear minimum capital requirement	**1,887,366**	**1,827,493**
Solvency capital requirement	11,606,664	10,662,895
Combined capital requirement (MCR)	**2,901,666**	**2,665,724**
Absolute threshold	3,700,000	3,700,000
Minimum capital requirement	**3,700,000**	**3,700,000**

[2]eligible own funds/solvency capital requirement

Own funds that are eligible for coverage of the minimum capital requirement exceed the minimum capital requirements by EUR 20,059,161 (31 December 2019: EUR 21,200,009). The minimum capital requirement ratio therefore amounts to[3] 642% (31 December 2019: 673%).



E.3 Application of a duration-based equity risk sub-module

Coface PKZ does not use the duration-based equity risk sub-module.

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

Coface PKZ does not use a partial or the entire internal model to calculate the solvency capital requirement.

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

Coface PKZ completely meets all the requirements regarding the minimum capital requirement and solvency capital requirement (the attained coverage of the solvency capital requirement and the coverage of the minimum capital requirement are presented in sections E.2.1 and E.2.2).

E.6 Any other information

As a result of the Covid-19 epidemic, the Republic of Slovenia established various programmes to held aid businesses and households. Among other measures, it provided state aid to support the corporate sector for credit insurance via SID Bank. This aid was implemented in 2020 via the TOP UP scheme in the scope of which Coface PKZ concluded an annex to the existing reinsurance contract with SID Bank. This also provided policyholders with limits for those risks that could otherwise not be insured on the market in the desired amount. Policyholders were therefore required to pay an additional premium in accordance with the Commission's decision. This TOP UP scheme has no direct effect on the capital adequacy that was calculated under Solvency II.

[3]eligible own funds / minimum capital requirement

F. Independent auditor's report

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia
VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S ASSURANCE REPORT

to the management of the company Coface PKZ zavarovalnica d.d., Ljubljana

Based on the contract concluded with the company Coface PKZ zavarovalnica d.d., Ljubljana, on 5 December 2019, we have:

- reviewed the attached Solvency and Financial Condition Report of Coface PKZ zavarovalnica d.d., Ljubljana for 2020 (hereinafter the "Report"), which was prepared by the management of the Company and which presents the bases and methods for the evaluation of assets, technical provisions and other liabilities as well as a description of capital management procedures that the company Coface PKZ zavarovalnica d.d., Ljubljana applied in the financial year ended 31 December 2020 as stipulated by items 4 and 5 of the 2nd paragraph of Article 261 of the Insurance Act (hereinafter "ZZavar-1") and Articles 296 and 297 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (hereinafter the "Delegated Regulation");
- verified the establishment of the procedures for adopting the Insurance Company's capital management strategy;
- verified the correctness and quality of data necessary for the evaluation of assets and technical provisions and the calculation of the capital requirements necessary for the compilation of quantitative reports, and verified the procedure for calculating technical provisions and capital requirements under individual risk modules in accordance with the Decision on the Supplementary Audit of an Insurance Company and the Supplementary Audit Report adopted by the Insurance Supervision Agency.

Management's Responsibility for the Report

The management is responsible for:

- statements and findings in the Report, prepared in accordance with ZZavar-1 and the Delegated Regulation,
- implementation of the procedures for adopting the Insurance Company's capital management strategy,
- correctness and quality of data necessary for the evaluation of assets and technical provisions and the calculation of capital requirements,
- correctness of calculating technical provisions and capital requirements under individual risk modules,

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- compilation of quantitative reports in accordance with the Delegated Regulation, and

such internal controls as are necessary in accordance with the decision of the management to enable the preparation of reports and implementation of procedures that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to provide, based on the procedures we have performed and the evidence we have obtained, a conclusion on reasonable assurance in relation to:

- adequacy of disclosures in the Report in accordance with the requirements of Article 261 of ZZavar-1 and Articles 296 and 297 of the Delegated Regulation,
- procedures for adopting the Insurance Company's capital management strategy, and
- accuracy of compiling the quantitative reports from Article 4 of the Decision on the Supplementary Audit of an Insurance Company and the Supplementary Audit Report and compliance with the Delegated Regulation.

We have performed our reasonable assurance engagement in compliance with the International Standard on Assurance Engagements 3000 – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform the engagement so as to obtain reasonable assurance that the Report does not contain, in all material respects, material misstatements as regards, among other things, compliance with ZZavar-1 and the Delegated Regulation.

Identification Criteria

We have assessed the adequacy of the presentation of valuation procedures for the purpose of solvency and capital management on the basis of items 4 and 5 of the 2nd paragraph of Article 261 of ZZavar-1 and Articles 296 and 297 of the Delegated Regulation.

We have assessed the adequacy of procedures for adopting the Insurance Company's capital management strategy from the viewpoint of ensuring solvency and minimum capital.

We have assessed the correctness and quality of data necessary for the evaluation of assets and technical provisions and the calculation of capital requirements from the viewpoint of compiling quantitative reports in accordance with the Decision on the Supplementary Audit of an Insurance Company and the Supplementary Audit Report and compliance with the Delegated Regulation.

We have assessed the correctness of the procedure for calculating technical provisions and capital requirements from the viewpoint of compliance with the Delegated Regulation.

Our Independence and Quality Control

We performed our work in accordance with independence and ethical requirements under the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional conduct.

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We act in compliance with the International Standard on Quality Control (ISQC 1) and accordingly maintain an comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and statutory requirements.

Summary of Work Performed

Some of the procedures carried out within the scope of our engagement include the following:

- we have verified the compliance of the disclosures in the Report with the requirements in items 4 and 5 of the 2nd paragraph of Article 261 of ZZavar-1 and Articles 296 and 297 of the Delegated Regulation;
- we have gained knowledge of the procedures for adopting the Insurance Company's capital management strategy from the viewpoint of ensuring solvency and minimum capital;
- we have verified the compliance of the data for the evaluation of assets and technical provisions and for the calculation of capital requirements with analytical records;
- we have verified the compliance of the procedures for calculating technical provisions and capital requirements under individual risk modules in quantitative reports in terms of the requirements of the Delegated Regulation.

The nature and scope of our procedures were defined in line with the risk assessment and our professional judgment to obtain reasonable assurance.

We believe that the evidence we have obtained is sufficient and provides an appropriate basis for our conclusion.

Conclusion

In our opinion, the Solvency and Financial Condition Report and the quantitative reports are prepared, in all material respects, in accordance with the provisions of ZZavar-1 and Articles 296 and 297 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), published in the Official Journal of the European Communities on 17 January 2015, and, in our opinion, the process for adopting a capital management strategy is in line with the requirements of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), published in the Official Journal of the European Communities on 17 January 2015.

Based on the procedures performed and the evidence obtained, we find that:

- the content of the disclosures in the Report is compliant with items 4 and 5 of the 2nd paragraph of Article 261 of ZZavar-1 and Articles 296 and 297 of the Delegated Regulation;
- the procedures for adopting the Insurance Company's capital management strategy with regard to ensuring solvency and minimum capital are compliant with the requirements of Article 297 of the Delegated Regulation;

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- the data used for the evaluation of assets and technical provisions and the calculation of capital requirements is in line with the requirements of the Delegated Regulation;
- the procedures for calculating technical provisions and capital requirements under individual risk modules in quantitative reports are in line with the requirements of the Delegated Regulation.

Other Information

Other information includes:
- description of transactions and operations of the Insurance Company,
- description of the governance system and assessment of its adequacy as regards the Insurance Company's risks,
- description of exposure, concentration, sensitivity and techniques applied to mitigate the risks, for each type of risks,
- disclosures on potential omissions of certain disclosures,
- voluntary additional information and explanations relating to the solvency and financial condition of the Insurance Company.

We have obtained the other information prior to the date of the Auditor's Report. The responsibility for the adequacy of the disclosures in the Report in accordance with the provisions of Article 261 of ZZavar-1 and Articles 293 to 295 of the Delegated Regulation lies with the management.
Our responsibility in relation with the procedures performed from the first paragraph is to read other information and thus assess whether it is materially inconsistent with the content of the Report.

We have performed the procedures for verifying the adequacy of other information in accordance with ISA 720, where we limited ourselves to verifying the adequacy of other information as regards the Report as a whole, ZZavar-1 and the Delegated Regulation.

The other information in the Report is consistent with the verified data in the Report and the provisions of ZZavar-1 and the Delegated Regulation.

Limitation of Access and Use

Our report is intended exclusively for the management of the company Coface PKZ zavarovalnica d.d., Ljubljana for the purpose of reporting in the Report. It may only be used to fulfil the requirements of the Decision on the Supplementary Audit of an Insurance Company and the Supplementary Audit Report and provisions related to it and may not be used for any other purpose.

DELOITTE REVIZIJA d.o.o.

Barbara Žibret Kralj

Certified Auditor

For signature please refer to the original Slovenian version.

Ljubljana, 17 March 202

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

G. ANNEX Quantitative templates

S.02.01.02 Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment for own use	**R0060**	2,269
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	29,020
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	25,446
Government Bonds	**R0140**	10,487
Corporate Bonds	**R0150**	14,959
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	3,573
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	8,132
Non-life and health similar to non-life	**R0280**	8,132
Non-life excluding health	**R0290**	8,132
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	539
Reinsurance receivables	**R0370**	660
Receivables (trade, not insurance)	**R0380**	421
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	2,489
Any other assets, not elsewhere shown	**R0420**	40
Total assets	**R0500**	43,570

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	16,987
Technical provisions – non-life (excluding health)	R0520	16,987
TP calculated as a whole	R0530	
Best Estimate	R0540	15.913
Risk margin	R0550	1,074
Technical provisions - health (similar to non-life)	R0560	
TP calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
TP calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
TP calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	159
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	63
Derivatives	R0790	
Debts owed to credit institutions	R0800	1
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	155
Reinsurance payables	R0830	1,297
Payables (trade, not insurance)	R0840	565
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	583
Total liabilities	R0900	19,811
Excess of assets over liabilities	R1000	23,759

S.05.01.02 Premiums, claims and expenses by type of transaction [4]

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**	Total
		Credit and suretyship insurance	
		C0090	**C0200**
Premiums written			
Gross - Direct Business	**R0110**	11,848	11,848
Gross - Proportional reinsurance accepted	**R0120**	452	452
Gross - Non-proportional reinsurance accepted	**R0130**	-	
Reinsurers' share	**R0140**	7,786	7,786
Net	**R0200**	4,514	4,514
Premiums earned			
Gross - Direct Business	**R0210**	12,773	12,773
Gross - Proportional reinsurance accepted	**R0220**	452	452
Gross - Non-proportional reinsurance accepted	**R0230**		
Reinsurers' share	**R0240**	8,352	8,352
Net	**R0300**	4,873	4,873
Claims incurred			
Gross - Direct Business	**R0310**	3,778	3,778
Gross - Proportional reinsurance accepted	**R0320**	33	33
Gross - Non-proportional reinsurance accepted	**R0330**	-	
Reinsurers' share	**R0340**	2,696	2,696
Net	**R0400**	1,116	1,116
Changes in other technical provisions			
Gross - Direct Business	**R0410**	-992	-992
Gross - Proportional reinsurance accepted	**R0420**		
Gross - Non- proportional reinsurance accepted	**R0430**		
Reinsurers'share	**R0440**	-261	-261
Net	**R0500**	-731	-731
Expenses incurred	**R0550**	2,912	2,912
Other expenses	**R1200**		
Total expenses	**R1300**		2,912

[4] Coface PKZ has not disclosed the report with the designation S.05.02.01 Premium, claims and expenses by country, as it achieved more than 90% of the gross premiums written in 2020 in the home country (Slovenia).

S.17.01.02 Technical provisions for non-life insurance

		Direct business and accepted proportional reinsurance	Total Non-Life Obligation
		Credit and suretyship insurance	
		C0100	**C0180**
Technical provisions calculated as a whole	**R0010**		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**		
Technical provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross	**R0060**	3,965	3,965
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	1,253	1,253
Net Best Estimate of Premium Provisions	**R0150**	2,713	2,713
Claims provisions			
Gross	**R0160**	11,948	11,948
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	6,880	6,880
Net Best Estimate of Claims Provisions	**R0250**	5,068	5,068
Total Best estimate - gross	**R0260**	15,913	15,913
Total Best estimate - net	**R0270**	7,781	7,781
Risk margin	**R0280**	1,074	1,074
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	**R0290**		
Best estimate	**R0300**		
Risk margin	**R0310**		
Technical provisions - total			
Technical provisions - total	**R0320**	16,987	16,987
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	8,132	8,132
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	8,855	8,855

S.19.01.21 Insurance claims from non-life insurance (development triangles)

Gross claims (non-cumulative)

(absolute amount)

Year		Development year												In current year	Sum of years (cumulative)
			1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											-1,089	R0100	-1.089	-1.089
2011	R0160	743	7,317	135	-104	-33	-66	-220	-63	-12	-5		R0160	-5	7.692
2012	R0170	3,403	5,904	-552	-812	-348	-193	-48	-63	-51			R0170	-51	7.240
2013	R0180	3,618	3,545	1,110	-337	-26	-112	-33	-2				R0180	-2	7.764
2014	R0190	2,402	6,857	1,165	-320	-140	6	-84					R0190	-84	9.886
2015	R0200	1,953	4,692	-30	-300	-62	-19						R0200	-19	6.235
2016	R0210	603	21,548	230	-297	-269							R0210	-269	21.816
2017	R0220	2,524	2,231	152	-8								R0220	-8	4.898
2018	R0230	2,042	2,089	-16									R0230	-16	4.115
2019	R0240	3,048	3,716										R0240	3.716	6.764
2020	R0250	940											R0250	940	940
													Total R0260	3.113	76.260

Gross undiscounted best estimate claims provisions

(absolute amount)

Year		Development year												Year end (discounted
			1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100												R0100	
2011	R0160						140	79	20	12			R0160	
2012	R0170					468	267	155	114				R0170	
2013	R0180				351	210	131	25	1				R0180	1
2014	R0190			366	228	167	39						R0190	
2015	R0200		1,877	608	530	368	355						R0200	357
2016	R0210	11,886	1,959	642	543	500							R0210	503
2017	R0220	10,758	2,240	523	225								R0220	226
2018	R0230	9,640	1,915	746									R0230	751
2019	R0240	7,866	2,621										R0240	2.634
2020	R0250	7,442											R0250	7.476
													Total R0260	11.948

S.23.01.01 Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	8,413	8,413			
Share premium account related to ordinary share capital	**R0030**					
I-initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	15,347	15,347			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	23,759	23,759			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	23,759	23,759			
Total available own funds to meet the MCR	**R0510**	23,759	23,759			
Total eligible own funds to meet the SCR	**R0540**	23,759	23,759			
Total eligible own funds to meet the MCR	**R0550**	23,759	23,759			
SCR	**R0580**	11,607				
MCR	**R0600**	3,700				
Ratio of Eligible own funds to SCR	**R0620**	204.70%				
Ratio of Eligible own funds to MCR	**R0640**	642.14%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	23,759	
Own shares (held directly and indirectly)	**R0710**		

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Foreseeable dividends, distributions and charges	**R0720**					
Other basic own fund items	**R0730**	8,413				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**					
Reconciliation reserve	**R0760**	15,347				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	**R0770**					
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**					
Total Expected profits included in future premiums (EPIFP)	**R0790**					

S.25.01.21 Solvency capital requirement calculated by using the standard formula

-		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	2,241		
Counterparty default risk	R0020	1,745		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	9,333		
Diversification	R0060	-2,189		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	11,129		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	477
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	11,607
Capital add-on already set	R0210	
Solvency capital requirement	R0220	11,607
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

		Da/Ne
Approach to tax rate		C0109
Approach based on average tax rate	R0590	3 - Not applicable as LAC DT is not used (in this case R0600 to R0690 are not applicable)

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		C0130
LAC DT	R0640	
LAC DT justified by reversion of deferred tax liabilities	R0650	
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	

S.28.01.01 Minimum capital requirement for insurers engaged exclusively in life insurance or exclusively in non-life insurance, or reinsurance

		C0010
MCR_{NL} Result	R0010	1,887

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100	7,781	4,514
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070		
Linear MCR	R0300	1,887		
SCR	R0310	11,607	-	-
MCR cap	R0320	5,223		
MCR floor	R0330	2,902		
Combined MCR	R0340	2,902		
Absolute floor of the MCR	R0350	3,700		
-	-	C0070		
Minimum Capital Requirement	R0400	3,700		